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Welcome to Vodafone's Sustainability Report. Explore the report to find out more about our approach to key sustainability issues and our performance in 2012/13.



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Vision and approach

Mobile technology is already a vital tool in people's lives and our vision sets out our ambition for mobile services to further improve livelihoods and quality of life, as well as bring benefits to the organisations we work with.

Vodafone is helping to transform societies by bringing innovative products and services to the billions of people covered by our networks worldwide – 68% of whom live in emerging markets.

Read an introduction from our Chief Executive, and find out more about our vision, our reporting or how we manage sustainability.

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CEO introduction

Mobile technology improves livelihoods and changes lives. Wireless communications play an important role in addressing some of society's most complex challenges, from climate change and food security, to access to healthcare and education.

In our Sustainability Report for 2012-13, we outline Vodafone's significant social and economic contribution across our 30 operating countries and beyond.

We help enterprise customers reduce their energy needs, cut carbon emissions and enhance productivity, for example by using our machine-to-machine (M2M) services – the so-called 'internet of things' that connects a wide range of devices to the network – to optimise fleet management, logistics, distribution and manufacturing processes.

We help millions of consumers manage the increasing complexity of their digital lives, enabling people to work smarter, more flexibly and remotely, enhancing individual quality of life while reducing carbon emissions from travel.

And we help more than 274 million customers in emerging markets, investing more than £1.8 billion this year in building the networks and services used for everything from mobile healthcare services in rural clinics, remote learning applications for village schools and crop-price and weather forecasts for farmers, to our very successful M-Pesa mobile money service. Since its launch in 2007, Vodafone's M-Pesa has transformed the lives of more than 18 million of the poorest people in Africa for whom conventional banking and financial services are not an option.

Mobile technology can have a profound effect on the quality of life of some of the most vulnerable groups in emerging markets. Our partnership with the US Agency for International Development (USAID) and the NGO TechnoServe will use simple mobile technology to help smallholding farmers in Kenya, Mozambique and Tanzania increase yields and secure the best prices for their produce. We're also working with GSK and the global immunisation organisation the GAVI Alliance to use mobile technology to increase immunisation rates in sub-Saharan Africa, directly reducing childhood mortality rates. Mobile technology also offers clear macro-economic benefits for businesses and employees in emerging markets: our Connected Worker research found that increased use of mobile

technology could deliver an additional \$30 billion productivity gain for companies and a \$7.7 billion addition to aggregate employee earnings by 2020.

At Vodafone, we know we will be judged on how we reach our goals as well as on the commercial and strategic outcomes achieved. Financial results alone are not enough: a commitment to behave ethically and responsibly at all times is integral to ensuring the long-term sustainability of our businesses.

That commitment takes many forms. It informs our industry-leadership role in working with NGOs and peers to define new global principles governing the protection of our customers' privacy. It underpins our work with suppliers to strengthen measures intended to ensure ethical conduct and employee protection in our supply chain. And it has led to the inclusion of a new chapter in this Report setting out our total economic contribution, on a country-by-country basis, which we hope will provide greater insight and clarity amid the current public debate on corporate taxation.

Vittorio Colao
Chief Executive





Our vision

Vodafone can help to transform societies by bringing innovative products and services to our 404 million customers – 68% of whom live in emerging markets.

Mobile technology is already a vital tool in people's lives and our vision sets out our ambition for mobile services to further improve livelihoods and quality of life, as well as bringing benefits to organisations.

Our business strategy – which focuses on emerging markets, enterprise, data and new services – gives us the ability to achieve this ambition, while growing our business at the same time, by developing commercially viable, scalable services that support sustainable development.

The mobile services we offer in finance, health and agriculture are already making a significant difference to people's lives in emerging markets, and we are introducing services to improve access to education as well. In developed markets, our products and services are playing an important role in tackling one of the

most significant global challenges we face – climate change. Smart working and our machine-to-machine (M2M) technology offers significant potential to help organisations and individuals reduce their energy use and carbon emissions, enabling them to live, work and operate more sustainably. We are also exploring how mobiles can improve working life and livelihoods in emerging markets.

The opportunity to transform lives through our technology and services is at the core of this vision, as is our commitment to manage our operations responsibly and conduct our business in an ethical and transparent way. Maintaining the trust of our customers and other stakeholders and remaining accountable to them is critical to our brand and vital to achieving our vision. To earn and retain that trust we continue to build on our longstanding commitment to corporate responsibility – from keeping our people safe and managing our carbon footprint, to protecting our customers' privacy.

Unleash the power of Vodafone to transform societies and enable sustainable living for all

Our approach and current focus areas

Delivering transformational solutions

Mobile technology can change the way people live. We will innovate to improve access to finance, education and healthcare; improve efficiency in agriculture and working; and deliver low carbon solutions.

Agriculture



Education



Finance



Health



Low carbon solutions



Smart working



Operating responsibly and ethically

By acting with honesty and integrity, we know we will achieve more for our business and our customers, and gain the necessary trust needed to transform society.

Health and safety



Human rights



Mobiles, masts and health



Privacy and security



Responsible supply chain



Environmental footprint





Managing sustainability

We have robust policies and systems in place to manage the wide range of sustainability issues we encounter in our business activities. Listening to our stakeholders helps us prioritise these issues by identifying those that are most important to them and to us.

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Managing sustainability

Governance

The Group Executive Committee (ExCo) is responsible for our sustainability performance and receives a formal update on sustainability at least once a year as well as a monthly written update. A report is also made annually to the Vodafone Group Plc Board.

The Group Director of Sustainability & Vodafone Foundation reports to the Group Director External Affairs (an ExCo member) and heads a team of experts who provide guidance and coordination to our managers and issue owners who implement sustainability initiatives.

Managing sustainability across the Group

We have an established framework for implementing our sustainability programme across the Group through a network of issue owners within different functions and dedicated teams in each market. The chief executives of individual markets have overall responsibility for sustainability and the Group Sustainability Director regularly meets members of their executive teams. Regular formal meetings are held with our regional CEOs and Directors of key Group functions.

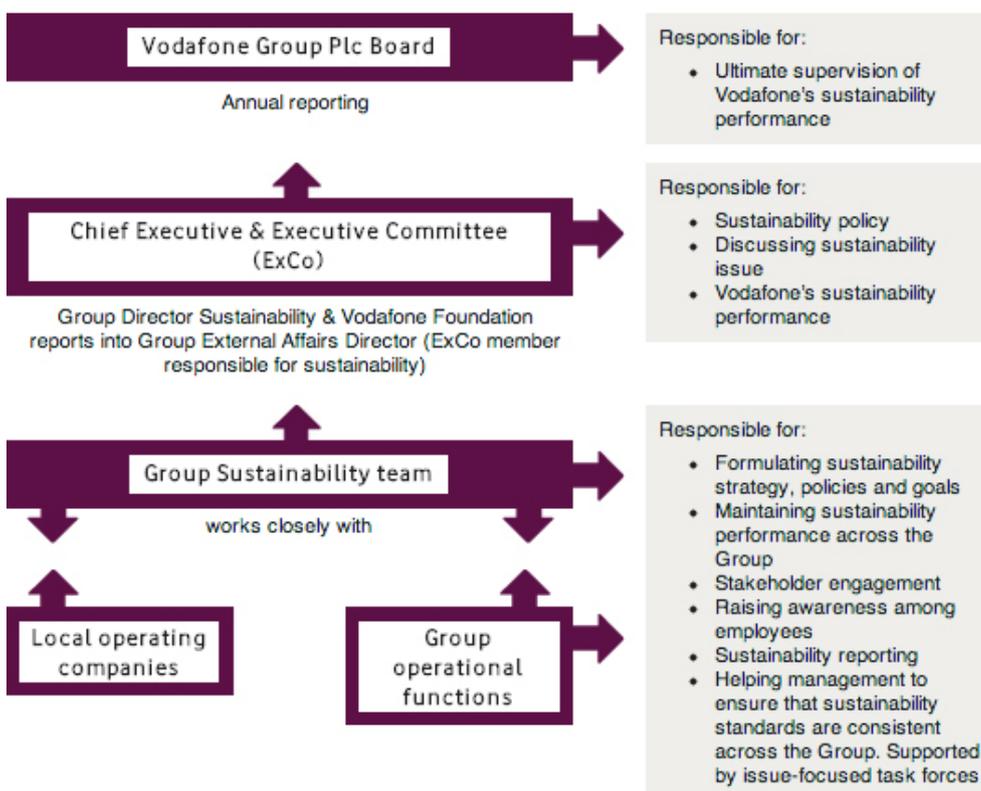
Our markets align their strategy to the Group, but have the flexibility to focus on issues that are important to local stakeholders. As we focus on developing transformational products and services as a key part of our sustainability strategy, our Group teams are working with lead markets to trial solutions before scaling up to other markets.

Our Group Sustainability team runs monthly teleconferences and annual global workshops for sustainability managers and issue owners from our local markets to share best practices, ensure consistency across the business and drive progress towards our vision.

We report progress publicly in our Group and our markets' sustainability reports. Our performance at Group level is independently assured (see assurance).

Internal audit

Our internal audit control questionnaire includes a range of sustainability questions. It is completed by all our local markets once a year and signed off by their chief executives. The questionnaire is part of our formal Group risk identification procedure. The results are reported to the Vodafone Group Plc Board of Directors.



Managing sustainability

Code of Conduct and policies

Our policies help to ensure that our Business Principles are put into practice in our day-to-day business. They include:

- Code of Conduct
- Business Principles (included within the Code of Conduct)
- Health and Safety Policy
- Code of Ethical Purchasing
- Tax Code of Conduct
- Tax Risk Management Strategy

Stakeholder engagement

Communicating with and listening to our stakeholders – the people who can affect our business or who are affected by it – is important to help us understand their views and explain our perspectives.

The feedback we receive from external stakeholders informs our judgment about sustainability priorities for our business and feeds into our sustainability strategy as appropriate. Our aim is for both Vodafone and its stakeholders to benefit from the

process. In cases where we do not agree or cannot respond to the feedback we have received, we aim to explain our position honestly and openly.

Our stakeholders include investors, employees and suppliers – who are directly affected by our business performance – as well as consumers and enterprise customers (small and large businesses and organisations) who relate to us as a service provider. Many more people in communities see our network infrastructure and some have strong views about it. Non-governmental organisations and sustainability opinion formers are often concerned about specific issues. Governments and regulators can affect our business through new legislation and regulations (see public policy).

We tailor our engagement processes to suit each different stakeholder group. Our local markets play an important role in forming relationships with local stakeholders.

Stakeholder group	How we engage	Examples in 2012/13
Investors	We meet with investors regularly through events, conference calls and one-to-one meetings to understand their concerns about sustainability risks and help us identify potential future issues. We also learn what information investors want and have the opportunity to explain our strategy for managing sustainability.	For information on our dialogue with investors, see Investor Relations.
Opinion formers and experts	We consult with experts on a wide range of issues to gain feedback about our practices and inform our strategy on sustainability. Our Sustainability Expert Advisory Panel was established in 2007 to provide regular feedback on our strategy, performance and issue management. The forum comprises experts from sustainability organisations, NGOs and industry, with a mutual interest in debating relevant issues and finding solutions for Vodafone to put into practice.	Our Sustainability Expert Advisory Panel met once in 2012/13. Topics discussed include an update on Vodafone's sustainability journey, transformational products and services, mobile's value to workers and employers, carbon savings, privacy and tax.
Non-governmental organisations (NGOs)	We consult with NGOs when their campaign or focus is relevant to our business. We do this by organising face-to-face meetings and meeting representatives at sustainability events. Our engagement with individual NGOs is mainly focused on specific issues.	NGOs are included in many of our dialogues with experts and are included on Vodafone's Sustainability Expert Advisory Panel. We also consult with NGOs on particular issues. In 2012/13, these included engaging with Friends of the Earth, Access Now and Walk Free on responsible sourcing of minerals (see Supply chain) and launching a partnership with TechnoServe to support smallholder farmers in Kenya, Mozambique and Tanzania (see Agriculture).

