PG 100

MATERIAL FACTORS

Governance

Risk management

Our material issues are set out on PG 06

we're actively managing, linked

to our material issues:

How we sustain our ability to create value

PG 96

www.vodacom.com

www.vodacom.com

Stakeholder engagement

HOW WE DO **BUSINESS**

Through our business model we sustain a high level of investment in the critical elements that enable us to deliver value to our customers, sustain and grow our revenues and maximise our profits. This provides the capital we need to reinvest in our business, and ensures we can continue creating value for all our stakeholders.

CAPITAL INPUTS

Financial capital

Used in executing our business activities as well as in generating, accessing and deploying other forms of capital. Includes shareholders' equity, debt and reinvested capital.

Human capital

The skills and competencies of our people determine our success in executing the activities that form part of our critical enablers. Human and manufactured capital are the biggest cost to our business.

Intellectual capital

Includes our licences which we acquire by managing social and relationship capital and deploying financial capital. We also invest in building and maintaining a strong brand.

Manufactured capital

We deploy financial capital to build and maintain network infrastructure, data centres, distribution infrastructure and software applications.

Social and relationship capital

Relationships with regulators determine granting of licences and access to spectrum. Our reputation among customers and communities gives us our social licence to operate. Licencing fees diminish financial capital.

Natural capital

We require natural capital such as land and energy to deploy and operate our manufactured capital. Accessing these inputs diminishes financial and natural capital, the impact of which is lowered through energy efficiency initiatives and site sharing.

Licences permissions

and

Network

Products

services

Procurement

Distribution

and customer service

Brand and

reputation

CRITICAL ENABLERS

the resources and relationships that underpin our ability to create value:

- Maintaining positive and constructive relations with regulators and communities.
- Meeting all licence conditions.
- Gaining permissions to deploy infrastructure.
- Attaining licences for new services such as financial services.

- Investing significant capital resources in building, maintaining and operating mobile and fixed-line networks.
- Finding ways to make network equipment more energy and cost efficient.
- Disposing of end-of-life network equipment responsibly.
- Developing new products, services and pricing models to diversify revenue, retain market share, mitigate against pricing pressure and declining ARPU, and continue to offer best value.
- Developing products and services that mitigate against the risk of data loss
- Hiring the right skills and incentivising people to take advantage of new technology to innovate.

People

- Structuring remuneration and reward to attract and retain talent.
- Encouraging high-performance, values-based behaviour and innovation.
- Training and development programmes and bursary schemes.

• Attract and retain best people and diversify skills base.

• Access to spectrum pending regulatory process.

• Maintaining BBBEE status to qualify for spectrum.

• Access to spectrum to meet growth in data demand.

• Maintain network service during power outages.

• Maintain network security protocols.

• Invest in skills to drive innovation.

• Higher equipment cost due to currency weakness.

• Sustain network investment as our key differentiator.

• Maintain growth through new differentiated services.

• Ensure that new services comply with privacy legislation.

• Transform the base to retain market share and secure ARPU.

• Diversify revenue to offset erosion due to changes in regulation.

• Meet equity targets to retain BBBEE status.

Procuring network equipment and handsets at commercially favourable terms.

- Leveraging the global purchasing power of the Vodafone Procurement
- Optimising distribution and renegotiating supplier contracts to be performance-based.
- Distributing through our franchise stores and direct sales partners.
- Ensuring customer engagement is simple and consistent across all channels.
- Deploying innovative solutions at customer touch-points (retail stores, repair centres, call centres and online) to improve the customer experience.
- · Providing facilities for handset recycling.
- Maintaining network quality and customer service to retain brand ranking.
- Engaging with stakeholders to understand and address concerns.
- Utilising technology to meet societal needs.
- Contributing fairly to public finances.
- Supporting transformation and indigenisation objectives of host governments.

• Currency weakness drives up costs of devices and equipment.

- Access low-cost smart devices to drive data use.
- Enhance service excellence to retain market share.
- Capacitate channels to distribute new services.
- Invest in front-line staff to ensure service excellence.
- Keep customer information secure to comply with regulations.

• Invest in people to maintain highest level of customer service.

- Failure to maintain information security could impact reputation.
- Maintain best network quality and service.
- Leverage brand when entering new markets.



Leveraging our critical enablers and managing those factors that could impact our ability to create value supports our business activities, which are to provide leading voice, messaging, data and converged services to our customers.

We generate revenue

from providing products and services to our customers, which are ultimately aimed at empowering people and businesses to be confidently connected.

> See the next page for our business activities



The revenue we generate from our business activities enables us to pay operating costs and salaries to our employees. From the remaining operating profit we pay finance costs to our debt providers. We then meet our obligations to tax authorities.



Net profit

Our challenge is to optimise profitability in an environment of lower pricing, higher inflationary cost pressures and shifting sources of revenue.



Shareholder returns

From our net profit we then distribute returns to our equity shareholders. Our dividend policy is to return at least 90% of headline earnings to shareholders.



Reinvested in our business

We reinvest remaining capital back into our business to strengthen our critical enablers. Our network accounts for the biggest proportion of this investment as its quality and reach is fundamental to increasing our competitiveness, in line with the "best network" pillar

of our customer strategy.





PG 20 See page for detailed outcomes of our business model



Total reinvested back into the business