

Responding to “hot topics” on a macro, industry and company level

Forces shaping our macroenvironmental context

The success of our business depends on how we respond and adapt to external factors impacting our global operating environment. Driven by our system of advantage and purpose, we capture opportunities and mitigate risks to create sustainable value for our stakeholders.



Challenging macroeconomic conditions

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PRINCIPAL RISKS AND ASSOCIATED OPPORTUNITIES

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Context and key developments

The COVID-19 pandemic continues to impact the global economy and social landscape, and trading conditions are still marred by lower business confidence, distressed and out-of-business customers, migration to cheaper solutions and global supply shortages. Economic recovery across our markets is likely to be slow, and significant investment is needed to stimulate growth. Furthermore, as African countries struggle to recover from the impact of the pandemic, the aftermath of the Ukraine-Russia war could exacerbate supply constraints, increase foreign exchange volatility and drive inflationary pressures – particularly in areas relating to energy and food.

Our response

The strength of our financial position continued to lead our business through a volatile macroeconomic environment. We regularly assess the short to medium-term impact of the pandemic and the Ukraine-Russia war on our business. As a part of this we evaluate the external factors in each country where we operate, including the impact on customer spend, liquidity of our customers and our own cash requirements, as well as ways to contain costs.

Our Social Contract guided our response to the COVID-19 pandemic (page 12), and we implemented several interventions to stimulate employment and economic recovery. We understand the role of small businesses in unlocking opportunities for economic participation and continue to support SMEs through our VodaPay and M-Pesa super-apps and other platforms. Since its launch, VodaPay has had over 2.2 million downloads while M-Pesa – Africa’s biggest payment platform – processed over US\$324.6 billion in the year. We are also enhancing digital accessibility for the most vulnerable via our ConnectU platform, which provides free access to basic internet and essential services.

Across both our connectivity and financial services, we leverage our advanced CVM capabilities to increase our focus on segmentation and localisation while also focusing on smaller “sachet” sizes to meet the challenges of rising inflation and pressure on consumer spend. Furthermore, we believe our financial services provide consumers and SMEs with access to responsible lending products, including microloans.

We address the risk of global supply chain shortages in our principal risks and associated opportunities section (page 32). In addition, we manage the associated foreign exchange risk of imported equipment and handsets with forward cover.

| | Economic matrix for calendar (CY2022) | Post-COVID-19 CY2022 forecast | Adjusted since Ukraine-Russia war | Forecast CY2023 | | Economic matrix for CY2022 | Post-COVID-19 CY2022 forecast | Adjusted since Ukraine-Russia war | Forecast CY2023 |
|--------------|---------------------------------------|-------------------------------|-----------------------------------|-----------------|--------------|----------------------------|-------------------------------|-----------------------------------|-----------------|
| | Real GDP growth | | | | | Inflation | | | |
| DRC | 5.8 | 5.5 | 6.5 | | DRC | 6.2 | 7.1 | 6.3 | |
| Ethiopia | 4.9 | 4.8 | 5.4 | | Ethiopia | 26.2 | 28.9 | 18.0 | |
| Kenya | 5.0 | 4.7 | 5.4 | | Kenya | 5.8 | 6.0 | 5.6 | |
| Lesotho | 2.1 | 1.7 | 2.4 | | Lesotho | 6.0 | 6.9 | 6.2 | |
| Mozambique | 5.0 | 5.0 | 6.6 | | Mozambique | 7.5 | 8.0 | 9.3 | |
| South Africa | 1.9 | 2.4 | 2.0 | | South Africa | 5.0 | 5.7 | 4.7 | |
| Tanzania | 5.3 | 5.2 | 5.5 | | Tanzania | 3.5 | 4.4 | 4.1 | |

Source: Bureau of Economic Research, April 2022, for South Africa; Fitch Solutions OpCos, April 2022, for all OpCos. CY: Current Year.

Please refer to page 02 for explanation of all icons.

