

# The potential of communications

## Material issues: Our response

This is Vodafone's seventh Corporate Responsibility (CR) Report, covering the year ended 31 March 2007. The theme of the report is the potential of communications. Extending access to communications is the area where we feel Vodafone can make the biggest contribution to society.

This printed report is structured to give a response to the issues that are most material to our business. The table below outlines the key elements of our response to stakeholders on these important issues and shows on which page more information can be found.

We provide more detail about a wider range of issues on our CR website at [www.vodafone.com/responsibility](http://www.vodafone.com/responsibility). A list of further information available on the web is provided in each section of this report.

Additional information on our business and financial performance, corporate governance, regulatory issues and directors' remuneration is provided in our Annual Report for the year ended 31 March 2007.

| Issues                                    | Main stakeholders affected  | Vodafone's response   | see page |
|---|---|---|----------|
| <b>Extending access to communications</b> | Customers, governments, development agencies and communities      | We continue to research the socio-economic impact of mobile and develop products with a high social value. Our focus is on enabling financial transactions, international remittances, developing low-cost handsets and reducing preventable exclusion. | 8        |
| <b>Mobile phones, masts and health</b>    | Customers, communities, regulators, governments, the public       | Vodafone recognises there is public concern about the safety of radio frequency fields from mobile phones and base stations. We continue to make objective information widely available and engage openly with stakeholders on this issue.              | 12       |
| <b>Responsible network deployment</b>     | Communities, local councils, landlords                            | Our Group policy and guidelines on responsible network deployment set consistent standards for our operating companies. Vodafone continues to engage with local stakeholders in the selection and management of base station sites.                     | 14       |
| <b>Earning the trust of our customers</b> | Customers, regulators, content providers, child protection NGOs   | Access controls have been installed by all operating companies that offer age-restricted content. Vodafone signed the European Framework for safer mobile use by younger teenagers and children.  | 16       |
| <b>Clear pricing</b>                      | Customers and regulators  | Vodafone Passport is now available in 13 markets. The average cost of European roaming calls has been cut by 40% and the cost of calls can be easily checked by text or online.   | 17       |
| <b>Privacy</b>                            | Customers, governments, human rights and civil liberties groups   | Vodafone is participating in a multi-stakeholder dialogue to establish principles on freedom of expression for the industry. Privacy officers have been appointed in all operating companies.   | 18       |
| <b>CR in our supply chain</b>             | Workers in developing countries, suppliers, NGOs                  | CR has been incorporated into our supplier qualification process across the Group. We are working with the industry to develop a common approach to CR supply chain management.   | 20       |
| <b>Energy use and climate change</b>      | Governments, communities, environmental NGOs                      | Our main focus is on energy used in the network: identifying opportunities to reduce energy use in our base stations and working with suppliers to improve the energy efficiency of new network equipment.  | 22       |
| <b>Reuse and recycling</b>                | Customers, handset manufacturers, environmental NGOs, governments | All our operating companies have handset recycling programmes in place.   | 24       |
| <b>Employment</b>                         | Employees   | We launched a new employee strategy this year, covering six key areas of people management.   | 26       |
| <b>Ethics</b>                             | Employees, suppliers  | Our 'Speak Up' programme encourages suppliers to report ethical concerns via an anonymous third party hotline. We intend to extend this programme to our employees next year.   | 28       |
| <b>Public policy and tax</b>              | Governments   | Openness and transparency are the key elements of our approach in dealing with governments on these issues.   | 29       |

### Additional information in this report

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**Front cover:** The mobile phone shows a text message sent by the mobile payment service M-PESA, confirming a money transfer.

## Chief Executive Arun Sarin answers key questions

Vodafone's global reach touches on many aspects of corporate responsibility. A number of stakeholders have asked us questions during the year and here Vodafone Group CEO, Arun Sarin, responds to some of the key themes raised:

### **How do mobile communications drive social and economic benefit? What is Vodafone doing to ensure low-income groups can access your services?**

Vodafone's business focus is to provide communications services to individuals and businesses around the world. One of the key features of our success over the past 20 years has been the social and economic benefit that these services can deliver.

In the developed world, mobile is an additional form of communication for people who already have access to several different communication services. The reason why it has become so successful is because of the additional benefit of efficiency that mobility brings. Mobile communications enables individuals to make the most of their time socially and economically by providing access to people and information when required.

In the developing world, instead of providing an alternative choice of communications, we often find that mobile provides people with a communication service for the very first time. Due to a lack of fixed-line infrastructure, individuals have been unable to access convenient and low-cost communications but mobile is beginning to change this. People are now using mobile communications to engage in society and the economic system. This can help them to earn a living, improve education and maintain social cohesion by enabling ongoing communication with family and friends. The efficiency of mobility is bringing them similar benefits to their counterparts in the developed world, but the impact is obviously greater as they are experiencing these benefits for the first time.

A good example of the effect of mobile communications is the impact it has had on the lives of Indian fishermen off the coast of northern Kerala. By having access to communications, fishermen are able to call ahead and choose which port to land their catch. This has created a more efficient market for their fish by matching supply with demand and thereby eliminating wastage. The fishermen's profits rose as they were able to sell all their stock and the price of fish fell for consumers as more efficient distribution created economies of scale. Access to information enables markets to work more effectively.

At Vodafone, we believe that through our services we can have a positive impact on people's lives around the world. We therefore have several initiatives in place to ensure that our services are increasingly accessible to all people regardless of their social or economic circumstances.

One of the main barriers to accessing mobile communications has been the cost of the handset. We therefore decided to take advantage of our global scale and develop a low-cost handset with Chinese manufacturer ZTE. We have produced several Vodafone-only branded handsets that are likely to retail from US\$25 and make access to mobile communications more affordable.

We are also going further than just handsets. We are now looking at how to make all elements of our service even more affordable and accessible to all. We have introduced lower prepay top-up vouchers to enable people to top up more regularly at lower cost. We have provided low-cost communications to hundreds of remote villages in South Africa through our South African affiliate, Vodacom. In Kenya, Safaricom (a Vodafone joint venture) has launched M-PESA, a mobile payment service that enables customers to transfer money within Kenya by sending instructions via SMS text message.

The common theme throughout the development of these services is accessibility. We are driving innovation in our products and services to ensure all individuals can realise the full benefits of mobility, whether they are rich or poor, living in a developed or developing country.

### **We hear about the benefits of communications but less about the risks. How do you protect children and ensure individual privacy from new services such as social networking and mobile advertising?**

We believe that the positive social benefits of our services significantly outweigh the negative. Our shareholders, stakeholders, customers and employees expect that we will have the necessary safeguards in place to protect users of our services and as a responsible company – that's exactly what we do.

Social networking allows people to access and share information with others who have similar interests. In our view, this brings social benefit by creating communities with common interests and that's why we recently signed partnership agreements with sites such as eBay, Google, MySpace and YouTube. These websites are hugely popular with consumers and their success demonstrates the value that individuals place on accessing and sharing information.

Mobile advertising services will also bring benefits to our customers. Customers who 'opt-in' and voluntarily choose to accept advertisements will be offered certain benefits for doing so such as free or discounted services. Those customers who do not wish to accept adverts have no obligation to do so. We also guarantee that our customers' privacy will always be protected and their personal information will not be released to third parties without prior consent.

I believe our role as a business is to continue bringing customers the services they want and we are doing this through our new social networking and advertising partnerships. We recognise that when we develop new services, we also need to think about how they impact our customers and that is why we proactively put measures in place to protect them from any potential negative consequences. We aim to find the right balance between protection, which means more control, and freedom of expression, which mean less. I believe the right way to strike this balance is to enable our customers to make informed choices.

Maintaining customer trust is critical to us and we listen to customer views on an ongoing basis. In addition to the access controls for parents and internet filtering that we already provide, we will continue to review and adapt our content standard policies to ensure customers can protect themselves and their children from inappropriate content and contact while benefiting from access to communications opportunities.

### **Climate change is becoming a major global issue. What is your strategy for dealing with Vodafone's climate impact?**

Our carbon intensity is low compared with other sectors. Vodafone is responsible for approximately one and a quarter million tonnes of carbon dioxide per year, the equivalent of around 160,000 UK households. More than 80% of these emissions are due to our network. We are currently concentrating on reducing the need for air conditioning in our base station sites. We also challenged our suppliers to improve the energy efficiency of our network equipment and they achieved a 25% improvement over the year.

By virtue of providing a mobile communications service, I believe that we help to reduce climate impact. Our networks can be used to manage traffic flows, provide public transport information or plan logistics more effectively. They can even be used to switch off the lights and heating as you walk out of your house or remotely read electricity meters.

In conclusion, I believe that we will be more successful in achieving our corporate objectives by being a responsible business. We are a leading global company and we therefore need to be a leading global contributor to the objectives of individuals, businesses, society and the world around us.

We always value your feedback on how we can do better and how we can further improve. I believe that by acting on this feedback and by continuing to provide our services to people around the world, Vodafone will continue to play a valuable and constructive role in addressing the defining challenges of our time.



**Arun Sarin**  
Chief Executive



# About Vodafone

Vodafone is a world leader in providing voice and data communications services, including voice calls, SMS text messaging, MMS picture and video messaging, internet access and other data services. We now also offer fixed broadband internet services in several markets. Our 206 million proportionate\* mobile customers include private consumers and corporate customers around the world.

The Group has a significant presence in Europe, the Middle East, Africa, Asia, Pacific and the USA through its local operating companies, joint ventures, associated undertakings and investments. Emerging and developing markets provide the greatest opportunity for us to grow our business and improve access to communications. We are expanding our presence in these markets. Reflecting this, we have reorganised our business into two main units: EMAPA (Eastern Europe, Middle East, Africa, Asia, Pacific and Affiliates) and Europe (see table on page 3).

\*Adjusted to reflect the Group's percentage ownership.

## Key financials and statistics

|  | Year ended 31 March |             |
|--|---------------------|-------------|
|  | 2007<br>£bn         | 2006<br>£bn |
| Revenue                                | 31.1                | 29.4        |
| Adjusted operating profit              | 9.5                 | 9.4         |
| Operating (loss)                       | (1.6)               | (14.1)      |
| Free cash flow                         | 6.1                 | 6.4         |
| Market capitalisation<br>(at 31 March) | 71.6                | 72.4        |
| Closing proportionate<br>customers     | 206.4               | 170.6       |

## What we do

### Network

- Total base station sites: **83,561**
- 2G base station sites: **49,163**
- 3G base station sites: **8,409**
- Co-located (2G and 3G) base station sites: **32,420**
- Total exchanges (MSCs): **585**
- Capital expenditure on network infrastructure: **£2.4 billion**



## What are the issues?

- Community consultation, environmental issues and legal compliance associated with network rollout
- Mobile phones, masts and health
- Energy use
- Waste
- Health and safety

### Services

- Total voice usage: **245 billion minutes**
- Vodafone Mobile Connect card: **1.4 million customers**
- Vodafone Passport: **11+ million customers**
- Vodafone Live! active devices: **32+ million**
- Vodafone At Home customers: **3 million**
- Vodafone Office customers: **2 million**



- Accessibility of products
- Content standards (including age-restricted content, chat services, etc.)
- Spam
- Privacy, security and freedom of expression
- Driving safely
- Mobile theft
- Socio-economic impact of mobile

### Brand presence and retail

- Stores owned: **1,094**
- Stores franchised: **4,548**
- Customer store visits per day: **550,000**
- Total retail staff approx.: **35,000**
- Calls taken by contact centres: **1.5 million per day**



- Responsible marketing and advertising
- Handset reuse and recycling
- Clear and easy to understand pricing
- Providing information about issues to customers
- Supply chain

## Key events in the 2007 financial year

### The business

- Exceeded 200 million proportionate customers across the Group
- Acquisitions: Agreed to acquire control of India's Hutchison Essar Limited, acquired Telsim in Turkey
- Sold 25% non-controlling stakes in Swisscom and Proximus
- Signed strategic alliances with social networking sites YouTube and MySpace
- Announced exclusive deals on mobile advertising with Yahoo! and Google
- Focused on major cost reduction initiatives, including outsourcing IT management facilities and consolidating data centres
- Announced a sourcing centre in China with the aim to increase annual sourcing volume up to €1 billion by 2010

### The CR agenda

- Announced venture with Citigroup to provide mobile-based international remittance transfer services, based on the success of the M-PESA mobile payment service in Kenya
- Reduced by 40% the average cost of calls for our customers using Vodafone networks in Europe outside their home country
- Awarded first place in the 2006 AccountAbility rating
- Vodafone's Group CR Report for the 2006 financial year was named Best Report of 2006 by the ACCA awards
- Announced plans to introduce low-cost handsets in emerging markets
- Received a €76 million fine relating to an unlawful interception incident in Vodafone Greece

## Europe

### Key market data

|             | No. customers<br>('000s) | Registered<br>pre-paid (%) |
|-------------|--------------------------|----------------------------|
| Germany     | 30,818                   | 54.4                       |
| Italy       | 21,034                   | 92.0                       |
| Spain       | 14,983                   | 45.2                       |
| UK          | 17,411                   | 60.7                       |
| Albania     | 955                      | 96.6                       |
| Greece      | 5,051                    | 69.2                       |
| Ireland     | 2,177                    | 73.3                       |
| Malta       | 186                      | 89.6                       |
| Netherlands | 3,880                    | 45.3                       |
| Portugal    | 4,751                    | 79.0                       |

Revenue (£bn) **-0.6%**



Contribution to Group revenue **79%**

Adjusted operating profit (£bn) **-5.1%**



Contribution to Group adjusted operating profit<sup>(4)</sup> **59%**

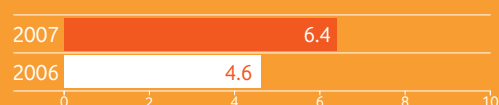
## EMAPA Eastern Europe, Middle East, Africa, Asia, Pacific and Affiliates

### Key market data

|                | No. customers<br>('000s) | Registered<br>pre-paid (%) |
|----------------|--------------------------|----------------------------|
| Australia      | 3,367                    | 73.6                       |
| Czech Republic | 2,475                    | 47.5                       |
| Egypt          | 5,299                    | 93.8                       |
| Hungary        | 2,163                    | 61.1                       |
| New Zealand    | 2,244                    | 75.8                       |
| Romania        | 7,954                    | 66.2                       |
| Turkey         | 13,900                   | 90.1                       |

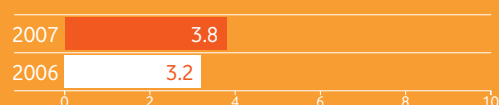
**Affiliates and investments (% ownership):** South Africa (50%), US (44.4%), Kenya (35.0%), Poland (19.6%), France (44.0%), Fiji (49.0%), China (3.3%)

Revenue (£bn) **+41.4%**



Contribution to Group revenue **21%**

Adjusted operating profit (£bn) **+16.0%**



Contribution to Group adjusted operating profit<sup>(4)</sup> **39%**

**Partner networks agreements in:** Argentina, Austria, Bahrain, Belgium, Bermuda, Brazil, Bulgaria, the Caribbean\*, Chile, Colombia, Croatia, Cyprus, Denmark, Ecuador, El Salvador, Estonia, Finland, Guatemala, Honduras, Hong Kong, Iceland, Indonesia, Kuwait, Latvia, Lithuania, Luxembourg, Jersey, Malaysia, Mexico, Nicaragua, Paraguay, Peru, Singapore, Slovenia, Sri Lanka, Sweden, Switzerland and Uruguay. \*Caribbean islands as listed in the 2007 Annual Report.



Over the last four years we have invested significant resources in stakeholder engagement through various approaches. We have held one-to-one meetings, focus groups, participated in partnerships and conducted opinion surveys. We have engaged globally at Group and through our local operating companies.

As a result we have a good understanding of the issues we face and are confident that this report addresses the main concerns and areas of interest of our stakeholders. We are refocusing our engagement to take a deeper look at the most important emerging issues.

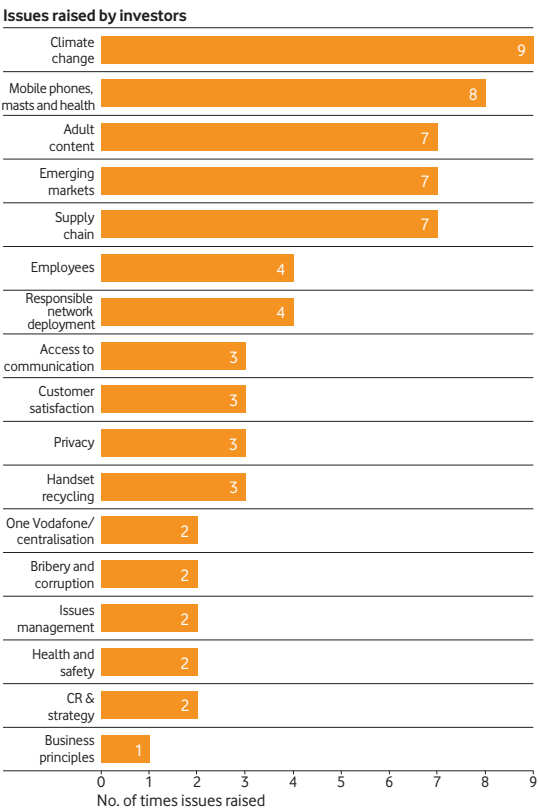
Further information:

[www.vodafone.com/responsibility/dialogues](http://www.vodafone.com/responsibility/dialogues)  
[www.vodafone.com/responsibility/engagement](http://www.vodafone.com/responsibility/engagement)

Engagement with investors

We held 12 meetings on CR issues as part of our Investor Roadshow and participated in a multi-investor forum organised by Citigroup. In addition we held one-to-one meetings with individual investors on age-restricted content and privacy. These meetings allow us to understand the concerns of investors about CR risks and help us to identify potential future issues. We also learn what information investors want and have the opportunity to explain our strategy for managing CR.

The chart shows the issues raised most frequently in these discussions during the 2007 financial year:



Issue specific dialogue

We have refined our approach to engagement to focus on specific emerging issues. This allows a more in-depth conversation with the people that have a real interest in and particular expertise on a specific issue. Focused dialogue helps us identify solutions to new issues and provides our stakeholders with the opportunity to influence our thinking.

We call this new approach 'CR Dialogues'. The key features are:

- We choose emerging issues on which our views are not fixed and there is scope for others to influence our decisions. These are usually issues of wider social, environmental and corporate relevance
- We aim to contribute to the debate and level of knowledge by commissioning and publishing research work in connection with the CR Dialogues.
- We narrow the scope of the subjects discussed so that we can bring together specialists with extensive knowledge to advance the wider debate.

Vodafone and its stakeholders benefit more from this kind of engagement. In certain areas, by advancing the debate we may also contribute to raising standards in the industry.

Privacy, security and freedom of expression

Previous stakeholder engagement identified privacy as an emerging issue. We therefore decided to explore this topic in more detail, as follows:

- We commissioned a CR Dialogue paper that identified the main privacy issues relevant to Vodafone
- A panel of five external privacy experts took part in our annual corporate responsibility conference in July 2006
- We held a focus group with academics, governments, industry and NGOs to explore privacy issues in February 2007
- Along with Google, Microsoft and Yahoo!, we set up a multi-stakeholder dialogue to draft principles on freedom of expression for the industry.

As part of the focus group, we also held constructive discussions about how the introduction of advertising on mobile phones will impact customer privacy. In total we engaged with around 50 opinion formers on this issue in the 2007 financial year. Details of the privacy engagement programme are on page 18.

Economic empowerment through mobile

We have continued our programme of engagement with stakeholders who can help us to offer products tailored to the needs of emerging markets and to understand the economic and social impact of our activity.

To inform and enlighten debate on this issue we published a CR Dialogue paper, Economic Empowerment Through Mobile, summarising three pieces of research sponsored by Vodafone. Stakeholder meetings were held in the USA and London (with Forum for the Future and the World Resources Institute) to share the findings of the research and obtain feedback. We are planning an additional event in Brussels. See the research papers at [www.vodafone.com/responsibility/dialogues](http://www.vodafone.com/responsibility/dialogues).

Supply chain

A consistent theme in our stakeholder engagement over the last few years has been the significance of CR issues in our supply chain. The conditions prevalent in the electronics supply chain were further highlighted this year by reports from a number of NGOs, including SACOM (Students and Scholars against Corporate Misbehavior) and SOMO (Centre for Research of Multi-National Companies), a Dutch research organisation advising NGOs and trade unions.

We are continuing to work with other information communications technology (ICT) companies to establish a common approach to supplier assessment through our membership of the Global e-Sustainability Initiative (GeSI), collaborating with the Electronic Industry Code of Conduct Implementation Group (EICC). Through this engagement we are making progress in mobilising the ICT sector to engage consistently and effectively with its supply chain.

## Industry forums we engaged with in the 2007 financial year

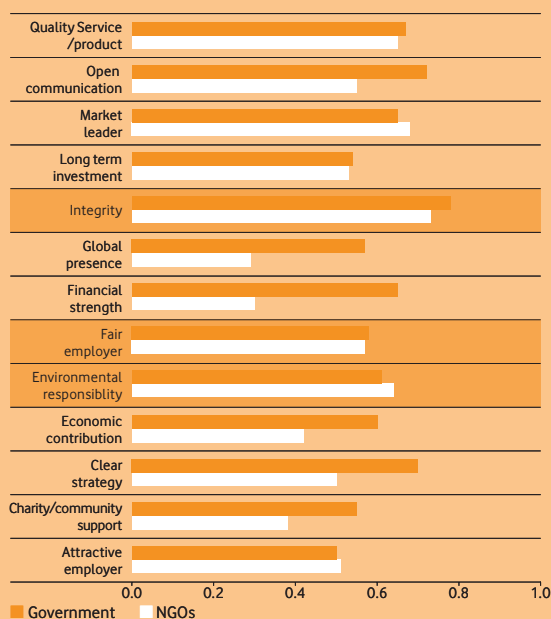
|   |   |
|---|---|
| <b>Business for Social Responsibility industry engagement programme</b> | Multi-stakeholder dialogue on privacy and freedom of expression |
| <b>Corporate Leaders Group</b>  | Climate change  |
| <b>CSR Europe</b>   | Various issues  |
| <b>Global e-Sustainability Initiative</b>                               | Supply chain and environment                                    |
| <b>GSM Association</b>  | Spam, roaming transparency, mobile advertising                  |
| <b>High Level Group on Safer Mobile Use</b>                             | Content standards   |
| <b>Mobile Marketing Association</b>                                     | Mobile advertising  |
| <b>Mobile Phone Partnership Initiative</b>                              | Handsets recycling and e-waste                                  |
| <b>World Business Council for Sustainable Development</b>               | Various issues  |

### Survey shows that CR is key to maintaining our reputation with stakeholders.

We commissioned qualitative and quantitative research comprising consumer focus groups and in-depth stakeholder interviews in Greece, Italy, the Netherlands and the UK. The study surveyed more than 2,500 people representing the general public, business, media, government, investors, NGOs and academia.

The aim of the research was to identify the factors that influence Vodafone's reputation either positively or negatively for each stakeholder group. The research also looked at how stakeholders form opinions about the Company. CR-related attributes such as integrity and environmental responsibility were closely correlated to admiration and respect for the Company among stakeholders, for example NGOs and government, shown in the charts below. The "integrity" reputation driver comprises attributes such as "being honest and transparent", "being trustworthy" and "behaving in a responsible way."

Coefficients determining the correlation between each attribute and admiration and respect for the company



Each of our CR Dialogues explores a key emerging CR issue in depth. The Dialogues include several key elements:

- Focus groups for experts and key opinion formers
- Independent research commissioned by Vodafone
- Dialogue papers outlining the findings of this research and engagement, designed to stimulate further debate on the issue.

Our latest stakeholder events focused on privacy, climate change and emerging markets. We have published three Dialogue papers to date on:

- assurance of CR reporting
- stakeholder engagement
- economic empowerment through mobile

These papers are available on our website at [www.vodafone.com/responsibility/dialogues](http://www.vodafone.com/responsibility/dialogues).

## Energy and climate change

Our engagement on climate change relates both to the impact of our own operations and the wider business and political response to this issue. We are a member of the UK Corporate Leaders Group on Climate Change, facilitated by HRH The Prince of Wales's Business & the Environment Programme through the Secretariat of University of Cambridge Programme for Industry. During 2006, this group pressed for the UK to show leadership in global action on climate change and communicated the business case for action in key countries such as China, India and the USA. In addition, Vodafone is a member of the EU Corporate Leaders Group on Climate Change, established in November 2006.

