Vodacom
Sustainability Strategy

WHY Sustainability

Building good reputation

- Improved reputation and trust (trusted by the public – be known to do the right thing)
- Brand love – purpose-led
- Improved employee, stakeholder and regulator relationships (license to operate) – NDP, UNSDGs, Africa Vision 2063

Increasing revenues

- Opportunity for new products & services (e.g. Thetha Nathi, Smart metering etc.)
- Increased customer base through new market segments (e.g. 'close digital divide' & financial inclusion)

Increase value

Less certain / Long term ← → **Certain / Short term**

Reduce negative

Reducing sustainability risks

- Mandatory reporting on GHG emissions
- Reduced regulatory risks & costs
- Reduced risks of reputational costs through environmental, social and governance compliance

Reducing costs

- Reduced costs from more efficiency in our infrastructure and buildings
- Reduced relative resource consumption
- Carbon Tax in SA

2

Methodology

Inputs and sources

Stakeholder issues
- Globescan
- Ministry of Environmental Affairs
- WBCSD
- ESG rating companies
- NBI
- BUSA

Trends and challenges
- Globescan
- Ministry of Environmental Affairs
- WBCSD
- World Resource Institute
- ESG rating companies
- University studies

Business strategy
- Vodacom strategy team
- Vodacom business units

Sustainability risks
- Carbon Trust
- ESG rating companies
- World Economic Forum
- Intergovernmental Panel of Climate Change
- University studies

Benchmarking
- ESG rating companies (Sustainalytics)
- Carbon Disclosure Project
- Vodafone reputation study on social contract

Process

Materiality assessment: Risk analysis, stakeholder response, relevance, business strategy, business context

Strategic outputs

Vodacom strategic pillars: Purpose • Responsible business practices and disclosures • Social contract
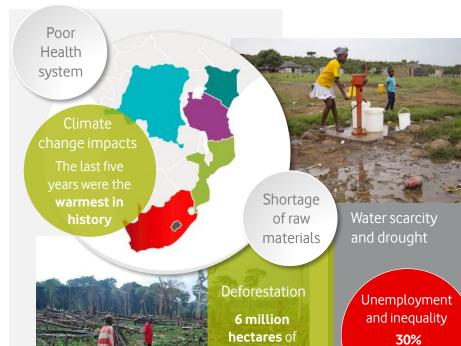
Key audiences

UNGC, GRI, Government, WWF, NBI ⟷ Investor market: JSE, FTSE, CDP, ESG rating, RE100 ⟷ Colleagues, customers, communities **(3Cs)**

Sustainability **challenges**

Poor Health system

Climate change impacts
The last five years were the **warmest in history**

Shortage of raw materials

Deforestation
6 million hectares of forest lost in East Africa

Water scarcity and drought

Unemployment and inequality
30% unemployment rate in SA

Violation of human rights

Poverty and food security

Access to education

Financial and digital divide

Increased waste generation
Investment in waste to energy set to grow by **USD 12.26 billion**

Violence against women and children
GBV on the rise due to lockdowns

Underinvestment in infrastructure

....and many more

Sustainability challenges **stats**

An estimated **7 million people die** every year from air pollution

By 2100 climate change could cause a **30%** loss of **birds and mammal species** in Africa

Globally only **9% of** plastic ever produced has been recycled.

79% is now found in landfills, dumps or the environment and **12%** has been incinerated

According to the IPCC, human-caused emissions of carbon dioxide need to fall **45%** from 2010 levels by 2030 and reach **net-zero around 2050** to prevent 1.5 °C-2.0°C

With the current climate change scenario, between **24 million** and **700 million people** will be displaced by 2030 due to water scarcity.