Accelerated adoption of digital technologies

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Context and key developments

The COVID-19 pandemic highlighted the need to accelerate an integrated economic recovery and to ignite growth through innovation. The pandemic intensified the demand for digital solutions for education, work, health, financial and social-related challenges while, at the same time, also emphasising inherent inequalities that continue to exist in our societies. The need to accelerate digital solutions and facilitate access is greater than ever before, and there is ample opportunity in Africa to drive financial inclusion. In particular, mobile money and innovative financial and digital services have the potential to build resilient societies and ensure sustainable financial inclusion. In addition, the healthcare challenges faced over the past two years further illustrated the need for real-time digital solutions, accelerating the transition to a cashless society and increasing the appetite for digital financial services, such as payments, lending and insurance.

Our response

The events of the past two years have accelerated changes in the ICT sector, which continue to significantly impact operators, consumers and businesses. Our digital ecosystem is a key driver of our system of advantage which, among others, focuses on scaling financial and digital services and being a digital partner of choice for enterprises to unlock more opportunities across our footprint. At Vodacom we have a long-term vision of driving digital and financial inclusion. Accordingly, we continue to invest in innovative technology across different industries that will change the way societies move in a digital world. This includes:

- Investing in a Safaricom-led consortium to build world-class telecoms services in Ethiopia.
- Launching and scaling our super-apps across our markets to expand the reach of merchants and lower the barriers to financial inclusion for consumers.
- Expanding our 5G footprint to provide consumers and enterprises with the connectivity foundation for their future next-level experiences.
- Rolling out fibre in Africa which, along with long-term evolution (LTE) fixed wireless broadband, continues to play an important role in digital inclusion.
- Exploring network sharing options to curb the cost of network upgrades.
- Providing a digital solutions toolbox to assist governments navigate healthcare logistics.
- Providing customer-centric propositions by leveraging Big Data insights.
- Building digital transformation capabilities to unlock cloud and hosting, and security services.



Vendor risk and related sanctions

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Context and key developments

Geopolitical influences continue to pose a risk to our IT and network technology vendor strategy, while political pressure from the USA to ban Huawei equipment in mobile networks remains a risk to the cost of 5G rollout in the medium term. Furthermore, we face supply chain risk due to the Ukraine-Russia war, ongoing COVID-19-related lockdowns and a shortage of mature suppliers.

Our response

Our network and systems depend on international suppliers, and a multi-vendor strategy is crucial for sustainable operations. Therefore, Vodacom focused on:

- Monitoring the geopolitical status of our suppliers.
- Reducing our dependency on single suppliers by risk profiling and implementing a multi-vendor strategy in critical categories.
- Promoting balance to prevent dominance and regional over-reliance.
- Introducing geopolitical risk assessments.
- Explore new network architecture options, such as satellite and OpenRAN.

Forces shaping our industry context

Various market dynamics are converging in the ICT sector, influenced by an accelerated need for connectivity in digital societies that are adopting technology solutions at work and home faster than ever before. We continue to review the primary trends impacting our industry to position Vodacom for success in a constantly evolving landscape.



Competitive landscape

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Context and key developments

Changes in the mobile connectivity space continue to shift rapidly. MVNOs, banks and other non-traditional competitors are enhancing their mobile offerings to strengthen their customer propositions and enter the voice and data space. Furthermore, competition relating to fixed wireless access and fibre is also increasing, and is now expanding into lower-income suburbs. In South Africa, propositions from successful mobile virtual network operators are linked to established banks and retailers aiming to drive loyalty to primary brands. Advances in offerings from OTT services, such as voice over internet protocol, could also reduce demand for Vodacom’s core voice services. In this hyper-competitive environment, data pricing strategies take centre stage for short-term gains.

In the financial services space innovation continues at pace. Our financial services business faces the risk of disintermediation from both established financial institutions and start-up tech-led players. The latter grouping, in particular, is attracting sizeable funding to support ambitious growth objectives.