We held a focus group for opinion formers to discuss our strategy for addressing our own carbon footprint in March 2007. A key element of our strategy is engaging with manufacturers to improve the energy efficiency of network equipment. See page 23 for details of our climate change engagement.

## Network rollout

Our engagement on this issue is mainly at local level. Landlords were surveyed in five local operating companies in the 2007 financial year. We plan to develop a set of common questions for all operating companies to use in landlord surveys to help us track landlord satisfaction levels across the Group. See page 14.

## Mobile phones, masts and health

We commissioned Ipsos-MORI to interview 70 experts and opinion formers around the world who have previously had contact with Vodafone and ask them how seriously Vodafone is taking its responsibilities relating to mobile phones, masts and health. The survey provided insights into how we are regarded and what we should do to improve our performance. See page 12.

## Content standards

Vodafone's internal and external content standards programme was used as the basis for dialogue with the European Commission during 2006, through its Safer Internet Programme. The outcome was the European framework for safer mobile use by younger teenagers and children, signed by Vodafone and other leading EU mobile operators, to be signed up at national level.

In the 2007 financial year, Vodafone announced partnerships with YouTube, MySpace and other popular internet sites to make them available via mobile. Following discussions, our contracts with these partners include clauses to protect users from inappropriate content.

## Stakeholder specific dialogue

In addition to our issue-focused dialogue, we continue to engage with specific groups of stakeholders. We regularly engage customers in all our markets to understand their views and priorities. We conduct regular employee surveys on a range of topics, including CR issues (see page 26).

We engage with governments in all of our markets on issues relevant to our business (see page 29). We meet with global NGOs when their campaign or focus is relevant to our business. We respond constructively to requests for information from our investors and meet with them to discuss our CR strategy (see chart on page 4).

## Expert panel

We have established a panel of key experts on issues of environmental, social and economic importance to Vodafone. We have selected individual opinion leaders with a mutual interest in debating CR issues and finding solutions that Vodafone can drive forward.

The forum will meet twice a year and will operate as a network of experts whom we can consult as issues arise. Vodafone will consult the relevant forum members when developing or revising policies and programmes. Vodafone senior management will also be able to discuss issues affecting our business with them.

We envisage that topics of mutual interest will be explored in detail through research projects under the guidance of the forum. In this way we intend not only to inform Vodafone but also to add to the wider knowledge and experience available to others tackling CR issues.

# How we manage corporate responsibility

Vodafone employs approximately 60,000 people around the world. Our challenge is to ensure every one of our people understands and subscribes to our corporate values so that we achieve consistent implementation of our CR strategy across the Company.

Our management of CR mirrors the way we manage our business. Each of our operating companies has a CR management structure in place (see table below). These local management teams are connected to the Group CR function through regular formal and informal communications and reporting. We have additional teams at Group level to manage key issues.

## Further information:

[www.vodafone.com/responsibility/ourapproach](http://www.vodafone.com/responsibility/ourapproach)

- CR strategy
- Business principles
- Embedding CR
- Policies

## Strategy

Vodafone has six strategic goals (see red box). One of these is to 'be a responsible business'. Our more detailed CR strategy states our objective to be one of the world's most trusted companies in the markets where we operate by 2010. Our CR strategy sets clear priorities to:

- maintain high ethical standards
- understand and respond to stakeholders' priorities
- ensure our operating standards are consistent across the Group
- deliver on our promises in three key areas: responsibility to our customers; reuse and recycling of mobile phones; and energy and climate change
- capture the potential of mobile to bring socio-economic value through access to communications.

## Accountability

The Group Executive Committee (ExCo) is responsible for CR policy and performance and discusses CR issues. The Group CR Director, Charlotte Grezo, reports to the Group Corporate Affairs Director, Simon Lewis, who is the ExCo member with responsibility for CR. CR performance is reported to the Chief Executive quarterly and a report is made annually to the Vodafone Group Plc Board.

## Internal communications and awareness

Maintaining awareness of CR among our employees requires constant communications activity. We intend to make sure that everyone, everywhere, receives CR messages and has access to CR information. Our key global CR communications in the 2007 financial year included:

- special features in each issue of Vodafone life! – our global employee magazine – on mobile phones, masts and health; handset recycling; and disaster relief
- a three-page internal version of the 2006 CR Report
- a video on the Vodafone TV news channel highlighting the socio-economic impact of mobile technology in emerging markets
- a global handset recycling campaign
- recognition from Dow Jones, AccountAbility rating and ACCA award were used globally on Vodafone's intranet and in Vodafone life! as an opportunity to thank employees for their commitment to CR
- we included the question, 'Rate Vodafone on being ethical in its business dealings' in our two 'Pulse' employee surveys in the 2007 financial year. Of those surveyed, 71% rated Vodafone positively. See page 26 for details.

## Operational CR management

The chief executives of local operating companies have responsibility for CR and all have appointed CR managers. The Group CR Director and team regularly meet the executive teams of local operating companies and, in the 2007 financial year, visited the following countries: Albania, Czech Republic, Germany, Malta, the Netherlands, Portugal, Romania and Turkey.

Twice a year we hold global CR conferences and workshops, bringing together the CR teams of all local operating companies and Group. These meetings are a valuable way of sharing experience and affiliates and building a consistent programme across the business. A number of guest speakers addressed the meetings this year including representatives from Google, Privacy International, the United Nations Development Programme, the UK Home Office and the British Ambassador to Egypt.

The following topics were discussed at this year's meetings:

- The future of CR at Vodafone – challenges from external stakeholders
- Privacy vs security
- Handset recycling
- Supply chain
- Coordination of local CR reports
- Future commitments and target-setting
- Achieving change.

## CR implementation in Vodafone's local operating companies

|                | Board member responsible for CR | CR issues reported to the Board regularly | CR stakeholder perception survey(s) undertaken | CR Report published | Number of people in CR team |
|----------------|---------------------------------|---|--|---------------------|-----------------------------|
| Albania        | ✓                               | ✓   |  | ✓                   | 1                           |
| Australia      | ✓                               | ✓   |  |                     | 2                           |
| Czech Republic | ✓                               | ✓   |  |                     | 2                           |
| Egypt          | ✓                               | ✓   | ✓  |                     | 3                           |
| Germany        | ✓                               | ✓   | ✓  | ✓                   | 2                           |
| Greece         | ✓                               | ✓   | ✓  | ✓                   | 3                           |
| Hungary        | ✓                               | ✓   |  |                     | 1                           |
| Ireland        | ✓                               |   | ✓  | ✓                   | 1                           |
| Italy          | ✓                               |   | ✓  | ✓                   | 6                           |
| Malta          | ✓                               | ✓   |  | ✓                   | 2                           |
| Netherlands    | ✓                               | ✓   | ✓  | ✓                   | 1                           |
| New Zealand    | ✓                               | ✓   | ✓  | ✓                   | 3                           |
| Portugal       | ✓                               | ✓   | ✓  | ✓                   | 3                           |
| Romania        | ✓                               | ✓   |  |                     | 2                           |
| Spain          | ✓                               | ✓   | ✓  | ✓                   | 4                           |
| UK             | ✓                               | ✓   | ✓  | ✓                   | 3                           |



## Our strategic goals

- Delight our customers
- Build the best Vodafone team
- Leverage global scale and scope
- Expand market boundaries
- Be a responsible business
- Provide superior shareholder returns

## External awards and recognition for our 2006 CR Report



Best CR Report 2006

**ACCOUNTABILITY  
RATING™** 2006

Ranked number 1 in Global Rating

The Vodafone Group Report ranked 7th in Tomorrow's Value, a benchmark by SustainAbility, UNEP and Standard & Poors.

Ranked 7th

## CR management in Romania

Vodafone acquired Connex in Romania during the 2006 financial year. The Romanian CR team consists of three people, one of whom was recently recruited to handle issues management and reputation. The Vodafone Romania Foundation has one full time employee. CR champions are being appointed in each department. Vodafone Romania's new mission statement is 'to be a role model in how to do business in Romania.'

A CR plan was presented to the Vodafone Romania executive committee in March 2007. This established priorities reflecting the Group CR strategy and particular local needs in Romania.

The key areas of focus for Vodafone Romania are:

- Helping people through our products and services
- Environmental protection
- Promoting a sense of community in Romanian society
- Engaging our employees.

Current initiatives include launching a handset recycling scheme in the 74 Vodafone-owned stores in Romania, engaging with stakeholders on mobile phones, masts and health, explaining Vodafone's business principles to all employees and launching a whistle-blowing campaign for employees and suppliers. The Vodafone Romania Foundation supports charity and community programmes for the sick, the needy and the disadvantaged (especially children and the elderly) across the country.



CR team at Vodafone Romania



We launched a Group-wide internal communications campaign in March 2007 to put climate change in the spot light and promote energy efficiency among our employees. Features in our internal magazine Vodafone life! will ask employees how energy efficient they are and encourage them to get involved in energy-saving initiatives at their local operating company.

## Measuring and reporting performance

We believe that openness and transparency are critical to our reputation at both the global and local level. Eleven operating companies have published a local CR report, reflecting the issues of most significance in each country (see back cover).

Local operating companies report CR key performance indicators (KPIs) quarterly to Group, along with their financial reports. Senior executives review the data to assess performance. The CR KPIs are both qualitative and quantitative, and are validated by internal verification procedures.

## Issues management

In addition to our operational CR management, we have a combination of teams, committees and boards to focus on issues of particular importance. This structure is mirrored at local level. Their function is to formulate policy, plan our strategy and coordinate implementation. These groups are formed and adapted according to changes in the CR agenda and the need for Vodafone to focus on a particular issue. The groups create a flexible networked structure for issue management with broad involvement of people from across the Group. The tables below identify the issue teams and initiatives.

## Group committees and teams focusing on key CR issues

| Topic                                    | Function   | Led by:  |
|--|--|--|
| <b>Content Standards Steering Group</b>  | Protecting customers, especially younger users, from inappropriate content, contact and commercialism  | David Wheldon (chair), Director of Brand and Customer Experience<br>Tina Southall, Director of Access Controls and Content Standards |
| <b>Privacy Steering Group</b>            | Protecting the privacy of our customers including data protection, confidentiality, unsolicited communications and intrusive surveillance  | John Moore (chair), Director of Customer Relationship Management<br>Stephen Deadman, Group Privacy Officer                           |
| <b>Health Safety and Wellbeing</b>       | Ensure that in all our activities we properly safeguard those who work for us and those who may be affected by our operations  | John Daly, Group Health, Safety & Wellbeing Manager  |
| <b>Social Investment Committee</b>       | Oversee the social investment fund to develop products and services that benefit society   | Tina Southall, Director of Access Controls and Content Standards<br>Charlotte Grezo, Director of Corporate Responsibility            |
| <b>Electromagnetic Field (EMF) Board</b> | Engage stakeholders in an open and transparent dialogue to address health concerns and work to resolve scientific uncertainty<br>Ensure the health and safety of the general public, our employees and business partners | Tim Harrabin (chair), Strategy and Business Improvement Director, EMAPA<br>Steve Workman, Group EMF Manager                          |
| <b>Business ethics working group</b>     | Developing and communicating a framework that promotes ethical behaviour at all levels   | Terry Kramer, Group HR Director  |

## Global cross-team initiatives focusing on key CR issues

| Topic                                 | Function  | Led by:  |
|---------------------------------------|---|--|
| <b>Access to Communications</b>       | Understand and make the most of the socio-economic impacts that mobile communications have through access to communications                     | Paul Donovan, Emerging markets Chief Executive (sponsor)<br>Ian Gray, CEO Vodafone Egypt (leader)  |
| <b>Customer Promise</b>               | Provide a positive customer experience by protecting our customers  | Paco Roman, CEO Spain (sponsor)<br>David Wheldon, Director of Brand and Customer Experience (leader)                                       |
| <b>Energy</b>                         | Reduce energy consumption and our impact on climate change  | Steve Pusey, CTO (co-sponsor)<br>Simon Lewis, Director of Corporate Affairs (co-sponsor)<br>Helmut Hoffmann, Director of Networks (leader) |
| <b>Handset Reuse and Recycling</b>    | Promote collection of old phones for reuse and recycling  | Pietro Guindani, CEO Italy (sponsor)<br>Caterina Torcia, CR Manager, VF Italy (leader)   |
| <b>Responsible Network Deployment</b> | Deploy the network of masts in a responsible way, with sensitivity to the views of stakeholders including landlords, neighbours, local councils | Helmut Hoffmann, Director of Networks (sponsor and leader)   |
| <b>CR in our Supply Chain</b>         | Work with suppliers to address CR issues in the supply chain  | Detlef Schultz, Global Director Supply Chain Management (sponsor)<br>Peter Stangl, Head of Supplier Performance Management (leader)        |

## Extending access to communications

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### Material developments:

- **Economic empowerment** research published to assess the potential of mobile products and services to make financial transactions more accessible
- **Low-cost handset** plans announced to boost access to telecommunications in emerging markets
- **Mobile payment:** M-PESA service launched in Kenya by Safaricom and trial extended to Afghanistan
- **International money transfer** service in collaboration with Citigroup announced to enable people working abroad to send money home via their mobile
- **Accessibility:** Research conducted to assess the needs of visually impaired customers. Partnerships to reduce the level of preventable exclusion continued
- **India:** Agreed to acquire a stake in a leading mobile operator in India

### Further information:

#### [www.vodafone.com/responsibility/access](http://www.vodafone.com/responsibility/access)

- Socio-economic impact research impact
- Africa: the impact of mobile phones – full report
- Economic empowerment through mobile – full report
- Impact of mobile in healthcare – full report
- M-PESA
- Cash value-added

#### [www.vodafone.co.uk/disabilityservices](http://www.vodafone.co.uk/disabilityservices)

#### [www.vodafone.es/accesible](http://www.vodafone.es/accesible)

Access to communications offers the single greatest opportunity for Vodafone to make a strong contribution to society. This is our most significant CR issue and forms a core part of our CR strategy. A considerable and growing pool of research shows that telecommunications – and mobile communications in particular – have the potential to change people's lives for the better by promoting economic development. At the same time, this offers us a great opportunity to expand our business.

There are two key elements to our strategy on this issue:

- Bridging the digital divide by improving access for disadvantaged groups, particularly in emerging markets
- Reducing preventable exclusion through accessible features and services for disabled and elderly people, and other customers who find it difficult to use mobile phones

### Access to communications in emerging markets

Our strategic business goal to achieve strong growth in emerging markets is closely linked to our CR objective to improve access to communications. Emerging markets offer enormous business opportunities for Vodafone and are increasingly significant to our business. We already have established local operating companies in Albania, Egypt and Romania, a presence in Kenya, South Africa and other African countries through our affiliates, and a new local operating company in Turkey. We completed the acquisition of a controlling stake in a leading mobile operator in India in May 2007.

The number of mobile connections is increasing at a rate of 28% in the Asia Pacific region according to data released by Wireless Intelligence in March 2007, and at a rate of 43% in Africa – almost double the average growth rate of 23% worldwide.

India is the fastest growing mobile market in the world but around 87% of the population of over 1.1 billion are not yet reached by mobile networks. This offers enormous potential for our business to significantly improve access to communications as well as strong future growth opportunities for Vodafone. We have announced plans to invest significant resources to improve the network and increase coverage, particularly in rural areas of India.

The number of mobile customers in Africa – where mobiles account for at least three quarters of all telephones – reached more than 200 million in the 2007 financial year, an increase of more than 60 million customers from last year. To explore business opportunities effectively in emerging markets, we need to understand the needs of customers in those markets. Our research on the socio-economic impact of mobile in Africa found that mobile technology stimulates economic growth and social development. This impact is most significant in developing economies where there is little or no existing infrastructure.

We are encouraging economic growth by tailoring our services to developing market conditions. Low-cost handsets – new and refurbished – make mobile phones more affordable and pre-pay (top-up) helps to overcome credit barriers. The money transfer services we are piloting, together with our affiliate Safaricom, will facilitate economic development especially in rural areas with scarce banking services. Many people cannot afford a mobile phone but have access to mobile services by sharing with family or friends, or through community phone shops where you can pay per call.

### Accessibility

The other key element of our strategy on access to communications is to reduce preventable exclusion. Accessibility is usually associated with disability, but difficulty using devices such as mobile phones is more widespread. Our research suggests that at least 9% of the EU adult population is excluded from using mobile phones. Vodafone views this as both a social and commercial challenge.

We offer specialised products and services to increase access to communications for people who are blind, visually impaired, deaf or hard of hearing. For example, text-to-speech software enables blind people to read text messages and push-to-talk technology enables deaf people to communicate in real time on their mobile phones.

Many people who do not have a serious disability still have difficulty using the full functionality of a mobile phone, handling a handset, pressing keys to operate and reading the screen. This difficulty is growing as phones become smaller and more complex, and leads to frustration.



The mobile payment service M-PESA enables customers to move money within Kenya by sending instructions via SMS text message. Launched in February 2007, over 50,000 customers have registered for the service in its first two months.

## Economic empowerment through mobile: research summary

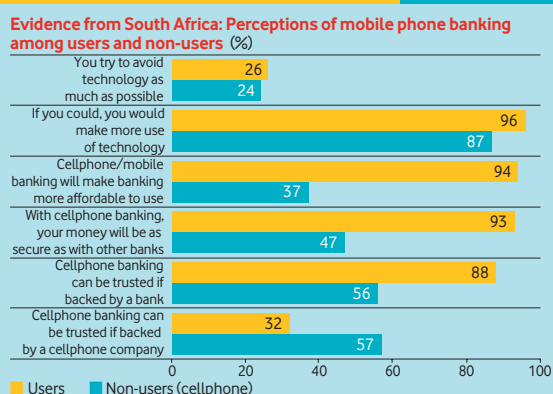
Mobile phones now offer access to a range of financial services including electronic banking, airtime transfer, and mobile money transfers. Our CR dialogue on economic empowerment brings together three research studies on the potential benefits of these services.

Research by the Consultative Group to Assist the Poor on the perception of mobile phone banking in South Africa found that low-income customers value mobile banking because it is more affordable than traditional banking, easy to use and secure. However, awareness of mobile banking is low and many low-income South Africans believe they do not need banking services, cannot afford them or are ineligible to have them.

Forum for the Future's research on our airtime transfer service in Egypt suggests that this service makes mobile services more accessible to low-income customers by enabling them to purchase airtime in small increments from dealers or informal resellers. This also provides commercial opportunities for airtime resellers, encouraging micro-entrepreneurs. In addition, airtime transfers bring considerable social benefits enabling families to keep in touch more easily.

A report by the World Resources Institute outlines the variety of ways mobile phones are being used to offer financial services, creating new ways of doing business. The report concludes that improved access to financial services is essential to create economic development for low-income consumers in emerging markets.

**Our CR Dialogue profiling these research studies is available at:**  
[www.vodafone.com/responsibility/dialogues](http://www.vodafone.com/responsibility/dialogues)



Inclusive handset design and simpler operating menus make mobile phones easier to use.

We also offer a range of other products and services that use mobile technology to bring social benefits in some markets. For example, our social alarms enable greater independence for the elderly or infirm by connecting them to professional, medical or security help at the touch of a button. Our personal medical phones have built-in equipment to monitor medical conditions such as diabetes. Vodafone is continuing to explore further potential social benefits of mobile.

## We said

- We would improve access to communications as a core part of our CR strategy
- We would continue to research the socio-economic impact of mobile telecommunications
- We would reduce the level of preventable exclusion by at least a third by 2010
- We would introduce three significant products with features that reduce exclusion by March 2008

## We have

### Published research on economic empowerment through mobile

In November 2006, we published a paper in the Vodafone CR Dialogues series on the potential of mobile to facilitate financial transactions. The paper profiles three independent studies. The first is a case study on mobile banking in South Africa by the Consultative Group to Assist the Poor. Forum for the Future explores the socio-economic benefits of airtime transfer service in Egypt in the second study. The third report from the World Resource Institute outlines the variety of ways mobile phones are being used to offer financial services. (See box, left, for a summary of the findings).

Around 100 stakeholders representing academia, industry, investors and NGOs attended an event in January 2007 to launch the paper. All three independent studies were presented by the authors, provoking lively discussion among the participants. A key focus of the debate was the role of the private sector in providing services to those at the 'base of the pyramid' – the approximately four billion people globally who earn less than US\$1,500 a year and are underserved by formal business.

### Launched a mobile payment service in Kenya

The M-PESA mobile payment service was launched in February 2007 by our affiliate in Kenya, Safaricom, following a successful trial of around 500 people last year. M-PESA enables customers to move money within Kenya by sending instructions via SMS text message to a central server. Customers can deposit and withdraw cash at local M-PESA agents, including retail outlets such as airtime dealers, petrol stations, and supermarkets. They can transfer money to other mobile users via SMS and also buy prepaid airtime credit.

The service is aimed at mobile customers who do not have a bank account, often because they do not have sufficient income to justify the high cost of banking in Kenya or because they live in areas where access to financial services is limited. Of the 80% of Kenyan adults without bank accounts, many are self-employed business people who need the ability to transfer money. People with bank accounts can also use the service to send money to their families living elsewhere in the country who do not have bank accounts, avoiding more expensive and insecure local money transfer services. Over 50,000 customers registered for the service in Kenya in its first two months. It is now being piloted in Afghanistan.

### Partnered with Citigroup to create an international money transfer service

Money sent home by migrants working abroad (foreign workers) is an increasingly significant source of income in many developing countries. Indeed it represents as much as a third of national GDP in some cases. Recipients often depend on this income to survive. In 2006, the World Bank estimates migrants sent home over £100 billion to developing countries, more than double the amount in 2001. This is greater than all foreign aid put together or the flow of foreign direct investment into developing countries (see box on international remittances, page 11).



## Extending access to communications

continued

Transferring funds internationally can be complicated and expensive, particularly in relation to the small amounts sent in each transaction. It can also be difficult for recipients to collect the money if they do not have a bank account or access to financial services.

We are working with Citigroup to tackle this issue by setting up an international transfer service enabling people to send money abroad and collect remittances via their mobile phones. The service is being trialled in Kenya – building on the successful M-PESA product – with a view to expanding it to markets in Asia and Eastern Europe. Customers in the UK participating in the pilot will be able to send money via their mobile phone or a dedicated website to a mobile phone in Kenya. The recipient will receive notification of the transaction by SMS text message and can withdraw the money sent at a local mobile retail outlet. Citigroup will provide the financial services needed for the international transactions.

### Announced plans to introduce a low-cost handset in emerging markets

Vodafone has signed a handset procurement agreement with Chinese manufacturer ZTE Corporation to produce a range of ultra low-cost handsets that will be Vodafone-only branded. The low-cost handsets are designed particularly for sale in emerging markets to increase access to communications, particularly in rural areas where mobile penetration is often at its lowest.

The first of the new range of low-cost handsets – the Vodafone 125 and Vodafone 225 models – were launched in May 2007. The handsets are designed to be attractive and durable, and include popular functions such as text messaging. They are likely to retail at US\$25-\$45 depending on the model and the local market. This will enable many more people in emerging markets to afford access to mobile technology and the benefits it brings.

### Launched airtime transfer services in four countries

Airtime transfer services have been launched in Albania, Egypt, Kenya and South Africa. The system allows pre-pay customers to transfer airtime value from their phone to that of another customer. This enables small amounts of call-time to be distributed between individuals, and helps small businesses to have control over their phone usage. In the 2007 financial year, we extended this model to link airtime balance to a cash card with the launch of Vodafone Cash in Egypt (see box).

### Promoted development of products with high social value through our £5 million social investment fund

Vodafone launched a new social investment fund in February 2006. We have committed £5 million to encourage the development of socially beneficial products. Support from the fund allows innovative social products to be developed which may not otherwise be seen as attractive commercial ventures.

The fund focuses on products designed to bring improvements in three key areas: health, inclusive design and emerging markets. Initiatives supported by the fund this year included the development of international money transfer services (opposite), mobile-enabled social alarms (far right) and a new inclusive user interface for handsets that address the needs of older customers (far right).

We are investigating the option of enabling external organisations to apply for social investment fund grants with support from one of our local operating companies with a view to providing a market for the product once developed.



