

HUMAN RESOURCES

“The branding of Vodacom as an employer of choice and offering a great working experience are as important as delighting our customers.”



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Introduction

The upswing in the South African economy, the convergence of technologies and the publication of the draft BEE Codes of Good Practice are only a few of the external factors that continue to present the Group with numerous challenges and opportunities. In this competitive environment the branding of Vodacom as an employer of choice and offering a great working experience are as important as delighting our customers. Without the best available talent the Group will be unable to deliver on our strategic objectives and therefore, the Human Resources function focuses on the implementation of an integrated approach to the management of our human capital.

The primary strategic objective of Group Human Resources (“HR”) is to leverage human capital competitiveness as a core driver and differentiator for business performance in this highly competitive industry. Group HR plays a pivotal role in facilitating an institutional people framework that is conducive to attracting and retaining the best talent who continue to be enthused and excited about the challenges provided at Vodacom.

Key focus of activities

HR’s strategic thrust is underpinned by the objective of attracting, retaining and developing employees to meet the growth need of the organisation. The Group’s focus over the past year was the enhancement of executive and management skills; succession development; the training of our technical staff with regards to the latest technology; expanding the use of our e-learning methodology; introducing a programme to expand the pool of females in core areas of the business; continuing to address the HIV/Aids challenge through pro-active treatment and care; strengthening our employee wellness programme; the rolling out of learnerships and other skills development initiatives; refining our recruitment and selection processes and the continuous enhancement of our reward strategy.

Human resources continued

HEADCOUNT

	Year ended March 31			% change	
	2004	2005	2006	05/04	06/05
Number of employees including temps and contractors	4,609	4,993	5,459	8.3	9.3
South Africa including holding companies	3,848	3,954	4,302	2.8	8.8
Other African countries	761	1,039	1,157	36.5	11.4
Total customers per employee	2,434	3,101	4,308	27.4	38.9

Headcount and movements

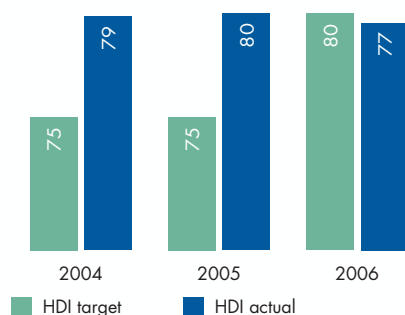
The Group continues to manage headcount to ensure operational effectiveness and efficiencies and contain administration overheads. Actual headcount increased in the Group in the last financial year by only 9.3% to 5,459 (2005: 4,993). The increase in headcount is conservative in comparison to the 51.9% increase in the Group's subscriber base to 23.5 million customers. The South African operations experienced a headcount increase of 8.8% over the last year. Included in the South African headcount (including holding companies) are 34 employees in Vodacom International Limited (Mauritius) (seconded to Vodacom's African operations), 206 employees in the Smartphone Group and 49 employees in

Cointel. Group-wide customers per employee, as a measure of organisational efficiency, increased to 4,308 (2005: 3,101) in 2006, which represents a 38.9% increase in employee productivity for the year.

The annualised voluntary turnover for the Group stands at 11.6% (2005: 9.6%) as at end of March 2006. However, the labour turnover is still within our target of 12%. The average age in the Group is 34 years, 66% of employees are between the ages of 21 and 35 years, a relatively young population. This impacts man-power planning, as well as employee benefits and retention strategies in creating the right appeal to attract and retain young talent.

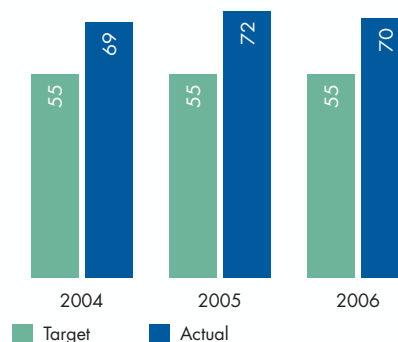
Historically disadvantaged individuals ("HDI") actual versus target