Our response We have a clear and powerful strategy that differentiates us with customers, sets us apart from the competition and delivers superior returns to our shareholders. It is increasingly important to protect our leading market share across our established footprint which, we believe, provides us with the platform to scale our digital ecosystem across financial and digital services and IoT, Big Data and AI capabilities.

As we implement our system of advantage to deliver exceptional service to our customers, we focus equally on improving our overall customer proposition, ROCE and value creation. This is enabled by Big Data insights from our CVM platforms. In the enterprise space, we partner with businesses to accelerate their growth and transform their operations through digital technology in high-growth areas like cloud and hosting, managed security, managed services and IoT. These solutions are enabled and enhanced by our subsidiaries, IoT.next, XLink, Nexio and Mezzanine, as well as our associate AfriGIS. Within the financial services space we have built a formidable business across our existing markets, with products that cut across consumers and merchants supported by world-class technology from companies such as Alipay.

Complex regulatory landscape

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Context and key developments

The evolution of connectivity in our markets needs to be considered in the context of consumer-driven demand for faster internet access and the push from governments to increase connectivity to all citizens. As we grow our business and expand digital platforms on our journey to becoming a TechCo, we are increasingly exposed to stringent regulatory and policy requirements that could impact our profitability, growth and services, such as regulatory intervention on pricing. Furthermore, the unpredictability of government and regulatory decisions may discourage investment.

Our response We remain committed to prudent management and oversight to ensure we protect the interests of our key stakeholders. Regulatory compliance is inherently a part of how we do business, and we maintain open and proactive engagements with regulators and other authorities as part of our stakeholder engagement plan. In addition, we focus on:

- Improving technical skills and maintaining specialist legal and regulatory teams at Group and OpCo levels.
- Implementing internal controls to ensure compliance.
- Engaging with local communications regulators and regional standard-setting bodies to shape regulatory requirements.
- Participating in licence renewal and spectrum allocation processes.
- Evaluating optimisation strategies and strategic partnerships under applicable regulations.
- Updating the status of regulatory compliance risks and controls monthly.
- Evolving the scope of our monitoring plan as we expand our products and services.

Regulatory matter: Certification of handset fees in the DRC

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Context and key developments

In 2020, the Prime Minister of the DRC published a decree relating to the certification of mobile devices, imposing an annual recurring levy (RAM tax) for devices connected to 2G, 3G and 4G networks. Vodacom engaged the government on an ongoing basis with respect to the implementation of this levy. The first cycle of levy collection was initiated in FY2022. However, on 18 February 2022, the Council of Ministers repealed the decree establishing the RAM tax, and Vodacom DRC was subsequently instructed to remove all technical systems implemented to collect the tax.

A new prime ministerial decree converting RAM fees to quality of service, data protection, traffic monitoring and equipment technical control fees is currently under review. This could potentially result in material new consumer levies.

Our response Vodacom DRC complied with the letter issued by the regulator in February 2022. Separately, with respect to the new decree our industry association, the Fédération des Entreprises du Congo, is engaging with the government and regulator.

Trust and transparency around data consumption

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Context and key developments

Our customers remain concerned about data usage and the lack of clarity around data consumption. However, as the speed of our networks increases, so does time spent on the internet and social media. This, along with downloading high-definition videos, leads to higher mobile data usage, which has resulted in the perception among customers that data is disappearing.

Our response

- Operated honestly with integrity and maintained robust ethics.
- Continued to provide exceptional experiences for our customers.
- Maintained transparency around pricing and personalised solutions.
- Provided customers with a comprehensive breakdown of data usage through our Detailed Data Usage solution.

