

# Delivering on our strategy

## Vision 2020: Our strategy








We have been implementing the five pillars of our Vision 2020 strategy since 1 April 2017. This year we added two new pillars, separating our Digital content platform and Financial Services commitments as we see these areas requiring particular focus in delivering on our goal of being a leading digital company.

### Our vision is to be a leading digital company that empowers a connected society

We will disrupt through technology while delivering world-class digital solutions. We will remove barriers to access as we evolve to the gigabit society, while transforming education, healthcare, financial services and agriculture.

## Empowering the digital lives of our customers

Connecting everybody to live a better today and build a better tomorrow

Strategy	How we measure success	Goal to 31 March 2020	Performance at 31 March 2018	Performance at 31 March 2019	
 <b>Best customer experience</b>	Net promoter score (NPS)	#1 in all markets	#1 in all markets	#1 in all markets except Mozambique	■
	Digital NPS	#1 in all markets	not yet measured	#1 in all markets, not yet measured in International	■
 <b>Segmented propositions</b>	Group service revenue growth rate (%)	Mid-single digit	3.4%	5.0%	■
 <b>Financial services</b>	Group customers using financial services <sup>1</sup>	>52 million customers	not yet measured	45.8 million customers	■
 <b>Digital content platforms</b>	Group service revenue contribution (%) from digital services (IoT, Infotainment and advertising)	5%	3.2%	2.8%	■
 <b>Best technology</b>	Network NPS	#1 in all markets	#1 in all markets	#1 in all markets except #2 in Tanzania #2 in Mozambique	■
 <b>Digital organisation and culture</b>	Employee Engagement index (%)	80%	78%	78%	■
	Employee Digital index (%)	80%	77%	75%	■
 <b>Our brand and reputation</b>	Brand leadership	#1 in South Africa	#1 in South Africa	#1 in South Africa	■
	Reputation survey	#1 in all markets	#1 in all markets	#1 in all markets	■

1. Including Safaricom.

■ Achieved target

■ Partially achieved

## Delivering on our strategy: 2019 at a glance

- ✓ Expanded network coverage across all our markets, all of which are now live with 4G; we introduced 5G in Lesotho, the first in Africa.
- ✓ Enhanced our IT platform architecture and Big Data capabilities, reducing customer call volumes by 25%, ahead of our 20% target.
- ✓ Increased the performance of our online web and MyVodacom app platforms, contributing to a 300% increase in app usage and a 14% increase in the number of customers completing their online purchase journeys.
- ✓ Secured positive developments in our segmented propositions, each of which is increasingly informed by Big Data analytics.
- ✓ Another solid performance from our Enterprise segment, with mobile market share remaining strong; continued growth in the fixed-line business; and further delivery in IoT.
- ✓ Gained traction in driving uptake of IoT in areas such as smart buildings, smart utilities, logistics, fleet and citizen engagement, as well as successfully deploying solutions in education, healthcare and agriculture through our subsidiary Mezzanine.
- ✓ Achieved strong early growth in scaling financial services in our South African market, focusing on insurance, payments and lending.
- ✓ Maintained our leading performance in M-Pesa, extending the offering beyond person-to-person money transfers to include Enterprise, financial services and mobile commerce. M-Pesa has grown to have the largest reach of any financial services provider in Africa.
- ✓ Good progress in most of our chosen verticals in consumer digital services – video, music, sports and gaming – all supported by our advertising platform.
- ✓ Realised more than R3 billion in operational cost savings through our Technology Efficiency programme.
- ✓ Pleasing progress in embedding Agile methodologies across our South African operation, and in accessing and developing digital talent, including specifically in Big Data and AI.
- ✓ Continued to roll out numerous initiatives that are making a meaningful contributing to the eight global UN Sustainable Development Goals (UN SDGs) that we have prioritised – on education, health, gender equality, job creation, industry innovation, sustainable cities, climate action and partnerships.
- ⇒ Data security remains a critical customer focal point, given the increasing number of cyber attacks and data breaches, and the recent regulatory provisions.
- ⇒ Although we retained our position as the reputational leader in the telecommunications sector across all markets, we faced renewed customer pressure, particularly in South Africa, on issues such as data pricing.
- ✗ Digital services represented 2.8% of service revenue, a 0.4ppts decrease, following a 41% decline in subscription-based content services revenue, as a result of our stringent policies to minimise content fraud.
- ✗ Further expansion of our 4G footprint, and possible roll-out of 5G and faster reduction in cost to carry data, continue to be limited by spectrum constraints.
- ✗ Negatively affected by the recent national load shedding in South Africa, with the more extensive load shedding impacting the ability of some of our back-up batteries to recharge.
- ✗ Financial impact from the new data regulation on revenue growth. However, it is to the benefit of the customer.



## Best customer experience

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



We are digitising the customer experience to substantially enhance the quality of service we provide, with the aim of leading in NPS in each of our markets.

### 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

- ✓ We have expanded our network coverage in 2G, 3G and 4G across all our markets, and introduced 5G in Lesotho, the first in Africa; all our operating markets are now live with 4G.
- ✓ We continue to lead on network net promoter score (nNPS) for network quality and network coverage in three out of five of our markets, and remain competitive on nNPS in Tanzania and Mozambique.
- ✓ We invested R13.0 billion in infrastructure this year, improving the overall customer experience across our markets with network modernisation and capacity upgrade initiatives.
- ✓ Vodacom's chatbot, 'TOBi', has been rapidly scaled up since its launch in South Africa in July 2018, with more than 1.6 million chats offloaded from our call centres, delivering a significant improvement in our ability to resolve customer queries without a live agent.
- ✓ We were the first in Mozambique to gain a unified licence, allowing us to operate with all the technologies with no limitation and leading us to launch 4G before any other operator in our market.

#### 2 **Always** excellent value

- ✓ We have driven the uptake of our award-winning MyVodacom app allowing customers to view balances, buy bundles and manage accounts, free of charge, and we have further improved our in-bundle and out-of-bundle smart notifications for customers across our markets.
- ✓ Vodacom Tanzania is the first telecommunications company to introduce cashless functionality through the M-Pesa Mastercard virtual card.
- ✓ In DRC we have optimised our Airtime Advance product and improved the pay bill service by allowing postpaid customers to pay their bill via M-Pesa.
- ✓ In South Africa we extended our Airtime Advance product to 9.7 million customers.

#### 3 **Real-time** relevant rewards

- ✓ We have run various promotions and campaigns across our markets to reward long-time loyal customers, incentivise new customers, and encourage the uptake of the MyVodacom app.
- ✓ In Tanzania our "10 years of M-Pesa in Tanzania" nationwide promotion was launched as a way of thanking our valued M-Pesa customers, agents and merchants; the promotion created 100 millionaires and gave away 10 brand new cars in 10 weeks.
- ✓ In the DRC and Lesotho, we have seen significant uptake in our 'Just 4 You' offering, with machine learning informing highly personalised offers based on customers' behaviour.
- ✓ In all of our markets we ran promotional campaigns aligned with the 2018 FIFA World Cup.

## 4 Easy personal and instant access

- ✓ 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 by 25%, well ahead of our 20% target.
- ✓ We increased the performance of our online web and MyVodacom app platforms, contributing to a 300% increase in app usage and a 14% increase in the number of customers completing their online purchase journeys.
- ✓ We have run awareness campaigns across our markets to increase penetration of our digital tools, improve customer experience and deliver enhanced efficiencies.
- ✓ We have seen good uptake of our retail app, enabling much more efficient in-store upgrades.
- ✓ We have delivered improvements in first call resolution rates across our markets by empowering frontline staff, embedding a digital culture and delivering digital capabilities.
- ✓ Our Social Media Command Centre allows us to leverage social listening to be able to address customer incidents as well as social sentiment. This data is used by our customer experience design teams to improve customer journeys and fixes.
- ✓ We launched the Customer Obsession Programme in April 2018, requiring all Vodacom executives to spend a day each month in one of our call centres or Vodacom Shops, shadowing the agents. On each visit, the executive commits to an action to improve customers' experiences in that channel. Over 300 commitments have been made so far, relating to people, processes, systems and technology.