In SA less than **50%** of the population has access to running water and is the 39th driest country in the world

Globally **70%** of fresh water is used for agriculture

In Sub-Saharan Africa **59 million** children between the **ages 5-17** work instead of going to school

Unemployment rate in SA is **30.1%** and is forecasted to reach **35% by December 2020**, Moz is **25%**, Lesotho is **23.5%**, DRC is **10.4%**, Tanzania **9.7%**

In SA **51% use smartphones** with **9% with no phone** while in Tanzania **13%** use smartphones with 62% on basic phone and **25% do not own a device**

Internet penetration in Africa is at **39.3%**

Stats SA launched a new online **data portal** to enable tracking of the Sustainable Development Goals (SDGS) on 2 December 2019

In SA, white maize production is expected to drop by **1.6 million** tons/year resulting in a price increase of 16% as a result of climate change

More than **25%** of hungry people in the world live on the African continent

Instabilities

Moz
Political violence at 2019 elections, terrorist attacks looming.

SA
Economic crisis Xenophobic attacks, corruption

Tanzania
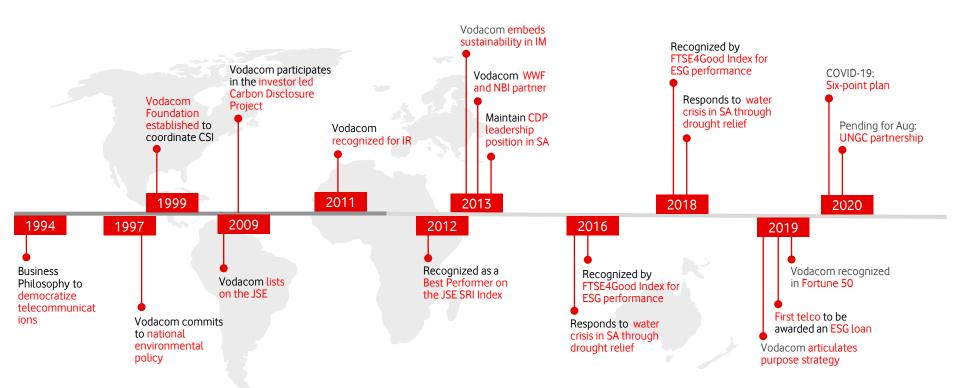Restriction of independent statistics publications

DRC
Shutting down the internet

Our **sustainability journey**

Vodacom embeds sustainability in IM

Recognized by FTSE4Good Index for ESG performance

Vodacom participates in the **investor led Carbon Disclosure Project**

Vodacom **WWF and NBI partner**

COVID-19: **Six-point plan**

Vodacom Foundation established to coordinate CSI

Vodacom **recognized for IR**

Maintain **CDP leadership position in SA**

Responds to **water crisis in SA through drought relief**

Pending for Aug: **UNGC partnership**

1999

2011

2013

2018

2020

1994

1997

2009

2012

2016

2019

Business Philosophy to **democratize telecommunications**

Recognized as a **Best Performer on the JSE SRI Index**

Recognized by **FTSE4Good Index for ESG performance**

Vodacom recognized in **Fortune 50**

Vodacom **lists on the JSE**

Vodacom commits to **national environmental policy**

Responds to **water crisis in SA through drought relief**

First telco to be awarded an **ESG loan**

Vodacom **articulates purpose strategy**

6

C2 General

Sustainability **trends**

Climate risk and mitigation

Companies are setting science-based targets in alignment to the Paris Climate Agreement's aim to keep global temperature increases below 2°C.

Vodacom

- Climate change risks in CDP – leader in CDP
- 50% reduction in GHG emission by 2025

Circular economy

Companies are committing to resource reduction strategies like redesign of products that require less material and energy; setting up product take-back schemes; dematerialisation, eco-design, recovering and repurposing waste.

Vodacom

- Take-back schemes, starter pack, T&Cs,
- 100% recycling of office paper.

Risks in supply chain

Companies have set ambitious supply chain goals which range from zero deforestation to ending child labor and are holding directors responsible for transparency.

Vodacom

- Code of Ethical purchasing

Conscious consumerism

Concerns about the environment is increasing worldwide and consumers are anxious about the state of the planet. In response, they are 'voting with their wallet' and choosing brands whose values align with their own.

