



**We connect  
for a better  
future**

**Ready?**

# Who we are

Vodacom is a leading African communications company providing a wide range of communication services, including data, mobile and fixed voice, messaging, financial services, Enterprise IT, and converged services to 115.5 million customers (including Safaricom).

From our roots in South Africa, we have grown our mobile network business to include operations in Tanzania, the DRC, Mozambique, Lesotho and Kenya. Our mobile networks cover a total population of over 289 million people<sup>1</sup>. Through Vodacom Business Africa (VBA), we offer business-managed services to enterprises in 51 countries. Vodacom is majority-owned by Vodafone (60.5% holding), one of the world's largest communications companies by revenue.

## Why

### Our purpose

To provide affordable access to the internet for the next 100 million people in our markets

## 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

## Where

### Our vision

- To be the leading technology communications company in Africa;
- Connecting for a better future; and
- One of the world's greatest places to work.

## How

### The Spirit of Vodacom

- Earn customer loyalty;
- Create the future;
- Experiment – learn fast; and
- Get it done together.

## What

### 1 Best customer experience

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

### 2 Segmented propositions

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

### 3 Financial services

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

### 4 Digital content platforms

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

### 5 Best technology

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

### 6 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.

### 7 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.

1. Including Safaricom at 100%.



## How to get the most out of this Integrated report:



This icon shows you where you can find related information in our report.



This icon shows you where you can find more information at [www.vodacom.com](http://www.vodacom.com).



This icon indicates where more information can be found on the website of Vodacom's parent, Vodafone Group Plc, at [www.vodafone.com](http://www.vodafone.com).

## Vodacom's 2020 integrated reporting suite

Our 2020 integrated reporting process comprises the following reports:

- ▶ Integrated report 2020
- ▶ Consolidated annual financial statements 2020
- ▶ Sustainability report 2020
- ▶ Operational reports

These are all available at [www.vodacom.com](http://www.vodacom.com).

## Other sources of information available online



Sustainability report



Consolidated annual financial statements

## Delivering societal value through our core purpose

Vodacom's core purpose is 'connecting for a better future'. The United Nations Sustainable Development Goals (UN SDGs) provide the best articulation of what that 'better future' looks like, setting a clear long-term plan to end poverty, protect the planet and ensure prosperity for all by 2030. Vodacom is committed to playing its role, as a private sector company, in the attainment of these goals, supporting governments, communities, businesses and individuals to build a better future. Through our core business of providing increased access to reliable and accessible data and voice services, we are making a valuable contribution to meeting national and global developmental objectives.



Vodacom has identified and prioritised the following eight Sustainable Development Goals, where we believe we can have the most meaningful impact. We review our approach to delivering on these goals in our suite of Integrated reports, with the most detail provided in our Sustainability report 2020.



### Your feedback, please!

We value your feedback on our Integrated report. Please use this QR code link which will take you to a quick-and-easy feedback form on your smartphone.

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# Our strategy for value creation

To our investors and other interested stakeholders



In this report, we share our perspectives on why we believe Vodacom is a good long-term proposition.

In this report, we look back on the year's performance. We also glimpse into the future. We see how we have positioned our company for success in a rapidly changing world. Our stakeholders have a particular interest in appreciating Vodacom's ability to generate long-term value. Recognising that our ability to deliver value depends ultimately on the quality of our relationships, and on the health of the societies and economies in which we operate, it is essential also to understand how we are managing these relationships, and what we are doing to deliver societal value.

The report seeks to answer the questions, "How are we creating long-term value?" and "What is our approach to achieving strong financial growth?" and lastly, "Do we deliver on our core purpose – to connect for a better future?" We have prepared this report following the International Integrated Reporting Council (IIRC)'s International <IR> Framework.

We, the Board, have collectively prepared the information in this report. We believe that the report addresses all material matters and that it presents a balanced and fair account of the Group's performance for the financial year 1 April 2019 to 31 March 2020. It provides an accurate reflection of our strategic commitments for the short, medium and long term. We have applied our judgement regarding the disclosure of Vodacom's strategic plans, and have ensured that these disclosures do not place Vodacom at a competitive disadvantage.

On the advice of the Audit, Risk and Compliance Committee, the Board approved the Integrated report and the consolidated annual financial statements (AFS) on 2 June 2020.

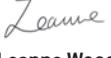
We encourage you, as one of our interested stakeholders, to share your views on our report, our performance Council's (IIRC's) and our strategic roadmap for delivering value. Holding us to account on what we say and do is a critical enabler for ensuring that Vodacom will continue to create value for at least the next 25 years.

  
Phillip Moleketi

  
Till Streichert

  
David Brown

  
Sunil Sood

  
Leanne Wood

  
Pierre Klotz

  
Shameel Joosub

  
Phuthi Mahanyele-Dabengwa

  
Sakumzi Macozoma

  
John Otty

  
Vivek Badrinath

  
Clive Thomson



Read more about the Board on page 60.

1. Please address any comments to [Vodacomir@vodafone.co.za](mailto:Vodacomir@vodafone.co.za).

# About this report

## Report boundary and scope

This report reviews Vodacom's strategy and business model, risks and opportunities, and operational and governance performance for the financial year 1 April 2019 to 31 March 2020. It covers the activities of the Vodacom Group and all its operating subsidiaries. Financial and non-financial data from subsidiaries are fully consolidated.

We have assessed issues that significantly impact value creation. We examined areas beyond financial reporting to identify and address all risks, opportunities, and the effects of our activities. We have made our assessments over the short term (less than 12 months), medium term (one to three years) and long term (beyond three years). See the figure below.

## Reporting frameworks

Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the IIRC's International <IR> Framework, the King Code on Corporate Governance 2016 (King IV); the JSE Listings Requirements; the South African Companies Act, No. 71 of 2008; and the Global Reporting Initiative's Sustainability Reporting Standards. We have provided extracts from the consolidated annual financial statements (AFS) in this report. The full set of consolidated AFS, as well as a suite of additional reports, are available online or can be requested from our Company Secretary.

The Social and Ethics Committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act and there are no instances of material non-compliance to disclose.

Where we only have data for our South African operation (which represents 71.9% of service revenue and 77.4% of EBITDA), we indicate this with (#). We have used (\*) to indicate normalised growth, which presents performance on a comparable basis. This excludes merger, acquisition and disposal activities where applicable and adjusting for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and IFRS 16 related adjustments in the current year and IAS 17 related adjustments in the prior year, to show a like-for-like comparison of results. IFRS 16 was adopted by the Group on 1 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. As a result, information presented for the year ended 31 March 2019 is presented under the previous statement IAS 17, while the year ended 31 March 2020 is presented in accordance with IFRS 16. The reported change reflected in this document is done on this basis, while normalised growth adjusts for differences in reporting of the current year and the prior year, to give the reader a like-for-like comparison of underlying performance.

## Materiality

This report provides information on all those matters that we believe could substantively affect value creation at Vodacom. The process of identifying and prioritising the substantial issues for inclusion in this report involved reviewing Vodacom's business model (pages 12 – 13) our interaction with the six capitals (pages 14 – 15) our operating environment (pages 16 – 17) and the interests of our key stakeholders as expressed during our regular business engagements with them (pages 18 – 19). In this report, we present the identified material information through a structured narrative. We review who we are and how we create value (page 03) identify those issues that have a significant impact on value (pages 12 – 13) and outline our strategy, performance and governance practices in ensuring long-term value creation (pages 26 – 65). Some information might not be relevant to this report.

This information can be accessed in our other reports, and on our website.

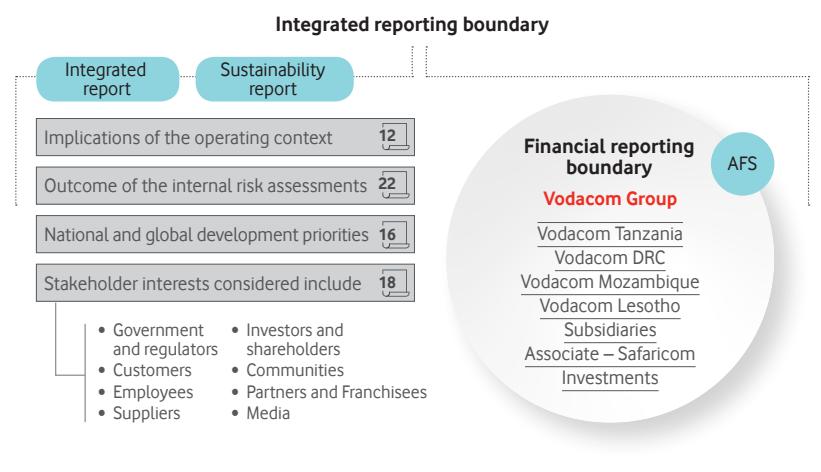
## Integrated thinking

Integrated thinking is intrinsic to how we manage our business and to our internal strategy development and reporting practices. We developed our strategy and six strategic pillars to ensure that we manage the resources and relationships needed to create value over time. A considered assessment of the six capitals (as referred to in the IIRC's <IR> Framework) informed both our strategy and the internal materiality process used to determine the content and structure of this report.

## Combined assurance

We use a combined assurance model to provide us with assurance obtained from management and internal and external assurance providers. Ernst & Young Inc audited our consolidated AFS 2020 and gave an unmodified opinion thereon. The extracts from the AFS in this Integrated report are from audited information but are not themselves audited. PricewaterhouseCoopers Inc. has undertaken a limited assurance engagement on selected elements of our Scope 1 and 2 greenhouse gas emissions in South Africa, as demonstrated in our Sustainability report of 2020. The symbol ^ indicates externally assured indicators. Our Audit, Risk and Compliance Committee provides internal assurance to the Board on an annual basis on the execution of the combined assurance plan. The Group's financial, operating, compliance and risk management controls are assessed by the Group's internal audit function, which is overseen by the Audit, Risk and Compliance Committee.

## Our reporting boundaries



# Responding to COVID-19

## The value of our Social Contract

Vodacom's purpose is to '**Connect for a better future**'. As a technology company, we use our technology and communications services to connect people and enable businesses in an increasingly digital world. Enhanced communication improves the overall quality of life, promotes efficiency and facilitates greater social inclusion by enabling the sharing of information among individuals, communities and businesses.

In delivering on this purpose, the Vodacom Group has committed itself to a Social Contract, guided by three core principles:

To promote a **duty of care** to our customers through affordable, easy to use products and services with transparent pricing

To ensure **fairness** and promote digital inclusivity, through enhanced access to digital products, services and infrastructure

To demonstrate **responsible leadership** and innovation in driving the transformation to a digital society

Our commitment to delivering on our purpose and Social Contract is playing a critical role in informing our response to the COVID-19 pandemic.

### Flattening the COVID-19 curve through digital connectivity

The global pandemic is challenging business models globally, upending traditional ways of working, shutting down certain sectors of the economy, disrupting supply chains, and severely constraining consumer spend. With people increasingly physically isolated, and with many workers operating remotely, our mobile and fixed networks have never been more critical in helping to keep societies functioning.

In responding to the global pandemic, we have implemented numerous measures to ensure the safety of our employees and contractors, to keep individuals, communities, businesses and governments connected, and to harness the power of digital technologies in a collective effort to flatten the curve:

- ▶ As a top priority, our teams across Africa have been working under testing conditions to maintain the quality and stability of our network, underpinned by targeted capital expenditure investment.
- ▶ We have supported governments across our markets through various initiatives, including:

- ▶ We have harnessed the strength of our M-Pesa and financial services platforms to promote contactless payment and have extended loans to SMEs to assist with cash flow challenges.
- ▶ To support the increase in home-schooling, we have strengthened the Vodacom e-School platform in South Africa, and expanded our zero-rated offering to all public schools, universities and T-Vet colleges across the country. In addition we have given large discounts to schools, universities and other educational institutions for virtual teaching options.
- ▶ In South Africa, we have partnered with health insurance company Discovery Health to connect the public with doctors. We invested R10 million and together with Discovery Health's investment, we are able to offer free virtual consultations to the public.

All of these initiatives have been underpinned by robust measures to ensure employee and contractor well-being, and to maintain the resilience of our essential connectivity services, ensuring that together we harness the power of digital technology to flatten the curve, and connect for a better future.



**Using Big Data analytics** to provide aggregated data to help track the spread of the disease and monitor population movements



**Zero-rating data** links to key essential government and other websites



**Providing timely and authentic information** on COVID-19 via different channels, including sending text messages on preventative health measures to our 115.5 million customers



**Donating 20 000 smartphones**, 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

"We believe these commitments, as part of our Social Contract, will go a long way in assisting customers in these tough economic times and will drive digital inclusion for all."

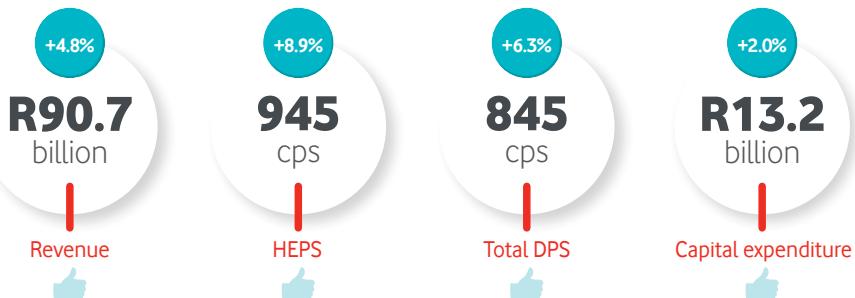
**Shameel Aziz Joosub**  
Vodacom Group CEO



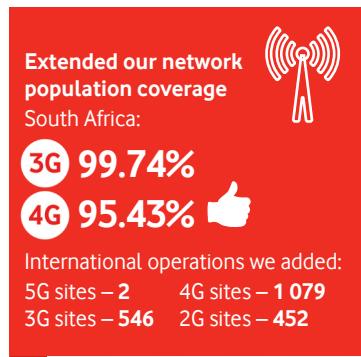
Press release relating to this Social Contract  
<https://vodacom.com/news-article.php?articleID=7457>

# The value we created

## Financial performance



## For our customers

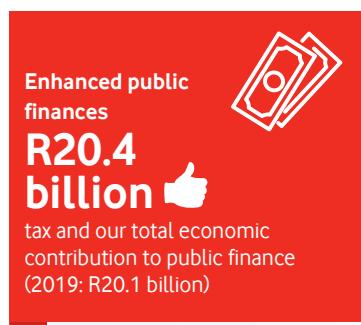


**Extended rural coverage to**  
**377 sites**   
(2019: 240) in South Africa to communities that previously did not have coverage

**R9.9 billion** airtime advanced to customers in South Africa  
**US\$14.7 billion** in M-Pesa transactions processed monthly, including Safaricom

- ▶ NPS declined in Mozambique
- ▶ 2.9 million customers barred in Tanzania due to biometric registrations
- ▶ Network disruptions in South Africa as a result of load-shedding

## In our societies



**Enabled financial inclusion**  
**53.2 million** financial services customers

**Promoted digital inclusion**  
**8.5 million** unique customers on ConnectU platform

**Contributed to transformation in South Africa**  
**Level 1**   
BEE contributor status  
**R35.9 billion** (2019: R34.4 billion) weighted spend on BEE-status suppliers

## For our employees



**Invested**  
**R430.3 million** (2019: R544 million) in employee skills development across all our markets  
**Two** work-related fatalities (one contractor and one member of the public) in separate incidents

**Encouraging diversity in South Africa:**   
**76.5%** of our employees are black  
**43.5%** of our employees are women  
**67.0%** of our Executive Committee members are black  
**60.3%** of our senior managers are black

## For providers of financial capital



**R4.7 billion** (2019: R3.0 billion) paid in interest to debt funders

**9.5%**   
Total shareholder return

# Where we operate



## Vodacom Business International

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

①	②	③	④	⑤	⑥
<b>South Africa</b>	<b>Lesotho</b>	<b>Mozambique</b>	<b>DRC</b>	<b>Tanzania</b>	<b>Safaricom (Kenya)</b>
Ownership: <b>100%</b>	Ownership: <b>80%</b>	Ownership: <b>85%</b>	Ownership: <b>51%</b>	Ownership: <b>75%*</b>	Ownership: <b>34.94%**</b>
Population <sup>1</sup> (estimate) <b>58.6 million</b>	Population <sup>1</sup> (estimate) <b>2.1 million</b>	Population <sup>1</sup> (estimate) <b>30.4 million</b>	Population <sup>1</sup> (estimate) <b>86.8 million</b>	Population <sup>1</sup> (estimate) <b>58.0 million</b>	Population <sup>1</sup> (estimate) <b>52.6 million</b>
GDP growth <sup>1</sup> estimate <b>0.2%</b>	GDP growth <sup>1</sup> estimate <b>0.9%</b>	GDP growth <sup>1</sup> estimate <b>2.2%</b>	GDP growth <sup>1</sup> estimate <b>4.4%</b>	GDP growth <sup>1</sup> estimate <b>6.7%</b>	GDP growth <sup>1</sup> estimate <b>5.4%</b>
Customers (thousand) <b>41 312</b>	Customers (thousand) <b>1 660</b>	Customers (thousand) <b>7 656</b>	Customers (thousand) <b>13 766</b>	Customers (thousand) <b>15 513</b>	Customers (thousand) <b>35 607</b>
ARPU <sup>2</sup> (local currency per month) <b>R86</b>	ARPU <sup>2</sup> (local currency per month) <b>LSL69</b>	ARPU <sup>2</sup> (local currency per month) <b>MTN252</b>	ARPU <sup>2</sup> (local currency per month) <b>US\$3.1</b>	ARPU <sup>2</sup> (local currency per month) <b>TZS5 616</b>	ARPU <sup>2</sup> (local currency per month) <b>KES615</b>
Licence expiry period <b>2029</b>	Licence expiry period <b>2036</b>	Licence expiry period <b>2038</b>	Licence expiry period <b>2021/2026/2028/2032/2038<sup>4</sup></b>	Licence expiry period <b>2031</b>	Licence expiry period <b>2022/2024/2026<sup>5</sup></b>
Coverage (2G) <b>99.9%</b>   (3G) <b>99.7%</b>   (4G) <b>95.4%</b>	Coverage (2G) <b>97.1%</b>   (3G) <b>98.7%</b>   (4G) <b>84.3%</b>	Coverage (2G) <b>67.3%</b>   (3G) <b>56.1%</b>   (4G) <b>25.2%</b>	Coverage (2G) <b>56.2%</b>   (3G) <b>31.4%</b>   (4G) <b>22.0%</b>	Coverage (2G) <b>89.8%</b>   (3G) <b>58.6%</b>   (4G) <b>32.6%</b>	Coverage (2G) <b>96%</b>   (3G) <b>94%</b>   (4G) <b>77%</b>
NPS <b>1st</b>	NPS <b>2nd</b>	NPS <b>3rd</b>	NPS <b>1st</b>	NPS <b>1st</b>	NPS <b>1st</b>
Points of presence – formal <sup>6</sup> <b>9 232</b>	Points of presence – formal <sup>6</sup> <b>12 437</b>	Points of presence – formal <sup>6</sup> <b>33 425</b>	Points of presence – formal <sup>6</sup> <b>25 674</b>	Points of presence – formal <sup>6</sup> <b>89 791</b>	Points of presence – formal <sup>6</sup> <b>27 981</b>
Points of presence – informal <sup>6</sup> <b>58 123</b>	Points of presence – informal <sup>6</sup> <b>11 118</b>	Points of presence – informal <sup>6</sup> <b>8 762</b>	Points of presence – informal <sup>6</sup> <b>383 923</b>	Points of presence – informal <sup>6</sup> <b>551</b>	Number of employees <b>5 403</b>
Number of employees <b>229</b>	Number of employees <b>599</b>	Number of employees <b>578</b>	Number of employees <b>578</b>	Number of employees <b>551</b>	

### Notes:

\* In September 2019 Vodacom Group finalised its acquisition of an additional 588 million shares in Vodacom Tanzania from Mirambo Limited, increasing its stake from 61.6% to 75%.

\*\* Vodacom Group Limited owns 87.5% of Vodafone Kenya Ltd, which in turn holds 39.93% of Safaricom Plc, giving Vodacom an effective holding of 34.94% in Safaricom.

1 The Bureau of Economic Research for SA and Fitch Solutions for all other countries (extraction date: 30 April 2020).

2 Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period.

3 Total ARPU is calculated by dividing the average total service revenue by the average monthly customers during the period.

4 2021 (VSAT licence), 2026 (Wimax licence), 2028 (2G licence), 2032 (3G licence), 2038 (4G licence).

5 2022 (3G licence), 2024 (2G licence), 2026 (4G licence).

6 Formal points of presence include Vodacom owned and franchised shops, service providers and private outlets, retailers that 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.

### Customers (million)

	2020	2019
South Africa	<b>41.3</b>	43.2
Tanzania	<b>15.5</b>	14.1
DRC	<b>13.8</b>	12.2
Mozambique	<b>7.7</b>	6.8
Lesotho	<b>1.7</b>	1.5
Safaricom <sup>1</sup>	<b>35.6</b>	31.7

### Revenue (million)

	2020 IFRS 16	2019 IAS 17
South Africa (R)	<b>69 593</b>	67 887
Tanzania (TZS)	<b>1 032 667</b>	1 024 587
DRC (US\$)	<b>512</b>	473
Mozambique (MZN)	<b>24 601</b>	21 071
Lesotho (LSL)	<b>1 377</b>	1 308
Safaricom (KES) <sup>1</sup>	<b>262 558</b>	250 283

1. 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.

# What we offer

We have 115.5 million active individual customers (including Safaricom) using our full range of products and services. Our core consumer products and services include voice, data, messaging and financial services across mobile and fixed networks. We are expanding into new verticals, including financial services, self-service care and entertainment. We provide our Enterprise customers with various communication solutions. We serve among large, medium and small enterprises. The solutions include connectivity and unified communication services, cloud and hosting, managed mobility, data security and the Internet of Things (IoT).

## Our products and services (outputs)

Voice	Mobile/Fixed
Data	Mobile broadband/Mobile internet/Fixed/Fibre
Messaging	SMS and MMS
<hr/>	
Unified communications	Voice/Messaging/Video
Cloud and hosting	
Connectivity	Wireless/Fixed/Mobile/Fibre
Managed mobility	Internet of Things (IoT)
Security	
Managed services	Mezzanine/XLink/Nexio
<hr/>	
Financial and digital services	Money transfer/Enterprise payments/Nano and micro financial services/QR payment/Digital commerce/mHealth/mAgriculture/Airtime advance/P2P payment/Insurance/POS devices/Lending
Self-service care	MyVodacom App/Vodacom online/Unstructured supplementary service data (USSD) self-help
Entertainment	Music streaming/Video entertainment/Gaming/Sports
Platforms	Advertising /e-School/Mum & Baby/ConnectU/Video Play



## Our promise to customers

Network	Quality	Value
Great network. Great experience	Available anytime, anywhere, first time right	Always have the best experience, value for money

Group service revenue	2020 IFRS 16	2019 IAS 17
Mobile contract revenue	28.9%	30.1%
Mobile prepaid revenue	55.5%	55.6%
Mobile interconnect	3.5%	3.7%
Fixed service revenue	6.0%	5.9%
Other service revenue	6.1%	4.7%

Group customer service revenue	2020 IFRS 16	2019 IAS 17
Mobile prepaid revenue	65.8%	64.9%
Mobile contract revenue	34.2%	35.1%

# Chairman's statement

In my opening statement last year, I suggested that Vodacom was operating in a very dynamic sector and region at a particularly interesting time, with rapid changes in technologies, consumer behaviour and markets, and with growing expectations for businesses to deliver a social purpose. Since then, we have experienced unprecedented disruption at a global, national and personal level.

Phillip Jabulani Moleketi



In these extraordinarily uncertain times, the need for business leadership has never been greater. Those companies and organisations that will survive and prosper in this uncertainty are those that have the resilience to adapt rapidly to changing circumstances, and that have the right commitment and culture to deliver broader societal value. Vodacom's strong growth over the last 26 years is founded on its capacity for innovation, underpinned by the substantial societal value it has provided through voice and digital connectivity, inclusive finance, and innovative new solutions in digital education, health and agriculture. These are the characteristics that I believe will ensure Vodacom's continued resilience and growth.

## Responding to COVID-19

The global COVID-19 outbreak in 2020 presents profound risks for the countries and communities in which we work, and for our activities as a company. While there remains much uncertainty regarding the full social and economic impact of the pandemic, all scenarios indicate a significant downturn in economic activity globally, for at least the medium term. Enforced quarantines, physical distancing measures and travel restrictions will put profound pressure on business viability, as well as on banking and financial systems, and will potentially prompt increased levels of social unrest.

With more people now working and entertaining themselves from home, the recent lockdowns have prompted a marked increase in demand for data and digital services, highlighting the particular responsibilities that we as an ICT company have in maintaining essential connectivity. In this context, it has been encouraging to see the proactive measures that Vodacom has taken in response to COVID-19, ensuring the safety of its employees and contractors, investing in the stability of its network, working with government in the development and implementation of

effective response measures, and providing additional data services to consumers, including most notably through its e-School platform. We face some very challenging months ahead, but I am confident that Vodacom will continue to demonstrate leadership and innovation, both in ensuring the resilience of Vodacom, and in helping individuals, companies and communities to adapt to the changing conditions.

## South Africa

This was another challenging year in our largest market, South Africa, with a sluggish economy negatively impacting consumer demand, and continuing political and macroeconomic uncertainty denting business and investor confidence. Consumer spending was constrained throughout the year by low GDP and wage growth and high unemployment and consumer debt levels, with significant added pressure following the national lockdown in April. During the year, the business felt the added impact of increased regulatory pressure on pricing, as well as a period of sustained electricity supply constraints that affected network availability. The recent Moody's downgrade, with high rand/dollar volatility, will constrain the government's ability to kick-start the economy after the lockdown, and suggests challenging market conditions ahead.

Given this tough operating environment, performance in South Africa was very positive, with an encouraging improvement in service revenue growth throughout the year, off the back of continued growth in data services. In December 2019, the Competition Commission released its data services market inquiry report, with various recommendations on reducing data prices to promote greater economic and social inclusion. Vodacom was quick to respond to the recommendations, proactively reaching agreement with the commission on introducing price reductions across its monthly bundles and increasing free access to certain essential data services in line with

our price transformation strategy. This will put R2.7 billion back in consumers' pockets.

Vodacom's data pricing transformation strategy has resulted in significant savings for customers and contributed to a 9.7% increase in the number of data customers and a 66.0% increase in overall data usage. This growth was further aided by the platform strategy aimed at growing the reasons to consume data, with digital service offerings in video, music, gaming and sports all gaining momentum. Vodacom Financial Services delivered another strong performance, and is looking to build on its existing offerings in insurance, payments and lending by expanding into the savings, investment and trading services market, with a focus on driving improved financial inclusion and meeting the needs of SMEs.

Building on its demonstrated leadership in promoting black economic empowerment in South Africa, Vodacom is committed to accelerating socioeconomic development in the country by broadening access to affordable voice and data services, and by driving further innovation in its digital service offerings in such areas as education, health, agriculture and active citizenry. For this potential to be realised, it is critical that we have a regulatory and policy framework that encourages long-term investment in network infrastructure, and that provides the access to spectrum needed to increase connectivity and bring down prices. There have been encouraging signs regarding spectrum allocation, with the regulator announcing that spectrum will be allocated/auctioned before the end of the year.

## International operations

Vodacom's International operations had another pleasing year, with growth in revenue and customer numbers underpinned by the continued success of the M-Pesa financial services offerings and strong uptake in data. This has been aided by

a more favourable operating environment in most markets, as well as the effective execution of strategy across the operations. We saw further expansion this year of the M-Pesa ecosystem, with the launch of various new products and services, and a strengthened merchant and distribution network. The successful incorporation of Vodacom's M-Pesa joint venture with Safaricom positions Vodacom well to accelerate investment in M-Pesa and enable a range of mobile financial services and payments for consumers, agents and merchants. The substantial investment in expanding network coverage and improving network performance has ensured good levels of 4G coverage in all markets, as well as valuable increases in 3G coverage in many previously unconnected rural areas.

Offsetting this generally strong performance, there were some significant regulatory and policy challenges throughout the year. In Tanzania, the national biometric-based registration of all customers, integrated with the country's National Identification Agency system, resulted in 2.9 million SIM cards being barred by Vodacom Tanzania, with a profound negative impact on revenue and customer numbers. This comes on top of the troubling incident at the end of the previous financial year, when several executives of Vodacom Tanzania were detained following a customer's alleged illegal use of network facilities. Although Vodacom Tanzania's Board and executive team acted swiftly and appropriately in responding to this development, and have cooperated closely with authorities, it was troubling for all of us to see the harshness of the penalty and the manner in which it was applied. In Lesotho, we have been having ongoing engagements this year with regulators regarding enforcement proceedings by the Lesotho Communications Authority relating to an alleged breach of Universal Access Fund obligations and an alleged lack of independence of Vodacom Lesotho's external auditors. These and other regulatory developments across the markets have resulted in a heightened focus on ensuring even stronger governance processes and compliance measures across the Group, as well as an accelerated emphasis on implementing the Vodacom Social Contract initiatives.