Regulatory matter: Introduction of levies on mobile money transfers and withdrawals and airtime in Tanzania

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Context and key developments

On 30 June 2021, the Tanzanian President approved the Finance Act, 2021, which included amendments to the National Payment Systems Act (NPS Act), 2015, and Electronic and Postal Communication Act, 2010, so introducing levies on mobile money transactions and withdrawals. The Act was implemented from 15 July 2021. Subsequently, the NPS (Electronic Mobile Money Transfer and Withdrawal Transactions Levy) Regulations 2021, were introduced. For mobile money transfer and withdrawal transactions, the levy ranged between TZS10 and TZS10 000 per transaction, representing a levy of up to 4.4% of the transaction value. Following industry engagement, the regulator agreed to reduce the levy by 30% from 3 September 2021. Despite this reduction, the levies represent a material increase in end-user charges and a constraint on financial inclusion.

Additionally, the Electronic and Postal Communications (Airtime Levy) Regulations, 2021, were introduced. An airtime levy of between TZS5 and TZS223, based on the airtime amount recharged, was implemented on 20 October 2021. Vodacom Tanzania and the other mobile operators in the market absorbed the cost of this levy on behalf of subscribers.

Our response Following the introduction of the mobile money levy, Vodacom Tanzania continues to advocate for compliance by all financial institutions. We continue to engage with the government to further reduce the levies.



Responding to “hot topics” on a global, industry and company level continued

BBBEE results for Vodacom South Africa

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Context and key developments

While Africa is seeing some economic recovery after the outbreak of the COVID-19 pandemic, the acceleration of per capita growth will not be able to eliminate poverty in many countries on the continent. South Africa, specifically, remains one of the most unequal countries in the world – 3 500 people in the country own more than the poorest 32 million people combined. Furthermore, the country's unemployment rate reached a record high of 34.5% in the fourth quarter of 2021, of which the not in education or training (NEET) youth (age between 15 – 24) account for 37%. Vodacom is committed to playing a part in transforming South Africa and driving financial inclusion, as demonstrated by our commitment to the fundamental principles of BBBEE, our diverse leadership team and Level 1 BBBEE contributor score.

Our response

- Achieved the highest BBBEE contributor status of Level 1 for the third consecutive year, a clear demonstration of our unwavering commitment to rebuilding our economy.
- Spent R17.6 billion in enterprise development and preferential procurement.
- Assisted black-owned SMEs an amount of R16 million as part of the deep rural lease. Vodacom transferred base station sites to these SMEs for maintenance and construction.
- Provided low-interest loans to black-owned SMEs to purchase Vodacom franchise stores through the retail channel transformation programme.
- Launched V-Hub, an online resource portal designed to help SMEs unlock their full potential as they embark on a digital transformation journey.
- Reviewed internal pay ranges, which included a fair-pay analysis.
- Increased female representation at employee level to 44%, and at senior management level to 37%.
- Achieved 78% black representation of our South African workforce, with 62% in senior management level and 56% at ExCo level.
- Developed skills of historically disadvantaged people, investing R395 million in black employees – R190 million in black women – across our South African workforce.
- Supported the development of black women in the technology industry through our female leadership programme.
- Empowered 103 young entrepreneurs through the Innovator Trust's young entrepreneurs programme.

| Scoring element | Target points | Achieved points FY2022 | Achieved points FY2021 | Achieved points FY2020 |
|-------------------------------------|---------------|------------------------|------------------------|------------------------|
| Ownership | 25 | 25.00 | 23.23 | 22.75 |
| Management control | 23 | 15.99 | 18.23 | 15.90 |
| Board representation | 8 | 6.83 | 6.83 | 4.67 |
| Top management representation | 5 | 2.73 | 4.90 | 4.82 |
| Employment equity | 10 | 6.44 | 6.50 | 6.41 |
| Skills development | 20 | 23.04 | 21.97 | 20.90 |
| Enterprise and supplier development | 50 | 48.55 | 47.98 | 49.29 |
| Procurement | 25 | 23.07 | 22.05 | 21.29 |
| Supplier development | 10 | 8.48 | 8.93 | 11.00 |
| Enterprise development | 15 | 17.00 | 17.00 | 17.00 |
| Socioeconomic development | 12 | 12.00 | 12.00 | 12.00 |
| Total | 130 | 124.58 | 123.42 | 120.84 |



 ESG data addendum.