Vodacom

- Eco-friendly accessories, Paper bags in stores, Starter packs with less paper

Reducing energy use and sourcing renewables

More than 220 global companies are now setting 100% renewable energy targets – although a small subset is from high emitters.

Vodacom

- Energy mix, energy targets

Water action taking precedent

Water footprint is becoming more pronounced whether companies use water for production or water is used in areas that are susceptible to drought

Vodacom

- Reduced water consumption by 58% in the past three years – tap aerators, rainwater dam

Sustainability trends

Protecting biodiversity

Business will need to come together to drive greater and more holistic action to protect the world's remaining biological diversity, and value in ecosystem services that it provides.

Vodacom

- Partnership with the WWF

Human capital

Issues of inclusion and diversity are becoming more pronounced with ESG community also focusing on these. Only 3.3% of companies on JSE have female CEOs. Some countries like Norway have adopted mandatory quotas.

Vodacom

- Females in senior management - average of 30%; DRC is 18.6%; SA is 34.5%.
- Total employees is 43.5% females

Responsible leaders for SDGs

Scaling up the use of technology to lift more people out of poverty, improve health and education.

Vodacom

- Digital solutions that transform lives, SVS, Connected Farmer, Citizen engagement, E-School

Digital human rights

Emphasises the importance of privacy, civil rights and human rights.

Vodacom

- Good data and security structure and governance

Sustainability & digitisation

Emergence of Corporate Digital Responsibility. Virtual technologies use big data to help organisations to be more sustainable. Physical tech refer to assets such as renewable storage and electric vehicles.

Vodacom

- IoT for base stations to drive efficiency
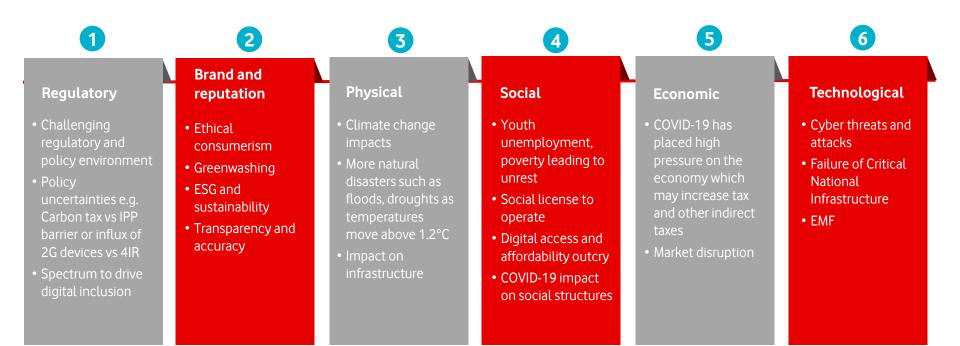
Sustainable finance

ESG screening by investors is gaining momentum, with examples of Blackrock divesting from companies with >25% revenue from coal and Shareholder activism on Standard Bank.

Vodacom

- ESG improvement plan largely linked to targets & policies

Sustainability **risks**

1

Regulatory

- Challenging regulatory and policy environment
- Policy uncertainties e.g. Carbon tax vs IPP barrier or influx of 2G devices vs 4IR
- Spectrum to drive digital inclusion

2

Brand and reputation

- Ethical consumerism
- Greenwashing
- ESG and sustainability
- Transparency and accuracy

3

Physical

- Climate change impacts
- More natural disasters such as floods, droughts as temperatures move above 1.2°C
- Impact on infrastructure

4

Social

- Youth unemployment, poverty leading to unrest
- Social license to operate
- Digital access and affordability outcry
- COVID-19 impact on social structures

5

Economic

- COVID-19 has placed high pressure on the economy which may increase tax and other indirect taxes
- Market disruption

6

Technological

- Cyber threats and attacks
- Failure of Critical National Infrastructure
- EMF

Evolution **of sustainability**

EA agenda

- Focus on CSI
- Cost
- The Sustainable Business team's agenda
- Report on the past
- Retrofitted narrative