%

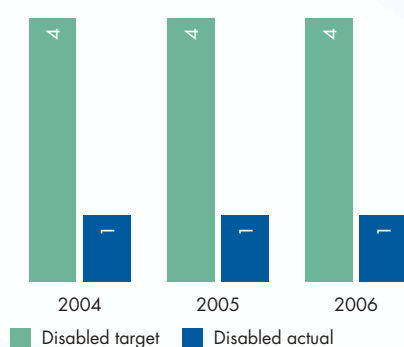


Black female as a % of total female actual versus target

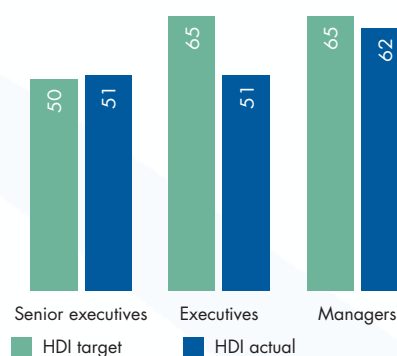
%



Disabled actual versus target
%



HDI at management level 2006
%



Employment equity

The Employment Equity ("EE") Act continues to be an integral part of the Group's strategy and is viewed by the Board and senior management as a driving force in ensuring that the Group retains its competitive edge in the market place. The Group also strongly supports the objectives of the Broad-based Black Economic Empowerment ("BBBEE") Act and recognises the important role that the Codes of Good Practice will play in the meeting of these objectives through the provision of clear guidance to all stakeholders on the implementation of the BBBEE Act. As the need to understand, accept and embrace diversity has definitely become a strategic business imperative in the South African business environment, the Group also places considerable emphasis on the management of diversity. A large part of the business has undergone diversity management workshops which focus on assisting individuals to understand the past and present as well as the need to deal with prejudices and stereotypes. Furthermore, all new employees to the Group undergo training on EE issues as part of the Group orientation programme. Success in meeting this vital imperative is expected to maximise future opportunities and long-term shareholder value.

Vodacom's progress in the area of EE continues to be closely monitored by the Board. Over the last few years there has been a trend of exceeding our overall EE targets, with the exception

of the disabled. This trend has largely continued through this financial year with the exception again of the disabled as well as HDI at some management levels.

The Group has made considerable progress in ensuring that its employee profile is highly representative of the demographic profile of South Africa. To facilitate the achievement of EE plans, during the year 77% (2005: 88%) of Vodacom's new appointments were from the previously disadvantaged group. As at March 31, 2006, 68% (2005: 67%) of our workforce was from this Group, excluding white women.

While EE and gender representation at certain senior levels and disability targets continue to be a challenge, advancements have been made over the last year in this regard with the appointment of highly regarded senior black executives in corporate strategy, commercial and a new venture company. Vodacom is confident that, with emphasis on executive development, focus on an executive pipeline, targeted resourcing at senior levels and stretch assignments, it will meet its objectives. At the end of March 31, 2006, Vodacom has made significant progress towards achieving its target at all management positions in an environment where there is very low labour turnover, a young executive profile, lucrative opportunities created by the telecoms convergence and where headcount restraints prevail.

Human resources continued

Employee rewards

Vodacom reward strategy is integral and in harmony with the overall business strategy to create a high performance workforce thereby ultimately increasing long-term shareholder value. The Group has a Remuneration Committee ("REMCO") that is charged with the responsibility of overseeing, on behalf of the Board, the Group's compensation policy, reward strategy as well as the compensation and benefit programmes of senior management. The REMCO seeks to provide rewards and incentives that are highly leveraged to performance and clearly linked to the Group's results and individual performance. The thrust is to ensure that our compensation and benefits are at levels that enable the Group to attract and retain talent. The Group has introduced remuneration philosophy and practices which aim to codify our approach to employee rewards to solidify our position as an employer of choice.

The Group upholds internal remuneration equity, as well as external equity to remain market competitive. This is achieved through participation in a range of niche salary surveys.

To ensure the retention of skills and the alignment of Group goals with those of individual employees, the Group offer short-term and long-term incentive schemes. The Group, as part of its annual remuneration strategy review, introduced various initiatives such as a lease company car benefit to lower management levels as well as the introduction of variable retirement funding contributions to address the need for flexibility. These initiatives are aimed at meeting different employee needs as far as benefits are concerned, in line with the Group's remuneration philosophy. The Group also approved the payment of a special bonus to employees for achieving exceptional financial results. This bonus payment is in addition to the annual performance incentive that is based on the short-term incentive scheme policy.

Human Resources development

General

The continuous development of the Vodacom brand is supported by the Group's dedication and investment in the training and

development of staff. The total talent management effort is complemented by providing staff with the opportunity to develop and grow. At the same time, we are realising a strong return on investment for the business with increased productivity and cost savings as a result of the training and development initiatives. An example of this would be the cost saving of nearly R3 million as a result of the implementation of a call centre learnership.