Managing sustainability

Stakeholder group	How we engage	Examples in 2012/13
Enterprise customers	We work with our enterprise customers to help them meet their sustainability needs. Partnering with them will also play an important role in helping us to deliver transformational products and services. It will support us in creating commercially viable services with sustainability benefits that can be scaled up and rolled out across different markets.	<p>We work with enterprise customers to develop products and services that promote sustainability in areas such as health and agriculture.</p> <p>In 2012/13, we announced a partnership with GSK that will use mobile technology to boost vaccination rates in Mozambique (see Health).</p> <p>Our sustainability and agriculture workshop in April 2012 brought together customers from five major consumer goods and retail companies to discuss potential commercial applications for mobile technology in this area (see Agriculture).</p>
Consumers	We communicate with consumers in many ways as part of our normal business, for example through our retail outlets, contact centres and customer research. Understanding the attitudes of consumers towards sustainability issues is critical to getting our strategy right.	<p>We run regular perception surveys across our markets to evaluate our reputation in local markets and globally.</p> <p>We are also engaging consumers on the environmental and social impacts of mobile phones through the Vodafone Eco-rating scheme (see Customers and the environment).</p>
Industry	<p>We collaborate with industry peers through our participation in industry forums on sustainability issues. These include:</p> <ul style="list-style-type: none"> • GSM Association (GSMA) and GSM Europe • Global e-Sustainability Initiative (GeSI) EU Corporate Leaders' Group on climate change • World Economic Forum • CSR Europe • International Telecommunications Union • Joint Audit Cooperation (JAC) 	<p>Vodafone continued to participate in the GeSI supply chain working group and joint GeSI and Electronics Industry Citizenship Coalition extractives working group.</p> <p>Through the Joint Audit Cooperation (JAC) initiative, we collaborate with other telecoms companies to assess and improve the social and environmental performance of common suppliers. (see Supply chain).</p> <p>We worked through the Industry Dialogue on Freedom of Expression and Privacy to develop Guiding Principles on these issues for the telecommunications industry (see Privacy and security).</p>
Communities	<p>Our transformation solutions are bringing substantial social and economic benefits to communities worldwide.</p> <p>We also consult local people to help us understand and address any concerns they may have with the deployment of our network in their communities.</p>	<p>We continued to consult with communities in the rollout of our networks (See Network deployment for more on our approach).</p> <p>We also explored ways to use our network infrastructure to bring additional benefits to communities by increasing access to energy in remote areas of emerging markets (see Low carbon solutions).</p>
Governments and regulators	Vodafone engages with regulators and governments on a wide range of issues relevant to our business and contributes to consultations on sustainability issues.	<p>Our Group privacy team contributed to the EU's ongoing consultation on its revision to the Data Protection Directive in 2012/13.</p> <p>See Public policy for more on our engagement with governments and regulators.</p>

Managing sustainability

Stakeholder group	How we engage	Examples in 2012/13
Employees	We gain feedback from employees on how we're doing through our annual Global People Survey, as well as engaging informally through internal communications channels and regular meetings with managers.	In 2012/13, our efforts to improve engagement across the Group helped us achieve strong scores in our annual Global People Survey. We also launched a new intranet site, the Vodafone Hub, to improve employee communications (see People).
Suppliers	We work closely with suppliers to ensure they maintain high standards by conducting assessments and holding workshops to help them improve. We also collaborate with key network suppliers to help us cut climate impacts by improving the energy efficiency of our operations.	We work closely with suppliers to monitor, assess and help them improve their performance. We also participate in the Carbon Disclosure Project Supplier programme to encourage suppliers to disclose and set targets to reduce energy use and carbon emissions (see Supply chain).

Public policy

Vodafone engages with regulators and governments on a wide range of issues directly relevant to our company and industry, as well as issues of broad public interest. We aim to be direct and transparent about our views, and base our opinions on evidence. All engagement with governments and regulators is subject to our Group Public Policy Principles.

We seek to inform policymakers – including legislators, government officials and regulators – about the nature of our business, the mobile industry and the business environment generally. Vodafone develops policy positions that explain the outcomes the company seeks from the public policy process and how we believe policy makers should approach issues.

Many of our written submissions are made public by the government organisation to which they are submitted. Vodafone believes in transparency in government relations and will provide copies of any formal submissions in the public domain to regulators and governments on request. The views expressed within our website and in this Sustainability Report are consistent with the views presented by Vodafone to governments.

We work with key industry trade associations on public policy issues. For example, Vodafone is a member of the World Economic Forum, GSM Association, GSMA Europe and the International Telecommunication Union. Vodafone is also commonly a member of national telecommunications industry associations in the countries where we operate if these associations exist.

It is Vodafone's Group policy not to make political donations or support particular party political interests.

We engage with regulators on general industry issues and sustainability-related issues such as privacy and climate change.

See our public policy website for position papers, policy papers and our responses to government consultations on specific issues.

Vodafone's position on public issues

General industry issues

Vodafone local operating companies are generally subject to regulation governing the activities of our industry in individual countries, as well as general competition (anti-trust) laws applicable to all activities.

Our engagement with regulators and governments mainly focuses on the following issues relevant to our industry:

- Regulatory frameworks
- Mobile market competitiveness
- International roaming
- Mobile call termination
- Spectrum policy
- Universal service policy
- Privacy and data security

Broader public issues

Vodafone seeks to help governments meet their objectives on a number of issues of broader public interest. These include:

- Socio-economic potential of mobile and its contribution to employment
- Innovation and prosperity
- Public service delivery and effectiveness
- National and public security

Sustainability issues

We also engage with governments to develop appropriate regulations related to specific sustainability issues. This is covered in the relevant sections of this report.

Managing sustainability

Material issues

We focus our sustainability activities and reporting on the issues of greatest concern to Vodafone and our stakeholders.

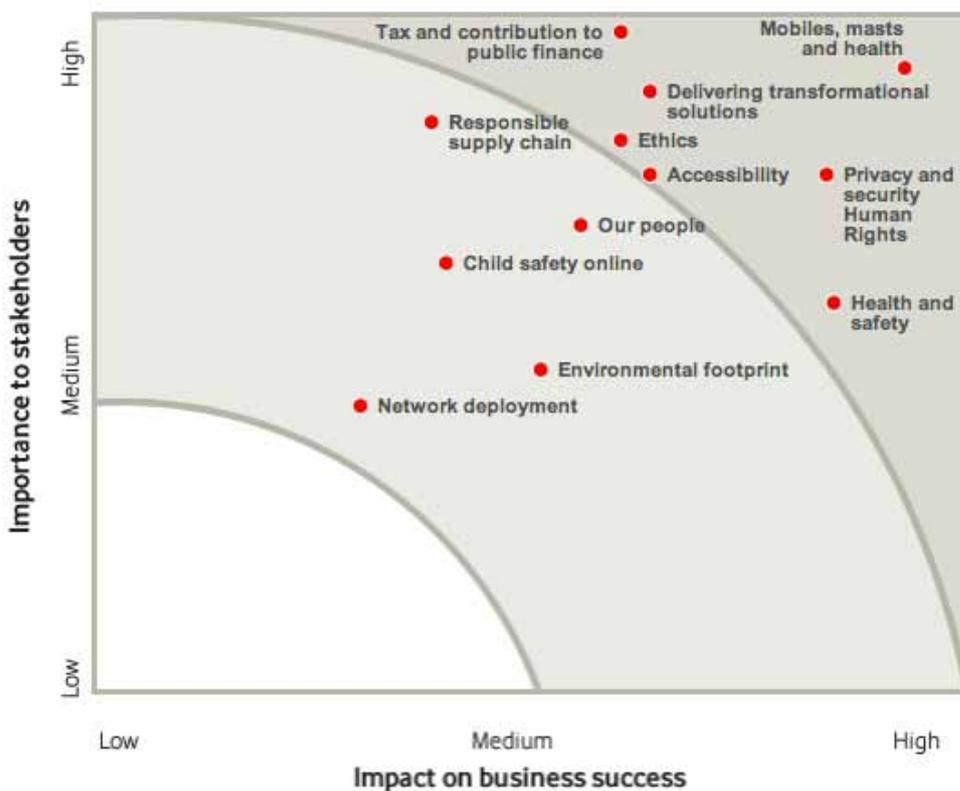
Feedback from regular engagement with stakeholders feeds into our process to identify the issues that are most significant – or ‘material’ – to Vodafone.

We use a ‘materiality matrix’ (see below) to map the issues that our stakeholders are most concerned about against those that have the biggest financial or operational impact on our business. We then apply the materiality principle to each key issue to help us identify and prioritise the most significant sub-topics.

To create the matrix, we use a tool developed specifically for the ICT industry by the Global e-Sustainability Initiative (of which Vodafone is a member), combined with Vodafone’s own criteria to assess and quantify risk. The assessment is done at Group level with input from teams in each of our local markets.

The matrix below shows our most material issues at Group level based on our assessment in February 2013. You can find out more about the action we are taking to mitigate the risks and realise the opportunities associated with these issues in each online section.

Materiality matrix



Managing sustainability

Awards and recognition

Our solutions, programmes and reporting have been recognised by a number of external awards and Vodafone is included in several corporate sustainability rankings and indices. These include:

GSMA Global Mobile Awards:

- 2013: Best Use of Mobile in Emergency or Humanitarian Situations (Vodafone Foundation for Vodafone Instant Network)
- 2012: Nominated for Best Mobile Health Innovation (for Nompilo mobile health enablement platform in South Africa)
- 2011: Best Mobile Money for the Unbanked Service (for M-Pesa)

Greenpeace Cool IT Leaderboard:

- 2013: 8th
- 2012: 5th

Dow Jones Sustainability Index

- 2012: Member

FTSE4Good Index

- 2012: Member

Carbon Disclosure Project

- 2012: Disclosure 78 – Performance C
- 2011: Disclosure 81 – Performance B

Corporate Register Corporate Responsibility Reporting Awards:

- 2012: 1st runner up for Best report, 1st runner up for Best carbon disclosure
- 2011: Best carbon disclosure (not eligible for Best report award after winning three years running)
- 2010: Best report, 1st for Relevance & Materiality and 3rd for Credibility through Assurance



About our reporting

Our annual sustainability report addresses the full range of material, economic, environmental and social impacts of the organisation.

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About our reporting

Scope of reporting

The data in this 2012/13 sustainability reporting website covers the financial year ended 31 March 2013. In our view, the boundary and scope of the online report address the full range of material, economic, environmental and social impacts of the organisation.

Local markets

The data this year covers 24 markets in which Vodafone has a majority controlling stake. These are: Albania, Czech Republic, Egypt, Germany, Ghana, Greece, Hungary, India, Ireland, Malta, the Netherlands, New Zealand, Portugal, Qatar, Romania, Spain, Turkey, the UK and South Africa (Vodacom). We are pleased to be reporting on Vodacom's subsidiaries in the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania for the first time. It also covers the Group's joint venture in Italy (ownership of 76.9%) for which Vodafone is responsible for the day-to-day operations. Within the Sustainability Report and our sustainability website, we refer to our businesses in all these countries as 'our markets'.

Our policy is to publicly report performance data from newly acquired businesses at the end of their first full year as a controlled subsidiary. During 2012/13, we acquired British multinational telecommunications services company Cable & Wireless Worldwide PLC and TelestraClear, New Zealand's second largest telecommunications company.

Joint ventures, associated undertakings, other investments and partner markets

Our reporting focuses on local markets where Vodafone has operational control (where we own more than half of the business).

Vodafone has equity investments in 30 countries and more than 50 partner networks worldwide. Our sustainability reporting covers markets where we have operational control and therefore, does not include our minority investments or partner networks. Our joint ventures in Australia and Fiji are included in our employee figures. Please refer to the notes accompanying the data for further clarification.

However, we do work with our joint venture companies and associated undertakings on sustainability programmes: they are invited to participate in our global conferences and some case studies from these markets are included in our sustainability reporting.

Outsourcing partners

Vodafone is increasingly outsourcing certain elements of our operations, in particular the deployment and management of our networks. We collect sustainability performance information from these companies where we have either ownership or operational control of the assets they manage. We also report data on contractor fatalities.

Shared sites

We co-locate many of our sites with other operators in some markets. In these markets we agree the best approach to account for this data with our auditors based on our operational control.

Non-Vodafone branded companies

In addition to the companies, some of our local markets own smaller, non-Vodafone branded companies that provide services to their business. Data from these companies is excluded from the scope of our sustainability reporting as data from non-Vodafone branded companies is considered less reliable.

Other Vodafone entities

Vodafone has various corporate entities and representative offices that are not material to our reporting (e.g. a small sales office), and so are not included within the scope of our sustainability reporting.

Retail operations and branded stores

The Group has a mix of owned retail operations and Vodafone branded stores by way of franchise and exclusive dealer arrangements. Our sustainability data only includes our owned retail operations.

Energy data and emissions reporting

We use an online data collection process to obtain our data. In the majority of our markets, energy usage data is based on invoices from our energy suppliers. In some markets, these bills are based on the supplier's estimated readings. Where data does not match our reporting period exactly, we forecast this information. For sites where energy invoices are unavailable, we extrapolate this information based on typical site consumption. Increasingly, we measure our energy efficiency through 'smart metering' – a tool using our own mobile communications to collect real-time data from energy meters on consumption levels, which we have rolled out to many of our sites.

