



Sustainability report 2016

Contents |

> Overview

- 02 Message from the CEO
- 05 Business principles
- 06 Our sustainability performance

> Sustainability governance and ethics

- 07 Our governance framework for sustainable development
- 09 Business integrity
- 12 Engaging our stakeholders
- 14 Key stakeholder issues and our response

> Product and service responsibility

- 18 Privacy and security
- 19 Vodacom's privacy commitments
- 20 Customer care and concerns

> Investing in our people

- 21 Developing our people
- 27 Safety, health and wellbeing

> Delivering social value

- 30 Promoting social value through our products and services
- 32 Promoting Black Economic Empowerment in South Africa
- 35 Delivering value through social investment

> Responsible environmental management

- 39 Managing our environmental impacts
- 40 Energy and climate change
- 43 Waste and water

> Administration

- 44 Independent assurance report

Other sources of information available online



IR Integrated report



AFS Consolidated annual financial statements

Other reports

- Regulatory report
- Public finances report
- Technology report
- Corporate governance statement
- Value added statement
- Code of governance principles (King III)
- GRI content index

These are all available at www.vodacom.com

How to get the most out of our Sustainability report:



This icon tells you where you can find related information in our report.



This icon tells you where you can find more information on www.vodacom.com



This icon tells you where you can find more information on our parent Vodafone Group Plc's website at www.vodafone.com

Our approach to reporting

Vodacom's 2016 sustainability report forms part of a suite of reports developed as part of Vodacom's integrated reporting process.

Our sustainability report provides information on our performance and management approach relating to the most material economic, social and environmental impacts of our activities. The scope of this report includes Vodacom Group and our operating subsidiaries, unless otherwise stated. Performance data relates to the period 1 April 2015 to 31 March 2016. Data referring only to our South African operation (our largest subsidiary) is indicated with #.

The target audience for this report is all stakeholders who have an interest in Vodacom's sustainability performance, and includes regulatory authorities, investors and shareholders, civil society, current and potential customers, media and our employees.

The reporting process for our reports has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the IIRC's International <IR> Framework, the GRI's G4 Guidelines, the King Code on Corporate Governance 2009 (King III), the JSE Listings Requirements, the expectations of FTSE Russell, and the requirements of the remit assigned to Social and Ethics Committees in terms of the South African Companies Act of 2008, as amended.

About Vodacom |

Vodacom is a leading African mobile communication company providing a wide range of communication services, including mobile voice, messaging, data and converged services to over 61 million customers.

From our roots in South Africa, we have grown our mobile network business to include operations in Tanzania, the DRC, Mozambique and Lesotho. The mobile networks cover a total population of approximately 200 million people.

Through Vodacom Business Africa (VBA), we also offer business managed services to enterprises in over 30 countries across the continent. Vodacom is majority owned by Vodafone (65% holding), one of the world's largest mobile communications companies by revenue. We are listed on the JSE Limited and our head office is in Midrand, South Africa.

Our sustainability performance:

At a glance

We extended 3G coverage to

98.9%

and LTE/4G coverage to 58.2% of South Africa

We spent

R103 million

on skills development

We spent

R841 million

on developing SMME ICT businesses

Total foundation contributions

R106m

We retained our

Level 2

BEE status

Message from the CEO



Shameel Aziz Joosub

Vodacom's 2016 sustainability report, provides a succinct review of our performance and management approach relating to the material social and environmental impacts of our activities.

Ensuring responsible business practice, and delivering societal value to the communities and countries in which we operate, is key to maintaining our social licence to operate and to protecting and enhancing the resources and relationships that are integral to the long-term success of our business.

Vodacom's 2016 sustainability report, provides a succinct review of our performance and management approach relating to the material social and environmental impacts of our activities. The sustainability report is one of a suite of reports developed as part of Vodacom's integrated reporting process, and ideally should be read in conjunction with our 2016 integrated report. I encourage all our stakeholders who have an interest in Vodacom's activities to read this report, and to give us your feedback both on our performance and our disclosure. Being held to account on how we deliver and share value helps us hugely in our drive to continuously improve our performance.

Delivering societal value through our products and services

Our most significant societal contribution comes from our core business activities. Providing access to reliable and affordable voice and data services is a critical enabler of socioeconomic development, and has been shown to make a material contribution to GDP growth and job creation. Through our continuing leadership in infrastructure investment, the provision of low cost devices and the development of innovative mobile data services – in inclusive finance, education, agriculture and health – we are having a

meaningful positive impact on individuals and communities in each of our markets.

In Tanzania, the DRC, Mozambique and Lesotho, our M-Pesa product provides affordable access to banking for our customers, ensuring that even those in remote areas of these countries have access to banking. M-Pesa is progressing well with a 15.4% increase in active customers to 9.2 million, fuelled by expansion in the distribution channel and a growing ecosystem. We are continuing to evolve M-Pesa beyond a traditional mobile money transfer service, enabling people to save and borrow and receive salaries and benefits. In Tanzania, we partnered with the Commercial Bank of Africa to introduce M-Pawa, the country's first savings and loans product. This product is gaining traction with 1.6 million customers actively using the service. We also launched International Money Transfer (IMT) services, which enable customers to send money between Tanzania and Kenya.

Communications technology is one of the most effective ways of reaching remote farmers to help them improve their productivity and livelihoods, while increasing efficiency throughout the agricultural supply chain. In Kenya, Tanzania and Mozambique, we are working through Vodafone in implementing the Connected Farmer platform that promotes commercially viable mobile agricultural solutions for half-a-million smallholder farmers across these countries.

In addition to these specific initiatives aimed at addressing societal challenges, we contribute to public finances both directly and

indirectly through taxes and other fees. This year, our corporate tax contributions amounted to R5.9 billion. We provide a detailed breakdown of our tax payments in a separate public finances report, available through our website.

Delivering value through social investment

We support this positive impact through our focused social investment activities aimed at using ICT to improve access to education, address community health challenges and combat gender-based violence. Given the critical role of education, I'm particularly proud of our work with the Vodacom e-school platform, which provides around 105 000 students with free access to online learning materials. We have connected 3 087 schools with data and exceeded our target for our universal service obligations. Through our Mobile Education initiative we have connected 81 regional ICT resource centres in South Africa. We are running similar education programmes in our International operations, partnering with Samsung on the Smart Schools initiative in Tanzania, piloting an iSchool programme in Lesotho, and providing online educational content via tablets in the DRC.

Our health projects are similarly delivering valuable benefits. In South Africa, our partnership with the National Department of Health on a mobile-based stock visibility solution is now active in 1 600 clinics, contributing to avoiding shortages of chronic medication at these clinics. We have also continued with our awareness campaigns across most of our operations, sending text messages to encourage patients to take their medication and attend their appointments.

Managing privacy and security

An increasingly high profile risk is the threat to information security and consumer privacy associated with enhanced access to Internet-based services. To manage this risk and ensure full compliance with regulatory requirements, we have introduced world-class policies, processes and technologies. In each of our countries of operation, we are required under certain conditions to block or restrict access to certain services, content or networks, and/or to disclose information about our customers to government authorities. In some instances, the legally-mandated requirement to disclose consumer information creates a tension between our stated commitment to protecting consumer privacy and the duty of the state to promote public safety. In seeking to manage this tension, each year we contribute to Vodafone's industry-leading law enforcement disclosure report, which reviews the demands from law enforcement agencies across the company's 28 countries.

Investing in our people

To maintain our ability to attract, develop and retain the very best people, we strive to offer a motivating and inclusive workplace where talent is recognised and developed. This year, we invested R103 million in employee training and development. Through our Discover Graduate programme, we identified and selected 75 high-calibre and diverse graduates in South Africa, all of whom

have been placed in permanent roles. We rolled out our programme in our International operations with Vodacom DRC taking in 15 graduates in September 2015, Mozambique taking in 17 graduates, Lesotho and Tanzania taking in eight graduates each. We continued to provide employees with exciting opportunities for personal and career development through secondment at Vodafone global operations.

We make it a priority to listen to our employees to understand their views. Through our annual People Survey, we track how engaged, well managed and 'included' our employees feel, comparing our scores with a high-performing peer group and other Vodafone Group companies. While this year's survey found that employees are proud and motivated to work for Vodacom, and are confident about our position in the market, it also indicates that we need to do more to empower employees through simpler internal processes and improved cross-team collaboration. We have developed and are implementing a clear action plan to address the identified improvement areas.

We have continued to place a strong focus on promoting employee diversity, both to address historic inequalities and to enhance our ability to serve our customers. In our South African operations, black representation in the workforce is 55% at senior management level, while women represent 43% of the workforce with 31% at senior management level. We are committed to increasing the representation of women at all levels in our business, and have various initiatives in place to support women in progressing their careers at Vodacom.

Promoting responsible environmental management

We have identified the most significant environmental impact of our operations as being energy use and the related carbon emissions in our network. To address these impacts we have placed a strong focus on minimising the energy intensity and carbon footprint of our operations by improving the energy efficiency of our network. In addition, we are exploring opportunities for using our Internet of Things (IoT) solutions in enabling a lower carbon economy. This year, we implemented various energy efficiency initiatives across our operations. We have extended free cooling and rolled out smart energy meters to 3 893 of our sites, resulting in more accurate monitoring and rebates from reconciled invoices amounting to R3.1 million. We are also experimenting with a simple solution of installing air separation curtains in our containers, which has seen a saving of 18% on energy consumption in some test cases.

To reduce our reliance on carbon-intensive energy sources, we promote the use of small-scale renewable energy to power our network. We continue to establish ultra-low cost sites in rural areas with no coverage and now provide 2G services with GPRS and EDGE. The sites are totally off-grid and operate on battery and solar power only, providing a 'greener' solution when compared to a site powered by a diesel generator. The concept has been expanded into Vodafone as a global best practice. Through the Vodafone Site Solution Innovation Centre in Midrand, we are collaborating

Message from the CEO continued

with external parties and suppliers to develop and test new technologies that will help reduce our energy use and carbon footprint.

Workplace safety and health

At Vodacom we take our responsibility for the safety and health of those who work for us very seriously. I am saddened to report that this year, one employee and one contractor died as a result of separate road traffic accidents. In Lesotho, on 28 August 2015, a Vodacom employee, Keketso Bula, was fatally injured by an oncoming truck while participating in a walk-to-work initiative. In South Africa, on 12 May 2015, one contractor and two other people were fatally injured in a contractor-related incident when an oncoming vehicle swerved in front of their vehicle. We extend our deepest sympathy to their family, friends and colleagues.

In response to these accidents, we have introduced various new measures aimed at reducing the potential for road accidents, including limiting night driving, implementing a revised fleet management solution, and launching our 'Expect the unexpected' campaign aimed at promoting defensive driving habits. Recognising the critical importance of clear and visible leadership in promoting workplace safety, this year the Executive Committee and senior leadership members conducted 324 (2015: 50) leadership tours, and we held 47 'town hall' awareness sessions across all our markets.

Outlook

Despite the tough outlook for consumers in most of our markets, we will continue to make the significant investments needed to achieve our ambitious growth targets for data, enterprise, fibre and new services. By further extending the coverage and quality of our

network, increasing our rollout of fibre, and maintaining a strong focus on pricing transformation and enhancing the customer experience, we will be making a positive societal contribution, both directly by increasing connectivity and indirectly through the increased economic activity associated with these investments. At the same time, we will be maintaining a strong focus on ensuring responsible business practice.

A priority focus will be on securing access to spectrum across our markets, which is critical to delivering value for all our stakeholder groups. The lack of access to spectrum in South Africa is hindering our rollout of LTE/4G and LTE-Advanced over wider areas, and preventing us from delivering on government's broadband performance targets and delivering on the full developmental potential of enhanced connectivity. We welcome ICASA's recent proposal on how spectrum should be allocated, and hope to see clear direction soon from government so that we can take longer-term investment decisions.

I remain confident that our substantial investment in the network and maximising the customer experience will continue to differentiate us from our competitors, and will translate into sustained growth and added-value for all our stakeholders.



Shameel Aziz Joosub

Chief Executive Officer

3 June 2016

Business principles |

The business principles underlying the Vodacom Code of Conduct are:

Individual conduct

We act with honesty, integrity and fairness in our dealings both internally and externally. We do not tolerate any form of bribery, including improper offers of payments or gifts to or from employees. We avoid any contracts that might lead to, or suggest, a conflict of interest between personal activities and the business. We neither give nor accept hospitality or gifts that might appear to incur an obligation. We pursue mutually beneficial relationships and seek to promote the application of our Business Principles with our business partners and suppliers.

Compliance with the law

We comply with the provisions of all applicable domestic and international laws and appropriate standards and principles.

Health and safety

We protect the health, safety and wellbeing of our customers, employees, partners and the communities in which we operate and disclose any information that comes to our knowledge that clearly demonstrates that any of our products or services breach internationally accepted safety standards or guidelines.

Financial integrity

We provide the best possible return for our shareholders over the longer term. We base our investment decisions, acquisitions and business relationships on economic criteria but we also take into account social and environmental considerations.

Public policy

We voice our opinions on government proposals and other matters that may affect Vodafone and our stakeholders. We do not make gifts or donations to political parties or intervene in party political matters.

Communications

We communicate openly and transparently with all our stakeholders within the bounds of commercial confidentiality. We protect confidential information from improper disclosure, and any authorised communication of confidential information should be limited to individuals who need it to carry out their work.

Customers

We value the trust our customers place in us and safeguard the information provided to us.

Employees

We base relationships with and between employees on respect for individuals and their human rights and do not tolerate child labour. We do not accept any form of discrimination, harassment or bullying. We pursue equality of opportunity and inclusion for all employees through our employment policies and practices.

Communities and society

We engage with local communities to help us understand and respond to any concerns they may have, for example in relation to network deployment. We always provide our stakeholders with access to correct, relevant and current information and build trust through integrity, transparency, honesty and objectivity. We invest in society in a way that makes effective use of our resources, including support for charitable organisations.

Environment

We commit to protecting the environment. We minimise our use of finite resources (such as energy, water and raw materials) and the release of harmful emissions to the environment (including waste, air emissions and discharges to water). We seek to improve the environmental performance of the products and services we provide, as well as support those that offer environmental and social benefits to our customers.

Our sustainability performance:

Indicator	2016	2015	
Product and service responsibility			
Customer NPS (SA) (ranking relative to competitors)	1st	1st	
Investing in our people			
Number of full-time permanent employees	7 538	7 786	
Salaries and benefits (Rm)	5 599	4 886	
Women representation in Executive Committee (%)	18.0	17.0	
Black representation in Executive Committee (%)	55.0	58.0	
Ratio of average basic salary of men to women [#] (times)	1.3	1.4	
Total training spend (Rm)	103	130	
Workplace-related fatalities (employees and contractors)	4	3	
Lost time injury frequency rate (LTIFR)	0.11	0.10	
Delivering social value			
Active customers (thousand)	61 305	61 648	
Active M-Pesa customers (thousand)	9 224	7 991	
Investment in infrastructure (Rm)	12 875	13 305	
Total cash tax contribution (Rm)	14 710	13 575	
Investment in communities (Rm)	106	96	
Greenhouse gas emissions			
	2016		
	Group	SA	International
Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard CO₂e (metric tonnes)			
Scope 1 – Direct emissions			
Equipment owned or controlled (eg: generators)	35 605	8 900 [^]	26 705
Vehicle fleet	6 856	3 186 [^]	3 670
Air conditioning and refrigeration gas refills	2 456	809	1 647
Total scope 1 emissions	44 917	12 895	32 022
Scope 2 – Indirect emissions			
Purchased electricity	494 354	450 283 [^]	44 071
Total scope 1 and 2 emissions	539 271	463 178	76 093
Scope 3 – Indirect emissions			
Business travel in rental cars	167	139 [^]	28
Business travel in commercial airlines	9 145	7 050 [^]	2 095
Business travel in hotel accommodation	475	292 [^]	183
Third party vehicle fleet	420	–	420
Consumption of office paper	294	184	110
Employee commuting	12 262	9 612	2 650
Downstream distribution	7 214	7 214	–
Transmission and distribution losses	6 625	–	6 625
Total scope 3 emissions	36 602	24 491	12 111
Non-Kyoto Protocol GHG emissions	999	300	699
Total Vodacom emissions CO₂e (metric tonnes)	576 872	487 969	88 903

[^] These items were the subject of the limited assurance engagement performed by EY.