The Group's HR development strategy is driven by the passion to be the best in whatever we do. We believe that the focus on building capacity through the development of managerial, leadership and functional competencies achieves this and creates a sustainable competitive advantage for Vodacom. The Group's commitment to employee development is demonstrated by the increased investment it has made in this regard. The past financial year, the Group invested R23 million or 2% (2005: 2%) of payroll in HR development.

Skills Development Act and learnerships

The Group is committed to the implementation of the spirit of the Skills Development Act and has gone beyond compliance in its implementation of skills development initiatives. The Group has continued to actively participate in the ISETT SETA and implemented a number of learnerships resulting in more than 90% of the learners finding formal employment. Currently, 193 learners are trained in various learnerships that range from contact centre, new venture creation, telecommunication technician, project management, wholesale and retail management and female first line managers. During the 2006 financial year the Group has received close to R4 million from the ISETT SETA for the implementation of these programmes. The rest of the considerable cost of these programmes is funded by the Group, as well as by ploughing straight back the mandatory grants received from the SETA.

Vodacom Advanced Executive Development Programme ("VAEP")

This programme was introduced in 2003 and provides strategic expertise in financial management, management accounting, project management, marketing, statistical analysis, human resources, entrepreneurship and business analysis that will

empower the senior level participants to contribute more to the achievement of our company's business objectives as well as enrich their own capabilities. The programme includes the application of action learning principles through the Janus project. Candidates on the second intake achieved a 62% pass rate and graduated in November 2005. The next VAEP will commence in the second quarter of 2006.

Conversations in Leadership Programme ("CLP")

Constant change and a competitive environment make the challenge of doing business more demanding. Within this context there is a need for masterful leadership – leadership that engages people to bring about both an understanding of the strategy and an understanding of the implementation process. At the heart of this type of leadership is dialogue. To facilitate this type of learning Vodacom introduced the CLP. It was launched in August 2005 in partnership with the Gordon Institute of Business Science. Since then more than 90% of the executives attended various workshops and reflection sessions that form part of the programme. They attended workshops on strategy, transformation, leadership and business ethics. During 2006 workshops will be attended on personal mastery, customer centricity and people management.

Virtual Learning Centre ("VLC")

The Group continued the use of e-learning to roll out 3G technical training. This initiative ensured an overall return on investment of R2 million. The VLC has also been implemented in Vodacom Mozambique, Tanzania and the DRC. Initial usage figures in those countries show that more than 20% of employees use the service on a monthly basis.

Succession Development Programme ("SDP")

For the past five years Vodacom has been implementing what is called a feedback-intensive SDP. Feedback-intensive programmes are viewed as best practice and in general incorporate research on effective leader behaviour and learning processes, enabling individuals to develop a deeper understanding of their leadership strengths and development needs, as well as develop action plans to leverage that

knowledge for greater effectiveness in the Group. Our feedback-intensive programme includes comprehensive assessments of an individual's leadership, generally in one or more sessions, using multiple lenses to view numerous aspects of personality and effectiveness. It is a blend of methodologies, combining assessment of development tools (such as 360 degree feedback), experiential interactions, direct teaching of practical content and coaching. This is complemented by a variety of other development methodologies such as reading, e-learning, projects, etc.

Both the executive succession and the management succession pools are exposed to this type of development.

The SDP has achieved relatively good results in building the leadership pipeline and organisational bench strength. Candidates who participated have experienced growth in matching their development needs and some had opportunities for movement into more senior positions within the company. From the total pool, 67% of the candidates are EE and 33% are female. Based on results, the programme is successfully assisting with a leadership pipeline for the Group.

Technology Strategy Initiative ("TSI")

The ICT landscape has evolved rapidly in the past few years and this has called for the requisite skills to deliver on growth. Vodacom in response has launched the TSI programme (an accredited, honours – SAQA Level 7 course in Strategic Technology and Innovation) which forms part of the Digital Frontiers Initiative at Potchefstroom Business School's Institute of Technology and Innovation. Participants are exposed to the latest technological breakthroughs, technology predictions and business model possibilities. The programme is conducted over a ten month period that started at the end of August 2005, with 1 – 2 hour sessions per week during working hours. Amongst others, the programme consists of the following elements: technology roadmap for the telecommunications sector, scenario planning and possible strategy actions disruptive innovation and identification of disruptive threats, innovation mapping and contextualisation and business reframing and system thinking workshops.

Human resources continued

Employee education assistance

To promote life-long learning principles, the Group extends educational assistance to its full-time employees through its Yebo bursary scheme. For the year ended March 31, 2006 the Group spent R2.3 million (2005: R2.5 million) on the scheme. The scheme has been in operation for the past eight years and, to date, 4,292 employees have benefited from the scheme, demonstrating the premium the Group places on learning and acquisition of skills.