Looking ahead, we anticipate that the significant upside potential to monetise data will contribute to continued strong growth in all our markets, with Tanzania remaining under pressure. An important unknown, however, is how the COVID-19 pandemic will play out in the region. With most consumers earning a daily income in the informal sector, there are profound social risks in seeking to enforce a lockdown, as well as the worrying potential for a rapid spread of the virus. As part of a group-wide

response plan, Vodacom is engaging with the government in each market to assist in developing and delivering mitigation measures.

### Vision 2025 strategy

This year, the Board engaged with the Vodacom executive team and senior managers in a comprehensive two-day review of Vodacom's strategy. Following the largely successful execution of Vodacom's 2020 strategic plan, we engaged with the team in reviewing the proposed Vision 2025 strategy and its ambitious roadmap to transform the business from a conventional telco into a purpose-led digital technology company. The revised strategy is underpinned by an explicit Social Contract – to promote a duty of care to customers, ensure fairness and inclusivity, and maintain a reputation for responsible leadership and innovation – and by specific commitments to promoting digital inclusion, providing innovative digital services and reducing its environmental impact. The Group's performance against its 2020 strategy, and its specific commitments through to 2025, are reviewed in more detail throughout this report. I encourage you to read the report and to give us your feedback on Vodacom's performance and its stated ambitions and roadmap.

### Governance

In addition to providing an effective stewardship and oversight function, our role as the Board is to ensure that a strong culture of ethics and good governance is embedded across the organisation, along with a clear commitment to corporate citizenship and to fulfilling the Vodacom Social Contract with all of its stakeholders. It is critically important that we demand high ethical standards and conduct not only of all our employees, but also of all our service providers. It was pleasing this year to see the active role that Executive Committee members have been playing in engaging with employees and driving the Vodacom Digital Code of Conduct across all of Vodacom's markets.

In my role as Chairman for the past three years, I have been fortunate to have Board members that bring the strong diversity of skills, experience and outlook needed to drive full accountability, and to ensure that we fulfil our fiduciary obligations. We have been well supported in our oversight function by the boards in each of our International markets, which bring further depth and diversity in ensuring good governance and oversight of the Group's performance and strategic direction.

This year, following the resignation in December 2019 of Priscillah Mabelane as an independent non-executive director, after a thorough recruitment process we were joined on the Board in April 2020 by

Clive Thomson, former CEO of Barloworld Limited, bringing more than 20 years' experience in senior leadership and executive roles. We were also pleased to welcome new non-executive directors representing Vodafone, with Leanne Wood joining the Board in July 2019 and Pierre Klotz in April 2020, following the departures of Michael Joseph and Thomas Reisten. This was also the last year on the Board for CFO Till Streichert, who announced his resignation in November 2019 after 12 years at Vodafone and six years with Vodacom. We wish him every success in his new activities.

The Board welcomes the recent appointment of Vodacom Chief Executive, Shameel Joosub, to the Vodafone Executive Committee, with effect from 1 April 2020. Shameel's deserved appointment reflects the increasingly important contribution of Vodacom within the Vodafone Group, and will ensure that Africa's role is well reflected in informing Vodafone's strategy.

This year's annual external assessment of the Board's governance practices found that the Board continues to function well and is effective.

### Appreciation

As I announced in March, I will be stepping down from the Board at the Vodacom Group AGM in July 2020, where I will be succeeded by my colleague Saki Macozoma. It has been an incredible privilege serving on the Board for the past 10 years, and as Chairman since July 2017. Vodacom is a remarkable company, operating in a highly dynamic and rapidly changing sector. Since its launch 26 years ago, Vodacom has demonstrated its potential to deliver significant value for all of its various stakeholders by driving inclusive connectivity.

In departing I wish to express my gratitude to my colleagues on the Board, to the Vodacom executive team and to all of Vodacom's employees for their collective contribution to the Group's success. I would like also to thank the regulators, shareholders, business partners and other stakeholders whom I have engaged with over the years as a Vodacom Board member. We are all facing a particularly uncertain future – as a company, a country and a global community. The ICT sector has a profoundly important role to play in helping us to navigate through this uncertainty. I am confident that the Vodacom Group has the right vision and strategy, as well as culture and leadership teams, to deliver on its ambition of connecting people for a better future.

**Phillip Jabulani Moleketi**  
Chairman  
2 June 2020

## CEO's statement

It is pleasing to have achieved a good set of financial results and solid growth rates across the Vodacom Group despite the challenging macroeconomic environments. This has been a particularly volatile year, with sustained pressure on consumer and business spend in South Africa and increased regulatory and policy pressure across our markets, compounded by the outbreak of the COVID-19 pandemic early in 2020. Our financial results reflect the continued successful execution of our financial and digital strategy as we reposition Vodacom from a traditional telco to a fully-fledged digital services company.

Shameel Aziz Joosub



### Delivering on our Social Contract

The Vodacom Group has made a firm commitment to a Social Contract, aimed at restoring customer trust, improving our service offerings, and enhancing collaborations with government, regulators and other stakeholders to create the best environment for Vodacom and the telco sector more broadly to deliver societal value. The Social Contract, and our commitment to being a purpose-led organisation, is informed by three guiding principles: to promote a duty of care to our customers, ensure fairness through digital inclusion, and maintain a reputation for responsible leadership in driving transformation to a digital society.

As part of our commitment to delivering on our Social Contract, in April 2020 Vodacom South Africa introduced various initiatives that will promote greater digital inclusion, contribute to addressing social challenges in areas such as education and unemployment, and provide R2.7 billion in savings for our customers. We accelerated our data pricing transformation of 30-day bundles, reducing prices by up to 40%. Our offering of 1GB of data valid for 30 days – often referred to as the 'headline price' – has been reduced by 34% from R149 to R99 on all channels, with discounts provided on all 30-day bundles. We further extended discounted bundle offers to prepaid customers in areas where the majority of people live beneath the food poverty line, benefiting more than 2 000 suburbs and villages. In our drive to encourage digital inclusion through increased access to free data services, we have consolidated our existing zero-rated data services with new essential services aimed at social upliftment into a single 'ConnectU' platform. The platform provides Vodacom customers with free access to various essential services including job portals, educational content, health and wellness information, and access to select government sites such as Home Affairs, ambulance services, education sites and government communication services. We also expanded our zero-rated offering to all schools, universities and T-Vet colleges across the country, and provided free access to Facebook Flex, the low-data alternative to Facebook.

I believe these commitments, as part of our Social Contract, will go a long way in assisting customers in these tough economic times and driving digital inclusion for all.

### A year of strong performance in a tough environment

Despite harsh market conditions, Group revenue increased 4.8% this year to R90.7 billion, with service revenue up 5.0% to R73.4 billion. It was another successful year for our International portfolio, with 4.0 million new customers and a 12.5% increase in service revenue, off the back of increased demand for data and sustained growth in M-Pesa. Our International operations now contribute 29.7% to Group service revenue, underpinning their faster growth rate. In South Africa, an improved second-half performance contributed to a 2.3% increase in service revenue, with our pricing transformation initiatives, new product and service offerings, and sustained investment in network infrastructure and IT systems offsetting the tough economic environment and the impact of reduced out-of-bundle rates and implementation of new regulations.

Group EBITDA grew 11.6% to R37.6 billion, and headline earnings per share was up 8.9% to 945 cents per share. The final dividend per share was 405 cents.

Vodacom has responded promptly to various challenging regulatory conditions, most notably the customer registration requirements in Tanzania and ongoing enforcement proceedings in Lesotho. We have maintained our proactive engagements with Government and regulators, further strengthened our governance and compliance processes, and accelerated our focus on implementing our Social Contract initiatives by democratising data access and providing inclusive digital and financial services. In South Africa we have made considerable progress on the regulatory front. We were very quick in responding to the Competition Commission's data market inquiry, reaching a consent agreement that will deliver significant value to consumers, bringing down the cost to communicate and promoting digital inclusion. The assignment of available high-demand spectrum seems imminent, with Independent Communications Authority of South Africa (ICASA) indicating that this process will be concluded by the end of this calendar year.

## R90.7 billion

**Group revenue**

↗ 4.8%

## R73.4 billion

**Group service revenue**

↗ 5.0%

### Delivering on our strategic ambitions

Our pleasing performance this year reflects the effective execution of our strategy, building on our systems of advantage across each of our seven strategic focus areas.

#### 1 Best customer experience

We made valuable progress in enhancing the customer experience, underpinned by our data pricing transformation activities in South Africa, and increased digitisation of customer engagement across our markets. In South Africa, we implemented various initiatives to reduce data prices and increase access to free data services, which will result in R2.7 billion in savings for customers. Our significant reduction in prices of 30-day bundles and out-of-bundle data rate by more than 50%, announced in the first quarter, led to a 66.0% increase in data traffic over the year and significantly improved customer experience. While it is still early days, we anticipate that the trend of increased data usage will continue following the reduction in 30-day data bundle tariffs of up to 40% from 1 April 2020. There were pleasing developments this year in digitising the customer experience: the number of active monthly users on the MyVodacom App increased by 45%, with a 102% increase in data bundle purchases; we deployed our customer service chat-bot (TOBi) in the SMS, web, app and WhatsApp channels in South Africa; and as a first for telcos in South Africa, we provided customers with a detailed breakdown of their data usage increasing

transparency. Our Shake-Up Summer campaign launched in October 2019 in South Africa has been particularly successful, delivering results significantly ahead of targets. Vodacom ended the year leading in customer net promoter score (NPS) in South Africa, Tanzania and the DRC, second in Lesotho and third in Mozambique.

#### 2 Segmented propositions

In South Africa, the increased use of Big Data and analytics has enabled us to develop a more informed understanding of our customer preferences, and offer personalised propositions across four key market segments: youth, mass, high value and home. Across our various propositions, we delivered a good performance in monetising mobile data and accelerating data growth, adding 1.9 million new data customers to a total of 21.9 million, and increasing the number of smartphone users by 11.8%. Only 53% of our customers in South Africa use data and only 43% use smartphones, which reflects the opportunity to accelerate data growth even further. In our international operations, the same opportunity to accelerate data growth exists, with only 52% of the customer base using data. The increase in the drivers of data growth gives us confidence that we will continue to see elasticity to compensate for the pricing transformation initiatives agreed with the Competition Commission and implemented from 1 April 2020. Enterprise service revenue was up 6.7% to R14.3 billion, driven by strong performance in roaming revenues and revenue growth in IoT (38.5%) and fixed-line (8.5%), partially offset by a decline in mobile customer revenue. Our IoT.nxt acquisition was successfully integrated within our IoT business by mid-year, achieving Vodafone-wide recognition for its leading industry-specific solutions. Mezzanine, an incubated IoT subsidiary, continued to yield solid returns, offering exciting growth potential across Africa in agriculture and healthcare solutions. We strengthened our partnership with Amazon Web Services (AWS), deepening our expertise and capabilities, and securing coveted AWS Platinum Partner status. We improved our fibre rollout in the second half of the year, more than doubling the total number of homes connected to 61 427, with owned fibre passing 109 536 homes and businesses.

#### 3 Financial services

As part of our strategy to build diverse and sustainable revenue streams, our efforts to introduce 'one more service' to customers continued to gain momentum, with the most significant growth coming from our financial services offerings. We now offer financial

services to 53 million customers generating revenue in excess of R18 billion, including Safaricom. In South Africa, revenue from financial services was up 21.5% to R2.0 billion, with 13.6 million customers now using a financial services product, reflecting the success of Airtime Advance, insurance and VodaPay services. Within the payment space, we launched our VodaPay application, offering direct airtime purchases and electricity payments, with more to follow soon. We have also expanded our lending services to the first phase for SME lending, added new offerings in insurance products, and our own POS and payment gateway. In our International markets, M-Pesa continues to deliver significant societal and financial value. This year, M-Pesa revenue from Vodacom International markets grew 29.8% to R4.0 billion, representing 18.3% of international service revenue, while customer growth was 9.2% to 14.7 million active customers. Safaricom M-Pesa customer numbers in Kenya were up 10% to 24.9 million and M-Pesa revenue went up 12.6% to R12.2 billion, representing 33.6% of service revenue. A significant development was the successful incorporation of our M-Pesa joint venture with Safaricom that positions us to accelerate investment in M-Pesa, enabling a range of mobile financial services and payments use-cases for consumers, agents and merchants. This will include the rollout of our nano-lending platform, used by over 17 million customers in Kenya and Tanzania. This year we added new services across all markets, including expanding our lending products and widening our international remittance partner network.

#### 4 Digital content platforms

In South Africa, our digital services business produced robust growth, contributing R1.5 billion in revenue on the back of increasing purchases of content through our charge to bill service, our video on demand offering and our music, gaming, sport and other content services. In the last six months, we have focused on growing our customer base for digital consumer services in our International markets, developing various new digital offerings in video, music, gaming, sport and charge to bill offerings. Relative to our peers, we have performed particularly well in our digital content offerings, and we have some exciting growth potential off the back of some imminent new partnerships. While we anticipate increased competition in our markets from some of the large global content providers, we believe we have a very strong differentiated proposition. An uncertainty in the year ahead will be the impact of COVID-19 on discretionary spend on digital content.

## CEO's statement

continued

### 5 Best technology

We invested R13.2 billion in infrastructure this year, improving the overall customer experience across our markets with network modernisation and capacity upgrade initiatives. Major investment programmes include expanding our 2G, 3G and 4G network coverage across all our markets, and expanding 5G services in Lesotho. A significant milestone this year was the accelerated rollout of 4G in all our markets and the continued progress in enhancing connectivity in many previously unconnected rural communities. In South Africa, our network population coverage now extends to over 99.7% for 3G users, approximately 99% for urban coverage 4G users, and 82.9% for rural coverage 4G users. After being the first network to launch commercially in Africa last year through Vodacom Lesotho, we launched 5G services in South Africa on 5 May 2020, making use of the temporary spectrum assigned to us during the COVID-19 crisis. We have however secured spectrum for 5G through our agreement with Liquid Telecom. Unfortunately, national load-shedding and tower vandalism in South Africa remained a challenge during the year, negatively impacting network availability. We are mitigating the impact by investing in new batteries and standby power solutions, as well as implementing high-security shelters to reduce battery theft and damage. We delivered substantial cost savings through our Technology Efficiency Programme, including through digital technologies for smart planning, smart deployment and smart operations. Our IT investment focused on deepening our digital IT capabilities and scalable platform business.

### 6 Digital organisation and culture

As part of our drive to be a purpose-led organisation, in January this year we launched a new culture programme, the Spirit of Vodacom, aimed at embedding a customer-centric, purpose-led culture that drives innovation and partnership. We maintained our focus on embedding Agile structures, principles and tools across our South African operation, and commenced the Agile journey across all our international businesses, introducing the online Agile courses on Vodafone University to all our markets. In seeking to create a culture of continuous listening, we replaced our annual employee engagement survey with more frequent pulse surveys, enabling more frequent employee feedback on core strategic and business objectives. We have also introduced a series of CEO 'fireside

chats' in which employees across all our markets have an opportunity to engage with me in an open question and answer session every two months. As a result of COVID-19, with most of our staff working from home, the 'fireside chats' now take place weekly in order to keep staff informed and to share views and concerns. Ensuring an inclusive culture that embraces all diversities – including on race, gender, age, sexual orientation and disability – remains a top priority, and we have made some generally pleasing progress on this issue. In our South African operations, at year end black representation in the workforce was 77.3%, with 60.6% at senior management level and 61.5% at Executive Committee level. Women account for 34.2% at senior management level against our target of 36%.

### 7 Our brand and reputation

We placed a strengthened focus this year on our commitment to be a purpose-led organisation guided by an explicit Social Contract – to promote a duty of care to our customers, ensure fairness and inclusivity, and maintain a reputation for responsible leadership and innovation. Vodacom's purpose is to 'connect for a better future.' It is our ambition to improve the lives of the next 100 million customers and halve our environmental impact by 2025, through three focus areas: digital society, inclusion for all, and planet. We have made valuable progress this year in each of these areas. By extending networks to rural areas, facilitating access to smartphones, and providing low-cost price packages and digital solutions, we are helping to bridge the digital divide. This has been strengthened by numerous initiatives aimed at alleviating poverty and inequality, including through our various digital solutions across our markets in education, financial inclusion, small scale agriculture, health, and the empowerment of women and youth. We continued to invest in climate-smart, energy-efficient networks and solutions, developing water-wise practices, and minimising e-waste across our value chain.

#### Outlook

There is significant uncertainty ahead regarding the impact of COVID-19 globally, regionally, locally. Whatever happens, we anticipate sustained pressure on consumer spend, ongoing challenges in our distribution channels and supply chain, and potentially profound disruption in the communities and economies in which we operate. Our immediate priorities are to protect the well-being of our employees and contractors, and to ensure the resilience of our connectivity services, which are critical in

enabling individuals, communities, businesses and governments to operate. Through numerous public and private sector partnerships across our footprint, Vodacom will be supporting governments in minimising the impact of the pandemic, aided by the welcomed temporary assignment of spectrum in various markets. Our assistance to governments includes the zero-rating of educational and healthcare websites, the discounting of data for educational institutions, partnering on healthcare messaging, providing free allocation of data and airtime to healthcare workers, providing various digital health solutions through Mezzanine, and assisting governments in acquiring insights based on large anonymised data sets using our geodata tracking and Big Data capabilities.

Fortunately, the strength of our balance sheet allows us to lead our business through the anticipated economic downturn. We have low gearing of 0.7 times net debt (excluding leases) to EBITDA-aL and limited debt repayments in the short term, with sufficient facilities to maintain liquidity. With 90% of our debt rand-based, this has limited our foreign currency exposure. We are continuing to monitor events and have prepared for various scenarios.

Over the longer term, we will continue to drive our ambitions in our digital transformation journey, as we transition from a traditional telco to a fully-fledged digital technology services company. We are developing some exciting new partnerships that build on our systems of advantage and enable us to continue to develop innovative products and services that meet the specific needs and demands of our customers.

In closing, I would like to thank the Board and Executive Committee members for their support over the past financial year, and Vodacom's employees across the Group for their contribution to our strong performance. I would also like to pay tribute to my colleague, Bob Collymore, long-standing CEO of Safaricom, who sadly passed away this year. Bob was a visionary business leader, who taught us all a lot about the value of understanding and being responsive to the needs of our broader communities.

In this time of uncertainty, delivering on our purpose of 'connecting for a better future' has never been more critical. I am confident that we will rise to the challenge.



**Shameel Aziz Joosub**

Chief Executive Officer

2 June 2020

## Delivering our strategy

In line with our purpose of connecting for a better future, we have continued to deliver on our strategic pillars. As a leading technology communications company, we are creating an inclusive digital society, while protecting the planet. Behaviour guided by the Vodacom Spirit supports our activities and continues to earn customer loyalty, create the future, experiment and learn fast, and get it done together.

### Our 2020 strategy assessment and 2025 goals

**Reviewing our progress in delivering on Vision 2020 strategy, setting new strategic goals for 2025**

- Target achieved
- Target not achieved
- Change in performance indicator

Strategy	How we measure success	Goal to 31 March 2020	Performance as at 31 March 2020	Performance as at 31 March 2018 <sup>6</sup>	Goal to 31 March 2025
Best customer experience	Net promoter score <sup>1</sup>	#1 in all markets	#1 in all markets except Mozambique (#3) and Lesotho (#2)	#1 in all markets	#1 in all markets
	Digital NPS	#1 in all markets	#1 in all markets	77%	
Segmented propositions	Group service revenue growth rate (%)	Mid-single digit	<b>5.0%</b>	<b>3.4%</b>	Mid-single digit
Financial services	Group customers using financial services <sup>2</sup>	>52 million customers	53 million customers	not measured (not an objective in 2018)	>70 million customers
Digital content platforms	Group service revenue contribution (%) from digital services (IoT, infotainment, advertising)	<b>5.0%</b>	<b>3.4%</b>	<b>3.2%</b>	>20 million customers
Best technology	Network NPS	#1 in all markets	#1 in the DRC #2 in all other markets	#1 in all markets	#1 in all markets
	Employee engagement index (%)	<b>80%</b>	Not measured in 2020	<b>78%</b>	
Digital organisation and culture	Employee digital index <sup>3</sup>	<b>80%</b>	Not measured in 2020	<b>77%</b>	Measure no longer applicable
	Team Spirit index <sup>4,5</sup>	No target in 2020	Not measured in 2020	—	See note 5
Our brand and reputation	Brand leadership	#1 in South Africa	#1 in South Africa	#1 in South Africa	#1 in all markets
	Reputation survey	#1 in all markets	#1 in all markets	#1 in all markets	#1 in all markets

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

2. Including Safaricom.

3. Following the launch of our new culture programme, the performance indicator was changed.

4. Team Spirit index indicator replaces Employee digital index indicator.

5. The 2025 target will be set once the baseline has been determined.

6. The year of benchmark for the performance indicators.

# Our business model

## How we create value

### Our value chain activities

We secure access to spectrum, invest in mobile and fixed networks and information technology, develop and distribute a wide range of products and services tailored to our market segments, and run a strong customer care and brand programme.

These activities enable us to ensure revenue growth and high levels of cash generation, used to reinvest in the resources and relationships (the six capitals) that we rely on to do business and to deliver on our core purpose: connecting for a better future. A review of our use of, and impact on, the six capitals is provided on page 14.



#### Spectrum, network and IT infrastructure

Most of our communication services depend ultimately on having access to spectrum. We strive to secure this access at a competitive price through proactive engagement with government and regulators. Our

Vision 2025 strategy leads us to build on our substantial investment in network infrastructure and to expand into fixed broadband assets (cable and fibre). We are also investing in IT services, Big Data and analytics, digital services, fintech, customer relationship capability, billing, and online resources. We leverage our advanced IT infrastructure to become agile and smarter in deploying products and services, and to ensure exceptional customer care. We are increasingly using IoT in our network infrastructure to deliver significant energy efficiency and cost savings.



#### Procurement activities

To manage our vast supplier landscape, we leverage off the global purchasing power and responsible procurement practices of the Vodafone Procurement Company, enabling the purchase of responsibly manufactured network equipment, handsets and other services on favourable terms. We balance the benefits of global purchasing with our commitment to promoting economic opportunities in our host countries and driving black economic empowerment (BEE) in South Africa.



#### Product and service development

We are continually developing new products, services and pricing models, informed by our segmented customer approach that caters for each customer's needs, and behaviours in both the consumer and enterprise markets. Our products and services are evolving into new streams including IoT and financial and digital services. We place a strong emphasis on protecting customer privacy, and mitigating the risk of data theft or loss. We are implementing the 'Agile' methodology across various departments to ensure we respond faster in a constantly changing environment. We harness the power of Big Data to deliver personalised offers to our customers.



#### Customer service

Providing the best customer experience is a strategic priority and an essential source of market differentiation. We are constantly deepening our understanding of customers and their needs to provide targeted product and service offerings. Our ambition is to provide exceptional customer service through a seamless, personalised, omni-channel, digital customer experience.



#### Sales and distribution

Our many robust sales and distribution channels, as well as our after sales value chain, has positioned us as market leaders. Our traditional distribution channels have evolved and include many digital channels including online, USSD and the MyVodacom App. We also provide essential opportunities for SMEs and informal traders.



#### Managing our brand and reputation

We build a brand with purpose, developing and maintaining a reputation as a company that is 'connecting for a better future', and that shows leadership in promoting inclusive and environmentally responsible socioeconomic transformation. We communicate our service offerings and maintain our brand presence through our marketing and brand strategy.

# Our profit formula

We generate financial profit by investing in our fixed and mobile networks to attract Consumer and Enterprise 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 comes from selling mobile data, voice, financial services, fibre services, and messaging services to individual consumers, with the balance coming from the sale of these mobile services, coupled with connectivity and network provision services to our Enterprise customers. The recent continuing decline in mobile voice revenue has been more than offset by significant growth in data revenue, fuelled by the increased uptake of smart devices, improved network coverage, more affordable data bundles and attractive digital content offerings and services. Our Vision 2025 strategy aims to diversify these revenue streams further in key verticals such as financial services, IoT, digital content, cloud, and security.

**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. We are embracing new technologies and in many ways are pioneering the use of robotic process automation (RPA), Big Data, and artificial intelligence (AI) to optimise costs. Our resulting steady cash flow helps us to maintain a high level of capital reinvestment to maintain a 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 revenue differentiators

- Consistent investment in infrastructure, resulting in being rated first or second in network quality in all our countries of operation.
- Industry-leading customer value management systems, people and processes.
- A diverse and widespread distribution network across all our activities.
- Effective use of Big Data for personalised offers to customers to better suit their needs and behaviours.
- Competitive and compelling product offerings targeted by segment.
- Ability to offer vertically integrated solutions.
- M-Pesa, Africa's largest mobile payment platform.
- Leveraging off 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.

## Group service revenue composition

	2020	2019
● Consumer contract service revenue	19.4%	19.4%
● Consumer prepaid service revenue	57.6%	57.7%
● Enterprise service revenue	23.0%	22.9%

+5.0% increase in service revenue



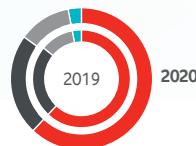
## Key cost differentiators

- 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 for approving investments and reviewing product, cost, and investment decisions.

## Group total expenses composition

	2020	2019
● Direct expenses	62%	62%
● Other opex	23%	24%
● Staff expenses	12%	11%
● Publicity expenses	3%	3%

+0.7% increase in total expenses



## Our investment cloud case

**Despite the current strong focus on driving affordability and accessibility of voice and data services through our pricing transformation strategy, we see significant opportunity for sustained revenue growth – by protecting and growing our traditional services of voice, data and messaging across our core markets, and, more significantly, by driving new digitally based verticals including financial services, entertainment platforms, Internet of Things, Cloud and hosting solutions for business and fibre, building on our existing well-established differentiators:**

- ▶ The global shift to digital is presenting significant market opportunities for telcos globally.
- ▶ We are globally recognised for our leadership in providing mobile financial services and innovative digital services in an emerging market context.
- ▶ We have a leading network and strong brand presence in each of our markets.
- ▶ Each market has a young, growing population offering significant opportunity for further digital adoption, in both the Consumer and Enterprise segments.
- ▶ We have a demonstrated reputation for strong management execution and capital allocation, delivering best-in-class return on capital employed (ROCE).

- ▶ We have a strong balance sheet and good cash flow generation to support further investment.
- ▶ We have a demonstrated capacity to embrace Big Data and machine learning to drive revenue growth.
  - Our ownership in IoT.nxt positions the Group for strong growth opportunities within this space.
  - The significant partnerships that we have signed with AWS and other professional organisations, will enable us to develop solutions based opportunities for our Enterprise clients.

We are increasingly diversifying the Group, both in terms of geographical diversification from South Africa and contribution from new digital revenue streams.

