

TRANSFORMATION REPORT

We are proud to have retained our Level 2 Broad-Based Black Economic Empowerment ('BBBEE') contributor status.

We view BBBEE as a strategic imperative given the pressing need to address the unequal distribution of wealth and access to opportunity in South Africa's economy. It is for this reason that BBBEE forms an integral part of how we do business, beyond compliance.

Scorecard

| Element | Weighting | 2014 | 2015 | Variance |
|---------------------------|------------|--------------|--------------|--------------|
| Ownership | 20 | 12.56 | 12.23 | -0.33 |
| Management/control | 10 | 10.48 | 11.00 | +0.52 |
| Employment equity | 10 | 6.27 | 6.67 | +0.40 |
| Skills development | 17 | 13.29 | 12.30 | -0.99 |
| Preferential procurement | 20 | 22.52 | 22.53 | +0.01 |
| Enterprise development | 11 | 11.00 | 11.00 | Par |
| Socioeconomic development | 12 | 12.00 | 12.00 | Par |
| Total | 100 | 88.11 | 87.73 | -0.38 |

Ownership

YeboYethu Limited was formed in 2008 with the acquisition of 3.44% of Vodacom South Africa shares. The black public holds a 55% interest in the company with the balance held by Vodacom employees. Approximately 92 000 South Africans have the opportunity to realise value from the scheme through restricted trading with other black members of the public.

On 3 February 2014 over-the-counter ('OTC') trading of YeboYethu shares commenced for black public shareholders. The past 14 months of OTC trading resulted in the movement of 8.34% of the 14.3 million issued shares or 1 200 252 shares being traded in some 10 000 transactions. The closing low for the period was R40.26 with a closing high of R78.95 against an acquisition value of R25.00. The total number of shareholders in YeboYethu decreased marginally by 8.99% from 102 000 to 91 719.

Management/control

Our committed focus on the empowerment of black women in senior top management roles, resulted in achieving full points for this element.

Employment equity

Progress in transforming our workplace, especially the increase of black women representation, yielded a 2ppt growth in black employees (from 68% to 70%), resulting in a 0.4-point increase in our overall employment equity score. Of our total black workforce (70% of total workforce), 46% are black women.

Skills development

Although budget constraints continued to constrain our efforts, 71% (R86 million) of our total R120.7 million training budget was spent on the training of black employees, of which R37.67 million was spent on black female employees. In our continued efforts to address unemployment, we exceeded our targeted spend on black learners by 26%. Despite our efforts, we experienced a decrease in our overall skills development score of 0.99 points from the previous year.

TRANSFORMATION REPORT continued

Preferential procurement

Our preferential procurement score of 22.53, far exceeded our internal targets. This reflects our continued focus on improving our score on this element. Notable achievements included:

TOTAL RECOGNISED AND MEASURED PROCUREMENT SPEND OF

R24.63 billion

was 14% higher than the prior year, and at 96.07% remains well ahead of the required target of 70%.

SPEND ON EXEMPT MICRO ENTERPRISES AND QUALIFYING SMALL ENTERPRISES OF

R2.56 billion

a 22% decrease on the prior as a result of consolidation to ensure cost efficiency.

SPEND ON SUPPLIERS THAT ARE **GREATER THAN 50% BLACK-OWNED** INCREASED BY **113.7%** to **R4.03 billion.**

SPEND ON SUPPLIERS **GREATER THAN 30% BLACK WOMEN-OWNED** INCREASED BY **55%** TO **R1.57 BILLION.**

IN ADDITION, WE WERE ONCE AGAIN AWARDED THREE BONUS POINTS FOR ACHIEVING 15 CALENDAR-DAY PAYMENT TERMS TO QUALIFYING BLACK-OWNED SMALL, MEDIUM AND MICRO ENTERPRISE ('SMME') SUPPLIERS. THESE FAST PAYMENTS AMOUNTED TO **R172.8 million**, of which **R148.87 million was paid within five days or less**. An additional bonus point was awarded for ensuring that 5% or more of our weighted BBBEE procurement spend was with black-owned and black women-owned suppliers, which at **18.7%** far exceeded this target.

Enterprise development

Our efforts and commitment to the development of black-owned businesses in the ICT sector, is evident by our over-achievement in spend by exceeding the target of **5%** of net profit after tax by **1.2%**, equating to an investment of **R730 million** and the achievement of full points.

Socioeconomic development

Our investment of **R202 million** in community development initiatives relating to education, health and community training and development, as well as initiatives aimed at bridging the digital divide, resulted in full points for this element.

Vodacom supports Mace Promotions' efforts to create jobs in the local textile industry

In line with our support of the New Growth Path Local Procurement Accord, we are committed to procuring locally produced promotional items. To this end, we encouraged Mace Promotions, an international business to establish a subsidiary in Johannesburg. This has resulted in Mace Promotions establishing collaborations with three sewing co-operatives in Germiston, Gauteng. The collaboration is aimed at making a meaningful contribution to growing skills and creating sustainable jobs in the local textile value chain.

Vodacom, which to date has been one of Mace Promotion's key clients, encouraged Mace to manufacture Vodacom-branded promotional materials (t-shirts and golf shirts) at the Germiston co-operatives. Other companies have followed suit, thus creating sustainable employment opportunities within the textile value chain that help uplift the local communities.

All the co-operatives' members live in the township and typically started with basic sewing skills and limited business experience. Through the partnership, the members have been trained and now have business relations with Mace that contribute to sustained work orders that keep members gainfully employed. For every 6 000

t-shirts procured by Mace, one full-time job is created and it is estimated that each salary earned benefits four to five people that each member supports.

Vodacom subsidiary StorTech takes the lead in transformation in the ICT sector

StorTech's continued focus on transformation has recently resulted in it achieving a BBBEE score of 90.37, accredited by EmpowerLogic. This score makes it one of the top empowerment companies in the ICT sector. StorTech is a managed services subsidiary of Vodacom.

This achievement reflects the company's commitment to transformation in every aspect of its business, from equity ownership (StorTech is 36.43% black-owned), management control, employment equity (60% of management is black, Indian or coloured), enterprise development and skills development.

Over that last few years, the company has actively driven transformation internally through skills development and training initiatives for black employees and worked hard to implement a staff complement that reflects the South Africa's demographics. In addition, StorTech has an active learnership programme that has resulted in many of its learners being appointed to permanent roles in the business.

Beyond employment equity transformation, StorTech is supporting the growth and development of empowered companies in the small and medium enterprise ('SME') sector. The company has implemented favourable payment terms for black-owned, black-empowered and black-engendered SMEs of less than or equal to five days. The shorter payment terms have a significant positive impact on black-owned SMEs from a cash flow perspective.

Furthermore, the company is actively involved in socioeconomic development projects, such as supporting underprivileged schools with resources required to provide a good education.