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

#### South Africa

- ✓ We have refreshed the look-and-feel of our branded stores, rolled out the Qnomy in-store queue management and appointment booking system, and empowered our frontline staff through our Retail Hero Training Programme.
- ✓ We rolled out the Vodacom Retail app, enabling customers to do paperless upgrades instantaneously with a sales consultant, significantly reducing the transaction time, and improving the overall customer experience; we now process on average 64% of upgrades using the app.
- ✓ These various initiatives contributed to a positive Retail touchpoint NPS (tNPS), ending the year at 61ppts.
- ✓ We have been showcasing our digitally transformed retail channel experience with the reopening of our flagship Vodacom World in December 2018 after an eight-month revamp. With 6 000m<sup>2</sup> of retail floor space, Vodacom World has become the testing hub for all new Vodacom products and services, offering customers a unique experience that showcases the full potential in IoT and technology.
- ✓ We maintained our strong focus on our differentiated after-sales model, driving our repair avoidance strategy and first-line repair resolution through TechZone.

- ✓ As part of our efforts to reduce our environmental impact and improve customer experience in our stores, in 2019 Vodacom became South Africa's first telecommunications company to ban the issuing of plastic bags to customers in stores. We replaced plastic bags with recyclable brown paper bags, which are comparatively less harmful to the environment.

#### International

- ✓ We launched the MyVodacom app in all our markets.
- ✓ We rolled out new store formats across our markets, supported by further investment in improving our customer call centres.
- ✓ We continue to deepen the use of digital as a means of enhancing the customer experience, primarily through our 'Just 4 You' offering.
- ✓ In Tanzania and Mozambique, our new Knowledge Base Portal has empowered frontline staff to more readily access information on our products and services, increasing efficiency in customer handling and improving the customer experience.

### Delivering leadership on net promoter score

To measure the quality of the customer experience, we use the NPS 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 NPS in four out of five of markets.

- ✓ In South Africa, at year end, we ranked number one in both Consumer and Enterprise NPS, with a nine and one-point gap respectively against our nearest competitor. The decline in Enterprise is mainly as a result of the improvement in the competitor's network and strong competition on pricing.
- ✓ With headline NPS of 58, Vodacom Tanzania retained its leadership position throughout the year, despite heavy competitive pressure in the form of price cuts by competitors.
- ✗ In Mozambique our NPS position declined as a result of competitive pricing pressures.
- ✓ In DRC, we achieved an eight-point gap over our nearest competitor, with our network and mobile money services identified as key differentiators.

We lead in Lesotho with headline NPS 8 points ahead, leading in most functional and emotional attributes.

➡ Despite maintaining our very positive rating on customer NPS, we have continued to face some customer pressure in certain markets on key issues such as data pricing, 'disappearing data' and network quality (page 20). Customer expectations of ease, simplicity and convenience have risen on the back of global best-in-class service provision from other sectors.

#### Our NPS performance rating

Country	2019	2018	2017
South Africa	1st	1st	1st
Tanzania	1st	1st	3rd
DRC	1st	1st	1st
Mozambique	2nd	1st	2nd
Lesotho	1st	1st	1st



## Vision 2020

### Digitising and optimising the customer experience

We have five strategic priorities aimed at delivering the most engaging customer experience by blending the best of technology and human interaction in a personal, instant and easy manner:

- ❖ **Eradicate:** We are removing unnecessary contact reasons and looking to significantly reduce call volumes by moving from traditional contact centres into 'experience hubs', creating self-managed teams with one point of contact that more effectively integrate customer care with other parts of the business.
- ❖ **Digitise:** We are dramatically simplifying our service processes with the aim of providing customers with a seamless, fully integrated one-channel experience, ensuring consistent, personalised and efficient customer engagement, both online and in-store, with digital the dominant support channel and the MyVodacom app the channel of choice. Our goal is to lead our competitors each year by at least 10 points in NPS.
- ❖ **Automate:** We are investing in richer and more intelligent interfaces, Big Data analytics, and

IT-based customer engagement and management tools to provide a complete 360 view of the customer, optimise the customer experience and achieve greater efficiencies. We will be entrenching 'TOBi' (our chatbot platform) as a 'digital concierge' integrated into all of our customer service channels.

- ❖ **Steer:** We are deploying smart routing capabilities and leveraging Big Data to steer customers to the right channel and experience.
- ❖ **Predict:** We will be deepening our use of AI and machine learning to proactively predict and manage customers' service needs.

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 the MyVodacom app.
- ❖ **Empower** our experts with the tools, skills and capabilities to deliver a great digital-first experience.
- ❖ **Transform** our frontline staff to be the experts of tomorrow.

### Partnering with Harambee to tackle youth unemployment



**The Harambee Youth Employment Accelerator** is a global award-winning social enterprise that is tackling South Africa's significant youth unemployment challenge by connecting employers with entry-level talent, focusing on high-potential youth who lack the finances and networks needed to find jobs because they come from poor households. Since inception, Harambee has assisted in placing youth in more than 100 000 jobs and work experiences from a growing network of over 500 000 work-seekers.

Vodacom has partnered with Harambee to leverage our capabilities to support digital skills development in South Africa through our collective mobile platforms. Through our partnership, we employed Harambee youth in a contact centre that was rated the third best in South Africa, and that outperformed our other contact centres on most key performance indicators.



## Segmented propositions

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

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



### Developing targeted segments using Big Data analytics

We have made further valuable progress this year in providing segmented propositions in the following areas, each of which is increasingly informed by Big Data analytics:

- ✓ **Youth (Vodacom NXT LVL):** Our NXT LVL proposition is focused on advancing South Africa's youth through connectivity, by offering affordable devices with targeted value bundles to access the power of the internet, providing access to opportunities such as Future Jobs Finder and e-School, as well as lifestyle benefits such as reduced subscriptions on music and video services. This proposition has delivered impressive results, with revenue increasing 25% supported by adding over 500 000 customers on the platform, while maintaining a strong average revenue per user (ARPU) despite a 52% drop in the effective price per MB in this segment. Data usage has nearly doubled over the year. The youth segment also shows good smartphone penetration, improving by 5% in the year, while 4G penetration improved by over 6%.
- ✓ **Emerging Segment (Siyakha):** Our Siyakha proposition is focused on South Africans who do not have easy access to health information, education, jobs and social connectivity. The platform facilitates digital inclusion through targeted offers and content, focusing on four main pillars: social connectivity, health, education and jobs, with zero data charges. Since its launch in 2017, free access to the Vodacom Mum and Baby portal has impacted the lives of 1.4 million

parents and guardians across South Africa. The platform democratises access to healthcare, providing pregnant women and new parents with health information by registered medical professionals on health issues pertaining to pregnancy and young children up to the age of five. We continue the journey with Vodacom e-School, providing free access to the full Curriculum Assessment Policy Statements (CAPS) curriculum, and Vodacom e-library. In a bid to commercialise the platform, we launched Mum and Baby Premium in 2018 and have seen good uptake of the service, with users having a 10% higher ARPU and three more active days on the network than non-users.

- ✓ **High Value (Vodacom RED):** Our Vodacom RED proposition is aimed at delivering the best-in-class service experience and seamless international roaming with compelling lifestyle rewards in travel, sports and entertainment. The platform yielded positive results this year, growing our customer base by 5%, and market share by 2%.

