

Responding to “Hot topics” impacting our operating context

“Hot topics” are top of mind in our conversations with our stakeholders. Our understanding of these hot topics informs our materiality process, helping us to articulate the key issues that affect our ability to create value over time.

Forces shaping our macroenvironmental context

Our presence in multiple markets exposes us to several global trends impacting our operating environment. The success of our business depends on how we respond and adapt under these circumstances. Our **System of Advantage** and purpose enables us to capture opportunities and mitigate risks, creating sustainable value for our stakeholders.

Volatile and complex macroeconomic conditions

Affected stakeholders



Principal risks and associated opportunities

2 3 4

Strategic pillars

2 3 4 8

Material matters

MM 1 MM 3 MM 6

Context and key developments

Inflation rates that spiked to multidecade highs have worsened the slow post-COVID economic recovery in several of our OpCos. In FY2023, central banks increased interest rates, increasing the cost of servicing debt. Economic uncertainty and volatility increase insecurity in global financial markets, leading to the dollar appreciating sharply against most currencies, prompting many investors to reduce their exposure to emerging market currencies and investments.

The global economic environment weighs heavily on enterprises, particularly in developing economies, as they often face tighter financial conditions and

increased taxation. This increased pressure on profit margins, which is intensified by weakened consumer demand. Within this context, governments seek alternative income streams to support the fiscus, leading to some governments implementing taxation levies on, for example, mobile money transactions.

Heightened geopolitical tensions have further intensified the volatility and complexity of our operating environment. The war in Ukraine, for example, has had spill over effects on trade routes, energy and food production. Polarisation has increased within regions, as well as political views within countries on key issues such as the need to balance climate and economic imperatives.

	Real GDP growth		Average Inflation	
	2022 Actuals	2023 forecast	2022 Actuals	2023 forecast
DRC	6.2%	6.1%	9.3%	13.8%
Egypt	6.6%	3.5%	13.9%	36.9%
Ethiopia	4.4%	6.0%	34.0%	28.0%
Kenya	4.8%	4.9%	7.6%	7.5%
Lesotho	2.1%	1.0%	8.3%	6.5%
Mozambique	4.1%	6.5%	9.9%	8.6%
South Africa	2.0%	0.2%	6.9%	5.9%
Tanzania	5.3%	5.7%	4.3%	4.1%

Source: Bureau of Economic Research, April 2023, for South Africa; Fitch Solutions OpCos, April 2023, for all OpCos. Real GDP and Average inflation as per calendar year.

Our response



Regularly reviewing key risks and opportunities **Page 36**.
Focusing on the strength of our financial position **Page 52**.
Increasing the affordability of our products and services **Page 70 and 86**.
Managing our supplier relationships proactively **Page 91**.
Supporting of local enterprises and SMEs **Page 91**.



For more information, refer to our ESG report.

A global energy crisis

Affected stakeholders



Principal risks and associated opportunities

3 4 8

Strategic pillars

2 5 7 8 10

Material matters

MM 2 MM 8

Context and key developments

Energy availability is at risk globally from both an electricity and fuel supply perspective. Fuel price inflation, which spiked in the first half of the year, negatively impacted our cost base across our markets. In South Africa, this was exacerbated by loadshedding, which negatively impacted economic growth. The energy crisis has increased calls for the use of renewable energy and emphasised the need to reduce energy consumption across industries and households.

Our response



Prioritising network resilience capital expenditure above network expansion **Page 50 and 70**.
Increasing our use of renewable energy **Page 97**.
Increasing our energy efficiency **Page 97**.



Calls for a global response to the climate crisis

Affected stakeholders



Principal risks and associated opportunities

2 4 5

Strategic pillars

2 8 10

Material matters

MM 2 MM 5 MM 7

Context and key developments

Pressure on governments, enterprises and individuals has increased, urging a global response to the climate crisis. The Swiss Re Institute¹ estimates that the global economy could lose between 10% and 20% of economic value by 2050 due to climate and pollution-related risks. This impact is expected to be greater in African economies. Beyond the economic impact of the climate crisis, the impact on societies from extreme weather events include large-scale population displacement, increased poverty and food insecurity.

Across our markets, we experienced several severe weather events in the financial year, notably the April 2022 floods in KwaZulu-Natal, South Africa, the

December 2022 floods in DRC, and the February and March 2023 floods in Mozambique. These events created humanitarian crises, and sadly resulted in the loss of life. In KwaZulu-Natal, rainfall over a 24 hour period was equivalent to 75% of South Africa's annual rainfall.

In response to climate change, governments are increasingly expected to set progressive climate policies, while enterprises are expected to set decarbonisation targets and report transparently on their progress against them. Increasingly, companies are using renewable energy including solar and wind to reach decarbonisation targets.