Our governance framework for sustainable development

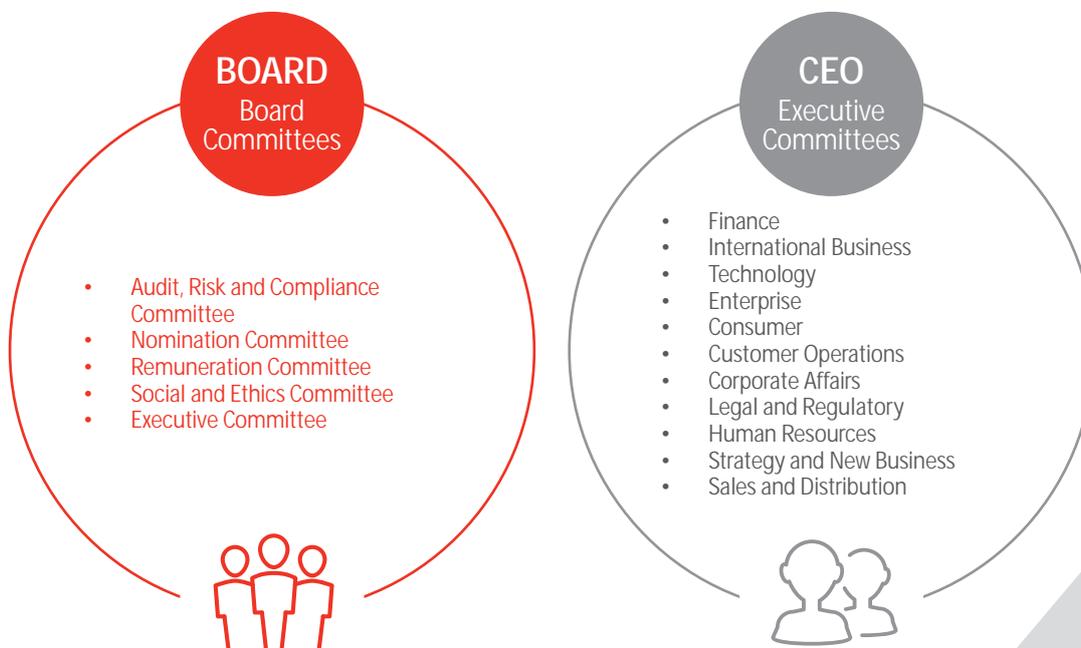
Operating responsibly is essential to our licence to operate and delivers commercial advantages to our business, helping to turn potential risks into opportunities. By acting with honesty and integrity we can secure the trust of our customers, which is integral to the long-term success of our business.

We sustain our ability to create value for all our stakeholders through maintaining robust ethics, governance and risk management processes and structures. These are reviewed in more detail in our integrated report.

The Board takes overall responsibility for Vodacom's success. Its role is to exercise leadership and sound judgement in directing Vodacom to achieve sustainable growth and act in the best interests of all our stakeholders.

Corporate governance structures

The following diagram shows the Group's governance structures as at 31 March 2016:



Our governance framework for sustainable development continued

We have always subscribed to the highest standards of social responsibility and ethics, and have assessed our performance against various mandatory and voluntary standards. We are a listed company on the Johannesburg Stock Exchange (JSE) and manage and measure our performance with reference to the principles set out in the King report on corporate governance in South Africa 2009 (King III), the Companies Act and expectations of the FTSE Russell.

As required by South Africa's Companies Act, No 71 of 2008 (as amended) and King III, we have a Group Social and Ethics Committee (the Committee) to oversee and monitor Vodacom's activities in relation to:

- ➔ Social and economic development, including the principles of the United Nations Global Compact, Black Economic Empowerment (BEE), and the Organisation for Economic Cooperation and Development's (OECD) recommendations on corruption;
- ➔ Good corporate citizenship, which includes promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts;

- ➔ Consumer relations;
- ➔ Labour and employment, including skills development; and
- ➔ Safety, health and environmental issues.

The Committee is responsible for maintaining the overall direction and control of social responsibility performance. The chief officers responsible for legal and regulatory affairs, ethics and compliance, BEE, consumer affairs, whistleblowing, investigations, human resources and corporate affairs are invited to the Committee's meetings to obtain guidance and report back on Group performance. Social responsibility is managed across the Group, and performance in many of these areas is incorporated into our employment contracts for performance-based remuneration.

The managing directors at each of our operations have overall responsibility for their sustainability performance. We have clear policies and procedures in place to manage the wide range of sustainability issues and opportunities we encounter, and ensure employees in relevant teams put these into practice. Our approach to determining our material sustainability issues is reviewed on page 12.

Innovative solution to address mobile coverage constraints in townships



Mobile data usage is growing strongly across South Africa, driven mainly by the rapid uptake of smartphones and tablets. The increasing availability of low cost devices has stimulated data usage, leading to a significant growth in traffic volume in townships. This growth is surpassing the average growth rate countrywide and is placing additional strain on mobile networks. It is a challenge to build new base stations in crowded townships where site security can also be an issue.

Vodacom has developed an innovative solution to address this challenge. In many townships there are small shops often set up in old shipping containers in busy pedestrian areas. Vodacom's engineers have repackaged the base station equipment inside a compact steel structure that is then bolted to the roof of the existing shipping container shop, strengthening the mobile signal in the immediate area.

These new sites can be rolled out within weeks as opposed to the typical 12- to 18-month lead time to build new base stations. In addition to having a smaller footprint of nine square metres and utilising existing infrastructure, these new base stations are more energy efficient and cost less than half the amount of building a traditional site (which can be in the region of R1.5 million). The value of this innovative solution extends beyond mobile coverage. The shops located in containers typically sell airtime and telephone services. With a base station located on their roof, Vodacom is supporting the shops with an additional source of income, and the shops in turn provide added site security.

Vodacom is currently piloting five of these rooftop base stations in Alexandra and Olivenhoutbosch townships. The test sites provide mobile coverage over a radius of up to 1.5km and can service up to 5 000 subscribers at peak times.



Base station built on a container shop

Business integrity |

The reputation of our business and value of our brand is built on Vodacom's long-standing commitment to being a responsible, transparent and ethical business, and securing and maintaining the trust of our diverse stakeholders. The King III principles set out the ethical commitments and performance requirements that lay the foundation for a socially responsible and truly profitable business. As a Vodafone subsidiary, we have adopted the Vodafone Way, Vodafone Business Principles and the Vodafone Code of Conduct and made them relevant to our own market conditions, managing and measuring our performance accordingly.

To meet our high standards we create a culture where employees understand what we require of them, recognise their responsibility to raise concerns and have the confidence to do so. Our anti-bribery programme, supported by training and monitoring, is a particular focus.

Promoting ethical conduct

Our Code of Conduct (Code), supported by our 10 underlying Business Principles, explains what is expected of everyone working for and with Vodacom, including employees, contractors and suppliers. It also sets out Vodacom's responsibilities to our people, partners and shareholders. The Code is underpinned by an extensive and well-established framework of policies and systems to manage our responsibilities. This year, we reviewed our Code to ensure its relevance to current business conditions and we have made the process of understanding the Code easier through videos and case studies.

Wherever we operate, we work to ensure that we do not infringe human rights through our operations or business relationships.

Vodacom has a zero-tolerance approach to any form of bribery. We operate in a number of countries that are rated high to critical in terms of bribery and related risks. We aim to establish a culture of compliance that puts 'Doing What's Right' at the centre of day-to-day business activity. This is embedded across the Group through a robust global anti-bribery programme that ensures compliance with legislation in all countries where we operate. Our anti-bribery policies and Code prohibit the giving and receiving of bribes and other corrupt acts in either private or public sector context, domestically and abroad, as well as doing business with prohibited parties. The anti-bribery programme includes executing country, company and transaction risk assessments; implementing training programmes; performing due diligences of suppliers and business partners; incorporating anti-bribery provisions in our contracts with suppliers and business partners; and other, proportionate measures to manage our risk.

Vodacom Group Compliance monitors the status of implementation of anti-bribery control measures. This is supported by anti-bribery/corruption audits conducted by the Vodafone Group Compliance team from time to time. Internal investigations are undertaken when necessary to determine whether there have been any violations of applicable policies, procedures or laws. If violations are found to have taken place, appropriate disciplinary and other actions are taken, in consultation with specialist external counsel when required.

We have a robust programme in place to ensure we comply with laws and regulations in the markets where we operate. Key compliance risks are identified through risk assessments, assurance activities and identifying emerging regulatory developments.

Training and awareness initiatives

Our Doing What's Right campaign includes training and awareness on various topics of the Code such as conflicts of interest, anti-bribery, health and safety, privacy and competition law compliance.

In South Africa, we held a Code awareness event in November 2015 attended by 639 managers in Vodacom South Africa. We have also extended online training on the Code to our outsourced call centres to ensure that agents adhere to The Vodacom Way and Values.

Our Ethics Along the Way programme is a values-based programme that complements the implementation of our Code and seeks to ensure that we manage ethics risks appropriately. The Group Social and Ethics Committee and the Audit Committees and/or the Ethics Committees of our operating companies oversee the programme. Ethics awareness training is tailored to address the specific ethics risks faced by the attendees.

Compliance with the Code

We review our compliance with the Code and the policies that support our business principles across the Group as part of our annual policy compliance reviews. Management is held accountable for taking the necessary corrective actions, which are tracked and monitored by the Group Audit, Risk and Compliance Committee.

Business integrity continued

Reporting mechanisms

All employees and contractors are required to report any suspected breaches of our Code of Conduct. During the year, 51 reports were made through our operations to the Vodafone global whistleblowing line, Speak Up, of which 34 related to South Africa. For those reports on which investigations have been completed, a significant number of complaints were found to be without merit and based on misperceptions. In the main, issues related to unfair treatment, favouritism and breaches of policy, including abuse of company resources and these were dealt with in accordance with our disciplinary code. Depending on the severity of the issues, the actions ranged from written warnings to dismissals. We continued to drive awareness of the whistleblowing line through various

initiatives during the year and ensured that where issues were identified, measures were put in place to address the issues.

We have online registers where employees can declare conflicts of interest as well as gifts and hospitality given or received. These registers are monitored and remedial action taken when necessary. The Group's ethics and compliance functions advise employees on these and other ethics issues.

In South Africa, we also have an ethics advice line to enable employees to seek advice on ethical issues in the workplace. The nature of advice requested ranges from conflicts of interest to unfair treatment of staff.

Investigations, disciplinary action and response measures

Markets	Internal fraud		%	External fraud		%	Description/Nature
	2014/15	2015/16		2014/15	2015/16		
South Africa	193	92	↓52%	7 157	5 256	↓27%	External incidents mainly related to subscription fraud. Internal incidents mainly related to dishonesty, theft, unlawful access to information and misuse of company assets. 85 arrests were made and 11 employees and contractors were dismissed. Proactive fraud awareness continues to be conducted. Losses for Vodacom South Africa are still well below Vodafone Group levels of 1.2% of company revenue.
Tanzania	44	101	↑130%	90	136	↑51%	External incidents mainly relate to fraudulent SIM swap and general fraud. Internal incidents mainly relate to fraudulent SIM swaps and M-Pesa agent fraud. 10 employees and contractors were dismissed. Seven arrests were made. Various system controls has been implemented in respect of the SIM swap process.
DRC	57	91	↑60%	82	77	↓6%	External incidents mostly related to theft of company assets and armed robbery. Internal incidences mainly related to theft of assets, dishonesty and non-compliance with company policies and procedures. 41 employees and contractors were dismissed. 33 arrests of employees, contractors and external people were made. Consequence management is the main intervention, followed by an ongoing fraud awareness programme.
Mozambique	15	12	↓20%	76	120	↑58%	External incidents mainly related to burglary and fraud. Internal incidents mainly related to theft of assets, dishonesty and failure to follow company policies. Three employees and 15 contractors were dismissed and eight arrests were made. An additional resource has been appointed to address vandalism of base stations. Proactive fraud awareness continues to be conducted.
Lesotho	3	3	–	17	21	↑24%	External incidents mainly related to SIMBoxing, international revenue share fraud, theft of assets and robbery/burglary. One employee was dismissed.

Responsible sourcing

Vodacom extends its values and business ethics through its relationships with its suppliers and business partners. Vodacom's Code of Ethical Purchasing is incorporated in all strategic accounts, new accounts and contracts as they come up for renewal.

Our procurement function is centralised and we continue to consolidate and optimise our supplier base across the Vodacom companies in the markets in which we operate. This allows us to leverage larger economies of scale when purchasing, and it allows us to become more efficient in managing our suppliers' performance and gives us more influence over our supply chain from a health, safety and environment perspective. We continue to enhance and raise the minimum performance standards we require our suppliers to adhere to and this has continued to produce positive results within the supply chain.

Having the right policies and processes in place helps us with risk mitigation, legislative compliance and improved social and ethical performance.

The Vodafone Procurement Company ensures that sustainability within the global supply base is addressed for all Vodafone markets. Although we leverage the procurement scale and scope of the Vodafone Group, we also work to create and develop a sustainable local supplier base in each country we operate in.

Through our ongoing commitment to health and safety within the supply chain, we have been able to improve monitoring of incidents year-on-year and are creating platforms for sharing expertise and experiences between our various vendors. This is helping improve standards across the industry. While statistics show an increase in vendor incidents, we believe that this is partly attributable to better reporting processes. During the year, we held 20 (2015: 24) health and safety supplier forums across the Group where we engaged our suppliers on a number of health and safety issues, including, but not limited to, our safety rules, changes in legislation and lessons learnt from incidents. Our suppliers have to be re-vetted annually, according to their risk categories in the services they provide to us, by an independent, approved vendor, as determined by our governance standard and to measure performance and mitigate our risks.

Our responsible sourcing practices increasingly include environmental considerations in purchase decision-making. In consultation with supply chain management, pilot projects have been identified to demonstrate cost savings and environmental benefits in purchase decision-making.