### Monetising mobile data

We have continued to show strong performance in each of the four focus areas of our accelerated data growth strategy:

#### Commercial network rollout:

- ✓ We expanded our network coverage in 2G, 3G and 4G across all our markets, and introduced 5G in Lesotho, the first in Africa; all our operating markets are now live with 4G (see page 40).
- ✓ In South Africa, we extended 4G to over 90% of the population, and added 139 rural sites, connecting rural communities that had never previously had coverage.
- ✗ 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.

## Segmented propositions continued

### Device penetration:

- ✓ This year, there were 19.9 million smart devices on our network, up 7.6%, while the number of 4G devices increased 35.7% to 10.0 million in South Africa.
- ✓ In International, smartphone users increased 20.5% to 9.8 million, representing only 28% of our customer base.

### 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 sold 2.4 billion data bundles this year, up 2.2%.
- ✓ This year, the average monthly data used by customers on smart devices increased 23.2% to 966MB, boosted by customer migration to 3G and 4G devices, and by targeted data offerings.

### Upselling digital services to existing users:

- ✗ This year, digital services represented 2.8% of service revenue, a 0.4ppts decrease on the prior year, following a 41% decline in subscription-based content services revenue as a result of our stringent policies to minimise content fraud.
- ✓ Given our belief that there is substantial further growth potential in digital services, this year we approved two new strategic objectives focused on expanding our digital service offerings in new and existing areas, specifically by: scaling our financial service offerings in insurance, payments and lending, and building on our strong success with M-Pesa (page 34); and growing our digital music, video and gaming services, and driving new opportunities in Consumer and Enterprise IoT (page 36).

### Driving enterprise growth

Enterprise delivered another solid performance, with mobile market share remaining strong, continued growth in the fixed-line business, and further delivery in IoT.

- ✓ During the year we refined our strategy and operating model, shifting our go-to-market model from a segment-led to an industry-led approach that has seen our sales teams and operations reoriented to industry-specific groups: Agriculture, Health, Education, Smart Cities, Mining and Manufacturing, Logistics and Fleet, and Retail. Our existing segments – comprising large enterprises, small and medium enterprises, public enterprises and Vodafone global enterprises – have been aligned within these industry groupings. By refining our client portfolio and reassigning account management responsibilities to teams based on their industry knowledge, we have developed a more granular understanding of our clients' business challenges, positioning us to co-create solutions with clients aligned with their strategic intent.
- ✓ We have continued to implement our digitalisation roadmap, aimed at digitising and improving service to our clients.
- ✓ We continued the evolution of our IoT strategy and delivered credible wins, further extending our leadership in this space to industry-specific solutions such as connected cars, fleets, smart buildings and connected agriculture.

- ✓ Service revenue in South Africa grew 4.8%, despite declining voice trends. This growth was underpinned by mobile service revenue +4.2% and fixed-line service revenue +24.7%, partially offset by a decline in national roaming revenues, due to the transition between national roaming partners.
- ✓ Our SA mobile customer base increased to 1.6 million, up 23.1% year-on-year.
- ✓ Fixed-line service revenue growth in SA was underpinned by strong revenue growth in leased lines and managed WAN +23.3%, IPVPN +15.9%, cloud and hosting revenue +11.5%, and connectivity revenue uplift of 12.6% (comprising broadband connect wireless, satellite and LTE).
- ✓ Vodacom Business was successfully established as the leader in the Software Defined WAN (SDWAN) domain, with a major win at a leading South African retailer.
- ✗ Implementation of ICASA's End-User and Subscriber Service Charter Regulations resulted in a significant decline in out-of-bundle revenue in the final quarter; coupled with an out-of-bundle rate drop implemented as part of our pricing transformation, this contributed to a 5.5% year-on-year ARPU decline. We are implementing various campaigns to mitigate the risks, including focused customer value management and 'next best activity' that seek to drive additional bundles sales to increase 'in-bundle' revenue.
- ✗ We are facing strengthened competition, including from new OTT entrants, in digital networking services. While Vodacom remains the leader in this arena, we are retaining a sharpened focus with extended capillarity intent and activity.
- ✓ Our cross-continent IoT plays are starting to pay dividends: we recently signed a landmark agreement with a leading vehicle manufacturer and vehicle tracking company to launch the first connected vehicle in Africa, in a five-year partnership that will give Vodacom access to 24% of the total new vehicle sales in South Africa alone. Customers across all vehicle ranges will have access to built-in telematics, wi-fi and content services.
- ✓ Revenue from our cloud, hosting and security business grew 11.5% underpinned by winning a key contract on virtual data centre hosting with a leading international telecoms manufacturing company. We have launched various initiatives to extend our advantage in Microsoft Azure and Amazon Web Services, and will be looking to entrench our strategic partnerships with these players as we look to consolidate a leadership position in the hyper-scale and multi-cloud market.
- ⇔ Data security remains a critical customer focal point, particularly given the increasing number of cyber attacks and the recent regulatory provisions relating to the extended adoption of the EU General Data Protection Regulation (GDPR) and the Protection of Personal Information (PoPI) Act in South Africa. Vodacom's Security Information and Event Management (SIEM) offering has become increasingly relevant as it predictively identifies potential security challenges.
- ✓ We have continued to deliver value to the South African Government, already achieving 51% savings in national departments, exceeding our contractual obligations of 40%. We have added more than 66 000 lines and increased the number of value-added services, facilitating the digitalisation



- of Government. We have extended partnerships with various Government departments and state-owned enterprises, and established various provincial technology nodes. A recent example of the value delivered is our partnership with the Eastern Cape Department of Education, where we are driving connectivity access and delivering eLearning to rural schools.
- ✓ As part of our focus on digitising Government, we have been driving our Enterprise Mobility products, including our 'smart government' and 'citizen engagement' applications, and our device management capability.
  - ✓ We worked with the Department of Education to connect 80 000 teachers with laptops and data contracts during the year.

## Vision 2020

To deliver on our Vision 2020, we will be using Big Data analytics to provide compelling customised propositions, and driving Enterprise growth through digital and solution sales, and IoT.

### Developing targeted segments using Big Data analytics

#### Our strategic commitments

- ❖ Deepen our understanding of customers' needs through Big Data analytics.
- ❖ Lead in providing compelling customer propositions to meet these needs.
- ❖ Monetise mobile data through targeted consumer digital offerings and financial services.

### Drive Enterprise growth through digital and solution sales

#### Our strategic commitments

- ❖ Defend and extend mobile through digital enterprise and proactive pricing transformation.
- ❖ Generate scale in fixed-line by partnering to accelerate capillarity and drive fibre penetration.
- ❖ Develop and provide a compelling platform for SMEs.



## Financial services

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



In South Africa, we are scaling our financial services 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 offerings.

### Scaling financial services in South Africa

In South Africa approximately 10 million customers are engaged through one of our financial services products, representing a quarter of our base. We aim to grow this by expanding our service offerings in the year ahead.

- ✓ Our Financial Services business continues to accelerate, contributing R1.6 billion of revenue, growing at 67.1% and delivering R1.0 billion profit before tax.
- ✓ Our existing segmented insurance portfolio, covering life, funeral and various short-term insurance offerings, has grown steadily over the past year, generating revenue of approximately R700 million from 1.3 million policies. Our unique operating model is enabling the Vodacom Insurance Business to be one of the most profitable companies of the sector with an EBITDA margin of 24.3%.
- ⇒ We currently have over 285 000 customers utilising the VodaPay and Express Recharge platforms for direct recharges, which has seen direct voucher sales increasing to R752 million. This was achieved through various acquisition activities for both USSD and MyVodacom app customers, resulting in 40 000 new customers and an additional R2 million per month in revenue. There are challenges with customers using electronic methods to pay, but we are seeing a growing improvement over time and this will remain a key focus for acceleration, both as convenience for the customer and to obtain savings through direct purchases.