1. Source: <https://www.worldbank.org/en/news/press-release/2022/03/09/new-world-bank-report-assesses-sources-of-inequality-in-five-countries-in-southern-africa>.
 2. Source: <https://time.com/6087699/south-africa-wealth-gap-unchanged-since-apartheid/>.

Consumer privacy, data protection and cyber security

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Context and key developments

Given the nature of our business, we have access to and store a myriad information, including customer and employee names, contact information and banking details, as well as information on data usage and transactions collected through apps, engagement and loyalty programmes. Data protection and privacy are, understandably, of increasing concern to customers – especially as we expand our digital interfaces. Furthermore, telecommunication is recognised as a critical national infrastructure, and governments are setting stronger legal and regulatory security requirements for those in the industry. For Vodacom, specifically, we have seen increased focus on protecting proprietary and customer data. Accordingly, cyber security remains a critical business consideration, and we ensure information security remains an integral and critical business defence tool.

Our response

- Adopted a risk-based approach to privacy, with a dedicated security team that deploys world-class cyber security solutions.
- Implemented a security strategy to introduce the next-generation security technologies, enhance current prevention and detection capabilities and provide data insights for real-time detection and response and a more secure and frictionless employee experience.
- Increased visibility of threats by introducing advanced monitoring and detection tools and fine-tuning existing tools.
- Implemented leak prevention and detection through security orchestration, data visibility, endpoint detection and response capabilities to protect data from unauthorised access.
- Measured and monitored an extensive set of cyber security baseline controls to ensure these remain effective and efficient in a changing threat landscape.
- Followed secure-by-design principles and processes as we designed products and services – testing of products, like the VodaPay super-app for example, is inherent to this process.
- Implemented policies, processes and standards to secure cloud environments.
- Conducted a third-party vendor and supplier risk assessment to ensure they adhere to Vodacom's minimum-security requirements and tracked remediation of findings to conclusion.
- Continued to educate our employees on cyber-aware behaviour and held a second cyber incident simulation for ExCo.

Network quality and coverage

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Context and key developments

Over the past two years, the demand for connectivity has increased significantly. We also continue to face challenges brought on by vandalism and battery and cable theft at base station sites, impacting network availability – particularly during load shedding in South Africa, when backup batteries and generators are needed to minimise service disruption. In addition, the withdrawal of temporary spectrum by ICASA at end-November 2021 received widespread media attention and enquiries from business clients concerned about the impact on network quality. It is critical that we maintain and improve the quality of our existing network across our markets as a core differentiator in our customer experience, and we are committed to ensuring these factors have as little impact on our network as possible.

Our response

- Invested R14.6 billion in our network to support increased traffic and coverage rollout.
- Upgraded base station sites with batteries and anti-theft infrastructure.
- In South Africa, used temporary 5G spectrum assigned to roll out over 600 sites to address the demand for fixed connectivity for both fibre and fixed wireless products.
- In South Africa, launched Large Data Bundles, which were offered commercially for the first time, and uncapped fixed wireless products for SMEs and consumers.
- Extended our 3G and 4G population coverage in South Africa to 99.88% and 97.94%, respectively, while 2G coverage remains stable at 99.9%. We added 357 rural sites connected with 95 deep rural sites and 61 rural communities to ensure better connectivity.
- Expanded our network coverage across our international countries to 8 430 2G sites, 6 668 3G sites and 4 385 4G sites.
- Invested R100 million in our rural coverage acceleration programme.
- Managed growing demand for data service by utilising available emergency interim spectrum.
- Continued to explore opportunities to build more resilient and sustainable networks by partnering with our suppliers, business partners and energy experts.
- Evaluated network performance and capacity upgrade projects to manage increased loads and network faults faster.

Forces shaping our company context

We are committed to creating a conducive environment for business growth. As such, we identify and prioritise matters important to our stakeholders that could also impact the long-term success of our business.