For more information on our supply chain policies:
<http://www.vodacom.com/about-us/about-us/supply-chain-management>

Engaging our stakeholders

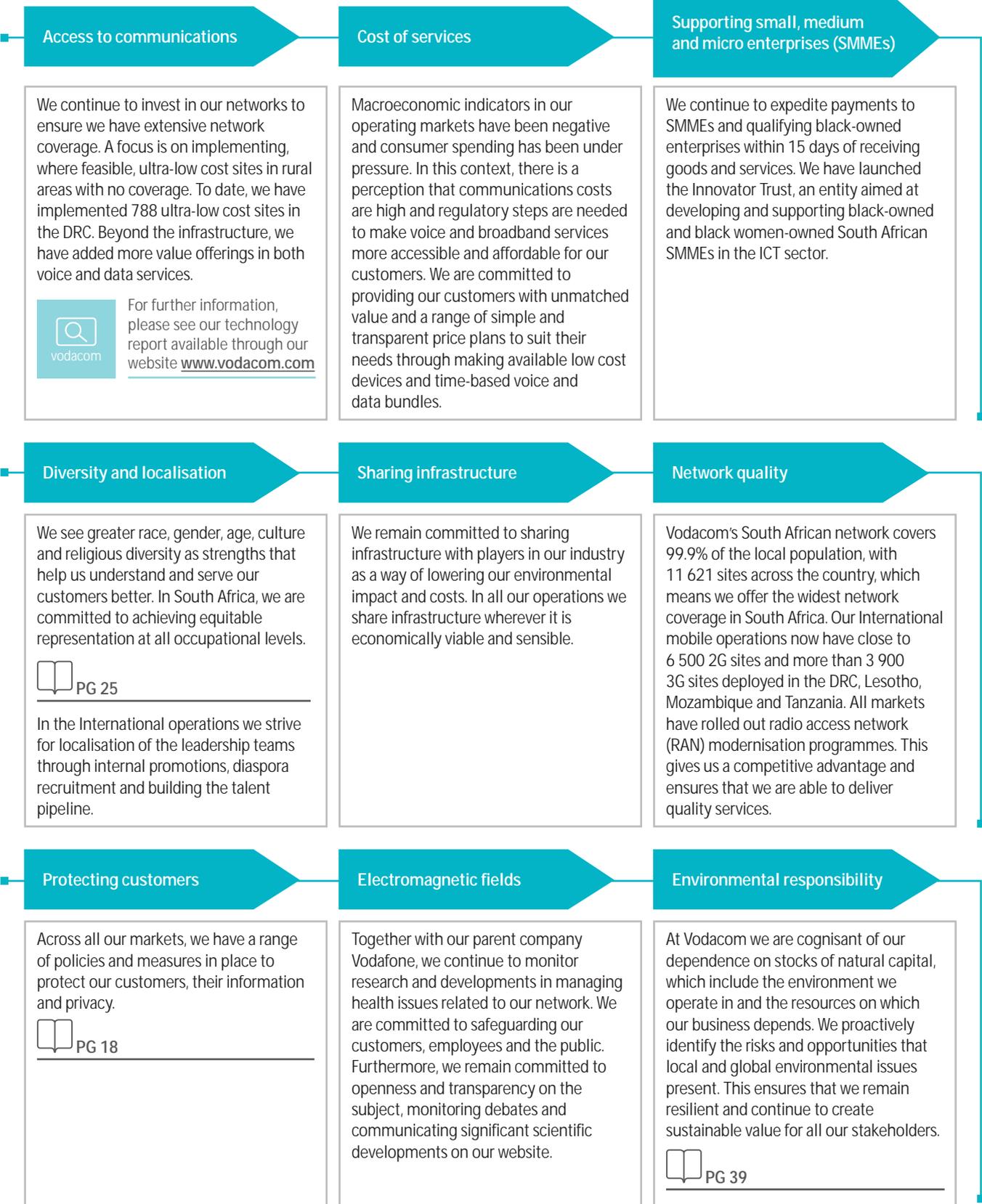


Communicating effectively with our stakeholders to better understand and respond to issues that matter to them remains a key focus in how we do business. Key stakeholders include employees, customers, government departments, regulatory authorities, shareholders, civil society, suppliers and business partners. We tailor our engagement processes to suit each different stakeholder group.

Stakeholder	Why it's important for us to engage	What matters most to them	Ways we engage
Customers	Our customers are central to the sustainability of our business. To build trust among our customers we need to manage our core operational risks around network performance and privacy. With a number of new regulations impacting our customers and our relationships with them, engagement also helps us better manage regulatory risk.	<ul style="list-style-type: none"> • Faster data networks and wider coverage • Better value offerings • Managing the challenge of 'depleting data' • Making it simpler and quicker to deal with us • Converged solutions for business customers • Privacy of information 	<ul style="list-style-type: none"> • Call centres, retail outlets, online and MyVodacom App • Net Promoter Score (NPS) feedback interviews and focus groups • Social media • Vodacom website
Employees	Our people are the heart and soul of our business: their skills and involvement determine our ability to realise our vision to make every customer smile, and fulfil our purpose of empowering everybody to be confidently connected.	<ul style="list-style-type: none"> • Career development • Improved knowledge sharing across the Group • Simplicity, agility and engagement • Building skills in line with the future business growth • Being appropriately remunerated for their service 	<ul style="list-style-type: none"> • Internal website • Newsletters, internal magazine and electronic communication • National Consultative Committee representation • Anonymous employee hotline • Leadership road shows • Team meetings • Performance development process
Media	As a stakeholder, the media plays a role in keeping Vodacom stakeholders informed of business developments, new products and services and the impact of our business operations.	<ul style="list-style-type: none"> • Being informed of key activities and offerings • Transparency 	<ul style="list-style-type: none"> • Face-to-face and telephonic engagement • Interviews with the CEO and key executives • Media releases and product-related publicity • Roundtables • Product launches • Site visits

Stakeholder	Why it's important for us to engage	What matters most to them	Ways we engage
Business partners	One of the most important ways we interact with our customers is through our business partners. As custodians of our brand and reputation, how they engage and deliver service is critical to our objective of excellent customer service across all touch points.	<ul style="list-style-type: none"> Fair treatment Top management involvement with customers A consistent customer experience Making it simpler and quicker to deal with us 	<ul style="list-style-type: none"> Annual business partner conference Bi-annual franchise road shows Quarterly franchisee council committee meetings One-on-one business meetings
Suppliers	Suppliers and contractors impact on our ability to provide products and deliver services, and are required to comply with our health and safety and ethical procurement standards. Engaging with them contributes to business continuity, viability and operational efficiency.	<ul style="list-style-type: none"> Timely payment and fair terms Improving health and safety standards Partnering on environmental solutions Black Economic Empowerment (BEE) compliance 	<ul style="list-style-type: none"> Supplier forums Ongoing site visits Audits Ongoing regular direct engagements
Government and regulators	Our relationships with governments and regulators impact on our ability to contribute towards broader economic, social and environmental objectives.	<ul style="list-style-type: none"> Facilitation of socioeconomic growth Achieving national broadband access Consumer protection and quality of services Cost of communications Managing spectrum as national public resource Underserved and rural communities Developing a digital society, including e-Government Skills development and employment 	<ul style="list-style-type: none"> Participation in consultations and public forums Submission and engagement on draft regulations and bills Engagement through industry consultative bodies Publication of policy engagement papers Social upliftment programmes and initiatives Partnering on key programmes in education, health and gender-based violence.
Investors and shareholders	As the providers of capital necessary to support our growth, we engage with our shareholders and investors to keep them up to date on the financial performance and overall sustainability of Vodacom.	<ul style="list-style-type: none"> Future performance of Vodacom South Africa and International Investing for growth Risks and opportunities in the markets we operate in Transparent executive remuneration Dividend policy Sound corporate governance 	<ul style="list-style-type: none"> Investor road shows Investor days Annual and interim reports SENS announcements Monthly and quarterly operational reviews with our parent Vodafone Investor relations page on our website
Communities	Empowering local economies builds trust in Vodacom. It also adds to the longer-term viability of our markets by strengthening the socioeconomic context in which we operate. Our communities also benefit from social and environmental innovations.	<ul style="list-style-type: none"> Access to mobile services Access to basic services such as finance, health and education Investment in infrastructure Responsible expansion of infrastructure 	<ul style="list-style-type: none"> Public participation where new base stations are required Vodacom Change the World volunteer programme Vodacom Foundation partnering with communities

Key stakeholder issues and our response



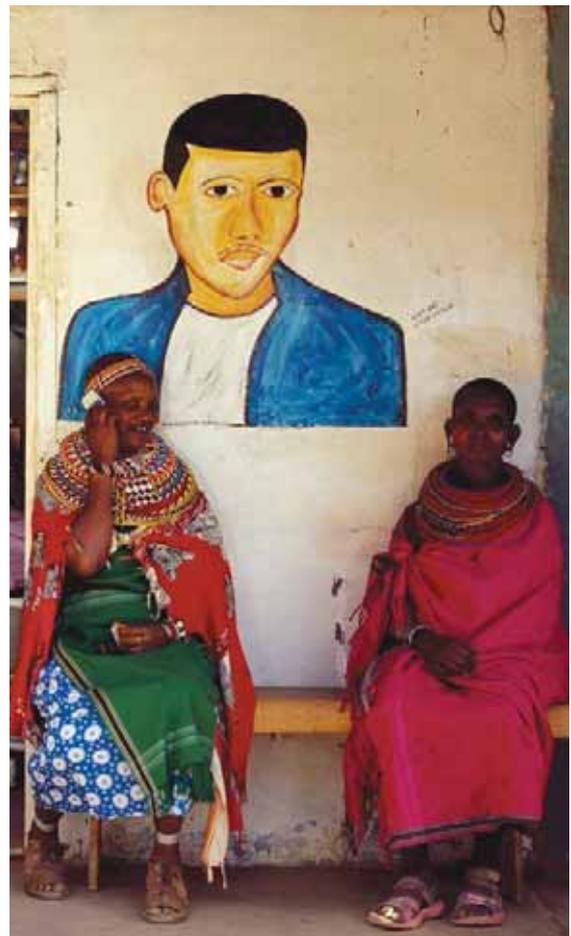
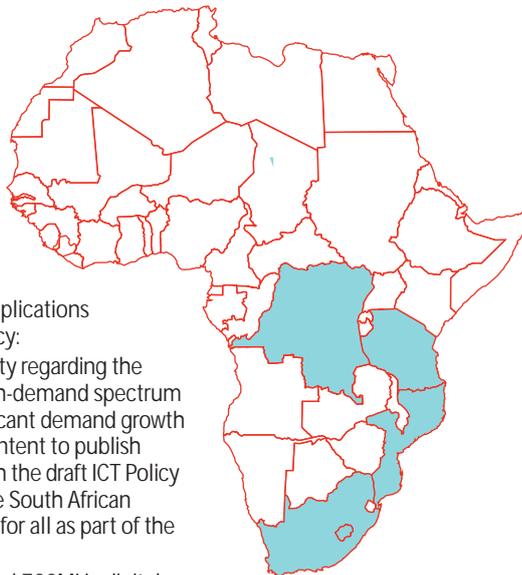
Engaging with government on regulatory issues

We continue to face important regulatory changes and potential policy uncertainty across our operations, with implications both for revenue growth and cost efficiency:

- ➔ **South Africa:** There remains uncertainty regarding the timing and process for licensing of high-demand spectrum bands, critically needed to meet significant demand growth for data. The Ministry has indicated its intent to publish new Spectrum Policy Directives through the draft ICT Policy White Paper. This is key to achieving the South African Government's 2020 goal of broadband for all as part of the National Development Plan.
- ➔ **Tanzania:** The Regulator has completed 700MHz digital dividend migration and has stated its intentions to undertake an auction next year. Significant regulatory developments include: mobile customer registration; quality of service obligations; a Finance Bill that sets taxes; the implementation of Central Equipment Identification Registration and Mobile Number Portability in June and August 2016 respectively; and the new National Payment Act requiring mobile financial services providers to apply for licences by 1 July 2016 to replace previous letters of no objection issued by Central Bank. Listing regulations require companies to list 20% or pay 0.6% of gross revenues into a sector development fund. We have elected to pay and not list.
- ➔ **DRC:** In December 2015, Vodacom DRC's 2G licence was renewed until 1 January 2028 and additional 1 800MHz and 1 900MHz spectrum was secured. Other regulatory processes include: retail price floor and mobile termination rate regulations; Finance Act 2015 increasing sector taxation; mobile customer registration; lawful interception requirements; and a consultation on a new telecommunications bill.
- ➔ **Mozambique:** A new communications law was passed in May 2016, and will require Vodacom Mozambique to convert its existing licences to new technology neutral licence regime. The Regulator has completed 800MHz digital dividend migration and has stated intention to auction spectrum this year. Other areas of regulatory activity include mobile customer registration and a Mobile Termination Rate review.
- ➔ **Lesotho:** Vodacom obtained additional 1 800MHz spectrum to be used for LTE/4G in February 2016, and secured renewal of its mobile service licence for 20 years from 1 June 2016. Other regulatory issues include: a new three-year mobile termination rate regulation from October 2015 and consultations on new quality of services regulations; e-money regulations; and the introduction of customer registration regulations.

Customer registration

All our markets are subject to mobile customer registration requirements, the industry is engaging with authorities to improve the process to ensure registration. Difficulties experienced in the registration process include: limited number of national identity cards; the inefficiency of a paper-based process; and the inability of mass-market distribution partners to complete the registration processes correctly. Tanzania and Mozambique have replaced the paper-based process with an electronic registration process. We are continuing to actively register customers, work with authorities to improve verification of customer registration information, and have action plans in each country to achieve full compliance.



Key stakeholder issues and our response continued

Managing and building our reputation

Our reputation – what our stakeholders believe about it, expect from it and say about it to others – is fundamental. We ensure meaningful, productive conversations take place with our stakeholders to help us effectively anticipate reputational risks and take advantage of emerging opportunities, with the aim of continuing to strengthen our business, brand and reputation.

Across all our operations we have embedded routine management of our reputation through reputation steering committees that review the issues affecting the company's reputation, which include customer complaints, network performance, public relations and regulatory challenges.

We continuously monitor perceptions of the company through our stakeholder engagement practices. Our annual corporate

Reputation Survey, conducted by an independent research supplier, gives us insights into the key drivers of our reputation.

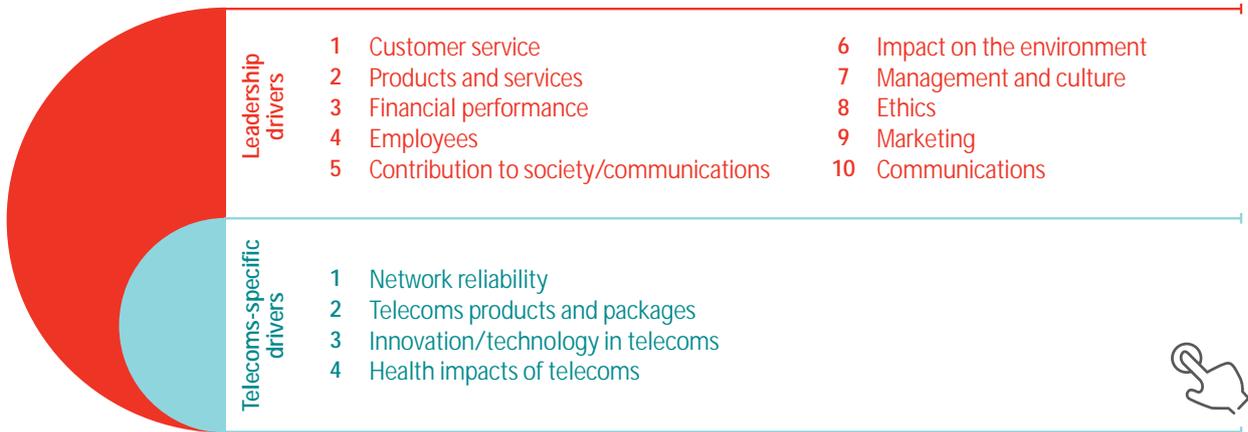
This year's findings indicate that in South Africa we retained our number one position as a reputational leader in the telecommunications sector. Stakeholders rated us higher than our peers and other non-telecommunications brands.

How we've done in our annual Reputation Survey

Index score	2016
 South Africa	7.50[^]

[^] These items were the subject of the limited assurance engagement performed by EY.