- ✓ Launched in December 2018 through the MyVodacom app, our VodaPay digital wallet has already gained 20 000 customers purely through self-discovery, contributing R4.5 million/month revenue for airtime and data.
- ✓ Total value of airtime and data advanced through our Airtime Advance product has increased significantly from R3.3 billion to R8.1 billion, representing 148% growth for the year. There are 9.7 million unique active customers who take on average 3.5 million advances per day.
- ✓ This year, 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.

### Growing financial services in our International markets

In our International markets including Safaricom, 36.1 million customers are engaged on M-Pesa.

- ✓ Since launching in 2007, M-Pesa has grown to have the largest reach of any financial services provider in Africa, with 36.1 million customers, up 11.9% year-on-year. This year, M-Pesa processed over 11 billion transactions, making it Africa's biggest payments platform. M-Pesa has won the trust of our customers as well as more than 348 000 M-Pesa agents who enable customers to register an account and move their funds into the M-Pesa ecosystem.
- ✓ M-Pesa revenue from Vodacom International markets grew 32.2% to R3.1 billion, representing 13.7% of total service revenue. In Safaricom, M-Pesa revenue now represents 31.2% of service revenue and is growing at 19.2%. This performance was underpinned by exceptional revenue growth in Mozambique (83.1%), strong growth in the DRC (39.2%) and Lesotho (34.8%) and a solid performance in Tanzania (14.5%), despite intensifying competitive pressure and a more challenging regulatory environment.



- ✓ 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 25 000 enterprise organisations use M-Pesa to collect and disburse payments; over 36 million customers use M-Pesa to access formal saving and loan products with partner banks; and more than 130 000 retail and online merchants now accept M-Pesa, transacting over R2 trillion a year, including Safaricom.
- ✓ This year, Safaricom launched M-Pesa Fuliza, a world-first mobile money overdraft service. We also partnered with Alipay to enable payments through M-Pesa on online commerce platforms.
- ✓ Vodacom DRC launched a foreign exchange product enabling fully registered M-Pesa customers to seamlessly exchange the dual local currencies, Congolese francs and US dollar.
- ✓ In Tanzania, we launched Africa's first Virtual Mastercard, enabling M-Pesa customers to purchase from a huge range of international merchants and content providers.
- ✓ In Mozambique, we partnered with BCI Bank to enable our customers to pay at any one of 16 000 domestic points of sale.

## Vision 2020

### Driving growth in financial services

#### Scaling financial services in South Africa

Our Financial Services strategy has three key focus areas:

- ❖ **Insurance:** With insurance remaining underpenetrated, we believe that there remains substantial further upside in growing and digitising our insurance offerings, building on the advantages we enjoy as a Telco. We have a sizeable existing customer base, and a wealth of customers' insights that can be leveraged to develop highly personalised product offerings; we have a strong existing direct billing relationship with customers, and multiple channels available for engaging with them; and insurance is a sector particularly open to digital disruption, presenting exciting opportunities in terms of product innovation, underwriting, pricing and customer journey digitisation. Enabled by our growing Big Data capabilities, we are exploring opportunities to develop new and existing segmented propositions for both our existing and new customer base across our markets.
- ❖ **Payments:** There are valuable opportunities within the mobile payments sector, providing convenient and diverse payment options for new and existing customers. We are focusing our activities in several areas: increasing available payment options through different digital channels; developing Vodacom Financial Services payment products across the consumer and enterprise spectrum; and offering specific enterprise payment solutions that enable diverse customer payment methods.
- ❖ **Lending:** We will be providing innovative digital lending products that complement our core business, and leveraging our existing and developing competencies with Big Data analytics. A key focus area will be on the use of our Big Data capability to create SME lending propositions in a segment that is significantly underpenetrated and offers significant upside.

#### Driving further uptake of financial services in our International markets

We see substantial further opportunities for M-Pesa revenue growth in our International markets, building on our leading market presence and platforms, and harnessing the opportunities associated with emerging disruptive technologies such as machine learning, Artificial Intelligence and blockchain settlement solutions. We will be looking to consolidate our market leadership in consumer and enterprise markets, accelerate the monetisation of services, expand our ecosystems, ensure a stable and favourable compliance landscape, and drive growth into higher value-add financial services.

We are in the process of acquiring the M-Pesa brand and platform-related assets through a joint agreement (JV) with Safaricom. We expect this to accelerate M-Pesa's growth within our existing markets and across the continent. This JV will acquire the M-Pesa brand and platform management rights from Vodafone Group, and will be investing in the next generation M-Pesa platform, an open, intelligent digital platform designed for smartphones. The JV will also invest in best-in-class anti-money laundering and cyber security capabilities to defend M-Pesa from these growing threats. The transaction close is subject to a number of conditions being met, including signing of final agreements and Reserve Bank approval.



## Digital content platforms

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



We are monetising data by growing our digital music, video and gaming services platforms, placing a strengthened focus on increasing our offerings across all households, driving new opportunities in Consumer and Enterprise IoT, and strengthening our cloud and security offerings whilst driving our fibre strategy.

### Driving consumer digital services, IoT and fibre

#### Content

- ✓ We made good progress this year in most of our chosen verticals in consumer digital services – video (Video Play), music (My Muze), sports (Vodacom soccer) and gaming (PlayInc.), all supported by our advertising platform. We secured a 1.6% growth in content-related revenue, despite a 41% decline in WASP revenue as a result of Vodacom's stringent policies to minimise content billing fraud, a key concern for customers. During the year Video Play performed particularly well, with over 869 000 active monthly users. We also launched our music offering called My Muze and are busy testing our new and exciting gaming platform. Our focus now is on building scale, particularly in digital advertising, video and the provision of an ecosystem of third party propositions.

#### Fibre

- ⇒ We maintained a significant focus on growing the fibre business by delivering a better customer experience, scaling our sales channels to make it easier for customers to obtain fibre, partnering with additional wholesale providers to increase the market opportunity, and growing our own fibre rollout to increase coverage. This has enabled us to deliver 54% growth in the number of houses passed on our own infrastructure, while increasing total households connected by 138% for the year.

#### IoT

- ✓ Our IoT business has been driving the development and uptake of innovative IoT solutions across our markets. We are gaining traction in areas such as smart buildings, smart utilities, logistics and fleet as well as citizen engagement. Through our subsidiary Mezzanine, we successfully developed and deployed solutions in education, healthcare and agriculture.
- ✓ IoT connections increased 24.1% to 4.7 million.
- ✓ We continue to innovate and transform businesses. Vodacom was presented with the Frost & Sullivan 2018 Africa Technology Innovation Award for our narrowband IoT (NB-IoT) technology deployment that has been specifically developed to enable IoT connectivity for a range of devices over large areas, including devices that are underground.
- ✓ On Consumer IoT, we continue to develop product and service offerings in areas such as home automation and security, pet trackers, personal accessories and wearables.

# Vision 2020

## Driving growth in digital services

### Consumer digital content, IoT and household

We will be driving revenue growth in digital consumer content through three main focus areas: building relevant content platforms to provide the best digital experience in video (Video Play), music (My Muze), sports (Vodacom soccer) and gaming, supported by our advertising platform; establishing partnerships with local and global service developers and brands to deliver a compelling ecosystem of third-party propositions; and driving innovation through our two recently established v-Accelerator labs.

We continue to develop product and service offerings in areas such as home automation and security, pet trackers, personal accessories and wearables. We are keeping a strong focus on 'owning the household' by providing the best network in mobile and fibre, ensuring the most compelling household and family propositions, and delivering the best customer experience.