## Our business model

continued

# How we sustain value

## Investing in the resources and relationships (six capitals) impacting value

	Key inputs (2020)	Activities to sustain value
<b>People, culture and governance</b> (Human and intellectual capital)  40	<b>7 641 employees</b> (2019: 7 746) ↗ 1.4% <ul style="list-style-type: none"><li>Experienced and diverse executive team and strong Board</li><li>An agile, performance-based, purpose-led company culture</li><li>Robust governance systems</li><li>Service providers delivering on agreed terms</li></ul>	<ul style="list-style-type: none"><li>Competitive remuneration and personal development opportunities;</li><li>R430.3 million (2019: R544 million) invested in employee training and leadership development, including upskilling employees for digital transformation across all our markets;</li><li>Agile business processes across business units;</li><li>Sustained focus on diversity; and</li><li>Continued commitment to building our reputation as a quality employer.</li></ul>
<b>Quality relationships with key stakeholders</b> (Social and relationship capital)  18	<b>115.5 million customers<sup>1</sup></b> (2019: 109.6 million) ↗ 5.4% <ul style="list-style-type: none"><li>Constructive engagement with regulators</li><li>Investor confidence</li><li>Positive supplier relationship</li><li>Trusted brand and reputation</li></ul>	<ul style="list-style-type: none"><li>Continued investment in ensuring network and IT quality, strong positive customer experience, and segmented products and services;</li><li>Engaged actively with regulators, pursuing full compliance and driving a societal contribution;</li><li>Regular investor communication;</li><li>Delivering societal value through connectivity and digital services in areas such as inclusive finance, education, health and agriculture; and</li><li>Strong governance processes.</li></ul>
<b>Network and IT infrastructure</b> (Manufactured capital)  36	<b>22 183 base stations</b> (2019: 21 432) ↗ 3.5% <ul style="list-style-type: none"><li>Self-provided fibre and microwave connections: South Africa 96.1% (2019: 94.0%) International 92.0% (2019: 91.5%)</li><li>Investment in network R13.2 billion (2019: R13.0 billion) ↗ 1.5%</li></ul>	<ul style="list-style-type: none"><li>Maintaining our network and IT leadership through targeted capital investment;</li><li>Enabling 2G, 3G and LTE/4G on the same network equipment through radio access network modernisation programmes;</li><li>Further developing systems and processes to enable Big Data analytics; and</li><li>Investing in digital and financial services platforms to accelerate growth in this space.</li></ul>
<b>Financial capital</b>  46	<b>R215 billion market capitalisation</b> ↗ 5.0% <ul style="list-style-type: none"><li>0.9 times net debt to EBITDA ratio, and 0.7 net debt to EBITDA-aL ratio (excluding leases)</li></ul> <b>R16.3 billion free cash flow</b> ↗ 9.5% <b>R884 million interest earned</b> ↗ 40.3%	<ul style="list-style-type: none"><li>Diversifying revenue growth areas;</li><li>Utilising smart capital expenditure deployments;</li><li>Maintaining strong corporate governance structures and finance team;</li><li>Realising benefits of purchasing power on network equipment, devices and operational expenditure through Vodafone Procurement Company; and</li><li>Leading in the application of Big Data and AI to increase revenues and optimise costs.</li></ul>
<b>Natural resources</b> (Natural capital)  44	<ul style="list-style-type: none"><li>Radio spectrum (700, 800, 900, 1 800, 2 100, 2 600, 3 500 MHz bands).</li></ul> <b>607.7 GWh electricity</b> ↘ 1.5% <b>256 304 kl water used</b> ↘ 1.5% <b>19 million litres fuel</b> ↗ 3.7%	<ul style="list-style-type: none"><li>Strong focus on energy efficiency of our network;</li><li>Identify opportunities to use IoT to promote resource efficiency through smart metering; and</li><li>Recycling handsets and reusing network equipment.</li></ul>

1. Including Safaricom at 100%.

		<b>Trade-offs</b>
<b>Outcomes of our activities (2020)</b>		
<b>Maintained employee motivation, skills and diversity through</b>		
<ul style="list-style-type: none"> <li>✓ R6.4 billion invested in wages and benefits</li> <li>✓ 76.5% black and 34.4% female representation in senior management in South Africa</li> </ul>	<b>Evidence of staff satisfaction:</b>	<ul style="list-style-type: none"> <li>✓ Top employer in all markets, and leader in ICT/telecoms sector</li> <li>✓ 7% voluntary staff turnover (2019: 8%)</li> </ul>
<ul style="list-style-type: none"> <li>✗ Two work-related fatalities (2019: 1)</li> <li>✗ Lost-time injury frequency rate 0.07 (2019: 0.07)</li> <li>✓ Rapid proactive COVID-19 response</li> <li>✓ Strong progress on staff well-being</li> </ul>	<b>Mixed safety and good health performance</b>	
<ul style="list-style-type: none"> <li>✓ Leader in customer net promoter score in three of five markets</li> <li>✓ Increase in customers across markets</li> <li>⌚ Some customer issues remain (pg 29)</li> </ul>	<b>Positive customer relations</b>	<p>Maintaining quality relationships across all stakeholders may require trade-offs in certain relationships as we balance sometimes competing stakeholder interests. Investing in social capital often requires short- and medium-term financial capital inputs, but generally generates positive returns across most capitals over the longer term.</p>
<ul style="list-style-type: none"> <li>✓ R20.4 billion total cash contribution to public finances</li> <li>✓ Enabled financial inclusion through 39.6 million M-Pesa customers</li> </ul>	<b>Generally positive government relations, aided for example by</b>	
<ul style="list-style-type: none"> <li>✓ 790 new 2G sites</li> <li>✓ 845 new 3G sites</li> <li>✓ 2 307 new 4G sites.</li> <li>✓ 109 536 fibre end points passed</li> <li>✓ Smarter deployment through use of Big Data.</li> <li>⌚ Rated first for network quality in one of five markets in network NPS</li> </ul>	<b>Positive results in most areas</b>	<p>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. As a purpose-led organisation, we have committed to reducing the environmental impacts associated with our network infrastructure and services. An important trade-off is balancing customer and regulatory calls for reduced data prices with the ability to generate the financial capital needed for network investment.</p>
<ul style="list-style-type: none"> <li>✓ Revenue up 4.8% to R90.7 billion</li> <li>✓ EBITDA up 11.6% to R37.6 billion</li> <li>✓ Cash generated from operations: R39.3 billion</li> <li>✓ R4.7 billion paid to debt funders in interest</li> <li>✓ Total dividend per share declared: 845 cents</li> <li>✓ Headline earnings per share: 945 cents</li> </ul>	<b>Positive investor relations</b>	<p>There is an important trade-off between short-term and long-term investment associated with financial capital. It is important to balance the interest of short-term benefits with those of long-term sustainable growth objectives. While both are important for different stakeholders at different times, it is a key focus in our strategic decision-making process.</p>
<ul style="list-style-type: none"> <li>✓ 19 260 GJ** energy saved at our buildings in South Africa</li> <li>✓ 977 tonnes of e-waste recycled in the Group</li> <li>✓ 950 solar-operated sites</li> <li>✗ 610 914 tonne of CO<sub>2</sub> emissions (Scope 1, 2) ↗ 8%</li> </ul>	<b>Positive environmental outcomes</b>	<p>Using and impacting natural resources – which also sometimes negatively affect human and social capital – is a key trade-off for generating value across the other capitals. As part of being a purpose-led company we are committed to minimising the environmental impacts of our operations and activities, and to realising the significant potential for digital products and services to deliver positive environmental outcomes.</p>

\*\* Overall, energy consumption and carbon emissions have increased by 8% due to growth in operations, load-shedding and more inclusive reporting of refrigerant gas refills.

# Our external environment

## Material trends impacting value

As an ICT company with operations and activities across emerging markets in Africa, we face a particularly dynamic operating context that presents some risks as well as valuable opportunities. We have identified four broad trends over the year that have a material impact on our business model. Our Vision 2025 strategy is intended to ensure that we are best positioned to seize the opportunities and mitigate the risks associated with each of these trends.

### The COVID-19 pandemic

See also page 02

- The COVID-19 pandemic, which gained momentum in early 2020, is causing unprecedented turmoil globally, shutting down entire sectors of economies, disrupting supply chains, and placing many people out of work.
- The imperative of social distancing and the introduction of lockdowns in some regions have heightened the role of the telecoms industry in supporting citizens and businesses to connect and function under extreme circumstances.
- The telecoms industry has also been requested to assist governments in tracking the movement of people, raising challenges relating to privacy.

#### Our response

- Robust measures were implemented to ensure employee safety and maintain business viability during the nationwide lockdown in South Africa. Taking into account restricted movements and lockdowns in our various markets, and our status as an essential service, we identified critical staff to work from offices or designated working spaces.
- Additional capital expenditure allocated to ensure sufficient network capacity in response to the rapid escalation in demand for network capacity and data services, working with governments to enhance their capacity to deliver critical government services.
- Partnered in South Africa with the National Institute for Communicable Disease to use our geodata tracking and Big Data capabilities to improve government insights into population movement, while respecting individual privacy, and to assist in modelling the spread of the disease.
- Increased communication on our e-School platform to support ongoing quality education for learners and students on extended leave as a result of coronavirus-related disruption.
- Donated 20 000 smartphones, 100TB of data and 10 million voice call minutes to health workers in South Africa. We have also extended similar interventions in Lesotho.
- Partnered with health insurance company Discovery Health to connect the public with doctors through virtual consultations; each contributing R10 million to cover the cost of virus-related consultations.
- Provided SMS awareness messaging on preventative health measures to over 44 million subscribers in South Africa.
- We have made person to person M-Pesa transfers free up to threshold in most of our operations, to enable a contactless payment method and ensuring that traders can continue.
- Free-rated a number of government and health sites in order to keep people informed about the pandemic.
- Identified opportunities to offset some of the impacts by ensuring we have relevant products for customers from bite-sized bundles allowing customers to buy hourly, daily or weekly offerings but also giving them compelling offers to increase active days. Enterprise customers were provided with solutions to drive down costs, digitise their businesses and create more efficiencies by using services we provide such as IoT and cloud and hosting services.

#### Material risk<sup>1</sup>

- 1 Unstable economic conditions and pandemic
- 6 Social and political pressures
- 8 Spectrum

See page



#### Strategic objective



<sup>1</sup> The numbering of the material risks is according to the risk matrix shown in the principal risk section on page 22 to 25.

### Profoundly challenging macroeconomic context

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

#### South Africa

- In our largest market, low GDP and wage growth, high unemployment and consumer debt levels, and sustained pressure from rising energy, fuel, and food costs constrained consumer spending.
- The recent Moody's downgrade comes on top of continuing rand/dollar volatility, ongoing concerns regarding the bailout of state-owned enterprises, and sustained fiscal pressure, which all contributed to negative business and investor sentiment, further constraining government's ability to kick-start the economy following the anticipated severe impact of recent lockdown measures.

#### International operations

- We have seen higher growth rates in our East Africa markets. The growth happened despite regulatory and policy uncertainty, high exchange rate volatility, inflation pressure and undiversified economies, leaving the markets highly vulnerable to the threatening economic downturn.
- All mobile network operators are facing sustained tax and regulatory pressure, with political volatility and high levels of regulatory and policy intervention impacting telco activities across the region.

#### Our response

- Strong focus in South Africa on our data pricing transformation strategy, delivering significant reductions in data prices.
- Accelerated emphasis on our Social Contract initiatives, driving digital inclusion and democratising data access through affordable digital services, enhanced rural coverage and low-cost smartphones.
- Providing segmented products and services, with appropriate pricing strategies.
- Continued success in developing inclusive digital services such as M-Pesa mobile money, and Connected Farmer and e-Schooling initiatives.
- Sustained drive on cost efficiency and smart capital expenditure, including through the use of Big Data, AI, IoT and Robotic Process Automation, among others, to drive network and customer engagement efficiencies.

#### Material risk<sup>1</sup>

- 1 Unstable economic conditions and pandemic
- 6 Social and political pressures

See page



#### Strategic objective





Further details are provided in our Regulatory report at [www.vodacom.com](http://www.vodacom.com).

## A volatile competitive landscape

- Mobile network operators across our markets have been more aggressive in seeking competitive differentiation.
- We face continuing strong competition in our largest market, South Africa. MTN is making a significant investment in its network and is more aggressive in enterprise offerings. Telkom is maintaining steady growth in mobile through aggressive data propositions, and Rain is entering the consumer market. The fibre sector remains over-traded by ISPs and is ripe for consolidation.
- In our shift from a more conventional telco to a digital enterprise, we are facing strengthened competition – both for customers and for digital talent – from various non-traditional sources.
- Over-the-top (OTT) services (such as WhatsApp) are prevalent and growing in all our markets, negatively impacting messaging and voice revenue, partially offset by an increase in data revenue.
- We are seeing new global cloud entrants in the enterprise space across our markets.

### Our response

- Strive to deliver the most engaging customer experience by blending the best of technology and human interaction in a personal, instant and easy manner.
- Develop insight into our customers' needs, wants and behaviours, and provide propositions to lead in chosen segments.
- Strong focus on driving competitive differentiation through innovative product and service offerings that enable a digital society, are inclusive for all, and have the least environmental impact.
- Aim to be the leading telco through the best network and IT excellence.
- Embedding a purpose-led culture that drives innovation and partnership.
- Identify innovative opportunities for partnerships and collaboration.
- We aim to keep the cellphone at the centre of people's lives where our customers can be entertained, pay bills, invest, lend and insure.
- Increased investment in networks, smarter capital allocation, the provision of targeted customer propositions, ambitious price plays, and/or new digital offerings, often through innovative new partnerships.

### Material risk<sup>1</sup>

- 7 Market disruption
- 9 Execution of strategic projects for future growth

See page

24

## Tough regulatory and policy environment

**We continue to face increasing regulatory and policy challenges across our markets, with implications for revenue growth, product pricing, and cost efficiency. The most material regulatory issues by market are:**

- South Africa:** Implementation of the settlement agreement with the Competition Commission further to the data services market inquiry on data price cuts, outcome and impact of ICASA's Priority Market Review on the mobile broadband market, and timing and nature of high-demand spectrum licensing process.
- Tanzania:** Profound impact on revenue and customer numbers of national biometric-based SIM registration, implementation of lawful interception regulations, ongoing quality of service regulations, introduction of financial services consumer protection regulations, and M-Pesa national payment switch initiative.
- DRC:** A new national digital plan introducing changes to the DRC's ICT policy framework; a claim against several operators (including Vodacom) for alleged unpaid taxes, which is being contested; implications of customer SIM registration regulations; proposed new handset tax; and implementation of outcome of a market review of the retail market for voice and data pending post COVID-19.
- Mozambique:** Implementation of lawful interception regulations, and implications of biometric customer SIM registration regulations.
- Lesotho:** Ongoing engagement regarding enforcement proceedings by the Lesotho Communications Authority and the alleged lack of independence of Vodacom's previous local external auditors.

### Our response

- Accelerated focus across our markets on implementing our Social Contract initiatives, democratising data access, and providing inclusive digital and financial services.
- Strengthened focus placed on ensuring robust governance processes and strong management of regulatory compliance across the Group.
- Maintaining proactive relations with government and regulators, informed by a shared understanding of the need for inclusive economic development.
- In South Africa, a proactive agreement was reached with the Competition Commission on price reductions across our monthly bundles and provision of free access to basic internet, essential services, and cheaper pricing to the poorest communities.
- Forums created to deepen the understanding of governments and regulators of the scope of the mobile business and its contribution to governments' developmental objectives.
- Participation in government engagement processes when invited.

See page

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### Strategic objective



<sup>1</sup> The numbering of the material risks is according to the risk matrix shown in the principal risk section on page 22 to 25.

### Strategic objective



# Our key relationships

Vodacom Group does not operate in isolation: our ability to deliver value depends on the contribution and activities of a range of different stakeholders.

In the tables below, we briefly outline those stakeholder groups who have a substantive impact on our ability to create value, outlining their contribution to value creation, our means of engaging with them, and the stakeholders' primary interests relating to our business activities. We have also provided 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

☆	No existing relationship, or one that is fractured and has deep challenges	☆☆	An established relationship, but further work needed to improve the quality	☆☆☆	Good quality relationship, with room for further improvement	☆☆☆☆	Very strong relationship, based on mutual trust and shared benefit
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## Government and regulators



Provide access to spectrum and operating licences, impose regulatory measures with cost implications.

### How we engage

- Personal consultation with the government and regulatory representatives
- Participation in public forums
- Engagement on draft regulations and bills
- Industry consultative bodies
- Partnering on various social programmes
- Hosting workshops to improve sector understanding
- Participation in parliamentary processes
- Our Social Contract

### Material stakeholder interests

- Ensuring that spectrum is managed as a strategic resource;
- Protecting consumer interests on service quality, costs and privacy;
- Establishing licence certainty in our operating environments;
- Opportunities for job creation and socioeconomic development;
- Regulatory compliance (e.g. mobile termination rates, price, security, safety, health, and environmental performance);
- Contribution to the tax base;
- Using Big Data analytics to provide aggregated data to help track the spread of COVID-19 and population movement; and
- Donating smartphones and data to health professionals to transmit data for resource planning.

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**Our response:**  
Our brand and reputation (page 42)

## Customers



Purchase our products and services, providing the basis for revenue growth.

### How we engage

- Retail outlets, online and call centres
- MyVodacom App, messaging and USSD channels
- Net promoter score (NPS) feedback, interviews and focus groups
- Social media interaction
- Vodacom website
- Executive Committee visits to stores

### Material stakeholder interests

- Better value offerings;
- Faster data networks and wider coverage;
- Making it quick and easy to deal with Vodacom;
- Converged solutions for business customers;
- Managing the challenge of data-usage transparency;
- Privacy of information; and
- Prompt feedback/resolution on service-related issues.

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**Our response:**  
Best customer experience (page 29), Segmented propositions (page 26), Financial services (page 32), Digital content platforms (page 34)

## Employees



Their skills, experience and productivity drive the development and execution of strategy.

### How we engage

- Internal website
- Newsletters and electronic communication
- Employee Consultative Council
- Employee hotline
- Leadership roadshows
- Pulse surveys
- CEO 'fireside chats' which are more frequent during the lockdown period

### Material stakeholder interests

- Opportunities for personal and career development;
- Communication and knowledge sharing across the Group;
- Enhancing leadership coaching capacity;
- Competitive remuneration; and
- Deepening digital skills and ways of 'agile' working.

40

**Our response:**  
Digital organisation and culture (page 40), Sustainability report (Our People)

**Investors and shareholders**

Provide the financial capital for long-term growth.

**How we engage**

- Personal meetings, roadshows, conferences
- Investor days
- Annual and interim reports
- SENS announcements
- Monthly and quarterly reviews with Vodafone
- Investor relations page on our website

**Material stakeholder interests**

- Strategy to ensure sustained financial growth;
- Responsible allocation of capital;
- Sound corporate governance practices;
- Transparent executive remuneration; and
- Stable dividend policy.

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**Our response:**  
Share information (page 78), consolidated annual financial statements, sustainability report

**Suppliers**

Impact our ability to cost-effectively provide products and services.

**How we engage**

- Supplier forums
- Ongoing site visits
- Tenders and requests for audits
- Supplier audits and assessments

**Material stakeholder interests**

- Timely payment and fair terms;
- BBBEE compliance;
- Improving health and safety standards;
- Partnering on environmental solutions;
- Supplier/product innovation;
- Faster payment terms for our BBBEE suppliers; and
- Development of black female owned suppliers.

42

**Our response:**  
Our brand and reputation (page 42), sustainability report (responsible and resilient supply chain)

**Communities**

Strengthen the socioeconomic context in which we operate, inform our reputation.

**How we engage**

- Community interaction in projects relating to education, health, agriculture and financial inclusion
- Public participation on new base stations
- Open days at universities
- Vodacom Foundation/community partnerships
- Our Social Contract

**Material stakeholder interests**

- Access to mobile voice and data services;
- Delivery of global and national development goals;
- Free-to-use social media, education and job sites;
- Responsible investment in infrastructure;
- Transparency on our performance;
- Partnership with Discovery Health to connect the public with doctors through virtual consultations;
- Zero-rating government and other websites;
- Providing timely and authentic information on the COVID-19 pandemic; and
- Affordable data prices to 2 000 poorest towns in South Africa.

42

**Our response:**  
Our brand and reputation (page 42), sustainability report

**Business partners/franchisees**

A key interface with our customers – custodians of our brand and reputation.

**How we engage**

- Annual business partner conference
- Bi-annual franchise road shows
- Quarterly Franchisee Council Committee meetings
- One-on-one business meetings
- Training sessions on products and services
- Store, franchise and retail visits

**Material stakeholder interests**

- Fair treatment.
- Top management involvement with customers;
- Making it quicker and easier to deal with us;
- Developmental loans for new black franchisees; and
- Channel transformation to create more black-owned franchisees.

29

**Our response:**  
Best customer experience (page 29)

**Media**

Inform company reputation and consumer awareness of products and services.

**How we engage**

- Face-to-face and telephonic engagement
- Interviews with CEO and key executives
- Media releases and product-related publicity
- Roundtables
- Product launches

**Material stakeholder interests**

- Being informed of key activities and offerings; and
- Transparency on performance.

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**Our response:**  
Integrated report, consolidated annual financial statements, sustainability report

# Responding to stakeholder ‘hot topics’

## Data affordability in South Africa

- Stakeholders**
- Customers
  - Government
  - Regulators
  - Investors
  - Media

### The issue

In South Africa, the cost of ICT services in general and data, in particular, remains a key interest and concern among various stakeholder groups. The need for data affordability is also driven by increasing regulatory intervention. In December 2019, the Competition Commission released its Data Services Market Inquiry report, outlining various recommended measures to promote greater economic and social inclusion as the country moves into the digital age. The anticipated release of high demand spectrum will be a key enabler.

### Our response

We recognise the imperative of further lowering data prices, without compromising our ability to invest in network infrastructure to broaden and improve service provision.

Vodacom has been on a journey to transform data pricing for a few years now. Through this pricing transformation programme, we have introduced various initiatives to make data more affordable and accessible for all customers. These initiatives include higher data allocation in integrated postpaid packages, introduction of shorter validity period bundles at significant discounts and price reductions on a number of data packages. On 1 March 2019, we also lowered our out-of-bundle rates significantly in addition to other measures as we implemented the End-User Subscriber Services Charter. These changes, mostly in relation to out-of-bundle usage, put an estimated R2 billion back in to our customers' hands.

This year, following an agreement reached with the Competition Commission, Vodacom committed to a range of initiatives to further reduce data prices and increase access to free data services, which will result in R2.7 billion in savings for customers. The initiatives were introduced on 1 April 2020 and formed part of a broader Vodacom Group programme to develop a Social Contract with stakeholders in order to collaborate and address societal challenges across all Vodacom markets. The agreement includes the following:

- Accelerating data pricing transformation on 30-day bundles by reducing prices by up to 40%; discounts are provided on all 30-day bundles, with further decreases to be implemented in April 2021.
- Consolidating all existing zero-rated data services with new essential services aimed at social upliftment into a single platform called ConnectU which also include:
  - Free access to job portals, educational content and free health and wellness information, as well as staying connected through Facebook Flex, the low data alternative to Facebook.
  - Zero-rated access to select government sites to assist members of the public in accessing government services such as Home Affairs, ambulance services, education sites and government communication services. This will assist everyone in gaining access to much needed government services as these are now moving into the digital space as well.
  - Expanding our zero-rated offering to all schools, universities and T-Vet colleges across the country. This will ensure that learners and students enrolled into these institutions will be able to access relevant information for free via their portals.
  - A full zero-rated internet search function powered by Wikipedia. This will allow customers access to the entire Wikipedia database of knowledge free of charge.
  - Free access to other essential information such as local and international headlines, trends and the weather.
  - In addition we have also identified 2 000 of South Africa's poorest towns, suburbs and villages, where customers will enjoy further discounted bundle offers ensuring that these discounts benefit includes the people who need it most.

Being transparent and responsive to stakeholders' interests is essential in building and maintaining trust (social capital), which is fundamental to our ability to create value. While there are always many different stakeholder interests that we have to deal with, we have prioritised four 'hot issues' that were most visible during this financial year that we believe have a material bearing on our ability to create value.

- Stakeholders**
- Customers
  - Government
  - Regulators
  - Media

## Consumer privacy

### The issue

Individual consumers are becoming increasingly connected through smartphones and other personal devices, spending more time on social media platforms and more frequently engaging in e-commerce transactions and digital financial services. As the ability to track and analyse 'connected consumers' becomes more sophisticated, so does the need to manage and protect personal information become more critical. Trust in big tech companies has recently been falling, with consumers and regulators increasingly concerned about the security of personal data and how it is being used.

### Our response

Respecting customers' privacy, and protecting devices, networks, data and apps, remains a top priority and is integral to our code of conduct.

- As part of the Vodafone Group, we have adopted and implemented the Vodafone privacy risk management approach based on compliance with the EU's General Data Protection Regulation (GDPR) – the global 'gold standards' on data protection and privacy, with each market aligning the programme with existing in-country privacy legislation.
- In the wake of the Fourth Industrial Revolution and artificial intelligence and with the introduction of related products and services – the usage of which appears to trade off the privacy of users – we are cautious and vigilant in assessing products and services to ensure that the privacy and security of personal information is not compromised. Our security and privacy by design and assurance process has been fully implemented and rolled out across most of our organisations. This process allows the privacy, security and risk teams to assess privacy and security risks in respect of all products and processes – particularly in the Big Data analytics, business intelligence, Internet of Things, robotics and cloud computing environments. The overall result is that products and services are created with the principles of privacy and security being taken into account and built in at the design and development stage.
- Privileged user account management software ensures that users are authenticated, while end point security reduces the risk of malware damaging the end point device. We enforce strong security practices and controls to minimise security risks to critical Vodacom assets.
- A Vodacom cyber-defence team is in place to reduce the risks of cyberattacks, underpinned by specialised investigations and analytics consistent with global baselines for security monitoring.
- All legally entitled requests from security and enforcement agencies for customer information are managed in accordance with law enforcement policies and procedures, and with applicable local laws and regulations. These policies are aligned to the Vodafone global policies. We contribute annually to Vodafone's industry-leading law enforcement disclosure report, which provides a detailed insight into demands from law enforcement agencies in 28 countries.
- In response to COVID-19, our approach is to assist in combating and managing the spread of the pandemic by providing aggregated and anonymised movement data (based on our network usage patterns) to authorised government entities, thus enabling government to better understand movement patterns and respond accordingly.

## Network quality and coverage

### Stakeholders

- Customers
- Government
- Regulators
- Suppliers

#### The issue

To maintain an extensive network coverage, quality, and performance is both an essential source of competitive differentiation, as well as a legislated expectation in terms of 'quality of service' regulations. Unplanned disruptions in network performance, and any resulting shortfalls in network quality and availability, negatively impact consumer sentiment, which can be shared rapidly on social media. In South Africa, we have faced network challenges in some areas following extended load shedding by the national energy utility (Eskom), placing pressure on back-up diesel generators and batteries.

#### Our response

- To meet the growing demand for data across our markets, we have invested R13.2 billion to widen our 3G and 4G data coverage, improve voice quality, and increase data speeds.
- In South Africa, our 3G coverage increased to 99.7% of the population and 4G coverage to 95.4%. High-speed transmission extended to 96.1% of our sites.
- To mitigate the risks associated with extended load-shedding, we have invested in additional batteries and generators across our South African network.
- Our International mobile operations now have 8 032 2G sites, 6 175 3G sites, 2 672 4G sites, and two 5G sites.
- We launched 5G services in South Africa on 5 May 2020 making use of the temporary spectrum assigned to us during the COVID-19 crisis. We have however secured spectrum for 5G through our agreement with Liquid Telecom.
- We continue to engage actively with regulatory authorities on accessing spectrum. This remains a critical factor in further improving network quality and coverage and reducing data costs.



## Promoting transformation in South Africa

#### The issue

Vodacom has a long-standing record of commitment to promoting broad-based black economic empowerment (BBBEE) in South Africa, reflected in our consistent leadership position in terms of our independently assessed BBBEE status and scoring. Our Vision 2025 strategy includes clear commitments to removing barriers to digital access and delivering societal benefits by playing a transformative role in providing inclusive financial services, and supporting municipal services, education, healthcare, agriculture and SMEs.

#### Our response

Our largest market, South Africa, has among the highest levels of inequality, unemployment and poverty globally. To address historical imbalances and to promote greater economic inclusion in the country, the government is committed to driving 'radical economic transformation'. For the ICT sector, this reflects in key provisions of the National Integrated ICT Policy White Paper and the Electronic Communications Amendment Bill. In our International markets, there are similar pressures from governments and consumers to broaden access to digital services and drive localisation.

- We pledged in 2018 to invest R50 billion over the next five years towards deploying 4G, 5G and fibre technologies in South Africa, with significant positive implications in terms of the enhanced economic opportunities associated with digital inclusion. Since 2018 we have invested R28.3 billion (R9.9 billion in FY2020), representing 57% of the total pledged.
- This year we invested R243 million in enterprise development and preferential procurement, and spent R275 million on skills development.
- We implemented a retail transformation strategy that encourages black ownership in our franchise channel.
- We are driving greater diversity (in terms of race, gender and disability) across employees and management.

## Bulls and bears: our investors' perceptions

### The bulls – seeing the upside

- ▷ A strong management team with a good track record of execution;
- ▷ A strong balance sheet capacity and cash flow generation to support dividends, future mergers and acquisitions, and adjusted impacts from COVID-19;
- ▷ A diversifying portfolio with faster growth potential in international operations and a positive earnings contribution from Safaricom;
- ▷ Excitement about new growth opportunities in digital services, including fintech, enterprise and IoT innovations; and
- ▷ Anticipated progress on spectrum allocation in South Africa.

### The bears – identifying areas of concern

- ▷ Perceived regulatory and competitive issues placing further pressure on data pricing;
- ▷ Slowdown in service revenue growth in South Africa, with out-of-bundle data regulation and the Competition Commission enquiry into data pricing putting further pressure on revenue in the short term;
- ▷ Continuing macroeconomic pressure negatively impacting consumer spend; and
- ▷ International markets further impacted by COVID-19.