Reputation driver structure



Utilising mobile technology to tackle HIV in Lesotho

Vodacom and our Vodafone global markets are using their technology and working with local and international partners to tackle HIV in Lesotho, with a focus on children. Lesotho's population is almost 25% affected, directly and indirectly, by HIV and Aids, with many of the affected being children. There are many challenges to address, including the stigma around HIV testing, the remoteness of many villages and lack of finances for transport to clinics. The mountainous terrain and largely rural population mean healthcare workers have difficulty reaching patients and there are not enough healthcare facilities or healthcare workers to man them.

Vodafone and Vodacom have the technology to help with these issues and make a material change to the future of the country. M-Pesa's mobile money solutions are being used to send money to children for transport to treatment centres. Mobile technology is used to send HIV test results so that children can timeously begin treatment. Previously, it took a month to receive results. Mobile clinics will be sent to rural areas to bring life-saving care to these communities and mobile technology will be used to help manage medical supplies and provide counselling and support services.

The project is called the Moyo Lesotho Challenge and aims to put all HIV+ people in Lesotho on ARVs by 2020, starting with children.



Managing public relations

Our commitment to building strong relations with the media remains a focus for our public relations efforts. Being responsive to all media queries and being transparent on all the key issues affecting the company is a key feature of our interactions with the media, bloggers and social media influencers, and our customers. We continue to engage media stakeholders through one-on-one meetings, media roundtables and responding to enquiries received via email.

During the year, we hosted six regional media roundtables across our operating regions in South Africa to profile regional managing executives and Vodacom network investments. Our monthly media monitoring report continues to be a key measure of our effectiveness. The report, produced by an independent service provider analyses, among other measures, the key issues we have managed in the media and the percentage of positive, negative and neutral coverage on Vodacom. The results show that, on average, over 90% of Vodacom's coverage was neutral to positive.

Over and above traditional media engagement, we manage conversations with the media and customers through our social media platforms. We have dedicated teams that monitor Vodacom on Twitter and Facebook daily to ensure that we track trending topics and are able to timeously respond to complaints and issues raised. The recorded customer complaints are channelled to our customer operations team for resolution.

Engaging stakeholders in our Future Agenda Seminar series

During the year, we hosted sessions for stakeholders to meet to discuss topical issues and challenges.

- In May 2015, we held a session on the 'future of work' to discuss the shift from old models of work dominated by the division of labour, the supervision of labour, and payment of workers for their time or their tasks, to a shift towards services, the globalisation of supply chains, the growth of ubiquitous technology and the increased pressure on resources.
- In July 2015, we hosted a session on food security and reviewed the Connected Farmer report produced by Accenture on behalf of Vodafone Group.
- We also participated in a 'future of health' session hosted by Deloitte and the national department of health. Vodacom used the platform to showcase its mHealth solutions.



Privacy and security |

We maintain the trust of our customers and other stakeholders through high-quality networks, fast and effective customer care, maintaining good public relations, ensuring that our marketing and mobile advertising is responsible and ensuring that our terms and conditions and pricing principles are clear. We also protect customer privacy and assist parents in protecting their children online.

Protecting our customers' personal information and respecting their privacy are essential to maintain their trust. Managing privacy and security risks effectively, and putting customers in control of their data, is core to our approach.

Consumer protection

In South Africa, the leading institutions for ensuring that consumers of information and communications services are treated fairly are the Independent Communications Authority of South Africa (ICASA) and the National Consumer Commission (NCC). Vodacom actively and frequently engages with these regulatory bodies in response to customer complaints. Engagements with ICASA's Complaints and Compliance Committee tend to focus on the provisions of the End User and Subscriber Service Charter regulations, while those with the NCC focus on the provisions of the Consumer Protection Act (CPA).

During the year, approximately 663 customer complaints (2015: 597) were received through ICASA and a further 384 complaints through the NCC, representing a decrease on 411 in 2015. The complaints primarily related to general account disputes, call data disputes and disputes relating to handset repairs. All complaints received are investigated and the findings and resolutions are communicated to customers and the respective regulatory bodies.

Protecting customer information

Our customers have a right to privacy that is enshrined in international human rights law and standards, and enacted through national laws. Respecting that right is a top priority at Vodacom and is integral to our Code of Conduct. The complexity of technology, cyber threats and the potential for human error can lead to

information being lost, deleted or getting into the wrong hands. Our privacy commitments set out the principles that govern our approach to privacy and build customer trust through transparency, empowerment and reassurance.

Vodacom has maintained its systems and implemented measures to ensure the protection of the privacy and security of personal information of all data subjects across all Vodacom businesses. We have a designated privacy officer and there are executives responsible for privacy policy in each operating company.

The South African Protection of Personal Information Act (PoPI) of 2013 is expected to be implemented during the next financial year. Vodacom South Africa has taken the necessary steps to ensure that it is prepared to comply with the requirements of the legislation within one year of the prescribed compliance period. This included the implementation of the Vodafone Privacy Risk Management System, performing privacy risk assessments, establishing minimum information security standards to be adhered to by third parties authorised to process information on our behalf and reviewing technology security on a continuous basis as well as updating all relevant agreements to include data protection clauses. Training on privacy is provided to staff as part of the Doing What's Right campaign discussed earlier.

We continuously monitor the access of our employees and business partners to sensitive information. While violations of these control measures are rare, we have in the past disciplined and dismissed people for releasing confidential customer information.

Our customers' rights have to be balanced against those of various security and enforcement agencies that are legally entitled and required to request customer information and to instruct us to suspend service in certain circumstances. We manage such requests through our law enforcement policies and procedures and guidelines from Vodafone and applicable local laws and regulations. During the year, there were no requests from governments to suspend services. We contribute to Vodafone's industry-leading law enforcement disclosure report, which provides a detailed insight regarding the demands from law enforcement and intelligence agencies across 28 countries. We believe that promoting such transparency, within the remit of the each jurisdiction's legislation, is an important part of managing this tension.

Vodacom's privacy commitments

1 Respect:

We value privacy because of its value to people. It's about more than legal compliance – it's about building a culture that respects privacy and justifies the trust placed in us.

2 Openness and honesty:

We communicate clearly about actions we take that may impact privacy, we ensure our actions reflect our words and we are open to feedback about our actions.

3 Choice:

We give people the ability to make simple and meaningful choices about their privacy.

4 Privacy-by-design:

Respect for privacy is a key component in the design, development and delivery of our products and services.

5 Balance:

When we are required to balance the right to privacy against other obligations necessary to a free and secure society, we work to minimise privacy impacts.

6 Laws and standards:

We comply with privacy laws and we will work with governments, regulators, policy makers and opinion formers for better and more meaningful privacy laws and standards.

7 Accountability:

We are accountable for living up to these principles throughout our corporate family, including when working with our partners and suppliers.

Mobile content protection

In South Africa, our customers can block adult content on most handsets by dialling *111*123# from the handset. To unblock this restriction, customers need to visit a store with their identity document. The rapid evolution of ICT and its applications is making managing access to mobile content increasingly complex. Our strategy to drive mobile data aims to rapidly expand mobile internet use. In realising this ambition, safeguarding customers' privacy and

security and protecting younger users from inappropriate content and contact online is increasingly important. Our responsibility extends to protecting children from adult content and preventing fraudsters from preying on our customers. We have well-developed systems and procedures in place to protect our customers on all these fronts.

We have a memorandum of understanding with the Film and Publication Board that focuses on education and awareness among learners on cyber-safety. Vodacom supports the Film and Publication Board's mandate of cyber-safety and its efforts to raise awareness against child pornography and other incidents of abuse linked to the online environment and new media networks.

Customer perceptions of our mobile network

We strive to provide our customers with the best experience through offering the best value, best network and best services. The superiority of our technology services and coverage differentiates us in our markets. Our increased investment in our mobile and fixed networks, consumer and enterprise services and information technology capabilities facilitates our strong position.



For more information on recent technological developments, see our technology report, available through our website www.vodacom.com

We use the Net Promoter Score (NPS) to measure best service based on one question: "Would you recommend Vodacom to your family, friends and colleagues?" As at March 2016, Vodacom South Africa had a lead over its nearest competitor of 15 points for its overall network NPS, which is a significant margin compared to similar benchmarks in other markets. Outside South Africa, the networks rank as follows in terms of network NPS:

- **DRC:** First in network quality and in network coverage
- **Lesotho:** First in network quality and in network coverage
- **Mozambique:** First in network quality and in network coverage
- **Tanzania:** Second in network quality and in network coverage

Mobiles, masts and health

Mobile devices and the masts that enable them to transmit calls and data operate well within guideline safety limits. We manage any perceived health issues based on all available scientific evidence to ensure we safeguard our customers, employees and the public. Our vision is to lead within the industry in responding to public concern about mobile phones, masts and health by demonstrating leading-edge practices and encouraging others to follow.



To find out more <http://www.vodacom.com/about-us/our-impact/mobiles-masts-and-health>

Customer care and concerns

Our ambition is to position Vodacom as the brand that empowers everybody to be confidently connected and to become Africa's best telco at delivering unmatched customer experience at every point a customer engages with our brand. To achieve this we have implemented the CARE programme:

Our customer CARE programme

What	How
Keep customers always Connected	guaranteeing network satisfaction in terms of speed, reliability and coverage, and taking a more proactive approach in checking coverage and call quality.
Always in control of their spend	ensuring that customers have full control of their spend and do not have any surprises from bill shock.
Rewarding them for their loyalty	incentivising long-term customers for being part of the Vodacom family, starting with our 'Just 4 You' personalised offers and refreshing of our existing postpaid and prepaid loyalty programmes.
Easy access to Vodacom	maximising the efficiency and availability of customer support, digitising our customer experience, increasing functionality and improving processes.

Vodacom wins South African Disability Alliance Award



Vodacom has won the South African Disability Alliance (SADA) Award for Change Agents and Disability Champions among South Africans. The award recognised Vodacom for being fully engaged in the process of accessible and affordable ICT in South Africa, as well as Vodacom's Disability Employment Policies and our sponsorship of the wheelchair basketball team.

SADA represents 16 major National Disability Organisations in the country and provides a platform to promote collaboration between role-players in the disability sector and societal role-players. The award was announced at the end of the three-day Disability Rights Summit, hosted by the Department of Social Development. The summit saw the launch of the White Paper on the Rights of Persons with Disabilities and emphasised that the mainstreaming of disability considerations, is everyone's responsibility.

In 2004, Vodacom was the first mobile network in South Africa to focus on providing accessible products and services to customers with disabilities. By integrating specific needs processes and procedures into the existing consumer segmentation model, our 'Specific Needs' team has been mainstreaming disability within the organisation. The team also assisted Vodafone with establishing a

Global Disability Forum which aims to highlight accessible products across all our markets.

Some of the biggest challenges disabled customers face in South Africa is the accessibility and affordability of products and services. Disabled customers can get any Vodacom products through Vodacom Shops, and support from a dedicated call centre, which also offers email, live chat or SMS options. The Specific Needs range of services includes:

- ➔ Priority repair process.
- ➔ Vodacom kiosks at organisations for the disabled (for example, the kiosk at the Cape Town Society for the Blind, trains and empowers staff on accessible smartphone technology, offering visually impaired customers an enhanced experience; the kiosk also sells basic Vodacom products such as airtime, M-Pesa and starter packs.
- ➔ Special deals on smartphone packages for deaf customers, which only offer data and SMS, and do not include voice minutes.
- ➔ Big button phone for elderly customers who experience capability issues, such as poor vision or limited dexterity.
- ➔ A range of accessible phones for visually impaired customers; this includes the high-end iPhone and Samsung Galaxy, to the cost-effective Vodacom Smart 6 smartphone.
- ➔ Accessible Vodacom apps.

Developing our people

We support, train and encourage more than 7 538 people working across Vodacom to ensure they have the right capabilities, commitment and enthusiasm to achieve our business goals.

Our aim is to attract, develop and retain the very best people. To do this we offer a motivating and inclusive workplace where we recognise and develop talent and promote wellbeing. We believe we are at our best when our people are at theirs. To deliver the best experience to our customers we need technical skills (best network), product development and financial expertise (best value), and great customer-facing employees (best service).

Our workforce

Performance indicators (as at 31 March)

	2016	2015	2014
Number of full-time permanent employees	7 538	7 786	7 225
Engagement Index – People Survey (%)	76.0 [^]	76.0	75.0
Employee turnover [#]	18.4	10.5	11.2
Women representation in senior management [#] (%)	31.0	32.0	28.7
Black representation in senior management [#] (%)	55.0	53.0	48.9
Ratio of average basic salary of men to women [#] (times)	1.3	1.4	1.4
Total training spend (Rm)	103	130	77

Notes:

[#] South Africa only (Vodacom South Africa, Tanzania, the DRC, Mozambique and Lesotho).

[^] These items were the subject of the limited assurance engagement performed by EY.

Developing our people continued

Organisational change and effectiveness

The way we are working is changing to meet the evolving needs of our customers. We continue to make our business more efficient, strengthen our sales capabilities and target business growth in new areas. A number of activities this year have contributed to ensuring our business is structured in a more efficient and cost effective way. We have assessed, designed and delivered operating model changes in Commercial Operations, Consumer, M-Pesa, Demand Management, Fibre, and Enterprise.

Through these operating model changes as well as ongoing efforts to optimise our structures, we have widened our average span of control (the number of subordinates a supervisor has) from 6.4 last year to 6.9 to ensure breadth of people management responsibilities for our people leaders. While the number of organisational layers has remained at eight, we have succeeded in halving the percentage of employees at the deepest layer of the organisation (the extent to which there are numbers of layers of management between the CEO and the lowest level of employee in the business) from 1.5% to 0.7% over the same period. These improvements have supported our delivery of a best-in-class customer experience by reducing the distance between management and the customer, improving the speed and effectiveness of decision processes, and ensuring more efficient utilisation of our resources.

Prudent employment cost growth has been achieved through various control measures, including a reduction in employee annual leave accumulation, an extension of our mandatory December/January shutdown period, better control of overtime, improved governance in employee resourcing, and initiatives aimed at rightsizing and eliminating duplication. We limited the growth in payroll and contractor costs to 2.3% over the past financial year despite granting employee salary increases in line with an inflationary environment in the region of 5%.

In the year ahead we plan to target further improvements in employment cost management and further simplifying our structures to drive organisational efficiency and effectiveness. This includes reviewing operating models to support our strategic priorities, further optimising our span of control and reducing organisational layers to align to global benchmarks.

In strengthening our leadership capabilities we have driven significant changes across the different functions in our internal operations. Changes include Commercial, Human Resources and the Managing Director of Tanzania and Lesotho.

Our Group EXCO had leadership changes which were executed without disruptions in the following key roles: Chief Financial Officer, Chief Operations Officer – International Business and Chief Officer – Consumer Business. All roles were filled through internal succession from within Vodacom and Vodafone.

Engaging our employees to monitor our performance

We make it a priority to listen to our employees to understand their views. Our annual People Survey, conducted by independent consultants, tracks how engaged, well managed and ‘included’ our employees feel. Our scores are compared to a high-performing peer group and to other Vodafone Group companies. We use the overall engagement score (Engagement Index) from the survey to check if, overall, we are creating the right environment for our people to excel and grow. From the survey, we calculate an Employee Net Promoter Score (ENPS), a key measure of our people’s confidence in our products and services.

In 2015, the overall workforce participation rate (across all operations) was 86% (2015: 85%). Our Engagement Index remained strong, level with last year at 76 points out of 100. The overall Vodafone Group level was 79 points. Our goal is to achieve a score of 80 by 2018. Achieving this will require improvements in our Technology, Consumer and Enterprise functions, which are currently below the company average and have the largest impact on the overall company score by virtue of their size. Our Operational Excellence Index, a measure of employee empowerment and the effective use of our people’s skills, also remained unchanged at 70. The Manager Index has shown consistent year-on-year improvement, indicating a steady improvement in how people are being managed.