### Enterprise

- ❖ **Cloud and security:** We will further expand our cloud business, with an emphasis on the application level rather than infrastructure products. We continue to attract large global brands through co-location, and we have a strong pipeline of new opportunities. We will expand our professional capability to assist our customers in migrating their existing workloads as well as building new capabilities on the new platforms. We will also enhance our security capability to a richer solution set. On Big Data, we will launch our own retail analytics capability, providing new insights from Artificial Intelligence and machine learning. We expect to leverage our position with our Trading Bridge Platform that provides switching capability to many retail customers.
- ❖ **Market leadership in IoT:** Our goal is to become the IoT solutions partner of choice, building on Vodafone's recognised leadership in this area and its extensive resources in Africa. 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: connecting things; collecting the data; analysing the data; and taking action on this data. We continue to support enterprises in the digitalisation of their businesses and processes to ensure customers get the maximum benefit from IoT, identify opportunities in hardware (such as IoT sensors and gateways), connectivity management (such as smart meters, stock management, agri-sensing, mobile POS devices, and cold chain management). In addition to providing hardware (IoT sensors and gateways) and connectivity management, we are developing and providing services in areas such as Big Data analytics, application enablement, and cloud and hosting.



## Best technology

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

We are investing in the latest network technologies, Big Data analytics and scalable smart-IT systems, to enable our customers to remain confidently connected with a personalised, digital experience.



- ✓ We invested R13 billion in infrastructure across the Group, reinvesting more than 14% of revenue back into our network and IT. Major investment programmes included expanding our network coverage in 2G, 3G and 4G across all our markets, and introducing 5G in Lesotho, the first in Africa. We are proud that all our operating markets are now live with 4G.
- ⇒ We focused this year on improving the overall mobile network performance and customer experience across our markets with network modernisation and capacity upgrade initiatives. We continue to lead on network net promoter score (nNPS) for network quality and network coverage in most of our markets. We delivered substantial cost savings through our Technology Efficiency Programme, including efficiencies through the use of digital technologies for smart planning, smart deployment and smart operations.

### South Africa

#### We further extended voice and high-speed data coverage

- ✓ 2G remains at 99.9% of population and 3G extended to 99.5% of population.
- ✓ We extended 4G to more than 90% of the population.
- ✓ We added 139 rural sites, connecting rural communities that had never previously had coverage.
- ✗ 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.

- ✓ Our network is 5G ready; we are awaiting 5G spectrum from the regulator to launch 5G services.

5G → first in Lesotho

4G → launched in the DRC and Mozambique

#### We enhanced network performance and capabilities, and improved the customer experience

- ✓ We are modernising our network to enhance customer experience and improve efficiencies such as the deployment of Dynamic Spectrum Sharing (DSS), which has allowed us to efficiently utilise our spectrum assets. Spectrum is shared dynamically between 2G, 3G and 4G without having to go through the complicated spectrum re-farming process.
- ✓ We enabled more than 87% of our 3G sites with dual carrier technology to improve data speeds, and we selectively re-farmed our 900MHz spectrum on key sites to improve deep indoor coverage and extend rural coverage.
- ✓ We enabled Enhanced Voice Services (EVS) on our network to improve overall voice quality, and coverage has also improved in comparison to existing voice codecs.
- ✓ We leveraged our national roaming agreement with Rain to provide an improved data experience for our 4G customers, and now have access to roam on more than 3 000 sites.
- ⇒ The network performance gap between us and our nearest competitor has reduced during the past 18 months. We are delivering on initiatives such as Carrier Aggregation, deployment of new 2G, 3G, 4G radio hardware, and advanced antenna technologies such as 4X4 MIMO and 256-QAM in selected 4G coverage areas.
- ✓ We increased the percentage of base stations with self-provided fibre and high-capacity microwave transmission to 94%, to cater for the growth in data traffic.
- ✓ We modernised our core network through the use of cloud technologies for improved flexibility, capacity, performance, reliability and 5G enablement.

- ✓ We significantly grew our fibre to the home and business footprint (FTTx), with over 81 200 end-points passed. We are using various digital capabilities to improve the customer experience and become more efficient, including a self-service app for customers, and leveraging 'smart capex' capabilities to improve our overall FTTx planning.

### We delivered operational efficiencies through our 'Fit for growth' programme

- ✓ Over the past five years we have realised more than R3 billion in operational cost savings through our Technology Efficiency programme, energy efficiencies, site lease or rental re-negotiations, network infrastructure sharing and procurement benefits.
- ✓ We have developed smart capex methodologies to improve returns on investment, and our machine learning network planning and commercial network optimisation process has contributed towards cost savings.
- ✓ As part of our Digital Technology programme, we are driving the digital transformation of network operations by automating many aspects of the daily operational tasks through the use of AI and RPA capabilities. These include automating trouble ticketing of network incidents and the automatic assignment of those tasks to the field teams across the regions.
- ✗ We have been affected by the recent national load shedding in South Africa, with the more extensive load shedding impacting the ability of some of our back-up batteries to recharge. We are investing in alternative power systems, including 'intelligent Li-Ion batteries' to curb battery theft.
- ✓ We have delivered valuable improvements in optimising energy costs by consolidating some of the core network sites and increasing the use of emerging technologies such as IoT to manage electricity usage.

### We continued to deepen our digital IT capabilities

- ✓ We have invested in enhancing our IT platform architecture, cloud infrastructure and Big Data capabilities to improve our Consumer and Enterprise service offerings.
- ✓ As part of our drive to secure the best digital talent, we insourced 59 new software engineers to enhance our IT capabilities.
- ✓ Through our focus on delivering the best digital customer experience, Vodacom has been rated first in the independent Gartner survey, IT for Customer (IT4C) benchmark.
- ✓ We have improved our online performance through the optimisation of our IT systems and the utilisation of our DxDL platform to improve overall customer experience (lower latency) and stability.
- ✓ We have seen significant improvement in the time-to-market of products and services through the establishment of Agile teams across the business.
- ✓ We have increased the stability and performance of our online web and MyVodacom app platforms, contributing to a 300% increase in app usage and a 14% increase in the number of customers completing their online purchase journeys.
- ✓ Vodacom's chatbot, 'TOBi', showed strong growth with more than 1.6 million chats offloaded from our call centres since July 2018.

- ✓ Using robotic process automation, 86 processes have been automated across the business during the year, saving more than 150 000 person-hours.

### Addressing cyber security risks to maintain customer security

- ⇒ 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 dedicated security programme and have prioritised the effective execution of our comprehensive cyber security strategy.
- ✓ To improve awareness on cyber security within Vodacom and Vodacomb, a Cyber Code has been established, stipulating a set of 'absolute rules' outlining how we expect all employees to behave.
- ✓ Further to the above and aligned to the strategy, Vodacom has developed an ISO/IEC 27002 based Capability Maturity Model of 48 key Cyber Security Controls, which are continually being matured, maintained and measured against.

### We continued to grow our Enterprise technology and services

- ✓ We increased our network capillarity, with more Enterprise customers securely connected on-net through both fixed and mobile technologies such as fibre, microwave and mobile 3G/4G.
- ✓ We maintained our OneNet Business suite, enabling our customers to experience the benefits of a fully unified communications service with converged mobile and fixed telephony.
- ✓ We launched our first SDN-WAN offering in October 2018, enabling our first Enterprise Customer with network connectivity and control.
- ✓ We enhanced our cloud services with the expansion of Infrastructure-as-a-Service (IaaS) and a SAP-certified Platform-as-a-Service (PaaS) offering.
- ✓ We also expanded our Narrowband Internet of Things (NB-IoT) footprint and increased the capabilities of our IoT platform to support new propositions.