Trade mark notice

Vodafone, the Vodafone logo, Vodacom, M-Pesa, Vodafone Guardian, Vodafone WebBox, Vodafone BuyBack and Vodafone Locate are trade marks of the Vodafone Group. The BlackBerry® family of trade marks, images and symbols are the exclusive properties and trade marks of Research in Motion Limited, used by permission. BlackBerry is registered with the US Patent and Trademark Office and may be pending or registered in other countries. Other product and company names mentioned herein may be the trade marks of their respective owners.

About our reporting

GRI compliance

We have benchmarked our 2012/13 sustainability reporting against the Global Reporting Initiative (GRI) G3.1 sustainability reporting guidelines.

Download our GRI index from our website.

Assurance

Independent Assurance Statement to Vodafone Management

The online Vodafone Group Sustainability Report 2012/13 (the Report) has been prepared by the management of Vodafone who are responsible for the collection and presentation of the information within it. Our responsibility, in accordance with Vodafone management's instructions, is to carry out a limited assurance engagement on the following subject matter:

- Collection, consolidation and presentation of data related to energy; scope 1 and 2 GHG emissions; handset recycling; network waste; safety and tax
- The balance and accuracy of claims made in the following eight sections of the Report, marked with an Ernst & Young footnote:
 - Environmental footprint
 - Ethics
 - Agriculture
 - Responsible supply chain
 - Tax and total economic contribution
 - Low carbon solutions
 - Health and safety
 - Finance

Our responsibility in performing our assurance activities is to the management of Vodafone Group only and in accordance with the terms of reference agreed with them. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000). The subject matter has been evaluated against the following criteria:

- Coverage of the material issues determined through a review of internal and external documentation and an assessment of coverage against Vodafone's own materiality process

- Consistency of performance claims and selected data with underlying company level documentation and explanation provided by relevant managers
- Completeness of the data in terms coverage of material reporting entities
- Accuracy of data collation and presentation (including limitations) of data within the report.

In order to form our conclusions we undertook the steps outlined below:

- **Interviewed up to 10 Vodafone executives and senior managers** including the Chief Executive Officer Africa, Middle East and Asia Pacific Region to understand the current status of social, ethical, environmental and health and safety activities, and progress made during the reporting period
- **Reviewed Vodafone's processes for determining material issues to be included in the Report**
- **Conducted media analysis, reviewed selected relevant internal documents and the outputs of stakeholder engagement activities** to enable us to test the coverage of topics within the Report
- **Reviewed information or explanations supporting Vodafone's reporting of progress** in the areas falling within the scope of our review. Supporting documentation was sought and reviewed for a sample of 50 sustainability performance claims
- **Reviewed the collection, consolidation and presentation of data relating to energy; scope 1 and 2 GHG emissions; handset recycling; network waste; and safety.** This included:
 - Interviewing staff responsible for managing, collating, and reviewing environmental and safety data at group level for internal and public reporting purposes
 - Reviewing, on a sample basis, energy; scope 1 and 2 GHG emissions; handset recycling; network waste; and safety data reported by seven operating companies (OpCos) to assess whether the data had been collected, consolidated and reported accurately. The seven OpCos selected for review were India, South Africa, the Netherlands, Spain, Egypt, DRC and Tanzania
 - Reviewing and challenging supporting evidence from these seven OpCos
 - Testing whether energy; scope 1 and 2 GHG emissions; handset recycling; network waste; and safety data has been collected, consolidated and reported appropriately
 - Reviewing a selection of management documentation and reporting tools including guidance documents
 - Reviewing the Report for the appropriate presentation of the data including the discussion of limitations and assumptions relating to the data presented

About our reporting

• Review of the collection, consolidation and presentation of the following tax data:

- Direct revenue contribution: taxation and other non-tax;
- Indirect revenue contribution; and
- Capital investment data

This included:

- Interviewing Group tax staff to understand: the strategy for tax transparency reporting; guidance provided to local teams; review work undertaken at group level; processes for consolidating and reporting data provided by local teams; and the underlying processes and documentation supporting the qualitative statements in the Report.
- Interviewing a sample of six OpCo tax teams to understand the processes for identifying whether all the local country taxes have been included within reporting to Group and that all taxes within scope had been correctly mapped to the reported KPIs
- Interviewing Group tax staff and a sample of local country tax teams to understand the basis upon which the figures in relation to the identified tax data reported by the six OpCos has been captured, reviewed and consolidated
- Reviewing and challenging supporting evidence from the six OpCos in relation to selected qualitative tax statements made within the Report

Level of assurance

Our evidence gathering procedures have been designed to obtain a sufficient level of evidence to provide a limited level of assurance¹ in accordance with ISAE3000.

The limitations of our review

Our work was restricted to headquarters activities and we did not visit any of Vodafone's OpCos.

Our review was limited to the following eight sections contained in the sustainability web content on www.vodafone.com: Environmental footprint; Responsible supply chain; Health and safety; Ethics; Tax and total economic contribution; Finance; Agriculture and Low carbon solutions. Our review covered a limited number of claims selected on a risk basis and only the pages marked with an Ernst & Young verification footnote formed part of our assurance.

Our review of environmental and safety data processes was limited to the following data sets from seven OpCos: energy; scope 1 and 2 GHG emissions; handset recycling; network waste; and safety data.

Our review of tax data was limited to the following data sets from six OpCos: direct revenue contribution: direct revenue contribution: taxation and other non-tax; indirect revenue contribution; and capital investment.

Our conclusions

Based on our review:

Balance and accuracy of sustainability performance claims

- Nothing has come to our attention to suggest that the reported claims on performance progress in the eight sections included within our scope of review are not fairly stated
- We are not aware of any material aspects concerning Vodafone's reported sustainability performance claims which have been excluded from the Report

Collection, consolidation and presentation of data relating to energy; scope 1 and 2 carbon emissions; handset recycling; network waste; safety; and tax

Completeness

- With the exception of the points below, we are not aware of any OpCos that have been excluded from the environmental, safety and tax data presented in the Report
 - 2012/13 network waste figures exclude data from the following OpCos: DRC, Tanzania, Lesotho, Mozambique, India, Qatar and Ghana
 - 2012/13 handset recycling figures exclude data from the following OpCos: Albania, Qatar and India
 - 2011/12 direct revenue contribution: taxation and other non-tax; indirect revenue contribution; and capital investment figures exclude data for the Australian, US and Fiji JVs

Accuracy

- Nothing has come to our attention that causes us to believe that the environmental, safety and tax data included within the Report has not been collated and presented properly
- With the exception of the points below we are not aware of any matters that would materially affect the environmental, safety and tax data presented in the Report
 - 2011/12 energy data for the Qatar market has been used for the 2012/13 Report as this year's data was not available at the time of our review
 - 2011/12 tax data has been used for the 2012/13 Report as this year's data was not available at the time of our review

Observations from our work

Our observations and areas for improvement will be raised in a report to Vodafone management. These observations do not affect our conclusions on the report set out above.

Safety performance

- Vodafone has made significant progress in their safety performance during the reporting year. This is evidenced by a 43% reduction in fatalities across the Group compared to last year. This is largely due to focused senior management activity and the resulting safety initiatives and programmes that have been established such as Safety 2.0. Vodafone needs to continue its focus on workforce safety in order to maintain this positive trend.

About our reporting

Environmental data

- Our activities at group level highlighted the need for more effective review activities by OpCos to support the accuracy and completeness of the data submitted to Group. This should include detailed reviews of source data for all material KPIs
- We requested supporting evidence for a sample KPIs across seven markets and noted instances where source data was not readily available. It is important that Group continues to reinforce the need for robust record keeping at the market level to support the review process by OpCo, Group and third parties
- Whilst nothing has come to our attention to demonstrate that markets are not reporting consistently, our review found a lack of group level guidance regarding the reporting and estimation of environmental KPI's

Progress against targets

- Vodafone's existing suite of sustainability targets will come to an end over the next two years. Vodafone's sustainability strategy focuses on operating responsibly and transformational solutions. In order to achieve its strategic sustainability goals, Vodafone will need to decide how to measure progress in the delivery of its strategy and how to communicate progress to a range of stakeholders

Tax

- We note Vodafone's positive intention to engage its stakeholders and the public in relation to the tax and economic contribution that the business makes. We also recognise the significant efforts that the business has put into providing the detailed tax and supporting data included within the report
- This is the first year that Vodafone have sought to report such a detailed level of tax data. While recognising this, we have made a number of recommendations for future process improvements in our letter to management. Our recommendations relate to how the data required for the report is gathered, reviewed, and consolidated. We have also identified areas for improvement around the guidance that is provided to local tax teams on collating country data, the level of automation used to extract and consolidate the data and the detailed methodology and definitions that under-pins the selection criteria for reporting purposes

Our independence

This is the third year that Ernst & Young LLP has provided independent assurance services in relation to the Vodafone Group Sustainability Report. We have provided no other services relating to Vodafone Group's approach to sustainability reporting.

Our assurance team

Our assurance team has been drawn from our global Cleantech and Sustainability Services and Tax network, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP
London
June 2013

Notes:

1. The extent of evidence gathering procedures for a 'limited level' of assurance is less than that of a 'reasonable' assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided
-

About our reporting

Report archive



2011/12



2010/11



2009/10



2008/09



2007/08



2006/07



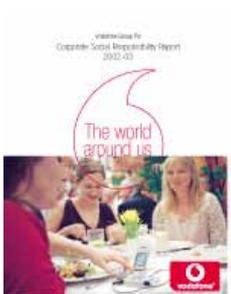
2005/06



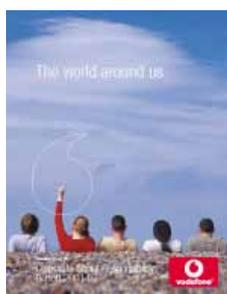
2004/05



2003/04



2002/03



2001/02



2000/01

About our reporting

Local market reports

A number of Vodafone local markets produce sustainability reports. These include:

- Greece
- Hungary
- India
- Italy
- Malta
- Netherlands
- New Zealand
- Portugal
- South Africa
- Spain
- Turkey
- UK



Transformational solutions

Vodafone's products and services can help to transform people's lives and contribute to global sustainable development goals.

Mobile technology has become a vital tool for improving livelihoods and quality of life. Over 68% of our customers are in emerging markets, where simply extending the coverage of our networks and building our customer base creates the socio-economic benefits that come with access to communications.

We are exploring new market opportunities to bring further sustainable benefits to societies through the development of products and services that focus on six key areas: agriculture, education, finance, health, low carbon and smart working. Our work in these areas strengthens our relationships with consumers and enterprise customers, supporting our long-term business success.

Our aim is to create commercially viable services that can be scaled up and rolled out in different markets. We are doing this by working with customers and other partners to develop new applications for our technology.

Solutions in some areas are more developed than others, and we continue to research the potential for our products and services to contribute to sustainable living.

Finance	21	Health	35
Low carbon solutions	24	Education	39
Smart working	29	Vodafone's contribution to the Millennium Development Goals	41
Agriculture	32		



Finance – Our approach

Our mobile payments platform, M-Pesa, contributes to economic development in emerging markets by bringing access to financial services to millions of people without bank accounts.

M-Pesa started in 2007 by enabling people to transfer small amounts of money to friends and family via a mobile phone; it's now a well-established part of our business with over 18 million active users.

Many people in emerging markets have no access to financial services because they can't get a bank account or simply can't get to a bank because they live in remote areas. M-Pesa gives people a way to transfer money. It is cheaper than traditional alternatives such as wiring money, and safer than carrying or sending cash.

The service is continually evolving. New applications of M-Pesa allow people to pay shopkeepers for goods, access savings accounts, take out insurance and small loans, and transfer money internationally. In 2012/13, we introduced new M-Pesa services including insurance, savings and loans, and we launched a new partnership to extend access to low-cost international remittance services via mobile phone.

Read on to find out more about M-Pesa and our performance in 2012/13.

Stakeholder views

" Services like M-Pesa are exciting because formal financial services of any kind have been available to only 23% of the 2.5 billion people who live on less than US\$2 per day. A recent study¹ found that M-Pesa allows users to maintain steady levels of consumption, particularly of food, through shocks such as job loss, illness, harvest failure and livestock deaths."

Bill Gates, The Bill & Melinda Gates Foundation²

Extending access to M-Pesa

M-Pesa is now available in eight emerging markets. We launched the service in the Democratic Republic of Congo (DRC) in 2012/13 and we are planning a larger scale rollout in India.

There are now over 18 million active users (those having undertaken a transaction within the last 90 days) of M-Pesa. In 2012/13, the number of active users increased by 25% and we processed transactions worth more than US\$40 billion.