Key messages from this year’s survey are that employees are proud and motivated to work for Vodacom, confident about our position in the market and clear on their role in achieving our strategy. However, more needs to be done to empower employees through simpler internal processes and improved cross-team collaboration. A clear action plan is in place to address the identified improvement areas.

Summary of People Survey results

Performance indicator	2016	2015	2014
Overall response rate (%)	86	85	84
Engagement Index	76 [^]	76	75
Manager Index	76	74	71
Operational Excellence	70	70	65
Diversity	71	71	73
Employee Net Promoter Score (ENPS) ¹	60	51	43
Customer Index	77	76	n/a

1. The number of promoters minus the number of detractors.

[^] These items were the subject of the limited assurance engagement performed by EY.

Initiatives to drive progress

We are implementing various initiatives to drive progress in areas for improvement, as identified through our annual People Survey. Some of our key initiatives are briefly reviewed below.

Embedding The Vodacom Way

The Vodacom Way defines how we work together to achieve our common objective of being an admired company in the eyes of our customers, employees and all our stakeholders. Over the last year, our initiatives have focused on driving two elements of The Vodacom Way – Simplicity and Customer obsession. In promoting simplicity we seek to empower employees by removing barriers created by complex internal processes. This in turn drives efficiencies in our operations and use of resources. Our focus on Customer obsession aims to support the people transformation element of the customer experience excellence programme (CARE), outlined below. A significant (nine-point) improvement in our ENPS indicates that our Customer obsession drive is yielding results internally as more of our employees become brand ambassadors. Our People Survey score on Simplicity is unchanged from last year at 57, and we anticipate the impact of our Simplicity initiatives to be evidenced in the next financial year. Initiatives aimed at embedding The Vodacom Way include the employee journey in support of customer experience excellence, Winning the Vodacom Way, and the implementation of the RAPID decision-making tool (see below).

Driving customer experience excellence (CARE)

To deliver on our vision to be the world's best telco at delivering unmatched customer experience, we have designed and launched a CARE (Connectivity, Always in control, Reward loyalty, Easy access) change management plan aimed at raising the bar on customer centricity. Along with specific change initiatives, all HR practices, inclusive of all outsourced operations, have been reviewed through the lens of Customer obsession, with behaviours and capabilities integrated with operational excellence to transform the business culture in alignment with long-term business success.

RAPID implementation

In support of our 'simplicity' drive, the RAPID (Recommend Agree Perform Input Decide) decision-making tool is used across the Vodafone Group to drive clarity and effectiveness in decision-making. Key achievements over the last year include the design and launch of an online RAPID training module, mapping of core business decisions across HR, Technology and Enterprise functions, and the creation of a central online repository to ensure effective knowledge management into the future. This year, we provided RAPID training to all senior managers and will train our middle managers in the next financial year. Together with a strong communications campaign, we will further embed RAPID across the organisation by continuing to map the remaining core business decisions and building on the online RAPID repository.

Winning the Vodacom Way

Consisting of a series of workshops aimed at senior management, this programme equips our leaders to identify and address behaviours that perpetuate complexity and operational inefficiency that inhibit us from delivering the level of customer excellence we can achieve. Leaders are supported in developing and implementing a plan to drive simplicity in their teams and customer obsession across the organisation in support of customer experience excellence.

Promoting equality and fairness

Our resourcing policy provides a framework for promoting good practice and equality. We appoint employees on the basis of suitability that is based on objective criteria for skills, experience, qualifications and competencies. The policy is aligned to and compliant with relevant labour legislation and the application and use of assessment tools. The selection process incorporates selection panels that are representative in terms of race, gender and cross-functional work experience to ensure resourcing is done fairly, openly and transparently. Employees can raise any concerns regarding unfair recruitment practices through our whistleblowing line.

The Group has adopted a total cost-to-company philosophy, referred to as the guaranteed total cost of employment (GTCE). Within the context of a GTCE, we offer a selection of remuneration benefits that are both best practice and compliant with legislation. We ensure that, when reviewing employees' GTCE, we adhere to our remuneration principles of fairness, consistency, flexibility, transparency, affordability and equity. As part of ensuring that we achieve equity, our job evaluation system is maintained with integrity in comparing the complexity of roles. As there is a close correlation between the complexity of a role and the remuneration levels paid in the market, the measurements from job evaluations are also used to validate external remuneration market benchmarks.

In terms of employee benefits, all permanent employees have to join the Vodacom Group Pension Fund, which is a defined contribution pension scheme. While employees have the option to choose their level of contribution to the pension fund there is a default level of 15%. They also have the option to choose where they would like their money to be invested based on their own individual risk profile. Employees can choose to participate in a nominated medical aid scheme. All employees have the option to select additional death cover of up to seven times their annual pensionable salary, inclusive of the compulsory core cover of three times annual pensionable salary. These additional contributions are calculated at a percentage of pensionable salary. Our maternity policy gives women an option of six months fully paid leave or four months paid leave with reduced working hours (30 hours per week) for six months thereafter. We also offer paternity leave, with ten days granted in the event of twins or more births.

Developing our people continued

Our talent development programmes

This year, we invested R103 million in training and developing our employees (2015: R130 million).

Discover Graduate programme

This two-year programme, implemented since 2010 and managed by a dedicated resource, was developed to identify and nurture the future generation of Vodacom leaders by hiring today the best young talent coming out of universities across all our markets. Graduates are exposed to various functional areas in Vodacom on a rotational basis. We partner with top universities in each of our local markets and apply international best practice in training these graduates. For the 2016 intake, 75 high-calibre and diverse graduates were selected (2015: 77). All graduates were directly placed in permanent roles.

Vodacom Mozambique officially launched its Discover Graduate Programme in November 2015 in Maputo, attended by the Mozambican Minister for Science, Technology and Higher Education, Mr Jorge Nhambiu and the Chairman of Vodacom Mozambique accompanied by senior leaders from within the company. Over 600 applications were received and Vodacom Mozambique employed 17 graduates at March 2016. The programme was further rolled out in Lesotho as well as Tanzania and the DRC using the same assessment criteria applied in all Vodafone operations, which enables our graduate intake to be competitive on the same level as any other graduates within Vodafone internationally.

Columbus Graduate programme

This is a premier global two-year programme within Vodafone that provides our graduates with two to three years' working experience, with placement opportunities in markets outside their local market. This year, three graduates moved to South Africa for the programme in support of our commercial strategy through capabilities development in new product management, commercial marketing and distribution channel.

International Assignee programme

As part of this programme we second employees to other Vodafone operations and bring Vodafone employees to our operations. This helps develop global thinking and expand our people's perspectives.

Training initiatives

Training category	Number of participants	Expenditure (Rm)
Staff bursaries	342	7.4
External bursaries	110	11.0
Graduate development programmes	75	10.9
Interns and learners	205	12.0
Leader and management development programmes	1 005	16.1

Empowering future leaders



Vodacom provides up to 50 bursaries to disadvantaged students every year. Kabelo Kgodane is one of our great success stories.

She was awarded a bursary in her first year of studying IT management and has gone from strength to strength, becoming a 2014 Vodacom Discover graduate and a Vodafone International Discover Alumni (VIDA). She is now a specialist in online products and represented Vodacom South Africa at the 2015 VIDA event. Kabelo says "I have become an ambassador of the brand. It's in our DNA to push forward, to create a better future and to find new ways that help people communicate."



Inspirational leader, Kabelo Kgodane

Performance management

At Vodacom we believe in paying for performance, communicating ratings transparently, balancing fairness with simplicity and trust. We have simplified our Performance Dialogue (PD) process. We encourage all our managers to have regular performance discussions with their people. Annual performance discussions, which are compulsory, help employees define their goals, track their performance and assess their behaviour against The Vodacom Way. The improvement in performance discussions has had a positive impact on the business by aligning employee goals not only to short-term financial targets, but also to our five strategic priorities and The Vodacom Way.

Developing diversity

Driving diversity gives us the benefit of different life experiences, perspectives and ideas that help us serve our customers better. The representation of women remains a challenge for our business and for the broader telecommunications industry. Less than 50% of our employees are women, and this difference becomes more pronounced at higher management levels. We are committed to increasing the representation of women at all levels in our business.

In our South African operations we continue to promote transformation. Black representation in the workforce is 73% and 55% at senior management level. Women represent 43% of the workforce and 31% at senior management level.

Representation of women on our executive committees:

Market	2016	2015	2014
South Africa	18%	17%	18%
Mozambique	20%	30%	18%
The DRC	23%	30%	25%
Tanzania	25%	30%	33%
Lesotho	30%	40%	30%

Employment equity (EE) performance against the ICT Charter

Category	2016	2015	2014
Black senior managers	2.92	2.86	2.61
Black middle managers	2.16	2.05	1.94
Black junior managers	1.83	1.78	1.73
EE score	6.92	6.70	6.29

CEO Awards

The annual CEO Awards evening was held in October 2015 at Vodacom World in Midrand, South Africa. The awards recognise individuals who are the best of the best. In total, 12 individuals, seven teams and two volunteers were chosen as winners, with the Limpopo region being recognised as the best performing region. The winners were a diverse group of people varying from customer-facing and support to technology employees. The winners of these awards are automatically entered into the global Vodafone recognition awards.

Promoting women representation

In South Africa, we implemented our Female Leaders programme designed to further improve representation of women at senior levels within the organisation. Launched in 2013, the programme is designed to attract high potential women with deep commercial and technology experience into strategic roles for our future talent pipeline. The candidates participate in a one-year fully sponsored leadership programme through the Gordon Institute of Business Science (GIBS) and have direct access to our EXCO through quarterly engagement sessions. The focus is on developing personal and strategic awareness relating specifically to customer service excellence. A total of 28 candidates have gone through the programme in the past two years: 21 graduated and 11 were successfully appointed in Vodacom. We have enrolled 15 candidates for this year.

The following initiatives are in place to promote gender diversity and support women in progressing their careers at Vodacom:

Vodacom Women in Red Awards: Launched in partnership with Vodafone, this award seeks to recognise women who are an inspiration to others and have significantly promoted the agenda of gender diversity by supporting other women within the organisation. The 100 women who win the Global Award will nominate a key mentor in their career who has supported their career. A total of six nominees were selected from Vodacom Group for this year's awards.

Women's Network Forum Mentorship programme: Women executives in the business mentor high potential women in junior management roles. Mentees are taken through a mentorship for leaders programme at Wits Business School (WBS) and mentors receive coaching at WBS. Participation of both parties is voluntary, spanning six months to a year.

HeForShe initiative: Vodacom in collaboration with Vodafone, is promoting the United Nations HeForShe initiative. This is a global solidarity movement to encourage all people (men and boys, girls and women) to speak up and act against the inequalities faced by women and girls, and encourage everyone to enlist as advocates for gender equality. The UN global target is to have a billion people sign up to the initiative across the world. The Vodafone target is 100 000 sign ups by the end of 2016. In addition, Vodafone has committed to increase the representation of women in leadership positions to 30% by 2020; expand access to mobile as a tool for women's empowerment; and bring mobile education to refugee girls in countries where Vodafone operates.



CEO awards giving

Developing our people continued

People with disabilities

We currently have 36 known employees with disabilities in Vodacom South Africa. This year, our activities in addressing the needs of those with disabilities were recognised by the South African Disability Alliance (SADA), with Vodacom receiving an award for Change Agents and Disability Champions among South Africans. The award recognised Vodacom for being fully engaged in the process of accessible and affordable Information and Communications Technology (ICT) in South Africa, as well as Vodacom's Disability Employment Policies.

Labour rights and relations

We are committed to respecting the human rights of everyone working for Vodacom either directly as an employee, or indirectly as someone employed by one of our suppliers. We do not tolerate any form of discrimination. Our Group employment policies are consistent with the UN Universal Declaration of Human Rights and the International Labour Organisation's Core Conventions. We have an anti-harassment policy that deals with transgressions. Anti-harassment and other rights at work are communicated through the Legal Affairs newsletters sent to all South Africa-based employees at least once a month. We have a grievance policy and procedure in terms of which employees may submit a grievance to management, which is addressed within five working days.

We are committed to developing sound employee relations and acknowledge the rights of all our employees. In South Africa, the National Consultative Committee (NCC) is an internal employee representative committee that aims to involve employees in aspects of decision-making that affect their work environment and enhance co-operation between management and employees. We hold regular interactions with the NCC and the Communication Workers Union (CWU) to promote social dialogue and prevent disputes.

Union membership

Vodacom's Employment Law division is responsible for maintaining strong relationships with unions. We provide an environment conducive to freedom of association and have a channel to manage employee-related issues with unions. We have not experienced any labour-related strikes over the past year in any of our operations.

In South Africa, approximately 489 employees (11.3% of the workforce) are members of the Communication Workers' Union (CWU) and 11 (0.24% of the workforce) are members of the Media Workers' Association of South Africa (MWASA).

In the DRC, we have concluded a collective agreement with the unions which was a significant milestone creating a platform for formal engagements on behalf of employees. Approximately 48% of our employees in the DRC belong to a union.

The union in Mozambique is still in its infancy. Lesotho and Tanzania do not have unions.

Alleviating water shortages in South Africa



In South Africa, Vodacom donated R750 000 this year towards the Gift of the Givers disaster relief organisation to help alleviate water scarcity challenges.

The funding contributed towards distributing water to schools, hospitals, frail care centres and local communities in the Xhariep District and a number of smaller localities, as well as to sink new boreholes to provide a more sustainable response to the crisis. Vodacom employees and customers were encouraged to participate in the efforts.



Donation handed over to the Gift of the Givers

Safety, health and wellbeing

Maintaining a safe workplace

We take our responsibility to promote the safety, health and wellbeing of our people very seriously. Loss of life or injury related to our operations is unacceptable.

We are saddened to report that this year, one employee and one contractor died as a result of separate road traffic accidents. In Lesotho, on 28 August 2015, Vodacom employee, Keketso Bula, was fatally injured by an oncoming truck while participating in a walk-to-work initiative. In South Africa, on 12 May 2015 one contractor and two others were fatally injured in a contractor-related incident when an oncoming vehicle swerved in front of their vehicle. The lessons learnt from these incidents have informed a revised event management guideline, using locally-based suppliers, limiting night driving and implementing a revised fleet management solution (Road Guardian initiative).

Road-related accidents remain our principal safety risk and we continue to place an emphasis on implementing road safety initiatives. While vehicle accidents remain the principal cause of safety incidents, the 50 accidents this year represented a 50% reduction year-on-year. In most cases, the accident was caused by another road user. As of this year, all motor vehicle incidents are classified as 'high potential'. All such high potential incidents are investigated with the aim of improving our ability to prevent repeat incidents. Other risk areas include working with electricity, working at height, control of contractors and cables in the ground. Appropriate safety training is provided and safety awareness initiatives are ongoing.

Safety incidents

The total number of health and safety incidents recorded at Vodacom this year decreased by 44%, from 193 to 108, 43 of which were employee-related and the remaining 65 contractor-related. South Africa accounted for 67% (2015: 50%) of all incidents, with 20% from the DRC (2015: 37%).