Embedded in the business

What

- Focus on business resilience and success by 2022
- The CEO's agenda and everyone's agenda by 2022 (e.g. **Unilever**)
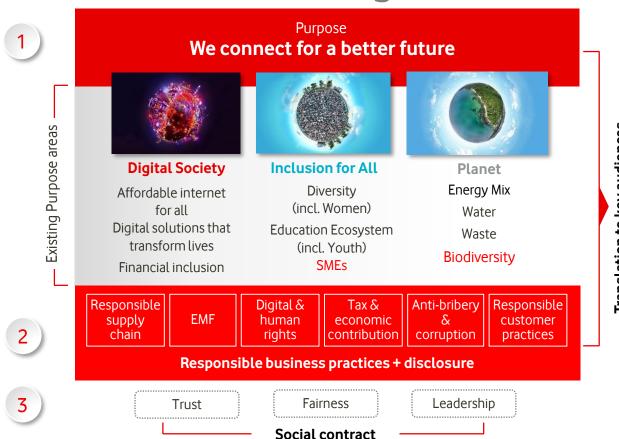- Value creation by 2023
- Brand shift by 2023
- Part of DNA: "by design" approach by 2023

Responsibility (Sponsor)

Company Secretary
External Affairs

Strategic framework

1

Purpose
We connect for a better future

Digital Society

Affordable internet for all
Digital solutions that transform lives
Financial inclusion

Inclusion for All

Diversity (incl. Women)
Education Ecosystem (incl. Youth)
SMEs

Planet

Energy Mix
Water
Waste
Biodiversity

2

| Responsible supply chain | EMF | Digital & human rights | Tax & economic contribution | Anti-bribery & corruption | Responsible customer practices |

Responsible business practices + disclosure

Existing Purpose areas

3

Trust

Fairness

Leadership

Social contract

Translation to key audiences

4 **Partners**
UNGC, GRI, Government, WWF, NBI , UNSDG contribution

5 **ESG: reaching investors**

CDP

JSE

SUSTAINALYTICS

FTSE4Good

RE 100

6 **3Cs**

11

Strategy pillar 1

Digital society

We believe in a connected digital society that connects people, communities and things to the internet like never before.

Digital Society

ALIGNMENT WITH BUSINESS STRATEGY Best technology, Digital services, Financial Services		
① Internet for all	**② Digital solutions that transform lives**	**③ Financial inclusion**
GOAL • Connect the next 100 million lives by 2025	• *Connecting over 2 million lives to our digital platforms by 2025	• Connecting 56 million lives to our financial services by 2023
PROOF POINTS/HOW • Rural coverage programme • Price transformation • ConnectU platform • Low cost devices	• Connected Farmer • Stock Visibility Solution • Citizen engagement • Internet in the car	• M-Pesa • Vodalend • Airtime Advance • Vodapay 2.0 (Alipay)
RESPONSIBLE BUs • Chief Technology Officer • Chief: Consumer Business Unit	• Chief: Vodacom Business	• Chief: Vodacom Financial Services

*SA only

Strategy pillar 1

Inclusion for all

We believe that the opportunities and promises of a better digital future should be accessible to all, and we are committed to ensuring that the most vulnerable are not left behind.

Inclusion For All

ALIGNMENT WITH BUSINESS STRATEGY Segmented Proposition, Digital organisation and culture		
①	**②**	**③**
Education Ecosystem	**Women empowerment and Diversity**	**SME development**
GOAL • To increase digital literacy to 10.6 million lives by 2025	• *Connecting over 9 million lives through our youth and women empowerment programmes by 2025 • To reach 38% female at F band and above by 2023	• *300 SMEs trained and developed on various skills by 2025.
PROOF POINTS/HOW • Instant School and e-School • Youth propositions • Code like a girl • Connectivity in schools	• Mum and Baby • GBV programmes • Women in leadership	• Preferential payment terms • SME training and empowerment • Innovator trust
RESPONSIBLE BUs • Chief: Vodacom Business • Chief: Consumer Business Unit • Chief: External Affairs • Chief: Human resources	• Chief: External Affairs • Chief: Human resources • Chief: Consumer Business Unit	• Chief Financial Officer • Chief: Vodacom Business

*SA only

13

Strategy pillar 1

Planet

We believe that urgent and sustained action is required to address climate change and that business success should not come at a cost to the environment.

