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# CEO's statement

Despite ongoing macrochallenges, FY2023 was characterised by the successful execution of our strategy – the **System of Advantage** – which continues to create sustainable value for our stakeholders. The tangible progress we made this year is a source of immense pride and the culmination of many years of planning and preparation as we continue to work to connect people for a better future.

## Our purpose – why we exist

The persistently volatile and complex macroeconomic conditions we find ourselves in, characterised by geopolitical uncertainty, foreign exchange volatility, a global energy crisis and continued supply chain disruptions, have led to low levels of growth and a cost-of-living crisis in all the countries where we operate. These factors are further compounded in South Africa as the energy crisis is exacerbated by unprecedented levels of loadshedding.

While these challenges have impacted our performance, they have also brought the importance of our purpose into focus. In this context, our role in supporting and enabling economic growth by connecting customers for a better future has never been more important. Guided by our Social Contract, we aim to build relationships of trust with a purpose-led business model that is centred around creating a digital society, ensuring inclusion for all and operating with the planet in mind.

With our population reach exceeding 500 million people, our core connectivity business provides us with the foundation to deliver on our purpose. Over a five-year period Vodacom is investing to increase 4G population coverage by an additional 70 million people across our footprint, a commitment we made as part of the International Telecommunication Union's Partner2Connect programme. This rollout will be supported by innovative new rural funding partnerships (RuralCo), while we also drive smartphone penetration to promote digital inclusion. In parallel to expanding our connectivity reach, we are also focused on financial inclusion. We already process US\$1 billion a day of transaction value across our M-Pesa ecosystem, including Safaricom, with our super-app approach removing the barrier of physical limitations for both consumers and merchants, helping them expand well beyond their geographic boundaries.

Our strength in connectivity supports investment in new growth platforms, which diversifies our revenues and drives societal benefit. We actively contribute to creating a digital society by developing "tech for good" solutions across critical verticals, including education, healthcare and agriculture. Our education solutions include e-schools in South Africa, VodaEduc in the DRC, e-Fahamu in Tanzania, Faz Crescer in Mozambique and Ta3limy in Egypt. We have reached over 2.5 million learners through these and other education platforms. In South Africa, our e-schools initiative is complemented by our support of 15 early childhood development centres, 92 teaching training centres, nine youth academies and 13 schools of excellence.

From a healthcare perspective, technology has the potential to make the delivery of services more efficient for providers and more inclusive for patients. This is clearly demonstrated by our platforms for good, which improve productivity and extend access to quality healthcare. From digitising government services in Egypt, to stock visibility services in South Africa, I am especially proud of our m-mama service. M-mama leverages the power of connectivity and technology to intervene in more than 19 000 maternal and neonatal emergencies, saving an estimated 686 lives. From its roots in Tanzania, we are expanding m-mama with the support of Vodafone Group and the United States Agency for International Development to reach more African markets, even those not in our footprint.

The potential and power of digitalisation extends into all facets of our society. One of our most impactful initiatives to date supports the agricultural sector. Developed through Mezzanine, our subsidiary, has reached almost 5 million through eVuna, MYFARMWEB and e-Vouchering solutions. In Tanzania, the M-Kulima agricultural platform, which is integrated with M-Pesa, has over 3.2 million registered farmers.

We believe supporting data affordability is a crucial component of ensuring digital inclusion. Primarily, we do this by providing customers with personalised offers that drive affordability tailored to their needs. South Africa sets the benchmark for our markets, with personalised bundles comprising more than 60% of the total bundles sold in FY2023. Other initiatives, such as Just4YouTown and Vodacom NXT LVL, support affordability in targeted geographies and among the youth. In addition to increasing data affordability, ConnectU continues to provide zero-rated access to basic internet and essential services with more than 29 million users.

Our support for inclusion goes beyond digital inclusion, as we expand initiatives that promote inclusion in other key areas. Our Code Like a Girl programme, for example, has trained more than 4 000 girls across our markets in coding to support the inclusion of women in technology, and the launch of our National Relay Service drives digital inclusion for persons with disabilities.

We are keenly aware that our ability to connect for a better future relies on the planet. As calls for a global response to the climate crisis intensify, we recognise the role we can play in managing our carbon emissions and how our platform and IoT solutions could reduce emissions beyond our operations. In South Africa, we fitted our Midrand campus with solar panels to reduce emissions, generating more than 10.8 GWh of clean energy. Further, we remain confident that the "virtual wheeling" pilot project that we are pioneering with Eskom, South Africa's power utility company, will be signed off in the near-term and that this will have a significantly positive impact on the country's power grid. These are important steps in our goal of reducing our emissions, and we continue to engage with private sector partners and governments in key OpCos to find solutions to reduce the impact of the grid power we rely on.

## System of Advantage

Our powerful, multiproduct strategy – the **System of Advantage** – is our key differentiator and outlines how we create sustainable value. Our approach is outlined by three strategic ambitions, which are supported by 10 strategic pillars.