Type of incident	2016	2015
Fatalities	4	3
Lost time injuries (LTIs)	7	7
Major incidents ¹	8	9
High potential incidents ²	48	41
Minor incidents ³	49	126
Near miss incidents	1	12
LTIFR	0.11	0.10

1. Major incident: Any incident that results in causing serious injuries and major damage to plant or machinery, eg: Loss or serious injury where a person becomes unconscious or loss of limbs. Where machinery runs out of control or come into contact with power lines.
2. High potential incident: An incident that does not necessarily result in injury, but has the potential to do significant harm or damage, eg: Motor vehicle accident with no injuries.
3. Minor incident: An incident or accident that resulted in first aid treatment only or minor cost for repair or reinstatement.

Absolute Rules

Never exceed speed limits or travel at speeds which are dangerous for the type of road, vehicle or conditions



Never work under the influence of substances (alcohol or drugs) which are illegal or in excess of legal levels or where this impairs the individual's ability to perform tasks



Never use a hand-held phone while driving and only make calls by pulling over or using hands-free devices, when it is safe to do so



Never undertake any street or underground work activities unless competent to do so



No passengers in the backs of bakkies and trucks



Always wear helmets when travelling on, or operating, a motorbike



Always wear seat-belts when travelling in, or operating vehicles



Never carry out electrical work on electrical equipment, circuits and gear if you are not qualified

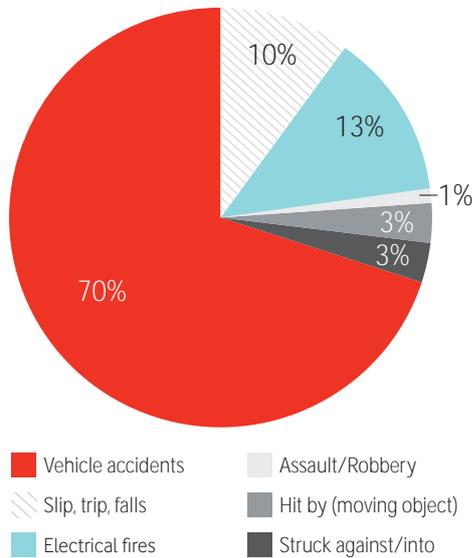


Always use suitable PPE, a safety harness and fall protection equipment when working at height (harnesses must be attached at all times when working at heights)



Safety, health and wellbeing continued

Distribution of the top causal factors of Vodacom incidents



Safety developments

We have refined and rolled out our health and safety strategy to all levels in the company, including contractors working on behalf of Vodacom. At all our campuses, we have focused on improving levels of safety awareness, the visibility of our safety signage and our emergency evacuation procedures. We have reduced our emergency evacuations to a targeted ten-minutes and we have seen a 10% reduction in the number of slips and falls. We held a campaign to encourage employees to make recommendations on safety-related improvements and we have completed 100% of the 212 recommended actions.

Clear and visible leadership is key in promoting a safe place to work. During the year, our Executive Committee and senior leadership members conducted 324 leadership tours, with a focus on mitigating road risks. Initiatives included making 1 200 road-reach calls to engage with Vodacom and our contractors' drivers on safe driving behaviour. We held 47 Town Hall awareness sessions across all our markets. 'Safety moments' are the opening agenda item for all Board, EXCO and management meetings.

We held 20 supplier forums across the Group to engage with our suppliers on health and safety issues, including our safety rules, changes in legislation and to share lessons learnt from incidents.

Health and safety training

Training initiative	Number of people trained in 2016
Driver training	2 267
HSE statutory training	403
Leadership training	322
Working at heights	1 000

Road safety-specific initiatives

To make safe driving top-of-mind, and for our drivers to be more aware of the risks posed by other road users, we launched our 'Expect the unexpected' campaign. This aims to help our staff and contractors to make responsible decisions, pre-empt other road users' behaviour and promote defensive driving habits. Our CEO launched the initiative and was supported by a series of leadership commitments, including 'Selfie' videos, staff competitions and 'sharing and learning sessions, such as Doing What's Right training sessions.

In Mozambique we launched the 'I am SHAP' campaign (SHAP stands for Speed, Harsh braking, Acceleration and Preservation of vehicle) to recognise and reward drivers who demonstrate good driving behaviour. The initiative has seen a significant improvement in driver behaviour and fewer road incidents. The campaign is ongoing and includes our high-risk suppliers.

We have also implemented a proactive fleet management solution for all Vodacom and high risk suppliers' vehicles. The initiative is designed to monitor and correct behaviour before incidents and fatalities occur. We continued to implement the W8_2Send campaign to reduce driver distraction, which is the greatest cause of road accidents. During the year, we reached over a million people through initiatives across our markets. In September 2015, Vodacom was awarded the Vodafone Global Initiative of the Year Award in Milan, Italy.

Employee health and wellbeing

Creating a workplace that fosters care and employee wellbeing is essential to the success of our business. We continue to expand our wellness strategy in all our markets and have seen our sickness absenteeism rate steadily decline to 0.69% this year, down from 0.79% in 2015 and 1.37% in 2014.

Our Wellbeing programme focuses on the following areas:



We implement various initiatives aimed at promoting employee wellbeing:

Wellness days:

Wellness days provide employees and contractors an opportunity to identify and understand their health risks and develop personal wellbeing goals. This year, around 1 500 employees participated in the national wellness days held. The two most prevalent health risks in our workforce are excessive weight and stress. Employees are encouraged to participate in various health risk reduction programmes, including free health education and advice, regular testing of risk factors in primary healthcare facilities, and use of Vodacom's Lifestyle Centre service for stress management and work-life balance.

Lifestyle centres:

Our dedicated employee Lifestyle Centres offer various services and received 13 961 visits during the year, up from 13 600 last year. The main services used include sport massages, nutritional advice, exercise training, chiropractic and physiotherapy.

Employee Assistance Programme:

Our Employee Assistance Programme (EAP) is currently only used by 4% of the workforce and we are promoting awareness of this facility. The principal issues that employees required support with during the year related to civil law, relationship issues and family care.

Executive Care:

We offer an annual comprehensive medical for our executives, which is attended by about 75% of Vodacom executives and includes follow ups from the company doctor to ensure sustainable lifestyle changes are implemented.

HIV management:

HIV counselling and free testing is available to all our employees and is driven in three-year cycles. The current cycle is 2016 to 2019. In South Africa, 59% of our staff underwent HIV counselling and testing in the previous cycle, and 30% in the current cycle. The HIV prevalence rate is 5% of the tested community based on the testing cycle that ended in 2015, compared to the national average of 18.5%. About 81% of HIV positive staff (129 out of 159) are registered on treatment programmes and are being monitored either through their medical aid schemes or government programmes. The remainder are still in the Transition to Care Programme. Staff members are also referred to our EAP for counselling and support.

Vodafone CFO for a day competition



Dirkie Fourie, a plant maintenance specialist in Cape Town, was doing a routine audit of a base station container site when he conceived a simple method to optimise the efficient cooling of base station equipment that would win him the coveted Vodafone CFO for a day competition.

Dirkie's innovation was to harness the air from outside to cool the base station container equipment that can be housed outdoors by installing a curtain in the container, dividing it into two parts. Air conditioning cools the indoor section and air outside cools the outdoor section. The redirected airflow not only prevents equipment and transmission failure, it also saves significant amounts of energy and preserves the equipment. Dirkie's prize was the opportunity to shadow Vodafone CFO Nick Read at the Vodafone headquarters in London on 2 February 2016.



Dirkie Fourie and the compelling impact of his innovation

Dirkie's solution

Saves
90%
of base station energy

That's
900kWh
per site per month saved

Currently used at
182
sites

Promoting social value through our products and services

Connecting people and enabling businesses are the main outcomes of the mobile and fixed network services we offer. Communication improves quality of life, enables efficiency, connects supply and demand, and supports the sharing of information and data between individuals and businesses. Increasing access to our services by widening coverage and driving affordability supports economic growth and job creation. As a major investor, taxpayer, employer and purchaser of local goods and services, we play an important role in helping to develop the economies of the countries in which we operate. We continue to explore the socioeconomic potential of communications technology; contribute to job creation and economic growth; and expand access to telecommunications.

Last year, we conducted a socioeconomic impact assessment of our operations for the financial years 2012 to 2015, to gain insights into Vodacom's impact and contribution to society as an operator supporting economic development, a contributor as a taxpayer and a corporate citizen.



The findings of the research were published in our 2015 stakeholder report, available through our website www.vodacom.com

Economic value added

Value distributed

Rm	2016	2015
Employees ¹	5 598	4 886
Providers of finance	13 855	13 537
Governments	5 679	5 543
Community spend	106	130
Value reinvested	9 004	7 378
Value retained	1 209	662

1. Excludes staff expenses of R687 million (2015: R646 million) capitalised against property, plant and equipment. Includes dividends of R41 million (2015: R50 million) relating to the forfeitable share plan which was offset against the forfeitable share plan reserve.

In addition, we contribute to public finances both directly and indirectly through taxes and other fees. We also make a significant contribution through the taxes paid by our employees and suppliers, as well as through taxes collected on behalf of governments such as VAT and excise duties. Our corporate tax contributions amounted to R5 934 million in 2016.



For further information, please see our public finances report, available through our website www.vodacom.com

Developing mobile solutions to address socioeconomic challenges

Across all operating countries, Vodacom remains committed to working with governments and communities to find innovative ways through which mobile communication technologies can support financial inclusion, health challenges, access to education and other priorities in communities.



Page 35

Our flagship health and education initiatives are reviewed.

Our M-Pesa product provides a platform for many of our financial, health and agricultural initiatives in emerging markets, demonstrating the power of mobile to protect vulnerable people from disease and extend economic participation and financial resilience to some of the poorest people on earth.

Promoting financial inclusion

In Tanzania, the DRC, Mozambique and Lesotho our M-Pesa product provides affordable access to banking for our customers, ensuring that even those in remote areas of these countries have access to banking. M-Pesa continues to evolve beyond a traditional mobile money transfer service enabling people to save and borrow and receive salaries and benefits. In Tanzania, we partnered with the Commercial Bank of Africa to introduce M-Pawa, the country's first savings and loans product. This product is gaining traction with 1.6 million customers actively using the service. We also launched International Money Transfer (IMT) services, which enable customers to send money between Tanzania and Kenya.



Empowering customers in South Africa to send money into Lesotho



Vodacom Lesotho has partnered with UK-based online money transfer company, Mukuru, to enable customers in South Africa to send money directly into any M-Pesa account in Lesotho within minutes.

A user in South Africa needs to register with Mukuru and payment for the order can be made at any major retailer. This will substantially cut down on the time and cost those in the more remote areas of Lesotho previously incurred to collect funds. M-Pesa account holders can then use those funds to pay bills, to buy airtime and send money locally. Should they wish to withdraw the cash, this can be done at any of the over 1 900 registered M-Pesa agents across Lesotho.

Mobile agriculture solutions

Communications technology is one of the most effective ways of reaching remote farmers to help them improve their productivity and livelihoods, while increasing efficiency throughout the agricultural supply chain. Many farmers in emerging markets face significant challenges such as lack of infrastructure and information, financial barriers and the growing impact of water scarcity and climate change. Vodafone, in partnership with the US Agency for International Development (USAID) and the development NGO, TechnoServe, is implementing the Connected Farmer platform in Kenya, Tanzania and Mozambique. By promoting commercially viable mobile agricultural solutions, the partnership aims to increase the productivity, incomes and resilience of half-a-million smallholder farmers across the countries. The secure cloud based-web and mobile enabled solution connects all stakeholders within any agricultural ecosystem in a flexible manner. M-Pesa provides the critical mechanism for developing mobile financial services that enable rural farmers to build up savings, invest in productivity and reduce their financial risks. Connected Farmer is offered as a managed service: Vodafone provides an integrated solution, including hardware, software, connectivity, data, hosting, training, support and implementation at a single monthly aggregated cost.

Internet of Things solutions

Vodafone is the global market leader in providing Internet of Things (IoT) solutions to help businesses increase productivity, efficiency and sustainability, mitigate downtime and repairs to equipment or assets, and control costs. IoT changes how products, businesses, homes and services operate, enabling optimisation of resources and costs and automation of functions, and can provide new insights to improve decision-making.

Enabling next-generation vehicles to enhance security



Vodafone has partnered with Samsung to create a next-generation vehicle that uses impressive technology aimed at bringing down crime levels in South Africa.

The car's features include number plate recognition and being linked to a central control room via the LTE connectivity of Vodafone's high-speed network that enables real-time monitoring of the car's occupants and environment and instant cross-referencing with databases. The vehicles are currently being used by the Mpumalanga provincial government. The solution will be commercially available later in the year to security companies, emergency medical services, cash in transit companies, and other businesses that can benefit from its features.



Next-generation motor vehicle

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.

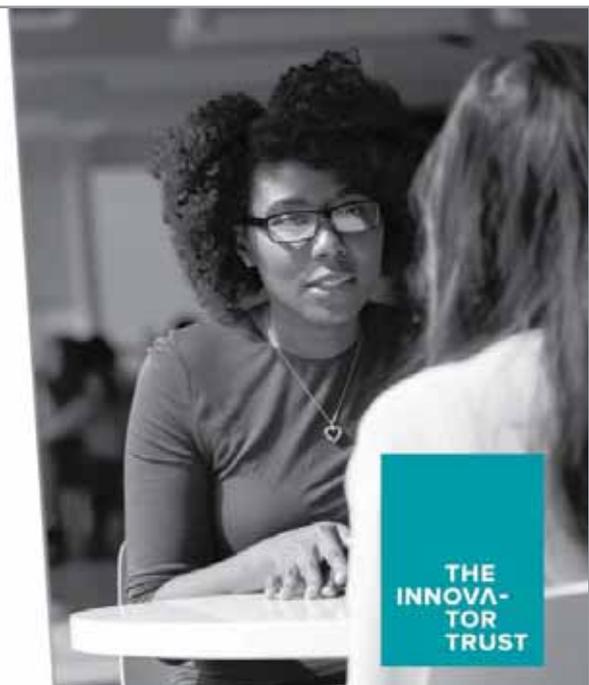
In addition to the employment opportunities we create through our learnership programmes and graduate programmes, Vodacom creates jobs through Vodacom traders who are street vendors and freelancers employed as agents to sell company products and services such as airtime.

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



Delivering value through social investment

For over 17 years Vodacom has been contributing to societal development through social investments and providing relevant communication and technology solutions that promote socioeconomic upliftment. Each of our operating companies has a Foundation that invests in the communities it serves, with a focus on employing our technology to support education, health and safety initiatives, in line with the Global Goals. Many projects are developed and delivered through partnerships.

This year, we invested a total of R106 million in community projects across our operations, comprising R86 million invested by the Vodacom Foundation in South Africa and R20 million by our International operations.