M-Pesa in practice in Kenya

M-Pesa is enabling millions of people to improve their lives in Kenya, where the service was first launched in 2007.



Did you know?

Over 18 million

active M-Pesa users

Finance – Our approach

Partnering to develop new mobile money solutions

Going beyond basic transactions to enable people without bank accounts to save and borrow money is the next step in M-Pesa's development. In 2012/13, Vodafone launched M-Shwari, a new service for M-Pesa customers in Kenya, offered in partnership with Safaricom and the Commercial Bank of Africa, which now has 1.2 million active customers. M-Shwari allows M-Pesa customers to save as little as 1 shilling (equivalent to around a tenth of a US cent), earn interest on their savings and take out small loans, all using their mobile phone. Customers who have savings accounts can access micro loans instantly based on a credit scoring history provided by Safaricom from information relating to their savings and airtime accounts.

International money transfers are an important source of income for people in emerging markets as migrant workers send money home to their families. However, wiring money internationally can be expensive, particularly for small amounts. In 2012/13, we partnered with money transfer company BICS, to launch a new low-cost service enabling M-Pesa customers to send and receive funds internationally directly via their mobile phones. Customers where M-Pesa is available will, subject to local regulation, be able to connect to more than 21 international money transfer businesses in 35 countries via HomeSend, an international remittance hub. This builds on our existing international remittance services enabling M-Pesa customers in Kenya and Tanzania to send and receive money to certain countries.

We are also partnering with other companies to offer micro insurance services using M-Pesa, including health insurance in Kenya and funeral insurance in Tanzania (see case studies).



In focus: Easing the burden of funeral costs in Tanzania

In Tanzania, funerals are important community events for many people, but organising them can be financially crippling for family members. We are working in partnership with Heritage Insurance to offer a new service that enables M-Pesa customers in Tanzania to register to make monthly payments for funeral insurance easily via SMS text message. If the policyholder dies, Heritage Insurance processes the claim within 72 hours and makes a pay-out to the named beneficiary to help cover the funeral costs. Vodacom provided over 170,000 customers with insurance in the first month of its launch in October 2012.



Saving for health insurance via M-Pesa

We are partnering with insurance company Britam, technology provider Changamka Microhealth and global health organisation PSI to enable people in Kenya to use M-Pesa to save towards the cost of health insurance for their family. The insurance cover offered through this service, known as Linda Jamii, includes both out-patient and in-patient, dental and optical needs.

Finance – Our approach

Providing a platform for transformational services

M-Pesa is being used as a payment mechanism to enable many other services that can improve people's lives, including water pumps provided by Grundfos LIFELINK that are giving more than 100,000 people access to safe water in Kenya. Reliable access to safe water has improved living conditions, often halving cases of water borne diseases and helping to increase children's school attendance as a result. In June 2012, technology company M-KOPA used M-Pesa to launch a new solar charged home lighting product in Kenya. M-KOPA customers can buy a solar-powered lighting and mobile phone charging kit by making an initial upfront payment via M-Pesa followed by small daily payments for up to a year to cover the remainder of the cost. After a year of repayments they own the system outright, giving them access to free, renewable energy for lighting and phone charging in place of costly, high carbon kerosene lights that affect air quality and harms people's health. This is just one of the ways Vodafone is extending access to energy in emerging markets. Find out more in Low carbon solutions.

Around 700 businesses now use M-Pesa in Kenya alone. Applications for M-Pesa are diverse and the payments platform is at the heart of many new agriculture and health services, from supporting insurance for smallholder farmers against crop failure to sending money to help people in remote areas travel to hospital. Find out more about how M-Pesa is improving people's lives in the areas of Agriculture, Health and Education.

Notes:

1. The Economics of M-Pesa, Georgetown University and MIT (2010)
2. Bill Gates quoted

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement.

June 2013





Low carbon solutions – Our approach

Mobile communications can play a significant role in tackling the global climate challenge by enabling businesses and consumers to reduce their carbon footprints. Our machine-to-machine (M2M), smart working and access to energy solutions are helping customers achieve considerable carbon savings while bringing wider social and economic benefits.

Vodafone is a leading provider of M2M solutions which enable our enterprise customers to cut costs and carbon emissions by reducing their energy and fuel use and improving the efficiency of their operations. Our other products and services, such as video conferencing and collaboration technologies, can also bring carbon savings by reducing the need for travel and office space (see Smart working).

In emerging markets, where our telecoms networks often extend beyond the electricity grid, we are developing solutions to bring reliable, renewable power to people in remote areas – supporting the growth of our business by enabling easier charging and therefore use of mobile phones.

Read on to find out more about our approach and our performance in 2012/13. For more on how we are managing our own carbon footprint, see Environmental footprint.

Stakeholder views

“ICT businesses can save millions of tonnes of CO₂ by greening their operations but also gigatonnes of CO₂ through smart solutions. WWF continues to encourage Vodafone and the sector as a whole to target low carbon products and services at high carbon activities.”

Dax Lovegrove, Head of Business & Industry, WWF-UK

Watch video for more from Dax on Vodafone's approach to sustainability, and his challenge to us to seize the opportunities of the transition to a green economy.

Find out more about our M2M solutions

Find out more about the M2M products and solutions we offer or follow us @Vodafone_M2M on Twitter.



In focus: M2M technology

Machine-to-machine (M2M) solutions connect physical objects to the internet, enabling them to send and receive real time information which can then be acted upon. This offers significant potential to reduce carbon emissions by giving businesses the ability to monitor and control devices remotely, saving energy and fuel, and increasing efficiencies. Watch video to find out more.

Quantifying carbon savings from M2M solutions

The Global e-Sustainability Initiative's (GeSI) *SMARTer 2020* report recently projected that while the ICT industry's footprint will rise to 1.27 GtCO₂e by 2020, its solutions have the potential to deliver carbon reductions of seven times that amount. Our own Carbon Connections research suggests that many of the carbon savings which will come from mobile technology will be delivered by M2M solutions.

By the end of 2020, there will be an estimated 2.6 billion mobile M2M connections worldwide¹. As a market leader in M2M solutions, Vodafone has an opportunity to deliver significant efficiencies for enterprise customers using M2M connections and related services – many of which have the potential to reduce CO₂ emissions.

Carbon-reducing applications for M2M technology are wide-ranging – from improving fleet management and making utilities more efficient to enabling wider use of electric vehicles and monitoring stock levels in vending machines remotely. Fleet management and smart metering offer some of the biggest carbon savings and we are working with enterprise customers to apply M2M technology in these areas.

Low carbon solutions – Our approach

We now have contracts in place to supply approximately 9.5 million M2M connections to enable carbon reductions for our customers, falling just short of our target to provide 10 million connections by March 2013. These savings come from reduced energy and fuel consumption mainly as a result of smart metering and smart fleet management (see below).

● Ongoing
 ● Achieved
 ◐ Partial
 ○ Not achieved

Objective	Our performance in 2012/13	Status
Provide 10 million carbon-reducing M2M connections by March 2013	By March 2013, we had provided 9.5 million carbon-reducing M2M connections.	◐

Building our M2M business to bring cost and carbon savings for customers

M2M solutions for enterprise customers are a growing revenue stream for Vodafone. Reducing operating costs is a clear selling point for M2M services, but the potential for carbon reductions is also an important motivation for many businesses to invest in this technology.

We offer these services through our dedicated M2M business, supported by a team of specialists and an in-house technology platform that enables us to offer customers centralised data collection and analysis. We work with enterprise customers to tailor our products and services to meet their needs in this area and increasingly offer them a 'one-stop shop' for M2M products and services.

In 2012/13, we strengthened partnerships with hardware and software companies to offer customers an end-to-end service, making it simpler for them to implement M2M technology.

Smart metering

Smart metering uses M2M technology to collect and analyse data about energy consumption. This enables consumers and businesses to understand how they use energy, and helps them identify ways to save costs and carbon emissions through better energy management in homes and businesses. ASB Bank in New Zealand used real-time data on energy consumption – collected via our M2M connections – in its network of branches, to target energy efficiency initiatives that contributed to cutting its carbon footprint by 27% over three years. See more on our support for ASB Bank.

We are building on our efforts to roll out an energy management system based on smart metering across our own operations by partnering with an energy management company to offer this service to customers. Together, we introduced an energy management solution for a major retailer in Ireland in 2012/13. Smart metering technology in individual stores supports this centralised solution to improve energy management across the retailer's business.

By enabling excess power to be sold back to the grid, smart meters also promote small-scale generation of renewable power from, for example, rooftop wind turbines or solar panels. M2M-connected smart meters are also central to the development of more efficient 'smart' grids, enabling utilities to transform the way they deliver energy. Vodafone is supporting the rollout of domestic smart meters in several countries, working with energy suppliers including British Gas in the UK and Enexis in the Netherlands. Enexis has already rolled out around 100,000 smart meters. See more on our support for Enexis.



In focus: Smart waste management

A trial to monitor rubbish bins remotely helped Groningen City Council in the Netherlands reduce the annual carbon footprint of its refuse fleet by 18%, and save around €92,000 a year on refuse collection costs. Sensors on each bin enabled the Council to collect rubbish only when bins were full. Find out more about this trial online.

Smart logistics

Tracking devices communicate vehicle movements to fleet management systems, and the central software responds with route revisions that save fuel, costs and emissions. Information about vehicle loads means spare capacity can be used more efficiently, drivers are encouraged to drive more fuel efficiently, and vehicle condition reports can spot problems so they can implement preventative maintenance.

Fleet management company Isotrak uses M2M solutions over the Vodafone network to enable smart logistics, helping UK businesses to cut fuel costs and CO₂ emissions, reduce fleet size and save time (see video). TomTom's navigation technology, connected by Vodafone's networks, allowed companies to track vehicles and monitor driving habits – contributing to Zenith Hygiene Group cutting carbon emissions from its fleet of trucks in the UK by 28% in 2011.

Read case studies on how our M2M solutions are being used by Isotrak, TomTom and Zenith Hygiene Group.

Low carbon solutions – Our approach



Smart logistics for trucks in the UK

Watch video on how the Eddie Stobart logistics company increase efficiency and decrease environmental impact with Isotrak and Vodafone M2M.

Exploring new areas

As well as offering carbon-reducing M2M services in established areas such as smart metering and logistics, we have also started to explore new areas for carbon savings in the automotive and consumer goods sectors. This includes tracking assets or optimising energy use of products such as vending machines and fridges, and supporting the effective deployment of charging solutions for electric vehicles (see feature).



In focus: The role of M2M in electric vehicle charging

M2M technology will play an important part in the rollout of electric vehicles by offering the infrastructure needed for charging. In partnership with Bosch, we have produced a white paper on electric vehicles in commercial fleets and the role of M2M in achieving commercial 'eMobility'. The paper considers the current state of the electric vehicle markets, and identifies the potential and the benefits of electric vehicle charging and monitoring. Download the white paper online.

Improving access to energy in emerging markets

Globally, more than 1.3 billion people live without electricity. The 600 million mobile users living out of reach of the power grid spend around US\$10 billion a year on charging their phones using diesel generators and car batteries. The telecoms infrastructure that we provide and our extensive reach in emerging markets offers significant opportunities for us to bring social and economic benefits by extending access to energy – and by using renewable energy we can also bring environmental benefits. This also

supports the growth of our business by enabling more people to use mobile phones and to use mobile phones more often by making it easier to charge them.

Community power

As we expand our networks to more rural areas in emerging markets, we are exploring opportunities to use renewable power generated at our base stations to bring power to remote communities without electricity.

One year on from our trial for generating community power in South Africa, we have seen a number of benefits for both the local community and our business (see case study). In 2012/13 we developed a replication guide with the industry through the GSMA to help assess how this model can be used to extend community power in other markets, building on insights from the trial. We have also completed a feasibility study for community power sites in another market and are assessing potential sites for development.



In focus: Powering communities through our networks in South Africa

In our Community Power pilot in the village of Emfihlweni, South Africa, we installed solar 'foil' to the roof of the school near our base station to generate 14.4kW of energy from the sun, providing cleaner power to the base station, school and a community water pump.

The pilot has brought substantial savings for Vodafone, cutting monthly diesel use by 80%, labour maintenance costs by 24% and CO₂ emissions by 90% from the site. For the people of Emfihlweni, Community Power has provided access to lighting, computers, printing and internet services for the local school, helping teachers improve the standard of education. Local people are also paying the school to use the photocopier, generating extra revenue for education initiatives.

Less diesel is needed to pump water for the village and community members no longer need to travel more than 15km to the closest town to charge their mobile phone. The free phone charging service saves around 60 US cents every time they charge their phone.