At the core of our strategy is our vision of becoming a leading African TechCo. This vision requires us to transition from a traditional TelCo to a fully fledged TechCo with diversified service revenue streams. Our new service revenue streams include financial services, digital services, IoT and fixed connectivity services. Throughout the year, we have seen the benefits of our expansion into these services as we grew and diversified our customer base and service revenue.

### Ambition 1: Africa's leading communications company

A key strategic milestone for the Group in FY2023 was finalising the acquisition of a 55% shareholding in Vodafone Egypt. Despite concerns surrounding the impact of currency devaluation on this investment, we believe the transaction will enhance the Group's growth and return profile in the long-term. This view is supported by strong leadership and capabilities within Vodafone Egypt and growth opportunities in its financial services, enterprise and fibre offerings. Vodafone Egypt has a clear network and spectrum advantage, which stands us

in good stead from a mobile connectivity perspective. We are excited by the opportunities for further synergies that our strengthened footprint from Cape to Cairo presents.

Our participation as a minority investor in a Safaricom-led consortium has made us part of the ongoing rollout of Safaricom Ethiopia's mobile telecommunications network. Safaricom Ethiopia's network reached over 2 million customers in 22 cities in FY2023. While currency devaluations may also impact the performance of this investment in the near-term, we believe the long-term prospects remain promising as the business is set to expand significantly in the next ten years.

Our market leadership in mobile across our OpCos has positioned us as the partner of choice for consumer and enterprise customers. As data adoption and volumes continue to grow within both customer segments, we must expand our mobile connectivity coverage and our fixed offering to provide network connectivity at the required scale. Expanding our network and maintaining connectivity is our priority across our OpCos. As a result, we invested over R16.5 billion in maintaining and increasing our network capacity and resilience in FY2023.

Our network expansion is supported by our spectrum acquisition in South Africa at the end of FY2022 and our spectrum transactions in Tanzania and Mozambique in FY2023. These transactions have positioned us for long-term

growth as spectrum enables our network expansion, especially in our ability to roll out next-generation mobile infrastructure such as 5G. In South Africa, we have already started using our spectrum investment to broaden coverage, increase speeds, enhance network quality and reduce the cost of communicating. We look forward to doing the same in Tanzania and Mozambique.

### Ambition 2: Diversify and differentiate with our digital ecosystem

Our diverse and innovative products and solutions drive financial and digital inclusion through our digital ecosystem. Our digital ecosystem, in turn, is powered by Big Data, which accelerates our capabilities across CVM, loyalty and financial services.

We use our data capabilities to develop advanced digital and data-driven solutions that allow us to compete based on the value we offer customers and not only on price. Our 360-degree customer view consists of more than 10 000 attributes powered by Big Data that enable us to tailor our digital and financial services offerings. While we have made significant progress in enhancing our customer experiences, as illustrated by our number one ranking in network NPS across all our markets, we acknowledge that we can do more. Consequently, we are improving the customer experience journey by simplifying our product offerings and policies.

**“At the core of our strategy is our vision of becoming a leading African TechCo.”**

Shameel Joosub



## CEO's statement continued

Our two super-apps, VodaPay and M-Pesa, are set to scale our financial services offerings in South Africa and our International markets, respectively. Our dual-sided ecosystem empowers our customers and merchants with comprehensive financial services, entertainment and e-Commerce capabilities that we believe will position us as Africa's FinTech leader. Leveraging the knowledge and capabilities of Vodacom Financial Services and M-Pesa Africa, we build once and replicate across the portfolio to increase efficiencies and lower costs for our 70.6 million financial service customers<sup>1</sup>. The rapid expansion of our merchant proposition is testament to the scalability of our dual-sided approach, with merchants across our international markets up threefold in FY2023.

From an enterprise perspective, we support large enterprises, SMEs, governments and universities through mobile and fixed connectivity and our complementary digital and financial services. Public and private enterprises play an essential role in supporting economic growth, and we remain committed to providing them with innovative solutions enabled by technology and Big Data analytics to drive growth. Our digital services include IoT, cloud and hosting and managed security solutions. In IoT, we continued to pioneer enterprise-level applications and advanced solutions through 9.4 million IoT connections. In addition, enterprises using our cloud, hosting and domain, managed software and security services increased 18.8%, illustrating the growth potential of our digital services.

A key measure of our success in diversifying growth will be the contribution of new services, which include financial and digital services, IoT and fixed. In the medium-term, we aim to generate between 25% and 30% of the Group's service revenue from new services, which reached 19.0% in FY2023 up from 17.9% in FY2022. Our financial services business is expected to remain the most significant component of this measure, already contributing 10.5% to service revenue.