# Our principal risks and associated opportunities

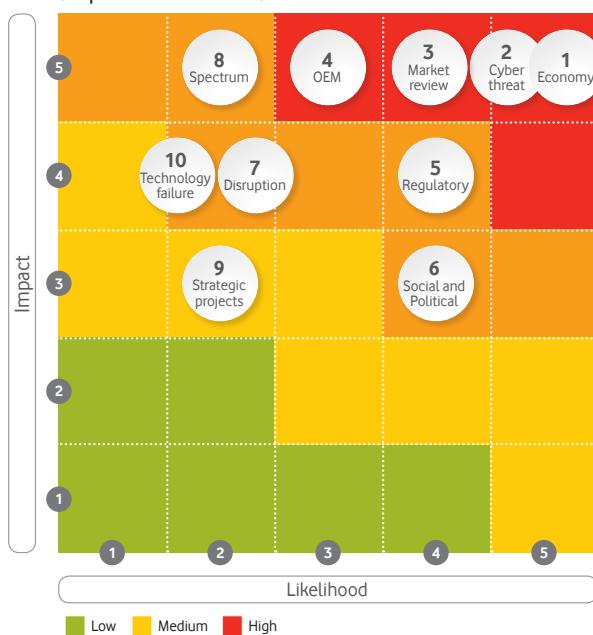
Vodacom has a mature risk management framework that aligns with the ISO 31000 International Risk Management Standard and the requirements of South Africa's King IV Governance Code.

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

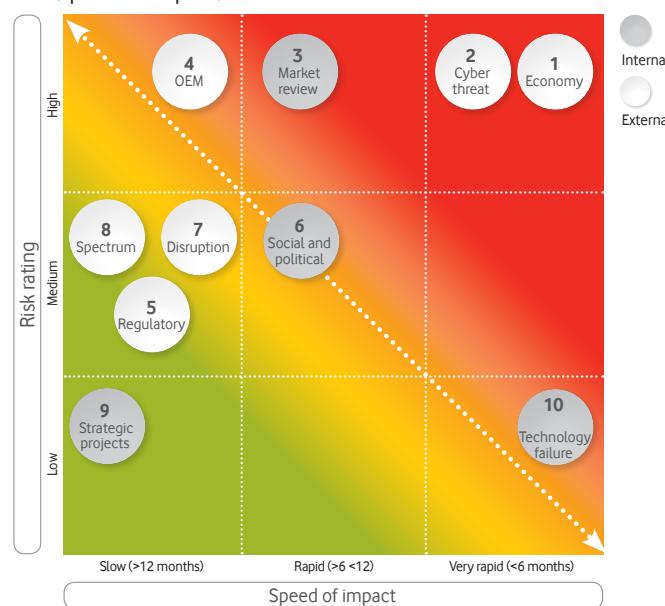
The Group's risk heat map (Figure 1) sets out the top 10 principal risks as identified through the risk management process. The heat map depicts residual risk after taking into account mitigating risk factors. This is supported by the risk and speed of impact report (Figure 2), reflecting the rate at which the Group will experience adverse impacts if the risk materialised.

Following the outbreak of the COVID-19 pandemic in early 2020, we have also subsequently undertaken a detailed assessment of the associated risks (separately presented).

**Figure 1:** Vodacom Group top risk rating (impact vs likelihood)



**Figure 2:** Vodacom Group Top 10 rating (speed of impact)



## 1 Unstable economic conditions and pandemic

Speed of impact: Very rapid

Rating: 1 (2019: 2)

### Opportunity

To ensure we have segmented offerings targeted at consumers at the bottom of the pyramid with hourly, daily and weekly offers and personalised offers giving customers more value.

#### Context

The mobile communications industry is often subject to unpredictable and higher direct and indirect taxes in countries of operation. Volatile macroeconomic conditions may weaken consumer and enterprise spend, reducing revenue and impacting negatively on operating costs and capital expenditure.

#### COVID-19 exposure

COVID-19 and the financial downgrade of South Africa have weakened consumer and enterprise spending, negatively affecting demand. This has also increased operational costs and capital expenditure needed to implement controls to limit the spread of the virus.

#### Mitigating actions

- Rely on an internal, specialised tax management capability;
- Implement Group Treasury policies;
- Implement a global cost-savings programme;
- Use foreign exchange instruments to mitigate foreign currency fluctuations;
- Operational plans and budgets are being adjusted for the pandemic using best and worst-case scenarios, powered by Big Data-fed forecasting models;
- Identifying opportunities to offset some of the impacts by ensuring we have relevant products for customers from bite-sized bundles allowing them to buy hourly, daily or weekly offerings, but also giving them compelling offers to increase active days; and
- Providing Enterprise customers with solutions to drive down costs, digitise their businesses and create more efficiencies by using services we provide such as IoT, cloud and hosting.

#### Strategy





## 2 Cyber threat

**Speed of impact:** Very rapid

**Rating:** 2 (2019: 1)

### Opportunity

Protecting our customers' devices and personal data is crucial to being a trusted provider.

#### Context

An external cyber attack, insider threat or supplier breach – malicious or accidental – could result in service interruption or the breach of confidential data. This could negatively affect customers, revenue and reputation, and lead to costs associated with fraud or extortion.

#### COVID-19 exposure

Since the start of the pandemic, we have seen an increase in cyber threats targeting customers through phishing, social engineering, and malicious or insecure apps and services. Remote working has also introduced a rise in cyber threats. Pressure on internal security network resources has intensified.

#### Mitigating actions

- Commission world-class security vendors to enhance sophisticated attacker detection;
- Undertake proactive assessment of security on all projects;
- Implement cyber incident response, containment and focus monitoring;
- Continuously implement security improvement programmes;
- Apply layers of security controls to protect our infrastructure;
- Apply Vodafone Security Risk, Control and Assurance Framework; and
- Bring in relevant skills to manage our IT security.

### Strategy



## 3 Priority market review

(South Africa)

**Speed of impact:** Rapid

**Rating:** 3 (2019: 3)

### Opportunity

Proactive pricing transformation and delivering on Social Contract.

#### Context

The priority market review on wholesale and retail could increase regulatory requirements. Stringent regulatory requirements set by the regulator or legislation could have an impact on Vodacom's profitability, growth and services.

#### Mitigating actions

- Engage/participate with governments and regulatory and public bodies to communicate key messages and proposals on how policy/regulatory decisions positively and negatively impact the sector;
- Create specialist legal, regulatory and government relations teams, with external advisors and legal counsel as needed;
- Engage stakeholders and use targeted intelligence reports to understand material legislative changes;
- Implement proactive pricing transformation; and
- Establish a Social Contract with government and customers which provides for cheaper pricing and access to free services through our ConnectU platform.

### Strategy



## 4 OEM (original equipment manufacturer) sovereign risk exposure

**Speed of impact:** Slow

**Rating:** 4 (2019: 4)

### Opportunity

Diversification of vendors through a multi-vendor strategy and proactively engaging with governments on OEM sovereign risks.

#### Context

Geopolitical influences could impact on our IT and technology vendor strategy. Lack of supply by key suppliers may negatively impact on operational activities and delivery of quality service.

#### COVID-19 exposure

COVID-19 has increased the risk of supplier unreliability, potentially impacting our ability to source critical equipment, skills and resources. The pandemic has also resulted in growing geopolitical pressures influencing our IT and vendor strategies, and has placed increased pressure on operational costs.

#### Mitigating actions

- Reduce dependency on single suppliers by risk profiling to consider multi-vendor strategy in critical categories; and
- Engage proactively with governments, experts and suppliers.

### Strategy



## Our principal risks

continued

### 5 Adverse regulatory and political pressure

Speed of impact: Slow

Rating: 5 (2019: 6)

#### Opportunity

Being proactive in the changing regulatory context provides opportunities for being heard and influencing outcomes.

#### Context

Stringent regulatory requirements set by the regulator or legislation could adversely impact the company's profitability, growth and services. This exposes us to significant financial and reputational damage.

#### COVID-19 exposure

The government's response to COVID-19 could result in intensified regulatory and legislative requirements to provide free or discounted services.

#### Mitigating actions

- Engage/participate with governments, regulatory and public bodies to communicate key messages and proposals on how policy/regulatory decisions positively and negatively impact the sector;
- Create specialist legal, regulatory and government relations teams and use targeted intelligence reports to understand material legislative changes;
- Ensure that a regulatory compliance policy and a combined assurance programme are in place and all risks are documented; and
- Proactive assistance to government through the COVID-19 crisis by providing discounted rates and free access to educational and health portals.

#### Strategy



### 6 Social and political pressures

Speed of impact: Rapid

Rating: 6 (2019: new)

#### Opportunity

Demonstrating authentic leadership in delivering on our purpose and Social Contract maintains trust and competitive differentiation.

#### Context

External factors, for example civil or social activism could directly influence our operations. Failing to act decisively or appropriately on important issues could cause reputational harm or damage to our brand.

#### COVID-19 exposure

Added economic pressure on consumers has prompted a demand for reduced prices as the need for connectivity increases. False news on 5G has also intensified, which could result in an upsurge of social pressure against 5G rollout.

#### Mitigating actions

- Regularly communicate Vodacom's purpose through media statements and campaigns;
- Monitor social activism;
- Create awareness campaigns to educate Vodacom's customers on 5G;
- Align Vodacom's position with our purpose statement so that customers trust our brand;
- Provide proactive assistance to employees, customers and suppliers through the COVID-19 crisis; and
- Fulfil Social Contract with government and customers.

#### Strategy



### 7 Market disruption

Speed of impact: Slow

Rating: 7 (2019: 8)

#### Opportunity

Being agile and driving innovation in our products and services, partnerships and business model offer exciting opportunities for growth and diversification.

#### Context

We are experiencing intensified competition from a variety of new and existing technology providers, new market entrants and competitors.

#### COVID-19 exposure

COVID-19 has expanded demand for OTT platforms and alternative solutions in the context of the 'new ways of working'. It could also result in a reduced demand as customers face increased pressure.

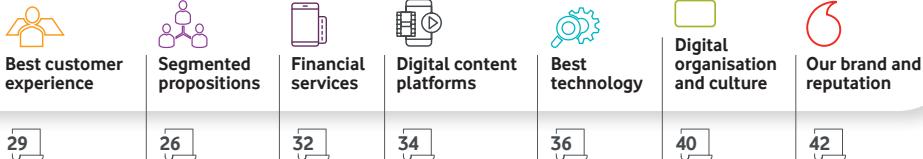
#### Mitigating actions

- Enhance focus on growing technology skills and capabilities to compete with disruptive market players;
- Monetise network and personal data assets by using Big Data and real-time analytics to personalise customer services;
- Adopt pricing strategies to counter declining traditional voice revenues and substantially increase volumes of data;
- Establish a team to analyse and understand customer behaviour to better position service offerings;
- Entrench a superior customer service strategy;
- Partner with OTTs for mutual benefit;
- Provide financial and digital services; and
- Use IoT products and services and other enterprise solutions to alleviate costs.

#### Strategy



## Our strategies

**8 Spectrum**

Speed of impact: Slow

Rating: 8 (2019: 5)

**Opportunity**

Realising alternative opportunities for accessing spectrum, for example through partnerships, and extending activities in fixed and fibre to enable differentiation.

**Context**

Failure to secure additional spectrum due to policy changes relating to the issuing of spectrum licences, non-renewal of existing licences, and increased competition for access to spectrum would significantly impact on 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 heightened pressure on our current network resources.

**Mitigating actions**

- Engage government and regulatory bodies, highlighting efficient allocation and societal benefits of spectrum;
- Actively participate in licence renewal and spectrum allocation processes;
- Evaluate and implement re-farming and optimisation strategies;
- Embrace a proactive spectrum strategy, including potential acquisitions and strategic partnerships under applicable regulations; and
- Implement temporary spectrum allocation to cope with the effects of COVID-19.

**Strategy****9 Execution of strategic projects for future growth**

Speed of impact: Slow

Rating: 9 (2019: 9)

**Opportunity**

A strong focus on maintaining intellectual capital and execution ability remains a valuable source of market leadership.

**Context**

Growth opportunities may be missed if we fail to execute strategic projects. Vodacom's ability to remain competitive in the new and changing market may be negatively impacted if projects to roll out fibre, digital services, financial services and converged products are not successful or completed on a timely basis. Regional start-ups and smaller fixed ISPs offering no-frills access to the internet pose a risk.

**COVID-19 exposure**

Additional government controls, coupled with human resource constraints, limit our ability to execute key strategic projects, such as fibre rollout and converged services. Increased demand on our network, as well as constraints caused by supplier disruptions, may require the repurposing of our network resources, further delaying the roll out of key projects.

**Mitigating actions**

- Dedicate a pillar in our strategy, focusing on future growth areas;
- Consult external experts on future thinking;
- Create specialised divisions to deliver on our strategic offerings;
- Review alternative options to assist in the growth of strategic offerings through build, buy or partnering; and
- Review and monitor current revenue streams to proactively implement controls to prevent and manage potential substitution.

**Strategy****10 Technology failures (service failures)**

Speed of impact: Very rapid

Rating: 10 (2019: 7)

**Opportunity**

Our long-standing well-demonstrated leadership and continuous investment in technology have been at the heart of our customer value proposition.

**Context**

Our value proposition rests on the reliable availability of a high-quality network. A major failure in critical network or information technology assets and systems – for example, through natural disasters, insufficient preventative maintenance, or malicious attack – would have a profound impact on our customers, revenue and reputation.

**COVID-19 exposure**

COVID-19 has caused excessive strain on our network resources, increasing the risk of network failure.

**Mitigating actions**

- Invest in maintaining and upgrading our systems on an ongoing basis and focus on comprehensive business continuity and disaster recovery plans;
- Invest to ensure adequate and feasible redundancy capabilities;
- Ensure that insurance policies are comprehensive;
- Reduce reliance on external parties through self-provided transmission links on critical routes in our networks;
- Ensure sufficient stock of spares; and
- Upfront investment.

**Strategy**

# 01

## Segmented propositions

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

- ✓ Achieved
- ✗ Not achieved
- ⇄ Unchanged



### Developing segmented propositions using Big Data analytics

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

✓ **Youth:** Our Vodacom NXT LVL platform focuses on supporting and empowering South Africans under the age of 25 through affordable devices and preferential rates on value bundles. It also gives access to e-School (a zero-rated learning platform), Future Jobs Finder (a zero-rated career guidance and training content portal), reduced subscriptions on music and gaming services, and other lifestyle benefits. Since its inception in 2015, the proposition has delivered notable results, with over 3.8 million active customers on the platform. This year we saw an 8% year-on-year increase in our customer base, with data ARPU up by 100% and smartphone penetration growing at 11%. By leveraging our multiple-vendor strategy and substantial subsidy, we have driven down the prices of entry-level 4G devices to ensure our Youth customers enjoy access to our 4G network.

✓ **Mass segment:** With low-income customers in the emerging prepaid segment in mind, we developed our Siyakha platform which facilitates digital inclusion through affordable price packages, entry-level smartphones, and targeted offers and content. Since its launch in 2017, free access to the Vodacom Mum & Baby portal has impacted the lives of 1.8 million parents and guardians across South Africa by democratising access to healthcare, providing pregnant women and new parents with health information by

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

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

✓ **Home:** We aim to provide South African families and households with solutions that will enable them to seamlessly connect through all available technologies. Our ambition is to connect 40% of South African households by 2023.

## Monetising mobile data

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

### Commercial network rollout

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

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

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

### Device penetration

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

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

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

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

### Bundle engagement

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

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

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

### Upselling digital services to existing users

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

### Driving enterprise growth in South Africa

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

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

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

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

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

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

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

## Segmented propositions

continued



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

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

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

Our various partnerships have continued to deliver positive results.

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

✓ Mezzanine, our digital healthcare and agriculture specialist subsidiary, has seen growth across its core product offering, including winning a significant e-learning deal in Ghana this year. When the COVID-19 crisis hit South Africa, Mezzanine was well positioned to respond rapidly and provide impact solutions.

Mezzanine's Stock Visibility Solution is used to monitor personal protective equipment (PPE) stock levels across the country. Add to this the monitoring and visibility it already provides the Department of Health for essential medicine stock levels in primary healthcare facilities across the country. The business offers exciting growth potential across Africa in agriculture and healthcare solutions.

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

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



## Vodacom Vision 2025

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

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

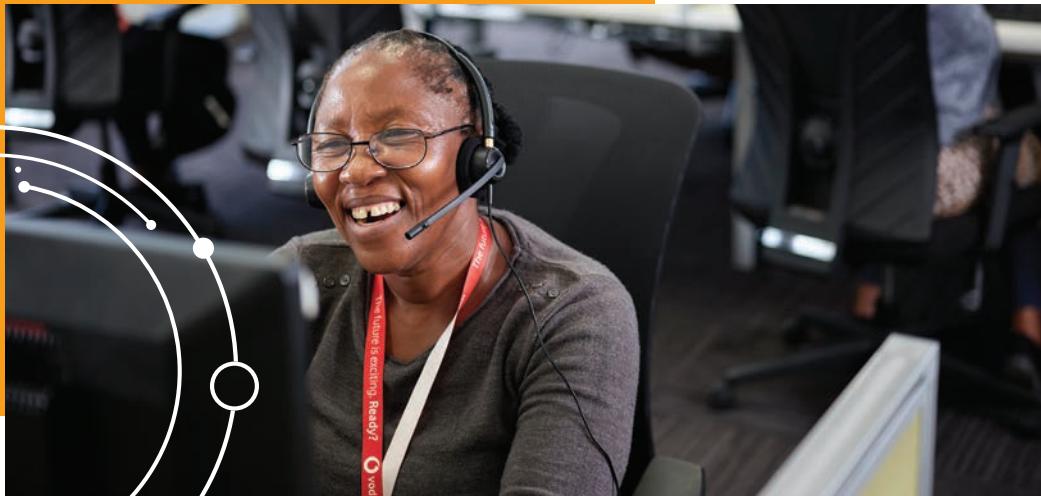
We will grow our digital enterprise propositions, leveraging our connect, communicate, collaborate and cloud solutions. In meeting our growth ambitions, we will:

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

## Best customer experience

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

- ✓ Achieved
- ✗ Not achieved
- ↔ Unchanged



### Optimising the customer experience

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

#### 1 Connectivity that is smart and secure

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

#### 2 Always in control

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

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

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

#### 3 Real-time relevant rewards

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

## Best customer experience

continued



### 4 Easy, personal and instant access

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

- ✓ In South Africa, in September 2019, we launched the Vodacom 112 Emergency Service App, enabling people with communication barriers to contact emergency services when in need of emergency help.

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

#### South Africa

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

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

- ✓ We have introduced a hardware and technology refresh strategy across our branded stores, enabling us to regularly update key elements of our IT assets and infrastructure to maximise system performance and service delivery.

- ✓ As a result of the changes brought about within our stores, we have seen an improvement on key customer indicators: our tNPS improved year-on-year by 3ppts to 64ppts, and our First Time Fix sits at 85ppts.

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

#### International

- ✗ We have been driving uptake of a 'lite' version of the MyVodacom App across our International markets with challenges in some markets in ensuring effective compatibility with lower-end devices, and in ensuring better penetration.

- ✓ As part of our goal of deepening the use of digital to enhance the customer experience, we have been expanding the reach of our Just 4 You offering, launching this on the MyVodacom App in Tanzania and the DRC.

- ✓ We continued the rollout of new store formats across our markets, as well as further investing our customer call centres.

- ✓ Robotic Process Automation (RPA) activities and chatbots were launched in Tanzania, enabling us to increase efficiency in customer handling and improve customer experience.

- ✓ In Mozambique, we ran a Testathon for the MyVodacom App to address locally experienced challenges, and added a unique feature on the app that offers real-time assistance and ticket management by chat.

- ✓ In the DRC, we developed an in-house live app integrating all customers' and agents' feedbacks through the Kobo Collect Platform, which helps to locate each customer who complains about network quality and coverage, enabling us to target improvement areas.

### Delivering leadership on net promoter score

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

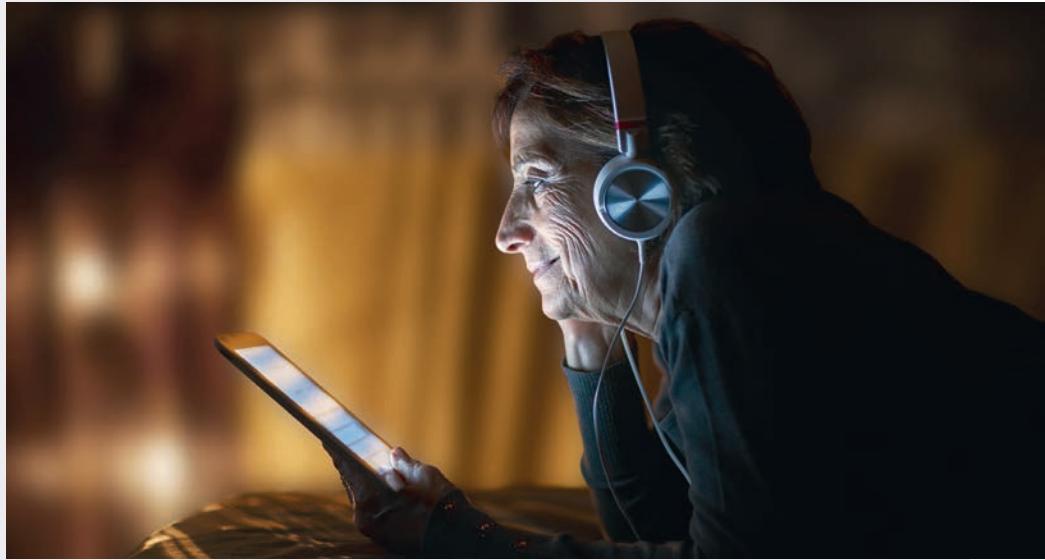
- ✓ We are market leaders in South Africa, Tanzania and the DRC.

- ✗ In Mozambique, we trail our closest competitor Movitel by 14pts, mainly because of network inconsistencies, cost of services and pricing pressures. We do however maintain the lead on brand perception, mobile money, problem solving, and providing information.

- ✗ In Lesotho, we are 19pts behind our closest competitor, although we lead in the high-value segment.

#### Our NPS performance rating

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



## Vodacom Vision 2025

### Digitising and optimising the customer experience

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

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

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

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

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

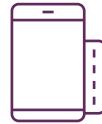
**Transform** our frontline to be the experts of tomorrow.

# 03

## Financial services

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

- ✓ Achieved
- ✗ Not achieved
- ⇄ Unchanged



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

### Growing financial services across our footprint

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

#### Insurance

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

#### Payments

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

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

#### Lending

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

#### M-Pesa

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

## Vodacom Vision 2025

Scaling financial services to deliver long-term value

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

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

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

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

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

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

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

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

### South Africa

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

- **Insurance:** With the local insurance market significantly underpenetrated, we believe that there remains substantial further upside in growing and digitising our insurance offerings. We have established and will grow our existing insurance customer base by expanding our suite of offerings, making them increasingly more accessible and personalised, thereby driving financial inclusion. Our telco assets continue to drive differentiation in the market by building on our strong relationships with customers and the digital propositions informed by deep customer intelligence and available on numerous channels. These assets will allow us to create a seamless and engaging interaction for our customers, changing the way insurance products are consumed.

- **Payments:** Building on our existing payment propositions for consumers and enterprises, we see extensive opportunities to extend our reach in digital payments. While the opportunities include expanding our existing propositions within our focus segments, we believe there are exciting new opportunities to extend our services deeper into the payments value chain. We will be making an extensive investment to establish a world-class ecosystem upon which additional propositions and services can be offered.

- **Lending:** Creating alternative access to credit to address the needs of many South African consumers and small businesses will remain a high priority for us. Our digital lending offerings will continue to focus on addressing the challenges related to accessing credit, going beyond the propositions that are complementary to our core businesses. Our data assets and digital platforms put us in a unique position to offer compelling and contextualised lending solutions to our customers.

- **Investments:** We believe there are meaningful opportunities to expand into the savings and investments market where many of the existing propositions remain inaccessible to a significant proportion of the population. We will focus on enhancing inclusion within the financial services market.

- **Trading services:** Building on the business services of Vodacom Business targeted at SMEs and enterprises, we will be adding B2B trading services. We will leverage our digital and financial services capabilities and offerings as we strengthen digital transformation across retail and fast-moving consumer goods (FMCG) supply chains, with a strong focus on driving enhanced inclusion for SMEs.

### International markets

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

# 04

## Digital content platforms

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

✓ Achieved

✗ Not achieved

⇄ Unchanged



### Consumer digital content

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

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

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

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

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

### Consumer and Enterprise IoT

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

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

## Vodacom Vision 2025

Driving growth in digital services

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

### Fibre in South Africa

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

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

### Consumer digital content

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

### Scaling our IoT business

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



## Best technology

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

 Achieved

 Not achieved

 Unchanged



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

### South Africa

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

 While 2G coverage remains at 99.9% of the population, 3G was extended to 99.7% of the population, and 4G to more than 95%. We have made significant progress in increasing 4G outdoor coverage, despite still not having access to dedicated sub 1GHz 4G spectrum (700/800 MHz).

 We added 137 new deep rural network sites, connecting rural communities that were previously without any coverage at all.

 We remain optimistic that the regulator will soon announce the auction of additional 4G and 5G spectrum during this year, however in the interim we are using innovative software features supported where our radio network has already been modernised, such as dynamic spectrum sharing. This has enabled us to better manage the sharing of our limited spectrum resources across 2G, 3G and 4G on a

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

 We renegotiated our existing 4G national roaming and facilities agreements with Rain. This allows for rollout across the entire Vodacom network where required. Traffic offloaded to the Rain network has significantly improved the data experience for our 4G customers.

 We have invested in ensuring that our mobile core network is now 5G ready and we are continuing the ongoing modernisation of our radio and transport networks to also support 5G. Following the allocation of temporary spectrum during the COVID-19 crisis, we selectively launched mobile and fixed 5G services. We have however secured spectrum for 5G through our agreement with Liquid Telecom.

 We have seen growth in our VoLTE (Voice over LTE) service, which now carries over 2.5 million voice calls during peak traffic periods daily and uses spectrum more efficiently than 2G and 3G technology to increase capacity for the limited spectrum being used. We enabled enhanced voice services (EVS) on our network to improve voice quality for our customers.

 To cater for the growth in data traffic, we increased the percentage of base stations with self-provided transmission to 96% of all base stations, while 47% of sites have self-provided fibre and 49% have self-provided high-capacity microwave transmission.

 Mobile network performance improved overall, considering the results of our internal network drive test benchmarking. This has been achieved by continuing the investment in modernising our network to support the latest features and capabilities and expanding our 4G+ footprint where possible.

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

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

## Reducing our environmental impact and delivering technology efficiencies

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

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

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

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

## Extending our capabilities in modern digital IT

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

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

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

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

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

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

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

## Addressing cyber threats to maintain customer security and privacy

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

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

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

## Growing our Enterprise technology and services

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

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

## Best technology

continued



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

### Maintaining technology resilience

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

### International

#### Expanded our best gigabit networks

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

- ✓ We have activated significant additional submarine cable capacity with diverse geographical routes to meet growing demand for data and internet across all of our markets. We have partnered with various other global players in the 2Africa project, one of the world's largest subsea cable projects that will interconnect Europe, the Middle East and 21 landing points in 16 countries across Africa, going live in 2023/24.

- ✗ We experienced particular challenges in Mozambique due to two consecutive cyclones that damaged major roads and infrastructure. We also experienced theft and vandalism to our fibre infrastructure, which was resolved by installing high-speed microwave transmission links as back-up routes to the fibre network.

- ✗ The DRC experienced service availability challenges through a leased fibre route from a third party. To mitigate the issue an additional redundant route using a fibre co-build initiative with Facebook and Airtel was implemented for additional stability and capacity.

#### Strengthening our digital IT capabilities

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

## OUR RESPONSE TO THE COVID-19 SITUATION

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

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

## Network NPS across our markets

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

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

### Overall network NPS

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



## Vision 2025

### Technology strategy

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

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

#### The Technology 2025 strategy will drive:

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

## Digital organisation and culture

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

 Achieved

 Not achieved

 Unchanged



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

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

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

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

### Encouraging workforce diversity

We strive to create an inclusive culture that embraces all diversities, including race, gender, age, sexual orientation and disability.

