



## CHIEF HUMAN RESOURCES OFFICER'S REVIEW

"Vodacom Group acknowledges and embraces the indelible importance that people play in its business success and delivering sustainable growth for all stakeholders."

Lungi Ndlovu  
Chief Human Resource Officer  
Vodacom Group (Proprietary) Limited

### Introduction

The changing regulatory landscape of telecommunications liberalisation, the ICT Charter and the lightning speed of technological advances continue to present the organisation with numerous challenges and opportunities. Vodacom Group acknowledges and embraces the indelible importance that people play in its business success and in delivering sustainable growth for all stakeholders. Competent and committed employees are central to overall business performance.

The 2005 financial year saw the Group making substantial investments in technology by rolling out a 3G network in record time. The push for technological advances was against a backdrop of a record number of customers, and exemplary achievements in containing churn and tight headcount management.

The 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

Vodacom's human resources strategic thrust is underpinned by the objective of attracting, retaining and developing employees to meet the growth need of the organisation. Vodacom's focus over the past year was the enhancement of executive and management skills; succession development, in particular the building of an executive pipeline; continuing to address the HIV/Aids challenge through treatment and care; strengthening our Employee Wellness programme; the rolling out of learnerships and other skills development initiatives; and the revamping our reward strategy.

To unlock synergies and maximise efficiencies, the Group embarked on a major restructuring exercise in respect of Vodacom (Proprietary) Limited and Vodacom Service Provider Company (Proprietary) Limited from the new financial year. This exercise received a great deal of attention, energy and direction from HR to ensure that the human aspects of the change were

### Headcount

	Year ended March 31,			% Change	
	2003	2004	2005	04/03	05/04
<b>Number of employees including temps and contractors</b>	<b>4,406</b>	<b>4,609</b>	<b>4,993</b>	<b>4.6</b>	<b>8.3</b>
South Africa	3,904	3,848	3,954	(1.4)	2.8
Other African countries	502	761	1,039	51.6	36.5
Number of part-time staff included	219	280	183	27.9	(34.6)
Customers per Group employee	1,963	2,434	3,101	23.9	27.4

successfully addressed. This entailed an intensive communication exercise characterised by Managing Director Roadshows, change management initiatives and extensive engagement with employees to build excitement about the change and to allay fears.

### Headcount and Movements

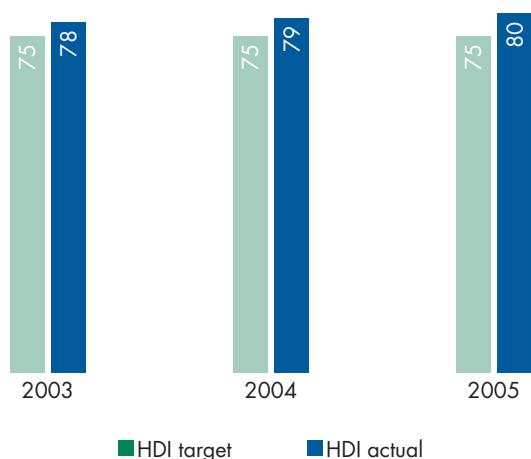
The Group continues to place strong emphasis on headcount management to unlock operational efficiencies and contain and reduce administration overheads. Headcount increased by 8.3% to 4,993 (2004: 4,609) in the Group, which performed well in containing headcount growth despite significant increases in customers and expansion in the DRC, Tanzania and Mozambique. The South African operations experienced a headcount increase of 2.8% over the last year due to the acquisition of Smartcom (Proprietary) Limited. Included in the South African headcount are 36 employees in Vodacom International Limited, including employees seconded

to Vodacom's African operations. Group-wide customers per employee, as a measure of organisational efficiency, increased to 3,101 in 2005 (2004: 2,434), which represents a 27.4% increase in employee productivity for the year. Excluded from headcount are 191 outsourced customer care employees, which yields a customer per employee of 2,987, a 22.7% increase over the prior year.