Vodacom corporate social investment (CSI) spend

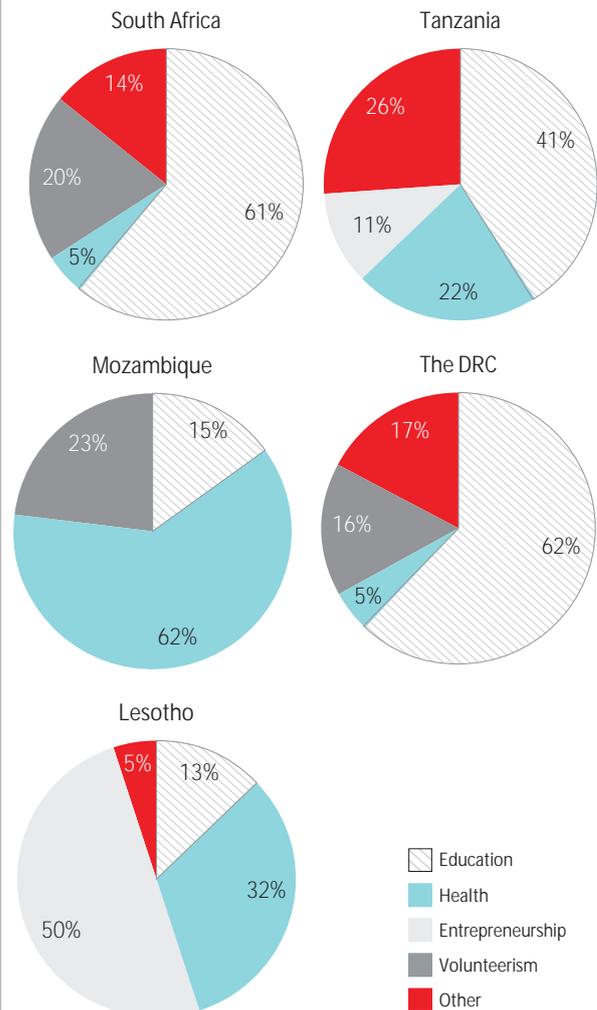
R	2016	2015
South Africa	86 000 000	80 000 000
The DRC	4 111 500	2 300 000
Lesotho	5 039 268	601 068
Mozambique	4 393 512	3 150 000
Tanzania	6 686 714	8 800 000
Total CSI spend	106 230 994	94 851 068

Following is a selection of social investment project highlights in our core focus areas.

Improving access to education

In South Africa, our Mobile Education Programme (mEducation) is the cornerstone of our investment in education and the integration of information communication technologies in learning and teaching. Built on a successful partnership with the Department of Basic Education, Microsoft®, Cisco and Mindset, to date we have equipped and connected 81 ICT Resource Centres that provide teachers throughout South Africa with better access and understanding on integrating ICT in their teaching experience. The programme has boosted the skills of around 10 000 teachers in maths and science, coaching them in how to use the available technology and helping them to understand how these tools can be integrated in the classroom and used as effective teaching tools. In addition, Vodacom hosts a teachers' online portal called the Digital Classroom, a platform on which teachers can communicate and share knowledge, as well as access useful resources and find out about their nearest teacher centre. To date, the Digital Classroom has had over 115 847 visits. Vodacom's school connectivity programme has connected 2 194 schools across the country.

Vodacom CSI percentage spend by focus area



We have connected 3 087 schools with data access and exceeded our target for universal service obligations. Each school receives free internet connectivity as part of this project, as well as 26 tablets, a laptop, an interactive whiteboard, a data projector, a printer and educational aids.

In South Africa, a spin-off from our ICT Resource Centre initiative is our youth skills development project, now in its second year of funding partnership with the Independent Development Trust (IDT). To date, 273 trainees have gained basic computer skills, IT essentials, enterprise development and business skills.

Delivering value through social investment continued

Building on Vodacom's established support for education through mEducation, in January 2015 we launched the Vodacom e-school, a secure online learning platform with free Internet access to basic education content for all grade 4-12 learners. The portal provides daily lessons, consisting of notes, videos, and assignments in the form of quizzes as well as personalised progress reports. Learners who are Vodacom subscribers can register at vodacom.co.za/e-school in order to be able to access curriculum aligned classroom content for free through Vodacom e-school. The underlying philosophy was to create a multimedia-based platform that is fun, inspiring and convenient, encouraging learners to study smarter not harder. The interactive elements of the portal allow the learning to be self-paced, enabling the learner to control the learning process. As at 31 March 2016, the portal had over 105 000 registered learners.

www.vodacom.co.za/e-school



Learners receiving a demonstration on how to access educational content on a tablet

In Tanzania, Vodacom partnered with Samsung to deliver the Smart Schools programme that has installed ICT equipment in classrooms and trained teachers on the integration of ICT into learning. To date, a total of 6 000 students in four schools are benefiting from the programme.

In the DRC, we continue to support and raise funds for the Instant Network Schools project that provides access to online educational content via tablets. The digital school in a box, which was designed by Vodafone, is a secure and robust 52kg case equipped with a laptop, 25 tablets pre-loaded with educational software, a projector, a speaker and a hotspot modem with 3G connectivity. It can be set up in 20 minutes and charged as a single unit from one power source in six to eight hours, after which it can be used for an entire day without access to electricity.

<https://www.youtube.com/watch?v=cdmS8JVun3Y>

Addressing health challenges

In South Africa, we have extended the rollout of a stock visibility solution to health clinics in Limpopo and the Eastern Cape provinces. The medical stock monitoring solution is now live in 1 600 clinics. Each clinic has one trained nurse to use the application to record medicine stock levels. The stock visibility solution is also implemented in more than 5 000 primary healthcare clinics in Tanzania.

We continued our support for the non-governmental organisation Smile Foundation, which together with South Africa's Academic Hospitals works to provide free corrective facial reconstructive surgery and treatments to underprivileged children in need. The Smile Foundation has helped over 1 000 children. Vodacom sponsors a Vodacom Smile Week twice a year during which affected children undergo free reconstructive facial surgery. This year, we supported 12 facial reconstruction operations undertaken at the Universitas Academic Hospital in Bloemfontein, Free State province.

In Tanzania, our support for the Healthy Pregnancy Healthy Baby (HPHB) programme recorded key milestones with over one million women registered, 600 000 of whom are Vodacom subscribers. Since the programme started in 2012, Vodacom has sent 55 million free SMS messages with maternal health content to mothers registered on the programme. HPHB offers Tanzanians free text messages in Swahili for pregnant women and mothers with newborns up to 16 weeks old (and soon until the child reaches the age of five), as well as supporters of pregnant women and new mothers (partners, friends and relatives). On average, subscribers receive three to four messages per week, across a number of topics, including prevention of mother to child transmission of HIV/Aids, antenatal care, family planning, malaria prevention, nutrition (for mother and baby) and postpartum care. The objective of the messaging service is to promote healthy pregnancy and early childhood care behaviour. It also aims to encourage end users to seek quality healthcare services.

Vodacom Tanzania's 'ambulance taxi' service for pregnant mothers

Hundreds of high-risk pregnant women in rural Tanzania were not surviving pregnancy or were losing their babies as there was no means of getting them to hospital. This was especially high in two rural districts, Sengerema and Shinyanga, where maternal and infant mortality rates were counted among the highest in the world. Despite a population of two million people, there were only ten ambulances to service the expansive area, leading to large numbers of maternal and infant deaths.

In response to the challenge and risks posed by limited ambulances, Vodacom Tanzania, with support from the Vodafone Foundation and NGO partners Pathfinder International and Touch Foundation and the US Agency for International Development (USAID) launched a pioneering new toll-free emergency line that could help save around 225 women's and babies' lives a month.

This will see a network of 100 taxi drivers responding to emergency calls, taking pregnant women on what is often a three-hour journey to reach the nearest hospital. Once women arrive at the hospital, the emergency taxi drivers are paid using Vodafone's mobile payment service M-Pesa. A trial of the taxi service in late 2015 in a small area of Sengerema saved the lives of 323 women and babies.

The 'ambulance taxi' service is complemented by a mobile application that has been developed for the community health workers to record pregnant women and list those who are high-risk cases. Moreover, as part of the wider programme, a network of 250 community health workers in Sengerema and Shinyanga have received lessons on Tanzania's newborn and child health curriculum, and an additional 209 health workers have been trained in life-saving emergency obstetric and newborn care.

This innovative approach that integrates technology and M-Pesa builds on Vodacom Tanzania's maternal health programme and its 'text to treatment' feature that has benefited 2 274 women living with debilitating maternal condition obstetric fistula. The latest offering will provide a much-needed lifeline for thousands of high-risk pregnant women in Tanzania without access to emergency healthcare.

In Lesotho, our project to ensure that 40 000 children infected with HIV are on continuous treatment by 2017 remains a key focus of our work. We have started the Moyo Challenge with the aim of raising US\$13 million for anti-retroviral (ARV) treatment for children and to prevent mother-to-child transmission. The project has also supported the Department of Health in ensuring that patients adhere to treatment protocols once they have commenced with treatment. Through the text-to-treatment model, Vodacom has sent messages to support patients in adhering to ARV therapy, and to facilitate transport for patients between villages and health facilities using M-Pesa.

In Mozambique, we continue to support the fight against malaria, which is a major cause of morbidity and mortality especially among children. This year, we distributed 1 000 treated mosquito nets to communities in Marracuene and Pemba districts. We also signed an agreement with the Mozambique ministry of Health, as well as Google, to create a platform to co-ordinate the indoor spraying process that is used as an effective malaria control measure. The platform will connect sprayers, making registration easier, and communicating vital information about the disease. Vodacom Mozambique has provided 2 000 smartphones and 2 000 uniforms for the sprayers to use while they work.

Vodacom supports pioneering maternal healthcare centre



Vodacom sponsors the Shandukani maternity ward, a flagship private/public partnership world-class facility providing 24-hour, free of charge maternal and child healthcare for the community of Hillbrow in Johannesburg, South Africa.

During the first year of the Vodacom Foundation's Shandukani initiative (October 2014 to October 2015), healthcare workers performed Pap smears on over 1 500 patients to screen for cervical cancer, and followed up any abnormal results with further rounds of tests. The patients' waiting time for results was cut from one year down to three months, and the service was integrated with HIV testing.



Vodacom attending a site visit to the Shandukani maternity ward

Delivering value through social investment continued

Promoting safety

Providing assistance and counselling for victims of gender-based violence remains a focus for the Vodacom Foundation. Our 24-hour call centre in South Africa for gender-based violence was named the Best Technology Innovation – Small Centre of the world at the Global Best Contact Centre Awards in Las Vegas in November 2015. This adds to the two other highly acclaimed service awards the centre has won since its launch in March 2014 – the Innovation Award as part of the Contact Centre Management Group (CCMG) Awards and the Changing Lives Award as part of the Africom Awards.

The Vodacom Foundation donated R680 000 to the Memeza Shout Crime Prevention organisation, which specialises in providing affordable innovative connected community safety technology, in an effort to safeguard women against gender-based violence. The project was piloted in Diepsloot, a township in the north of Johannesburg, South Africa. A total of 600 effective, low cost alarm systems were installed in homes across the township. The Vodacom Foundation also contributed to the purchase of 1 000 personal alarms to be distributed to women and children in and around the Diepsloot area. There has since been an encouraging reduction in crime in Diepsloot.

Employee volunteering

For the past six years, Vodacom South Africa has annually selected around 20 volunteers from its workforce to work for a non-profit organisation (NPO) of their choice in South Africa for a year, retaining their salary and at no cost to the volunteer or the host organisation. The volunteers have the opportunity to do something close to their hearts while imparting their skills and expertise to an NPO. Over 7 500 new volunteers applied to participate in this year's Vodacom Change the World programme, from which 21 volunteers were selected.



Change the world volunteer with a learner

Vodacom Change the World volunteer pioneers initiative to support vulnerable women using narrative therapy techniques



Jenna-Lee Strugnell is one of the inspirational Vodacom Change The World volunteers who has dedicated a year of her life to sharing her expertise with the Narrative Foundation by setting up and running the Tales of Turning project in KwaZulu-Natal, South Africa.

The project is dedicated to providing support to vulnerable mothers in South Africa with a focus on using narrative therapy techniques and skills building. With sponsorship from Vodacom, a principal achievement has been the creation of mothers' support groups in Durban and a homework group for children, who now have a space where they can complete school projects. Educational resources, such as puzzles and worksheets, contribute to the development of the children's skills and volunteers from the wider community have joined the group to support the mothers in their new endeavour.



Mothers' support group in KwaZulu-Natal

Managing our environmental impacts

We operate in countries that are particularly environmentally vulnerable and strive to improve our own resilience and mitigate our impact on the environment. The ICT industry is categorised as a low environmental impact sector. We have identified the most significant environmental impact of our operations as being energy use and the related carbon emissions in our network. Our focus is on minimising the energy intensity and carbon footprint of our operations by improving the energy efficiency of our network. Furthermore, communications technology can play a significant role in enabling a low carbon economy by powering innovations that can reduce carbon footprints while bringing wider social and economic benefits.

Accountability and management

We have robust management systems in place to help us minimise our impact on the environment and continually improve our performance. Our environmental management system (EMS) at the head office of Vodacom Group Ltd is ISO 14001 certified by TUV Rheinland.

The Group Health, Safety and Environment (HSE) Executive Head is accountable for our EMS and compliance. Environmental performance indicators are the responsibility of each Chief Officer within Vodacom and are managed on a project-by-project basis. Accountability for our environmental performance at operational level rests with the senior management at each of our operations.

During the year, we established a cross-functional workgroup to review, redefine and monitor our EMS, environmental projects and focus areas. All environmental initiatives are tracked by the workgroup. The focus this year was on addressing legal compliance issues and waste management.



PG 11

Our approach to responsible sourcing

The quality of reporting across the Group varies and we seek to improve standards where needed.

Compliance and regulatory developments

Our operations comply with applicable environmental legislation. We monitor environmental compliance through site inspections. During the year, we conducted environmental compliance audits in five of the seven regions in South Africa. The level of compliance, averages at 75% and the areas for improvement are: alignment to construction regulations and authorisation of diesel tanks. During the year, there were no environmental incidents recorded or prosecutions for environmental offences or fines for breaches in environmental regulations.

We have actively followed developments on the impending carbon tax legislation in South Africa. As a low impact company, our carbon tax liability will be relatively low. We will, however, be impacted by increases in fuel and electricity levies should the cost implication of the carbon tax be passed on to the consumer by fuel suppliers and the national power utility Eskom.

Key environmental performance indicators

Group indicators	2016	2015
Reduction in carbon values per site (%)	7	5
CO ₂ emissions ¹ (tonnes)	576 872 [†]	561 515 [†]
Solar operated sites	955	n/a
South Africa indicators		
Number of sites	11 621	10 673
Access network electricity (GWh)	282.0	255.0
Core network electricity (GWh)	81.0	62.0
Data centres electricity (GWh)	33.0	48.0
Building electricity (GWh)	50.0	59.0
Diesel generator fuel (million litres)	3.3	2.8
Vehicle fuel (diesel and petrol) (million litres)	1.3	1.6
Network equipment and handsets reused or recycled (tonnes)	1 006	160

1. Total scope 1,2 and 3 emissions (Greenhouse Gas Protocol).

[†] Restated to exclude Tanzania base stations.

Energy and climate change

As we grow our business and extend voice and data services to our customers, we are expanding our network and handling more data. To minimise the resulting increases in energy use and carbon emissions, we continue to rollout energy efficiency measures and new technologies across our network.

Across the Group we measure diesel and electricity consumption at over 15 000 base stations and implement initiatives aimed at operating more efficiently and adopting renewable and alternate sources of energy where feasible.

This year, we defined our strategy for managing our internal energy and carbon performance and established the following set of principles that guide how we will work efficiently and dedicate resources to effectively track, manage and report our performance.

- ➔ **Principle 1:** Take a full life-cycle view when assessing energy and carbon performance.
- ➔ **Principle 2:** Incorporate energy and carbon performance considerations into business and procurement decisions, design specifications and operational functioning.
- ➔ **Principle 3:** Strive to improve energy efficiency of our organisation by choosing energy efficient technology solutions as far as possible and eliminating waste.
- ➔ **Principle 4:** Manage the carbon intensity of our company by optimising energy choices where possible, driving awareness, reducing waste and growing sustainably.
- ➔ **Principle 5:** Ensure business continuity at all levels of Vodacom, by addressing energy shortages and pursuing alternative and independent energy solutions where the business case supports this.
- ➔ **Principle 6:** Engender and enable behavioural change in our organisation, along our value chain, in our customers and in our communities, to minimise our environmental impact, carbon intensity and energy intensity.
- ➔ **Principle 7:** Employ the latest technology and advanced ICT solutions, integrate smart measurement and control capability to facilitate energy and carbon performance measurement and management.
- ➔ **Principle 8:** Streamline and integrate governance and physical systems for a unified and optimal approach for Vodacom.
- ➔ **Principle 9:** Set ambitious targets for energy performance and carbon intensity, while driving operational expenditure reductions and ensuring network resilience.