### Vodafone low cost handsets

The Vodafone 125 and Vodafone 225 are part of Vodafone's ongoing commitment to expand access to mobile in emerging markets, where mobile technology and networks are often the only available or affordable telecommunications service. The handsets are likely to retail at around US\$25-\$45 depending on the specific model and the local market conditions.

### Vodafone Cash launched in Egypt

Vodafone Egypt teamed up with HSBC to launch a new prepaid bank card tied to air-time balance in Egypt in the 2007 financial year. The Vodafone Cash service is designed to give customers with no bank account an easy way to deposit, transfer and withdraw cash.

Customers can deposit up to 1,000 Egyptian pounds (around €130) onto their card at any Vodafone Cash service outlet. They simply pay in cash then swipe their card to top up the balance. Cash withdrawals can be made at any Vodafone Cash outlet or HSBC ATM machine.

The card is linked to the customer's mobile phone number. Once they have registered to use the service, customers can call a dedicated number from their mobile to transfer money to another Vodafone Cash customer, pay their monthly phone bills or top up their prepaid balance. Customers are notified of all transactions by SMS text alerts.



### Surveyed blind and visually impaired consumers on their accessibility needs

The Vodafone Speaking Phone converts text messages and screen content to speech. We commissioned consumer research in Spain and the UK in June 2006 to better understand whether this service is meeting the needs of blind and visually impaired customers and how it could be improved. Mobiles play a significant role in the everyday lives of those surveyed, not just for communication but as a means of being independent, providing security and reassurance when lost and helping to feel part of mainstream social culture.

The research found that a range of services is required to meet the needs of customers with different levels of visual impairment. The text-to-speech function is particularly useful for blind customers. People who are less visually impaired prefer other features such as a larger font size, a more inclusive user interface or a keypad designed to be easier to use.

The people interviewed preferred these features to be made available in standard handsets rather than one designed specifically for them. Blind and visually impaired customers also want to be able to use the full functionality of mobile phones available to other users, especially functions that may be of particular use to them such as voice-activated location services. Vodafone is continuing to review opportunities to develop new features to improve the experience of customers who are blind and visually impaired.

### We will

- Continue to research the impacts of our products and services in society and the economy.
- Reduce the level of preventable exclusion by at least a third by 2010
- Introduce three significant products with features that reduce exclusion by March 2008.

### Boosting developing economies through international remittances

The World Bank produced a report in March 2006 on the General Principles for International Remittance Services. The report emphasises the significance of international remittances in boosting developing economies and the need to make remittance services more accessible. It states:

"The flow of funds from migrant workers back to their families in their home country is an important source of income in many developing economies. The recipients often depend on remittances to cover day-to-day living expenses, to provide a cushion against emergencies or, in some cases, as funds for making small investments.

"For some individual recipient countries, remittances can be as high as a third of GDP. Remittances also now account for about a third of total global external finance; moreover, the flow of remittances seems to be significantly more stable than that of other forms of external finance.

"However, remittances can be expensive relative to the often low incomes of migrant workers and to the rather small amounts sent (typically no more than a few hundred dollars or its equivalent at a time). Also, it may not be easy for migrants to access remittance services if they do not speak the local language or do not have the necessary documentation, while the relatively undeveloped financial infrastructure in some countries may make it difficult for recipients to collect the remittances. In some cases, the services are unreliable, particularly concerning the time taken for the funds to be transferred."



### Tele-assistance service for elderly and dependent people launched in Spain

People suffering from Alzheimer's disease or similar conditions can become easily disoriented. They are often dependent on constant care and assistance from their families.

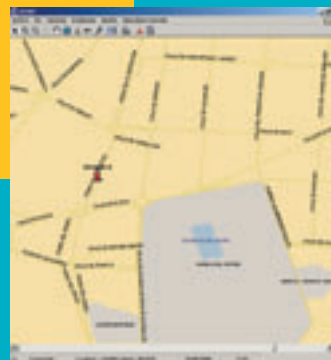
Vodafone Spain's 'Always with you' mobile tele-assistance service is designed to increase their independence, improving quality of life for them and their families.

The handset is specially designed for people who do not regularly use mobile phones such as the elderly. It is very easy to use, with just two buttons – green and red:

- The green button calls a pre-programmed contact number of a friend or family member. If there is no response from the first number contacted, the call automatically passes to the next on the list until it is answered.
- The red button connects the user with a mobile tele-assistance service for immediate help.

The service was developed in close co-operation with the Spanish Association for Alzheimer's disease. It overcomes some of the limitations of existing static tele-assistance services by offering immediate 24-hour access to assistance both in the home and outside it through a mobile device. The device is equipped with a location-based service to enable families to find their relative if they become disoriented. It can also be set up to alert families if the user leaves a designated safety zone.

Vodafone Spain is also working with the Spanish Red Cross to provide immediate access via mobile phones to tele-assistance centre for the elderly or those with special healthcare needs.



### Researching the causes of preventable exclusion

Vodafone commissioned Cambridge University and technology company Sagentia to conduct a study into preventable exclusion. The first phase of the research was to identify and quantify the sources of exclusion. This found that 9% of the EU adult population have difficulties using a mobile phone, particularly if they are elderly or disabled. The study highlighted several significant sources of exclusion including intimidating aesthetics of handsets, small screen and button size, and difficulties navigating complicated menu systems.

The next challenge was to investigate ways to reduce this exclusion. A new user interface called Unity has been developed to make it easier to navigate menus. In addition, guidelines have been developed on the look and feel of a handset for more inclusive product design. These are intended to ensure new mobile phones are attractive without intimidating novice users. Several prototype handsets have been produced (see picture) and research continues on how to bring these principles into commercial handset design.





Material developments:

- **Current advice**, updated in May 2006, from the World Health Organisation (WHO) in their factsheet on base stations and wireless technologies states ‘there is no convincing scientific evidence that weak RF signals from base stations and wireless networks cause adverse health effects’
- **A number of expert reviews** have been published since the last report, none of which have concluded significant change in the scientific position on mobile phones, mast and health
- **Our Group Policy on the Health and Safety of Radio Frequency (RF) fields** for base stations and handsets was enhanced and implemented across all operating companies

Further information:

[www.vodafone.com/mpmh](http://www.vodafone.com/mpmh)

- WHO electromagnetic fields: [www.who.int/peh-emf/en/](http://www.who.int/peh-emf/en/)
- International Agency for Research on Cancer (IARC): [www.iarc.fr/](http://www.iarc.fr/)

Vodafone recognises that there is public concern about the safety of RF fields from mobile phones and base stations. We are committed to showing leadership by making objective information widely available and engaging openly in dialogue with our stakeholders.

We contribute to funding independent scientific research into priority areas identified by the World Health Organisation (WHO). This is done at arms length via national research programmes and funding organisations such as the Research Association for Radio Applications in Germany (FGF) and the GSM Association.

In 2006 the WHO identified the main gaps in scientific knowledge as:

- Long-term exposure
- Issues relating to exposure of children
- Dosimetry (the calculation of absorbed RF doses)

Current advice by the WHO and from the latest expert reviews does not suggest any adverse health effects from exposure to low level RF fields from mobile handsets or base stations. However, the WHO continues to promote further research to determine whether there are any health consequences from the higher RF exposures from mobile phones. Vodafone is committed to inform the public of any significant new developments.

The handsets sold by all our local operating companies, and the base stations they operate, comply with the International Commission on Non-Ionizing Radiation Protection (ICNIRP) international standard for limiting RF exposure to people. They also comply with more stringent local requirements where they exist.

In this section of the report we provide an update on the research into RF and the anticipated timetable for publication of major ongoing studies. We also outline Vodafone's activities.

We said

- We would set targets, track and report stakeholder opinion on how responsibly Vodafone is acting regarding mobile phones, masts and health by March 2007

We have

Surveyed stakeholder opinion on how responsibly Vodafone is acting

We commissioned Ipsos MORI to interview 70 experts and opinion formers around the world who have previously had contact with Vodafone and ask them how seriously Vodafone is taking its responsibilities relating to mobile phones, masts and health.

The majority (75%) feel that Vodafone takes the issue of mobile phones, masts and health seriously compared with 60% for other operators.

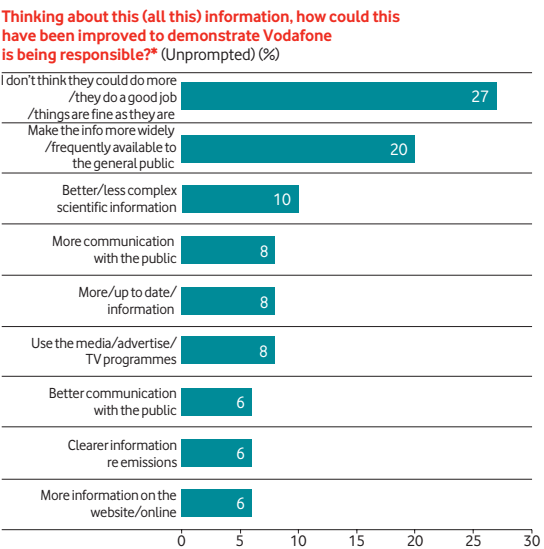
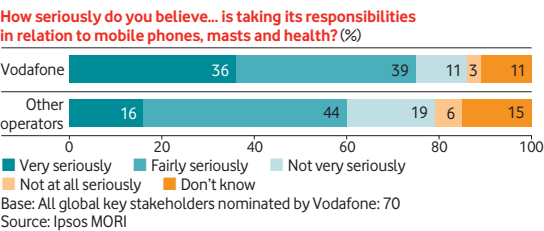
The survey also provides insights into how we can improve our communication. Overall, 27% feel we do a good job demonstrating that we are responsible (see chart, left). However, on masts, 29% feel Vodafone could provide more and clearer information and promote informed debate. On handsets, 27% feel Vodafone could be more responsible by providing better and clearer information about responsible use, including use of hands-free kits. These insights will help shape our communications with our customers and the general public over the coming year.

Continued our programme of engagement with a wide range of stakeholders

Our long-term programme of dialogue with opinion formers and the public aims to understand their perspective in order to help reduce levels of concern and to demonstrate that Vodafone is acting responsibly. We have continued to communicate with a wide range of stakeholder groups including customers, the general public, national politicians and opinion leaders, investors and analysts, doctors and health agencies, and employees. Engagement is undertaken by employees in Group functions and by local operating companies which shape their engagement to reflect local concerns. The programme will continue during the coming year.

Implemented our Group Policy on the Health and Safety of RF Fields

Operating companies have been working to implement the policy for two and a half years. The policy deals with potential risks to health and safety that may arise from employees or the public being exposed to RF fields. All phases of the



## Significant reviews and research published in the 2007 financial year

The flow of reports from individual studies and research programmes continued in the 2007 financial year. Vodafone places emphasis on independent expert assessments that consider the entirety of scientific knowledge rather than individual studies. Here, we report the key science reviews published in the last year. The WHO website provides an extensive listing of science in this area.

### WHO factsheet on base stations and wireless technologies

The latest factsheet from the WHO International EMF project was published in May 2006. The factsheet includes a review of health concerns, protection standards and public perception of risk. The conclusion states:

**"Considering the very low exposure levels and research results collected to date, there is no convincing scientific evidence that the weak RF signals from base stations and wireless networks cause adverse health effects."**

Further information: [www.who.int/mediacentre/factsheets/fs304/en/index.html](http://www.who.int/mediacentre/factsheets/fs304/en/index.html)

### European Commission Scientific Committee on Emerging and Newly Identified Health Risks (SCENIHR)

SCENIHR published its updated opinion on 'Possible effects of Electromagnetic Fields' in March 2007, following a period of public consultation. The opinion of the expert panel is:

**"In conclusion, no health effect has been consistently demonstrated at exposure levels below the ICNIRP-limits established in 1998. However, the data base for this evaluation is limited especially for long-term low-level exposure."**

Further information: [http://ec.europa.eu/health/ph\\_risk/committees/04\\_scenihr/scenihr\\_cons\\_03\\_en.htm](http://ec.europa.eu/health/ph_risk/committees/04_scenihr/scenihr_cons_03_en.htm)

### The Health Council of the Netherlands (HCN)

The HCN focused their fourth annual update of EMF and health, published in February 2007, on UMTS (3G) and Digital Enhanced Cordless Telecommunications (DECT) technologies. The HCN concludes:

**"The research in Switzerland, which set out to repeat the TNO study using an improved design, did not confirm the TNO findings. As the Swiss study built on the experience gathered by the TNO researchers, its design was better and more comprehensive and consequently its results have more weight than those of the TNO study."**

Further information: [www.healthcouncil.nl](http://www.healthcouncil.nl) & [www.tno.nl/](http://www.tno.nl/)

### The Swedish Radiation Protection Authority

The Independent Expert Group of the Swedish Radiation Protection Authority (SSI) published its fourth annual review of EMF and Health in March 2007. To review the health effects of RF in relation to their previous annual reviews, the Expert Group examined the evidence from recent laboratory studies, RF mechanistic studies, epidemiological studies and other emerging issues. Although the SSI Independent Expert Group do not make a general overall conclusion on RF, EMF and health, their position has not changed since the last annual report in that they believe the current weight of evidence is against the existence of non-thermal effects from RF EMF.

Further information: [www.ssi.se/english/lan\\_k\\_symbol\\_Eng.html](http://www.ssi.se/english/lan_k_symbol_Eng.html)

### The Irish Independent Expert Group

This report published in March 2007 gives the conclusions and recommendations of an independent Expert Group appointed by the Irish Government. The Expert Group reviewed the scientific evidence for adverse health effects in the RF range 300 Hz to 300 GHz. The group also undertook consultation with central and local government, concerned citizens and industry. The report makes a number of scientific conclusions and recommendations. In relation to adverse health effects from mobile phones and base stations, the Irish Expert Group concludes:

**"So far no adverse short or long-term health effects have been found from exposure to the RF signals produced by mobile phones and base station transmitters. RF signals have not been found to cause cancer. However research is underway to investigate whether there are likely to be any subtle, non cancer effects on children and adolescents. The results of this research will need to be considered in due course."**

Further information: [www.dcmnr.gov.ie/NR/rdonlyres/9E29937F-1A27-4A16-A8C3-F403A623300C/0/ElectromagneticReport.pdf](http://www.dcmnr.gov.ie/NR/rdonlyres/9E29937F-1A27-4A16-A8C3-F403A623300C/0/ElectromagneticReport.pdf)

### Publications from the INTERPHONE study

INTERPHONE is a multinational study, coordinated by the International Agency for Research on Cancer (IARC). The study is designed to look for associations between mobile phone use and various head and neck tumours, by comparing personal recall of past mobile phone use in people with and without tumours. Results from several of the collaborating INTERPHONE research teams were published during the 2007 financial year. In a joint publication between the Danish and Swedish teams, published in July 2006, the researchers concluded that their results do not provide support for an association between mobile phone use and tumours of the parotid (salivary) gland.

The Japanese research team published their results on acoustic neuroma in August 2006 concluding there is no increased risk in mobile phone users. In January 2007, the combined glioma (brain tumour) data from Denmark, Finland, Norway, Sweden and the UK was published, concluding there is no consistent evidence for an association between mobile phone use and glioma. INTERPHONE researchers consistently point out that the risks associated with developing head and neck tumours after 10 years or more use are currently unknown since INTERPHONE was not designed to examine long-term risks.

Further information: [www.iarc.fr/ENG/Units/RCA4.php](http://www.iarc.fr/ENG/Units/RCA4.php)

## Forthcoming significant reviews and research

The schedule for publication of forthcoming major reviews (below) depends on completion of the research and cannot be definitely predicted. The WHO report will await the findings of the IARC report.

INTERPHONE currently aims to submit the combined analyses from all the national teams by the second half of 2007.

The International Agency for Research on Cancer (IARC) will conduct a review of the science leading to a formal classification of the cancer potential of RF fields. IARC routinely conduct reviews of materials in common use to provide scientific advice.

The WHO RF health risk assessment will review the scientific evidence on all health outcomes arising from human exposure to RF fields. The IARC classification will be a key input.

lifecycle of radio base station and terminal (handset) equipment – from procurement through to operation and maintenance – are covered in the policy. In compliance with the policy, over 80,000 base station sites now have clear signage with effective access controls for restricted areas.

An audit of the policy commenced in March 2007 and will be completed by the summer. We will report on progress against any identified audit actions in next year's report.

## Shared good practice across the Group

We have strengthened our approach to ensuring that examples of good practice, especially in communicating with the public on RF and health, are quickly and efficiently spread across the Group. We now share good practice in several ways including face-to-face meetings, telephone and video conference calls, and online and face-to-face workshops for larger groups.

These have focused on areas such as the implementation of the Health and Safety of RF fields Policy to ensure a common understanding of the policy and on how to provide information on base station sites to potential landlords. This approach is supported by a dedicated area on our intranet making examples of good practice available to all operating companies.

## Led the industry in measuring RF exposure from equipment worn next to the body

The specific absorption rate (SAR) is used to measure a person's exposure to an RF field. Vodafone requires manufacturers of the mobiles it sells to test for SAR compliance when used against the ear and against or near to the body using the US Federal Communications Commission test procedure. We are working with the International Electrotechnical Commission Standards Organisation to develop and gain agreement to a new global protocol for testing phones and other mobile devices worn close to the body.

## Continued to defend four legal actions in the USA

Vodafone, along with various other carriers and mobile phone manufacturers, is a defendant in four actions in the USA alleging personal injury, including brain cancer, from mobile phone use. These personal injury claims have not been substantiated and we are vigorously defending against them. For further information, see our Annual Report at [www.vodafone.com](http://www.vodafone.com).

## We will

- **Achieve a higher approval rating among external opinion leaders for the responsibility of Vodafone's actions regarding mobile phones, masts and health (compared with the survey results from the 2007 financial year).**
- **Set a quantitative target following our second survey in the 2008 financial year.**



Health and safety information on RF is posted on our base station sites for employees working in network deployment and maintenance.

# Responsible network deployment

## Material developments:

- **Responsible network deployment:** Data collected and reported for the first time against key performance indicators to track implementation of our Group policy and guidelines on responsible network deployment
- **Network sharing** agreements announced in two more operating companies
- **Working with contractors** to ensure they implement our Group policy and guidelines, particularly as deployment and management of our network is increasingly being outsourced or shared
- **Undertaking community consultation** in our selection and management of base station sites is vital to promote public trust in our network deployment
- **Local legislation:** Reviewed our compliance with local planning legislation

## Further information:

[www.vodafone.com/responsibility/networkrollout](http://www.vodafone.com/responsibility/networkrollout)

- Balancing community and technical considerations
- Local industry codes of practice
- How mobile phones work
- How base stations work
- Visual impact

## Local codes of conduct

In some countries where we operate we have signed up to recognised codes of conduct on responsible network deployment in partnership with other service providers, local authorities, governments and consumer associations.

| Local operating company | Local industry code signed up to  |
|-------------------------|---|
| Australia               | Australian Construction Industry Forum Code "Deployment of Mobile Phone Network Infrastructure".  |
| Germany                 | 1. Agreement on Exchanging Information and Involving Local Communities<br>2. Self-commitment to measures for improving safety, environmental and health protection, information and confidence. |
| Netherlands             | Dutch Mobile Operators Code of Conduct (2000)<br><br>Dutch Antenna Covenant (Operators, central and local Governments) (2003)   |
| New Zealand             | New Zealand Urban Design Protocol   |
| Portugal                | Memorandum of Understanding with other operators regarding Masts and Health EMF Policy  |
| Spain                   | Best Practices Code for the Deployment of Mobile Telephony Infrastructures  |
| UK                      | Code of Best Practice on Mobile Phone Network Development   |

Our mobile services depend on a network of base stations to transmit and receive calls and data. Vodafone continually invests in network deployment to improve coverage and capacity to support new services such as video calls, broadband access to internet or mobile TV. We are continually reviewing our processes to manage the acquisition, operation and maintenance of these assets. We recognise that our network deployment has sometimes raised concerns from communities, usually about the visual impact of base stations or health issues from radio frequency (RF) fields. Community expectations are one of the many considerations we have to balance when choosing base station sites, including technical requirements, quality of service and licence obligations.

Globally, most base station site developments are not opposed. When people raise objections, our policy is to listen to and accommodate their views wherever possible. The way we engage with communities can greatly influence their reactions to our network deployment. We believe that providing clear information early in the process is the best way to offer reassurance and obtain consent. We recognise that the nature of community concerns varies in different markets. Our Group policy and guidelines on responsible network deployment encourage our operating companies to take into account local cultures in their approach to network deployment.

## We said

- We would have developed, and be reporting against, a method to measure and track key stakeholder opinion relating to how responsibly Vodafone is deploying its network by March 2007

## We have

### Developed a method to measure and track key stakeholder opinion on how responsibly Vodafone is deploying its network

We measure implementation of our Group policy and guidelines through a set of key performance indicators (KPIs) that also track stakeholder opinion. These include the percentage of contracts not renewed by property owners; the number of local authority objections to applications; the average time to obtain consent after an application has been put forward; and surveys of landlords and the general public. We have begun to report against these KPIs in all local operating companies this year, meeting our target.

We collected data on these KPIs for the first time this year and will continue to do so in future years to enable us to analyse trends and assess the impact of our initiatives. During the 2007 financial year, an average of only 0.75% of contracts due to be renegotiated were not renewed by property owners across the Group, with a maximum of 2.65% not renewed in an individual operating company. The average time to obtain licensing after an application was put forward for approval was 207 days, varying from a minimum of 20 to a maximum of 491 days in individual markets. We continue to work with governments and local authorities to emphasise that long decision periods not only have an impact on the pace at which our business can grow, but that they also hinder our ability to meet agreed licence obligations to provide coverage in certain areas enabling services such as emergency calls.

A survey of landlords was carried out in five operating companies in the 2007 financial year (see case study on Spain, right). We plan to develop a set of common questions for all local operating companies to use in landlord surveys to help us track landlord satisfaction levels across the Group. We commissioned a perception survey of the general public on issues related to responsible network deployment, and mobile phones, masts and health in the 2006 financial year. Similar surveys will be carried out every two to three years in future.

### Made building public trust in our network deployment activities a key priority

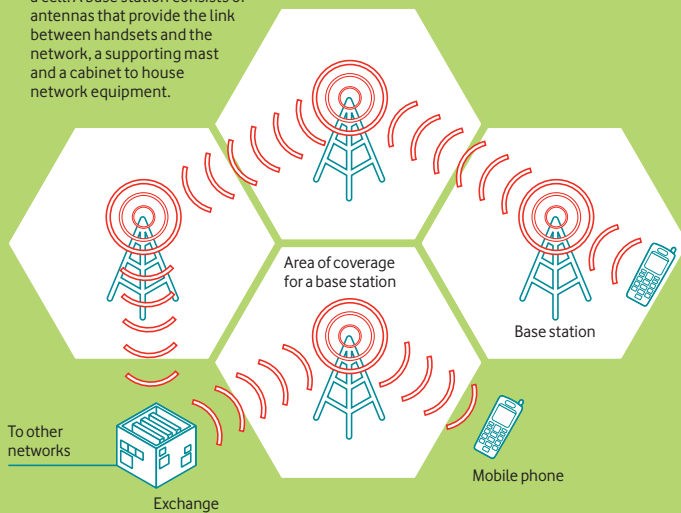
Public reaction to placing of a mast in local neighbourhoods was identified as a key performance indicator from the MORI survey we commissioned in the 2006 financial year. An average of 7% of those surveyed in 15 markets said they were suspicious about the deployment of our network, with this proportion ranging from 1% to 17% in individual operating companies. We will continue to track public trust in our network deployment and define a target to increase public acceptance by March 2008.

Clear communication and consultation helps to increase public acceptance. We want people to feel confident that we have safeguards in place to ensure our networks are deployed responsibly. These include our global policies and training requirements for employees and subcontractors involved in network deployment. Further information is provided by our operating companies either in leaflets in our retail stores or on our local websites.



## How does a network work?

Our network is made up of a series of base stations, each covering a specific area called a cell. A base station consists of antennas that provide the link between handsets and the network, a supporting mast and a cabinet to house network equipment.



## Outsourcing network management in the Netherlands

Vodafone Netherlands outsourced the operation and maintenance of much of its mobile network in April 2006. Vodafone continues to own the network and manage core elements but has contracted Ericsson to manage the rest. Ericsson is one of Vodafone's biggest suppliers. It must – like all suppliers – sign up to our Code of Ethical Purchasing as part of its initial qualification and continual assessment (see page 20). This Code covers the environment, and health and safety, among other issues.