The annualised voluntary turnover for the Group was 9.6% (2004: 5.8%). However, the labour turnover is still within our target of 12% and compares favourably to the benchmark. The slight increase in turnover is attributable to terminations arising from the restructuring exercise which presented an opportunity to streamline the organisation. The average age in the Group is 33 years, 72% of employees are between the ages of 21 and 35 years, a relatively young population. This impacts manpower planning, as well as employee benefits and retention strategies.

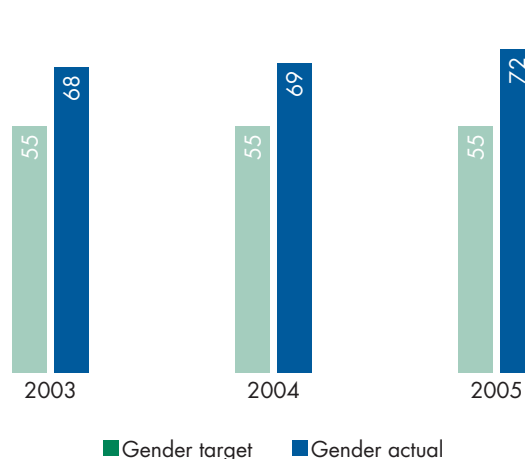
### HDI actual versus target

%



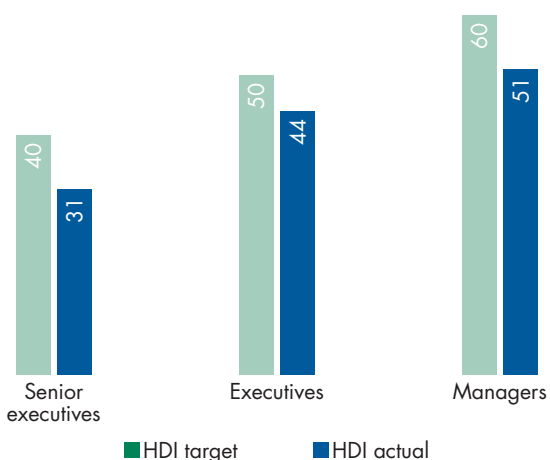
### Gender actual versus target

%



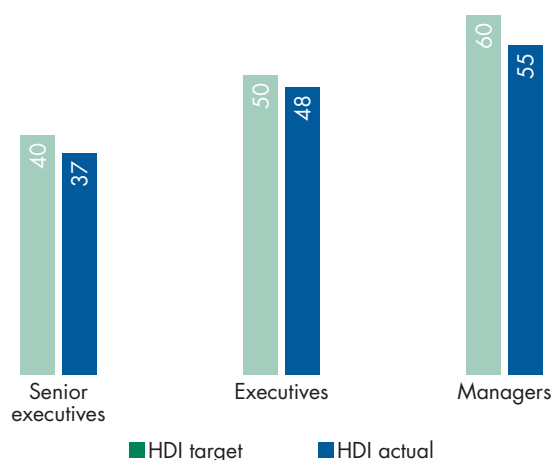
### HDI at management level 2004

%



### HDI at management level 2005

%

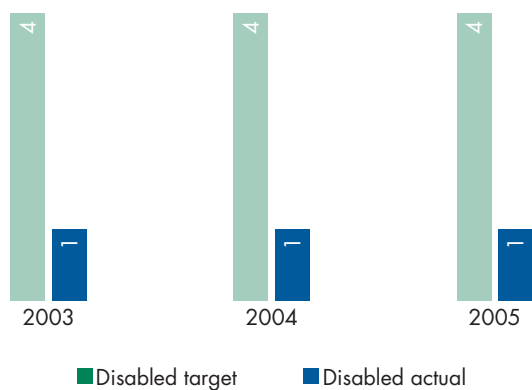


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## Disabled actual versus target

%



## Employment Equity

The Employment Equity (EE) Act is entrenched in Vodacom's strategy. The Board and senior management are committed to driving EE as a key business strategy to provide Vodacom with a competitive edge in the market place. Vodacom also recognises the importance of diversity management and is developing mechanisms to positively reinforce the richness of South African diversity. Success in meeting this vital challenge is expected to maximise future opportunities and long-term shareholder value.