In South Africa, as we rollout more smart energy meters at base stations, the quality of reliable energy data improves. In Tanzania, we no longer own the network towers and have therefore not included the towers' energy consumption in our Group performance assessment.

We participate annually in the CDP's South Africa Climate Change Report. In 2015, we retained our lead in the telecommunications sector in South Africa. Our scores increased from 96% in 2014 to 99% in 2015. Our CDP submission is available at www.cdproject.net.

Energy security

We continue to invest in back-up equipment and generators at our sites and have emergency plans in place to deploy additional mobile generators should the need arise. All core elements and important hub sites have permanent generators as additional power back-up.

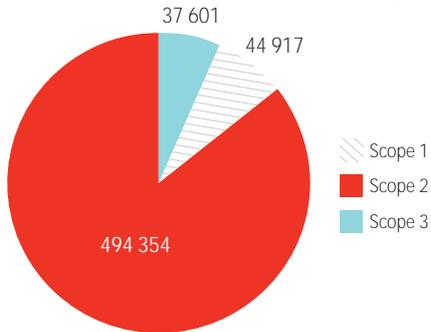
Our performance

We measure our carbon footprint annually. Our direct (scope 1) emissions account for about 8% of our carbon footprint and are generated primarily by diesel generators used to power up base stations as well as the use of petrol and diesel cars in our vehicle fleet. Our scope 2 emissions are indirect emissions as a result of using electricity from the national grid and account for approximately 85% of the total carbon footprint. Reducing our electricity usage is consequently a major focus. Scope 3 activities include indirect emissions as a result of business travel, employee commuting and downstream distribution.

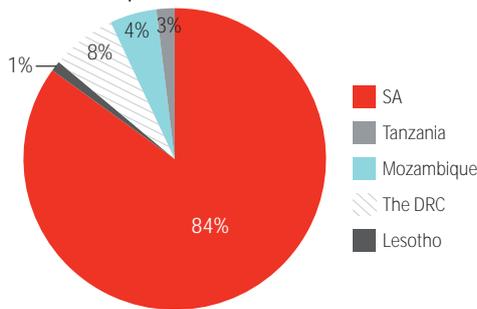
With the growth in our networks across the Group our carbon emissions increased by 2.7% to 576 872mtCO₂. Our number of base stations increased to 15 577[†]. This has resulted in a 7% reduction in carbon emissions per base station.

[†] Excluding Tanzania base stations.

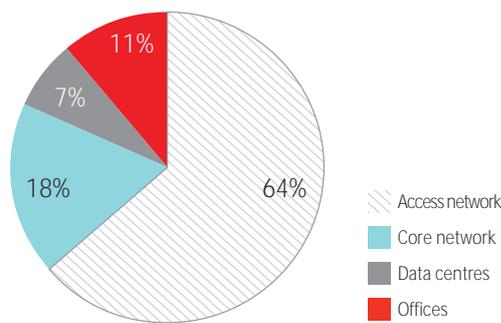
Total emissions in metric tonnes mtCO₂



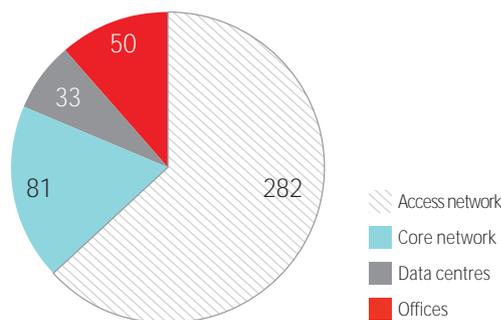
Our operations' contribution to Group carbon footprint



Energy use per category as % (South Africa)



Energy use per category in GWh (South Africa)



Improving energy efficiency

The access layer of our network – the component of our network that customers connect to, whether it's a base station or a physical fibre-optic connection – accounts for just over 60% of Vodacom's energy consumption and continues to increase due to network growth and the expansion of 3G and LTE/4G services. Energy efficiency initiatives range from alternative power generation, high temperature batteries to the rollout of smart energy meters. During the year, we installed 331 smart meters.

We are also exploring innovative energy solutions such as fuel cells, flow batteries, DC power cooling and energy data management solutions. The Vodafone Site Solution Innovation Centre in Midrand, South Africa provides a base for the Vodafone Group network innovation teams to collaborate with external parties and suppliers to develop and test new technologies that will help reduce our energy use and carbon footprint.

Vodacom is continuously renewing its core network – where calls and data requests are directed and connected – to support future technologies and services. Core network energy efficiency initiatives include heating, ventilation, air conditioning (HVAC) system optimisation, humidity control set-point changes and lighting optimisation. Projects have achieved energy savings of between 5% and 34% at the respective facility.

In the office environment, energy reduction initiatives include retrofitting of LED lighting, HVAC optimisation and redesigning offices to incorporate the New Way of Working plan which aims to move all employees to open plan working. Energy saving projects completed at our buildings accounted for estimated energy savings of 1.3GWh which translates to R1.8 million, during the year. We reduce the need for business travel – and associated greenhouse gas emissions – by equipping our offices with technology to enable our people to communicate and work together with colleagues around the world.

Operational optimisation is an ongoing process. In the coming year we will rollout smart metering and sub-metering to monitor electricity and water consumption to assist in identifying opportunities for improvements.

Our office in Century City in Cape Town, South Africa has one of the largest single-roof photovoltaic solar array installations in Africa. It generates more electricity than the building requires. To ensure that there is no wastage of green electricity, our engineers have designed an ice plant which will produce ice which will be used for cooling the building's HVAC system. This will ensure the effective utilisation of the excess energy generated by the solar panels.

Energy and climate change continued

Alternative energy solutions

To reduce our reliance on carbon intensive energy sources, we promote the use of small-scale renewable energy to power our network. In the DRC, we continue to establish ultra-low cost sites in rural areas with no coverage and now provide 2G services with GPRS and EDGE. The sites are totally off-grid and operate on battery and solar power only, providing a 'greener' solution when compared to a site powered by a diesel generator. The concept has been expanded into Vodafone as a global best practice.

We now have 955 solar sites across the Group. In the DRC, the number of ultra-low cost sites now stands at 788 and the solution has significantly reduced the carbon emissions per base station. Vodacom Lesotho has also implemented the ultra-low cost site, with a deployment time of only four days and at a cost of almost half of what it would cost for a normal base station.

Our Community Power initiative, implemented since 2011, entails using solar energy to power a Vodacom base station and provide the excess energy to neighbouring communities where grid supplies may be unavailable or unreliable. The flagship site in Emfihlweni in northern KwaZulu-Natal, South Africa is working well and an additional site in the Vuvu district, Eastern Cape, is also showing positive results (as per the case study). As the Community Power model is specific to rural areas where there is no electrification or plans for further electrification, base stations need to be close enough to existing infrastructure (such as a school or health clinic) to be able to share the excess energy produced by solar panels. These conditions are few and far between in South Africa.

Technology to support impact management

Our IoT solutions enable objects or devices such as cars, traffic or streetlights and buildings to send and receive real-time information via our network. This information enables our enterprise and business customers to gain insight into how their resources are being used. This in turn can help them to cut costs and carbon emissions, for example, by reducing their energy and fuel use and thus improving the efficiency of their operations.

In the South African market we have introduced solutions for monitoring water and energy consumption, which highlight wastage through excessive or abnormal usage combined with intervention indicators. Our diesel tank monitoring solution provides early warning of possible leaks enabling enterprises to act timeously to limit the loss and avoid the environmental impact of diesel flow into the ecosystem. Vodacom has implemented these solutions at several internal sites and will continue the rollout across further key sites. We have implemented solutions with large manufacturing customers and have a strong pipeline of customer interest. Several new initiatives are to be launched next year to further address key areas of energy management for local government.

Vodacom provides renewable energy to rural school



Vodacom is supplying renewable energy to the Vuvu Junior Secondary School in Mount Fletcher, Eastern Cape, and its local community, with excess power generated at its solar-powered base station in the area. The school now has access to electricity for the first time since it opened in 2004. The project follows a successful pilot initiative launched in Emfihlweni in Northern KwaZulu-Natal in 2012, as well as a second project in Kisarawe, Tanzania, in 2013.

Access to electricity is a key enabler of social and economic development. The project in Emfihlweni has already seen the matric pass rate improve year-on-year to 75% at the end of 2015. Vodacom is committed to using technology and its relationship with government departments, particularly the Department of Basic Education in this case, to help learners and teachers gain access to quality education and instruction. As part of the Mount Fletcher project, we have established a computer centre at the Vuvu school. This includes 20 computers for learners, a laptop for a teacher, a server, a white-board and projector and access to Vodacom's zero rated educational content.

The base station's 7.5kW solar array has led to a 60% saving on fuel normally consumed at the base station and a reduction in generator run time to three to four hours per day.



Vuvu Junior Secondary School in Mount Fletcher, Eastern Cape.

Waste and water |

Our aim is to reduce waste sent to landfill by identifying waste streams that can be reused and recycled. Initiatives under development include an integrated waste management procedure, a battery rejuvenation project and waste separation at source as part of Vodacom's New Ways of Working.

As technology advances, we replace our network equipment with new, more energy efficient equipment that improves the network service for our customers and makes our operations more efficient. This generates electronic waste (e-waste). During the year, 1 006 tonnes of network equipment and handsets were reused or recycled. The large increase since the previous year can be attributed to our battery swap-out project on our network. Some e-waste is potentially hazardous and must be handled separately and disposed of responsibly. We conduct formal audits of our e-waste suppliers to ensure that our e-waste is being disposed of in accordance with good practice and compliance with legislation. Through audits and a collaborative approach between Vodacom and suppliers we ensure that there is legislative compliance, as well as improved reporting and management of e-waste disposals.

This year, we increased the level of recycling of general waste generated at Midrand campus from 26% to 32%. In our stores in South Africa we introduced plastic bags made from recycled material with a message to customers to reuse the bags.

Our operations use relatively little water compared with other industries and we do not consider this to be material to our environmental impact. However, we recognise that water is becoming an increasingly important issue, especially in the water-stressed regions in which we operate. We only consume water in the office environment. Each operation takes measures to increase environmental awareness in their market, including campaigns with water saving tips for the office and home environment.

At our retail operations we have undertaken campaigns to promote reduced electricity, water and paper usage, and waste generation.

Ozone depletion

Some of our network cooling systems and air conditioning systems in our offices and shops use refrigerants. We have phased out the use of chlorofluorocarbons (CFCs) in most buildings. There is a plan to phase out the use of R22 gas. Free cooling, which substantially reduces the energy consumed by air conditioners, has been implemented at 331 further sites during the year.

Providing clean biomass stoves



Vodacom Lesotho has partnered with Africa Clean Energy, an environmental organisation focused on providing affordable and clean energy to communities, to invest in ultra-clean biomass stoves.

The stove burns any type of biomass and results in complete combustion of the fuel, minimising CO₂ emissions. The virtually smoke-free burning avoids the negative health and environmental impacts of smoke. The stove requires 70% less fuel and converts the energy from heat to electricity to power LED lights and charge phones. To date, 100 stoves have been distributed and Vodacom Lesotho has committed to provide more stoves for distribution in all the communities where ultra-low cost base stations are proposed.



Biomass stove

Independent assurance report

Independent limited assurance report in relation to selected key performance indicators presented in Vodacom Group Limited’s sustainability report for the year ended 31 March 2016.

To the Directors of Vodacom Group Limited

Report on selected key performance indicators

We have carried out a limited assurance engagement in order to state whether anything has come to our attention that causes us to believe that the selected key performance indicators (KPIs) described below, as presented in the 2016 sustainability report of Vodacom Group Limited (Vodacom) for the year ended 31 March 2016 (“the Report”), are not prepared, in all material respects, in accordance with the criteria specified by Vodacom for reporting the selected KPIs, as set out below. This engagement was conducted by a multidisciplinary team including environmental and assurance specialists with relevant experience in sustainability reporting.

Subject matter

The subject matter for our limited assurance engagement are the selected KPIs included in the table below, which are marked with a ^ on the relevant pages in the report. The selected KPIs have been prepared by Vodacom applying its specified criteria for each KPI (“Criteria”), which information accompanies the performance information set out on the relevant pages of the report (the accompanying Vodacom Group Limited’s reporting criteria can be accessed via the following link www.vodacom.com.)

Category	Selected KPIs	Coverage	Reporting criteria
Operation	1. Carbon emissions <ol style="list-style-type: none"> i. Tonnes of CO₂ arising from SA diesel usage at the office buildings, generators and company owned vehicles ii. Tonnes of CO₂ arising from SA electricity consumption of access and core networks, data centres and buildings nationwide iii. Tonnes of CO₂ arising from SA business travel which includes air travel, hotel accommodation and car hire 	<ul style="list-style-type: none"> • South Africa only 	<ul style="list-style-type: none"> • GHG Protocol for Carbon Footprint
People	2. Engagement Score	<ul style="list-style-type: none"> • Group 	<ul style="list-style-type: none"> • Internal Guidelines (Vodacom Strategies)
Reputation	3. Reputation Survey – position relative to competitors	<ul style="list-style-type: none"> • Group 	<ul style="list-style-type: none"> • Internal Guidelines (Vodacom Strategies)

Directors' responsibilities

The Directors are responsible for the preparation and presentation of the selected KPIs in the Report in accordance with the above Criteria, and for the selection of methods included in the Criteria. No conclusion is expressed as to whether the selected methods used are appropriate for the purpose of reporting the selected KPIs in the Report. The responsibilities of the Directors include the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance relevant to the preparation and presentation of the selected KPIs in the Report.

Further, the Directors are also responsible for the preparation of the specified greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A corporate accounting and reporting standard (GHG Protocol).

The Directors' responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the specified greenhouse gas emissions, and the preparation and presentation of the selected KPIs in the Report, free from material misstatement whether due to fraud or error.

Inherent limitations

Non-financial performance information is subject to inherent limitations given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our independence and quality control

We have complied with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Ernst & Young Inc. applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information and in accordance ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. These Standards require that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of Vodacom's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including obtaining an understanding of internal control relevant to the preparation of information used to prepare the selected KPIs solely for the purpose of determining the nature and extent of our procedures, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and their selection and application of sustainability reporting policies relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the selected KPIs; and
- Evaluated whether the selected KPIs presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at Vodacom Group Limited.

Independent assurance report continued

Our procedures did not include testing controls or performing procedures in relation to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and form, and are less in extent than for a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Vodacom Group's selected KPIs have been prepared, in all material respects, in accordance with the Criteria.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected KPIs identified above in the subject matter paragraph, as presented in the Report are not prepared, in all material respects, in accordance with the Criteria.

Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans and / or strategies disclosed in the Report.

The maintenance and integrity of Vodacom Limited's website is the responsibility of management of Vodacom. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes either to the selected KPI information as presented in the Report or to our report for our independent limited assurance engagement that may have occurred since the initial date of presentation on the Vodacom website.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the Directors of Vodacom in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Vodacom Group Limited, for our work, for this report, or for the conclusion we have reached.

Ernst & Young Inc.

Ernst & Young Inc.

Director – Vinodhan Pillay
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road
Sandton
2196

3 June 2016