Ericsson is also obliged to implement Vodafone's Group policies, including those covering responsible network deployment, health and safety and RF fields, as part of its contract as a network outsourcing partner. Implementation of these policies is monitored quarterly through self-assessment. In addition, we audited compliance with our Health and Safety Policy in March 2007. In September 2006, Ericsson and Vodafone piloted a joint initiative to better address community concerns about network roll-out. The initiative focused on transparent and open communication. As a result, 80% of local councils that were previously reluctant to support the construction of base station sites have gone on to grant permissions for masts to be built in their areas.



Masts constructed to blend in with existing chimney on a building.

## Responding to landlords in Spain

Results from our survey of landlords in Spain indicate that the top three reasons for dissatisfaction in their dealings with Vodafone are the level of fees offered, confusing contracts and revisions to contracts. More than a third of our base station sites landlords surveyed in Spain said they had difficulty or did not know how to contact Vodafone. In response to this feedback, Vodafone Spain set up a dedicated call centre to manage any issues raised by base station landlords. The call centre is run by five full-time Vodafone employees and receives around 1,000 calls a month. Most calls relate to everyday maintenance issues and payment queries.



## Provided training on responsible network deployment

During the 2007 financial year, we continued to provide training on our Group policy and guidelines for employees working in network deployment or dealing with customers and the general public. We provide handbooks for contractors to explain our standards and we aim to certify every individual working on our networks as a subcontractor before they start working with Vodafone. This is particularly important as our network deployment is increasingly outsourced. Next year, we plan to introduce a system to track training of employees and contractors in all local operating companies.

## Built 4,453 new base station sites

New base station sites installed in the 2007 financial year bring our total number of base station sites worldwide to 83,561, an increase of 6% from last year. The roll-out of new network infrastructure is focused mainly in emerging markets, where we are expanding our business. Our experience in mature markets enables us to use proven best practices in the deployment of new networks. Similarly, the innovative techniques trialled in emerging markets can also be used in the optimisation of networks in mature markets.

## Established agreements with other mobile operators to share networks

By cooperating with other mobile operators to share sites, we can reduce the total number of base station sites required. This cuts costs, enables faster network deployment and reduces the environmental footprint of the network without loss of quality or coverage. We have announced sharing agreements in Spain and the UK, in addition to the existing joint venture in Australia.

Vodafone Spain signed an agreement with Orange in November 2006 to share 1,000 3G base station sites by October 2007, with a view to expand this number to 5,000 over the next four years. Shared sites in small towns (with populations of less than 25,000) will improve network coverage for both companies by approximately 25% and reduce the number of base station sites needed in the respective area by 40%. Vodafone announced a similar proposal in February 2007 to share base station sites with Orange in the UK. The proposal outline plans to combine the 3G network infrastructure of the two companies over a number of years. In September 2006, Vodafone began negotiations with T-Mobile to share and develop network infrastructure in the Czech Republic.

## Reviewed our compliance with local planning legislation

We always seek to comply with existing planning legislation in all the countries where we operate. However, individual local municipalities in some countries have put in place their own planning regulations that conflict with national legislation. This presents a challenge for Vodafone and we have successfully appealed to courts in a number of cases to confirm that national legislation should override local regulations. However, conflicting local and national laws make it very difficult for Vodafone to comply with both. Certain local planning offices continue to refuse to issue licences despite orders to do so from higher courts.

In Greece, new legislation was issued in March 2006 with retrospective effect, resulting in over 400 fully compliant sites no longer being compliant. Vodafone Greece is now taking steps to relicence those base station sites but has, in the meantime, received notices of planning violations and fines. We will continue to consult local, regional and national authorities, consumer and local community associations, and industry to agree an acceptable solution for all parties.

Vodafone was found in breach of planning regulations relating to 423 base station sites and received fines for environmental offences of €16,492 across three markets in the 2007 financial year. One prosecution under environmental law was reported in the UK, resulting in a fine of £5,000 for a breach of the Water Resources Act.

## We will

- Update existing network deployment guidelines and assess local operating companies' compliance with global policy by March 2008.
- Continue to track public views on our network deployment and define a target to increase public acceptance by March 2008.
- Introduce a system to track training of all employees and contractors working in network deployment across the Group.
- Develop a set of common questions for all local operating companies to use in landlord surveys to track landlord satisfaction levels across the Group.

# Earning the trust of our customers

## Material developments:

- **Content standards:** Access controls available from all operating companies that offer 18-rated content. Internet filters offered by five operating companies.
- **Clear pricing:** Vodafone Passport is now available in 13 operating companies and the average cost of European roaming calls has been cut by 40%.
- **Responsible marketing:** New policy introduced to reduce the small print in our marketing material.
- **Privacy:** Extensive stakeholder engagement on privacy issues, privacy officers appointed in all operating companies.
- **Mobile advertising:** Group guidelines drafted on protecting customer privacy and upholding content standards in mobile advertising.
- **Compliance:** Vodafone Greece was fined €76 million for breach of telecommunications privacy legislation and is appealing the ruling.

## Further information:

[www.vodafone.com/responsibility/customers](http://www.vodafone.com/responsibility/customers)

- Spam
- Premium rate services
- Location services
- Mobile theft
- Driving safety
- Text bullying

## Implementation of our content standards by operating companies

| Operating company | Access controls | Internet filter | Anti-spam reporting | Signed up to local industry codes   |
|-------------------|-----------------|-----------------|---------------------|---|
| Albania           | 18              | ▼KB             | N/A                 |   |
| Australia         | 18              | Aug 2007        | ✓                   | Mobile Content and Premium Rate Services  |
| Czech Republic    | 18              | March 2008      | N/A                 | Premium SMS Services Code, 2006   |
| Egypt             | 18              | ▼KB             | ✓                   |   |
| Germany           | ✓               | ✗               | ✓                   | Protection of minors from adult content 2005  |
| Greece            | 18              | ✗               | ✓                   | Code for mobile value-added services and for the protection of minor users                      |
| Hungary           | 18              | March 2008      | ✓                   |   |
| Ireland           | 18              | ✓               | ✓                   | Responsible use of mobiles, 2006  |
| Italy             | ✓               | ✓               | ✓                   | Child Protection and Premium Rate Services, 2005  |
| Malta             | 18              | ▼KB             | N/A                 |   |
| Netherlands       | ✓               | ✗               | ✓                   | Mobile Content 2005   |
| New Zealand       | 18              | Aug 2007        | ✓                   | Mobile Content 2006   |
| Portugal          | 18              | ✓               | ✓                   |   |
| Romania           | 18              | March 2008      | N/A                 |   |
| Spain             | ✓               | ✓               | ✓                   | Premium Rate Services   |
| UK                | ✓               | ✓               | ✓                   | Premium rate services, location Base Services and Mobile Content and Short Codes, 2004 and 2005 |

Key: 18 No 18-rated content on Vodafone live!  
 ▼KB Currently low usage of data services  
 ✗ Access to internet removed on request  
 N/A Not included in the self-assessment exercise

Vodafone's reputation depends on earning the trust of its customers. Their loyalty is vital to the long-term success of our business. This section covers a range of issues that we believe play an important part in maintaining customer trust. These include the clarity of our pricing, the responsibility of our marketing material, the way we handle customer privacy and our measures to protect customers from inappropriate content, contact and commercialism.

We recognise our responsibility to communicate clearly and fairly with customers and potential customers at all times. Vodafone is introducing mobile advertising in several operating companies in the coming year. This raises a number of issues relating to customer trust including clear communication on how to opt in to receive targeted advertising, compliance with advertising standards and appropriate use of personal information.

Customer privacy has been highlighted by stakeholders as an important issue. Preventing misuse of personal data is vital to maintain customer trust. Vodafone aims to safeguard customer privacy where this is compatible with the requirements of governments for us to assist law enforcement authorities in tackling serious crime and terrorism.

Our goal is to ensure customers are satisfied with our service and in control of how they use it. Customers can access an ever-expanding range of features and services on their mobile phones including picture messaging, downloadable games, music, pictures and video clips, internet access and mobile television. Our access controls enable parents to prevent their children from accessing age-restricted content. We also have policies to combat spam and misleading subscription services.

## We said

- We would implement access control solutions which prevent inappropriate access to age-restricted content and services by March 2007
- We would develop and make available a global mobile internet filtering solution to all markets by March 2007
- We would assess compliance with our anti-spam policy and review our customers' ability to report spam in all operating companies by March 2007
- We would reduce the cost of European voice roaming by at least 40% by April 2007
- We would be a recognised leader in responsible marketing by March 2007
- We would engage with key stakeholders about customer privacy issues by March 2007 and seek their views on the appropriate balance between safeguarding privacy and assisting law enforcement authorities to tackle serious crime and terrorism

## We have

### Continued to implement access controls and internet filtering across the Group

Our access controls prevent children accessing 18-rated content on the Vodafone live! portal by either requiring users to verify their age as 18 or over, or by enabling parents to select a profile for their child that will remove 18-rated content. These are available from all our local operating companies that offer age-restricted content, meeting our target. Our other operating companies do not offer age-restricted content.

Our internet filter enables parents to prevent their children accessing inappropriate age-restricted content on the internet via their mobile phones. We introduced the internet filter in four operating companies in the 2007 financial year, making it available in a total of five markets. Two operating companies did not meet their target to implement the filter by March 2007 but plan to do so by August 2007. Our new operating companies in the Czech Republic and Romania have set targets to implement a filter by March 2008. Four operating companies were originally exempted due to low usage of data services, although one of these, Vodafone Hungary, has decided to implement a filter by March 2008.

Local operating companies that have not implemented the filter will remove access to the internet completely on request by customers. We are currently reviewing alternative options available in these markets, including any new or alternative technical solutions, as well as education and awareness campaigns, before mandating a revised date for the implementation of the filter.





## Vodafone Italy launches children's phone

More than half of children aged between eight and 13 in Italy already own a mobile phone. Vodafone Italy has launched a new mobile phone designed specifically for children enabling parents to keep in touch and protect their children by controlling how they use their mobile.

The Vodafone Primofonino enables children to contact their parents by pushing a single button. Incoming and outgoing calls and text messages are restricted to numbers already saved in the phone's contact list. The phone has no browsing capabilities, preventing children accessing the internet via their mobile.

Vodafone Italy consulted a range of stakeholders, including consumer and parents' associations, in the development of the phone. A guide to responsible use – written in consultation with Italian parents' association, MOIGE – is included with the phone.



## Vodafone global head of content standards named internet hero

The Internet Service Providers Association (ISPA) – the UK's leading internet trade association – has named Vodafone's Global Head of Content Standards, Annie Mullins (pictured), an 'Internet Hero'. Every year ISPA names individuals or organisations that have helped or hindered the industry as Internet 'Heros' or 'Villains'. Annie won the Hero award for her work with the UK Government

Home Office Task Force for Child Protection on the Internet. She was also nominated for the Internet Watch Foundation award in recognition of her efforts to protect younger users from inappropriate online content through Vodafone's content standards programme and work with the EU.



## Vodafone Ireland introduces new internet filtering system

Vodafone Ireland is strengthening its internet filter with the help of the Internet Watch Foundation (IWF). The IWF compiles an internationally recognised list of reported websites that contain illegal images of children. Vodafone's internet filter will use the IWF's global list of illegal websites to block child pornography images. The main objective is to stop the 'innocent' or 'curious' accidentally accessing illegal material. This system has already been very successful in the UK and we plan to introduce it to more markets in the future.



## Assessed compliance with our policies on anti-spam and location services

We asked our operating companies to complete a self-assessment questionnaire at the end of the 2006 financial year. Responses from all operating companies participating in the self-assessment indicate that customers are able to report spam in all markets in accordance with our anti-spam policy.

Location services identify the location of a mobile phone to provide local information to the user on request. It is our policy to ensure customers cannot be tracked without their prior consent, and all operating companies are committed to implementing the policy before entering into agreements with companies that offer location services. Three operating companies offer passive location services to business customers to track fleet vehicles. In these cases, it is the responsibility of the business customer to gain consent from their employees.

## Signed the European Framework for Safer Mobile use by Younger Teenagers and Children

We joined other leading European mobile operators in February 2007 to sign an agreement on how to protect young people using mobile phones. Signatories to the framework are committed to develop national self-regulatory codes on child safety and mobile phones within a year. These should include access control mechanisms, customer awareness and education, classification of commercial content to identify adult material, and measures to combat illegal child content. Our implementation of the code will build on our existing content standards programme. Implementation of the code will be monitored by the European Commission.

Vodafone supported the 2007 safer internet day run by InSafe, an organisation funded by the European Commission to raise awareness of internet safety issues. Children from more than 200 schools in 25 countries around the world took part in a competition to create internet safety awareness material. Vodafone sponsored prizes for entries on the themes of e-privacy and netiquette. We are keen to continue our support of InSafe.

## Reviewed our policies on content standards in view of changes in the business

In the 2007 financial year, Vodafone announced partnerships with YouTube, MySpace and other popular internet sites to make them available via mobile. Social networking sites are increasingly popular with teenagers, raising concerns among some stakeholders about the potential risks of making personal information publicly available. In addition, we now offer home broadband internet services in five local operating companies.

Vodafone is in the early stages of introducing these new services. We are reviewing existing policies on content standards to ensure we continue to enable parents to protect their children from inappropriate content and contact. We are developing Group guidelines on home broadband services and social networking websites. Our contracts with YouTube, MySpace and other similar sites include clauses that will allow Vodafone to work with them to protect users from inappropriate content.

## Reduced by 40% the average cost of roaming calls in every European operating company

Over 30 million of our customers use their mobile phones when they travel abroad every year. Market research shows they expect the service to be 'like home' with fair, clear pricing when using their mobiles abroad. The EU has also focused on this issue. Vodafone pioneered efforts to improve the transparency of roaming prices and reduce roaming costs with the launch of Vodafone Passport in 11 markets in 2005. This service allows customers to take their home tariff abroad paying just a small connection fee per call. We introduced Vodafone Passport in a further two European operating companies in the 2007 financial year, making it available in a total of 13 markets. Vodafone Passport is now used by over 11 million customers, cutting the cost of their calls per minute by more than half compared with prices in June 2005.

In May 2006, we publicly committed to reduce the average cost of calls for our customers using Vodafone networks in Europe outside their home country by 40% by April 2007. The average cost of roaming calls fell from €0.79 to less than €0.48 per minute, delivering this commitment. Vodafone is also working with other mobile operators to introduce reciprocal arrangements to ensure that wholesale roaming charges are no more than €0.45 per minute for calls. We have signed such agreements with 32 operators, covering 94% of in-bound traffic and 87% of out-bound traffic across the EU.

# Earning the trust of our customers

continued

In addition to increasing the transparency of roaming call costs, Vodafone announced a new flat-rate tariff in March 2007 that will significantly reduce the cost of data roaming. From July 2007, customers in Europe will be able to use internet and e-mail services from a mobile-enabled laptop for a flat-rate fee of €12 a day when roaming abroad.

To further improve transparency, we introduced a free pricing information service for customers travelling across Europe in the 2007 financial year. Customers can text Vodafone from home or abroad to receive a free message detailing the cost of making and receiving calls. Vodafone also participates in a web-based initiative launched by the GSM Association in July 2006 to increase transparency of roaming costs in Europe. Consumers can now visit the GSM website to compare roaming costs from around 75 operators at [www.roaming.gsmeurope.org](http://www.roaming.gsmeurope.org).

**Engaged with key stakeholders about customer privacy issues**  
Our customers entrust us with their personal information and the confidentiality of their private communications. The way we handle this information is a vital part of our responsibility to customers and how we earn their trust. However, faced with increasing demands for surveillance in the fight against serious crime and terrorism, we are sometimes called upon to assist law enforcement authorities in the interests of protecting public safety or security.

We have therefore established a dialogue with key stakeholders to seek their views on the appropriate balance between safeguarding privacy and assisting law enforcement authorities to tackle serious crime and terrorism. This included several face-to-face meetings and other engagement activities throughout the year. We also commissioned a paper on this issue to inform stakeholders and stimulate the dialogue.

A panel of five privacy experts – representing privacy NGOs, public law enforcement authorities and a global internet company – took part in our annual corporate responsibility conference in July 2006 to raise awareness of privacy issues among our local operating company corporate responsibility managers.

In February 2007, we held a focus group with seven external experts to explore privacy issues, particularly as they apply to a mobile communications business (see box, top right). The findings will feed into a new paper in the Vodafone CR dialogues series.

**Participated in a multi-stakeholder process to develop principles on freedom of expression and privacy for the ICT industry**  
Internet companies came under scrutiny in 2006 over several cases with implications for customer privacy and freedom of expression. In some cases, customer data had been disclosed to and used by governments to infringe their citizens' rights to privacy and freedom of expression. In other cases, certain internet searches and blogs were blocked. This issue is not yet seen as a major problem for mobile operators but we see it as a potential issue.

We are participating in a multi-stakeholder engagement process, together with Google, Microsoft, TeliaSonera and Yahoo!, to draft principles on freedom of expression and privacy for the ICT industry. The dialogue is being facilitated by Business for Social Responsibility and the Center for Democracy and Technology with the participation of more than 20 other organisations, including human rights NGOs, civil liberties groups, investors, academics and technology organisations. Through an in-depth dialogue at a series of meetings throughout the year, the group is drafting a set of principles to be finalised later in 2007.

**Continued to develop a Group-wide policy on law enforcement assistance**  
The responsibility of telecommunications operators to provide assistance to law enforcement authorities has an impact on the privacy and freedom of expression of their customers. Vodafone is developing a Group-wide policy on law enforcement assistance to ensure we strike the right balance between these conflicting obligations. Our participation in the process to draft industry guidelines on freedom of expression and privacy will feed into the development of our Group-wide policy on law enforcement assistance to be completed next year. Vodafone has also recruited a new dedicated advisor to the Group Fraud, Risk and Security function to help coordinate law enforcement activities and ensure compliance with our Group policy.

## Customer privacy: exploring the issues

The wide range of questions raised at our privacy focus group in February 2007 highlights the breadth of issues this topic touches upon. Participants included seven privacy experts representing academia, industry, investors, NGOs, government and law enforcement authorities.

One of the key issues explored related to finding an appropriate balance between safeguarding customer privacy and assisting law enforcement authorities. Most participants agreed that it is not the responsibility of mobile operators to question requests for customer data from governments and law enforcement agencies. The main concern is about inappropriate commercial use of data, or theft of data by criminals rather than governmental access.

However, government requests for data may be more of a concern for companies operating in an undemocratic regime with a poor record on human rights. Participants felt it would be unrealistic to expect companies to decide whether to comply with government requests on a case-by-case basis. The key CR decision is whether to enter a country – once a company is operating in a country it must abide by its laws.

The potential implications of targeted mobile advertising for customer privacy were also discussed. Participants generally agreed that it is legitimate to offer customers the choice to opt in to targeted advertising in return for cost benefits. The issue is how to obtain consent clearly and fairly. Some participants raised concerns about the type of advertising customers might receive and wanted reassurance that advertising standards would be upheld.

## Cutting out asterisks and small print in Romania and the Czech Republic

Market research suggests that extensive small print and asterisks mean many consumers do not understand the benefits of promotions offered by mobile operators. Our global strategy is to reduce small print and asterisks in our advertising. Vodafone Romania put this into practice with a fun 'no asterisk' advertising campaign (see poster below). Details of promotions were laid out clearly, simply and prominently in all advertising material, eliminating the need for small print. In the Czech Republic, a 'no small print' campaign was launched entitled "No flea text. No hidden hooks." (see poster, right).

\* o ofertă

fără steluțe

abonează-te pe 2 ani până la 2 iulie și ai:

3

luni pe viață

abonamentul gratuit, în fiecare an

trăiește fiecare clipă

vodafone



Žádné bleší písmo

Žádné skryté háčky

U Vodafone komunikujete bezpečně, protože se o vás nikdo nezaujímal. Nikdy neměl přístup k vašim osobním údajům a nikdy nebyl schopen zjistit, co děláte a s kým mluvíte. Nebyl schopen ani zjistit, jak často voláte a jak často používáte internet. A protože se o vás nikdo nezaujímal, nikdy nebyl schopen zjistit, jak často používáte internet a jak často voláte. A protože se o vás nikdo nezaujímal, nikdy nebyl schopen zjistit, jak často používáte internet a jak často voláte. A protože se o vás nikdo nezaujímal, nikdy nebyl schopen zjistit, jak často používáte internet a jak často voláte.

Je to ve vašich rukou

vodafone

## Appointed privacy officers at all local operating companies

Our Group Privacy Policy – introduced in November 2005 – requires each local operating company to appoint a privacy officer with day-to-day responsibility for compliance. Privacy officers have now been appointed at all operating companies.

## Been found in breach of privacy legislation in Greece

Vodafone Greece was made aware in March 2005 that software capable of interception had been installed in the network without Vodafone's knowledge. The foreign software was removed immediately and the Greek Government and judicial authorities were promptly informed. As a result of investigations by the administrative authority for secrecy of communications, Vodafone Greece was fined €76 million for breach of legislation in force. Vodafone has paid this fine but is seeking to have the decision annulled.

## Drafted guidelines on mobile advertising

We intend to introduce mobile advertising in several markets in the 2008 financial year. The approach and details will vary across different operating companies. Advertising may take various forms including banner advertisements placed on the Vodafone live! portal or inserted into download content.

We have drafted guidelines for our local operating companies to ensure customer privacy is protected, advertising is responsible and advertising standards are upheld. The guidelines build on our established Group Privacy Policy and Content Standards policies. They aim to ensure our customers are protected from inappropriate content, contact and commercialism. The guidelines emphasise that customers' privacy will be protected and their personal information will not be used for advertising purposes without prior consent.

We held a workshop in March 2007 for legal, privacy and advertising managers from local operating companies that included a discussion of potential CR issues emerging from mobile advertising. These issues were also explored at our external privacy focus group in February 2007. The main concerns expressed by participants related to obtaining customer consent to use customer data for targeted advertising and ensuring mobile advertising is responsible (see box, right).

## Been rated among the leaders in the industry in responsible marketing

Three years ago we set ourselves the objective of being a recognised leader in responsible marketing by March 2007. In 2006 we asked more than 400 consumers in 12 markets where we operate which telecommunications companies do more than others to be responsible and fair in the way they do business. The majority of consumers surveyed placed Vodafone first in six countries, second in five and third in one. Although this does not confirm that we have met our target to be a recognised leader, we work continually to drive the industry to adopt higher standards in responsible marketing.

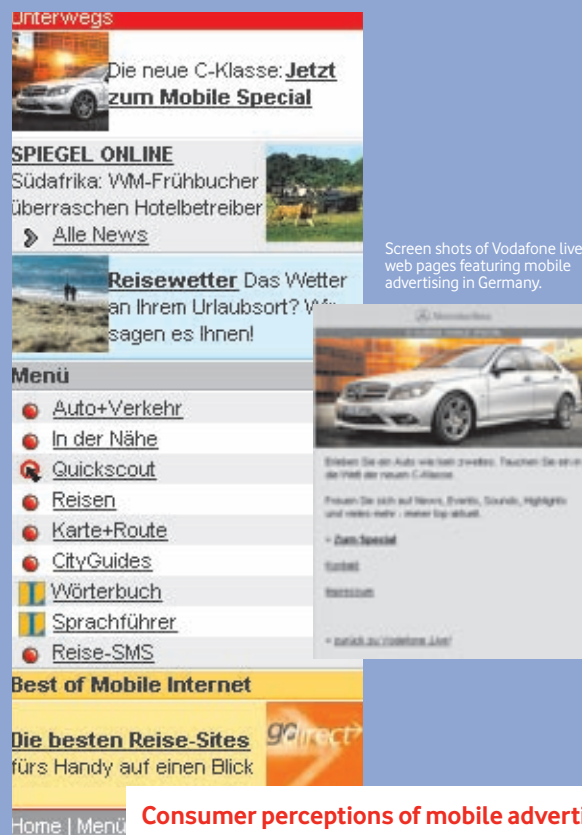
Complaints upheld by advertising regulatory bodies are monitored by all our local operating companies. In the 2007 financial year, Vodafone's advertising caused 30 complaints to be upheld by authorities. The most common cause for complaint about our advertising in the 2007 financial year was again insufficiently clear communication of pricing and services. Advertising complaints resulted in total fines of approximately £250,000 in the 2007 financial year.