Employee well-being

General

The Group continues to place emphasis on employee wellness as a strategy to entrench a compelling employee value proposition that will aid our efforts in the attraction and retention of talent. In addition, employee wellness initiatives are aimed at driving employee productivity, promoting optimal health and facilitating organisational and individual resilience.

Executive Lifestyle Programme ("ELP")

The ELP is aimed at the pro-active raising of awareness with each executive about his or her health risks, actions required to mitigate or eliminate them and assisting the organisation with information on health trends which may necessitate other interventions. The overall objective is to promote optimal executive health so that they can become effective corporate athletes and drive shareholder value. The first round of the programme yielded a 65% participation rate for all Level 1 to 3 executives.

Occupational health services

We have retained the services of an occupational health doctor on a contract basis to create better access to medical support, ensure closer monitoring of health risks and facilitate pro-active management of secondees, pre- and post-assignment health assessments. A health risk profile has been compiled for the technical areas and base-line medical assessments have commenced in these areas. Travel health services have been established for employees undertaking official trips out of South Africa.

Access to counselling

Independent counselling and advisory services ("ICAS") continue to provide our employees with exceptional counselling and emotional support. Utilisation shows a very healthy trend and stands at 20% (2005: 22%) of the staff over the last year. Analysis of employee utilisation and trends has identified employee risk groups with the aim of providing input to shape the HR policies. Problem areas are pro-actively dealt with by implementation of activities targeting the trends identified.

HIV/Aids

The HIV/Aids pandemic is still a major challenge for many companies in the SADC region, including Vodacom. However, companies that have taken a pro-active approach through introduction of programmes like Direct Aids Intervention ("DAI") stand to benefit in the long term.

Vodacom's campaigns continue to target raising awareness levels and knowing one's HIV status through voluntary counselling and testing campaigns on-site and off-site. This is followed by a comprehensive treatment and monitoring service. The awareness campaign has been driven over the last year and 85% of the eligible staff population have undergone voluntary counselling and testing, exceeding our 2006 financial year target of 80%. The HIV prevalence based on cumulative tests stands at 2.2%, which is still below the actuarial projection of 5% prevalence which is well below the national prevalence levels. An analysis of the efficacy of treatment received shows positive results and these employees are able to carry on leading productive lives.

Employee and industrial relations

Vodacom has reviewed its employee relations framework to ensure strategic support for the business in respect of key business issues.

Two trade unions continue to be active within the Group, namely Communications Workers Union ("CWU") and Media Workers of South Africa ("MWASA"), neither having a recognition agreement with the Group as their membership base is low.

Trade union representivity for the Group has decreased to 10.2% (2005: 13.3%) of all employees in South Africa.

Operations outside South Africa

Group HR plays a pivotal role in providing strategic HR support to our African operations, both in terms of assignee management and regarding the local HR practices.

Key to this support is to develop the succession planning strategy to achieve the following:

- Identify and track all management positions in non-South African operations that will continue to require an assignee in the near future. For these positions, Group HR has also embarked on a process to timeously identify potential succession candidates. Group HR will pro-actively provide training and sensitisation to these individuals in preparation for deployment.
- Pro-actively identify all management positions that can be filled by local employees as soon as possible. Local candidates will be identified and prepared through a formal development programme that will ensure transfer of skills. It is Vodacom's aim to facilitate significant localisation of the management of these operations.

At this stage, the main challenge continues to be in resourcing these operations with executives and senior management. Emphasis continues to be placed on both management and technical training to enhance skills. Future thrust will be on accelerated development programmes, to build a pool of local employees for senior management positions.

Group HR has also embarked on a programme to provide structured and sustainable support to the local HR teams.

The standardisation of key employee benefits and conditions is on a phased approach to ensure a level of consistency and implementation of a Vodacom culture, while ensuring that the practices are locally relevant. It is also the intent of the business to maintain a balance between being an employer of choice and containing employee costs.

Conclusion

The Group continues to be highly successful in all its endeavours. This success is directly attributable to the vision and foresight of our leaders, the successful entrenchment of the Vodacom brand within the South African and African consciousness and the commitment and hard work of our committed employees.

Leveraging human capital competitiveness as a core driver and differentiator for business performance is a strategic focus area for Vodacom. HR has a key role in creating an environment that is conducive to attracting and retaining the best talent. The branding of Vodacom as an employer of choice and offering a great working experience are critical factors in achieving this objective.

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