Facilitating economic recovery during COVID-19



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Context and key developments

Despite a slight economic rebound, the countries in which we operate continued to experience the adverse effects of the COVID-19 pandemic. As a purpose-led business, we remain focused on delivering on our Social Contract with stakeholders to meaningfully contribute to economic recovery and drive digital and financial inclusion.

Our response

We implemented several interventions during FY2022 that negatively impacted our financial capital in the short term but should deliver long-term economic value for society, government and businesses. This included accelerated support and enhanced digital accessibility, digital adoption and financial inclusion, such as:

- Leveraging the VodaLend platform to facilitate access to credit to SMEs, advancing R132 million.
- Over the last two years, we materially reduced mobile data prices in South Africa – including a 43% reduction to the 1GB data bundle price point as part of our ongoing commitment to reduce the cost to communicate and connect more people to the economy.
- Providing free access to basic internet and essential services through our ConnectU platform, which had over 14 million sessions initiated every month.
- Providing access to quality education for refugees in Mozambique by deploying 13 Instant Network Schools.
- Launching a zero-rated educational platform in Tanzania to provide learning materials to students, teachers and those who did not complete formal education.



For more information on our response to COVID-19, refer to [page 12](#) or our sustainability report.

Balancing short-term returns with sustainable growth



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Context and key developments

Over the past few years, we have made significant strides in our journey to become a data-driven TechCo. However, ongoing investment in long-term growth initiatives remains crucial to futureproofing our business and delivering on our strategic ambitions. As part of this, we need to balance our stakeholders' expectations of short-term returns with the investment needed to develop our diverse product offerings and scale our services.

Our response

As we head into FY2023, the pending acquisition of Vodafone Egypt and our proposed stake in CIVH's fibre assets provide a compelling opportunity to accelerate our system of advantage and the Group's growth profile. However, these deals will utilise debt capacity and, being mindful of maintaining headroom for investment in growth areas, the Board considered it appropriate to review Vodacom's dividend policy, which has been in place since FY2013.

Accordingly, once the Vodafone Egypt acquisition is completed, the Group intends to amend and simplify its dividend policy and institute a policy of paying dividends of at least 75% of Vodacom Group's headline earnings. Notwithstanding the change in dividend policy, Vodacom Group will still have one of the highest dividend pay-out policies on the JSE. Additionally, the policy provides scope for the Group to invest within its 13% – 14.5% capital intensity target, de-lever the balance sheet and accommodate the dividend pay-out profiles of Safaricom and Vodafone Egypt.

For more information on our strategy, refer to pages 36 to 39. We discuss our financial performance from page 80.

Investing in spectrum to ensure long-term success



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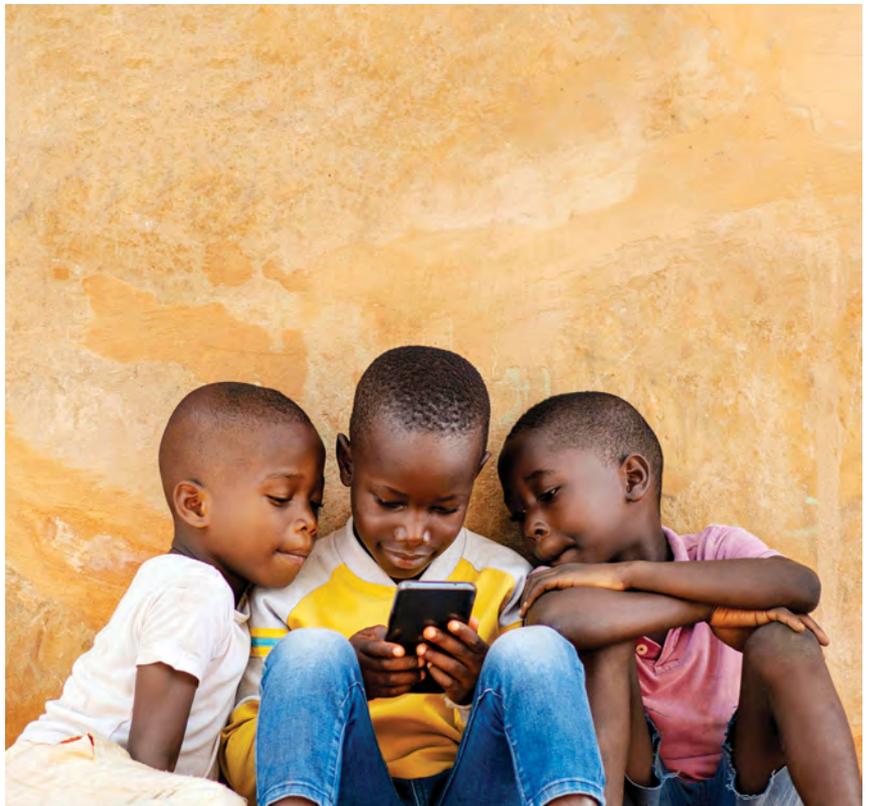
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Context and key developments