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

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

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

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

## Engaging with employees

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

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

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

## Our safety and wellness performance

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

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

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

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

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

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

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

# South Africa only.

## RESPONDING TO COVID-19

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

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

## Vodacom Vision 2025

### Driving a digital culture

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

#### Key strategic commitments include:

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

## Our brand and reputation

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

- ✓ Achieved
- ✗ Not achieved
- ⇄ Unchanged



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

### Maintaining a strong reputation

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

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

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

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

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

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

### Our reputation index performance

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

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

+ Insufficient data to generate index score.

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

### Delivering on our purpose and Social Contract

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

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

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



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



## Digital society

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

### Connectivity for all

- ✓ In enhancing our network, South Africa has 377 (2019: 240) network sites in rural areas introducing internet connectivity to communities that previously were not connected. We have expanded the 4G network across all our markets and invested R13.2 billion in infrastructure this year, modernising our network and performing capacity upgrades.
- ✓ This year, we sold 4.2 million affordable smartphone devices in South Africa, and introduced one of the most affordable 4G feature phones, costing as little as R299. In April 2020, we launched various initiatives to cut data prices further and increase access to free data, cumulatively delivering R2.7 billion in savings for customers, with an emphasis on benefiting low-spend prepaid customers.

### Digital platforms

- ✓ In promoting financial inclusion, M-Pesa has grown to provide the broadest reach of any financial services provider on the African continent, with 39.6 million active customers, including Safaricom, up 9.7% year-on-year – many of them women in remote rural areas – and processing more than US\$14.7 billion a month in transaction value.
- ✓ In South Africa, we continue to expand our suite of financial services, which includes providing diverse digital payments, lending, insurance, and investment options, specifically for small and medium-sized enterprises, which are at the heart of providing economic opportunities.
- ✓ Vodacom has consolidated all its existing zero-rated data services with new essential services aimed at social upliftment into a single platform, ConnectU. The platform gives Vodacom subscribers free access to six key categories of connecting people to purpose: education, health, jobs and wellness, safety and security, social and government services, and essential internet services.
- ✓ Vodacom's Stock Visibility Solution (SVS) helps health facilities to monitor stock availability of medications. As of 2020, over

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

- ✓ Our Connected Farmer platform links thousands of smallholder farmers to the agriculture value chain, enabling access to information, services and markets. This year we introduced MyFarmWeb, an information platform for precision-based farming.
- ✓ Our citizen engagement platform, Thetha Nathi ('talk to us'), which facilitates conversations between citizens and municipalities, now has more than 25 169 active users in South Africa. This year, we introduced the Mpilo platform for communication between patients, doctors, and the Department of Health, which now has more than 33 578 active users.
- ✓ Our Smart Utilities Management Service has installed over 54 900 electricity and water smart meters in municipalities in five provinces, enhancing revenue collection and improving energy and water usage.



## Inclusion for all

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

### Democratising education

- ✓ Vodacom e-School provides quality digital education by zero-rating digital content to learners, reaching over 989 594 learners. Through the Vodacom Instant School, Vodacom Tanzania provides access to digital learning materials for 66 300 learners and teachers collectively.
- ✓ We have introduced Vodacom's Virtual Classroom in 300 schools across two provinces in South Africa.
- ✓ The Vodacom Foundation spent more than R8.6 million on providing free connectivity to 92 teacher centres in South Africa.

### Empowering youth

- ✓ Since 2014, more than 1 333 unemployed young people have been trained in ICT skills through the Vodacom Youth Academy.
- ✓ Our one-week Code like a Girl programme provided coding and life skills training to 1 498 teenage girls from impoverished communities across our markets this year.
- ✓ Our NXT LVL platform, aimed at empowering youth under 25 by giving them access to affordable connectivity, skills and lifestyle benefits, has over 3.4 million users.
- ✓ We invested R23 million this year in ICT skills training for 308 young people employed by Vodacom as interns and learners, which include 71 disabled youths.

### Gender empowerment and diversity

- ✓ Vodacom's Mum & Baby platform has about 1.8 million registered users across South Africa, accessing vital maternal healthcare information.
- ✓ We have partnered in providing more than 1 000 small-scale female farmers with ICT skills training over the last two years.
- ✓ In South Africa, Vodacom's skills development expenditure on black employees totalled R332 million, of which R149 million was spent on black females. Of the 71 graduates placed in permanent positions, 45% were female.

## Our brand and reputation

continued



### Planet

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

#### Climate and energy

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

#### Water stewardship

✓ Through our water conservation efforts, we have steadily decreased our total water consumption since 2015, to 161 975 kilolitres in South Africa in 2020.  
✓ The Vodacom Foundation spent close to R7 million this year on drilling boreholes and installing and refilling water tanks with drinkable water at 85 schools in five provinces in South Africa.

#### Reducing waste

✓ We extended the useful life of 308 tons of redundant network equipment for reuse within our network, rejuvenated 368 tons of batteries and responsibly destroyed 1 189 tons of e-waste. We no longer use plastic bags in our stores or single-use plastic at our offices.  
✓ We have put in place a process to collect and refurbish used phones/smartphones, and then sell these with the 'good as new' proposition. In South Africa, Vodacom sold more than 5 000 refurbished phones during the year.  
✓ We no longer include the terms and conditions pages in the SIM card package we distribute across all the channels in South Africa, thereby avoiding the use of around 240 million paper pages each year.

#### Environmental, social and governance commitments

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



# Vodacom Group – enabling positive social outcomes through economic transformation

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

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

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

## BBBEE results for Vodacom Group

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

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

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

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

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

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

### Procurement spend criteria:

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

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

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

## Our Sustainability report 2020

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

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

## CFO's statement

The Group has once again performed well, with continued strong growth in the International operations and pleasing performance in South Africa in the second half of the year in a particularly volatile operating environment.

Till Streichert



Group revenue was up 4.8% to R90.7 billion, with operating profit increasing 13.2% to R27.7 billion. In South Africa, service revenue increased by 2.3% to R52.7 billion, the impact of significant price cuts in our out-of-bundle (OOB) rates in the beginning of the year, but recovering to strong growth in the second half of the year. In our International operations, revenue was up 12.6% (7.1%\*) to R22.5 billion, contributing 29.7% to Group service revenue (2019: 27.7%). Safaricom contributed R3.6 billion to profit, net of tax and after deducting the amortisation of fair value assets on acquisition.

Events this year have been overshadowed by the COVID-19 pandemic emerging early in 2020. As reviewed elsewhere in this report, the Group has responded rapidly and effectively to the challenge, and I believe that we are in a strong position to withstand some of the significant potential impacts that lie ahead, and seize the opportunities arising.

+4.8%	Group revenue <b>R90.7 billion</b>
+13.2%	Operating profit <b>R27.7 billion</b>

Given the profoundly challenging macroeconomic environment – the significant social and economic impacts of the COVID-19 pandemic coming on top of the Moody's downgrade in South Africa, and regulatory pressures across our markets – there has been understandable pressure on investor sentiment. In this context, it is pleasing to report that the total shareholder return for the Group was 9.5% for the year. Headline earnings per share (HEPS) increased 8.9% to 945 cents, with the dividend of 845 cents per share up 6.3% year-on-year.

### South Africa – recovery throughout the year

In South Africa, service revenue growth improved throughout the year, with strong growth in the second half. Our performance was affected by the tough economic environment, low GDP and wage growth, and high unemployment and consumer debt levels, constraining consumer and enterprise spend. The implementation of the End-User and Subscriber Services Charter (EUSSC) regulations, and our additional reduction in out-of-bundle rates by as much as 50% announced in the first quarter, negatively impacted out-of-bundle (OOB) usage. Excluding the one-off benefit of R389 million<sup>1</sup> from the change in revenue deferral methodology in the prior year, and the change this year in mobile termination rates (MTR), underlying growth for the year was 3.3%.

In the prepaid segment, customer numbers were down 5.6% to 35.2 million customers. The decline was mainly a result of continued optimisation of gross additions to improve the quality of our base, which resulted in one-month active customers being stable. Usage elasticity on data in the consumer market helped to offset OOB revenue

reduction, resulting in ARPU returning to growth in the fourth quarter. In the contract segment, customer revenue declined 0.1% (excluding the impact of the prior year's revenue deferral<sup>1</sup>, contract customer revenue increased by 1.9%).

Enterprise customers were up 12.8%, with a significant increase shortly ahead of the lockdown in the country. Increased competitive pressures and the impact of reduced OOB rates contributed to ARPU declining 7.9% (6.1%, excluding the prior year's revenue deferral<sup>1</sup> impact). Enterprise service revenue increased 6.7% to R14.3 billion, fuelled by strong growth in national roaming and fixed-line revenues, and the successful integration of IoT.nxt acquired in the first half of the year. Our financial services business continues to be an important contribution to growth, with revenue growth of 21.5% to R2.0 billion reflecting the value of our innovative offerings and competitive differentiation in insurance, payments, and lending. We improved our fibre rollout in the second half of the year, more than doubling the total number of homes connected to 61 427, with owned fibre passing 109 536 homes and businesses.

Pleasingly, we saw a 66.0% growth in data traffic, reflecting the expected elasticity that made up for the price transformation during the year. The growth in data customers, smartphone users, and average data usage per smart device gives us confidence that we will see further elasticity to compensate for the significant pricing transformation initiatives implemented from 1 April 2020 that we agreed upon proactively with the Competition Commission following its data services market inquiry.

Our 'Fit for growth' efforts contributed to relatively stable margins maintained over the year, with a 1.8ppt improvement in the second

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

half of the year, as service revenue returned to solid growth. We recently extended and renegotiated our roaming agreement with Rain, which improves the cost of our capacity bought from Rain. On a normalised basis, EBITDA growth was flat, however, if we exclude the impacts of the Rain roaming agreement, BEE staff expenses of R226 million and the prior year revenue deferral release<sup>1</sup> of R389 million, underlying EBITDA growth was 2.2%. Our capital investment of R9.9 billion for the year included investments in maintaining network quality and resilience and enhancing our IT systems and Big Data platforms to deliver more services to the customer, ensure fraud prevention, and digitise the customer experience.

### International operations – sustaining strong growth

The International operations once again delivered double-digit growth, with service revenue up 12.5% (7.1%) for the year, boosted by continuing strong performance from M-Pesa and data. The effective execution of our strategy to be the leading operator in all our operations is reflected in the 11.5% growth in customer numbers, up by four million to 38.6 million. Data services remain a key area of growth, with 2.3 million new customers added during this period, bringing the total to 20.0 million. M-Pesa customers increased by 9.2% to 14.7 million, while M-Pesa's revenue grew 29.8% (22.7%\*) to R4.0 billion, aided by the provision of new financial services across most markets, including the expansion of our lending products, such as Songesha in Tanzania. Our ability to further grow the M-Pesa offering was significantly boosted by the successful incorporation of our M-Pesa joint venture with Safaricom. This gives us the rights to use the M-Pesa brand and platform assets and positions the Group well to accelerate investment in M-Pesa and develop next-generation platforms.

This year, EBITDA grew 9.4%\* as margins improved 0.8pp\*, primarily driven by savings delivered through our Fit for growth programmes. Improvements in the second half of the year were slightly impaired by lower service revenue growth in Tanzania, higher compliance costs to accelerate customer registrations, and a 2G licence penalty in the DRC<sup>2</sup>. The combined costs amounted to R199 million. Capital investment this year was focused on expanding the M-Pesa ecosystem with new services, and widening our 4G and 3G network reach.

Our investment in Safaricom, Africa's second-biggest telco by market capitalisation after Vodacom, delivered a 30.4% boost in profits from this associate, which includes its share of the gains in the newly formed M-Pesa joint venture with Vodacom. Service revenue grew 4.8%, supported by strong customer acquisition, recovery of market share, and mobile data returning to double-digit growth. Significant investments in network and infrastructure, an acceleration in pricing transformation, and a 17.2% underlying increase in revenue from M-Pesa all contributed to Safaricom's strong performance.

### Ensuring business resilience in the context of COVID-19

In assessing the potential impact of COVID-19 on Vodacom's business activities, we have considered various scenarios regarding the pace and scale of the pandemic's reach, the nature and effectiveness of governments' responses, and the implications that this might have across each stage of Vodacom's value chain. There remains significant uncertainty as to how the pandemic will play out. In all scenarios we anticipate social, economic and financial disruption, with implications for our consumer and enterprise markets, our supply chain and distribution channels, and the stability and well-being of the broader communities within which we operate.

Unlike many other business sectors whose business models are at risk from the pandemic, the telecommunications sector appears to be more resilient. The sector has an essential role to play in supporting citizens and businesses to connect and function under extreme circumstances, as well as helping governments to improve their insights of population movement and disease modelling. The recent lockdown in South Africa saw a marked rise in data traffic resulting from the significant increase in remote working and home schooling, and heightened demand for digital entertainment and access to education, government and health portals. While we expect to be negatively affected by the anticipated economic downturn and reduced consumer and business spend, as an essential service the telecoms sector is a more defensive stock.

Given future uncertainties, we have stress-tested our balance sheet under various best-case and worst-case scenarios. We have further strengthened our balance sheet and are in a strong position to ensure

business resilience. Our gearing is low, at 0.7 times net debt (excluding leases) to EBITDA-aL, and we have limited debt repayments in the short term, with sufficient facilities to maintain liquidity. We have limited our foreign currency exposure, with 90% of our debt base in rand. To protect against significant adverse interest movements, we have maintained a market-neutral debt structure, with half of our debt 'floating' in lower interest rates, and the other half in fixed debt. We have taken significant steps this year to further diversify our business from a more commodity-based telco, to a platform-based digital technology company with exciting new offerings and partnerships in financial services, IoT and digital content. As part of our pricing transformation strategy, we have recently made further significant reductions in data pricing, despite the absence of new spectrum. These reductions were possible given the elasticity we continue to see in the South African market. We believe we will see further acceleration of this elasticity as more people use data following the widespread digitisation prompted by COVID-19.

Our Fit for growth cost-efficiency initiatives are well embedded in our operations and focused on delivering digital transformation of our business, providing the opportunity to employ short-term cost control as needed to improve business resilience. While we will continue to invest in our network, IT and new platforms such as financial services, we will be maintaining flexibility in relation to the amount of capital expenditure spent and the priorities we allocate it to considering the developments around us.

### Appreciation

As I announced in November 2019, I will be resigning from the Vodacom Group in June this year. It has been a remarkable six and a half years with Vodacom, and a privilege to be part of the executive team as we have worked to transform Vodacom from a telco into a purpose-led technology company. I would like to thank the Board and my colleagues across the Group for their support throughout these years, and I wish them all the very best in ensuring that Vodacom delivers on its purpose: to connect for a better future.



**Till Streichert**  
Chief Financial Officer  
2 June 2020

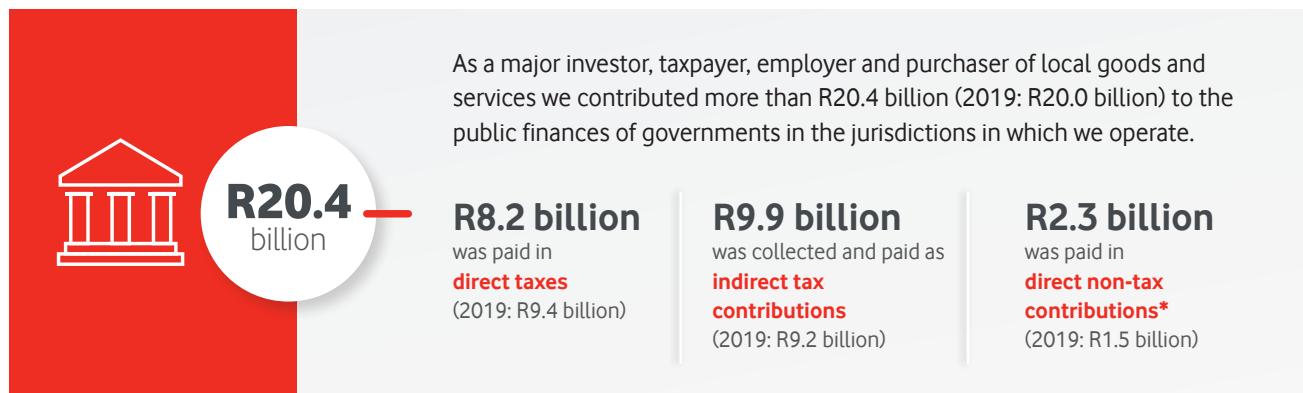
1. R389 million revenue deferral release in the prior year, of which R292 million related to Q2 and R97 million to Q4.

2. Vodacom Congo resolved a dispute over a claim that its 2G licence was not properly renewed. Vodacom Congo paid US\$6.9 million in penalties and administrative costs in return for the extension of our licence by an additional 10 years.

# Tax and our total economic contribution to public finances

In the countries in which we operate taxes are most often the largest source of government revenue. These tax revenues enable governments to pay for essential public services, such as health care, security and education, whilst ensuring a functional infrastructure is built and maintained across society.

We take our responsibilities to contribute to the social and economic development of the countries in which we operate seriously, and we remain committed to acting with integrity, honesty and transparency in the creation and execution of our tax strategy, policies and practices. The below contributions reported excludes the taxes and other economic contributions made by joint ventures and associates of the Group.



## The major tax types included in the above are:

-  **We paid R6.4 billion** (2019: R6.5 billion) in corporate taxes and dividend withholding taxes on profit before tax of R23.1 billion (2019: R22.1 billion). Thus we paid R0.28 in corporate tax for every R1 we generated in profit.
-  **We paid R2.2 billion** (2019: R2.2 billion) in various forms of employment tax on behalf of our employees. Thus 28% of our payroll expenditure is made up of employment taxes.
-  **We paid R1 billion** in customs and import duties (2019: R1.1 billion).
-  **We collected R7.6 billion** (2019: R5.7 billion) in net value-added tax from our operations and excise duty on behalf of governments. Thus we contributed R0.33 in value-added tax and excise duties for every R1 we generated in profit.
-  **We withheld R537 million** (2019: R521 million) in withholding tax from our suppliers and paid it to the relevant tax authorities on their behalf.
-  **We paid R477 million** in dividend withholding tax on dividends received from Lesotho, Kenya and Tanzania. (2019: R240 million).

For more information in respect of the taxes we pay in each country, alongside the principles on which we operate and our views on various matters of significance relating to the payment of taxes, including clarifying some areas that are often a source of public confusion, read our Tax Transparency report 2020 on [www.vodacom.com](http://www.vodacom.com).

\* Direct non-tax contributions refer to all regulatory fees paid to the various relevant government bodies and include among other licence fees, spectrum fees and contributions made to the universal access fund.

# Condensed consolidated income statement

for the year ended 31 March

	2020 IFRS 16 Rm	2019 IAS 17 Rm	
<b>Revenue</b>			
Direct expenses	<b>90 746</b>	86 627	● Group revenue grew 4.8% (3.5%*) to R90.7 billion, with strong growth in International and improved growth in South Africa.
Staff expenses	<b>(32 877)</b>	(31 427)	
Publicity expenses	<b>(6 421)</b>	(6 026)	
Other operating expenses	<b>(1 907)</b>	(1 920)	
Broad-based black economic empowerment charge	<b>(12 024)</b>	(13 462)	
Depreciation and amortisation	<b>(13 955)</b>	(10 642)	● Group total expenses increased 0.7% (4.6%*) to R53.2 billion. These costs include BEE staff costs of R242 million as a result of our BEE deal in the prior year, as well as increased costs as a result of our roaming agreement in South Africa, a license penalty in the DRC of R99 million and R100 million for increased compliance costs in Tanzania to biometrically register customers.
Impairment losses	<b>–</b>	(30)	
Net profit from associate and joint ventures	<b>4 149</b>	2 774	
<b>Operating profit</b>	<b>27 711</b>	24 490	
Net loss on disposal of subsidiaries	<b>(819)</b>	–	● This amount includes our R3.4 billion attributable share of profits from our associate Safaricom, and a gain of R745 million in relation to M-Pesa Global Services, our newly created joint venture with Safaricom.
Finance income	<b>884</b>	630	
Finance costs	<b>(4 702)</b>	(3 008)	
Net loss on remeasurement and disposal of financial instruments	<b>(16)</b>	(23)	
<b>Profit before tax</b>	<b>23 058</b>	22 089	
Taxation	<b>(6 414)</b>	(6 557)	● Despite the average cost of debt decreasing from 8.2% to 7.7%, net finance charges increased 59.7% to R3.8 billion mainly as a result of an increase in interest on leases on the adoption of IFRS 16 amounting to R1.4 billion (2019: R124 million) and interest of R301 million (2019: R171 million) on the YeboYethu preference shares held by external parties.
<b>Net profit</b>	<b>16 644</b>	15 532	
<b>Attributable to:</b>			
Equity shareholders	<b>15 944</b>	14 822	
Non-controlling interests	<b>700</b>	710	
	<b>16 644</b>	15 532	
	2020 IFRS 16 Cents	2019 IAS 17 Cents	
Basic earnings per share	<b>939</b>	872	
Diluted earnings per share	<b>923</b>	856	● The tax expense of R6.4 billion was 2.2% lower than the prior year (2019: R6.6 billion). The effective tax rate decreased to 27.8% for the current period (2019: 29.7%), mainly due to the non-recurring, non-deductible, non-cash IFRS 2 charge in the prior year; a decrease in unrecognised deferred tax assets relating to the losses incurred primarily in the DRC and the increase in the share in the associates' after-tax profits included in profit before tax.

**Note:**

The condensed consolidated financial statements were extracted from the full audited consolidated annual financial statements. The AFS are available on [www.vodacom.com](http://www.vodacom.com).

# Condensed consolidated statement of comprehensive income

for the year ended 31 March

	2020 <b>IFRS 16</b> <b>Rm</b>	2019 <b>IAS 17</b> <b>Rm</b>
<b>Net profit</b>	<b>16 644</b>	15 532
<b>Other comprehensive income</b>		
Foreign currency translation differences, net of tax <sup>1</sup>	13 770	11 879
Foreign currency translation differences recognised through profit or loss on disposal of foreign operations <sup>1</sup>	327	–
Mark-to-market of financial assets held at fair value through other comprehensive income, net of tax <sup>1</sup>	13	10
<b>Total comprehensive income</b>	<b>30 754</b>	27 421
<b>Attributable to:</b>		
Equity shareholders	28 953	25 709
Non-controlling interests	1 801	1 712
	<b>30 754</b>	27 421

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations. During the current year, a net amount of 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

	2020 IFRS 16 Rm	2019 IAS 17 Rm
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	142 395	113 897
Intangible assets	<b>59 277</b>	43 989
Financial assets	<b>13 363</b>	10 845
Investment in associate and joint ventures	<b>741</b>	632
Trade and other receivables	<b>64 429</b>	54 299
Finance receivables	<b>2 447</b>	2 137
Tax receivable	<b>1 867</b>	1 699
Deferred tax	<b>260</b>	183
	<b>11</b>	113
<b>Current assets</b>	<b>47 828</b>	39 746
Financial assets	<b>7 763</b>	6 391
Inventory	<b>1 382</b>	1 413
Trade and other receivables	<b>19 197</b>	17 649
Non-current assets held for sale	<b>86</b>	619
Finance receivables	<b>2 288</b>	2 251
Tax receivable	<b>55</b>	357
Bank and cash balances	<b>17 057</b>	11 066
<b>Total assets</b>	<b>190 223</b>	153 643
<b>Equity and liabilities</b>		
Fully paid share capital	<b>57 073</b>	57 073
Treasury shares	<b>(16 620)</b>	(16 387)
Retained earnings	<b>34 294</b>	32 670
Other reserves	<b>16 909</b>	4 636
Equity attributable to owners of the parent	<b>91 656</b>	77 992
Non-controlling interests	<b>8 414</b>	8 396
<b>Total equity</b>	<b>100 070</b>	86 388
<b>Non-current liabilities</b>	<b>53 403</b>	29 084
Borrowings	<b>47 988</b>	23 641
Trade and other payables	<b>359</b>	820
Provisions	<b>1 055</b>	329
Deferred tax	<b>4 001</b>	4 294
<b>Current liabilities</b>	<b>36 750</b>	38 171
Borrowings	<b>3 707</b>	10 603
Trade and other payables	<b>31 437</b>	26 607
Liabilities directly associated with non-current assets held for sale	<b>30</b>	286
Provisions	<b>228</b>	218
Tax payable	<b>468</b>	340
Dividends payable	<b>14</b>	117
Bank overdraft	<b>866</b>	–
<b>Total equity and liabilities</b>	<b>190 223</b>	153 643

- Property, plant and equipment increased 34.8% to R59.3 billion and intangible assets increased 23.2% to R13.4 billion. This includes right of use assets of R9.8 billion recognised as a result of the implementation of IFRS 16 in the current year, net additions of R16.5 billion, which include the licence costs associated with the extension of our 2G licence in the DRC and spectrum costs in Mozambique and Tanzania totalling R780 million and net foreign currency translation gains of R4.4 billion, offset by depreciation and amortisation of R14.0 billion. Intangible assets also include R590 million of goodwill and a trade mark of R102 million recognised on the acquisition of IoT.nxt during the year.
- Represents our investment of an effective 34.94% in Safaricom Plc and M-Pesa Global Services, our M-Pesa joint venture with Safaricom.
- Bank and cash increased by R6.0 billion, mainly due to an increase in loans. These include a R2 billion sustainability-linked loan, where the interest rate is dependent on certain sustainability metrics being met over the next three years and evaluated annually, underpinning our evolving focus on ESG. We also increased some of our facilities with Vodafone Luxembourg, with an additional R3.5 billion to fund our capital expenditure.
- Include lease liabilities of R10.5 billion in relation to the implementation of IFRS 16.
- Includes lease liabilities of R2.4 billion in relation to the implementation of IFRS 16.
- Total borrowings excluding finance lease liabilities, increased by R6.2 billion to R38.3 billion as a result of new facilities taken up in South Africa with Vodafone Investments in Luxembourg, totalling R3.5 billion, a three-year loan with Standard Bank South Africa, with interest rates linked to sustainability goals as well as a US\$25 million loan in the DRC to fund the acquisition of spectrum.

# Condensed consolidated statement of changes in equity

for the year ended 31 March

	Equity attributable to owners of the parent Rm	Non- controlling interests Rm	Total equity Rm
<b>31 March 2018 – Audited</b>	64 468	6 184	70 652
Adoption of IFRS 15 and IFRS 9	3 187	(57)	3 130
<b>1 April 2018</b>	67 655	6 127	73 782
Total comprehensive income	25 709	1 712	27 421
Dividends	(13 982)	(473)	(14 455)
Repurchase and sale of shares	(352)	–	(352)
Share-based payments	1 862	–	1 862
Broad-based black economic empowerment transaction	1 669	–	1 669
Share-based payments – other	193	–	193
Changes in subsidiary holdings	(2 900)	80	(2 820)
Shareholder's loan converted to equity	–	950	950
<b>31 March 2019 – Audited (IAS 17)</b>	<b>77 992</b>	<b>8 396</b>	<b>86 388</b>
Adoption of IFRS 16	23	1	24
<b>1 April 2019</b>	<b>78 015</b>	<b>8 397</b>	<b>86 412</b>
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)
<b>31 March 2020 – Audited (IFRS 16)</b>	<b>91 656</b>	<b>8 414</b>	<b>100 070</b>

# Condensed consolidated statement of cash flows

for the year ended 31 March

	2020 IFRS 16 Rm	2019 IAS 17 Rm
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>39 251</b>	34 575
Tax paid	(6 417)	(6 535)
<b>Net cash flows from operating activities</b>	<b>32 834</b>	28 040
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment and intangible assets	(13 890)	(13 653)
Proceeds from disposal of property, plant and equipment and intangible assets	68	467
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)	89	–
Dividends received from associate	4 394	2 466
Finance income received	763	943
Other investing activities <sup>1</sup>	(142)	(1 411)
<b>Net cash flows utilised in investing activities</b>	<b>(9 164)</b>	(11 188)
<b>Cash flows from financing activities</b>		
Borrowings incurred	9 630	5 080
Borrowings repaid	(7 086)	(3 026)
Finance costs paid	(4 810)	(3 179)
Dividends paid – equity shareholders	(14 358)	(13 978)
Dividends paid – non-controlling interests	(752)	(473)
Repurchase and sale of shares	(443)	(352)
Changes in subsidiary holdings	(2 048)	(3 449)
<b>Net cash flows utilised in financing activities</b>	<b>(19 847)</b>	(19 377)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3 823</b>	(2 525)
Cash and cash equivalents at the beginning of the year	<b>11 066</b>	12 538
Effect of foreign exchange rate changes	1 302	1 053
<b>Cash and cash equivalents at the end of the year</b>	<b>16 191</b>	11 066

1. Consists mainly of an increase in restricted cash deposits of R445 million (31 March 2019: R1 142 million increase) from M-Pesa-related activities, and decreased investment of R352 million in treasury bills in Tanzania.