Planet

	1 Energy mix	**2** Water	**3** Waste
GOAL	• 50% reduction in GHG emissions by 2025	• *75% reduction in water consumption by 2025	• *80% reduction of single-use plastics by 2025 • *100% recycling of office paper waste by 2025 • *90% of food waste converted to compost by 2025 • *To refurbish and recycle 200 000 devices from our customers by 2025.
PROOF POINTS/HOW	• Energy efficiency (incl. IoT solutions) • Renewable energy • Independent power producers • Renewable Energy Certificates (RECs)	• Rainwater collection Boreholes • Tap aeration	• Removal of single use plastic • Waste hierarchy • Device management
RESPONSIBLE BUs	• Chief Technology Officer • Chief: External Affairs • Chief: Human Resource	• Chief: External Affairs • Chief: Human Resource	• Chief Technology Officer • Chief: External Affairs • Chief: Human Resource • Chief: Consumer Business Unit

*SA only

14

Strategy pillar 2

Responsible business practices and transparency

1 **Digital and human rights**
- Right to privacy and freedom of expression
- Culture that respects the rights to privacy

2 **Responsible supply chain**
- Compliance to Code of ethical purchasing

3 **Anti-bribery & corruption**
- Compliance to anti-bribery policy
- Facilitation of payments are prohibited

4 **EMF**
- Compliance to international guidelines set by the independent scientific body the International Commission for Non-Ionizing Radiation Protection ('ICNIRP').
- GSMA

5 **Tax & economic contribution**
- Contribution to the economies of all the countries in which we operate.
- Indirect financial contributions to governments also include other areas such as radio spectrum fees and auction proceeds.

6 **Responsible customer practices**
- Sustainable customer practices
- Inclusion and transparency
- Carbon savings enablement

Strategy pillar 3
Social Contract

Trust

To build trust with our customers through simplified and transparent pricing, customer orientated solutions and reducing our planetary impact.

Hero Stories

Rural coverage, ConnectU, Just4U town, Device penetration

Fairness

To ensure fairness and promote digital inclusivity through enhanced access to digital products, services and infrastructure; pricing, customer orientated solutions and reducing our planetary impact.

Hero Stories

Education ecosystem, Code like a girl, e-School, Youth Academy

Leadership

To **demonstrate responsible leadership** through innovation in IoT and mobile financial services, leadership in convergence and solutions that benefit society.

Vodalend, Innovator Trust, SME empowerment and development

COVID-19 response: **6-point plan**

1

Expand coverage and network infrastructure resilience

2

Accelerate support to Governments (Health, Education)

3

Enhance digital accessibility & literacy for the most vulnerable

4

Enable digital adoption for business and **SMEs**

5

Support exit strategies through targeted digital adoption

6

Drive **Financial inclusion**

Supporting restarting the economy & employment
A greener, more resilient and just recovery for markets, post-COVID-19

17

3 strategic pillars translate to:

3 key audiences:

Audience 1: **Partnerships and contributions**

UN SDGs, GRI, Government, WWF, NBI, **UNGC**

Audience 2: **Financial market**

- ESG rating
- ESG integration into LTI
- ESG loan
- RE100

Audience 3: **3Cs**

- **Colleagues**: Spirit of Vodacom, ambassadors of sustainability, volunteering, and enabled to reduce carbon footprint
- **Customers**: Brand connection and love
- **Communities**: CSI programmes, job creation, SMEs

18

C2 General

3Cs - **Colleagues** continued

Conclusion

1
Adoption
Adoption and implementation of **the sustainability strategy**

2
Engagement
Consistent **engagement and communication** of the strategy

3
Commitment
Commitment from the **business and leadership**

4
Embedding
Sustainability is the **way of doing business**

Thank you