Our response



Supporting of the communities in which we operate **Page 87**.
Reducing our emissions **Page 97**.



ESG report:
Participating in COP27

¹ Source: <https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html>.

Responding to “Hot topics” impacting our operating context continued

Accelerated adoption of digital technologies

Affected stakeholders



Principal risks and associated opportunities

1 2 6

Strategic pillars

2 3 4 6

Material matters

MM 1 MM 3

Context and key developments

The demand for digital solutions for education, work, health, financial and social-related challenges remain high, yet inherent inequality in access remains a global certainty. The need to accelerate digital solutions and facilitate access is greater than ever before. Our commitment to drive societal change can be accelerated through partnerships with government. The Hustler Fund in Kenya, for example, is funded by the Kenyan government and facilitated by M-Pesa, allowing citizens to borrow money via their mobile

devices. Several critical sectors, including education, healthcare and agriculture also stand to benefit from digital solutions.

Technological developments related to 5G are accelerating while the complexity of 5G networks and services increase. AI continues to reshape industries and enable intelligent decision-making systems. Industries increasingly rely on AI and machine learning to predict user behaviour and services demand.

Our response



Executing our **System of Advantage** Page 55.
Expanding our footprint Page 67.
Developing customer-centric propositions Page 74.

Scaling digital and financial services Page 76.
Supporting of local enterprises and SME's Page 91.

Persistent supply chain disruptions

Affected stakeholders



Principal risks and associated opportunities

3 4

Strategic pillars

2 4 5
7 8 10

Material matters

MM 1 MM 2 MM 4 MM 6 MM 7

Context and key developments

Supply chain disruptions are a common occurrence within the current operating environment characterised by heightened demand for goods, trade restrictions, factory closures and increased transport costs. Localisation has increased in many areas as materials are sourced from regional industrial zones, yet a lack in mature alternative supply chains remains. Material shortages have led to some countries implementing stringent trade protection policies. Ongoing geopolitical influences, including the war in Ukraine, continue to threaten the stability of global supply chains.

Our response



Reviewing of key risks and opportunities regularly Page 36.
Mitigating supply chain pressures by increasing our stock holding Page 50.
Managing our supplier relationships proactively Page 91.