- Cash generated from operations includes payments of operating leases in the prior year. In the current year, following the adoption of IFRS 16, these leases are now capitalised and payments reflected under financing activities. Lease payments for the year were R4 046 million, which includes interest on lease liabilities of R1 304 million.
- Represents the cash flow associated with the acquisition of our 51% equity interest in IoT.nxt, through 1OT Holding (Pty) Limited and IoT.nxt B.V.
- Represents the cash flow associated with the acquisition of the M-Pesa brand, product development and support services from Vodafone Group Plc, through a newly created joint venture with Safaricom. The Group and Safaricom each hold a 50% interest in the joint venture.
- Certain subsidiaries within the Vodacom Business Africa group were disposed of during March 2020.
- Our share of the Safaricom dividend, including a special dividend of R1.1 billion in the current year.
- Higher finance costs paid in relation to external debt for our BEE deal, as well as the inclusion of interest on lease liabilities of R1 304 million.

# Segment performance

## South Africa



	2020 IFRS 16	2019 IAS 17	% change
Revenue (Rm)	<b>69 593</b>	67 887	2.5
Service revenue (Rm)	<b>52 712</b>	51 541	2.3
EBITDA (Rm)	<b>29 094</b>	27 741	4.9
Capital expenditure (Rm)	<b>9 860</b>	9 577	3.0
Customers <sup>1</sup> (thousand)	<b>41 312</b>	43 166	(4.3)
Prepaid customers (thousand)	<b>35 231</b>	37 331	(5.6)
Contract customers (thousand)	<b>6 081</b>	5 835	4.2
Data customers <sup>2</sup> (thousand)	<b>21 891</b>	19 952	9.7
Total ARPU <sup>5</sup> (rand per month)	<b>86</b>	87	(1.1)
Prepaid ARPU <sup>5</sup> (rand per month)	<b>54</b>	54	0.0
Contract ARPU <sup>5</sup> (rand per month)	<b>290</b>	315	(7.9)
NPS (position relative to competitors)	<b>1st</b>	1st	

**Service revenue grew by 2.3% in the context of a tough consumer environment, the impact of the End-User Subscriber Services Charter on revenue, and the significant cuts in out-of-bundle rates. After a slower start to the year, growth picked up in the second half.**

Customer revenue was down 0.8% to R43.2 billion. Although contract customers increased 4.2% to 6.1 million, contract customer revenue was down 0.1%. In the prepaid segment, customer numbers were down 5.6% to 35.2 million customers. The decline was mainly the result of continued optimisation of gross additions to improve the quality of our base.

Enterprise service revenue increased 6.7% to R14.3 billion, with fixed-line revenue up 8.5%, supported by strong growth in cloud and hosting and connectivity revenue. IoT connections increased 17.2% to 5.3 million, with revenue growth of 38.5% leveraging our relationship with IoT.nxt, acquired in the first half of the year. Enterprise growth was partially offset by a 7.5% decline in mobile customer revenue as the effects of ICASA end-user regulations continue to be felt. Enterprise customers were up 12.8%, with a significant increase in the last two weeks ahead of the country's lockdown in March 2020.

Data traffic was up 66.0%, with strong acceleration in the fourth quarter, evidencing the expected elasticity to make up for price transformation during the year. The number of data customers increased 9.7% to 21.9 million, with smartphone users up 11.8%, of which 73.3% are 4G customers. There was a 34.5% increase to 12.9 million in 4G devices on our network, with the average usage per smart device increasing 56.0% to 1.5GB. The increase in drivers of data growth suggests that we will continue to see elasticity to compensate for the significant pricing transformation initiatives that we agreed upon with the Competition Commission and implemented from 1 April 2020.

Our financial services offering continues to expand, delivering revenue growth of 21.5% to R2.0 billion for the year, with 13.6 million customers now using one of our financial services products. We advanced R9.9 billion in airtime via our Airtime Advance platform to 9.9 million customers. In the payment space we launched our VodaPay application, offering direct airtime purchases and electricity payments with more to follow soon. We expanded our lending services to the first phase for SME lending, and in insurance products we continue to add new offerings while improving process and profitability.

Our platform strategy, designed to stimulate reasons to consume data, delivered strong growth. Video Play again performed particularly well, with one million customers, while our MyMuze music service attracted 1.9 million downloads. We improved our fibre rollout in the second half of the year, more than doubling the total number of homes connected to 61 427, with owned fibre passing 109 536 homes and businesses.

Our cost management initiatives contributed to relatively stable margins over the year, with a 1.8ppt improvement in the second half. We extended our renegotiated roaming agreement with Rain and improved the cost of our capacity bought from Rain. On a normalised basis, EBITDA growth was flat, however, excluding the impacts of the Rain roaming agreement, BEE staff expenses of R226 million, and a prior year deferral release of R389 million, underlying EBITDA growth was 2.2%.

Our capital investment of R9.9 billion over the year included investments in maintaining network quality and resilience, as well as enhancing our IT platform architecture and Big Data capabilities, to deliver more services to customers, ensure fraud prevention, and digitise the customer experience. Digital transformation of the customer experience is yielding results, with the introduction of process automation, chatbots, and improving call resolutions at the root cause, assisting in reducing customer call volumes by 38% over the past two years.

## Tanzania



	2020 IFRS 16	2019 IAS 17	% change
Revenue (TZSm)	<b>1 032 667</b>	1 024 587	0.8
EBITDA (TZSm)	<b>359 690</b>	293 937	22.4
Customers <sup>1</sup> (thousand)	<b>15 513</b>	14 133	9.8
Data customers <sup>2</sup> (thousand)	<b>7 687</b>	7 892	(2.6)
M-Pesa customers <sup>3</sup> (thousand)	<b>6 685</b>	6 989	(4.3)
MOU per month <sup>4</sup>	<b>172</b>	172	—
Total ARPU <sup>5</sup> (rand per month)	<b>36</b>	36	—
Total ARPU <sup>5</sup> (TZS per month)	<b>5 616</b>	6 010	(6.6)
Number of employees	<b>551</b>	548	0.5
NPS (position relative to competitors)	<b>1st</b>	1st	
Customer market share	<b>#1</b>	#1	



## Mozambique

	2020 IFRS 16	2019 IAS 17	% change
Revenue (MZNm)	24 601	21 071	16.8
EBITDA (MZNm)	11 504	8 446	36.2
Customers <sup>1</sup> (thousand)	7 656	6 843	11.9
Data customers <sup>2</sup> (thousand)	4 855	4 289	13.2
M-Pesa customers <sup>3</sup> (thousand)	4 389	3 860	13.7
MOU per month <sup>4</sup>	132	136	(2.9)
Total ARPU <sup>5</sup> (rand per month)	59	55	7.3
Total ARPU <sup>5</sup> (MZN per month)	252	244	3.3
Number of employees	599	551	8.7
NPS (position relative to competitors)	3rd	2nd	
Customer market share	#1	#1	

Vodacom Mozambique had a particularly good year, with revenue increasing 16.8% and EBITDA up 36.2%. We achieved this strong performance against the backdrop of the country's devastating cyclones in March and April 2019, and an increasingly competitive market.

The customer base grew 11.9% to 7.7 million, aided by our effective marketing campaigns and promotions, the reach and quality of our network and customer service, and the nature of our digital service offerings.

M-Pesa revenue increased by 59.4%, contributing 15.8% to service revenue, up from 11.5% last year. This year, we launched the M-Pesa Xitique, a standalone pseudo group savings product that meets a market need for a mobile savings product. We also launched an international money transfer (IMT) service in partnership with Mama Money, which has delivered excellent growth since its launch, sending and receiving US\$3.4 million in the year.

Data customers increased by 13.2% and data traffic up by 40.4%. At year end, our data penetration was 63.4%, and our smartphone penetration increased to 61.0% of our customer base. As part of our data monetisation drive, we saw solid growth in our recently launched consumer digital services in video (VuClip), local music (Mozik), and sports (VLiveSports).

We experienced some challenges with our network early in the financial year following the two consecutive cyclones that damaged major roads and infrastructure, delaying our ability to restore network services. We also experienced theft and vandalism to our fibre infrastructure in some areas. This was resolved by installing high-speed microwave transmission links as back-up routes to the fibre network. Despite these challenges, we made valuable progress in expanding the network and rolling out 4G coverage. We added 140 2G sites, 152 3G sites and over 291 4G sites in the country.

**Vodacom Tanzania PLC's performance was significantly impacted this year by the government's customer registration regulations, requiring biometric registration using national identification numbers. Low penetration of ID numbers across the country has significantly affected the registration process and resulted in 2.9 million Vodacom customers being barred from January 2020 in various phases.**

Within this context, Vodacom Tanzania continued to deliver solid growth in revenue (up 0.8%) and EBITDA (up 22.4%), driven by revenue growth in its key strategic growth pillars, M-Pesa and data. We remain market leaders on customer NPS.

We maintained our drive to extend M-Pesa beyond person-to-person money transfers to include enterprise, financial services and mobile commerce. Currently, more than 900 enterprise organisations in the country use M-Pesa to collect and disburse payments, over 6.6 million customers use M-Pesa to access formal saving and loan products with partner banks, and more than 20 000 retail and online merchants now accept M-Pesa. This year, we launched the Songesha overdraft facility in partnership with the Tanzania Postal Bank, allowing consumers to complete transactions when they have insufficient balances. Songesha has now extended nano and small loans of up to TZS70 000 (c.R460) to 5.3 million customers, with facilities of TZS52 billion extended during the year. Our new Halal Pesa service, launched in partnership with Amana Bank, allows customers to deposit savings and contribute to religious and social activities, while earning Halal benefits while adhering to Sharia.

During the year, we invested TZS154.6 billion (15.0% of revenue) in our network, focused on increasing 4G coverage in major cities and upgrading capacity, and modernising our network to enable a superior data customer experience. To further monetise data traffic countrywide, we made progress in expanding the reach of our 4G network to more regions, increasing the uptake of smartphones (to 5.2 million users), and driving digital penetration and revenue, including through our Vlive and Video Play data offerings. At year end our data penetration was 49.6%.

We have embraced the digital transformation journey and adopted agile methodologies, launching agile squads and tribes. During the year we also successfully launched RPA and chatbots to digitise and enhance the customer experience, and drive efficiencies. We made progress in driving uptake of a 'lite' version of MyVodacom App, and expanded the reach of our Just 4 You offering through the app.

Looking ahead, we will be maintaining our focus on expanding our mobile money ecosystem through new partnerships and services, delivering an enhanced data-user experience, driving digital through greater penetration of the MyVodacom App lite, and accelerating the rollout of agile squads for efficient delivery of RPA and digital transformation.

## Segment performance

continued

We continued with network virtualisation on our core networks to improve scalability, capacity and availability, and now have a virtualised voice core network in the country. We addressed the high levels of 3G utilisation by investing in capacity upgrades and through our aggressive 4G migration plan driven by the commercial and technology teams. We continued to deliver on our Fit for growth cost-saving initiatives, mainly through contract renegotiations and savings from increased airtime sales through M-Pesa.

Unfortunately, we trail our closest competitor on customer NPS mainly because of network inconsistencies and a higher cost of service. We are taking steps to address and deliver on our goal of leading in NPS in all our markets.

In the year ahead, we will maintain our focus on further improving network coverage and quality, expanding our mobile money ecosystem through new partnerships and services, driving digital through greater penetration of the MyVodacom App lite, and continuing to drive reasons to consume data through our content platforms.

### DRC



	2020 IFRS 16	2019 IAS 17	% change
Revenue (US\$000)	<b>511 523</b>	473 386	8.1
EBITDA (US\$000)	<b>194 369</b>	130 511	48.9
Customers <sup>1</sup> (thousand)	<b>13 766</b>	12 180	13.0
Data customers <sup>2</sup> (thousand)	<b>6 594</b>	4 749	38.9
M-Pesa customers <sup>3</sup> (thousand)	<b>2 864</b>	2 116	35.3
MOU per month <sup>4</sup>	<b>34</b>	36	(5.6)
Total ARPU <sup>5</sup> (rand per month)	<b>46</b>	41	12.2
Total ARPU <sup>5</sup> (US\$ per month)	<b>3.1</b>	3.0	3.3
Number of employees	<b>578</b>	573	0.9
NPS (position relative to competitors)	<b>1st</b>	1st	
Customer market share	<b>#1</b>	#1	

**Vodacom DRC delivered another year of pleasing results, with revenue increasing 8.1%, driven by strong growth in voice, data and M-Pesa revenue.**

Customers increased 13% to 13.8 million, showing the benefit of our strategic promotional activities and increased customer segmentation. Data customers increased 38.9%, boosted by our enhanced personalised offers that contributed to 93.6% growth in data traffic. At year end, our data penetration was 47.9% and we had 2.2 million smartphone users.

M-Pesa revenue increased 48.3% and now represents 9.7% of service revenue, up from 7.1% last year. We grew our M-Pesa customers by an impressive 35.3%. We further expanded the ecosystem with the

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

We successfully launched various digital content offerings, including the Vodacom Ligue1 App and social media platform that enables fans to enjoy an uninterrupted football experience. We have been promoting the emergence of the country's young music talent through the Vodacom Best of the Best brand activation programme.

As part of our goal of deepening the use of digital to enhance the customer experience, we expanded the reach of our Just 4 You offering, launching this on the MyVodacom App.

Following the awarding of a 4G licence and acquisition of spectrum, we rolled out 47 4G sites this year.

Our strong focus on customer value management activities, improving allocations within our bundles and rewarding loyalty resulted in an NPS lead of 8ppts.

In the year ahead, we will focus on increasing our coverage; providing customers with more reasons to consume data with our video, music and gaming propositions; expanding our M-Pesa services; accelerating the rollout of agile squads for efficient delivery of RPA and digital transformation; and driving digital through greater penetration of the MyVodacom App lite.

## Lesotho



	2020 IFRS 16	2019 IAS 17	% change
Revenue (Rm)	1 377	1 308	5.3
EBITDA (Rm)	619	628	(1.4)
Customers <sup>1</sup> (thousand)	1 660	1 464	13.4
Data customers <sup>2</sup> (thousand)	847	734	15.4
M-Pesa customers <sup>3</sup> (thousand)	800	535	49.5
MOU per month <sup>4</sup>	80	74	8.1
Total ARPU <sup>5</sup> (rand per month)	69	66	4.5
Number of employees	229	220	4.1
NPS (position relative to competitors)	2nd	1st	
Customer market share	#1	#1	

**Vodacom Lesotho's revenue increased 5.3%, driven by growth in data and M-Pesa revenue. EBITDA was down slightly by 1.4% as a result of an increase in the cost of international termination rates and additional regulatory costs.**

M-Pesa revenue was up 27.0%, supported by a pleasing 49.5% increase in M-Pesa customers. We continued to drive increased usage of our ecosystem products such as pay bill transactions and airtime purchases, and to further expand transactions with merchants. We also successfully launched a savings group initiative, Mokhatlo, enabling customers to create savings groups to save their money collectively on M-Pesa, further increasing financial inclusion and access to finance across our markets. The service allows members access to the group fund, and to contribute and withdraw money across the M-Pesa agent network. Consumers can select signatories, request and pay loans, contribute to the group, view the balance of group members and check the group balance, allowing for easier and more transparent access. During the year we successfully upgraded our M-Pesa platform to the latest release, and migrated to the converged charging system, hosted in South Africa as a shared service.

Data customers increased 15.4% to 847 000. Smartphone penetration increased to 60.7% of our customer base, up from 57.4% in the previous year, aided by access to better low-cost smart devices.

We continued to reduce out-of-bundle rates and introduce smart notifications, leading to ARPU declines. During the year we launched our digital video and music propositions, with Video Play offering SV and TV on demand, including locally developed content.

After becoming the first company last year to commercially launch 5G in Africa, and one of the first globally to achieve this milestone, this year we invested in further expanding network coverage, quality and efficiencies. Lesotho's high 3G utilisation was addressed with layer upgrades using the 900 MHz and 2 100 MHz spectrum bands, as well as the expansion of the 4G network in areas with high traffic demands. To strengthen our digital IT capabilities as part of our commitment to the digital transformation journey, we adopted agile methodologies, and launched agile squads and tribes.

We are continuing to engage with regulatory authorities regarding enforcement proceedings of the Lesotho Communications Authority relating to the alleged lack of independence of Vodacom's external auditors.

Looking ahead, in addition to expanding the M-Pesa ecosystem, our focus will be on driving data monetisation by increasing in-bundle usage and smartphone penetration, and deepening our digital content offerings. We will continue to drive digital through greater penetration of the MyVodacom App lite, and accelerate the rollout of agile squads for efficient delivery of RPA and digital transformation.

1. Customer numbers 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, and those customers who are active whilst roaming.
2. Data customer numbers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. M-Pesa customers are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
4. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period.
5. Total ARPU is calculated by dividing the average monthly service revenue by the average number of monthly customers during the period.

## Five-year historic review

	2020 <sup>1</sup>	2019 <sup>2</sup>	2018	2017	2016	Compound growth %
<b>Summarised income statement (Rm)</b>						
Revenue	90 746	86 627	86 370	81 278	80 077	3.2
Operating profit	27 711	24 490	24 252	21 750	21 059	7.1
Net finance charges	(3 834)	(2 401)	(2 893)	(2 522)	(2 215)	14.7
Profit before tax	23 058	22 089	22 093	19 228	18 844	5.2
Taxation	(6 414)	(6 557)	(6 531)	(6 102)	(5 934)	2.0
Net profit	16 644	15 532	15 562	13 126	12 910	6.6
Non-controlling interest	(700)	(710)	(218)	292	7	n/a
EBITDA	37 610	33 714	32 898	31 238	30 345	5.5
EBITDA-aL	35 539	—	—	—	—	n/a
<b>Summarised statement of financial position (Rm)</b>						
Non-current assets	142 395	113 897	96 543	52 127	51 085	29.2
Current assets	47 828	39 746	34 822	29 011	27 618	14.7
Equity and reserves	100 070	86 388	70 652	22 996	23 024	44.4
Non-current liabilities	53 403	29 084	28 130	31 423	29 909	15.6
Current liabilities	36 750	38 171	32 583	26 719	25 770	9.3
Net debt	35 180	23 354	19 892	22 484	21 287	13.4
Net debt (excluding IFRS 16 lease liabilities)	22 238	—	—	—	—	—
Capital expenditure	13 218	12 957	11 594	11 292	12 875	0.7
<b>Summarised statement of cash flows (Rm)</b>						
Cash generated from operations	39 251	34 575	32 299	31 791	29 800	7.1
Tax paid	(6 417)	(6 535)	(6 194)	(6 051)	(5 456)	4.1
Net cash flows from operating activities	32 834	28 040	26 105	25 740	24 344	7.8
Net cash flows utilised in investing activities	(9 164)	(11 188)	(8 526)	(12 195)	(13 680)	(9.5)
Net cash flows utilised in financing activities	(19 847)	(19 377)	(13 067)	(11 909)	(11 644)	14.3
Net increase/(decrease) in cash and cash equivalents	3 823	(2 525)	4 512	1 636	(980)	n/a
Cash and cash equivalents at end of the year	16 191	11 066	12 538	8 873	7 751	20.2
<b>Performance per ordinary share (cents)</b>						
Basic earnings per share	939	872	947	915	881	1.6
Headline earnings per share	945	868	923	923	883	1.7
Diluted headline earnings per share	928	852	895	894	860	1.9
Net asset value per share	5 450	4 705	4 104	1 545	1 547	37.0
Dividends per share <sup>3</sup>	845	795	815	830	795	1.5
<b>Profitability and returns (%)</b>						
EBITDA margin	41.4	38.9	38.1	38.4	37.9	
Operating profit margin	30.5	28.3	28.1	26.8	26.3	
Effective tax rate	27.8	29.7	29.6	31.7	31.5	
Net profit margin	18.3	17.9	18.0	16.1	16.1	
Return on equity <sup>4</sup>	18.8	20.3	34.7	55.7	55.9	
Return on capital employed <sup>5</sup>	23.2	24.6	30.5	45.4	48.2	
<b>Liquidity and debt leverage (times)</b>						
Interest cover <sup>6</sup>	5.9	8.1	8.6	7.7	9.6	
Net debt to EBITDA	0.9	0.7	0.6	0.7	0.7	
Net debt to EBITDA-aL (excluding IFRS 16 lease liabilities)	0.7	—	—	—	—	
Current ratio <sup>7</sup>	1.3	1.0	1.1	1.1	1.1	
Quick ratio <sup>8</sup>	1.3	1.0	1.0	1.0	1.0	

**Notes:**

1. IFRS 16 was adopted on 1 April 2019 on a forward-looking basis.
2. IFRS 15 was adopted on 1 April 2018 on a forward-looking basis.
3. Total dividend declared for the financial year. The total dividend for 31 March 2020 includes a special dividend of 60cps.
4. Return on equity is calculated by dividing net profit attributable to equity shareholders by shareholders' equity.
5. Return on capital employed (before tax) is calculated by dividing adjusted statutory operating profit by the average of total assets less current liabilities. The 2020 ROCE is calculated including IFRS 16 assets and liabilities.
6. Interest cover ratio is calculated by dividing earnings before interest and tax for the year by finance costs for the year. 2020 interest cover includes interest on lease liabilities.
7. The current ratio is calculated by dividing current assets by current liabilities.
8. The quick ratio is calculated by dividing current assets, excluding inventory, by current liabilities.

## Five-year historic review per segment

	2020 <sup>1</sup>	2019 <sup>2</sup>	2018	2017	2016	Compound growth %
<b>South Africa</b>						
Revenue (Rm)	<b>69 593</b>	67 887	69 967	64 729	62 279	2.8
EBITDA (Rm)	<b>29 094</b>	27 741	28 088	26 815	25 016	3.8
EBITDA-aL (Rm)	<b>26 930</b>	—	—	—	—	—
Capital expenditure (Rm)	<b>9 860</b>	9 577	8 884	8 471	8 747	3.0
EBITDA margin (%)	<b>41.8</b>	40.9	40.1	41.4	40.2	
Capex intensity (%)	<b>14.2</b>	14.1	12.7	13.1	14.0	
Customers (000) <sup>3</sup>	<b>41 312</b>	43 166	41 635	37 131	34 178	4.9
Number of employees	<b>5 403</b>	5 197	5 007	5 038	5 009	1.9
Total ARPU (rand per month) <sup>4</sup>	<b>86</b>	87	101	111	112	(6.4)
<b>International</b>						
Revenue (Rm)	<b>22 492</b>	19 981	17 460	17 350	18 356	5.2
EBITDA (Rm)	<b>8 679</b>	6 252	4 930	4 545	5 385	12.7
EBITDA-aL (Rm)	<b>6 709</b>	—	—	—	—	—
Capital expenditure (Rm)	<b>3 358</b>	3 376	2 707	2 833	4 090	(4.8)
EBITDA margin (%)	<b>38.6</b>	31.3	28.2	26.2	29.3	
Capex intensity (%)	<b>14.9</b>	16.9	15.5	16.3	22.3	
Customers (000) <sup>3</sup>	<b>38 595</b>	34 620	32 194	29 655	27 127	9.2
Number of employees	<b>2 054</b>	2 357	2 360	2 351	2 338	(3.2)
<b>Total ARPU (rand per month)<sup>4</sup></b>						
Tanzania	<b>36</b>	36	35	38	39	(2.0)
DRC	<b>46</b>	41	38	49	42	2.3
Mozambique	<b>59</b>	55	51	45	54	2.2
Lesotho	<b>69</b>	66	65	61	62	2.7
<b>Total ARPU (local currency per month)<sup>4</sup></b>						
Tanzania (TZS)	<b>5 616</b>	6 010	6 086	6 003	5 972	(1.5)
DRC (US\$)	<b>3.1</b>	3.0	2.9	3.5	3.0	0.8
Mozambique (MZN)	<b>252</b>	244	241	216	169	10.5

**Notes:**

1. IFRS 16 was adopted on 1 April 2019 on a forward-looking basis.
2. IFRS 15 was adopted on 1 April 2018 on a forward-looking basis.
3. 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, and those customers who are active while roaming.
4. Total ARPU is calculated by dividing the average monthly service revenue by the average number of monthly active customers during the period.

# Who governs us

We have a unitary Board with 12 directors, the majority of whom are non-executive directors. Our Chairman is an independent non-executive director.

## Board structure



### 1. Mohamed Shameel Aziz Joosub (49)

Appointed CEO in September 2012

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

### 2. Till Streichert (46)

Appointed CFO in August 2015

- Diverse international financial experience.
- Executive leadership background.
- International ICT sector insights.

### 3. Phillip Jabulani Moleketi (63)

Appointed as Chairman of the Board in July 2017

- Understands public sector relations.
- Corporate and strategic leadership experience.
- Strong financial acumen.
- Government relations experience.

### 4. David Hugh Brown (57)

Appointed in January 2012

- Corporate and strategic leadership experience.
- Financial expertise.
- Corporate governance expertise.
- Strategic leadership experience.

### 5. Clive Bradney Thomson<sup>1</sup> (53)

Appointed in April 2020

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

### 6. Sakumzi Justice Macozoma (63)

Appointed in July 2017

- Sound financial governance background.
- Extensive telecoms knowledge.
- Emerging market insight.

### 7. Phuthi Mahanyele-Dabengwa<sup>4</sup> (49)

Appointed in January 2019

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

### 8. Leanne Susan Wood<sup>2,5</sup> (47)

Appointed in July 2019

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

### 9. John William Lorimer Otty (56)

Appointed in September 2012

- Sound financial governance background.
- Extensive telecoms knowledge.
- Emerging market insight.

### 10. Vivek Badrinath (50)

Appointed in December 2016

- Extensive telecommunications and technology knowledge.
- Expertise in Information Systems.
- Emerging market expertise.
- Business leadership.

### 11. Sunil Sood (59)

Appointed in July 2018

- Extensive telecoms knowledge.
- Executive leadership background.
- Strategic leadership experience.
- Emerging markets expertise.

### 12. Pierre Klotz<sup>3</sup> (44)

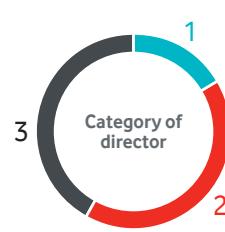
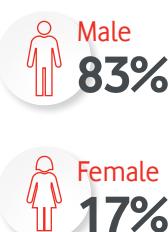
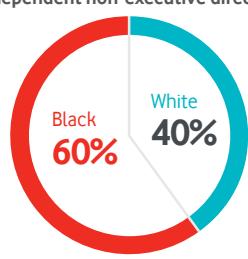
Appointed in April 2020

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

1. Clive Bradney Thomson was appointed to the Vodacom Group Board in April 2020, replacing Priscilla Bafelengla Mabelane.
2. Leanne Wood was appointed to the Vodacom Group Board in July 2019, replacing Michael Joseph.
3. Pierre Klotz was appointed to the Vodacom Group Board in April 2020, replacing Thomas Reisten.
4. Nomkhita Cylda Nqweni was appointed to the Vodacom Group Board in April 2020 as an alternate director to Phuthi Mahanyele-Dabengwa.
5. Francesco Bianco was appointed to the Vodacom Group Board as an alternate director to Leanne Wood in July 2019.

Audit, Risk and Compliance Committee (ARCC)   Remuneration Committee   Nomination Committee   Social and Ethics Committee

#### Independent non-executive directors



Age group:	45 – 50	51 – 55	56 – 60	>60
	6	1	3	2

1	Executive directors	16.67%
2	Independent non-executive (including the Chairman)	41.67%
3	Non-executive	41.67%

# Who leads us

## Executive Committee

CEO



Legal and Regulatory



**1. Mohamed Shameel Aziz Jousub** (49)  
Chief Executive Officer  
Joined Vodacom in March 1994.

**2. Till Streichert** (46)  
Chief Financial Officer  
Joined Vodacom in February 2014/Vodafone in January 2008.

**3. Andries Delport** (55)  
Chief Technology Officer  
Joined Vodacom in June 1996.

CFO



Strategy and New Business



**4. Jorge Mendes** (46)  
Chief Officer: Consumer Business Unit  
Joined Vodacom in May 2000.

**5. Matimba Mbungela** (48)  
Chief Human Resources Officer  
Joined Vodacom in January 2003.

**6. Errol van Graan** (46)  
Chief Officer: Commercial Operations  
Joined Vodacom in February 2018.

Technology



Corporate Affairs



**7. Nkateko Nyoka** (57)  
Chief Officer: Legal and Regulatory  
Joined Vodacom in October 2007.

**8. Puso Manthata\*\*** (41)  
Chief Officer for Strategy, Mergers and Acquisitions  
Joined Vodacom in June 2020.

**9. Takalani Netshitenzhe** (52)  
Chief Officer: Corporate Affairs  
Joined Vodacom in September 2016.

Consumer Business Unit



Financial Services



**10. Mariam Cassim** (38)  
Chief Officer: Vodacom Financial Services  
Joined Vodacom in November 2016.

**11. Diego Gutierrez** (44)  
Chief Operating Officer: International Business  
Joined Vodacom in August 2017.

**12. William Mzimba** (51)  
Chief Officer: Vodacom Business  
Joined Vodacom in May 2018.

Human Resources



International Business



**\*** Dejan Kastelic has been appointed as Chief Technology Officer effective 1 May 2020.  
**\*\*** Puso Manthata has been appointed as Chief Officer for Strategy, Mergers and Acquisitions with effect from 1 June 2020.

