

Promoting BEE in South Africa

98.25	R841m	R218m	R112m	R7.2bn	R5bn	R26bn
Most empowered telco in South Africa	Spent on developing SMME ICT businesses	Spent on uplifting communities	Spent on skills development	>51% black-owned suppliers	>30% black women-owned suppliers	Weighted spend on BEE-status suppliers

This year, Vodacom was rated as the most empowered company in the ICT sector and the most empowered multi-billion rand company in South Africa. For the third consecutive year we retained our Level 2 Black Economic Empowerment (BEE) contributor status, achieving a score of 98.25 points. This achievement reflects our commitment to implementing meaningful and sustainable transformation for our employees, the people of South Africa and the economy as a whole.

We achieved good scores across each of the main rated elements:

BEE Scorecard

Element	Weighting	2016 points	2015 points	Variance
Ownership	20	19.79	12.23	+7.56
Management / control	10	11.00	11.00	Par
Employment equity	10	6.96	6.67	+0.29
Skills development	17	14.07	12.30	+1.77
Preferential procurement	20	23.43	22.53	+0.90
Enterprise development	11	11.00	11.00	Par
Socioeconomic development	12	12.00	12.00	Par
Total	100	98.25	87.73	+10.52

Ownership: Following the sale of Vodacom Group shares by the South African government to the PIC, Vodacom executed an amendment to measurement from applying the 'exclusion principle' to including 'mandated investments'. Using an independent persons report, Vodacom was able to realise 9.32% voting rights deemed to be held by black people, and 7.54% economic interest deemed to be held by black people within its 16.97% mandated investments flowing through from Vodacom Group. This amendment yielded an effective increase in Vodacom's black equity holding from 9.22% to 18.62%, resulting in an increase of seven points.

- ➔ **Management/control:** Our committed focus to the empowerment of black women in senior and top management roles resulted in achieving full points for this element.
- ➔ **Employment equity:** We have made significant progress this year in increasing levels of black women representation.

The percentage of black employees in our workforce is 71% (2015: 70%), of which 47% are women.

- ➔ **Skills development:** On learning and development we exceeded the recognition of spend by R6.5 million, resulting in an increase in the stretch score of 14 points by 0.7 of a point. We invested R165 million in the continuous skills development of our employees, of which R114 million was invested in our black employees, with R59 million spent on black female employees.
- ➔ **Preferential procurement:** We exceeded our score targets, achieving a beyond stretch score of 23.43 points as a result of our continued focus on improving the transformation of our suppliers and consequent expenditure on BEE-status suppliers. Total recognised and measured procurement spend of R26.2 billion was R10 billion greater than the target, exceeding the required 70% spend with BEE-status suppliers by 41%. Expenditure with exempt micro enterprises and qualifying small enterprises increased slightly to R2.9 billion (2015: R2.6 billion) as a result of consolidation efforts to ensure cost efficiency. Our spend with suppliers with more than 51% black ownership increased from R4.0 billion to R7.2 billion, exceeding the required target by 233%. Expenditure with suppliers that are more than 30% black women-owned increased from R1.5 billion to R5 billion, exceeding the target of R1.8 billion by 320%. In addition, we were once again awarded three bonus points for 15 calendar-day payment terms to qualifying black-owned small, medium and micro enterprise (SMME) suppliers. These fast payments amounted to R284 million paid within five days or less, representing R110 million more than in the previous year.
- ➔ **Enterprise development:** Our efforts and commitment to developing black-owned businesses in the ICT sector is reflected in our expenditure exceeding the target of 5% of net profit after tax by 2.4%, equating to an investment of R841 million (representing R270 million above the target) and achieving full points.
- ➔ **Socioeconomic development:** Under the direction of the Vodacom Foundation, we invested R218 million in community development initiatives relating to education, health and community training and development, as well as initiatives aimed at bridging the digital divide. This expenditure exceeded the target spend by R48 million and resulted in full points achieved for this element.

Supporting economic transformation through preferential procurement

Vodacom continues to drive transformation within its supply chain. Our strategy for preferential procurement and supplier and enterprise development continued to produce excellent results and has increased the number of qualifying entities providing goods and services to Vodacom. A core focus of this strategy is the sustainable development of black businesses to become a core part of our supply chain. In the prior year, we published and implemented our small, medium and micro enterprise (SMME) preferential payment terms policy and have since ensured that qualifying SMMEs get shortened payment terms of <15 days. The average payment to SMMEs is made three days after the date of invoice. Vodacom is proud of the increase in the number of SMME suppliers being assisted through this financial support initiative, as well as the increase in the number of exempted micro enterprises (EMEs) and qualifying small enterprises (QSEs) to whom we are directing our procurement spend. Expenditure with EMEs and QSEs increased slightly to R2.9 billion.

Although we operate nationally, we continue to drive regionalised purchasing which ensures our substantial procurement spend reaches local small businesses and is representative of our customer base. We continue to work with global suppliers to partner with local entities to achieve black-empowered status before they can become approved vendors to Vodacom. Our Vodacom requirement has minimum level status, however, a key part of our strategy is to ensure that the companies we deal with also have significant black ownership and black woman ownership. Through our initiatives to leverage Vodafone global purchasing power we have ensured that our multinational suppliers have established a South African presence and employed a local workforce. In this process we have ensured that these multinationals invest in BEE strategies that are aligned with Vodacom's transformation objectives. In the majority cases we have helped to increase the number of black women who have benefited from economic shareholding in these entities. Vodacom has been influencing the ownership restructuring of our key suppliers and increasing our spend with black-owned and black women-owned entities. Through our activities, 63 companies have been influenced to change their ownership to become more than 30% black women-owned and/or more than 50% black-owned.