Vodacom aims to connect people, places and things for a better future. To do this, the Group needed to acquire additional High Demand Spectrum which, in turn, enables Vodacom to facilitate connectivity, address growth in traffic and launch new services.

Our response

In South Africa, in March 2022, ICASA completed its High Demand Spectrum auction and assignment process. Vodacom was one of six companies participating, spending R5.4 billion to acquire 110MHz High Demand Spectrum. While this is a significant investment in the short term, we believe it will lead to substantial long-term benefits for our customers. By deploying spectrum to expand our 4G and 5G network coverage across South Africa, we can enhance our customer proposition and improve network speed and quality.



Responding to “hot topics” on a global, industry and company level continued

The affordability of our products and services

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Context and key developments

The demand for sophisticated ICT services requires continued investment in infrastructure and development, with costs increasing accordingly. We are also acutely aware of the rising prices of devices – high-end smartphones, in particular – and costs to communicate. But, at the same time, customers are seeking more affordable and accessible core data services.

Our response

We understand the potential of internet access as a powerful enabler for economic and financial inclusion. Therefore, in line with our purpose, we aim to balance the importance of developing affordable products and services to help bridge inequalities with ongoing investment to continue providing the quality expected by our customers. Specifically, we:

- Continued to develop rich propositions based on our customers' different lifestyle needs and affordability.
- Refreshed our mobile contract packages to meet growing consumer demands.
- Reduced the cost of our 1GB data bundle from R149 to R85 in two years – a 43% reduction in South Africa.
- Continued to offer long-term financing and leveraged our strength in devices and logistics to increase access. This resulted in growth in our postpaid customer base, revenue and data consumption.
- Implemented a range of innovative pricing and product constructs, including the ability to purchase data that matches time-based, specific needs.
- In South Africa we reduced out-of-bundle charges by 75% and headline monthly data prices by 50%.
- Introduced personalised pricing bundles, enabling Vodacom to offer lower rates to the most price-sensitive, lower-income consumers.
- Launched the Easy2Own proposition to drive smartphone accessibility.



The Please Call Me matter

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Context and key developments

In line with a 2016 Constitutional Court order, Vodacom's CEO determined reasonable compensation of R47 million to Kenneth Nkosana Makate for the Please Call Me idea. Mr. Makate rejected this determination and brought an application to the Gauteng Division of the High Court of South Africa to have the Vodacom CEO's determination judicially reviewed and set aside. On 8 February 2022, the High Court set aside the Group CEO's determination and ordered him to reconsider the settlement offered to Mr. Makate.

Our response

Vodacom launched an application for leave to appeal on 25 February 2022 against the judgment and order of the High Court. The application for leave to appeal was granted by the High Court on 11 April 2022. As a result, the order of the High Court is suspended. The liability owed by Vodacom to Mr. Makate cannot be readily quantified until the appeal has been heard and a determination made by the Supreme Court of Appeal.