Progress in this area is closely monitored by the Board. In the past three financial years, there has been an established trend of exceeding our overall EE targets, with the exception of the disabled.

The Group prides itself on the advances it has made in its employee profile, which is highly representative of the demographic profile of South Africa. To facilitate the achievement of EE plans, during the year 88% (2004: 81%) of Vodacom's new appointments were EE. As at March 31, 2005, 67% (2004: 65%) of our workforce was from the designated groups, excluding white women.

EE and gender representivity at senior levels and disability targets continue to be a challenge, however, some headway has been made over the last year. Vodacom is confident that, with initiatives such as the Vodacom Advance Executive Programme, focus on an executive pipeline, focused resourcing at senior levels and stretch assignments, it will meet its objectives. At the end of March 31, 2005, Vodacom has made commendable headway in its target at all management positions in an environment where there is zero

labour turnover at management levels, a young executive profile and headcount restraints.

## Employee Rewards

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, 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 and individual's results. The thrust is to ensure that our compensation and benefits are at levels that enable the Group to attract and retain executive talent. The Group has introduced remuneration philosophy and practices which aim to codify our approach to compensation and benefits 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 niche salary surveys.

To ensure the retention of skills and the alignment of Group goals with those of individual employees, the Group has implemented short-term and long-term incentive schemes. Vodacom, as part of its annual remuneration strategy review introduced a Remuneration Progression Policy in November 2004, which is aimed at addressing internal pay inequities outside the annual remuneration process.

## Human Resources Development

### General

Investment in employee development and training continues to be a focus to support Vodacom's strategy in empowering its human talent, so as to enhance their knowledge base and to maximise their potential and performance. The Group's HR development strategy is driven by the passion to be the best in whatever we do and to win. We believe that the focus on building capacity through the developing 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 heavy investment it continues to make in employee development. During the past financial year, the Group invested R11.5 million (2004: R15.1 million) or 2.0% (2004: 3.1%) of payroll in HR development. Effective cost management and low staff turnover have resulted in a lower spend per employee, translating into an impressive 46 training hours per employee.

### Skills Development Act and learnerships

The Group is committed to 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. Currently, 212 learners are trained in various learnerships that range from Contact Centre, New Venture Creation, Telecommunication Technician, Project Management, and Female First Line Managers. The Female First Line Manager Learnership, which has 18 learners selected from high potential lower level employees, is aimed at increasing our succession pool of potential female managers. The successful contact centre learners have been employed as part of our flexible staffing strategy to resource the call centres. Vodacom has received R2.5 million from the ISETT SETA and Department of Labour. The rebates are ploughed back to fund learnerships and other development programmes.

#### *Vodacom Advanced Executive Development Programme (VAEP)*

The VAEP programme, launched in 2003, achieved over an 80% pass rate and produced its first graduates in October 2004. The second intake commenced this financial year with 24 candidates selected from our management ranks. More than 50% of the participants are from previously disadvantaged backgrounds, with gender representivity at 25%. The programme is structured to provide strategic expertise in financial management, statistical analysis, project management, marketing, human resource, management accounting and business analysis that will equip participants with the knowledge and skills to meaningfully contribute to the achievement of the business strategic objectives. The programme is further enriched by the application of action learning principles through the Janus Project.

#### *Virtual Learning Centre (VLC)*

For the first time, the VLC learning platform has been used to deploy a key technology to the business. Since September 2004, 3G technical training has been rolled out on the VLC platform. E-learning has been utilised to deploy UMTS training in the Group. This has increased the speed of acquisition of knowledge and has yielded a return on investment of R688,000 versus instructor led training. The learning management system has been updated to provide us with the capacity to deliver E-learning to non-South African companies and a pilot system has been successfully concluded with Vodacom Mozambique.