Our total expenditure with black-owned entities was R7.2 billion, up from R4 billion in the previous year. Total expenditure with black women-owned entities was R5.0 billion, representing 21%, up from R1.5 billion and 5.1% last year.

Vodacom has category-specific sourcing strategies that target specific BEE requirements. The impact of these strategies is evidenced in Vodacom's excellent scoring in the preferential procurement element of the scorecard.

Creating jobs in South Africa's textile industry



Vodacom partnered with international promotional merchandise company Mace Promotions in 2014 to establish a local source of manufacture and supply of textile merchandising-related articles. We have helped to set up and fund three sewing co-operatives in Ekurhuleni, Gauteng, to manufacture Vodacom-branded apparel for Vodacom South Africa.

The successful facilities have steadily expanded their production and become empowered to operate as independent, fully enabled businesses with the necessary skills to be self-sustainable. Our co-operative incubator scheme seeks to create between 80 and 90 sustainable jobs for people currently dependent on social grants. In doing so we are promoting social upliftment through employment creation and alleviating dependency on social grants through the provision of monthly incomes. Mace has commenced outsourcing all of its promotional textile manufacturing on behalf of Vodacom (including exporting to Vodacom in the DRC), to the community-based manufacturing operations. The addition of other clients will further generate sustainable employment opportunities within the textile value chain that help uplift the local communities.

All the co-operative members live in townships 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 keep members gainfully employed. For every 6 000 t-shirts procured, one full-time job is created and it is estimated that each salary earned benefits four to five people that each member supports.

In February 2016, the partnership unveiled a new facility for one of the co-operatives, funded by Vodacom and Mace, which provides improved working conditions and equipment to enable the enterprise to continue its sustainable textile work. Representatives from the Department of Trade and Industry's (DTI) Department of Small Business Development (DSBD) and Ekurhuleni Municipality attended the launch, reinforcing their commitment to the joint supplier development and employment initiative.



Launch of the new textile co-operative production facility in Buhle Park in Germiston, Gauteng

Promoting Black Economic Empowerment in South Africa continued

Promoting small business development and job creation

As a party to the South African government's Local Procurement Accord, Vodacom recognises the importance of local procurement in creating jobs and promoting local industry.

We are committed to support this through our procurement initiatives. In recent years we have reported our progress in creating sustainable employment in the textile-merchandising category through our co-operative incubation programme. This will be further expanded following the approval received from the DTI on 31 March 2016 to proceed under an Incubator Support Programme (ISP) grant scheme.

Vodacom's Innovator Trust helps to grow black businesses in the ICT sector

Vodacom South Africa's Innovator Trust aims to be a significant contributor to job creation and the growth of the ICT sector by supporting the successful development of small black-owned businesses through innovative development processes. Established in 2014 with an effective investment of up to R750 million over five years, the Innovator Trust provides a tailored development programme for selected, established small businesses in the ICT sector. We help businesses to identify opportunities and offer a custom gap analysis where we can work with the SMME to maximise potential growth areas. Through training, mentorship, networking and infrastructure support, the Innovator Trust is helping to create ICT leaders of the future.

Our programme includes high-calibre BEE-compliant SMMEs, selected through a stringent process. We are proud to have accepted and nurtured SMMEs countrywide, with businesses joining the programme from Gauteng, North West, KwaZulu-Natal, Eastern and Western Cape. Across all our portfolios there has been an increase in the number of participating SMMEs, in both the first and second intakes of the ED programmes, from 18 in our first year to

53 currently. Although our group of SMMEs are mostly young, vibrant entrepreneurs ranging from 21 to 30 years of age, we also have some more experienced business owners from 40 to 65 years old. We are proud to have seen a notable increase in female participation in our programmes, from 18% to 32% over the past year. The entrepreneurs on the programme comprise 65% black males, 32% black females, 2% white females and 1% white males.

There are various examples of the positive impact that the Incubator Trust has had on SMMEs. These include:

- ➔ Networking sessions offered to Akili Contentworx, resulting in the enterprise securing new business deals with leading companies;
- ➔ Technical support provided to Comfort Aviate, contributing to the company's growth and leading to the creation of three more jobs in their offices;
- ➔ Mentorship and informative support given to ZNZ Computers and Kura-Bahati consulting services, enabling the businesses to minimise their personal credit, fund their business operations and achieve financial stability; and
- ➔ MAH Quest Enterprises being named one of Oracle's best service providers for training, a prestigious achievement that has increased the company's brand awareness and growth.

The Innovator Trust is committed to continuing and supporting small businesses through our two enterprise development (ED) programmes: the Incubator Programme, managed in conjunction with our partners, and our alignment with the Gordon Institute of Business Science (GIBS). We are currently recruiting potential ICT women-owned SMMEs to participate in the next 13-month Programme for Management Development.

In addition to the employment opportunities we create through our learnership programmes and graduate programmes, Vodacom creates jobs through Vodacom traders who are street vendors and freelancers employed as agents to sell company products and services such as airtime.

ACCELERATE GROWTH

The Innovator Trust is offering GIBS scholarships and support to women entrepreneurs in ICT.

Apply today for our scholarship to attend the 13 month Programme for Management Development 2016.

TO APPLY, VISIT US AT:
www.innovatortrust.co.za