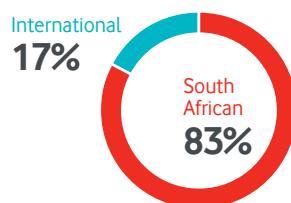
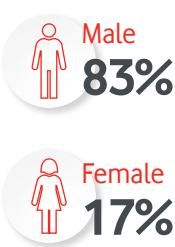
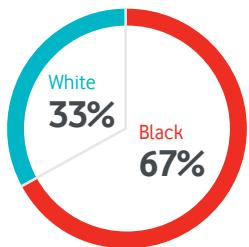
Commercial Operations



Vodacom Business



Further detailed biographies of the Board and the Executive Committee are available at [www.vodacom.com](http://www.vodacom.com).



Age group:

	35 – 40	41 – 45	46 – 50	>50
1	2	5	4	

# Board governance at a glance

Vodacom is committed to the highest standards of business integrity, ethics and professionalism.

The King IV Report on Corporate Governance advocates an outcomes-based approach, and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes.

The application of King IV is on an apply and explain basis and practices underpinning the principles espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures governing corporate conduct. The Board is satisfied that in the main, Vodacom has applied the principles set out in King IV.



The Board comprises the following committees:

Nomination Committee

Remuneration Committee

Social and Ethics Committee

Audit, Risk and Compliance Committee

Executive Committee



This year, we have chosen to provide a very summarised governance report, reviewing the main focus areas that impact on value creation and briefly outlining our strategic response. More detailed information on our governance policies and activities is provided in the following reports, all available online at [www.vodacom.com](http://www.vodacom.com).

- Full corporate governance report
- King IV codes
- Audit, Risk and Compliance Committee report in the consolidated annual financial statements
- Remuneration report
- Sustainability report

## Board and committee attendance

Name of director	BOARD	NOMCO	REMCO	ARCC	S&E
PJ Molekoti	9/9	5/5	4/4		4/4
MS Aziz Joosub	9/9				4/4
V Badrinath	9/9	5/5	4/4		3/4
F Bianco <sup>e</sup>	7/9	1/5	1/4		
DH Brown	9/9		3/4	5/5	
M Joseph <sup>a</sup>	2/9				
BP Mabelane <sup>c</sup>	6/9			4/5	
SJ Macozoma	9/9	5/5		5/5	4/4
P Mahanyele-Dabengwa	7/9		4/4		
JWL Otty	9/9				
T Reisten <sup>d</sup>	9/9				
S Sood	8/9				
T Streichert	9/9				
LS Wood <sup>b,f</sup>	6/9	4/5	3/4		

NOMCO – Nomination Committee

REMCO – Remuneration Committee

ARCC – Audit, Risk and Compliance Committee

S&E – Social and Ethics Committee

a. M Joseph resigned from the Board on 24 July 2019.

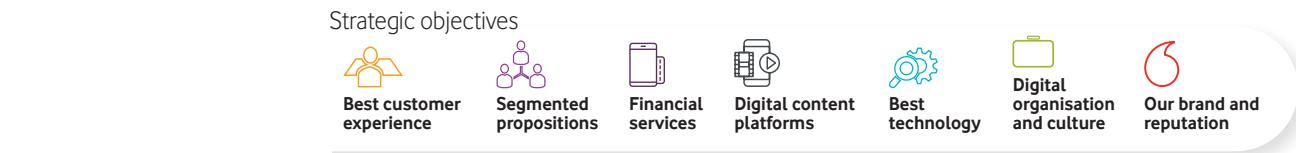
b. LS Wood appointed to the Board on 24 July 2019.

c. BP Mabelane resigned from the Board and as ARCC member on 31 December 2019.

d. Thomas Reisten resigned from the Board on 31 March 2020.

e. F Bianco stepped down as NomCo and Remco member on 24 July 2019.

f. LS Wood appointed as NomCo and RemCo member on 24 July 2019.



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 the best interests of shareholders. The Board's key focus areas during the year included:

Focus areas	Risk (see page 22)	Strategy
<b>Cyber threats</b>	<ul style="list-style-type: none"> <li>Commission world-class security vendors to enhance sophisticated attacker detection.</li> <li>Proactive assessment of security undertaken on all projects.</li> <li>Cyber incident response, containment and focus monitoring for the Vodacom Group of Companies.</li> <li>Undertake continuous security improvement programmes to manage the security risk.</li> <li>Create assurance programmes that incorporate internal and external review of where and how our data is stored.</li> <li>Apply layers of security controls to protect our infrastructure storing and transmitting of confidential information.</li> <li>Apply Vodafone Security Risk, Control and Assurance Framework.</li> <li>Relevant skills brought in to manage our IT security.</li> </ul>	<ul style="list-style-type: none"> <li> Cyber threat (all markets)</li> <li>Need to protect all the networks and customer information</li> </ul>
<b>M&amp;A activity and new business</b>	<ul style="list-style-type: none"> <li>Acquired further shares in Vodacom Tanzania, taking our interest to 75%.</li> <li>Entered into roaming and facility leasing agreements with Liquid Telecom for 5G spectrum.</li> <li>Renegotiated terms with Rain on roaming agreement.</li> <li>Formed a joint venture with Safaricom to acquire Vodafone's M-Pesa assets.</li> <li>Acquisition of IoT.nxt.</li> </ul>	<ul style="list-style-type: none"> <li>Execution of strategic projects for future growth</li> <li>Access to spectrum</li> </ul>
<b>Strategy progress and introduction of Vision 2025 three-year targets</b>	<ul style="list-style-type: none"> <li>Wrap-up on vision 2020.</li> <li>Present vision 2025 strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Execution of strategic projects for future growth</li> </ul>
<b>Regulatory issues: spectrum/Competition Commission report on data pricing/ICASA market review, and Tanzania fine</b>	<ul style="list-style-type: none"> <li>Concluded an agreement with the Competition Commission, which was endorsed by the Competition Commission Tribunal for data price reductions in South Africa and entered into a Social Contract with the Government of South Africa. The Social Contract would bridge the digital divide by allowing access to various sites, free e-School and university portals, and lower the cost of data for the underprivileged.</li> <li>Accelerated emphasis on our Social Contract initiatives, driving digital inclusion and democratising data access through affordable digital services, enhanced rural coverage, and low-cost smartphones.</li> <li>Providing segmented products and services, with appropriate pricing strategies across all markets.</li> <li>Regulatory issues in Tanzania around bypassing the international gateway with regards to the Tala matter. We have improved compliance and governance systems to ensure compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Adverse regulatory and political pressure</li> </ul>

## Board governance at a glance

continued



Focus areas	Risk (see page 22)	Strategy
<b>Taxation matters</b> <ul style="list-style-type: none"><li>▶ Faced additional pressures and demands around taxation in all markets, particularly in the DRC and Tanzania; and</li><li>▶ Improved stakeholder relations with tax authorities.</li></ul>	<ul style="list-style-type: none"><li>• Adverse regulatory and political pressure</li></ul>	A row of icons representing various business concepts: a person icon, a smartphone icon, a gear icon, and a circular arrow icon.
<b>Stakeholder relations, especially DRC and Tanzania</b> <ul style="list-style-type: none"><li>▶ Improve engagement with governments, and regulatory and public bodies;</li><li>▶ Create specialist legal, regulatory and government relations teams at Group level and in all operations, with external advisors and legal counsel as needed;</li><li>▶ Engage stakeholders and proactively understand material legislative changes;</li><li>▶ Engage proactively with government and other key stakeholders to communicate key messages and proposals on how policy/regulatory decisions positively and negatively impact the sector; and</li><li>▶ Engage with shareholders in the DRC to resolve longstanding issues.</li></ul>	<ul style="list-style-type: none"><li>• Execution of strategic projects for future growth</li></ul>	A large red circular arrow icon.

Strategic objectives						
Focus areas		Risk (see page 22)	Strategy			
<b>Vodacom purpose and Vodacom spirit</b>						
<ul style="list-style-type: none"> <li>▶ We adopted the Vodacom purpose – 'We connect for a better future'. We aspire to provide affordable access to the internet in all our markets. As a leading technology communications company, we are creating a digital society which is inclusive of all while protecting the planet.</li> <li>▶ We launched the Vodacom Spirit programme, a culture change programme which focuses on promoting the following behaviours:           <ul style="list-style-type: none"> <li>• Earn customer loyalty;</li> <li>• Create the future;</li> <li>• Experiment – learn fast; and</li> <li>• Get it done together.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Execution of strategic projects for future growth</li> </ul>					
<b>Our approach to ESG/sustainability issues</b>						
<ul style="list-style-type: none"> <li>▶ Secured a R2 billion sustainability loan linked to ESG measures;</li> <li>▶ Established an ESG steering committee charter and nominated members; and</li> <li>▶ Gap analysis of ESG matters and engagement with stakeholders to address gaps.</li> </ul>	<ul style="list-style-type: none"> <li>• Execution of strategic projects for future growth and best practice as a corporate citizen</li> </ul>					
<b>SA: economy and Eskom</b>						
<ul style="list-style-type: none"> <li>▶ Due to ongoing rolling blackouts in South Africa, we have invested in energy security at base stations, including additional generators and battery spend at significant cost to the business to provide availability of network;</li> <li>▶ Used IoT to monitor energy consumption;</li> <li>▶ Provided products that are more relevant to consumers under pressure due to the weaker SA economy; and</li> <li>▶ With a weaker rand exchange rate, we renegotiated better pricing, took out forward exchange contracts and managed our debt through a 50:50 fixed to floating interest rate.</li> </ul>	<ul style="list-style-type: none"> <li>• Execution of strategic projects for future growth</li> <li>• Technology failures (service failures)</li> <li>• Declining macroeconomic conditions</li> </ul>					
<b>ICASA's End-user Subscriber Services Charter</b>						
<ul style="list-style-type: none"> <li>▶ Engaged with the regulator and other stakeholders;</li> <li>▶ Participated in forums with the ministry and industry; and</li> <li>▶ Made numerous submissions and proposals.</li> </ul>	<ul style="list-style-type: none"> <li>• Adverse regulatory and political pressure</li> </ul>					
<b>Impact of Huawei concerns and China/USA trade relations (especially on our network)</b>						
<ul style="list-style-type: none"> <li>▶ Reduced dependency on single suppliers by risk profiling to consider multi-vendor strategy;</li> <li>▶ Engaged with governments, experts and suppliers on the management of this risk; and</li> <li>▶ Secured spares to deal with any short-term issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Adverse regulatory and political pressure</li> <li>• Original Equipment Manufacturer (OEM) sovereign risk exposure (all markets)</li> </ul>					

# Remuneration report 2020

## Remuneration Committee

### Chairman:

Phuthi Mahanyele-Dabengwa

### Members:

David Brown  
Vivek Badrinath  
Leanne Wood



## Letter from the Chairman of the Remuneration Committee

### Dear Shareholders

On behalf of the Board, I am pleased to present the 2020 remuneration report for the Vodacom Group.

This report includes our remuneration philosophy and policy for executive and non-executive directors, and provides a description of how the policy has been implemented. It also discloses payments made to non-executive and executive directors during the year.

In line with our commitment to fair and responsible remuneration, we continuously review our remuneration policies and practices to ensure that they remain fit for purpose and are aligned with Vodacom's strategic objectives.

We have carefully reviewed the Group's remuneration policy and ensured that the remuneration practices were aligned with the policy objectives.

The committee is satisfied that our current remuneration policy is still relevant. The committee has thus agreed that the reward framework will remain in place, ensuring that our total reward offerings encompass all of the life cycle elements that employees experience throughout their career.

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 have been implemented.

### Alignment with our strategic framework

When Vodacom launched our Vision 2020 strategy in 2017, it was with the ambition to empower the digital lives of our customers by connecting everyone to live a better today, and build a better tomorrow.

Our new strategic objective is to connect for a better future. We aspire to be a trusted partner to connect for a better future. To deliver on this objective, we must be passionate about improving the lives of our customers, colleagues and communities. We are always open to new things, and curious to create solutions that our customers will love. It starts with us. No matter where we work in Vodacom we act as one. Together, we create a place where everyone can truly be themselves and belong. This is the Spirit of Vodacom. It is who we are and how we work at Vodacom.

**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 have been implemented.**

### We earn customer loyalty

It starts and ends with the customer. We aspire to be a brand they love, by earning their trust and providing brilliant experiences. We work hard to simplify things for them and deliver what our customers want and need, every day.

Achieving this priority will require us to develop deeper relationships with our customers. The importance of customer relationships is reflected in the inclusion of a customer appreciation metric with a weighting of 25% in our short-term incentive.

Our focus areas for the next financial year will mainly be to:

- Redesign our Recognition programme;
- New benchmarking framework for Senior Leadership Team (SLT);
- How to recruit and retain 'new' skills; and
- Embed the Spirit of Vodacom.

A handwritten signature in black ink, appearing to read "Phuthi".

**Phuthi Mahanyele-Dabengwa**

Chairman of the Remuneration Committee

In accordance with the requirements of King IV, this report is divided into the following three sections:

### Section 1

Background statement regarding committee considerations and decisions

### Section 2

Our remuneration philosophy, policy and framework

### Section 3

Implementation and remuneration disclosure of the CEO, CFO and non-executive directors (NED)

## Section 1

# Background statement regarding committee considerations and decisions

The Remuneration Committee Chairman provides feedback to the Board after each RemCo meeting of key decisions and relevant discussions, and also attends the AGM to address questions by stakeholders on RemCo's areas of responsibility.

### Achievement of policy objectives

The committee believes that the Vodacom remuneration philosophy and policy remains fit for purpose and achieves the high-level objectives of attraction, retention and performance motivation of our staff. As a result, no changes were made to the remuneration mix for executive directors this year, either at target or at maximum award levels.

### Business performance and the impact on our short-term and long-term incentives

Management had a stretching set of targets to achieve relating to short-term and long-term incentive objectives.

Part of our digital transformation has meant shifting from a traditional business culture to one that is more flexible and allows for quick responses to needs. This is the essence of a digital organisation and culture, and it is why we have adopted an agile approach to developing products and services, and have applied robotics process automation to perform high-volume, repetitive tasks.

Delivering on our Group targets has been no mean feat. We have faced tough economic conditions, the continuing promise of spectrum allocation, the impact of load-shedding and the challenge of reinvention in a mature market. Despite these challenges, we made solid progress, with the strong performance in our International operations partly offsetting some of the pressure in South Africa. More detail on the actual achievement against these targets is provided elsewhere in this report.

The targets and the extent to which they are achieved have a direct impact on the short- and long-term incentives payable to executives.

**The key decisions made by RemCo during this year were:**

- Approved increases and adjustments for executives, senior management and employees;
- Reviewed the metrics of the variable short-term incentive (STIP) and the variable long-term incentive (LTIP) schemes, and made changes where appropriate;
- Approved short-term incentives for executives, senior management and employees;
- Evaluated the LTIP vesting conditions for the 2016 scheme, and approved final vesting ratios; and
- Set performance conditions for short- and long-term incentives.

### Shareholder voting

As required by King IV and the JSE Listings Requirements, Vodacom will put a dual vote to shareholders regarding the approval of the remuneration policy, and implementation of the policy. Should either vote receive 25% or more votes against, Vodacom will take the following steps:

- Issue a SENS announcement regarding the outcome of the voting results;
- Invite stakeholders to engage with Vodacom regarding their dissatisfaction with either of the votes;
- Schedule collective and/or individual engagements with concerned stakeholders to record their concerns and objections first hand;
- Assimilate all responses and schedule a RemCo session to analyse concerns and issues raised with the aim of formulating changes to policy and implementation where required; and
- Develop a formal response to stakeholders who articulate the concerns raised and the details of where changes will be made to address concerns raised, and that provide detailed responses for areas where Vodacom, despite the stakeholders feedback, believes its current policy and/or implementation is adequate.

## Remuneration report 2020

continued

Section 1 / Background statement regarding committee considerations and decisions *continued*

### Voting at the July 2020 annual general meeting

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder voting at the AGM in July 2020, details of which can be found in the AGM notice available online at [www.vodacom.com](http://www.vodacom.com).

- Binding vote on non-executive directors' fees;
- Advisory vote on the remuneration policy; and
- Advisory vote on the implementation report.

**Results of shareholder voting at the most recent AGMs are indicated below.**

	2019	2018	2017
Approval of the remuneration policy	<b>98.91%</b>	98.83%	94.20%
Implementation of the remuneration policy	<b>98.91%</b>	98.93%	94.20%
Non-executive directors' fees	<b>99.76%</b>	99.58%	99.76%

### Areas of focus for the next year

RemCo is constantly assessing the executive remuneration market and governance frameworks. The committee anticipates the following key focus areas for the next year:

- Performance conditions for LTIP;
- Monitoring changes in executive remuneration, especially those of our direct competitors;
- Review of peer group applicable to LTIP and NED fees; and
- Focus on fair and responsible pay.

### Independent external advisors

The RemCo contracted the services of Bowmans for independent external advice. The committee is satisfied with its independence and objectivity. This service was previously provided by Vasdex.

## Section 2

### Our remuneration philosophy, policy and framework

#### Our remuneration philosophy

Our aim is to attract, retain and motivate executives of the highest calibre, while at the same time aligning their remuneration with stakeholders' interests, sustainability, best practice and our approach to reward is holistic and balanced across the following elements:

- Guaranteed package (GP);
- Variable short-term incentive plan;
- Variable long-term incentive plan;
- Various benefit plans;
- Various recognition programmes;
- Individual learning and development opportunities;
- Stimulating work environment; and
- Well-designed and integrated employee wellness programme.

Vodacom adheres to a 'total cost to company' philosophy, which we refer to as the GP. All its employees in South Africa, including executive directors, receive a GP based on their role in Vodacom. Contributions to medical aid, retirement funding and insured benefits are included in the GP.

Annually, we conduct remuneration benchmarking and award increases in the GP according to the market and individual performance.

Our short-term incentive, in the form of an annual cash bonus, is linked to achieving financial, strategic and operational objectives. The pool available for short-term incentives is determined by the financial performance of the Group against previously set and agreed targets.

Our long-term incentive, in the form of an annual share allocation, encourages ownership and loyalty, and supports our objective to retain valued employees. It is designed to align executive performance to stakeholders' interests, as a portion of the award for senior executives is subject to group performance conditions. The scheme is a full ownership scheme. As a result, participants receive dividends from the award date although the value of the shares can only be realised after a three-year vesting period, to the extent that the vesting conditions have been met.

#### Pay mix

RemCo reviews the total pay mix of executive directors every year and decides on the proportion of total remuneration paid as part of the GP, or as STIP or LTIP. 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 to lower-level staff.

RemCo also reviews targets and the on-target values for each element every year to ensure that it remains relevant, competitive, drives the right behaviours and enhances overall stakeholder value.

## Benchmarking

To ensure we apply the right pay mix and remunerate our executives competitively, we use industry- and country-specific benchmarks. Fair and competitive reward is vital to being an employer of choice. RemCo sets the remuneration and the guaranteed packages 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). The remuneration information is consolidated to ensure that we have a comprehensive view of remuneration across different industries and an understanding of how to reward our executives appropriately and competitively.

Benchmarking for executive directors within Vodacom is done for all elements of targeted remuneration, namely guaranteed package, target short-term incentive and target long-term incentive. For executive directors, Vodacom targets the 66th percentile of the market for GP and 75th percentile of the market for GP plus STIP.

The CEO is benchmarked against industry-specific comparators, information from peer group disclosure, and the executive remuneration survey provided by Mercer.

The CFO is a secondee from Vodafone and is thus benchmarked in terms of the Vodafone executive remuneration policy.

## 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.

RemCo approved an increase in the weighting of direct telecommunications sector competitors with effect from the June 2017 allocation. As a result, the assessment of total shareholder return (TSR) is performed with two additional instances of MTN and Telkom respectively. In combination, this equates to 25% of the TSR peer group.

Telkom is not currently present in the Indi25, but since it is a direct competitor for Vodacom, RemCo nevertheless took the decision to include Telkom in the LTIP TSR peer group.

## Non-executive director remuneration

Non-executive directors' fees are benchmarked annually 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. Banks have specifically been excluded, however, since their NED fees are noticeably higher than other industries.

## Executive contracts and policies

Executives have permanent contracts of employment. The notice periods applicable to members of executive management are 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 in the event of a normal voluntary resignation or retirement.

## Remuneration framework

### Guaranteed package

Within the context of our GP, Vodacom offers a selection of benefits that are both best practice and compliant with legislative practices. 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 net remuneration of the employee.

### Short-term incentives

All employees, including executive directors, but excluding employees on a commission, quarterly or biannual bonus structure, participate in the annual STIP plan. STIP payments are discretionary and depend on the financial performance of Vodacom and individual performance. Payments are made in cash in June each year.

Where annual targets are achieved in full, 100% of the on-target STIP will be paid. In instances where target goals are exceeded, the STIP is capped at a percentage of the guaranteed package. Where the STIP targets are not achieved in full, a reduced STIP is paid. Where performance is below threshold, no STIP is payable. Financial and personal multipliers are applied as separate multiples of the on-target percentages to determine the final award.

### On-target and maximum STIP

One of the key decisions taken by RemCo was the removal of the individual multiplier for the 2021 financial year. This change will have a direct impact on the payout of STIP in the future.

The on-target and maximum STIP percentages are set out in the table below:

#### 2019/2020

Role	On-target % of GP	Maximum % of GP
CEO	100%	200%
CFO	60%	180%

#### 2020/2021

Role	On-target % of GP	Maximum % of GP
CEO	100%	200%
CFO	60%	120%

The maximum percentage of GP for the 2020 financial year is based on a combination of the business performance multiplier and the personal multiplier. For the 2021 financial year, the STIP for the CFO will be based on business performance only.

The STIP for the CEO is capped at 200% of target. This is the maximum business multiplier as no performance multiplier is applicable.

## Remuneration report 2020

continued

Section 2 / Our remuneration philosophy, policy and framework *continued*

### Business performance multiplier

The business performance multiplier ranges from 0% – 200%. The metrics comprise three financial measures, which focus on the core operations of our business and one strategic measure, being customer appreciation.

Metric	2020 weighting	2019 weighting	2018 weighting
Service revenue	25%	20%	20%
EBIT	25%	20%	20%
Operating free cash flow	25%	20%	20%
Customer appreciation	25%	40%	40%

The metrics for the 2021 financial year still need to be finalised.

For executives, business performance is split between the relevant operating company and the Group. The Group business multiplier is used for the CEO and CFO, and for other senior leadership team members the business multiplier is based on a weighted average of the multipliers for the relevant operating company and the Group.

### Personal multiplier (2020 financial year)

The personal multiplier ranges from 0% – 150%. The personal performance multipliers are based on the performance of executives relative to their objectives.

The CEO does not have a personal performance multiplier and as such his STI is based on business performance only.

Although the CEO does not have a personal multiplier, his individual performance is assessed against specific individual goals which are linked to Vodacom's overall strategic objectives.

The formula for determining the CEO's cash bonus is:

$$\text{GTCE} \times \frac{\text{Target incentive}}{100\%} \times \frac{\text{Business performance}}{0\% - 200\%}$$

The formula for determining the CFO's cash bonus for June 2020 is:

$$\text{GTCE} \times \frac{\text{Target incentive}}{60\%} \times \frac{\text{Business performance}}{0\% - 200\%} \times \frac{\text{Performance multiplier}}{0\% - 150\%}$$

With the removal of the individual multiplier, the formula for determining the CFO's cash bonus for June 2021 will be determined as indicated below. Despite the removal of the individual multiplier the CFO will still be assessed against a set of objectives agreed with the CEO.

$$\text{GTCE} \times \frac{\text{Target incentive}}{60\%} \times \frac{\text{Business performance}}{0\% - 200\%}$$

### Long-term incentives

Selected employees, including all executives, are invited to participate in our long-term incentive plans. These incentive plans aim to retain key skills and motivate executives over the long term, which is essential to sustainable performance. The awards are made using a combination of Vodacom and 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 forfeitable shares (FSP) where the maximum number of shares are in issue at the time of award. Dividends are received on the maximum potential vested shares from the time of award. Vesting conditions will determine how many of the original awards are to be forfeited upon final vesting. The Vodafone awards are in the form of conditional shares (CSP), where shares are only settled at the time of vesting and dividends only accrue from that point onwards.

#### Vodacom performance FSP shares

Vodacom performance FSP shares vest in a range of 0% – 100% of the number of shares awarded, where 50% is the target vesting level.

#### Vodacom retention FSP shares

Vodacom operates in highly competitive markets where competitors are local and international, and also span industries other than telecommunications. An element of the LTIP award, for employees other than the CEO, are retention awards and therefore only have time-based performance vesting conditions.

#### Vodafone retention and performance CSP awards

Details regarding performance conditions and vesting periods for the Vodafone awards can be found in the 2020 Vodafone remuneration report.



Further details are provided in the 2020 Vodafone remuneration report at [www.vodafone.com](http://www.vodafone.com).

### On-target and maximum LTIP 2020 financial year

The on-target and maximum LTIP percentages are set out in the table below:

Role	On-target % of GP	Maximum % of GP
CEO	190%	405%
CFO	70%	233%

For executives other than the CEO the maximum includes the effect of a maximum personal multiplier of 2.0 times at allocation and the business achievement at a potential maximum of 2.0 times at vesting. The individual multiplier is based on the talent rating of the executive following the internal talent review process.

As with the STIP, the CEO does not have an individual multiplier.

As with the STIP, the individual multiplier will be removed from the allocation of the LTIP from the 2021 financial year. As a result, the formula for the CEO will remain unchanged, however the impact on the CFO LTIP will be as follows:

Role	On-target % of GP	Maximum % of GP
CFO	70%	117%

## Split of awards

On-target awards are split as follows between Vodacom FSP (forfeitable shares) and Vodafone CSP (conditional shares) awards, as well as between retention and performance awards:

Scheme	CEO	CFO
Vodacom FSP retention	–	–
Vodacom FSP performance	73.7%	–
Vodafone CSP retention	–	33.3%
Vodafone CSP performance	26.3%	66.7%

The CEO does not receive Vodacom FSP retention awards nor Vodafone CSP retention awards.

The CFO is seconded from Vodafone and thus receives only Vodafone CSP awards. Although the CFO receives no Vodacom FSP awards, half of the vesting of the Vodafone CSP performance awards is linked to the Vodacom performance conditions.

## Performance conditions for LTIP

Metric	Weighting award 2020 Vesting 2023		Weighting award 2019 Vesting 2022	Weighting award 2018 Vesting 2021
	70%	30%	70%	70%
Operating free cash flow				
TSR relative to peer group				

The targets for operating free cash flow is determined according to the achievement of the three-year budget plan. TSR achievement is calculated based on the position within the selected TSR peer group.

The vesting of Vodacom performance FSP shares is based on the following scale:

Scheme	Operating free cash flow (OFCF)	TSR relative to peer group
Min 0%	<-15% of OFCF	Below 50 <sup>th</sup> percentile of the index
Threshold 20%	Three year plan -15%	At 50 <sup>th</sup> percentile of the index
Target 50%	Three-year plan	Average of 50 <sup>th</sup> and 75 <sup>th</sup> percentile of the index
Maximum 100%	Three-year plan +15%	75 <sup>th</sup> percentile of the index

## Shareholder guidelines

### CEO minimum shareholding requirement

In order to ensure that the Vodacom CEO maintains a high level of shareholder alignment, a minimum shareholding requirement is introduced as follows:

**200% of GP**

in Vodacom shares

**100% of GP**

in Vodafone shares

The total share ownership guideline for the Vodacom CEO is thus 300% of GP.

Should the Vodacom CEO not meet the minimum shareholding requirements at the time of the LTIP awards, the award 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 Vodacom and to align with shareholders' interests. As a result, we implemented a shareholding guideline policy for our executives, which requires them to build up minimum levels of personal shareholding in the Group. Executives, excluding the CEO, are required to hold 1.0 times of GP as a minimum personal shareholding.