Low carbon solutions – Our approach

Solar charging solutions

Access to power remains a key issue for many of our customers, and we have launched two solar powered solutions in Kenya and Tanzania and are building other community power sites in Tanzania (see previous page). In late 2012/13, we began distributing and marketing ReadySet, a portable solar-powered, mobile phone charging system developed by Fenix International, in Tanzania – a country where only 14% of the 46 million population are connected to the electricity grid.

Originally trialled in the Pwani Region of Tanzania, and now more widely available, ReadySet is able to charge up to eight mobile phones a day, as well as powering the supplied LED light for up to three hours a day – all from a single solar charge. This offers a cleaner, greener and cheaper alternative to the kerosene lamps used in many remote regions.

Entrepreneurs, airtime sellers and M-Pesa agents can buy the ReadySet and set themselves up to offer phone charging services to their local community, earning an additional \$42 a month, while increasing sales of other products and saving \$5 to \$10 per month on kerosene for lighting by using the in-built light (see video).

We also launched a solar powered home lighting kit in partnership with M-KOPA in Kenya in 2012/13, using our M-Pesa system to make payments (see Finance). M-KOPA, together with M-Pesa, offers modern, cleaner and cost-efficient lighting and mobile phone charging for homes. They also have health benefits, preventing the inhalation of fumes from open fires and traditional stoves which can have health-damaging effects.

Stakeholder views

“ Whether an M-Pesa agent, small business or a mother looking to generate additional household income, ReadySet can empower owners to become micro-utility entrepreneurs in their communities.”

Mike Lin, CEO, Fenix International



ReadySet brings renewable charging to remote areas

Notes:

1. Machina Research, M2M Global Forecast & Analysis 2011–22

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement.

June 2013

ERNST & YOUNG
Quality In Everything We Do

Low carbon solutions – Data

Our contribution to a low carbon future

	2010/11	2011/12	2012/13
Number of carbon-reducing M2M connections (million)*	over 4	6.4	9.5

Notes:

* These are the contracts Vodafone has in place to supply M2M connections to specifically enable carbon reductions through energy and fuel savings for our customers.

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.
For more details see their Assurance Statement.
June 2013





Smart working – Our approach

Vodafone's mobile solutions help businesses boost productivity, cut costs and carbon emissions; improve quality of life by enabling people to work more flexibly; and have immense potential to improve working life and livelihoods in emerging markets by connecting workers and organisations.

Our products and services give people the freedom to access information and systems, connect with colleagues around the world and work effectively wherever they are – in the office, at home and working on the move.

By enabling people to work more flexibly and on the go, smart working technologies help employees work more productively in the field and balance their work and home life better; bring significant benefits for their organisations through increased efficiency, productivity and cost savings; and cut carbon emissions by reducing the need for office space and daily commuting. Mobile technology can also bring benefits for workers and organisations by supporting training and feedback mechanisms.

Smart working technologies are a key part of our core business in developed markets, and we continued to promote their uptake in 2012/13 as well as quantifying and publishing the benefits. A YouGov poll commissioned by Vodafone UK in February 2013 estimated that businesses in the UK alone could save around £34 billion by freeing up desk space as a result of introducing more flexible working practices¹.

In emerging markets, we see significant potential for mobile solutions to bring shared value for both organisations and workers – delivering wider social and economic benefits. In 2012/13, our Connected Worker research found six mobile solutions could deliver US\$38 billion to workers and organisations by 2020 across 12 markets, and we plan to explore ways to realise this potential.

Read on to find out more about our smart working solutions, our Connected Worker research and our performance in 2012/13.

Promoting smart working solutions in developed markets

More and more organisations are seeing the benefits of flexible working. In a survey of over 17,000 senior business people in 80 countries, 60% regarded flexible working as more cost-efficient and environmentally sustainable, 41% said productivity increased and more than 30% pointed to improved staff motivation².

As the way people work evolves, we are strengthening our focus on smart working solutions for enterprise customers. The 'Work the way you want' programme, for example, enables organisations to empower their people to be more productive by giving them the freedom to choose when, where and how they work. See Vodafone Global Enterprise for more on our smart working solutions.

Smart working solutions are also supporting more effective management of field workers. This helps to improve productivity by enabling them to connect with colleagues, information and systems, and work 'on the go'. It also improves safety for those working alone by keeping track of where they are. As well as linking field staff with their operations centre and each other, our cloud-based solution, Vodafone Locate, enables organisations to keep track of their employees by locating the SIM cards in their mobile phones. Our Location Privacy Design Principles help make sure that privacy protection is built into every location-based product we offer (see Privacy and security).

Helping people work more efficiently 'in the field' can also offer significant benefits in public sector services such as police (see feature below) and healthcare (see Health) by reducing administration time so staff can spend more time supporting communities.

Smart working – Our approach



In focus: Improving efficiency and time for the community for New Zealand Police

In our new partnership with the New Zealand Police, the introduction of mobile technologies is expected to help officers cut 30 minutes of administration time per shift, equating to 520,000 hours a year. Using smartphones, 6,000 officers will be able to access information on suspects, vehicles and locations while they are in the field. Almost 4,000 officers, who need to undertake more complex data entry, will be provided with a tablet. The time saved on administration allows officers to spend more time in their communities and less time behind a desk. The New Zealand Police are expected to gain productivity benefits equivalent to around NZ\$304 million compared with a cost of around NZ\$163 million for providing this technology.



Helping to improve patient care in the UK

The UK National Health Service is using our mobile solutions to help staff in Cumbria access and update patient records on the move. By cutting administration time by around 15%, nurses have more time for community visits. Local GP, William Lumb, said: "By enabling remote working, we are allowing staff to schedule more appointments in the community. They're happier and are more likely to achieve a better work-life balance."

Showcasing better ways of working in our own operations

We are using our own operations to showcase these solutions as we continue to implement better ways of working within Vodafone. This is delivering cost and carbon savings for our business by reducing office space as well as benefits for our employees (see case study below). By implementing better ways of working at our UK headquarters we have achieved a 20% improvement in productivity, cost savings of £40.7 million and carbon reductions of 617 tonnes of CO₂ over the last five years. Our mobile working policy in the Netherlands led to an estimated 25% cut in emissions from employee commuting.

Flexible working environments are well established in our offices in the UK and the Netherlands, and in 2012/13 we made significant strides towards better ways of working in Ireland and Germany. This has involved rationalising our office space, introducing 'hot desking' and using our technology to implement unified communications systems – integrating fixed and mobile communications – and enable seamless working on different devices. Changing our culture is also an important part of promoting flexible working to gain the full benefits of these changes.

Working with the sustainability consultancy Environmental Resources Management (ERM), we have developed a tool to measure the sustainability benefits of flexible working. The tool, targeted at our own operations, will allow local markets to assess and compare carbon emissions, costs, employee satisfaction and productivity before and after implementing flexible working initiatives.



In focus: Employee views of flexible working in Germany

Following the introduction of more flexible working practices in Germany in May 2010, allowing some employees to work outside the office for up to 20% of their time, we conducted a survey of more than 2,500 people to find out about the impact this had on our business. More than half choose to work flexibly at least three times a month, 90% of whom do so to balance their work and private life better. Almost all (97%) had received no negative feedback from colleagues and 66% said their concentration had improved. Nearly two thirds (62%) of line managers found there was no difference in their ability to manage the team. In 2012/13, Vodafone Germany extended these practices to most of its employees.

Smart working – Our approach

Assessing the potential in emerging markets

In 2012/13, our Connected Worker research explored opportunities for mobile to deliver commercial benefits for organisations and improve working life and livelihoods for people in emerging markets.

We found that across 12 markets, the six opportunities identified could increase workers' incomes by US\$7.7 billion by 2020, while enabling a further US\$30.6 billion in benefits to organisations through improved productivity. The six key opportunities are:

- **Job Finder:** linking workers with jobs through a subscription-based service using a simple SMS-based platform including sign-up, worker profile creation and job notification
- **Fieldforce enablement:** improving productivity, safety and effectiveness of workers by enabling them to plan and execute a wide range of tasks while they are 'in the field'
- **mIdentity:** enhancing corporate security and providing additional credibility and authentication for workers when dealing with customers or other third parties
- **mLearning:** delivering basic skills and job-related training via mobile and supporting skills building through quizzes and reminders
- **Worker Panel:** allowing information about working conditions to be gathered directly from workers (anonymously) to enhance visibility across global supply chains
- **mPayroll:** using mobile technology to enable secure, cost-effective and reliable wage payments to unbanked workers through platforms such as Vodafone's M-Pesa (see Finance)

We identified these six key opportunities – from an initial list of over 90 – through a process of desk-based research, two workshops held in South Africa and India involving over 30 external stakeholders from private, public and not-for-profit sectors, and in-depth interviews with over 40 stakeholders. Each of the six opportunities were then modelled across 12 emerging markets where Vodafone has a presence – the Democratic Republic of Congo, Egypt, Fiji, Ghana, India, Kenya, Lesotho, Mozambique, Qatar, South Africa, Tanzania and Turkey.

For more information, see the Connected Worker report, published in May 2013.

Notes:

1. Vodafone UK Survey: Flexible Working Can Save British Business £34 Billion
2. Regus, Flexible Working Goes Global Report, 2011





Agriculture – Our approach

Mobile technology can reach remote farmers in a way that no other form of communication can, helping them to improve productivity and increase efficiency throughout the agricultural supply chain.

By 2050, the world will need to produce 70% more food to satisfy a global population of 9 billion¹. And it must do so with increasingly limited land and water resources. Vodafone aims to help meet this challenge with the introduction of specially designed mobile products and services.

We are partnering with enterprise customers, NGOs and government agencies to develop commercially viable propositions that can boost food production, improve farmers' livelihoods and bring efficiencies for consumer goods companies. These include mobile information services, access to financial services and insurance against crop failure as well as solutions to improve efficiency in agricultural supply chains.

Scaling up from pilots to long-term financially viable customer propositions remains the greatest challenge we face in this area, but we are encouraged by the continuing success of existing programmes.

Read on to find out more about our mobile agriculture services and our performance in 2012/13.

Assessing the potential

Applying mobile technology to the agricultural sector brings many potential benefits to farmers and their families, as well as to companies seeking to improve their supply chains. Research conducted by Vodafone and Accenture in 2011 found that mobile technology could boost farmers' productivity enough to increase agricultural income by US\$138 billion by 2020 across our markets, primarily in India, Africa and the Middle East.

Mobile technology can raise farmers' productivity, lifting smallholder farmers out of poverty and contributing to economic development in emerging markets. By promoting sustainable farming practices and improving the efficiency of food distribution, mobile technology can also help to reduce food waste, carbon emissions and the amount of water needed for irrigation.

See the Connected Agriculture research report for more information.

Developing solutions

We are already working with enterprise customers in the fast moving consumer goods and retail sectors to explore opportunities to develop viable commercial propositions that can benefit farmers, communities and our enterprise customers by:

- **Improving access to financial services:** Vodafone's mobile money transfer service, M-Pesa, offers a platform for our work with partners to build new solutions specific to the agricultural sector. M-Pesa improves access to financial services for farmers and fieldworkers, enabling them to exchange, save and borrow small amounts of money, and helps them access insurance to cover the cost of replanting if the weather destroys their crops
- **Providing information to farmers via SMS text and helplines:** Services such as Vodafone Farmers' Club in Turkey (see case study below) include local weather forecasts, crop prices and guidance on topics such as pest control, sustainable agriculture and resource management. We are also partnering with others to offer similar services in Egypt (see below) and India (see feature, right)
- **Enhancing access to markets:** Online marketplaces enable trading and bartering of agricultural produce and skills. This can help farmers to get better prices for their crops. We partnered with Oxfam in Tanzania to test a mobile marketplace for agricultural produce (see case study below)
- **Improving supply chain efficiency:** Mobile technology can improve communication between smallholders, distributors and retailers. Farmers and field agents can share information with retailers and distributors via mobile, and distributors can track and trace the movement of produce and manage their fleets using machine-to-machine (M2M) technology

Our SMS text messaging, mobile payments and M2M services are increasingly enabling farmers and enterprise customers to improve productivity, efficiency, security and visibility of the agricultural supply chain. We also offer special price plans and information services for farmers in emerging markets, and we are looking at ways to increase access and affordability of financial services tailored for agricultural purposes.

Agriculture – Our approach



In focus: Vodafone Farmers' Club in Turkey

The Vodafone Farmers' Club service in Turkey uses mobile technology to give farmers the information they need to improve their harvests and livelihoods – improving Turkish farmers' productivity by an estimated €190 million in 2012/13 alone. Farmers who sign up to the service receive SMS alerts with weather forecasts, crop prices and other information that is tailored to their local area and crop types.