## Reduced the small print and asterisks in our advertising

Insufficiently clear pricing and extensive small print can affect the level of trust our customers place in Vodafone and the service packages we offer. Our aim is to progressively reduce the amount of small print in our advertising, which has taken place in a number of local operating companies. We launched 'no small print' advertising approaches in the Czech Republic and Romania this year, cutting out the small print completely (see box, left). In Germany, we reduced the amount of small print by around 40%.

## We will

- Launch a campaign in each local operating company to address a locally relevant customer issue by March 2008.
- Conduct consumer research and publish global guidelines on social networking sites and mobile advertising by March 2008.
- Launch an on-line privacy awareness programme in all our local operating companies to describe Vodafone's privacy policy and what it means for employees by March 2008.

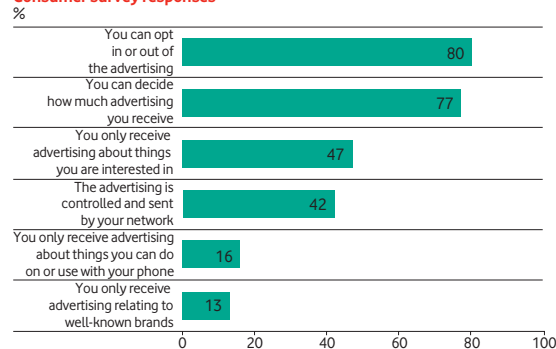


Screen shots of Vodafone live! web pages featuring mobile advertising in Germany.

## Consumer perceptions of mobile advertising

We have conducted a range of research projects and trials exploring the customer impact of targeted advertising. The findings indicate customers are open to the concept of mobile advertising provided that the advertising is not intrusive, their privacy is protected, the adverts are relevant and that they get something in return, such as subsidised or free services.

### Consumer survey responses



Source: Vodafone's consumer research

## CR information by text from Vodafone Greece

Vodafone Greece has set up a dedicated four-digit number (1004) to enable customers to enquire about CR issues quickly and easily from their mobile phone. Customers can ask a CR question free of charge via SMS text message and receive a text reply. Additional printed information may also be sent if appropriate. More than 200 text questions have been received since the number was launched in October 2006, mainly asking for information about handset recycling or about mobile phones, masts and health.



Material developments:

- **Supplier qualification:** CR has been incorporated into our consistent Group-wide process for qualifying new suppliers to Vodafone.
- **Industry approach:** A common approach to CR supply chain management is being developed across the industry through GeSI and EICC initiatives.
- **NGO reports** published this year highlighted cases of poor conditions in the electronics industry supply chain.
- **'Speak up' programme** launched to provide suppliers and Vodafone employees working in our supply chain with a means to report ethical concerns.
- **Supply chain organisation:** Merged local operating company and Group supply chain management teams into a global supply chain organisation.

Further information:

[www.vodafone.com/responsibility/supplychain](http://www.vodafone.com/responsibility/supplychain)

- Code of Ethical Purchasing
- Self assessment questionnaire and risk assessment tool
- Details of training for supply chain managers
- Summary of industry supply chain activities
- Vodafone supply chain CR timeline

We believe that a consistent message from all buyers of ICT equipment is needed to persuade suppliers that acceptable labour and environmental standards are essential to do business with major companies. This applies across Vodafone where we have introduced an aligned approach to engaging with suppliers in all our local operating companies. It also applies across the ICT industry where we are working to establish a common approach through industry forums.

We do not manufacture anything ourselves, but we spend more than £20 billion on purchasing products and services. We source equipment for our networks, and the handsets we sell, from third-party manufacturers who themselves source components and assembled products from other suppliers. The electronics supply chain has many interwoven tiers. We also source services from companies around the world.

Our Code of Ethical Purchasing (CEP) sets out our expectations of all suppliers. For new suppliers, this is implemented by our new supplier qualification system that ensures our CR expectations are made clear from the first point of contact a supplier has with Vodafone. Existing suppliers are already aware of these expectations.

Our strategy is to engage directly with our first-tier suppliers, emphasising their need to engage with their own suppliers in a similar way. Since we do not have a contractual relationship with sub-tier suppliers, we believe that engagement with these companies should be through our first-tier suppliers.

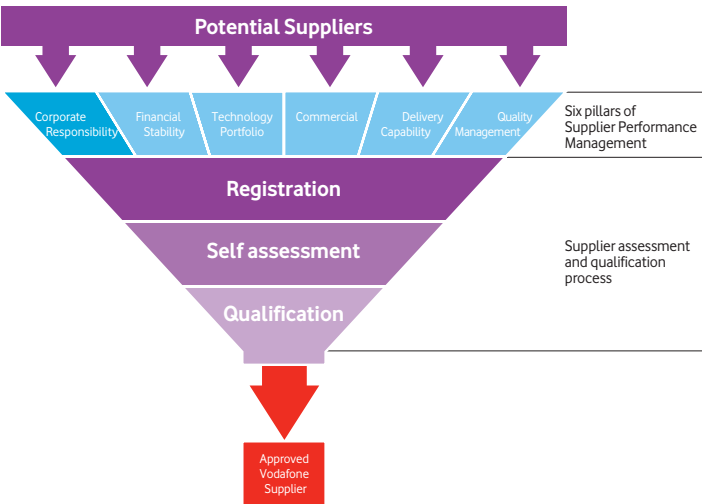
We are working to extend our influence further into our supply chain as follows:

- We are encouraging our strategic suppliers to have their own supplier engagement programmes and have conducted a number of site assessments of sub-tier suppliers alongside our direct suppliers.
- We are working with major companies representing a number of different tiers within the ICT supply chain, to develop a common approach to supplier assessments.
- During the 2008 financial year, we will establish partnership projects with two key Chinese suppliers to work together to engage with our sub-tier suppliers.

We understand concerns relating to standards in the ICT industry supply chain. Several NGO reports were published during the year highlighting instances of unacceptable labour, health and safety and environmental practice in the electronics supply chain (see box, top right). We discussed the potential implications of these reports with the relevant first-tier suppliers. In any cases involving companies in our supply chain we seek further information to understand and resolve specific issues.

As the industry gains experience of supply-chain engagement, we have learned that audits alone are often not sufficient. Suppliers can too easily make temporary improvements without the necessary management system changes needed to embed the improved practices. This results in the same problems recurring later. To achieve sustainable improvements, we are helping supplier companies build their capability and commitment. We are addressing this through our own programme and joint industry activities.

Vodafone's supplier qualification process



We said

- We would implement the supplier qualification process by March 2007.
- We would complete a second stage of 10 site evaluations of global suppliers by March 2007.
- We would put in place a whistle-blowing mechanism for suppliers to support the implementation of the Code of Ethical Purchasing by March 2007.
- We would continue to work with other major ICT companies to develop a common approach to supplier assessments by March 2007.

We have

Implemented our supplier qualification process in all local operating companies

When a new company applies to supply Vodafone the company must provide information that we need to complete a risk assessment. If Vodafone is interested in progressing the supplier to the next stage, the results of the risk assessment determine whether the supplier is required to complete a self assessment and, in some cases, a site qualification assessment. Only after these have been satisfactorily completed can the company qualify as a Vodafone supplier (see diagram, left).

## NGO reports

Several NGO reports published during the year highlighted instances of unacceptable labour, health and safety, and environmental practice in the electronics supply chain. Two significant reports were those by an NGO based in Hong Kong, SACOM (Students and Scholars against Corporate Misbehaviour), and Dutch research organisation SOMO (the Centre for Research of Multi-National Companies).

These highlighted issues such as low wages, involuntary overtime, lack of unions and the unsafe use of chemicals in several countries including China, India, Thailand and the Philippines.

## Recommendations for improvement (RFIs) identified in site evaluations

| Category               | No of RFIs | Performance issue identified | Policy only issue identified |
|------------------------|------------|------------------------------|------------------------------|
| Child labour           | 0          | –                            | –                            |
| Forced labour          | 2          | –                            | ✓                            |
| Health & safety        | 39         | ✓                            | ✓                            |
| Freedom of association | 1          | –                            | ✓                            |
| Discrimination         | 1          | –                            | ✓                            |
| Disciplinary practices | 4          | ✓                            | ✓                            |
| Working hours          | 2          | ✓                            | –                            |
| Payment                | 0          | –                            | –                            |
| Individual conduct     | 0          | –                            | –                            |
| Environment            | 4          | ✓                            | ✓                            |
| Implementation         | 5          | ✓                            | –                            |

## Software Development in India

In addition to our work with manufacturing and recycling suppliers, we commissioned a CR review with a strategic corporate software development supplier that has significant operations based in Pune, India. The review assessed the supplier's capabilities against Vodafone's CEP, local legal requirements, SA8000 and corporate policies.

In partnership with the supplier, areas for improvement were identified and, supported by an independent third party auditor, improvement recommendations were defined. To increase their performance and further support Vodafone's CEP, the supplier chose to enhance their management systems by pursuing ISO14001 and OHSAS18001 compliance and certifications.

Vodafone's Supplier Performance Management team has regular contact with the supplier and is able to track its development. This approach has increased the partnership between the two companies while ensuring the supplier's commitment to Vodafone's CEP.

## Working with industry – GeSI and EICC

To date, the work of the joint GeSI and EICC initiative has developed and piloted:

- A risk assessment tool and methodology
- A supplier self-assessment questionnaire
- A common auditing approach/methodology.

These and other tools will be available through an on-line system being launched to facilitate the efficient flow of information between companies.

The two industry groups have also established a learning and capability-building work group which is developing training materials for key audiences and is participating in a multi-stakeholder capability-building initiative in China. The initiative is being managed by the Foreign Investment Advisory Service (FIAS) (a joint initiative of the World Bank and IFC) with project partners GeSI, EICC, Business for Social Responsibility, the Municipal Government of Shenzhen, Shenzhen Electronics Industry Association and the Chinese National Government. The aim is to create a capability-building strategy for the ICT sector in China that addresses the main obstacles to improving CR performance.

## European Leaders in Procurement Awards 2007

Vodafone received the 2007 European Leaders in Procurement Award for Corporate Responsibility in recognition of our emphasis on CR within our global supplier performance management programme. The European Leaders in Procurement are a network of senior procurement professionals seeking to innovate and share best practice throughout Europe. The award for CR recognises outstanding procurement initiative covering social and environmental issues; including ethical sourcing, green procurement and supplier diversity. The award covers Vodafone's work on supply chain management during 2006, including stakeholder engagement, the implementation of our CEP at Group level and in our local operating companies, and our participation in industry initiatives such as the GeSI.



During the 2007 financial year, a common supplier qualification process was rolled out to our Group purchasing function and across all our operating companies.

## Promoted continuous improvement with many of our largest suppliers through our supplier scorecard

In the 2007 financial year, 290 suppliers, including all strategic global suppliers, were assessed using a performance scorecard. CR criteria account for 10% of the total score. The scorecard evaluates the supplier's CR management systems, public CR reporting and approach to managing CR in its own supply chain. Vodafone's supply chain teams review the scores and request supporting evidence from the supplier's account manager, usually at half-yearly intervals.

## Undertaken 17 site evaluations

This exceeds our commitment to complete 10 on-site CR evaluations and completes our original three-year commitment of conducting 25 site evaluations of global suppliers – a total of 36 have been completed. Over half of this year's assessments were completed as part of our supplier qualification process. We conducted over 65% of these evaluations in Asia, following risk-assessments. The evaluations included four handset and network equipment recycling suppliers, three infrastructure suppliers, three software providers, six handset suppliers (including two sub-tier suppliers in conjunction with the first-tier suppliers responsible) and one battery supplier. We made a total of 58 recommendations for improvement (see box, left).

One potential supplier candidate failed to reach the criteria required to supply Vodafone for a number of reasons, including multiple non-conformances with our CEP. The site audit was suspended within two hours and the team's efforts refocused on briefing the supplier management team on Vodafone's CEP and quality requirements. The supplier will not be approved until sustained improvements are made and verified.

## Established a whistle-blowing mechanism to encourage reporting of any unethical behaviour by Vodafone or its suppliers

We launched our 'Speak Up' programme to provide suppliers and Vodafone employees working in our supply chain with a means of reporting any ethical concerns.

The programme provides two alternative routes for raising issues: either by contacting Vodafone's Group Fraud Risk & Security Department directly or via a third-party confidential telephone hotline service. The line is available 24/7. All calls are taken by an independent organisation with staff trained to handle calls of this nature. Vodafone is committed to completing a timely investigation, follow-up and resolution of all issues reported. Less than 10 incidents have been reported to date, all of which have been investigated and resolved.

## Continued working with other ICT companies to establish a common approach to supplier assessment

Through our membership of the Global e-Sustainability Initiative (GeSI) we are working to establish a common approach to supplier assessment and engagement. GeSI is collaborating with the Electronic Industry Code of Conduct Implementation Group (EICC) bringing a total of over 30 major ICT companies into the initiative. The objective is the development and deployment of a consistent set of tools and processes for improving supply chain CR performance across the ICT sector (see box for details on progress this year).

## We will

- Implement a project with two strategic Chinese suppliers to manage CR risk within our sub-tier suppliers by March 2008.
- Enhance our CR programme and capability within the China region through our recently established China based supply chain offices by March 2008.
- Achieve 100% follow up within three months for all local and global suppliers identified as high risk during qualification by March 2008.
- Maintain levels of training for supply chain managers to ensure that more than 90% have received CR training.
- Incorporate the ICT industry common tools and approach within Vodafone's programme by March 2008.



# Energy use and climate change

## Material developments:

- **Network carbon dioxide emissions** per unit of data transmitted decreased by 29%.
- **Total network carbon dioxide emissions** decreased by 12% this year.
- **Energy targets** set by 10 operating companies to help us meet our Group target.
- **Global Energy Management Team** established to oversee the implementation of our key energy-saving initiatives.
- **Worked with suppliers** to improve energy efficiency of new network equipment by 25%.
- **Renewable energy use** increased by 28%.
- **Energy audits** completed by eight local operating companies to identify areas for improvement.

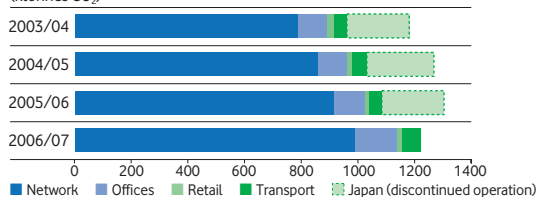
## Further information:

[www.vodafone.com/responsibility/energy](http://www.vodafone.com/responsibility/energy)

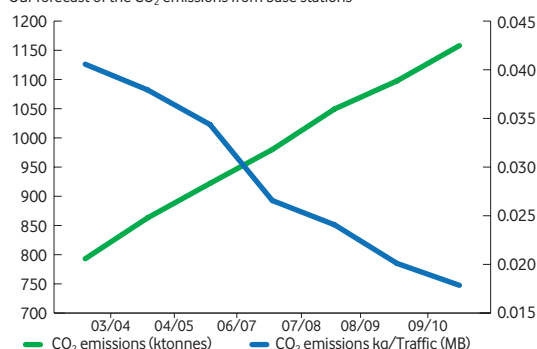
[www.vodafone.com/responsibility/environment](http://www.vodafone.com/responsibility/environment)

- Earth Calling: a review of Vodafone's environmental impacts by Forum for the Future
- Transport
- Videoconferencing
- Water

**Total CO<sub>2</sub> emissions**  
(ktonnes CO<sub>2</sub>)



**CO<sub>2</sub> emissions from network: past and predicted**  
Our forecast of the CO<sub>2</sub> emissions from base stations



Climate change is widely recognised as the greatest global sustainability challenge. Its implications are far-reaching for the environment, for people, and for the global economy – of which Vodafone is a part. Limiting our contribution to climate change is a priority. Energy use associated with the operation of our network accounts for more than 80% of the carbon dioxide emissions from our total energy use. Therefore our main focus is reducing emissions from our network.

## We said

- We would reduce network carbon dioxide emissions per unit of data transmitted by 40% by 2011 (from 2005/06 baseline).
- We would work with our suppliers to increase energy efficiency of new network equipment by 25% by March 2008 (from 2005/06 baseline).

## We have

### Reduced our network carbon dioxide emissions per unit of data transmitted by 29%

Overall, our energy use in the 2007 financial year resulted in a total of 1.23 million tonnes of carbon dioxide emissions, 0.99 million of which were from energy used in our networks. Total network carbon dioxide emissions have decreased by 12% this year while the overall data transmission has increased by 25%. This means we have reduced our network carbon dioxide emissions per unit of data transmitted by 29%.

Our total energy use was 2,690 GWh, a 0.07% decrease from the previous year. However, by removing the impact of sales and acquisitions of local operating companies, our energy use has actually increased by 6%. Energy plans being implemented by our local operating companies to improve efficiency and reduce emissions will help us meet our Group target of a 40% reduction by 2011.

### Begun to implement our energy strategy

Our new Global Energy Management Team is responsible for ensuring our strategy and targets on energy and climate change are implemented. The team has developed a set of guidelines to share best practice and help local operating companies reduce energy use. The main focus is on identifying ways to improve the energy efficiency of our network and buildings, and increase use of renewable energy. Initiatives across the Group include:

- Replacing energy-intensive air conditioning units at base station sites with more energy efficient systems, such as free cooling (see far right).
- Deactivating unused rectifiers – devices that convert alternating to direct current at base station sites. This reduced energy use by 110W per site (1-5% of the total energy consumption at each site) in trials by Vodafone Germany.
- Producing an energy-efficiency toolkit to help local operating companies assess and improve the energy management of their operations.
- Piloting ways to reduce diesel use at trial sites in Egypt and Albania.
- Categorising sites to optimise energy usage – for example not all base station sites require battery backup and active cooling.
- Remote monitoring and measurement of energy.

### Established energy efficiency targets in 10 local operating companies

Targets must be approved by local operating company chief executives and are reviewed by the global energy management team against our Group target. Eight local operating companies completed energy audits of their operations in the 2007 financial year and four plan to do so next year.

An energy audit in Hungary, for example, showed Vodafone Hungary is making good progress against its energy efficiency targets. Energy use at 40 different sites was monitored over the year to identify ways to reduce energy use. Around 4,000 unnecessary transceivers were identified – of which 1,300 have already been removed and the remaining 2,700 have been locked. Steps have been taken to ensure energy efficiency is a priority for the technology team.

### Worked with suppliers to achieve a 25% increase in energy efficiency of new network equipment

The average energy efficiency of new network equipment across our range of suppliers has improved by 25.3% from last year, meeting our target a year early.

"Energy management requires urgent action and there's a lot of enthusiasm across the business. The climate change impact and cost benefits make it a top priority on our agenda. This year we have implemented initiatives both to reduce the energy consumption of our current network equipment and to improve the efficiency of new equipment. We have achieved our target of making our new network equipment 25% more efficient and now we are aiming to increase the efficiency up to 33%."



**Helmut Hoffmann**  
Global Networks Director and  
Head of Global Energy Management Team

### Improving energy efficiency at Vodafone UK offices

Vodafone UK has reduced its energy use by 3% in offices in the 2007 financial year. It was the first local operating company to set a target to reduce total energy use of current network infrastructure, offices and stores by 12.5% by March 2009 (from the 2006 financial year baseline).

An energy assessment of its operations in the 2007 financial year showed that offices and call centres make up 15% of its total energy use. A number of relatively simple measures were identified that could significantly improve energy efficiency. For example, switching off air conditioning systems and lighting when office and call centre buildings are not occupied could reduce energy use in those buildings by as much as 10%. Replacing old lighting controls and air handling units with more modern equipment can also improve energy efficiency.

### Reducing energy use through new technology

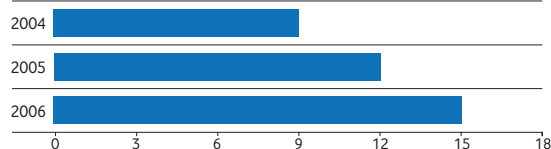
Our work with suppliers to reduce our energy use by improving the energy efficiency of network equipment focuses on two key areas – power amplifiers and remote radio heads.



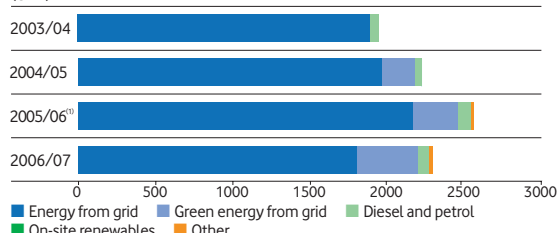
Power amplifiers are the most energy-consuming component of a 3G base station. In 2004, the average energy efficiency of power amplifier units across our suppliers was around 9%. This figure has been improving gradually, up to 17% in 2006.

Remote radio heads – a system that relocates power amplifier units next to the antenna – can reduce energy use by an average of 40% by preventing energy loss in feeder cables. In Spain, existing equipment consumes around 925W to produce a power output at the antenna of around 20W. This has been replaced with new equipment that uses just over half the energy (480W) to generate double the power output (40W). This means an average of 3.9 MWh a year will be saved with each unit replaced (see chart).

**Efficiency gains from remote radio heads & improved power amplifiers in 3G equipment in Spain (% improvement)**



**Total network energy used by source (GWh)**



(1) Figures updated after further analysis of data obtained during the last financial year

The new equipment – power amplifiers and remote radioheads – has been implemented at 655 sites in the 2007 financial year and will be used in the deployment of more base station sites across the Group (see box for details). Our revised target for March 2008 is to work with suppliers to achieve a 33% reduction from the 2006 financial year baseline.

### Adopted higher standards for air-conditioning equipment

Air-conditioning of base station sites accounts for around a quarter of our network energy use, offering the biggest potential energy savings in our established 2G networks. In the 2007 financial year, we introduced a policy to implement free-cooling as the default option for all new cooling equipment. This system uses fresh air to cool network equipment, reducing the need for energy-intensive air-conditioning. Our Group guidelines recommend installing free cooling boxes that will save around 16,000kWh a year per site. These have been installed at more than 200 base station sites in Germany, Greece, Ireland and Spain. In hot countries where active cooling is needed during the day, our guidelines recommend installing different equipment that enables free cooling to be used at night. When existing cooling equipment reaches the end of its life, it will be replaced by more efficient equipment.

### Increased the use of renewable energy by 28%

Renewable energy made up 17% of our total network energy use in the 2007 financial year, up from 12% in 2006. The majority of energy used by our network is electricity from national grids. We purchase renewable energy from the grid where practical. Four local operating companies purchased renewable energy during the 2007 financial year.

We are also implementing on-site renewable energy systems to replace diesel generators at remote base station sites where grid electricity is not available. These include solar panels, wind turbines and fuel cells. Different types of renewable energy are being trialled at different sites across the Group and best practice is shared through an online database. We are developing a set of guidelines to help operating companies choose the renewable option best suited to each site by evaluating a range of criteria such as the size and energy use of the site, local weather patterns and the availability of grid electricity.

### Participated in industry partnerships

Vodafone is a member of the Global e-Sustainability Initiative (GeSI) Climate Change Working Group. This working group aims to improve the measurement and reporting of carbon dioxide emissions for GeSI companies. It also explores opportunities for GeSI companies to help reduce emissions through their products and services, for example by replacing business travel through video- and tele-conferences.

Vodafone is also part of both the UK and EU Corporate Leaders Groups on Climate Change, working in partnership with governments to support international efforts to reduce greenhouse gas emissions (see page 5).

### Consulted with experts on climate change

We organised a workshop in March 2007 for nine experts on climate change – representing government, NGOs, industry and investors – as part of our series of Vodafone CR Dialogues (see page 4). Participants welcomed Vodafone's Group target to reduce network carbon dioxide emissions per unit of data transmitted by 40% but suggested that an absolute target would be more effective. They think Vodafone's strategy to reduce its own emissions is on the right track but the Company should also focus on helping its customers reduce their own emissions. Participants believe that Vodafone is in a position to make a significant contribution to a low-carbon economy and could demonstrate real leadership on this. We will use this feedback to inform our strategy on energy and climate change.