As an incentive to exceed the minimum requirements, additional awards of FSP performance shares will be made 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 executives are permitted to build up this shareholding is based on the vesting of three cycles of the annual awards under the FSP plan.

### Vodacom Siyanda employee trust

The Vodacom Siyanda employee trust was established for the benefit of all eligible employees. The trust holds its equity investment in Vodacom Group through its interest in YeboYethu (RF) Limited. Employees participated in the transaction by being allocated units in the trust based on a varying percentage of the GP, taking into account their employment level and racial and gender classification. One unit was created 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 3, 4 and 5 respectively, but will only become fully tradable on the BEE segment of the JSE in three equal tranches over a three-year period starting from the end of the fifth year of the scheme (i.e. years 6, 7 and 8).

Upon conversion of the units into shares in YeboYethu (RF) Limited, 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.

## Remuneration report 2020

continued

Section 2 / Our remuneration philosophy, policy and framework continued

### Section 3

## Implementation and remuneration disclosure of the CEO, CFO and non-executive directors

The implementation report details the outcomes of implementing the approved policy in the current financial year, as detailed in section 2 of this report.

### 2020 GP

The annual salary review process undertaken by the committee analysed market benchmarking and risks associated with retention of key management personnel. In light of this analysis, the committee approved the following increases for the CEO and CFO:

Executive directors	2020	2019	increase	Currency
MS Aziz Joosub	12 247 500	11 500 000	6.5%	ZAR
T Streichert	451 893	377 683	19.6%	GBP

The GP figures above include retirement fund contributions, medical aid and company car.

Vodacom benchmarks its CEO remuneration using the following approaches:

- Comparison using an appropriate premium and/or discount to the individual incumbents of direct competitors;
- Comparison using a portfolio of similarly sized companies, where sizing is based on a combination of market cap, number of employees, total assets and turnover; and
- Comparisons using a grade-based approach, to a local executive remuneration survey.

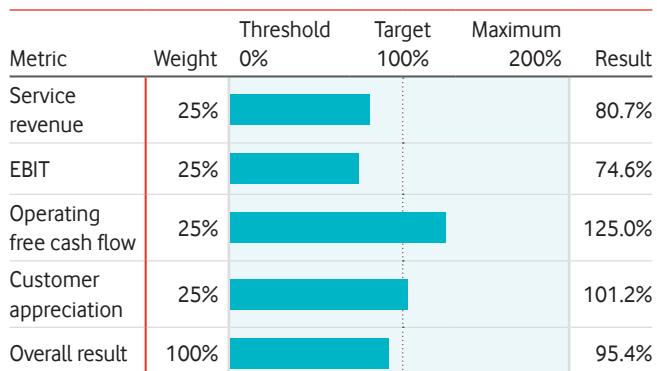
Given the analysis of all three of these benchmarking approaches, and in analysing both guaranteed and total remuneration (total including STIP and LTIP), RemCo approved a 6.5% increase for Shameel as being appropriate for both the GP and total remuneration.

Till received an increase of 19.6% to ensure that his GP was aligned with market benchmarks.

All employees received a GP increase of 5.5% on average in South Africa and market-related increases in our International operations.

### 2020 STIP performance

The graphic below shows the extent to which the Group targets were met for the year ended 31 March 2020.



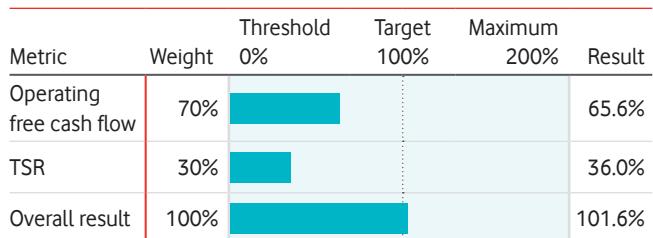
The overall achievement of target is 95.4%. The comparable Group STI achievement for 2019 was 85.1%.

Based on a combination of Group and individual performance (as detailed in the remuneration policy) the resultant STIP awards were approved for the CEO and CFO:

Executive directors	2020	2019	increase	Currency
MS Aziz Joosub	11 658 115	9 786 500	19.1%	ZAR
T Streichert	210 357	168 804	24.6%	GBP

### 2020 LTIP performance

Achievement of the 2020 LTIP represents the final vesting percentage for awards made in June 2017 where the three-year performance period concluded on 31 March 2020. These shares will vest in June 2020 and will be disclosed in the table of single total figure of remuneration at the year-end share price of R117.01 for Vodacom shares.



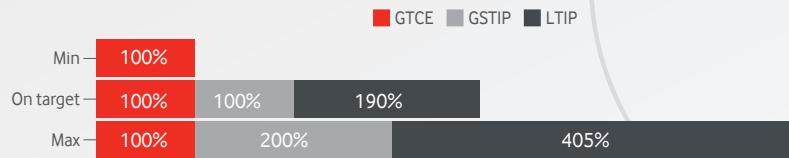
The overall achievement was 50.8%. The comparable Group LTIP achievement for 2019 was 44.1%.

Based on a combination of policy and talent rating (as detailed in the remuneration policy) LTIP awards were made to the CEO and CFO in June 2019. The details of these are included in the tables of outstanding share awards.



## Shameel Joosub (CEO)

### Pay mix for the CEO



- The maximum STIP for Shameel is 2.0 times the target. This is the maximum business performance multiplier as no personal multiplier is applicable.
- Similarly to the STIP, Shameel does not have an individual performance multiplier on LTIP, hence the maximum represents the potential maximum of shares that could vest, whereas on target represents the number of shares which are anticipated to vest.
- Dividends are received in cash on all outstanding unvested LTIP 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 have been prepared in accordance with the provisions of King IV and practice notes and thus include an LTIP amount.

The LTIP is valued at the year-end share price of R117.01 for Vodacom shares and GBP1.13 for Vodafone shares.

Shameel Joosub	2020	2019	% increase	Currency
GP	12 060 625	11 275 000	7.0	ZAR
Other <sup>1</sup>	4 800	4 800	–	ZAR
STI <sup>2</sup>	11 684 115	9 786 500	19.4	ZAR
LTI <sup>3</sup>	14 322 825	12 203 533	17.4	ZAR
FSP	6 454 766	5 312 052	21.5	ZAR
FSP Match	4 482 452	4 281 427	4.7	ZAR
Vodafone Match	3 385 607	2 610 054	29.7	ZAR
Dividends <sup>4</sup>	5 374 033	4 992 164	7.6	ZAR
<b>Total (pre tax)</b>	<b>43 446 398</b>	<b>38 261 997</b>	<b>13.5</b>	<b>ZAR</b>
<b>Total (post tax)<sup>5</sup></b>	<b>23 895 519</b>	<b>21 044 099</b>	<b>13.5</b>	<b>ZAR</b>

#### Notes:

- This includes the Vodacom mobile phone benefit.
- These amounts relate to the bonus payable in June 2020, which is derived from performance for the year ended 31 March 2020.
- LTIP awards made in June 2017 will vest in June 2020.
- Dividends are the total of cash receipts during the financial year based on previous unvested FSP LTIP 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, such as the conditional benefit shares, co-investment contributions by the employee or matching awards which have been settled previously.
- Post tax values are indicative using a 45% rate of taxation being applied to the gross amount.

## Remuneration report 2020

continued

Section 3 / Implementation and remuneration disclosure of the CEO, CFO and non-executive directors *continued*

### Tables of outstanding share awards (value of shares)

In the tables presented 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 the disclosure requirements of King IV. 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 <sup>1</sup>	Estimated effect of performance targets <sup>2</sup>	Forfeited in the year <sup>3</sup>	Settled in the year <sup>3</sup>	Value at year end <sup>4</sup>	Currency
<b>Conditional benefit – restricted shares</b>								
2014	May 2013	23 669 391	740 065	–	–	–	24 409 456	ZAR
<b>Vodacom FSP – with company performance vesting conditions</b>								
2017	Jun 2016	17 999 921	(4 372 961)	–	(7 617 428)	(6 009 532)	–	ZAR
2018	Jun 2017	18 000 294	(5 294 061)	(6 353 116)	–	–	6 353 117	ZAR
2019	Jun 2018	29 680 063	(6 893 302)	(11 393 381)	–	–	11 393 380	ZAR
2020	Jun 2019	32 200 093	(86 699)	(16 056 697)	–	–	16 056 697	ZAR
<b>Vodacom matching award</b>								
2018	Jun 2017	14 442 206	(3 446 034)	–	(6 146 806)	(4 849 366)	–	ZAR
2018	Jun 2017	12 500 135	(3 676 411)	(4 411 862)	–	–	4 411 862	ZAR
<b>Vodafone matching award</b>								
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%								
2017	Jun 2016	216 350	(87 907)	–	–	(128 443)	–	GBP
2018	Aug 2017	283 622	(140 545)	–	–	–	143 077	GBP
<b>Vodafone conditional shares</b>								
2019	Jun 2018	293 288	(113 347)	–	–	–	179 941	GBP
2020	Jun 2019	316 240	(28 610)	–	–	–	287 630	GBP
<b>Siyanda units</b>								
2019	Mar 2019	700 690	(164 064)	–	–	–	536 626	ZAR
2020	Jun 2019	22 481	(5 714)	–	–	–	16 767	ZAR
2020	Nov 2019	7 120	(1 531)	–	–	–	5 589	ZAR

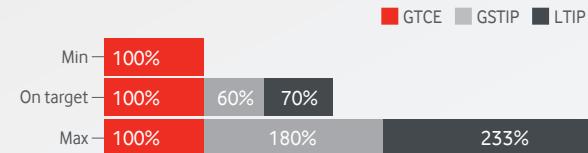
Notes:

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 2020.
2. The estimated effect of performance targets is based on the targeted 50% vesting being applied.
3. Shares settled and forfeited in the year were at a price of R126.06 for FSPs and R126.21 for matching awards.
4. Value at year end is based on the closing share price on 31 March 2020 of R117.01 for Vodacom shares and GBP1.13 for Vodafone shares and R15.70 for Siyanda units.



## Till Streichert (CFO)

### Pay mix for the CFO



Till maximum STIP is 3.0 times the target since he may receive a maximum personal multiplier of 1.5 times in addition to 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 which vested (performance and retention).

### Tables of 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 LTIP is valued at the year-end share price of GBP1.13 for Vodafone shares.

Till Streichert	2020	2019	% increase	Currency
GP	<b>452 799</b>	373 033	21.4	GBP
Other <sup>1</sup>	<b>254 794</b>	199 381	27.8	GBP
STI <sup>2</sup>	<b>210 357</b>	168 804	24.6	GBP
LTI <sup>3</sup>	<b>149 985</b>	173 492	(13.5)	GBP
Vodafone shares	<b>149 985</b>	173 492	(13.5)	GBP
Dividend equivalent shares	<b>19 011</b>	20 855	(8.8)	GBP
<b>Total (pre tax)</b>	<b>1 236 931</b>	<b>1 109 057</b>	<b>11.5</b>	<b>GBP</b>
<b>Total (post tax)<sup>4</sup></b>				

#### Notes:

1. This includes the Vodacom mobile phone 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.
3. LTIP awards made in June 2017 will vest in June 2020.
4. The CFO is taxed under a different regime, hence no post tax value is indicated for him.

## Remuneration report 2020

continued

Section 3 / Implementation and remuneration disclosure of the CEO, CFO and non-executive directors *continued*

### Tables of outstanding share awards (value of shares)

Financial year awarded	Date awarded	Value at award date	Estimated effect of share price <sup>1</sup>	Estimated effect of performance targets <sup>2</sup>	Forfeited in the year <sup>3</sup>	Settled in the year <sup>3</sup>	Value at year end <sup>4</sup>	Currency
<b>Vodafone shares – no performance conditions</b>								
2017	Jun 2016	93 218	(37 876)	–	–	(55 342)	–	GBP
2018	Jun 2017	89 254	(44 168)	–	–	–	45 086	GBP
2019	Jun 2018	96 251	(37 198)	–	–	–	59 053	GBP
2020	Jun 2019	437 501	(39 581)	–	–	–	397 920	GBP
2020	Jun 2019	81 201	(7 346)	–	–	–	73 855	GBP
<b>Vodafone shares with performance conditions</b>								
2017	Jun 2016	372 861	(151 501)	–	(116 980)	(104 380)	–	GBP
2018	Jun 2017	355 877	(175 545)	(90 166)	–	–	90 166	GBP
2019	Jun 2018	384 995	(148 789)	(118 103)	–	–	118 103	GBP
2020	Jun 2019	324 798	(29 385)	(147 707)	–	–	147 706	GBP
<b>Vodafone matching award</b>								
2017	Nov 2016	44 046	(11 243)	–	(16 304)	(16 499)	–	GBP

#### Notes:

1. The estimated effect of the share price is based on the share price movement between the date of award and the closing price on 31 March 2020.
2. The estimated effect of performance targets is based on the targeted 50% vesting being applied.
3. Shares settled and forfeited in the year were at a price of GBP1.287.
4. Value at year end is based on the closing Vodafone share price of GBP1.13 as at 31 March 2020.

### Termination of office payments

King IV recommends that the implementation report contain details of payments made as a result of any termination of employment for executive management. For the 2020 period, there were no payments made.

### Shareholding

Details of the beneficial interests of directors in Vodacom's ordinary shares (excluding interests in the long-term incentive plans) are set out in the directors' report in the consolidated annual financial statements available online on [www.vodacom.com](http://www.vodacom.com).

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](http://www.vodacom.com).

All awards granted under the FSP are settled through the shares purchased in the market and not by newly issued shares.

### Compliance with policy

The disclosure presented in this report is based on awards to qualifying employees where all remuneration decisions have been made in total compliance with the remuneration policy as approved previously by shareholders. There have been no known deviations from policy in the current financial year.

### Non-executive directors

Non-executive director fees are benchmarked against a peer group of similar-sized companies as detailed in the full remuneration report available on [www.vodacom.com](http://www.vodacom.com). Vodacom believes that NED 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. Non-executive directors do not receive any short-term cash, nor do they receive any long-term share awards.

### Non-executive director payments

In accordance with our memorandum of incorporation, shareholders must approve these fees at the AGM. The current fee level was approved on 23 July 2019 at the AGM, and was implemented on 1 August 2019.

**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 <sup>1,2</sup>	2 871 000	–	–	–	–	–	–	–	–	2 871 000
DH Brown <sup>1,2</sup>	496 917	351 142	–	–	147 700	–	–	–	55 388	1 051 147
V Badrinath <sup>3</sup>	496 917	–	–	–	147 700	126 600	–	126 600	36 150	933 967
F Bianco <sup>3,4,7</sup>	338 667	–	–	–	46 454	39 818	–	–	–	424 939
M Joseph <sup>3,4,5</sup>	149 317	–	–	–	–	–	–	–	–	149 317
BP Mabelane <sup>4,8</sup>	369 917	–	149 603	–	–	–	–	–	–	519 520
SJ Macozoma <sup>1,2</sup>	645 994	–	200 541	–	–	126 600	221 552	–	–	1 194 687
P Mahanyele-Dabengwa <sup>1</sup>	496 917	–	–	258 476	–	–	–	–	–	755 393
JWL Otty <sup>3</sup>	496 917	–	–	–	–	–	–	–	72 300	569 217
T Reisten <sup>3,9</sup>	496 917	–	–	–	–	–	–	–	36 150	533 067
S Sood <sup>3</sup>	496 917	–	–	–	–	–	–	–	–	496 917
LS Wood <sup>3,4,6</sup>	347 600	–	–	–	101 246	86 782	–	–	–	535 628
	<b>7 703 997</b>	<b>351 142</b>	<b>350 144</b>	<b>258 476</b>	<b>443 100</b>	<b>379 800</b>	<b>221 552</b>	<b>126 600</b>	<b>199 988</b>	<b>10 034 799</b>

**Notes:**

1. Fees excluding VAT paid.
2. Independent non-executive directors received an amount of R2 000 in January 2020 for incidental expenses while travelling to Vodafone meetings held in London.
3. Fees paid to Vodafone and not the individual director.
4. Fees for a portion of the year.
5. M Joseph resigned on 24 July 2019.
6. LS Wood appointed on 24 July 2019.
7. F Bianco appointed as an alternate director to LS Wood on 24 July 2019.
8. BP Mabelane resigned on 31 December 2019.
9. T Reisten resigned on 31 March 2020.

Based on Board and committee membership during the course of the year, the following payments were made to non-executive directors for the prior financial year ended 31 March 2019.

**2019 fees**

Name	Director fee (R)	ARCC Chairman (R)	ARCC member (R)	RemCo Chairman (R)	RemCo member (R)	Nomination Committee (R)	Social and Ethics Committee Chairman (R)	Social and Ethics Committee member (R)	Other committees (R)	Total (R)
PJ Moleketi <sup>1,2</sup>	2 695 333	–	–	–	–	–	–	–	–	2 695 333
DH Brown <sup>1,2</sup>	466 501	333 808	–	–	145 133	–	–	–	216 163	1 161 605
V Badrinath <sup>3,4</sup>	466 501	–	–	–	145 133	124 400	–	31 650	113 300	880 984
M Joseph <sup>4</sup>	466 501	–	–	–	–	–	–	–	144 950	611 451
BP Mabelane <sup>2</sup>	466 501	–	190 747	–	–	–	–	–	–	657 248
SJ Macozoma <sup>1,2,3</sup>	594 784	–	190 747	–	–	31 650	217 701	–	–	1 034 882
JWL Otty <sup>4</sup>	466 501	–	–	–	–	–	–	–	144 950	611 451
M Pieters <sup>3,4,5</sup>	134 274	–	–	–	–	–	–	–	–	134 274
S Sood <sup>3,4,6</sup>	332 227	–	–	–	–	–	–	–	–	332 227
TM Mokgosi-Mwantembe <sup>1,2,3,7</sup>	347 813	–	–	189 365	–	92 750	–	–	–	629 928
P Mahanyele-Dabengwa <sup>1,2,3,8</sup>	118 688	–	–	64 619	–	–	–	–	–	183 307
RAW Schellekens <sup>3,4,9</sup>	347 813	–	–	–	108 208	92 750	–	92 750	–	641 521
T Reisten <sup>3,9</sup>	118 688	–	–	–	–	–	–	–	–	118 688
F Bianco <sup>3,4,7</sup>	–	–	–	–	36 925	31 650	–	–	–	68 575
	<b>7 022 125</b>	<b>333 808</b>	<b>381 494</b>	<b>253 984</b>	<b>435 399</b>	<b>373 200</b>	<b>217 701</b>	<b>124 400</b>	<b>619 363</b>	<b>9 761 474</b>

**Notes:**

1. Fees excluding VAT paid.
2. Independent non-executive directors received an amount of R2 500 or R4 000 in September 2018 for incidental expenses while travelling to Board meetings held in Germany.
3. Fees paid to Vodafone and not the individual director.
4. Fees for a portion of the year.
5. M Pieters resigned on 18 July 2018.
6. S Sood appointed on 18 July 2018.
7. TM Mokgosi-Mwantembe resigned on 31 December 2018.
8. P Mahanyele-Dabengwa appointed on 1 January 2019.
9. RAW Schellekens resigned on 31 December 2018.
10. T Reisten appointed on 1 January 2019.
11. F Bianco appointed as an alternate director to M Joseph on 1 January 2019.

# Share information

## Total shareholding

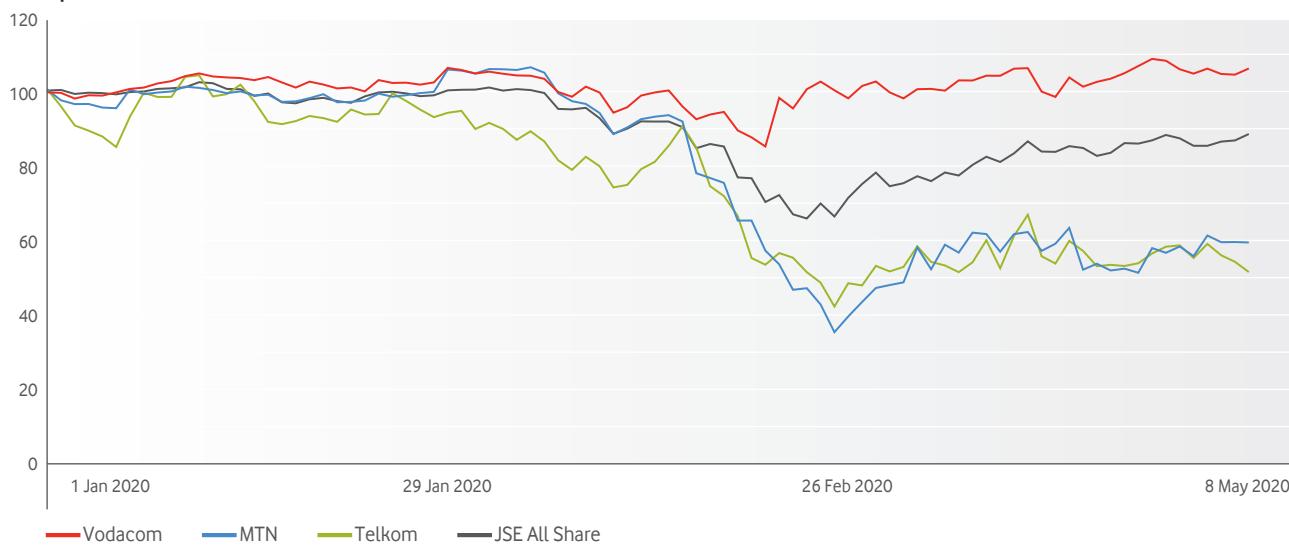
	As at 31 March 2020	
	# of shares	% holding
Vodafone Group Plc <sup>1</sup>	1 110 629 881	60.50%
Government Employees Pension Fund	247 604 027	13.49%
YeboYethu Investment Company (Pty) Limited	114 451 180	6.23%
Wheatfield Investments 276 (Pty) Limited	15 421 231	0.84%
Institutional investors	281 778 249	15.35%
Retail positions	63 692 689	3.47%
Other <sup>2</sup>	2 287 704	0.12%
<b>Total</b>	<b>1 835 864 961</b>	<b>100.00%</b>

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

2. Refers to the balance of remaining holdings.

## Share price relative to market during COVID-19

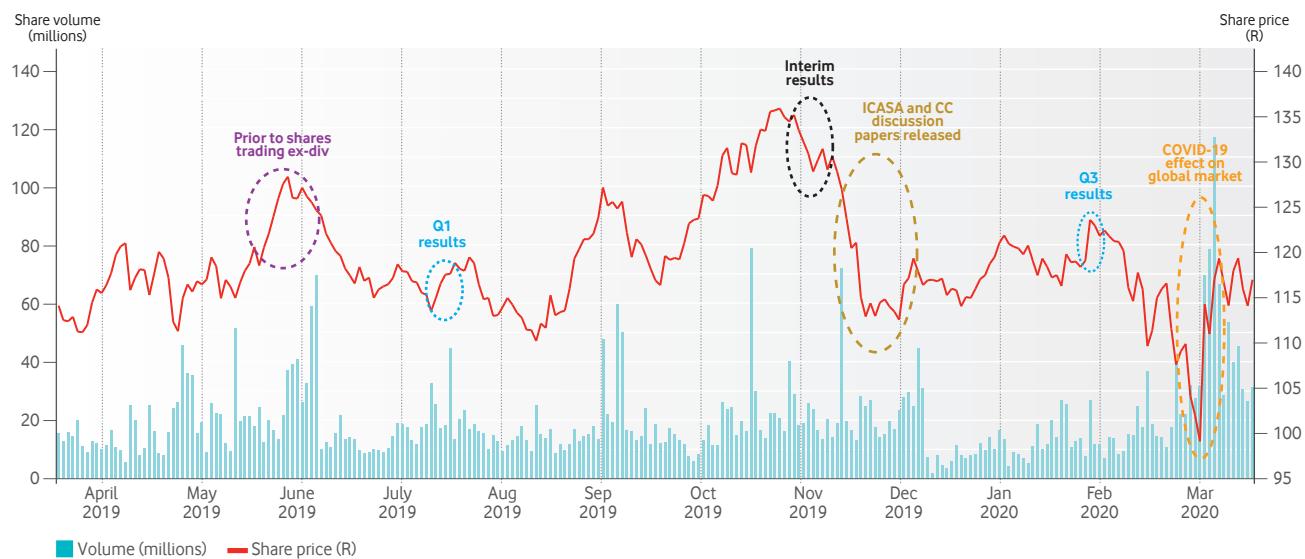
Share price rebased to 100 (R)



Source: Factset

Date range: 1 January 2020 to 8 May 2020.

## Share price and volume performance for the year ended 31 March 2020

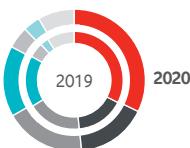


Source: Factset



**Geographical institutional shareholding as at 31 March**

	2020	2019
● PIC	32%	33%
● YeboYethu	16%	16%
● South Africa (excl. PIC and YeboYethu)	18%	18%
● United States	16%	17%
● United Kingdom	5%	5%
● Rest of Europe	4%	3%
● Rest of World	8%	9%



Source: JP Morgan Cazenove

**Ticker symbol** VOD

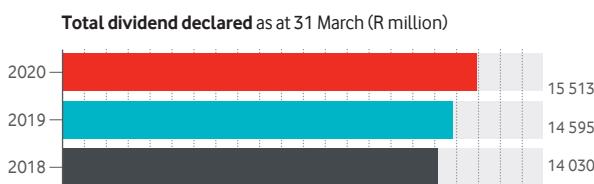
**ADR code** VDMCY

**Stock exchange** JSE Limited

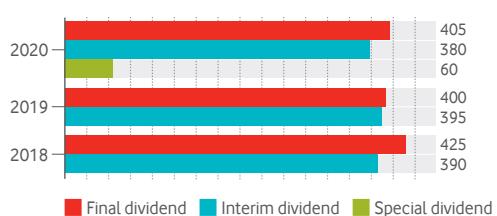
**Shares in issue** 1 835 864 961

**Free float** 25.04%

**Transfer agent** Computershare

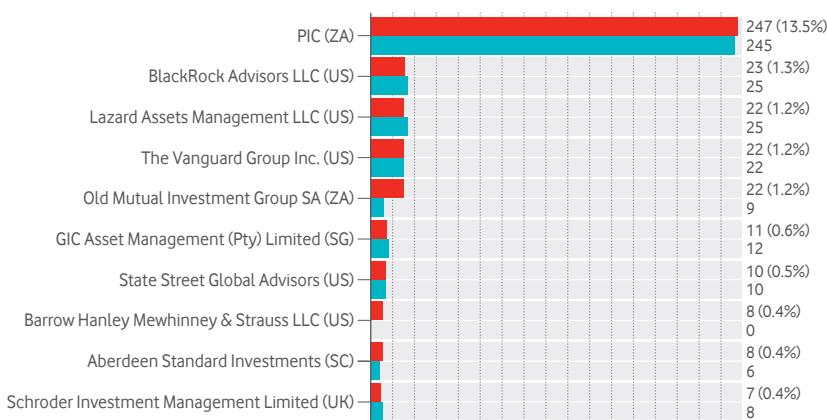


**Dividend per share (cents per share)**



■ Final dividend ■ Interim dividend ■ Special dividend

**Top 10 institutional investors as at 31 March (millions of shares)**



Source: JP Morgan Cazenove

**2020 Investor relations calendar**

**Tuesday 21 July 2020**

**Vodacom Group AGM**

**Thursday 23 July 2020**

**Q1 results**

**Monday 16 November 2020**

**Interim results**

# 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 report marked with an '\*' represent normalised growth which presents performance on a comparable basis. This excludes merger, acquisition and disposal activities where applicable and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using the current year as base) and IFRS 16 related adjustments in the current year and IAS 17 related adjustments in the prior year, 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 2020, 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 rollouts, 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 an '*' represent normalised growth which presents performance on a comparable basis. This excludes merger, acquisition and disposal activities where applicable and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using the current year as base) and IFRS 16 related adjustments in the current year and IAS 17 related adjustments in the prior year, 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.

## EBITDA-aL

After interest on lease liabilities and depreciation of right-of-assets recognised under IFRS 16.

## 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.

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# 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

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Vodacom Corporate Park  
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Telephone: +27 11 653 5000  
Email: [companysecretary@vodafone.co.za](mailto:companysecretary@vodafone.co.za)

## Sponsor

UBS South Africa (Pty) Limited  
(Registration number 1995/011140/07)  
64 Wierda Road East  
Wierda Valley 2196  
South Africa  
(PO Box 652863, Benmore 2010, 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  
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## Group investor relations

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## Notes

# Notes