More than 770,000 farmers subscribed to the Farmers' Club in 2012/13, up from 600,000 the previous year. Around 300 million SMS alerts were sent to farmers in 2012/13 and an 'education truck' touring Turkish communities helped to improve 25,000 farmers' knowledge about the benefits of using their mobile to access information to improve their harvests.

Farmers' Club members use specially designed rugged mobile phones that can be dropped in mud or trodden on, and still work. Bespoke payment schedules help farmers manage their spending, including an annual billing option to pay at harvest time, when their income is highest.



In focus: Mobile marketplace for produce in Tanzania

We partnered with Oxfam to pilot a mobile marketplace for agricultural produce with more than 100 farmers and 50 traders in Tanzania. The mobile solution enabled farmers to list crops they want to sell together with their contact details. Traders then receive mobile alerts about available produce matched to their preferred crops and location, and can contact farmers to negotiate a purchase.

Based on the pilot, which showed that agents may also need to be involved to check the quality of produce, we are now assessing whether this solution, which puts buyers and sellers in direct contact, is suitable for agricultural produce. In the meantime, we are launching a mobile marketplace solution across our markets in Africa for other goods and services such as automobiles and electronics to enable Vodafone customers to easily post and search items they would like to buy and sell.



Information for farmers in India

We are partnering with two NGOs – Digital Green and the Bharatiya Agro Industries Foundation (BAIF) Development Research Foundation – to reinforce good practice in livestock management and land management by providing useful tips via automated voice calls to farmers in the Indian state of Karnataka. Initial research found that 80% of the farmers found the voice advisory service useful.

Agriculture – Our approach

Partnering with others to develop solutions

We brought together enterprise customers from five major consumer goods and retail companies in April 2012 at a workshop on sustainability and agriculture to discuss potential commercial applications for mobile technology in this area. The ideas that attracted the greatest interest from customers included the use of M-Pesa for paying fieldworkers' wages and the use of M2M technology to trace the route of agricultural products after leaving the field.

We are developing a range of services with different enterprise customers, with the aim of refining the services before making them more widely available. We are already conducting a pilot programme with a UK retailer to collect and share information that supports farmers' use of pesticides (see case study).

Our partnership with the government in Egypt enabled the Ministry of Agriculture to provide farmers with information on agricultural regulations and financial support through 170,000 prepaid mobile phone lines. The Ministry introduced an accompanying SMS alert system and is working on activating a call centre service in 2012/13 to guide farmers on issues such as choice of crops and how to manage crop disease.

We also continued to partner with the Syngenta Sustainable Agriculture Foundation and UAP Insurance to provide micro-insurance via M-Pesa for farmers in Kenya to protect their investment in seeds, fertiliser and chemicals against the financial impact of crop failure due to drought. Find out more about the programme, known as Kilimo Salama.

Launching the Connected Farmer Alliance

In 2012/13, we began a three-year partnership with the US Agency for International Development (USAID) and the NGO TechnoServe. Known as the Connected Farmer Alliance, the partnership aims to increase productivity, incomes and resilience for half a million smallholder farmers across Kenya, Mozambique and Tanzania. It will also improve supply chain efficiency and increase the ability of farmers to access payments and other financial services.

Vodafone is matching USAID's US\$5 million funding through in-kind investment in the partnership. We will pilot the solutions developed with our enterprise customers in 2013/14, building on our existing technology platforms. M-Pesa will be the critical mechanism for developing mobile financial services that enable rural farmers to save, invest in productivity and lower financial risks.

The Alliance's first formal partnership has been agreed with Kilombero Plantations Limited, in Tanzania, to test how mobile technology can support the company's engagement with smallholder rice farmers. The pilot – with an estimated 600 smallholder farmers will include a registration system for farmers, making it easier to target subsequent services such as notifications on prices, collection days and quality reminders, and a loan management system to track settlement of loans and outstanding amounts.



In focus: Promoting better pesticide use

For farmers in Kenya, knowing the correct level of pesticide to use on their crops is critical to gaining access to export markets as regulations restrict what can be used. In 2012/13, we partnered with a UK retailer, exporter and agriculture software provider to pilot the use of mobile services to increase access to quality produce and help farmers in Kenya reduce the use of pesticides on their crops.

The pilot on fresh vegetables involved farmers downloading a mobile application that they used to access guidance on pesticide usage and market prices for their crops. They then used the app to upload data on their crops, pesticide spray details and rainfall levels. Around 100 farmers were involved in the pilot. Initial results show that farmers could add value from being able to act on real-time price information, although they may need more support to get into the routine of submitting regular data so they can make informed decisions.

Notes:

1. UN Food and Agriculture Organization, How to feed the world, 2009

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement.

June 2013

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Quality In Everything We Do

Stakeholder views

"We are encouraged that Vodafone seeks to provide solutions at scale, as too many programmes remain in pilots. The key challenge is building the business case for mobile solutions and we need to find innovative financing models where the costs and rewards are shared across all partners and stages of the value chain."

Simon Winter, SVP Development, TechnoServe Inc



Health – Our approach

Mobile services can help to transform how healthcare is delivered in developed and emerging markets. Our partnerships with enterprise customers, NGOs and governments are improving access to healthcare services and quality of care for patients by reducing costs and improving efficiency.

Our mobile health solutions help governments and healthcare providers respond to global health challenges in three key areas:

- **Access to medicines:** improving access for patients in emerging markets by enabling treatment and tracking of diseases, and supporting the management of drug stock levels
- **Remote care services:** using mobile technology for assisted living to help elderly people stay in their own homes for longer, and improving quality of life for patients with chronic diseases by enabling them to monitor and manage their conditions at home rather than in hospital
- **Smart working:** enabling healthcare workers to access patient records and hospital systems remotely to improve quality of care, reduce administration time and increase the time they can spend with patients, as well as helping to keep lone healthcare workers safer

We also contribute to the debate on the rapidly developing mobile health technologies and applications through our Insight Guides and forums.

Read on to find out more about our mobile health solutions and our performance in 2012/13.

Meeting the global health challenge

The burden on healthcare systems is increasing as the world's population grows and ages, and long-term conditions become more prevalent.

In emerging markets, where the worldwide shortfall of 4.3 million health workers is felt most acutely¹, millions of people do not have access to even basic healthcare services. And in developed markets, the cost of caring for an ageing population and the rise of chronic diseases such as diabetes is adding to the strain on healthcare budgets. Over the last 50 years, healthcare spend has outpaced GDP growth by around 2% a year in several OECD countries and could reach 15% of GDP in these countries by 2030².

Mobile technology can help healthcare providers respond to these challenges. With the mobile health industry predicted to be worth US\$50 billion by 2020³, this offers a significant business opportunity for Vodafone.

We are working with pharmaceutical companies, medical technology companies, health insurers, NGOs and government agencies in both emerging and developed markets to develop successful partnerships and, ultimately, commercially viable products and services that meet the needs of those paying for and those receiving treatment.

Stakeholder views

“We are in a perfect storm. You’ve got healthcare reform; you’ve got an economic downturn and we have a shortage of providers. We have a pressure to adopt electronic records. We’ve got an ageing population. And yet, at the same time we have these emerging new information and communication technologies that can help us navigate that perfect storm.”

Dale Alverson, President of the American Telemedicine Association

Health – Our approach

Providing mHealth solutions

We have established several core mobile health solutions to support our enterprise customers, healthcare providers and patients. These include:

- **Mobile relationship manager:** a platform for improving communication between patients, healthcare professionals and medical devices. Using SMS text messaging, diaries and surveys, email communications and data from M2M enabled medical devices and equipment, patients can be sent reminders, treatment information or requests, and can text or upload information from their mobiles to communicate with clinicians. M2M connections with medical devices such as heart monitors means patients' conditions can be monitored remotely, more accurate data can be collected and treatment plans can be adjusted as required
- **Vodafone patient reported outcomes:** a mobile solution for collecting data from patients involved in clinical trials or after a drug is launched. Patients are prompted to fill in a diary on their mobile every day, sending information on their progress to the study organisers and sponsors. This improves retention of patients on trials and helps to track trial participants more cost effectively, securely and quickly, as well as enabling the collation of more accurate data
- **Mobile health enablement platform:** using tailored Smart working solutions, this service enables healthcare workers to spend more time with patients, treat them more effectively, and reduce time spent on administration by accessing and updating patient records instantly via their mobile phone
- **Mobile stock management service:** this enables health clinics to track medicine stock levels using text messages, reducing shortages of life-saving medicines and vaccines

Partnering to improve healthcare in emerging markets

In 2012/13, we launched two three-year partnerships that aim to use mobile technology to improve healthcare in emerging markets.

As a member of the mHealth Alliance, the Vodafone Foundation is working with the United States Agency for International Development (USAID) on an innovative public-private partnership to improve child health by accelerating the use of mobile technology by millions of health workers globally. The initiative, known as mPowering Frontline Health Workers, aims to improve access to information, technology and help health workers share their experience and expertise.

We also began a three-year partnership with the GAVI Alliance to explore how health ministries in sub-Saharan Africa can use mobile technology solutions to improve access to vaccines and rates of immunisation as up to 20% of children worldwide do not receive vital vaccinations. We have pledged an in-kind contribution of US\$1.5 million to the partnership. Additionally,



In focus: Partnership for vital vaccines in Mozambique

A one-year pilot in Mozambique in partnership with GSK, Save the Children and the Mozambique Ministry of Health aims to boost child vaccination rates by approximately 5%. Mobile technology will be used to raise awareness of vaccination among expectant mothers, and send caregivers reminders about scheduled appointments. Our mobile health solutions will also enable healthcare workers to keep accurate records more efficiently, and support health facilities by creating a real-time picture of vaccine stock levels to help address supply challenges. Our intention is to create a model that can be scaled up and rolled out across the country and continent to reach thousands more children with life-saving vaccinations.

we formed a partnership with global healthcare provider GSK and in 2013 will launch a pilot with the Mozambique Ministry of Health that aims to boost vaccination rates (see case study).

In 2012/13, Vodafone's mHealth solutions also gave healthcare workers greater flexibility and helped track medicine stocks. Our mobile stock management service, known as 'SMS for Life' (see video), continued to track medicine stock levels using text messages, benefitting healthcare providers and patients and reducing shortages at more than 5,000 facilities across Tanzania. The SMS for Life programme received a commendation at the 2012 Business Action on Health Awards from GBCHealth, a coalition of more than 200 member companies and organisations committed to investing their resources to making a healthier world.

Securing government buy-in to health programmes in emerging markets is critical to their long-term success. Building on the pilot started in 2010/11, we are working towards a long-term agreement with the Ministry of Health in Tanzania, taking ownership of the SMS for Life programme. Unfortunately, we were unable to secure long-term partners and government involvement in the rollout of this technology in The Gambia in 2012/13 and the service has been withdrawn.

Health – Our approach



SMS for Life

SMS for Life is helping to ensure health clinics in Tanzania don't run out of essential medicines by using a text message system to track medicine stock levels.

Frontline health workers, including community health workers, nurses and midwives, are the first and often only link to healthcare for millions across the developing world.

More than 2,300 community healthcare workers in South Africa continue to use our mobile health enablement platform (see video) and our estimates suggest that this helps them support 200,000 people. The platform, now also rolled out in Kenya and Tanzania, is supporting South Africa's largest national HIV prevention initiative, loveLife, and will also be used in Kenya to provide Maternal and Newborn Child Health information and services (see below).



Mobile health enablement platform

Community healthcare workers in South Africa are using our mobile health enablement platform to help them cut down on administration time and spend more time with patients.

Improving maternal health

Our mobile health services are also being used to improve maternal health – a key focus of our contribution to the UN Millennium Development Goals.

Since 2010, the Vodafone Foundation has been working with Comprehensive Community Based Rehabilitation in Tanzania (CCBRT) to fight obstetric fistula, a maternal health condition that leaves women incontinent following childbirth and consequently outcast from their communities (see video). The CCBRT hospital uses M-Pesa to send travel funds to ambassadors around the country, who use the money to pay for some of the poorest and most marginalised women to get to hospital for life-changing surgery. This has helped to

significantly increase the number of women getting treatment with 600 women treated in 2012, compared with just 168 in 2009 before we introduced this initiative.

We raised more than £9 million in 2012 to support the improvement of maternal health facilities at the CCBRT, and provide new facilities in northern Tanzania alongside a comprehensive awareness and prevention campaign. The campaign will help to change the lives of an estimated 31,000 women in Tanzania between 2015 and 2025, with the aim of treating around 3,000 women a year by 2015.



Tackling obstetric fistula in Tanzania

Vodafone Foundation is working with Comprehensive Community Based Rehabilitation in Tanzania (CCBRT) to fight obstetric fistula. The programme is delivered by the Vodafone Foundation as part of its Mobile for Good programme⁴.