### Maintaining technology resilience

- ✓ We have a comprehensive Operational Resilience Programme in place – supported by significant investment and overseen by the Network Resilience Governance Board.
- ✓ The Governance board is mandated to manage specific projects, policy requirements and good practice to improve service resilience, thus safeguarding our network and services against potential interruptions caused by natural disasters, technology failure or human error.
- ✓ Independent periodic audits are undertaken 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.

## Best technology continued

### International operations

#### Expanded our network coverage and improved network performance

- ✓ This year, we were the first operator to launch 4G in Mozambique and the DRC, and 5G in Africa (Lesotho). We now have 7 580 2G sites, 5 629 3G sites and 1 593 4G sites.
- ✓ We have acquired additional lower frequency spectrum in Mozambique, Tanzania and the DRC, which will be used to deliver cost-effective 4G rollout.
- ✓ We enhanced our rural communication sites in the DRC with hybrid power solutions and upgrades.
  - ✦ The results of which have been a great improvement in site availability.
  - ✦ New satellite bandwidth and technology providing transmission for the Rural Communication Solution (RCS) have improved the bandwidth and stability available to these deep rural sites.
- ✓ Despite a significant increase in traffic we achieved significant improvements in data download speeds in all our International operations as reflected in the improved download speed measurements from Ookla.
- ✓ We have commenced radio network modernisation projects in our markets to ensure that Vodacom has the latest Single Radio Access Networks available, which will also ensure 5G readiness.
- ✓ We continued with network virtualisation on our core networks to improve scalability, capacity and availability.
- ✓ Overall Network and IT resilience remains a key focus across our markets, which is also managed via our 'Operations resilience programme'.
- ✓ To meet the growing data demand across our markets, we completed significant upgrades in our submarine cable capacity, including a threefold increase in WACS capacity and a fourfold increase in SAT-3/WASC/SAFE capacity.

#### We strengthened our International IT capability across the markets

- ✓ We introduced the Digital Experience Layer (DxL) platform and functionality across our markets to support web and app stability, and provide a key enabler for future digital products and services.
- ✓ We launched the MyVodacom app in Mozambique, completing its successful rollout in all our markets.
- ✓ All our markets now have the IT capability to support our personalised pricing offer 'Just 4 You' and have made progress in evolving contextual marketing capabilities using machine learning.
- ✓ The Vodacom M-Pesa Hub is now available across all International markets, making it quicker and easier for 13.5 million M-Pesa customers to conduct mobile money transactions on smartphones.
- ⇒ Our International Markets will be embracing the Digital Acceleration journey this year, with Agile squads going live in Lesotho and Tanzania.



### Network NPS across our markets

Vodacom continues to show leadership with respect to network NPS across all markets except Tanzania and Mozambique, where customer perception continues to be influenced by aggressive pricing offers by competitors. We have plans in place to ensure that we close the gap between us and our competitors.

Country	Overall network NPS	
	2019	2018
South Africa	#1	#1
Tanzania	#2	#2
DRC	#1	#1
Mozambique	#2	#1
Lesotho	#1	#1

## Vision 2020

### Modernising our network and investing in IT

To deliver on our Vision 2020 of being a leading digital telco, we will be further modernising our network to support the latest technologies, using data analytics and AI to improve our planning and operations capabilities, and deepening our digital IT capabilities.

#### Modernising our network and improving our planning, delivery and operations capabilities:

##### Our strategic commitments

- ❖ Modernise our RAN across all of our markets, slowing down on legacy technologies such as 2G and 3G, growing 4G and launching 5G.
- ❖ Invest in our network to support higher speeds, lower latency and a larger number of simultaneous connections for IoT.
- ❖ Evolve our core networks, by deploying technologies such as software defined networks (SDN) and network function virtualisation (NFV) to ensure that we drive on-demand scalability and flexibility of network resources.
- ❖ Expand our Narrowband IoT footprint and develop new IoT applications and solutions.
- ❖ Continue to enable smarter planning, delivery and operational capabilities, using data analytics and AI to inform network planning, deployment and operations.

#### Deepening our Digital IT capabilities:

##### Our strategic commitments

- ❖ Continue with scaled Agile development methodologies and automated testing to improve time-to-market and the overall quality of our products and services.
- ❖ Insource critical digital skills and knowledge to ensure sustainability and maturity in terms of digital resources and capabilities.
- ❖ Drive cloud migration and application adoption to achieve on-demand resource optimisation, scalability and flexibility.
- ❖ Strengthen our ability to harness Big Data analytics and machine learning to drive predictive analytics and automation capabilities to enhance the customer experience and improve operational efficiencies.
- ❖ Continue to identify and realise opportunities for using robotics and cognitive automation to improve customer experience and optimise operations.
- ❖ Optimise high-volume customer journeys for the best possible digital experience.
- ❖ Improve our cyber security measures and controls, ensuring that our customers stay confidently and securely connected.



## Digital organisation and culture

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



We are driving a 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 uses Big Data and analytics to inform decision-making.

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

- ✓ We have maintained a strong emphasis this year on embedding Agile methodologies, including structures, principles and tools across our South African operation, with 400 employees in five Agile Tribes engaged in various collaborative, cross-functional 'digital accelerator' teams that have been scaled across the organisation. Our Agile teams have helped to improve the quality of engagement across business units, increased the level of Exco member inputs, and encouraged greater alignment and accountability on mutually agreed outcomes and performance indicators. Vodacom was recognised across the Vodafone Group as a best practice reference on managing the change journey associated with driving an Agile culture.
- ✓ In our drive to access the best talent, this year we recruited 66 graduates in South Africa and 46 across our International operations; 48% of the South African recruits are female, and 68% are black Africans. We also recruited 59 new software engineers, with specific experience in areas such as Big Data and AI, a competence that we had never employed. We continue to engage with leading universities, contributing to the development of ICT and digital-related course content, and working actively to identifying emerging young talent. This year, through our '#code like a girl' programme we have successfully trained 755 girls across the Vodacom Group.
- ✓ To develop skills internally, we invested R544 million in employee training and development. This included a strong focus on empowering employees with digital skills, with various training courses offered to all employees through the Vodafone University, our global online 'e-learning' portal. The

shift to self-learning in 2018 has been outstanding, with 87% of all courses completed online, up from 60%. More than 5 000 employees have received online training on Agile working techniques.

- ✓ This year we invested R27.0 million 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. One of our senior executive programmes, 'Leading in a Digital Economy', includes an experience in a number of companies in Silicon Valley.



Further details on our internal skills development initiatives, and our external learner and internship programmes, are provided in our Sustainability report 2019 at [www.vodacom.com](http://www.vodacom.com).

### Encouraging workforce diversity

We are committed to creating an inclusive work environment that respects, values, celebrates and makes the most of the individual differences our people bring to Vodacom. Our ambitious approach focuses on promoting gender equality and developing a pipeline of diverse talent. In promoting inclusivity, Vodacom is committed to support LGBT+ people at work. We have established a successful LGBT+ community of networks in South Africa.

- ✓ In our South African operation, black representation in the workforce is 76%, with 59% at senior management level and 67% at Executive committee level.
- ✓ This year, of our total of R544 million invested in skills development for our South African workforce, R370 million was invested in black employees, with R153 million specifically for black female employees. We invested more than R10 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 43.4% of our workforce, with 35.6% at senior management level. Vodacom Tanzania is at the forefront with 41.2% women at senior management level.
- ⇒ 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 66 high-calibre and diverse graduates selected, 48% were female compared

to 61% in 2017. Of the total number of graduates hired in technology, 21% are female.

- ✘ 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 September 2018, Vodacom's gender empowerment drive was recognised amongst the best at the sixth Annual Gender Mainstreaming Awards, where Vodacom received numerous awards including being overall winner for 'Investing in young women' and 'Diversity and transformation'.