### We will

- **Reduce network carbon dioxide emissions per unit of data transmitted by 40% by 2011 (from 2005/06 baseline).**
- **Work with our suppliers to further increase energy efficiency of new network equipment by a third by March 2008 (from 2005/06 baseline).**

Material developments:

- **Handset recycling** programmes are in place in all 16 operating companies to collect used mobile phones for reuse or recycling.
- **Total handsets collected** increased by 28% in the 2007 financial year.
- **Network waste:** 97% of our network waste was recycled in the 2007 financial year.
- **EU legislation** on electrical and electronic equipment (WEEE and RoHS) came into force in 2006.
- **Emerging Responsibilities:** Vodafone commissioned Forum for the Future to research how to manage the environmental impact of end-of-life phones in developing countries.

Further information:

[www.vodafone.com/responsibility/recycling](http://www.vodafone.com/responsibility/recycling)

- E-waste research by Forum for the Future – full report
- Ozone-depleting substances
- Paper use

Mobile technology is rapidly developing. This means handsets and network equipment quickly become obsolete. Consumers in high-income countries typically replace their mobile phones every 18 months. New phones with the latest features often replace old phones that are still in working order. We encourage consumers to return unwanted phones for reuse or recycling.

Used phones and network equipment that are still in good condition can be refurbished and sold at reduced cost for reuse in lower-income countries. This makes use of equipment that could otherwise become waste and increases access to mobile communications by making modern technology more affordable. When used network equipment or a returned handset cannot be refurbished, it is broken down into component parts for recycling. Potentially hazardous waste from this equipment, particularly from lead acid batteries in base station sites, is recycled. Components containing hazardous materials that cannot yet be recycled, such as beryllium oxide, are stored safely by our recycling partners while ways to recycle them are investigated.

Vodafone is in a good position to collect used handsets through our relationship with customers and network of retail outlets, although many other organisations also collect them. All our operating companies have handset recycling programmes in place. The success of these programmes is dependent on consumers handing in their used mobile phones. Only a small proportion is currently returned directly to us, around 3% of total sales. Our research suggests that many people are either reluctant to part with their old phones or do so through a variety of other channels such as donating them to charity collection schemes or selling them over the internet.

We said

- We would increase the number of phones collected for reuse and recycling by 50% by March 2007 (from the 2004/05 baseline).
- We would support development of programmes in at least three developing countries to repair, reuse and recycle mobile phones by March 2007.
- We would send for reuse and recycling 95% of network equipment waste during the 2007 financial year.
- We would have return schemes in all our operating companies by March 2007.

We have

**Achieved our target of increasing by 50% the number of phones collected for reuse and recycling from the 2004/05 baseline**

We collected 1.03 million handsets for reuse and recycling in the 2007 financial year, an increase of 59% from 2005. This exceeded our challenging target of a 50% increase from the 2004/05 baseline (excluding the figures from our operating company in Japan, which was sold).

Promoted handset return among our customers

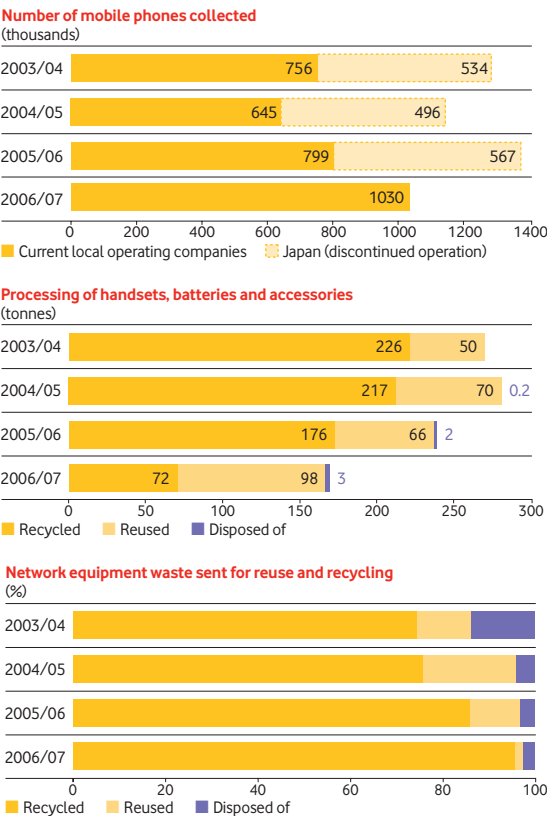
Our local operating companies have launched a number of high-profile campaigns to promote handset recycling this year in an effort to meet the Group target. They used a range of methods to encourage customers to return handsets including raising awareness of recycling programmes, introducing incentives to return phones and making collection of handsets easier through prepaid envelopes to send by post and prominent collection points in stores.

For example, Vodafone Portugal distributed environmental awareness leaflets in stores, published material on its website and included information about handset recycling on customer bills. As part of the campaign, Vodafone Portugal promoted handset recycling at 12 shopping centres around the country in February 2007 in partnership with environmental organisation Quercus. The campaign takes a fun approach through entertaining displays and a specially designed 'EcoJogo' game to raise awareness.

Both Vodafone UK and Vodafone Germany offer a donation to charity for every handset collected as an incentive for customers to return their mobile phones. Vodafone UK partnered with the National Autistic Society for the third year, donating all proceeds from handset recycling. Vodafone Germany raised over €350,000 for charities and collected over 100,000 handsets for recycling in the 2007 financial year.

Introduced a new recycling programme in Romania

The programme – the first of its kind in Romania – was launched in March 2007 with collection points and campaign materials available at all Vodafone stores



## Managing environmental impacts of end-of-life mobiles in developing countries

Access to mobile communications in developing countries can bring significant socio-economic benefits. But the rapid growth of the mobile market means that for the first time these countries will have a significant quantity of old handsets to dispose of. In 2006, Vodafone commissioned Forum for the Future to carry out an extensive study to examine how to manage the end-of-life cycle of mobile phones in developing countries. In contrast to most developed countries, there are often no recycling facilities to deal with this electronic waste.

The study – based on research in Kenya, Nigeria, Tanzania and South Africa – revealed that there is little awareness of the problems of electronic waste in Africa. Developing effective recycling and disposal facilities for mobiles in Africa could bring huge environmental and social benefits as well as sustainable job opportunities.

In Kenya, the study found there is a major informal repair market and this, not consumers, is the main source of phone waste. In developing countries generally people will repair and re-use their mobiles, rather than throwing such valuable items away. The repair businesses are a major source of electronic waste as some components cannot be reused. To be effective, any recycling scheme must be designed to obtain the waste from small recycling businesses rather than directly from consumers (as is typical in developed countries).



Example of communications material from Vodafone's Portugal recycling campaign.

Online campaign in the UK to raise business customers' awareness of handset recycling.



'Waste has many forms' was the theme used by Vodafone Romania in their campaign to raise recycling awareness among its customers.



in Romania. Anyone with a used mobile phone or accessories, whether a Vodafone customer or not, is encouraged to deposit it for recycling at one of our collection points. Collected phones will be sent to Fonebak to be tested and then either refurbished for reuse or dismantled for recycling. Vodafone employees in Romania collected around 1,000 handsets in a week as part of an internal campaign to encourage handset recycling.

## Supported recycling programmes in three emerging markets

Emerging and developing countries often lack the skills and infrastructure to handle handset waste responsibly. We have established handset recycling programmes in Albania, Egypt and Romania, meeting our target to support recycling programmes in three emerging and developing countries.

Forum for the Future has completed its research project – commissioned by Vodafone – to identify ways to increase capacity for recycling used mobile phones in developing countries (see box). We will take on board the recommendations of this study and we will pilot a recycling scheme in Kenya.

## Continued to encourage handset recycling among corporate customers

In the 2007 financial year, we collected over 14,000 phones from corporate customers in eight countries – Australia, Germany, the Netherlands, New Zealand, Portugal, Romania, Spain and the UK. We provide return bins and freepost envelopes for corporate customers and encourage them to raise awareness among their own employees about the benefits of recycling handsets.

## Audited our recycling suppliers

In the 2007 financial year, we conducted detailed environmental audits of three of the companies that recycle our used network equipment and the handsets we collect from customers. These audits focused specifically on the suppliers' environmental credentials in addition to site evaluations as part of our general supply-chain management (see pages 20 and 21 for more details). Five operating companies also assessed their local recycling suppliers.

## Developed industry guidelines on handset recycling through the Mobile Phone Partnership Initiative (MPPI)

Vodafone participates in the MPPI, part of the UN Basel Convention, which brings together mobile phone companies, waste and recycling experts, and NGOs. Guidelines have been developed on the following key areas: collection and refurbishment of used mobile phones, material recovery and recycling of end-of-life mobile phones, and the transboundary movement of collected phones. The guidelines have now been finalised and are available at: [www.basel.int/industry/mppi.html](http://www.basel.int/industry/mppi.html).

## Ensured we are in compliance with new European legislation in all operating companies where it applies

New European legislation on electronic waste came into force in several countries during the 2007 financial year. We do not manufacture mobile phones or network equipment but we encourage suppliers to design handsets that are easier to recycle and made from environmentally preferable materials. This year, we have worked with our suppliers to ensure substances prohibited by the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive are phased out. The Waste Electrical and Electronic Equipment (WEEE) Directive requires companies to take back and recycle used electronic and electrical equipment.

## Reused or recycled 97% of network equipment waste

We produced 9,959 tonnes of network equipment waste in the 2007 financial year. Of this, 9,675 tonnes (97%) were sent for reuse or recycling, exceeding our target of 95%. This included 1,739 tonnes of non-hazardous waste (such as radio equipment, metal and cables) and 8,220 tonnes of hazardous waste (mostly lead acid batteries). The overall increase in hazardous waste this year is due to Vodafone Albania finding an environmentally sound solution for recycling its hazardous waste, which it had previously been storing. All our operating companies have systems in place for recycling network equipment.

## We will

- Collect a further million handsets by March 2008.
- Pilot a recycling scheme in Kenya, as part of our commitment to increase capacity for recycling in emerging economies.
- Send for reuse and recycling 95% of network equipment waste during the year to March 2008.



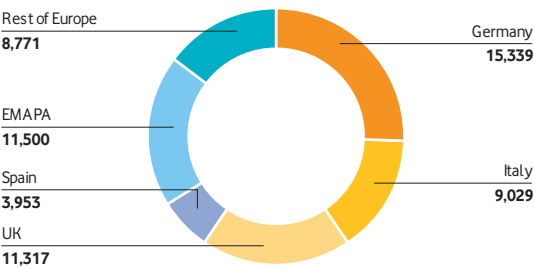
Material developments:

- **New people strategy** launched covering six key areas of people management.
- **Development:** 51% of our employees had an annual performance dialogue in the 2007 financial year.
- **Restructuring** as a result of changes in the business led to 2,186 employees (3.6% of the workforce) being made redundant this year.
- **Employee survey** showed 80% of employees surveyed are proud to work for Vodafone.
- **Diversity:** The proportion of women in top management (bands A to D) decreased by 1% and in senior management (bands A to E) increased by 3%.
- **Health and safety:** The number of work-related lost-time accidents regrettably increased by 3.3% this year.

Further information:

- [www.vodafone.com/responsibility/employees](http://www.vodafone.com/responsibility/employees)  
[www.vodafone.com/responsibility/healthandsafety](http://www.vodafone.com/responsibility/healthandsafety)
- Equal Opportunities Policy
  - Health and Safety Policy
  - Business Principles

Employees by region



Key data

|                                 | 2006/07 | 2005/06 |
|---------------------------------|---------|---------|
| Total number of employees       | 59,909  | 55,110  |
| Part-time employees             | 8,186   | 8,266   |
| Employee changes                |         |         |
| Number of voluntary leavers     | 6,367   | 4,364   |
| Number of involuntary leavers   | 2,186   | 2,297   |
| Number of newly hired employees | 9,470   | 7,292   |
| Average turnover rate (%)       | 10.6    | 12.1    |

Employee survey

| Question<br>(% employees responding positively)  | 2006<br>Pulse survey | 2005 Full<br>employee survey* |
|--|----------------------|-------------------------------|
| I am proud to work for Vodafone  | 80                   | 78                            |
| I am rewarded fairly for the work that I do  | 44                   | 42                            |
| Rate your Operating Company/Group Function on taking a genuine interest in the well-being of its employees | 41                   | 42                            |
| Rate Vodafone on being ethical in its business dealings  | 71                   | 75                            |

\*The results of the 2005 survey have been restated to exclude operating companies in Japan and Sweden that have since been sold. The 2006 survey results exclude Arcor, and include Romania and Czech Republic.

This year, all data in the employees section includes Arcor, our fixed line business in Germany, with the exception of data relating to employee surveys, diversity and performance dialogues.

Vodafone Group employs approximately 60,000 people around the world. Our goal is to recruit and retain the most talented and motivated people in order to build the best Vodafone team. We aim to do this by providing an inclusive working environment, promoting wellbeing, treating people with respect, encouraging employee involvement, and offering attractive incentives and opportunities.

We introduced a new global people strategy in the 2007 financial year. This aims to increase employee involvement by setting out a clear statement of our commitments to employees and our expectations of them. The strategy focuses on six key areas: organisation and change; resourcing; communication and involvement; learning and development; reward and recognition; and health, safety and wellbeing.

This strategy, together with our Group employment policies, sets out a global framework for employee engagement. Our employee policies are consistent with the UN Universal Declaration of Human Rights and the International Labour Organization's Core Conventions. How operating companies implement these policies and strategy is managed locally to a great extent. This allows individual operating companies to adapt to local cultural differences and legal requirements. Many operating companies also have their own human resources management systems, established prior to joining the Group as acquisitions.

We said

- We would ensure that every employee in the business has an annual performance dialogue and development discussion with their line manager by March 2007.
- We would continue to deliver a Pride in Vodafone score (in the employee survey) that will at least equal the high performance norm of the 'World's Most Admired Companies' survey by March 2007.
- We would reduce work-related accidents resulting in lost time by 10% by March 2008 (from the 2005/06 baseline).

We have

**Enabled 51% of our employees to complete a performance dialogue**  
We introduced our global performance dialogue process in the 2006 financial year to enable our people to review their performance annually and set clear goals and development plans for the year ahead. All our employees are required to complete an annual performance dialogue, but our global system for tracking this is not yet being used effectively across the Group, where many local operating companies had existing local systems in place. Approximately 51% of our employees used this system to record their performance dialogue in the 2007 financial year. We plan to ensure all our operating companies systematically record this information next year.

We provided approximately 287,000 training days – equivalent to five days training per employee – in the 2007 financial year. We spent approximately £29 million on training (based on data covering 91% of our employees). We offer a range of global training and development programmes to help our employees achieve their full potential. Our emphasis is on web-based training courses with online 'academies' providing training on specific aspects of the business. This year we launched a new academy on customer management.

In the 2007 financial year, we created a new set of programmes to emphasise the role of local operating companies in tailoring leadership development to individual needs. This builds on and replaces our existing Global Leadership Programme for high potential middle managers.

Continued to engage with employees

In the 2007 financial year, we conducted two 'Pulse' surveys covering around 30% of employees to provide feedback on our progress. A total of approximately 18,000 employees in 15 operating companies took part. The combined results of the two surveys found that 80% are proud to work for Vodafone, an increase from 78% in the 2005 full employee survey. This is equal to the high performance norm of the 'World's Most Admired Companies' survey, meeting our target. Of those surveyed, 71% rated Vodafone positively for being ethical in its business dealings, down from 75% in 2005. Other feedback from the Pulse surveys showed that both wellbeing and rewards remain areas for improvement, with related questions receiving positive responses from 41% and 44% of employees respectively (see table).



## Vodafone European Employee Consultative Council

Employee representatives from local operating companies within the European Union have an opportunity to raise any concerns with the executive management team at the Vodafone European Employee Consultative Council (EECC). The main issues discussed at the EECC in the 2007 financial year were the new regional organisation of the Company (now divided between Europe and EMAPA), Vodafone's strategic objectives and restructuring. Employees were particularly concerned about the outsourcing of IT maintenance and development and the consequences for affected employees. We responded to these concerns by emphasising that such changes in our business are necessary to remain a successful company. Two additional meetings were arranged to increase consultation on this issue. We committed to secure new jobs for employees affected by outsourcing through contractual agreements with the company that takes over the work where possible (see right and page 28).

## Global rotation programme

"My placement in Germany allowed me to experience a completely different business culture. Learning how to deal with cross-cultural differences really made me grow as a person. I picked up some great tips and improved my business knowledge."

Ana Domingos went from Portugal to Germany

"The Finance Academy has proved to be an excellent initiative that has not only helped develop important functional skills and capabilities, but has also helped create a much greater sense of community across the global Finance team."

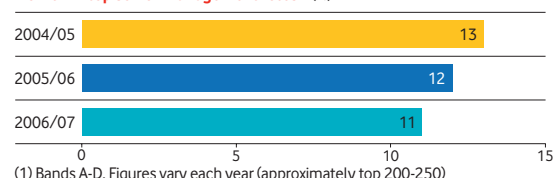
Margherita Della Valle CFO Europe

"I went to the UK to work with the global Supply Chain team to audit potential new global suppliers. This gave me a chance to work in a new area from a global perspective and with other local operating companies."

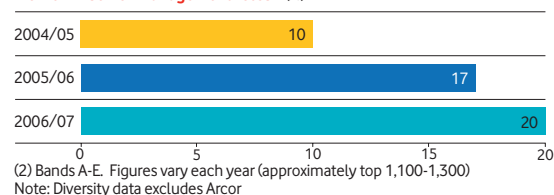
Carlos Marin went from Spain to the UK

## Diversity in senior management

Women in top senior management roles<sup>(1)</sup> (%)



Women in senior management roles<sup>(2)</sup> (%)



## Training

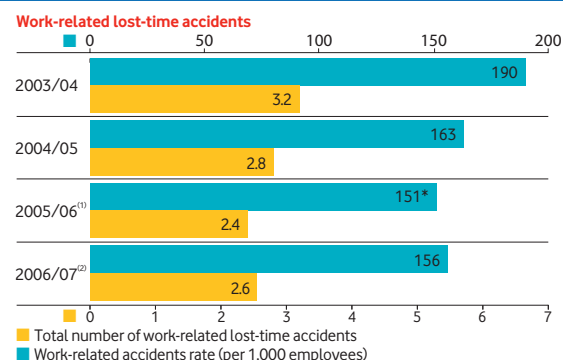
Average training spend per employees (£)



Average training days per employee



## Health and safety



(1) From 05/06 data includes Arcor. The 05/06 data has been re-stated accordingly  
(2) From 06/07 data includes new LOCs Romania and Czech Republic and excludes discontinued operations

From next year, we plan to conduct a full employee survey and an interim Pulse survey covering around 20% of our employees annually. We have set a target to improve employee engagement, measured against an engagement index based on six questions from the employee survey.

We also consulted with employees in a range of other ways at team, local operating company and Group level. A series of Talkabout sessions across the Group enabled employees to discuss issues that are important to them with senior members of the Group, including Chief Executive Arun Sarin. The Vodafone European Employee Consultative Council also met four times in the 2007 financial year (see box).

All Vodafone employees have the right to join trade unions and other outside representative organisations. Our local operating companies take responsibility for negotiating with recognised unions as necessary and where national legislation permits.

## Continued to track diversity across the Group

We believe that diversity in our workforce is an asset to our business, reflecting the wide range of nationalities and cultures represented by our customers around the world. Twenty nationalities are represented in our top management (bands A-D, approximately the top 204 employees), an increase from 18 last year. We encourage our managers to gain experience of working in different countries through our global rotation programme (see quotes, left). Almost half our senior managers have international experience.

The percentage of women in top senior management roles decreased from 12% last year to 11% in the financial year 2007. However, the percentage of women at all senior management levels increased to 20% this year from 17% in the 2006 financial year (see chart). The overall percentage of women in senior and middle management levels (bands A-F, approximately 4,300 employees) was 25%, a 4% increase from last year. We have developed a strategy to improve diversity, focused on how to increase the number of women in management. A survey of female employees in May 2007 will be used to inform this strategy.

## Consulted with employees on the rewards and benefits we offer

Vodafone must provide competitive and fair rates of pay and benefits to attract and reward the best employees. Competitive rates vary in each local market where we operate.

We assess the compensation packages we offer by asking our employees directly for their views. In the Pulse surveys conducted in the 2007 financial year, 44% of employees responded positively to the question 'I am rewarded fairly for the work that I do'. This is a 2% increase from the 2005 full employee survey. We are responding to this feedback by gradually introducing measures to reward performance across the Group. In Ireland, for example, the percentage of positive responses to this survey question improved from 32% in May to 49% in October following consultation with employees to develop a new rewards system focused on rewarding performance among other incentives.

Vodafone encourages employee share ownership through our AllShares programme. In the 2007 financial year, we gave 340 shares each to all eligible employees across the Group. Employees now have interests in over 820 million shares. Vodafone won a Global Equity Organisation award for best share plan communications in 2006 for the second year running. We provide a number of pension plans through defined benefit and defined contribution arrangements. Further information is available in our Annual Report for the year ended 31 March 2007, available at [www.vodafone.com](http://www.vodafone.com).

## Helped our employees deal with business restructuring

In the 2007 financial year there were 2,186 involuntary leavers and 6,367 voluntary leavers across the Group. The average Group turnover rate was 10.6%. Changes in the business resulted in significant reorganisation within Group functions and in several operating companies in the 2007 financial year.

We are in the process of outsourcing IT application, development and maintenance across the Group. The first phase of this outsourcing affected approximately 1,600 employees and contractors in the Czech Republic, Spain and the UK (of whom around 58% were employees and 42% were contractors). Following extensive consultation with employees, unions and the Vodafone European Employee Consultative Council, all these employees transferred in February 2007 to the partners that will be doing the work. Approximately 5,000 further employees and contractors will be affected in a similar way as IT outsourcing continues in the 2008 financial year, but this is not expected to result in any compulsory redundancies for Vodafone employees.

Vodafone Germany announced a restructuring programme in March 2006 with 450 of its 1,060 full-time employees in network deployment units made redundant. Through continual open dialogue with employees and works councils, Vodafone Germany set up initiatives to help affected employees find a new job within the business resulting in 212 of those affected being redeployed. A further 185 accepted voluntary redundancy with outplacement support, 44 took early retirement and the remaining nine were made redundant.

Approximately 100 people were redeployed as a result of reorganisation within central Group functions in the 2007 financial year and a further 350 people were made redundant. All those affected were offered independent counselling and outplacement support.

**Suffered a regrettable 3.3% increase in work-related lost-time accidents**  
The number of work-related accidents resulting in lost time increased to 156 in the 2007 financial year, compared with 151 the previous year. This is in part due to improved reporting processes in our existing operating companies and greater emphasis on incident reporting in our newer local operating companies.

There were no fatalities in the 2007 financial year. This is the first time in six years, since the implementation of Vodafone's global reporting process, that we have achieved this important goal. This has been possible thanks to our global focus on managing contractors as a result of fatal incidents associated with network deployment activities in previous years.

We have launched an online auditing system for Health, Safety and Wellbeing Management across the Group. The tool is linked to our Group policies and standards and is consistent with the occupational health and safety standard OHSAS 18001.

We also introduced a system this year to ensure significant health and safety incidents are reported quickly throughout the Group. The new system requires every significant event, such as a fatality or serious accident, to be reported within 24 hours to local operating company executives and the Group health and safety team. A full investigation is undertaken into the causes of the incident and key findings are circulated across the Group to help prevent a similar incident elsewhere. In the 2007 financial year, eight significant incidents were reported using this system. This system will be integrated with our online reporting system in the 2008 financial year.

In addition to work-related lost-time accidents, we are beginning to track data on absence due to sickness and stress as a key performance indicator for our wellbeing initiatives, which we will begin reporting next year. Of the employees surveyed in 2006, 41% feel their operating company or Group function takes a genuine interest in their wellbeing, down from 42% in the 2005 full survey. We are continuing to develop a wellbeing framework as part of our global people strategy.

We will

- Ensure that 75% of our operating companies deliver top quartile employee engagement scores within their local markets by March 2009.
- Ensure that 90% of employees in the business have an annual performance dialogue and development discussion with their line manager by March 2009.
- Reduce work-related accidents resulting in lost time by 10% by March 2009 (from the 2006 financial year baseline).

Vodafone's success is underpinned by our commitment to sound business conduct and the way we interact with our key stakeholders (shareholders, employees, customers, business partners and suppliers, government and regulators, communities and society, and the environment).