In India, our e-Mamta initiative is helping to ensure timely and pro-active pre- and post-natal care, in association with the Gujarat state government. We provided a tailored voice-based 'closed user group' solution and 42,000 SIM cards to Accredited Social Health Activists (ASHAs) and healthcare workers, who act as an important bridge between expectant mothers and medical staff to ensure timely care before and after childbirth.

This enabled them to collect health information from community members and feed it into a centralised system, which sends updates via mobile phones to ASHAs and mothers to ensure regular monitoring of mothers' and infants' health. Since its inception in 2010, the e-Mamta programme has reached more than 20,000 villages in 26 districts of Gujarat, covering 1,090 primary and 283 community health centres in the state. In 2013, it won Vodafone India the Golden Peacock Award, which recognises corporate excellence, in the category of corporate social responsibility.

In Kenya, our mobile health enablement platform will be used as part of a programme called KimMNChip. This partnership between Safaricom, AMREF, Nethope, CARE Kenya and World Vision aims to improve mother and child health records in clinics and for community outreach services, strengthen community health referral services, and track details such as nutrition and HIV information.

Health – Our approach



Saving for health insurance via M-Pesa

Safaricom is partnering with insurer Britam, Changamka Microhealth – one of Kenya's mobile health financing technology providers and PSI – a global health organisation to launch *Linda Jamii*, an innovative and affordable healthcare insurance option. It enables people in Kenya to use our M-Pesa mobile payment service to pay in instalments and save towards the cost of health insurance for their family. The insurance cover offered through this service, includes both out-patient and in-patient, maternity cover, dental and optical needs, and income replacement benefit.

mHealth in developed markets

Our M2M and SMS technologies support enterprise customers across the developed world, improving healthcare provision, clinical trials and patients' lives.

In 2012/13, we continued a trial with Baxter Healthcare of a mobile system for patients with immune deficiencies in three cities in the UK. The system improves quality of life by enabling patients to receive treatment at home rather than travelling to hospital. We also continued to work with medical device company Boston Scientific Corporation to develop technology to remotely monitor patients' heart conditions.

In the UK, our smart working solutions are enabling healthcare workers to spend less time on paperwork and more time with patients. In Cumbria, the National Health Service is using our mobile solutions to help staff access clinical information and update patient records on the move. Services such as an app to update patient records remotely via smartphone and a digital pen to collect data have helped nurses cut administration time by around 15%, allowing more time for community visits in rural areas.



How NHS Blackpool is using tablet PCs to improve patient care

Our smart working solutions are helping clinicians at the Blackpool Teaching Hospitals NHS Foundation Trust in the UK save an hour a day on travel and administrative time. A pilot of 400 tablet devices is due to be doubled as nurses can give better patient care with reliable, secure access to information on the go and from patients' homes.

Contributing to the mHealth debate

The mobile health industry is developing rapidly and we continued to be at the centre of the debate on the role of mobile technology in healthcare. Our Vodafone Health Debate event brings together public and private stakeholders to discuss mHealth issues.

We also publish a series of Vodafone mHealth solutions 'Insight Guides' to explore particular issues in more depth. The second instalment, published in May 2012, focuses on identifying the barriers to mHealth adoption in the political and economic environment.



The Brussels Health Debate, May 2012

View highlights from the Brussels Health Debate, hosted by Vodafone mHealth solutions, covering a range of mHealth topics.

Notes:

1. World Health Report (2006), World Health Organization
2. mHealth: A new vision for healthcare (2010), GSMA and McKinsey
3. Future Agenda: The role of mobile (2011), Vodafone
4. Vodafone Foundation registered charity number 1089625.
For more information, please go to the Vodafone Foundation



Education – Our approach

We are exploring ways to use mobile technology to extend access to education and offer a positive and interactive learning environment for children and adults studying remotely.

Education is critical to people's future prospects, yet many living in rural areas of emerging markets never even enter the education system.

Our focus on mobile education is still in its early stages but we see potential for mobile technology to improve people's learning prospects and teacher–student engagement in emerging markets. As well as providing opportunities for our business, this is one of the ways Vodafone can contribute to the UN Millennium Development Goals.

In 2012/13, we partnered with specialist education organisations to explore two new learning solutions in India, our biggest market, where a third of children never enter the education system, one in four adults are illiterate and most qualified teachers are concentrated in urban areas. With almost a third of Indians who access the internet doing so via a Vodafone mobile connection, we are well-positioned to improve access to education in this way.

Read on to find out more about our approach and our performance in 2012/13.

Learning with Vodafone in schools

Our 'Learning with Vodafone' service, being implemented by the Vodafone India Foundation, and developed in partnership with Pratham Education Foundation, aims to improve the standard of education for schoolchildren in India by using innovative software and mobile internet to train teachers and help them engage students using interactive learning materials and multi-media content. The service makes education more accessible to students wherever they are using mobile phones, tablets or the Vodafone WebBox (a low-cost internet-enabled device that connects to a television).

Together with Pratham, we provide all the necessary equipment and learning materials, and train teachers to use the service. Learning with Vodafone provides access to digital educational content aligned with the prescribed curriculum. It includes multiple choice tests that can be completed via SMS text message and a notification service enabling teachers to check understanding of the content and keep parents informed of their children's progress. Teachers can also track attendance, grades and administrative requirements using the accompanying school management system.

Following a successful pilot in 150 schools across the state of Karnataka in 2011/12, Learning with Vodafone is being extended across three more regions in India. Nine out of 10 teachers involved in the pilot believed their students performed better and were more involved in the class. With funding from the Vodafone Foundation, the programme aims to introduce Learning with Vodafone at 1,000 schools by 2015, reaching 50,000 children.



Education – Our approach

English language lessons via mobile phone

In India, being able to speak English can help people get a job and increase their earning power. Those fluent in English earn up to four times more than non-English speakers.

In 2012/13, we launched 'Hello to English' with education provider Pearson in Haryana and Uttah Pradesh, India. This service enables people in remote and rural areas to use any basic mobile phone as a 'virtual classroom' to learn basic English language skills and achieve a level of proficiency for business use. It is aimed primarily at young adults, particularly those who never had the opportunity to attend or finish school.

The virtual classroom cuts the cost and time needed to travel to a classroom. Students can learn in bite-sized sessions at a time that suits them and pay the fee of 1,945 Rupees (around US\$36) over seven instalments, improving accessibility for people on low incomes.

Starting with a Pearson text book in the student's local language and English, the course includes self-study exercises and pre-recorded messages with instructors leading learning. Students interact with teachers in real time, talking to them on the phone and receiving tests via SMS text messages to check their understanding. Teachers start and manage classes through an online platform and the SMS tests enable them to track students' progress. On completion of the course, students receive certification marking their achievement that they can use to help them gain employment.

The service was first introduced in February 2013 and the full-scale rollout in India aims to train 250,000 students in the first year.



Illiteracy eradication in Egypt

There are an estimated 17 million illiterate adults in Egypt. In 2012/13, the Vodafone Egypt Foundation continued to roll out the Illiteracy Eradication Initiative in association with UNESCO to help adults learn to read and write. To date, 60,000 people have graduated from the programme and 100,000 people – of whom around 80% are women – have enrolled. As part of the campaign, we developed and launched a smart phone app to help users learn to read and write Arabic through picture associated learning and a talkback function.

Vodafone's contribution to the Millennium Development Goals

By extending access to our networks and developing innovative products and services tailored to emerging market needs, we are contributing to sustainable development and helping to improve people's lives.

Vodafone is contributing to the global effort to alleviate poverty defined by the UN Millennium Development Goals for 2015. We channel investment in programmes that promote sustainable development through our Foundation.

There are eight Millennium Development Goals. The sections below set out examples of how we are contributing to each of them.

For more on how our products and services are contributing to sustainable development, see Transformational solutions. For highlights of our Foundation programmes, see our Foundation website, Mobile for Good.

Goal 1: Eradicate extreme poverty and hunger

Research shows that mobile telecommunications contribute to economic development by increasing productivity and raising national GDP in emerging markets. A 2012 report by Deloitte and the GSMA found that a 10% expansion in mobile penetration leads to a 4.2% increase in GDP in developing markets.



Mobile solutions in specific areas such as finance and agriculture also support economic development. Vodafone's mobile money transfer platform, M-Pesa, does so by providing access to basic financial services in emerging markets for people without bank accounts – including sending and receiving funds to friends and family, saving even small amounts and the ability to take out loans or insurance. See Finance.

Our Connected Agriculture research estimates that mobile solutions could improve farmers' productivity to help meet growing global demand for food and increase agricultural income by US\$138 billion by 2020 across our markets. It also highlights the potential for mobile track and trace technology to help reduce food waste by improving food supply chain logistics. We are partnering to develop solutions that can contribute to delivering these benefits.

In 2012/13, we launched a three-year partnership, known as the Connected Farmer Alliance, with the US Agency for International Development (USAID) and the NGO TechnoServe, which aims to increase the productivity of half a million smallholder farmers across Kenya, Mozambique and Tanzania.

The Vodafone Farmers' Club service in Turkey is improving access to information for farmers, helping to boost their productivity by an estimated €190 million in 2012/13. See Agriculture.

Goal 2: Achieve universal primary education

Mobile technology can be used to extend the reach of education by enabling students in rural areas to join lessons remotely, and by helping teachers manage student attendance and performance and access educational content. Our 'Learning with Vodafone' solution in India, developed by the Vodafone India Foundation, in partnership with Pratham Education Foundation, uses innovative software and mobile internet to train teachers and help them engage students using interactive learning materials and multi-media content. See Education.



Goal 3: Promote gender equality and empower women

In our own operations, gender equality is a priority in our Diversity and Inclusion agenda, led by our Director of Diversity. We are working through a wide range of initiatives to support female employees in developing their careers, and women represent a growing proportion of management positions (see Our people).



Our mobile products and services can also be used to empower women, particularly in patriarchal societies, by providing better access to digital services that were previously unattainable.

The GSMA estimates that over 300 million fewer women than men in emerging markets have a mobile phone. We support the GSMA mWomen initiative, which is looking at ways of using mobile products and services to close the gender gap – and aims to dramatically increase the use of mobile technology by women around the world.

The Vodafone Turkey Foundation is working with the Women's Movement in Technology initiative to economically and socially empower and support women in Turkey, who have 23% less access to technology than men. Since June 2011, 1,300 women have been trained both online and through face-to-face programmes, to increase their use of technology in their everyday lives and businesses.

In India, the Vodafone Foundation's Red Rickshaw Revolution saw three women drive a rickshaw from Delhi to Mumbai over 10 days in March 2013 to showcase inspirational women and highlight their achievements along the route. They raised 30 million rupees (c.£360,000) for three partner NGOs that work towards empowering women across India. We are also empowering women across India through our 16 'Angel Stores', which are managed and run exclusively by female employees.

In Qatar, our Al Johara project gives Qatari women the opportunity to learn entrepreneurial skills and earn a living by selling Vodafone products and services to their friends, families and communities (see video).

Vodafone's contribution to the Millennium Development Goals



Empowering women in Qatar

We are also empowering women in more developed markets. The Vodafone Foundation has developed TecSOS, a specially adapted mobile phone that enables victims of domestic violence to call for help at the touch of a button. More than 28,000 women in Europe are using TecSOS (see video).



Fighting domestic violence

The programme is delivered by the Vodafone Foundation as part of its Mobile for Good programme¹.

Goal 4: Reduce child mortality

Mobile can significantly improve the efficiency of healthcare services, particularly in remote areas. We are a member of the USAID empowering health workers alliance – a public private partnership designed to improve child health by accelerating the use of mobile technology by health workers around the world.



Our partnership with the GAVI Alliance and GSK is exploring how governments in sub-Saharan Africa can use mobile technology solutions to improve their immunisation programmes and access to vaccines for children.

By helping community caregivers work more efficiently in South Africa, our mobile health enablement platform is improving access to healthcare and supporting treatment of children (see video).

For more information on our mobile health solutions, see Health.



Supporting community health workers in South Africa

Goal 5: Improve maternal health

The Vodafone Foundation's partnership with the Comprehensive Community Based Rehabilitation hospital in Tanzania (CCBRT) aims to combat obstetric fistula, a maternal health condition that can leave women incontinent and outcast from their communities (see video). CCBRT uses M-Pesa to send money to local ambassadors who arrange travel for women who would otherwise be unable to reach the hospital for corrective surgery. This has helped to significantly increase the number of women receiving treatment – 600 women were treated in 2012, compared with just 168 in 2009 before we introduced this initiative (see video).



In India, our e-Mamta initiative is helping to improve maternal health by ensuring timely and pro-active pre- and post-natal care in association with the Gujarat state government. For more information, see Health.