### Ambition 3: Optimised, future-ready TechCo

Our employees live our purpose through the **Spirit of Vodacom**. This year, we embarked on several initiatives to foster the **Spirit of Vodacom** – ensuring our employees remain engaged, boosting morale and cultivating a progressive and effective organisational

culture. Our Spirit Beat survey measures how well the **Spirit of Vodacom** resonates with our employees, while also identifying areas for improvement. In FY2023, 90% of participating employees indicated that they identify with the **Spirit of Vodacom**. This four-percentage-point improvement, compared to FY2022, shows that our employees increasingly resonate with the **Spirit of Vodacom**.

Digital skills scarcity remains a challenge across our OpCos. To address this, we invested R553 million in skills development and training to continue to develop our employees and ensure we have the appropriate digital skills and capabilities as we transition from a TelCo to a TechCo. We believe training and development allow employees to grow in their targeted role and support our organisational ambitions. Further, we expect Vodafone Egypt's highly skilled and largely insourced talent will enhance the Group's digital capabilities.

Our #1MoreSkill programme, for example, aims to increase certification and reskill employees across prioritised areas in line with the needs of a TechCo. Our effort to support our employees was again recognised through our certification as Africa's Top Employer by the Top Employer Institute.

We explore infrastructure sharing and platform scaling opportunities across our operating markets to maximise the Group's existing capital and operational efficiencies. In line with this, our proposed strategic investment with CIVH to acquire an up to 40% joint control of assets in MAZIV intends to scale our fibre offerings in South Africa to help bridge the digital divide. In October 2022, the joint venture received ICASA approval and now awaits confirmation from the Competition Commission. Whether it be fibre or rural connectivity, we are constantly looking for like-minded partners to drive digital and financial inclusion across our markets. In FY2023, we also made progress in separating our tower portfolio in South Africa into a dedicated TowerCo business, a move that will help us unlock new efficiencies.

We believe our success should not come at a cost to society or the environment. As a result, our commitment to operating responsibly and preserving our natural resource base remains steadfast, and we have the right resources to drive our ESG ambitions across the Group. In FY2023, we continued to use more carbon-friendly energy sources where possible and

invest in climate-smart networks and solutions to reduce our climate impact through increased efficiencies. This has resulted in a 39% reduction in GHG emissions per terabyte of data.

Our efforts to report transparently on our ESG ambitions and performance were once again recognised by leading ESG rating agencies. In FY2023, Vodacom remained an industry leader with Sustainability, while also retaining our ESG leader AAA rating from MSCI.

### My appreciation and outlook

On the back of a year filled with strategic milestones, I would like to sincerely thank Vodacom's leadership and employees, who have remained committed to our strategy and enabled its execution. I am also thankful for the support of our business partners, shareholders and other stakeholders. The internal and external commitment to deliver on our purpose continues to motivate us in the face of our evolving operating context.

In the coming financial year we will continue to execute our **System of Advantage**, as we evolve from a TelCo to a TechCo. Aligned with our first ambition, leadership in fixed and mobile, we intend to complete the MAZIV transaction, while also accelerating handset financing and fixed-wireless access (FWA) opportunities. To further diversify and scale our digital ecosystem, our second ambition, we will scale our tech for good solutions and super-apps across our markets and anticipate a successful launch of M-Pesa in Ethiopia. To deliver on our third ambition, an optimised and future-ready TechCo, we will partner to power our growth and drive infrastructure sharing to increase rural and fibre connectivity.

Looking into the longer term, and well beyond our current Vision 2025 targets we will relentlessly pursue our purpose of connecting people for a better future. I believe the continued execution of our strategy has the potential to create immense economic value in the markets where we operate, helping address inequality. By providing access to a smartphone, financial services, healthcare and education to every person across our markets we will fulfil our purpose.

**Shameel Aziz Joosub**  
CEO  
12 June 2023



# Showcasing how we connect customers for a better future

Our strategy helps to deliver across our three purpose pillars; digital society, inclusion for all, and planet. While we cannot remedy all societal challenges on our own, we believe that by responsibly executing our strategy, which focuses on our core capabilities and the role of technology and connectivity in promoting equality, we can contribute to creating sustainable and inclusive value across our African footprint.

Connecting for a better future



Red loves green



Building a digitally inclusive society in Lesotho



Inclusion for all



Rural coverage in the DRC



Just4You affordable bundles



Supporting customers with special needs



Digital society



M-Pesa Lipa kwa Simu (pay by phone) digitising payments



Digital partner of choice to business



Digitalising healthcare with m-mama



Planet



Solar powered rural coverage



Principal Partner for COP27



Supporting the WWF



## Our purpose enables inclusive and sustainable digital societies

The United Nations Sustainable Development Goals (UN SDGs) represent a better and more sustainable future for all. Our strategy, which is driven by our purpose, supports and ultimately contributes towards the achievement of the SDGs. We believe digital technology is an essential component in progressing towards delivering the SDGs and we are committed to increasing the speed and scale of delivery across several SDGs through leveraging our technology and services and partnering with others.



We positively impact the SDGs through our purpose and our commitment to operating responsibly.

**ESG** Refer to our ESG report for more information on our contribution to the UN SDGs.