### Engaging with employees

- ⇒ In this year's People Survey – our independently conducted annual employee engagement process – we achieved an overall workforce survey participation rate of 79%. Although the response rate is on par with the high-performing peer group that we benchmark ourselves against, we recognise that there is room for further improvement. Various areas were identified in the survey as requiring greater focus, including boosting the employee net promoter score, driving further improvement around speed and simplicity, and supporting employee progression and recognition.
- ⇒ We obtained a score of 75% on the Digital index, a measure of the digital experience we offer our employees and customers; this is on par with the Vodafone Group. We will be driving the digital culture agenda through various initiatives that form part of a comprehensive transformation plan.
- ✔ It's 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 six, up from number nine; as well as rising up as industry leader in the ICT/Telecoms sector.

### Our safety performance

- ✘ We regret to report the loss of life of one Vodacom contractor this year, in an accident in Mozambique. In December 2018, a contractor deployed to install an aerial fibre line was electrocuted. In an effort to ensure that an incident of this nature is not repeated, we are reviewing the risk assessment and safety procedures for work in proximity of electrical installations and we are also conducting electrical awareness and safety training. We continue to strive for zero injuries and fatalities in all our operations.
- ✘ Our lost time injury frequency rate was 0.07, a regression as compared to prior years (0.03 in 2018 and 0.05 in 2017).
- ⇒ Vehicle incidents accounted for 46% of all safety incidents this year, followed by electrical fires (12%) and criminal activity (12%). South Africa accounted for 84% of all safety incidents, with all our other markets making up the balance of 16%. The incident rate in our other markets has significantly dropped.

## Vision 2020

### Driving a digital culture

To deliver on our Vision 2020 of being a leading digital telco, 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'.

### Creating an Agile organisation

#### Our strategic commitments

- ❖ Introduce Agile structures that enable clear end-to-end accountability between teams and tribes.
- ❖ Accelerate digital skills and a learning culture within the organisation.
- ❖ Simplify and automate internal processes.
- ❖ Launch 'Digital accelerators'.
- ❖ Further streamline our existing governance processes.
- ❖ Establish a distinctive employee experience, and promote workforce diversity.
- ❖ Embed our new purpose-led brand.

### Leveraging data for improved decision-making

#### Our strategic commitments

- ❖ Replicate the success of our 'Just 4 You' offering and smart notifications, taking this to scale by investing in the people and platforms needed to accelerate our Big Data analytics.
- ❖ Broaden the use of Big Data across the business to optimise deal creation and customer care, support acceleration units, improve network management, and drive omni-channel personalisation.
- ❖ Further develop our capacity to provide machine learning as a service.



Further details on our safety and health performance are provided in our Sustainability report 2019 at [www.vodacom.com](http://www.vodacom.com).

### Our workforce Performance indicators



Number of full-time permanent employees

7 746  
(2018: 7 554)



Engagement index – People survey

78%  
(2018: 78%)



Employee turnover†

8%  
(2018: 9%)



Female representation in senior management†

32%  
(2018: 35%)



Black representation in senior management\*

59%  
(2018: 56%)

Total training spend

R544 million  
(2018: R287 million)

\* South Africa only. † Vodacom Group (South Africa, Tanzania, the DRC, Mozambique and Lesotho).



## Our brand and reputation

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



We strive to build trust with all our stakeholders and to remain the customer brand of choice, with a brand that reflects our core purpose, and with a deserved reputation from promoting socioeconomic transformation and sustainability.

### Maintaining a strong reputation

We track Vodacom's brand awareness and reputation, and levels of stakeholder trust, through various means. In addition to monitoring customer net promoter score (NPS) (see page 29), we commission an independent research company to conduct an annual Reputation survey across all our markets to measure how stakeholders perceive our performance against our competitors and peer companies.

- ✓ The latest 2019 results indicate that Vodacom has retained its number one position across all markets as the reputational leader in the telecommunications sector, with stakeholders rating us higher than our industry competitors.
- ✓ **South Africa:** We are the most top of mind best reputation brand, with improved sentiment amongst our key stakeholder groups. The findings highlighted the need to continue strengthen relations with our key business accounts, NGOs, and media stakeholder groups.
- ✓ **Tanzania:** We improved our Reputation index, driven mainly by improved overall positive impression and trust in the company. We need to sustain our positive relations with key stakeholders groups including regulators, general public and media. More needs to be done to improve relations with key business accounts and NGOs.

- ✓ **DRC:** We improved our Reputation index across all stakeholder groups with a significant increase in both trust and overall positive impression ratings. The findings highlight the need to improve internal engagement with employees.
- ✓ **Mozambique:** We have maintained top-of-mind reputational leadership despite a slight decline in both trust and overall impression. The findings highlighted the need to focus on the general public, media and regulator stakeholder groups.
- ✓ **Lesotho:** We improved our Reputation index driven by increased trust in our brand. This positive outlook was evident in the ratings from the general public and employee stakeholder groups. More needs to be done to enhance the quality of engagement with the regulators and policymakers.

### Our Reputation index performance

Reputation index	2019	2018	2017
South Africa	7.8	8.0	7.9
Tanzania	8.4	8.0	8.4
DRC	7.8	7.3	7.5
Mozambique	7.5	8.2	8.3
Lesotho	7.7	7.3	8.1

## Accelerating socioeconomic transformation through digital solutions

As part of our commitment to accelerating socioeconomic transformation, we have identified and prioritised eight SDGs, where we believe we can have the most meaningful impact. Following is an overview of recent initiatives we have undertaken that are contributing to national developmental objectives and the global UN Sustainable Development Goals (UN SDGs):



### Quality education

- ❖ Vodacom e-Learning enables learners to access curriculum-aligned content and educators' learning materials on an interactive platform, through smartphones, tablets or PC browsers.
- ❖ Our school management application, used in more than 11 800 schools in Nigeria and South Africa, enables electronic incident reporting and communication on key statistics – such as textbook availability, school need assessments, school feeding, enrolment and attendance – contributing to improved resource availability and better governance.
- ❖ Our flagship mobile education programme mEducation, developed in partnership with the South African government, provides ICT equipment and free Internet access to 3 000 schools and 92 teacher centres; we have trained over 100 000 teachers on using ICT in the classroom.
- ❖ Our *Instant School* initiative is a free education platform providing digitised educational material for primary and secondary schools learners' across Tanzania; we also support educational initiatives in the DRC, Mozambique and Lesotho.



### Good health and wellbeing

- ❖ To address inefficiencies in the medicine supply chain and minimise stock-outs of vital supplies, we have partnered in developing the Stock Visibility Solution (SVS), enabling health clinic dispensaries to monitor stock levels, send treatment plans to patients, and manage patients' medical records through a custom-built mobile application. Since its launch in 2014, more than 19 million stock level reports have been submitted through SVS.
- ❖ We have partnered on the AitaHealth application, a planning tool that allows Community Health Workers to collect health-related information and link it into health system referral and management structures. The application has assessed more than 1 million individuals for health risks and been used by more than 2 000 community health workers.
- ❖ Vodacom's Mum and Baby platform, launched as part of our Siyakha platform, has helped more than 1.4 million subscribers access vital maternal healthcare information, through free access to videos and SMS's covering a range of health topics.
- ❖ Our mVaccination initiative is a health record solution that has increased the coverage and clinical management of immunisation programmes in Nigeria, Mozambique and Tanzania, with more than 95 000 patient records created and 315 000 immunisations administered.



### Gender equality

- ❖ Our Mum and Baby service, launched in South Africa in 2017, offers 1.4 million registered and active users across South Africa a free-of-charge mobile health intervention with maternal, neonatal and child health information.
- ❖ Vodacom's Siyakha Employee Extender provides affordable connectivity to domestic workers in South Africa, 95% of whom are women. The package includes a smartphone, insurance and funeral cover, and access to Vodacom's Video Play and Mum and Baby platforms.
- ❖ In partnership with the South African government, we have established a 24-hour call centre providing counselling to victims of gender-based violence; we have also supplied laptops to 'safe door shelters' to empower gender-based violence survivors with ICT skills.