Our Business Principles define how we intend to conduct our business and our relationships with stakeholders. They require employees to act with honesty, integrity and fairness. The principles cover ethical issues, including: bribery and corruption, conflicts of interest, data protection, environment, health and safety, human rights, political contributions and lobbying, and transparency. The full text of the Business Principles is available at [www.vodafone.com/responsibility/businessprinciples](http://www.vodafone.com/responsibility/businessprinciples).

Our Business Principles set a policy of zero tolerance on bribery and corruption and require all employees to comply with all applicable anti-corruption laws and regulations. One case of alleged corruption was reported in the 2007 financial year and is currently under criminal investigation.

The Business Principles are included in induction material, training and team briefings. Employees can report any potential violations of the principles to their line manager or local human resources manager in the first instance. Alternatively, they can raise concerns anonymously to our Group Audit Director or our Group Human Resources Director, via our global intranet.

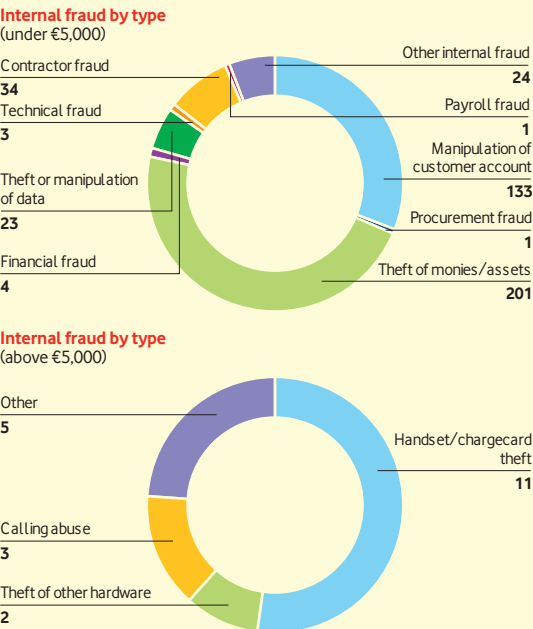
During the year we drafted a Duty to Report policy, to be rolled out next year, to ensure all employees are aware of their obligation to report any suspected incidents of dishonesty, financial malpractice, illegal activity or breach of Vodafone's Business Principles or policies. Our 'Speak Up' programme – introduced this year – encourages suppliers to report incidents via an anonymous third-party reporting hotline (see page 21). We will extend the Speak Up programme to all our employees in the next financial year, building on our existing whistle-blowing mechanism, as part of the Duty of Report policy.

A total of 445 reported cases of breaches of ethics, internal fraud or other internal dishonesty resulted in disciplinary action or dismissal of employees or contractors in the 2007 financial year. Of these 445 cases, 424 related to incidents of fraud below the value of €5,000. The remaining 21 disciplinary cases related to 15 incidents of fraud exceeding €5,000. The majority of these incidents related to theft of handsets, SIM cards and other equipment.

We plan to introduce a security awareness training programme for all employees in the 2008 financial year and we have appointed a Group Security Awareness Advisor to oversee this programme. An important part of this new role will be to promote the programme internally to all employees, specifically raising their awareness of ethical issues via an e-learning tool, based on a new 'security portal' within the Vodafone global intranet.

Further information:

[www.vodafone.com/responsibility/ethics](http://www.vodafone.com/responsibility/ethics)



## Public policy

Vodafone engages with regulators and governments on a number of issues relevant to our industry as well as issues of broad public interest. Public policy engagement takes place within local operating companies and at Group level. The public policy agenda differs in detail between countries, depending on the local context.

The main areas relevant to our industry on which Vodafone engaged with regulators and governments in the 2007 financial year are international roaming, call termination, spectrum, universal service, privacy and data security. Many of our written submissions are made public by the government organisation to which they are submitted. Our public policy activities are consistent with the views set out in this report. Vodafone believes in transparency in government relations and is willing to provide copies of any formal submissions in the public domain to regulators and governments on request to [responsibility@vodafone.com](mailto:responsibility@vodafone.com).

We work with key industry trade associations on public policy issues. Vodafone is a member of the GSMA/GSME, the International Telecommunication Union and the World Economic Forum.

Vodafone also seeks to support governments in their objectives on a number of issues relevant to broader public interest. These include jobs, innovation and prosperity, public service delivery and effectiveness, national and public security. We are extending our engagement to focus on a wider range of issues, such as climate change and the environment, content standards, global poverty and social exclusion. This year, we have begun to develop a programme to increase engagement activity in all local markets to increase our public participation.

Our Public Policy Principles state that Vodafone does not make political donations and, in line with this policy, none were made in this financial year.

**Our Annual Report for the year ending 31 March 2007 is available at:**

**[www.vodafone.com](http://www.vodafone.com)**

- Corporate governance
- Regulatory compliance
- Tax
- Public policy

### Vodafone's Public Policy Principles

The Principles cover political donations, the nature and disclosure of policy positions, funding of corporate events to which public officials are invited, employee conflicts of interest, adherence to principles by external advisors and membership of trade associations.

Vodafone does not make political donations or support particular party political interests, and does not participate in public policy activities in which it has no legitimate business interest.

The Company seeks to inform policymakers, including government officials, legislators and regulators, about the nature of its business, the mobile industry and the business environment generally. Vodafone develops policy positions which explain clearly what outcomes Vodafone seeks from the public policy process and the rationale.

## Tax

Vodafone paid £2.5 billion in taxes across the countries in which it operates in the 2007 financial year. We believe it is important to state clearly and precisely our views on tax in the context of corporate responsibility.

We operate within a clearly defined Group Tax Code of Conduct. This sets out the principles, responsibilities, conduct and approach to working relationships of all tax professionals working in (and with) Vodafone.

We believe our obligation is to pay the amount of tax legally due and to observe all applicable rules and regulations in all of the territories in which we operate. At the same time, we have an obligation to maximise shareholder value and to manage financial and reputational risk. This includes minimising and controlling our tax costs. We accept that some may not share this view and believe that transparency regarding our position is the best policy.

Vodafone's Group Tax Code of Conduct requires its employees and advisors to act with integrity and maintain the highest ethical standards in all of its tax activities. Vodafone does not condone tax evasion (using illegal means to reduce taxes payable) in any circumstances.

We are committed to transparent and accessible communication to enable others to understand our tax strategy and the economic impact of taxation on our business. Vodafone was highly commended by the 2006 Building Public Trust Awards for its tax reporting in its Group Annual Report for the year ended 31 March 2006.

We aim to build open and honest relationships in our day-to-day interaction with tax authorities. In the UK, for example, Vodafone is participating in an initiative launched by Her Majesty's Revenue & Customs to build relationships with big companies both at an operational and strategic level. Nonetheless we recognise that there may be some areas that are not free from doubt or where differing legal interpretations may be possible. Consequently, situations arise from time to time where tax authorities may not share our views and may question our interpretations. Details of ongoing matters can be found in our Annual Report. These include:

- **Tax cases referred to the European Court of Justice (ECJ):**  
This year, Vodafone has been involved in two cases referred to the ECJ. The ECJ's advocate general gave his opinion on the first case that supplies of 3G licences did not constitute a taxable supply for VAT purposes. The second case concerns whether the UK taxation of the profits of certain EU (but non-UK) companies is contrary to fundamental EU freedoms. The ECJ gave its opinion in a similar case in late 2006, but the Vodafone case is still in progress.
- **German write-down:** Discussions with German tax authorities continue regarding the valuation and scale of any write-down in respect of the acquisition costs of Mannesmann in 2000.

Vodafone engages in dialogue with tax authorities on current or future tax law and for example put forward a business view of potential reforms to interest deductibility for UK Corporation tax at a workshop held at the Oxford University Centre for Business Taxation in December 2006. Vodafone has committed donations to fund the Centre which is dedicated to academic research into the structure of business taxation and its economic impacts.

Through our tax policy, Vodafone aims to build value for the benefit of shareholders and for all our customers and employees and to build mutual trust and respect with government departments and other stakeholders.

### Extracts from Vodafone's Tax Code of Conduct

To maximise shareholder value in relation to the taxation consequences of all aspects of the Group's business activity:

- within the overall Group strategy;
- in compliance with relevant laws, disclosure requirements and regulations; and
- while protecting Vodafone's reputation and brand.

"Due consideration will be given to the Group's reputation, brand and corporate and social responsibilities when considering tax initiatives, as well as the applicable legal and fiduciary duties of directors and employees of the Group and will form part of the overall decision making and risk assessment process."

"Compliance with all relevant legal disclosure and approval requirements will be adopted and all information will be clearly presented to the tax authorities or other relevant bodies, as appropriate. Openness, honesty and transparency will be paramount in all dealings with the tax authorities and other relevant bodies."

The full text of the Code is available at [www.vodafone.com/responsibility/policies](http://www.vodafone.com/responsibility/policies)

Developments this year:

- **Local foundation** launched in the Czech Republic, bringing the total number to 19.
- **Social investment** £43.2 million donated in the 2007 financial year.
- **Disaster relief** partnerships formed with Oxfam and Télécoms Sans Frontières.
- **New Vodafone Group Foundation strategy** launched around music and sport.

Further information:

[www.vodafonefoundation.com](http://www.vodafonefoundation.com)

- Mission statement of the Vodafone Group Foundation
- Projects supported by the Vodafone Group and local foundations
- How to apply for a grant

Vodafone is committed to improving quality of life in communities around the world, particularly in the countries where we operate. We also look for ways our technology can assist emergency response to disasters.

We channel our charitable donations through the Vodafone Group Foundation and our network of local foundations. Additional support is provided with product and cash donations, technical assistance and employee volunteering.

Our network of 19 local foundations, led by the Vodafone Group Foundation, enables us to target our support through local initiatives that can make a real difference. Over 100 managers from our operating companies are trustees of their local foundations, enabling strong engagement with local communities.

Each foundation is governed to the highest standards, with a professional grant distribution process and full financial accountability. It is important to measure the outcome of our grants to ensure they have the greatest possible impact.

We said

- We would launch our new Foundations strategy.
- We would further develop best practice in grant making across the Vodafone Foundations.
- We would initiate new partnerships addressing issues of major international concern.

We have

Launched our new Group Foundation strategy

The trustees have developed a second global theme for the Vodafone Group Foundation to run alongside the existing commitment on disaster relief and preparedness. The second global theme will commit funds to projects which use sport and music as a means to generate healthy and positive living in young people through education, health and welfare.

Continued to establish local foundations

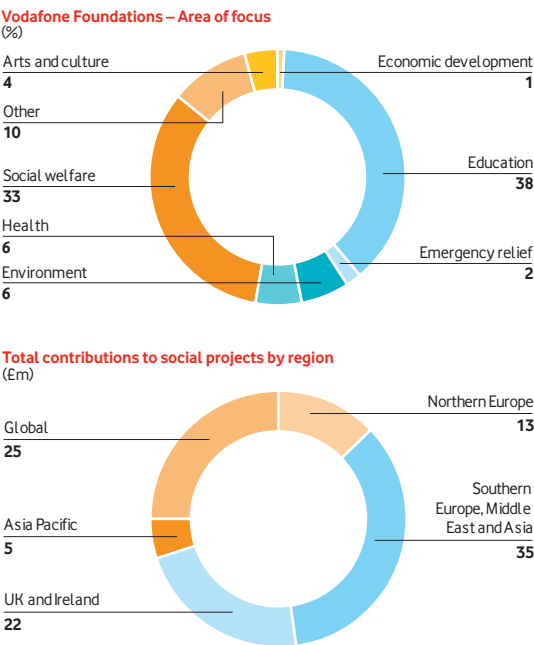
The launch of a foundation in the Czech Republic in the 2007 financial year reinforces our commitment to community investment in all countries where Vodafone has operating companies. This brings the total number of local foundations to 19 with directly funded projects in a further three countries. We plan to launch further foundations in the 2008 financial year in Albania, Greece and Turkey.

Further developed best practice in grant making across the Vodafone Foundations

In the 2007 financial year, the Vodafone Group Foundation developed and implemented a new reporting system for the local foundations. The system requires each local foundation to report to the Group Foundation on financial matters and provide a progress report on which projects they are funding. This quarterly reporting process has assisted the trustees of the Vodafone Group Foundation in their governance of charitable funds.

Donated £43.2 million in money, time and materials across the world

During the 2007 financial year, the Vodafone Group Foundation made community investments totalling £26.9 million. Around 67% of this went on grants to our local foundations. The remainder contributed to transnational projects and global disaster relief. With the support of the Vodafone Group Foundation and local operating companies, our local foundations distributed £23.8 million to social, environmental, health and educational programmes in their respective countries. Vodafone donations of products and services and employee volunteering in company time totalled an estimated £0.5 million.





"Our partnership with the Vodafone Group Foundation is the United Nations Foundation's largest and most innovative. It has produced real results in emergency response communications and health data systems – and we look forward to even more success in making a difference around the world together."

**Ted Turner**  
Chairman of the Board,  
UN Foundation



## Safaricom Foundation funds computers for schools in Kenya

The Safaricom Foundation – an associate of the network of local Vodafone foundations – donated over eight million Kenyan shillings (almost €90,000) towards computers for schools in Kenya. The initiative started in 2005 in partnership with the charity Computer for Schools Kenya. It has already provided 20 computers each to 30 public secondary schools, providing access to information technology for over 10,000 students in the North Eastern, Coast and Rift Valley provinces of Kenya. The funding includes training in computer skills for teachers. Additional funding will provide computers for a further 50 schools next year.

## Vodafone Italy Foundation brings creative energy to juvenile prison

The Vodafone Italy Foundation has launched a project to give young people at the Beccaria Juvenile Prison in Milan an opportunity to show their creative flair. Working in collaboration with the SuoniSonori Association, a group that provides educational support at the prison, the Foundation is organising a course in cinema skills. Young people at the prison will receive training to make their own short film with the help of a well-known Italian film director. The film will be distributed at a number of film festivals and will be used as educational material in schools.

Vodafone Italy employees are getting involved in the project by contributing to the soundtrack for the film. Nine employees were chosen from the 28 who volunteered, based on their singing and musical talent. Once complete, the group will present their work at a concert to be held at the prison.



**Oxfam 365Alliance:**  
a life-saving partnership

## Initiated new partnerships to boost worldwide disaster relief efforts

Providing immediate telecommunications assistance is vital in disaster situations to enable the delivery of food, water, shelter and medical help where it is most needed. In the 2007 financial year, the Vodafone Group Foundation worked in partnership with the United Nations Foundation (see box, top left) to make the latest telecommunications technology available to emergency response missions worldwide. The Vodafone Group Foundation funded five new rapid response teams run by Télécoms Sans Frontières, a humanitarian organisation that deploys rapid response telecommunications teams to disaster areas. The new teams were deployed in Indonesia, Southern Lebanon and Suriname.

The Vodafone Group Foundation is a member of the Oxfam 365 Alliance, a new fund that aims to raise £7.9 million a year by establishing long-term collaboration with corporations. This strategic partnership will help to ensure resources are available to Oxfam's aid workers to respond to disasters immediately, without delays while funds are raised. The Alliance will also contribute to continued relief efforts in affected areas when media attention has faded and donations have dried up (see below).

## We will

- Continue to focus on disaster relief and preparedness as a flagship programme of the Vodafone Group Foundation.
- Launch a second global flagship programme by March 2008.
- Continue to add new foundations to our established family of foundations.

## Supporting Oxfam 365 disaster relief

"This is the first time Oxfam has ever had such a substantial and strategic involvement with a corporate donor that will help save lives in the world's worst humanitarian crises. The support of the Vodafone Group Foundation has been vital to Oxfam's immediate disaster relief response and your funds have been used to support our emergency programmes in Angola, Chad, Philippines and Southern Africa.

Our response needs to be immediate in order to save lives and Vodafone's long-term commitment to the 365 Alliance allows us to think and work more strategically. We can improve the timeliness and predictability of emergency aid, ensuring that more people get the help they need immediately after a disaster occurs.

We are delighted to have this opportunity to build a relationship with Vodafone over the next three years, and will be doing all we can to provide excellent communications for your employees throughout the partnership."

**Barbara Stocking**  
Director, Oxfam GB

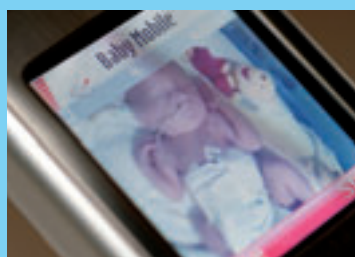
## Our Foundations: five years on

The Vodafone Group Foundation celebrated its fifth birthday in 2007. Since its inception, Vodafone Group has donated over £100 million to the Vodafone Group Foundation for social projects around the world.

| 2006                       |  |   |                 |   |
|----------------------------|--|---|-----------------|---|
| UK<br>Spain<br>US<br>Group | Germany<br>Italy<br>Portugal<br>Australia<br>New Zealand | Malta<br>Netherlands<br>Egypt<br>Hungary<br>Safaricom (Kenya)<br>Vodacom (South Africa) | Ireland<br>Fiji | Czech Republic<br>Romania<br>Bharti (India) |

## Connecting parents with their babies in the Netherlands

Premature or ill new-born babies often need to remain in hospital for several weeks after birth, making it difficult for parents to stay with them as much as they would like. The Vodafone Netherlands Foundation is supporting an initiative by the Catharina Hospital in Eindhoven to enable parents to see live images of their newborn baby in hospital via their mobile phone. The service was previously only available from a computer via a website. The Baby Mobile, launched in January 2007, allows parents to see their baby from wherever they are.



## Views from experts on key issues

We continually challenge ourselves to set higher standards of transparency as well as improving our performance. As part of our efforts to improve transparency, we include in our CR Report unedited comments from recognised stakeholders on our performance in key areas.

This year, we invited seven recognised stakeholders and experts to comment on some of the biggest challenges Vodafone faces: mobile phones, masts and health; climate change; privacy; supply chain; access to communications; content standards; and e-waste.

The stakeholders and experts were chosen according to their area of expertise, the reputation of their organisation, their independence and the ability to provide constructive criticism. Each was asked to provide their views on the status of the issue, Vodafone's current approach and expectations for the future. Here we include their unedited comments.



### Supply chain

As final stop sellers of mobile phones to consumers, mobile network operators such as Vodafone have a direct responsibility to improve standards throughout the entire production chain of the handsets they sell. The greatest risk of poor labour and environmental conditions lies at the sub-tier suppliers that make the parts that go into

mobile phone handsets. Currently, however, companies' efforts to improve working and environmental conditions even at their direct suppliers, much less at the sub-tiers, are insufficient. Too often, companies trust suppliers to monitor themselves for compliance with legal and sustainability requirements. SOMO's 2006 research into the mobile phone manufacturing industry revealed numerous violations of national laws and international standards for human and workers' rights in factories where mobile phones are produced.

Vodafone got a leg up on its competition by developing the Code of Ethical Purchasing (CEP), which it uses in selecting suppliers. However, although the CEP mentions issues such as forced labour, safety and health, freedom of association, and working hours, the code is vague about what is considered acceptable behaviour from its suppliers with regard to these issues. In the end, suppliers' corporate responsibility is given relatively little weight in Vodafone's strategic evaluation of suppliers. Furthermore, Vodafone continues to rely heavily on its direct suppliers to see that its standards are observed by sub-tier suppliers, but, as SOMO's research reveals, this practice is insufficient to ensure that standards are met.

Vodafone has begun to show interest in auditing its sub-tier suppliers, and this should continue and be expanded. However, there is still ample room for improvement in the monitoring of direct suppliers, let alone sub-tiers. Vodafone's auditing and monitoring methods could be improved by increasing transparency and engaging credible local NGOs and workers' organisations to verify monitoring results. Also essential to improving conditions is the development of an effective complaint mechanism and remediation process through which grievances from workers and local communities can be addressed.

**Joseph Wilde**  
Researcher, SOMO (Centre for Research on Multinational Corporations)

### Mobile phones, masts and health

Egypt has become one of the fastest growing markets for mobile services, with rapidly increasing penetration rates. As mobile services are launched, there has been great interest concerning the safety of mobile base stations among people living nearby.

Mobile operators are cooperating with the Egyptian Government on this matter, working with the Ministry of Communications and Information Technology (represented by the National Telecommunications Institute, and National Telecommunications Regulatory Authority), the Ministry of Environmental Affairs and the Ministry of Health.

Following extensive academic and practical research, a national code on responsible network deployment has been developed in Egypt taking local customs and concerns into consideration. All mobile operators are committed to follow these guidelines in the installation of their networks.

Vodafone Egypt does a lot to ensure networks in Egypt conform with health and safety guidelines, including running seminars to raise public awareness, identifying scientific facts on measuring the radiated power of base stations and ensuring regulatory guidelines are met. These activities have improved public awareness and one can notice a decrease in public concern over the last two years.

In future, I would like Vodafone Egypt to continue and extend its efforts in the following areas: increasing public awareness, holding meetings with particular stakeholder groups and improving cooperation with governments and NGOs.

**Prof. Dr Bahnasy Nossier,**  
Head of the Network Planning Department  
National Telecommunications Institute,  
Cairo, Egypt



### Privacy and freedom of expression

Privacy has become an increasingly important issue especially in the context of internet companies in China for example. The two main human rights issues for companies like Vodafone are freedom of expression – the act of seeking or imparting information – and user privacy, whether it be a phone conversation, a text message or an internet site, especially when engaging in political speech and acts that should be protected by human rights law.

Vodafone is still grappling with how to tackle freedom of expression and privacy issues and is in the process of developing standards to engage on privacy. The company needs to develop strong, robust standards and implement them to ensure users are protected. It is important to show that these policies have teeth once they are in place. This means Vodafone and other companies may have to stand up to governments to protect free expression and user privacy. Communications companies are the vehicles for information so it is their responsibility to protect it. Vodafone and other companies have a real opportunity to set some important standards at this point and it is crucial that they do so.

**Arvind Ganesan,**  
Director of the Business and Human Rights Program, Human Rights Watch

## Recycling and e-waste

The chief e-waste streams for Vodafone are network waste and handsets. These are quite different but the key issue for both is the extraction, processing and disposal of environmentally valuable and volatile materials. Adopting a cradle-to-cradle design and management approach, for example, would help lessen their impact.

Vodafone recycles around 97% of its network waste and reuses network equipment where possible. Although there may be scope to reduce the use of environmentally volatile materials and increase the longevity of equipment, in general, Vodafone is doing well on this issue.

However, the rapid obsolescence of handsets is a real issue, particularly in developed countries. Vodafone has handset collection and recycling schemes in all of its operating companies but the numbers of phones returned are minimal compared with the numbers sold. The company needs to do more to increase the proportion of handsets returned by customers and Forum for the Future would like to see Vodafone exploring different ways of doing this. For example, the return of old handsets could form part of contract conditions for an upgrade.



Critically, Vodafone should also address the rapid turnover of mobile phones in developed countries, and encourage customers to use their phones and accessories for longer. Although phones have a technical lifespan of ten years, average turnover in the developed world is only 18 months.

Old, unwanted (but working) handsets from developed countries can bring great benefits and more affordable access when reused in developing countries. However, these countries are often ill-equipped to deal with environmental issues caused when phones become waste at the end of their useful life. Rapid growing mobile penetration in developing countries and the continuing movement of old handsets from the US and Europe to Africa and Asia means operators need to urgently address this issue. The work Vodafone and Forum for the Future are doing aims to tackle this and I'm looking forward to seeing a practical and sustainable solution developed after the pilot project this year.

**Tom Berry**  
Principal Sustainability Advisor, Forum for the Future

## Climate change

In terms of the ICT industry's approach to tackling climate change, we now see a shift from a reactive to a proactive approach. Because many ICT companies have been progressive in addressing their own emissions, they can now look at the potential of their services to help others reduce theirs. The use of ICT is much more significant in terms of both positive and negative impacts on climate change.

Looking at the information in this report, Vodafone still seems to be focusing exclusively on the energy used by its own operations. The Group target to reduce CO<sub>2</sub> emissions seems reasonable but how does this relate to the use of Vodafone services? Vodafone needs to shift focus away from reducing its own footprint to look at how it can help customers use its services to cut their emissions. It should set targets for strategic ICT applications within its portfolio that can contribute to reducing CO<sub>2</sub> emissions by its users.