Increased economic pressure on consumers

Affected stakeholders



Principal risks and associated opportunities

2 3

Strategic pillars

3 5 6 10

Material matters

MM 1 MM 3 MM 8

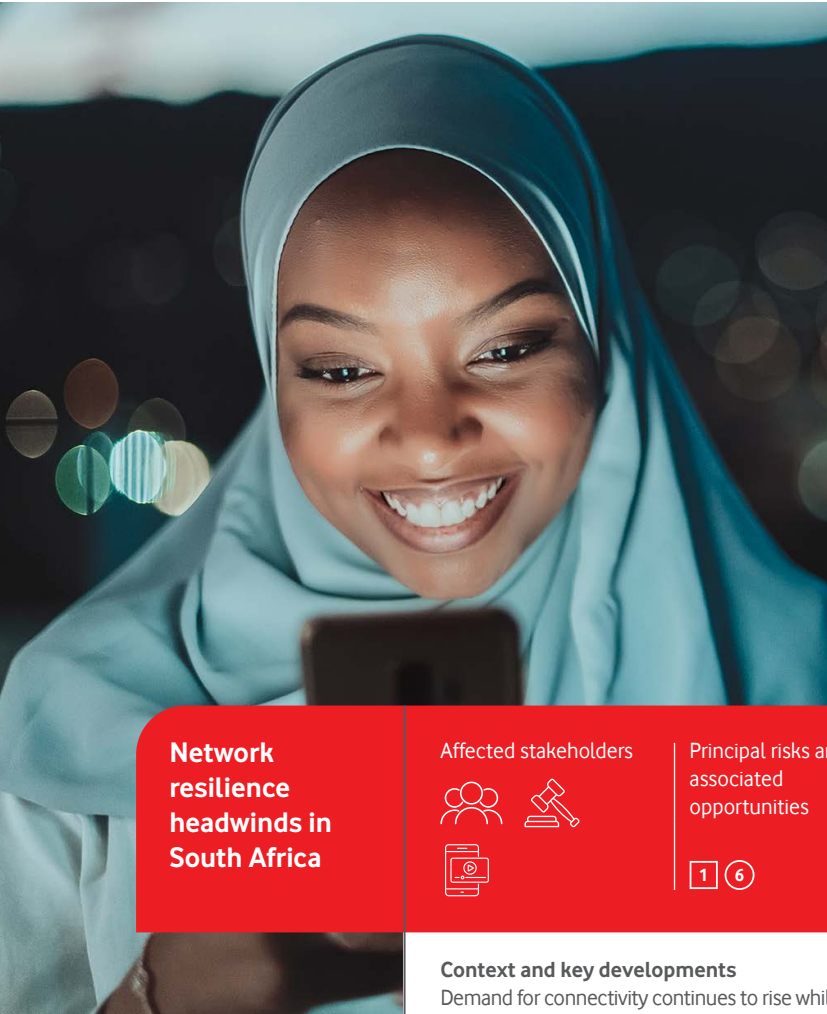
Context and key developments

The prevailing macroeconomic conditions have led to a cost-of-living crisis. Inflation rates ranging from 7% to 34% in our OpCos have a significant impact on the disposable income and expenditure patterns among customers. The largest part of low-income households' wallet is spent on energy and food. Rising food and energy costs spill over into higher, and more persistent, inflation for all goods. Within this environment, wage growth has not kept up with inflation. Declining economic growth, low living standards, joblessness, poverty, and hunger could cause devastating unrest.

Our response



Increasing the affordability of our products and services Page 70 and 86.
Developing customer-centric propositions Page 74.
Scaling digital and financial services Page 76.



Forces shaping our industry context

The ICT sector faces various market dynamics that are influenced and accelerated by the need to increase connectivity. Technology solutions to develop digital societies at work and home are increasing faster than ever before. We continue to review the trends impacting our industry to position Vodacom for success in an evolving landscape.

Network resilience headwinds in South Africa	Affected stakeholders	Principal risks and associated opportunities	Strategic pillars	Material matters
		1 6	2 4 5 8	MM 2 MM 3 MM 7

Context and key developments

Demand for connectivity continues to rise while challenges related to maintaining network availability in South Africa continues to increase. These challenges included vandalism and battery and cable theft at base station sites. In South Africa, these challenges are amplified due to loadshedding, when backup batteries and generators are needed to minimise service disruption. Maintaining and improving network quality is a core differentiator in customer experience.

Our response



Expanding our footprint **Page 67**.
 Expanding and enhancing our network **Page 69**.
 Investing in the resilience of our network **Page 70**.

Competitive landscape	Affected stakeholders	Principal risks and associated opportunities	Strategic pillars	Material matters
		2 8 9	1 2 3 4 5 6	MM 3 MM 8

Context and key developments

Changes in the mobile connectivity space continue to shift rapidly. Mobile virtual network operators, banks and other non-traditional competitors are enhancing their mobile offerings to strengthen their customer propositions and enter the voice and data space.

Advances in OTT services offering compete with core voice services offered by telecommunications companies. Fixed wireless and fibre competition is also increasing.

In this competitive environment, data pricing strategies remain the focus to ensure short-term competitiveness.


Financial service providers continue to innovate at a rapid pace. The financial services industry faces high levels of competition from both established financial institutions and tech-led start-ups.

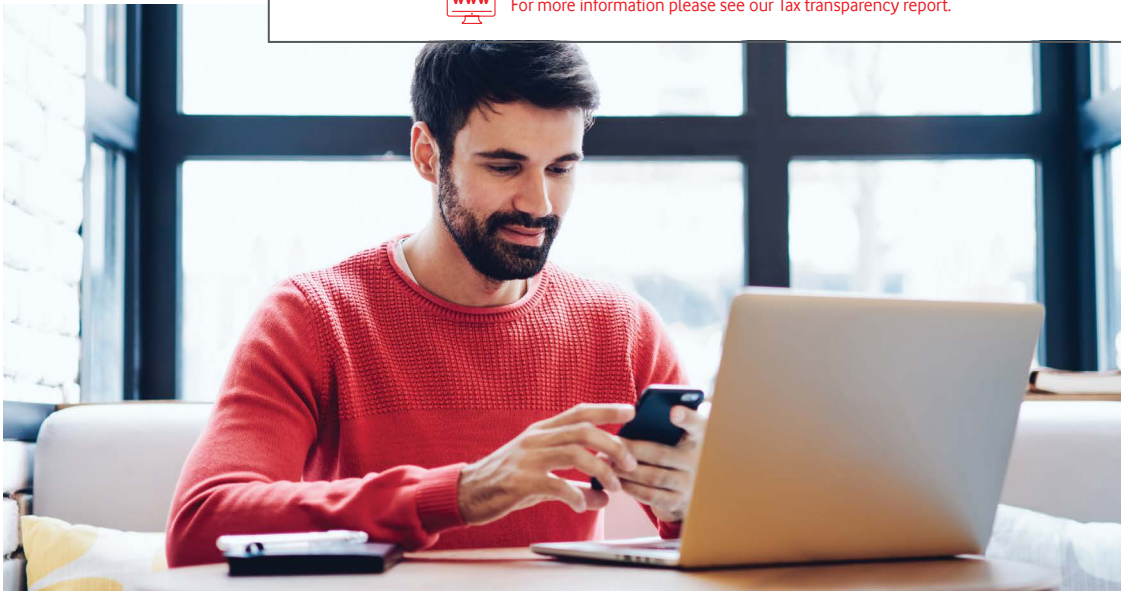
Our response






Offering superior returns to shareholders **Page 35 and 55**.
 Expanding our footprint **Page 67**.
 Developing customer-centric propositions **Page 74**.
 Developing of IoT, Big Data and AI capabilities **Page 75, 80 and 81**.