#### *Succession Development Programme (SDP)*

The SDP is a three-year programme with the focus on general management development, the development of specific competencies based on a thorough candidate assessment, team development and various other business competencies.

In future, the development programme will be formalised within the South African qualification structures. Candidates have the opportunity of obtaining the National Certificate in Management (NQF Level 5) after completion of the programme. This addresses the SDP candidate's need to obtain a portable, nationally recognised qualification.

The SDP programme 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. The total pool of candidates currently stands at 187. From the total pool, 66% of the candidates are employment equity and 28% are female. Based on results, the programme is successfully providing a leadership pipeline for the Group.

#### *Employee educational assistance*

To promote lifelong learning principles, Vodacom extends educational assistance to its full-time employees through its "Yebo" bursary scheme. For the year ended March 31, 2005, the Group spent R2.5 million on the scheme (2004: R3.1 million). The scheme has been in operation for eight years and, to date, 4,010 employees having benefited from the scheme, demonstrating the premium the Group places on learning and the acquisition of skills.

### **Employee Wellbeing**

#### *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 reducing absenteeism.

We have resuscitated the Executive Lifestyle Programme which is aimed at raising awareness with each executive about their 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. As the service is voluntary, the take-up has been slow and we are implementing measures to drive utilisation.

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 proactive

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management of secondees pre- and post-assignment health assessments.

## *Access to counselling*

Independent Counselling and Advisory Services (ICAS), continues to provide employees with counselling and emotional support. Utilisation shows a very healthy trend. ICAS, in their analysis of employee themes and trends, has identified employee risk groups with the aim of providing input to shape the HR policies.

## *HIV/Aids*

The HIV/Aids pandemic is still a major challenge for many companies in the SADC region, including Vodacom. However, companies who have taken a proactive 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 and off site. The awareness campaign has risen to such high levels that a record 53% of the eligible population has undergone voluntary testing, exceeding our 2005 financial year target of 50%. The HIV prevalence based on those tested remains at 3.5%, which is still below the ASSA Actuarial projection of 5% prevalence. We are exploring partnering with Cell Life, a Vodacom Foundation project aimed at promoting treatment compliance by sending SMS reminders, to extend their coverage to our employees on the programme subject to confidentiality protocols being observed. We are encouraged by the efficacy of the treatment received by those on the programme.

Our multi-pronged approach to tackling the pandemic was recognised by The Mail and Guardian awarding us the prize of "Finalist – Corporations for the Most Innovative HIV/Aids Programme", "Investing in Life" competition.

## **Employee and Industrial Relations**

Vodacom has reviewed its employee relations framework to ensure strategic support for the business in respect of key business issues relating to, amongst others, restructuring and acquisitions of independent service providers.

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 increased to 13.3% of all employees in South Africa (2004: 7.9%).

## **Operations Outside South Africa**

Group HR still plays a pivotal role in providing strategic HR support to our African operations. Key to this support is to develop a succession planning strategy and transfer of skills process to facilitate the localisation of these operations with the aim of reducing dependency on expatriate management sourced from Vodacom South African operations. This effort has been achieved with some success in Vodacom Congo and formalised plans have been completed and agreed upon with Vodacom Tanzania and Vodacom Mozambique management. The main challenge lies in resourcing these operations with competent executives and senior management. Emphasis continues to be placed on both management and technical training to beef up skills. Future thrust will be on development, to build a pool of competent local employees for senior management positions.

The roll-out of employee benefits and conditions is on a phased approach to maintain a balance between being an employer of choice and containing employee costs.

## **Conclusion**

Vodacom's enviable success has been attained through leveraging our brand, visionary leadership and committed employees. At the core of Vodacom's DNA is the "Vodacom Way" which continues to energise employees and enthuse them to higher levels of performance and excellence.

The management of people remains a strategic focus for Vodacom as this is an area of competitive advantage.

## **Lungi Ndlovu**

*Chief Human Resource Officer*

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