In this, Vodafone will be one actor among many and needs to create alliances with others to achieve real gains. Its current work with industry groups makes a good start but still tends to be quite reactive. I want to see a clear strategy of how Vodafone plans to make money from its services that tackle climate change. It needs to get away from seeing climate change only as a risk and capture the opportunity to make a positive contribution to tackling the issue.

**Dennis Pamlin**  
Global Policy Advisor, WWF

## Access to communications

In a fast-moving global economy and in unprecedented technological revolution the word integration becomes the key concern. How can the poor and the impoverished become a part of this increasingly interlinked globe? How can we ensure their accessibility? And more importantly how can this integration be done in a manner that brings both human and economic development to the poor?

Being a lead agent and contributor in shaping this new era, private sector is called upon to focus on utilising its capabilities in extending vital goods and services to the base of the pyramid. The ability of the private sector to come up with innovations that would help the poor in improving their livelihood at an affordable price while still making profit becomes a central equation to attempts of inclusion targeted towards the base of the pyramid.

Being a pioneer company in realising its social commitments, Vodafone has accumulated a lot of experience in terms of developing innovative ideas to ensure accessibility to both the elderly and the less privileged. However, still Vodafone needs to utilize this experience and target it towards the base of the pyramid. To this end, Vodafone needs to utilise their partnerships on ground with development institutions and civil society to better understand the poor while investing more in R&D to come up with innovative ideas targeting this sector.

**Mohamed El-Kalla**  
Project manager, United Nations Development Programme



## Content standards

Technological convergence has opened a vast universe of communication and self-expression through the mobile phone. Raising safety awareness is a vital issue for all population sectors, calling for up-to-the-minute information and innovative tools to empower and protect. Young people, avid users of advanced technologies, especially need expert support to navigate these new opportunities safely. Parents and teachers are often unaware that dangers exist and at a loss when technology-related crises arise. The Insafe network, coordinated by European Schoolnet, strives to raise awareness, and provide reliable information and open dialogue between generations. Mobile phone providers are vital links in this information chain.

Vodafone has proven a leader in the market and a standard-setter for industry. The quality educational materials it has produced are important informational resources for a wide variety of target audiences. It has developed a strong reputation as a trusted source of advice and information, and is playing a key role by contributing to the knowledge-building of awareness raisers.

As mobile internet is fast becoming an affordable reality with mobile phones offering direct links to services such as social networking sites, Vodafone should be working with social partners to see that the right safeguards are in place and ensure a consistent approach throughout Europe. It should be providing greater encouragement to teachers to exploit the untapped potential of mobile phones in e-learning. Surveys conducted by Insafe show that there is a need for mobile providers to increase their presence in the field, partnering educational establishments and awareness raisers in information seminars and workshops addressing youngsters, parent and teachers. Nevertheless it is important that Vodafone continues its work with safety specialists to develop a range of off-line educational resources for parents, kids and teachers.

**Janice Richardson**  
Insafe project manager, European Schoolnet



This is Vodafone's seventh annual Group CR Report and covers the year ended 31 March 2007. This printed report is primarily aimed at stakeholders with a particular interest or professional involvement in CR. It is a summary focusing on the issues we judge to be most material.

Our CR reporting information is also available through various channels to cater for the needs of different stakeholders. This includes our website ([www.vodafone.com/responsibility](http://www.vodafone.com/responsibility)), our 11 CR reports from local operating companies and our CR Dialogues that focus on emerging issues (see back cover).

### Alignment with AA1000

Our approach to CR reporting is aligned with the principles of the AA1000 Assurance Standard: completeness, materiality and responsiveness. A full explanation on how we comply with these principles is available at [www.vodafone.com/responsibility/AA1000](http://www.vodafone.com/responsibility/AA1000).

**Completeness:** The way we identify our stakeholders and understand their views and concerns is outlined on pages 4 and 5. Our CR Dialogue paper on Stakeholder Engagement describes in detail how we engage with different groups of stakeholders at Group and local level on CR in general, and on specific issues.

**Materiality:** The issues we consider most material to our business – identified through extensive stakeholder engagement over the last five years – are listed on the inside front cover of this report. We have selected the most material aspects of each issue to include in this printed report. Further information available on our website is listed in each section.

**Responsiveness:** Our response to stakeholder feedback on key CR issues is summarised on the inside front cover of this report. Vodafone's performance against commitments is outlined on pages 36-38 along with our targets for the future. We have also responded to recommendations from the assurers relating to last year's CR Report.

### Compliance with GRI guidelines

We have benchmarked our CR reporting against the updated Global Reporting Initiative sustainability reporting guidelines (GRI: G3). We assess our application of the GRI reporting framework to be at level B+. An index of conformance with the G3 guidelines is provided on our website: [www.vodafone.com/responsibility/gri](http://www.vodafone.com/responsibility/gri).

### Scope and data

The data in this report cover the following 16 markets: Albania, Australia, Czech Republic, Egypt, Germany, Greece, Hungary, Ireland, Italy, Malta, the Netherlands, New Zealand, Portugal, Romania, Spain and the UK. Within this report we refer to our businesses in all these countries as 'local operating companies'.

During the 2007 financial year, the Group acquired an operating company in Turkey and agreed to acquire control of Hutchison Essar in India. We will include data from Turkey in our next report. This year, we include data from Arcor, our landline business in Germany, for the first time. The sale of Vodafone Japan at the start of the 2007 financial year had a material impact in our environmental indicators for this financial year. This is highlighted in the data in the total CO<sub>2</sub> emissions and number of mobile phones collected graphs (on pages 22 and 24).

The Group's associated undertakings ('affiliates'), franchised retail operations and partner networks are not included in the scope of this report, although we work closely with them on CR issues.

Group guidelines on data collection and reporting define the key CR performance indicators and require all local operating companies to document sources of data, check data accuracy and have data signed off by a senior executive. Data are checked and consolidated at Group level.

All references to 'Vodafone', 'Vodafone Group', 'the Group', 'the Company' and 'we' within this report refer to Vodafone Group Plc and its operating companies.

Vodafone, the Vodafone logos, Vodafone life!, Vodafone live!, Vodafone Passport, Vodafone Mobile Connect, Vodafone Office, and Vodafone At Home are trade marks of the Vodafone Group. Other product and company names mentioned herein may be the trade marks of their respective owners.

### Independent assurance report by Deloitte & Touche LLP to Vodafone Group Plc on the Group Corporate Responsibility Report for the 2007 financial year

#### What we looked at: scope of our work

Vodafone Group Plc ('Vodafone') has engaged us to give assurance on:

- 1. Managing and reporting Corporate Responsibility ('CR') performance** – their description on pages 6, 7 and 34 of their approach to managing and reporting corporate responsibility using the principles of completeness, materiality and responsiveness set out in the AccountAbility 1000 Assurance Standard (AA1000 AS);
- 2. Reporting CR practices and performance in accordance with the Global Reporting Initiative 2006 Sustainability Reporting Guidelines ('the GRI guidelines')** – their self-declaration on page 34 that they have applied the GRI guidelines at level B+; and
- 3. Progress against targets** – their reported progress against their 2006 commitments on pages 36, 37 and 38

We were asked to carry out work to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to give reasonable assurance over the subject matters 1 and 2 set out above and limited assurance over the subject matter 3 set out above.

#### What we found: our assurance opinion

In our opinion, in all material respects:

- Vodafone's description on pages 6, 7 and 34 of their alignment to the AA1000AS principles
  - Completeness – the way that stakeholders are identified and their views and concerns are understood;
  - Materiality – the list of issues which Vodafone considers to be most material to its business; and
  - Responsiveness – the response to stakeholder feedback on key CR issues is fairly stated
- Vodafone's self-declaration on page 34 that they have applied the GRI guidelines at level B+ is fairly stated; and
- Nothing has come to our attention that causes us to believe that the reported progress against Vodafone's 2006 commitments on pages 36, 37 and 38 is not fairly stated.

#### Our further comments

##### Improvements made since 2006

- Vodafone has made the following key improvements in managing and reporting its corporate responsibility performance since last year:
  - Introduced "the CR Dialogues" as a way of further engaging with stakeholders with focus on specific issues
  - Implemented an enhanced Health & Safety of RF fields policy
  - Started collecting data to monitor compliance with Group policy and guidelines on responsible network deployment
  - Launched the "Speak Up" programme to provide suppliers and Vodafone employees working in the supply chain with a means to report ethical concerns
  - Established a partnership with Citigroup to create an international money transfer service, based on the M-PESA platform



### Areas to consider for further improvements

- Our key recommendations to Vodafone for future improvement in managing and reporting CR are related to the following areas:
  - In an environment of increased sharing of networks with other operators, guidelines should be developed to set out how the various related data streams (e.g. energy, waste) are measured and reported.
  - Compliance with Group guidelines are core to the achievement of certain CR goals; consideration should be given to undertaking more compliance audits.
  - A more formal means should be sought of periodically confirming that the behaviour of employees is in adherence to the Business Principles.
  - The Group Supply Chain Management team have done an excellent job of rolling out the Code of Ethical Purchasing to the top global suppliers; more work is now required with local suppliers.
  - There needs to be closer alignment and interaction between CR and Marketing teams at LOC level to further assist in earning the trust of customers.

Our comments and recommendations for further improvements are a result of observations during our work and do not affect the opinions we have formed above.

### What we did: assurance process and standards

- Our work was carried out by a multi-disciplinary team of CR assurance specialists in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) and AA1000 AS.
- For AA1000 AS and the GRI guidelines we were asked to perform reasonable assurance procedures. We planned and performed this part of our work to obtain all the information and explanations we considered necessary to provide sufficient evidence that Vodafone's description of their approach to AA 1000 AS and their self-declaration of compliance with the GRI guidelines were fairly stated.
- For reported progress against targets we were asked to perform limited assurance procedures. The scope of this part of our work was more limited and did not include sample testing of source data or operating effectiveness of processes and internal controls and accordingly provides a lower level of assurance.
- Our key procedures included:
  - interviewing more than 25 managers at Vodafone's head office, including the CR team and those with operational responsibility for the issues which the report covers;
  - visiting four local operating companies (Czech Republic, Germany, Italy, and Romania) and gathering information about a further 12 companies using interviews and questionnaires;
  - reading and analysing public information relating to Vodafone and industry CR practices and performance during the year;
  - analysing and testing on a sample basis the company's processes relating to:
    - Stakeholder identification, engagement and responsiveness;
    - Management commitment and the governance structures used for managing CR;
    - Implementation of CR-related policies, codes of conduct, internal audit and other monitoring activities;
    - Collation, aggregation, validation and reporting of CR performance data including relevant GRI guidelines and
    - Reporting progress made against 2006 commitments.

- reviewing the development process for the CR report, including the selection of material issues, key performance indicators and the experts invited to provide comments in pages 32 and 33;
- checking that the GRI content index (available at [www.vodafone.com/responsibility/gri](http://www.vodafone.com/responsibility/gri)), for each of the standard disclosures required by the GRI guidance required at level B+, contains the relevant indicator or an explanation is given as to why it is not relevant to Vodafone; and
- reviewing the content of the report against the findings of our work and made recommendations for improvement where necessary.

Our work did not include specific testing of the accuracy of each of the reported indicators. Instead we have reperformed a sample of management's own testing which they carried out to support their self-declaration that they have complied with the GRI guidelines at level B+.

### Responsibilities of Directors and independent assurance provider Vodafone's responsibilities

- The Directors are responsible for determining Vodafone's CR objectives, for establishing appropriate performance management systems, for the preparation of the Group CR report and the information and statements contained within it.

### Deloitte's responsibilities, independence and team competencies

- Our responsibility is to independently express opinions on the three subject matters specified by Vodafone set out above.
- We complied with Deloitte's independence policies, which address and in certain areas exceed the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants. We have confirmed to Vodafone that we have maintained our independence and objectivity throughout the year, and in particular that there were no events or prohibited services provided which could impair our independence and objectivity. Our report is made solely to Vodafone Group Plc in accordance with our letter of engagement for the purpose of the directors' governance and stewardship. Our work has been undertaken so that we might state to Vodafone those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Vodafone Group Plc for our work, for this report, or for the conclusions we have formed.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
London, United Kingdom  
8 June 2006

## Objectives and commitments

| Issue                                      | We said  |
|--|--|
| Access to communications<br>page 8         | We would introduce three significant products with features that reduce exclusion by March 2008.   |
|  | We would reduce the level of preventable exclusion by at least a third by 2010.  |
| Mobile phones, masts and health<br>page 12 | We would set targets, track and report stakeholder opinion on how responsible Vodafone is acting regarding mobile phones, masts and health by March 2007.  |
| Network deployment<br>page 14              | We would have developed, and be reporting against, a method to measure and track key stakeholder opinion relating to how responsible Vodafone is deploying its network by March 2007.  |
| Earning the trust of customers<br>page 16  | We would be a recognised leader in responsible marketing by March 2007.  |
|  | We would engage with key stakeholders on customer privacy issues and seek their views on the appropriate balance between safeguarding privacy and assisting law enforcement authorities to tackle serious crime and terrorism by March 2007. |
|  | We would develop and make available a global mobile internet filtering solution to all markets by March 2007.  |
|  | We would assess compliance with our anti-spam policy and review our customers' ability to report spam in all operating companies by March 2007.  |
| Supply chain<br>page 20                    | We would work with other major ICT companies to develop a common approach to supplier assessments by March 2007.   |
|  | We would implement the supplier qualification process (Code of Ethical Purchasing is fully embedded in the process) by March 2007.   |
|  | We would complete a second stage of 10 site evaluations of global suppliers by March 2007.   |
|  | We would put in place a whistle-blowing mechanism for suppliers to support the implementation of the Code of Ethical Purchasing by March 2007.   |
| Energy use and climate change<br>page 22   | We would develop and report against Group-wide quantitative targets for network energy efficiency and related carbon dioxide emissions by March 2007.  |
|  | We would achieve a 40% reduction in network energy carbon dioxide emissions per MB traffic by March 2011.  |
| Reuse and Recycling<br>page 24             | We would increase the number of phones collected for reuse and recycling by 50% by March 2007.   |
|  | We would support development of programmes in at least three developing countries to repair, reuse and recycle mobile phones by March 2007.  |
|  | We would send for reuse and recycling 95% of network equipment waste during the year from April 2006 to March 2007.  |
| Employees<br>page 26                       | We would ensure that every employee in the business has an annual performance dialogue and development discussion with their line manager by March 2007.   |
|  | We would continue to deliver a Pride in Vodafone score (in the employee survey) that will at least equal the high-performance norm of the 'World's Most Admired Companies' survey by March 2007.   |
|  | We would reduce work-related accidents resulting in lost time by a further 10% (from the 2004/05 baseline) by March 2008.  |

| We have  | Progress          |
|--|-------------------|
| Launched a range of mobile money-transfer services in different markets, announced plans to introduce ultra low-cost handsets, introduced the Vodafone Speaking Phone and committed £5 million to the development of social products.  | Due by March 2008 |
| Conducted research to understand the needs of blind and visually impaired consumers.   | Due by March 2010 |
| Commissioned a global survey of expert views on how seriously Vodafone is taking its responsibilities relating to mobile phones, masts and health.   | ✓                 |
| Developed and began reporting against a series of key performance indicators to measure our implementation of the Group policy on responsible network deployment and track stakeholder opinion.  | ✓                 |
| Of the consumers surveyed in 12 markets, the majority rated Vodafone as the most responsible and fair telecommunications company in six countries, second most responsible in five and third in one. However, we did not survey consumers in all markets where we operate so we are not able to objectively assess our position as leader overall.   | ✗40%              |
| Engaged with key stakeholders about consumer privacy issues through a range of channels including a multi-stakeholder engagement process to develop principles on freedom of expression and privacy for the ICT industry.  | ✓                 |
| All our operating companies have either implemented or set a target to implement an internet filter, except some currently with low data usage.  | ✗60%              |
| Responses from local operating companies to a self-assessment questionnaire indicate that customers are able to report spam in all markets in accordance with our anti-spam policy.  | ✓                 |
| Continued to work with other ICT companies to establish a common approach to supplier assessment. A common self-assessment questionnaire and auditing methodology has been developed through GeSI and EICC.  | ✓                 |
| Rolled out our common supplier qualification process within our Group purchasing function and in all local operating companies.  | ✓                 |
| Completed 17 site evaluations in the 2007 financial year, bringing the total to 36 over the past three years.  | ✓                 |
| Established a whistle-blowing mechanism to encourage reporting of any unethical behaviour by Vodafone or its suppliers.  | ✓                 |
| Reported progress against our Group target to reduce network energy carbon dioxide emissions per unit of data transmitted.   | ✓                 |
| Achieved a 29% reduction in network energy carbon dioxide emissions per MB traffic in the 2007 financial year.   | Due by March 2011 |
| Increased the number of phones collected for reuse and recycling by 59% from the 2005 financial year.  | ✓                 |
| Handset recycling programmes established in Albania, Egypt and Romania.  | ✓                 |
| Recycled 97% of network equipment waste.   | ✓                 |
| Our global system to track how many employees have completed a performance dialogue is not yet being used effectively across the whole Group. Approximately 51% of employees recorded their completion of a performance dialogue in the system.  | ✗50%              |
| Of the approximately 18,000 employees surveyed this year, 80% are proud to work for Vodafone, equal to the high performance norm of the 'World's Most Admired Companies' survey.   | ✓                 |
| Regrettably, the number of work-related accidents resulting in lost time increased by 3.3% this year. This is in part due to improved reporting in local operating companies. Despite last year's report on an early achievement of the target, we have decided to continue to track this indicator due to this year's results. We will report on progress from the 2004/05 baseline next year using the original target date. | Due by March 2008 |

## New commitments

| We will  | Deadline   |
|--|------------|
| Introduce three significant products with features that reduce exclusion.  | March 2008 |
| Reduce the level of preventable exclusion by at least a third.   | March 2010 |
| Improve stakeholder opinion on how responsibly Vodafone is acting regarding mobile phones, masts and health (from the 2006/07 baseline/survey results).  | March 2008 |
| Update existing network deployment guidelines and assess local operating companies' compliance with global policy .                                      | March 2008 |
| Continue to track public views on our network deployment and define a target to increase public acceptance.  | March 2008 |
| Launch a campaign in each local operating company to address a locally relevant customer issue.  | March 2008 |
| Conduct consumer research and publish global guidelines on social networking sites and mobile advertising.   | March 2008 |
| Launch an online privacy awareness programme in all our local operating companies to describe Vodafone's privacy policy and what it means for employees. | March 2008 |
|  |            |
| Implement a project with two strategic Chinese suppliers to manage CR risk within our sub-tier suppliers .   | March 2008 |
| Achieve 100% follow up within three months for all local and global suppliers identified as high risk during qualification.                              | March 2008 |
|  |            |
|  |            |
|  |            |
| Achieve a 40% reduction in network energy carbon dioxide emissions per MB traffic.   | March 2011 |
| Collect a further million handsets.  | March 2008 |
|  |            |
|  |            |
| Send for reuse and recycling 95% of network equipment waste.   | March 2008 |
| Ensure that 90% of employees in the business have an annual performance dialogue and development discussion with their line manager.                     | March 2009 |
| Ensure that 75% of operating companies deliver top quartile employee engagement scores within their local markets.                                       | March 2009 |
| Reduce work-related accidents resulting in lost time by a further 10% (from the 2004/05 baseline).   | March 2008 |



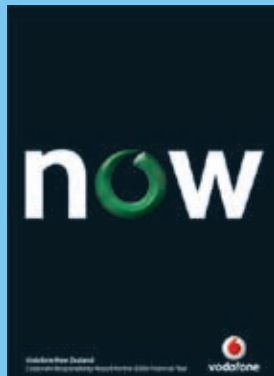
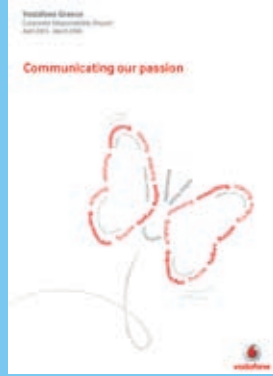
# Performance and data summary

|  | Year ended 31 March |               |               |
|--|---------------------|---------------|---------------|
|  | 2007                | 2006          | 2005          |
| <b>Financial</b>   |                     |               |               |
| Group revenue (£m)   | 31,104              | 29,350        | 26,678        |
| Adjusted Group operating profit (before goodwill amortisation and exceptional items) (£m)  | 9,531               | 9,399         | 8,353         |
| Market capitalisation as at 31 March (£bn)   | 71.6                | 72.4          | 90.8          |
| Network infrastructure additions (£m)  | 2,404.3             | 2,350         | 3,064         |
| <b>Revenue distribution</b>  |                     |               |               |
| Suppliers (£m)   | 20,433              | 25,914        | 23,799        |
| Employees (£m)   | 2,050               | 2,106         | 2,100         |
| Shareholders returns (£m)  | 12,636              | 9,257         | 6,076         |
| Lenders (£m)   | 525                 | 402           | 405           |
| Tax Authorities (corporation taxes and social security only) (£m)  | 2,544               | 1,939         | 1,826         |
| Retained for growth (£m)   | (6,483)             | (2,087)       | 1,503         |
| <b>Employment</b>  |                     |               |               |
| Total number of employees <sup>(1)</sup>   | 66,343              | 62,672        | 57,759        |
| Number of employees included in the scope of this report   | 59,909              | 55,110        | –             |
| Employee turnover rates (%)  | 10.6                | 12.1          | 12.2          |
| Occupational health and safety/number of lost-time accidents   | 156                 | 151           | 163           |
| Average training spend per employee (£)  | 530                 | 550           | –             |
| Number of women in the top senior management roles   | 22 out of 204       | 32 out of 261 | 31 out of 238 |
| Number of nationalities in the top senior management roles   | 20                  | 18            | 23            |
| <b>Environment &amp; network</b>   |                     |               |               |
| Number of base station sites   | 83,561              | 97,899        | 97,787        |
| Number of mobile phones collected (million)  | 1.03                | 1.37          | 1.14          |
| Proportion of mobile phones reused (%)   | 55                  | 30            | 37            |
| Total CO <sub>2</sub> emissions (millions of tonnes)   | 1.23                | 1.31          | 1.27          |
| Approximate CO <sub>2</sub> emissions from company vehicles (tonnes)   | 67,000              | 47,000        | 56,000        |
| Proportion of network equipment waste reused and recycled (%)  | 97                  | 97            | 96            |
| % of people who are suspicious of mast placements (average across 15 markets)  | 7                   | –             | –             |
| Number of countries who have announced agreements on network sharing   | 3                   | –             | –             |
| <b>Customers</b>   |                     |               |               |
| Closing proportionate customers (m)  | 206.4               | 170.6         | 140.1         |
| Vodafone Passport customers (m)  | 11                  | 5.6           | –             |
| Vodafone Mobile Connect card customers (m)   | 1.4                 | 0.7           | –             |
| Vodafone live! active devices  | 32.3                | 27.1          | 25.6          |
| Mobile voice usage (billion minutes)   | 245.0               | 177.3         | 143.1         |
| Complaints against Vodafone advertising upheld by the relevant advertising authority   | 30                  | 17            | –             |
| Number of markets where Vodafone is rated 1st or 2nd most responsible telecommunications company in its behaviour towards the environment, local communities and society | 12 out of 13        | –             | –             |
| <b>Social investment</b>   |                     |               |               |
| Total contributions to social projects (£m)  | 43.2                | 38.1          | 34.6          |

(1) Figures used in our Annual Report. It represents the average number of employees in the financial year (rather than at 31 March 2007), incorporating employees of newly acquired entities from the day of acquisition, and the Group's share of employees in joint ventures.

## Find out more

- **Visit our website.** Find a complete account of our CR activity at [www.vodafone.com](http://www.vodafone.com).
- **Read our CR Dialogues.** This series of research papers is designed to stimulate debate on specific emerging issues.
- **Tune in to local issues.** Eleven of our operating companies publish their own CR reports focusing on local and national issues (see below).



## Get in touch

We welcome your feedback on our CR performance and your views on this report. Please contact us at: [responsibility@vodafone.com](mailto:responsibility@vodafone.com)

### Vodafone Group Plc

Registered office:  
Vodafone House  
The Connection  
Newbury  
Berkshire  
RG14 2FN  
United Kingdom

Registered in England No.1833679

Tel: +44 (0) 1635 33251  
Fax: +44 (0) 1635 45713  
[www.vodafone.com](http://www.vodafone.com)



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