Responding to “Hot topics” impacting our operating context continued

Complex tax environment	Affected stakeholders	Principal risks and associated opportunities	Strategic pillars	Material matters
		<p>4 5 10</p>	<p>1 8 10</p>	<p>MM 7 MM 5</p>
<p>Context and key developments Our purpose of connecting people for a better future is aligned with government and regulatory policy, across our markets. However, pressures on macroeconomic growth increases the risk of governments seeking alternative income streams to support the fiscus through taxation. The scale of the telecommunication sector poses an increased tax risk in some of our markets, discouraging investment within the industry.</p> <p>Our response</p> <p> Supporting good governance practices Page 14. Meeting and exceeding regulatory requirements Page 39.</p> <p> For more information please see our Tax transparency report.</p>				



Consumer privacy, data protection and cyber security	Affected stakeholders	Principal risks and associated opportunities	Strategic pillars	Material matters
		<p>1 6</p>	<p>5 8 10</p>	<p>MM 2 MM 7</p>
<p>Context and key developments</p> <p>Through our operations we have access to and store information, including customer and employee names, contact information and banking details, as well as information on data usage and transactions collected through apps and engagement and loyalty programmes.</p> <p>Data protection and privacy concerns are, understandably, increasing, especially as the use of digital interfaces increases. Telecommunication is recognised as a critical national infrastructure, and governments are setting stronger legal and regulatory security requirements within the industry.</p> <p>Our response</p> <p> Supporting good governance practices Page 14. Maintaining data security and privacy Page 81.</p>				

Summary of changes in trajectory

The table below provides our stakeholders with a summary of changes in the trajectory of “Hot topics” included in FY2022, compared to FY2023.

	FY2022	Change	FY2023 Hot topics and additional information	PG
Macroenvironmental	Challenging macroeconomic conditions	↑	Volatile and complex macroeconomic conditions.	42
		☆	A global energy crisis.	43
			Related report section: Driving energy efficiencies.	97
	Accelerated adoption of digital technologies	☆	Calls for a global response to the climate crisis.	43
	Vendor risk and related sanctions	↻	Accelerated adoption of digital technologies.	44
Industry context	The affordability of our products and services ¹	↑	Persistent supply chain disruptions.	44
		↑	Increased economic pressure on consumers.	44
Industry context	Network quality and coverage	↑	Network resilience headwinds in South Africa.	45
	Competitive landscape	↻	Competitive landscape.	45
	Complex regulatory landscape	↻	Complex tax environment.	46
			Related report section: Our principal risks and associated opportunities – adverse regulatory and compliance pressures.	39
	Trust and transparency around data consumption	✓	We believe the Consumer privacy, data protection and cyber security “hot topic” sufficiently addresses trust and transparency around data consumption.	46
	Consumer privacy, data protection and cyber security	↻	Consumer privacy, data protection and cyber security.	46
			Related report section: Our principal risks and associated opportunities – cyber threats.	37
B-BBEE results for Vodacom South Africa	✓	We are a Level 1 B-BBEE Contributor as evidenced by our “Vodacom South Africa BEE Certificate”. We no longer consider achieving this result as a “hot topic”. Maintaining this status now forms part of the regulatory landscape.	104	
Company context	Facilitating economic recovery during COVID-19	✓	The war in Ukraine followed hard on the heels of the COVID-19 pandemic. The residual impact of the pandemic on the broader macroenvironmental context is included in the “hot topic” Volatile and complex macroeconomic conditions.	42
	Balancing short-term returns with sustainable growth	✓	We have expanded on how we manage trade-offs that balance short-term returns with sustainable growth in a dedicated section.	
	Investing in spectrum to ensure long-term success	✓	Our extensive investment in spectrum in recent years has reduced the need to include investment in spectrum as a “hot topic”.	76
	The Please Call Me matter	↻	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 Group’s appeal against the judgment and order of the High Court was heard on 9 May 2023 in the Supreme Court of Appeal (SCA). The judgment and decision of the SCA on the matter will be delivered in due course.	

☆ New ✓ Impact mitigated/no longer considered a “hot topic” ↻ Stable ↑ Increased complexity

1 Considered as part of company context in FY2022.