### Good jobs and economic growth

- ❖ The Vodacom Youth Academy has positively impacted 1 333 young unemployed people by providing training in ICT-related courses, and transitioning selected learners into an entrepreneurship programme.
- ❖ Our 'Code like a Girl' one-week training programme provided coding and life skills training to teenage girls from impoverished communities in South Africa, Mozambique, Tanzania, the DRC and Lesotho.
- ❖ We have intensified our efforts to support small, medium, and micro-enterprises and the broad-based transformation of our supply base, with encouraging results.

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### Industry innovation and infrastructure

- ❖ We currently have 4.7 million active connections providing IoT solutions in the transportation, industrial, energy, residential, property and health care sectors, covering end-to-end services across the full IoT value chain.
- ❖ In keeping with our commitment to increase rural coverage, this year we added 139 deep rural sites, connecting rural communities that had never previously had coverage.
- ❖ Through our ground breaking M-Pesa product in Kenya, Tanzania, the DRC, Mozambique and Lesotho, we provide affordable access to mobile financial services to more than 36 million customers, many of them women in remote rural areas.

## Our brand and reputation continued



### Sustainable cities and communities

- ❖ In South Africa, our digital platform Thetha Nathi ('speak to us') facilitates conversations between citizens and municipalities, enabling citizens to report service delivery issues, request municipal services and track progress, while also notifying the respective local government which receives and responds to the data analytics.
- ❖ Through our cloud-based web and mobile software Connected Farmer platform, developed in partnership with GIZ, we are providing an IoT-based solution, linking thousands of smallholder farmers to the agriculture value chain, improving agriculture productivity, addressing food security, creating jobs and increasing incomes in the agriculture sector.
- ❖ Vodacom's Smart Utilities Management Service has installed 42 972 electricity and water smart meters in municipalities in five provinces, enhancing revenue collection, improving customer satisfaction and improving energy and water usage across these regions.



### Climate action

- ❖ We have 3 500 radio sites that are either free-cooled or built as outdoor cabinet sites, and 955 solar-operated sites across the Group, delivering valuable energy efficiency savings and reduced greenhouse gas emissions.
- ❖ We have driven various energy efficiency and renewable energy initiatives in many of our offices.
- ❖ Our machine-to-machine LiveTrack solution tracks vehicles in real-time, reducing carbon emissions by enhancing responsible driving and increasing fuel efficiency.



### Partnerships

- ❖ All of our activities in the above areas involve partnerships of some sort – with business peers, government agencies, technology providers, civil society organisations, academia and/or community representatives – aimed at identifying and implementing innovative ways of using mobile and data to make a significant social contribution.

## Vision 2020

### Connecting for a better future

To deliver on our core purpose – connecting for a better future – and to maintain the strength of Vodacom's purpose-driven brand we have identified three broad focus areas where we are seeking to drive transformational change, and contribute meaningfully to the SDGs:

#### Inclusion for all:

- ❖ Bridging the digital divide through our investment in extending networks to rural areas, facilitating access to affordable smartphones, and providing low-cost platforms such as Siyakha.
- ❖ Democratising education by helping to digitise the education sector, providing free access to online learning materials, improving connectivity in schools, and supplying digital school management solutions.
- ❖ Empowering the youth through our digital skills training initiatives, our youth academy and entrepreneurship programmes, and our segmented youth platform (NXT LVL).
- ❖ Reducing the digital gender gap through segmented offerings such as Vodacom Mum and Baby and Siyakha Employee Extender, as well as our CSI initiatives that promote female health and combat gender-based violence.

#### Digital society:

- ❖ Digital innovation and IoT solutions that drive positive social change by enabling health and wellbeing, promoting agriculture, digitising municipalities, and enabling enterprise development.
- ❖ Enhancing access to financial services, especially through our M-Pesa and M-Pawa offerings that provide affordable access to financial services, opening up valuable economic opportunities, including particularly for rural women.

#### Planet – our initiatives include:

- ❖ Climate-smart networks and solutions, reducing the greenhouse gas emissions of our network and infrastructure, and providing solutions that allow customers to be more energy efficient.
- ❖ Water-wise products and practices, driving improved water stewardship across our value chain.
- ❖ Reducing e-waste in partnership with key suppliers and customers.

## Vodacom Group 25 years of Transformation

Our unwavering commitment to BBBEE resulted in Vodacom South Africa achieving a Level 1 BBBEE status. We were also the only telecommunications company to receive the '25 years of Democracy Transformation Champion Award' from Top Media, on 11 April 2019.

Vodacom South Africa exceeded its target and achieved a Level 1 BBBEE status, the highest contributor status on the scorecard, achieved at a direct cost to company of R2.95 billion. Our subsidiary Nexio (Pty) Limited (previously Stortech) retained its Level 1 status, with XLink improving from Level 3 to a Level 2. This resulted in the Group having a significant improvement from Level 4 to Level 2.

### BBBEE results for Vodacom Group

We achieved significant improvement this year in scores across all the elements other than procurement, resulting in an overall increase in score of 9.66 points.

Scoring element	Target points	Achieved points 2019	Achieved points 2018
Ownership	25	21.33	16.20
Management control	23	17.39	15.72
Board representation	8	5.83	5.83
Top management representation	5	5.00	4.33
Employment equity	10	6.56	5.56
Skills development	20	23.32	19.55
Enterprise and supplier development	50	43.65	44.79
Procurement	25	19.54	20.55
Supplier development	10	7.11	7.54
Enterprise development	15	17.00	16.70
Socioeconomic development	12	12.00	11.77
<b>Total</b>	<b>130</b>	<b>117.69</b>	<b>108.03</b>

**Ownership:** On 14 September 2018, Vodacom Group Limited concluded a R16.4 billion broad-based Black Economic Empowerment (BBBEE) ownership transaction. This deal was the largest BBBEE deal in the ICT Sector and resulted in the black ownership percentage increasing from 19.36% to 29.60%.

**Management control:** The Group exceeded the previous year's score of 15.72, scoring 17.39 from a possible 23. This was as a result of improving the gender profile of our executive committee and driving transformational changes in the occupational levels under employment equity.

**Skills development:** Our consolidated training spend increased from R248.0 million to R283.4 million, with R12.7 million invested in the development of black youth living with disabilities. This was R4.4 million more than the prior year and represented 6% of our payroll. In addition, 120 of our 161 learners secured full time employment; this resulted in an impressive total score of 19.60 out of 20 points, together with 3.72 out of 5 bonus points for the number of black youth absorbed into employment.

**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 black-owned suppliers.

Supplier development realised R164.2 million spend, targeted on developing SMMEs within Vodacom's supplier base; this included investing R17.7 million towards the transformation of our retail franchisee base, which resulted in an additional 27 Vodacom shops changing ownership to black owners during the year. Under enterprise development, more than R351.4 million was invested in developing black-owned ICT SMMEs outside of Vodacom's business. The collective score for this element was 43.65 out of 50.

**Socioeconomic development:** The Group obtained full points with an investment of R184.4 million.

## Our Sustainability report 2019

(incorporating the report of the Social and Ethics Committee)

Vodacom's separate Sustainability report 2019 provides a more detailed review of the activities that we are taking to accelerate socioeconomic transformation in the markets in which we operate. The report reviews the progress we have made in 'empowering a connected society', reflecting on our performance in implementing eight of the UN Sustainable Development Goals, and assesses our activities in 'being 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)



Sustainability report 2019