Vodafone's contribution to the Millennium Development Goals



Tackling obstetric fistula in Tanzania

Vodafone is working with Comprehensive Community Based Rehabilitation in Tanzania (CCBRT) to fight obstetric fistula.

The programme is delivered by the Vodafone Foundation as part of its Mobile for Good programme¹.



SMS for Life in Tanzania

Our Vodafone Live platform also hosts Young Africa Live, an initiative by the Praekelt Foundation which aims to raise awareness and discussion of HIV in order to educate people (see video).

For more information, see Health.

Goal 6: Combat HIV/AIDS, malaria and other diseases

Training and awareness-raising, coupled with innovative distribution and administration services, can play a role in addressing the world's most pressing health problems.



Our three-year partnership with the GAVI Alliance and GSK is exploring how health ministries in sub-Saharan Africa can use mobile technology solutions to improve immunisation rates and access to vaccines. An initial pilot project with GSK in Mozambique will use mobile technology aiming to boost child vaccination rates against common diseases by approximately 5%.

Our Mobile Relationship Manager service, known as SMS for Life, is helping to ensure health clinics in Tanzania don't run out of essential medicines by using a text message system to monitor stock levels of malaria drugs (see video).

Our mobile health enablement platform is supporting South Africa's largest national HIV prevention initiative, loveLife, and will also be used in Kenya to provide Maternal and Newborn Child Health information and services.

For more information, see Health.



Vodafone Live supports Young Africa Live

Goal 7: Ensure environmental sustainability

The Global e-Sustainability Initiative's (GeSI) *SMARTer 2020* report projects that while the ICT industry's footprint will rise to 1.27 GtCO₂e by 2020, its solutions have the potential to deliver carbon reductions of seven times that amount. Our own Carbon Connections research quantifies the potential savings from mobile solutions.



Our machine-to-machine (M2M) and smart metering solutions are contributing to tackling climate change by helping businesses and individuals reduce their energy and fuel use, work more efficiently, and cut costs and carbon emissions as a result.

We are also bringing reliable, affordable, renewable power to remote communities in emerging markets using our own network infrastructure and tailored solar charging solutions.

Vodafone's contribution to the Millennium Development Goals

Access to power remains a key issue for many of our customers and a barrier to economic development. In a pilot in South Africa, we are sharing excess solar power from our base station with the community to power lighting and computers in the school, enabling teachers to improve the quality of education for schoolchildren (see video). We are now exploring ways to replicate this model in other markets.



Powering communities through our networks in South Africa

We have also launched two solar-powered solutions in Kenya (M-KOPA) and Tanzania (ReadySet, see video).



ReadySet brings renewable charging to remote areas

See more on our Low carbon solutions, and the measures we are taking to reduce our own Environmental footprint

Goal 8: Develop a global partnership for development

Mobile network operators can help bridge the digital divide through the provision of equipment and infrastructure to marginalised people. Collaboration with business customers, NGOs and governments is a key part of our strategy to deliver transformational products and services.



We are collaborating with major public and private sector organisations such as GSK, the GAVI Alliance, Pearson, the Pratham Education Foundation, TechnoServe, Unicef, USAID and the World Health Organisation, to develop and implement solutions in the areas of agriculture, education and health.

For more information, see Transformational solutions.

Measuring our contribution

We remain committed to making a significant contribution to achieving the MDGs.

Ongoing
 Achieved
 Partial
 Not achieved

Objective	Our performance in 2012/13	Status
Be recognised as a communications company making one of the most significant contributions to achieving the Millennium Development Goals (MDGs) by March 2015	We continued to contribute to the MDGs by increasing our network coverage to bring access to communications in emerging markets, and partnering with others to develop products and services that promote development in areas such as Agriculture, Education, Finance and Health. We also contribute to Goal 7 on environmental sustainability through our Low carbon solutions and our efforts to reduce our own Environmental footprint.	<input checked="" type="radio"/>

Notes:

- Vodafone Foundation registered charity number 1089625. For more information, please go to the Vodafone Foundation



Operating responsibly

The trust of our customers and other stakeholders is essential to Vodafone and critical to the value of our brand. To earn and retain that trust we need to manage our operations responsibly and conduct our business in an ethical and transparent way.

We are ambitious in the way we manage our wide-ranging responsibilities, turning potential risks into opportunities to differentiate our brand and enhance the contribution of our products and services to sustainable living. Find out more about the issues we manage as part of our commitment to being responsible and ethical, and our progress in 2012/13.

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Privacy and security – Our approach

The way we handle privacy and security is a vital part of our responsibility to customers and essential to the success of our business.

Our customers trust us with their personal information and their privacy. Protecting that information and respecting their privacy is fundamental to maintaining their trust. Our privacy and security programmes govern how we collect, use and manage customers' information – from ensuring the confidentiality of their personal communications and respecting their permissions and preferences, to protecting and securing their information.

Read on to find out more about our approach. Or go to Performance to read about our progress in 2012/13.

Creating the right culture

Everyone at Vodafone must have a clear understanding of how important protecting and respecting our customers' information is to our business. We continue to create a strong culture where our employees display an intuitive awareness of privacy and security risks and know how to manage them. This will help us retain the trust of our customers and the respect of our colleagues, as well as the admiration of our stakeholders and peers.

We have set out our commitment to privacy and security at the highest level, in our global Code of Conduct, which all Vodafone employees are bound by.

Our Privacy Commitments, which are part of our Code of Conduct, set out the principles that govern our approach to privacy (see feature below).



In focus: How can mobile technology affect customers' privacy and security?

We understand that customers may be concerned about the privacy and security of their personal information as they use their mobile phones more and more and for different purposes. We help customers manage a wide range of privacy and security risks that may affect them when using mobile and other communications services.

Risks include:

- Confidentiality of their personal and private communications – a basic issue for a communications company
- Collection of their personal information – mobile operators have access to a lot of sensitive information including customers' personal communications, their location and how they use the internet
- Security of their personal information – the complexity of technology, threats from hackers and the potential for human error can lead to information being lost or deleted or getting into the wrong hands
- Use of their personal information – as more services use mobile data for advertising and analytics, customers need to be able to control how information is used and provide consent
- Additional privacy issues from smart phones, apps and new technologies (such as connected cars, smart grids and mHealth) – for example, mHealth services may mean that patient health records are transmitted across mobile networks and individual apps often require their own privacy permissions to collect and use data

Privacy and security – Our approach

In focus: Privacy Commitments

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

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

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

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

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

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

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

We can only ensure customers' privacy if we first ensure the security of their information and communications. Information security is therefore an essential foundation for our programme. Our Key Principles on Information Security (see feature below) set out how we securely create, use, store or dispose of all information we manage so that it cannot be lost, stolen, manipulated or used without Vodafone's authorisation. We expect our employees to know how to protect customer information and to challenge others who fail to do so.

In focus: Key Principles on Information Security

Customer information is one of the greatest assets we are entrusted with and must be protected appropriately. We handle vast amounts of customer information in a variety of forms – written and spoken, electronic and on paper – on a daily basis. It is vital that we secure and manage this information and can ensure its:

- **Confidentiality:** Customer information must not be disclosed to, or accessed by, unauthorised people
- **Integrity:** Customer information and software must be accurate, complete and authentic so that it can be relied upon
- **Availability:** Customer information must be available when needed – including to our customers – and information systems and networks must function when required

Understanding and responding to risks

Risk management is at the heart of Vodafone's approach to privacy and security. Scanning the horizon for emerging issues – and opportunities (see Performance) – is essential to help us understand and manage strategic risks. We do this by examining the implications of our business strategy, new technologies and business models, areas of concern for customers, and industry developments within our own and related markets.

Many of the latest developments in the ICT sector raise privacy and security issues, concerns and opportunities. These include 'big data' analytics (see below), connected cars, smart cities, smart metering (see Low carbon solutions), mHealth, mobile payments and smart working.

We conduct regular formal reviews of the most significant privacy and security risks affecting our business at Group level. Based on these reviews, we develop strategies to respond to the most critical risks (see below). Responses may include developing new internal policies, investing in new capabilities, technologies and programmes, or influencing the positions of our industry peers and partners through associations such as the GSMA.

To help shape our strategy on privacy and security, and ensure our responses to stakeholder concerns are robust, we draw on the expertise of external advisors including Vodafone's Sustainability Expert Advisory Panel (see Stakeholder engagement) which includes distinguished experts from a range of disciplines, including privacy and human rights.

In focus: Vodafone Germany's Ombudswoman for Data Protection – Ms Renate Schmidt

Vodafone Germany's dedicated Data Ombudswoman acts as a trusted advisor to the business on the rights and interests of Vodafone Germany's customers regarding privacy and data protection. Former federal minister Renate Schmidt, appointed in 2008, brings a wealth of knowledge and experience to the role. Her guidance and insight is also sought more widely for input on the Vodafone global privacy programme and specific privacy initiatives.

Privacy and security – Our approach

Managing critical privacy risks

Based on our strategic risk review (see above), some of the most critical privacy risks we face include:

Global information flows and data management

As we deliver better services faster, increase our cloud-based services to enterprises and customers, and reduce costs by avoiding duplication of infrastructure in different markets, we increasingly need to move data across international borders.

We must ensure that the movement of customer data across borders is conducted lawfully, legitimately and securely, both within our own organisation and between Vodafone and its suppliers.

We operate a global information governance system that enables us to track the flow of customer data and ensure we apply appropriate governance and legal processes. We have robust, standardised security processes within our own operations (see below) and employ specialist teams to evaluate the governance and controls of our suppliers.

Traffic management

To deliver the quality of service customers expect, we need to manage the flow of communications traffic across our network. For example, we may need to prioritise an uninterrupted video call over an email (which is not so time critical). To do this, we need to examine some of the information, or data packets, attached to the communication. This type of technique is sometimes referred to as deep packet inspection.

Knowing more about these data packets – and thus about the nature of our customers' communications – naturally raises privacy concerns. We have clear, specified governance and policy requirements around the use and deployment of these types of techniques. Any application of network technologies involving the inspection of data packets is subject to an in-depth privacy impact assessment – which enables us to identify and develop solutions to manage any risks – and must be authorised at senior Group executive level.

Advertising, analytics and 'big data'

The vast amount of data generated by our customers on mobile devices, services and networks has enormous potential value for mobile commerce, as well as for programmes with societal benefits, such as analysing trends in public health. The expansion of mobile connectivity into new fields, such as connected cars, smart metering and mHealth, means ever greater volumes of data are being generated. Even when this

information is anonymised and aggregated, concerns arise about how the value of such 'big data' can be unlocked while protecting individual privacy.

Our internal policies, guidelines and design principles for applications and services that make use of 'big data' help us ensure we provide customers with transparent information and clear choices about how their data is used. We also research consumer perceptions and concerns to inform our strategy and explore and develop techniques that can enhance privacy (see Performance).



In focus: Privacy-by-design

We understand that customers may be concerned about We are committed to building privacy considerations into our products and services from the outset, and using our influence to shape the technologies of our partners and peers.

Our series of privacy design principles guide product development teams in shaping and designing products. For instance, our Visible Privacy Design Principles provide a framework to make sure we give users control over how they manage their privacy and how their data is collected, used and shared.

We provide privacy resources and guidance to third party developers, which are published on our Developer Portal. And we also work with industry organisations and application developers to create guidelines and policies, such as the GSMA's Mobile Application Privacy Guidelines, to ensure our partners and suppliers build privacy into the products and services they design.

Privacy and security – Our approach

Location services

The ability of mobile operators to identify the location of users has enormous potential to enrich services, applications and business offerings. For example, location-based services can help companies use field staff more efficiently and provide useful localised information for consumers. But the idea of being tracked without one's knowledge or approval is frequently cited as a concern. Our policies on application and service design ensure we build privacy requirements into every location-based product we offer (see Performance for more on Vodafone Locate).

Assisting law enforcement

In every country where Vodafone operates, governments retain law enforcement powers that can limit privacy and freedom of expression. These include legal powers that require telecommunications operators to provide information about customers or users or to put in place the technical means to enable information to be obtained for law enforcement purposes, such as lawful interception. Governments also retain powers to limit network access, to block access to certain sites and resources or even switch off entire networks or services.

These powers have many legitimate purposes, including fighting crime and terrorism, and protecting public safety. However, these powers must be balanced with the respect for civil liberties and freedoms, including individuals' privacy and freedom of expression. We closely manage and monitor compliance with these legal obligations and our relationship with law enforcement authorities to ensure human rights are respected.

Vodafone's Global Policy Standard on Law Enforcement Assistance sets out our principles and standards on assisting law enforcement, including processes to ensure our actions are accountable at the most senior level.

Vodafone is also a founding member of the Telecommunications Industry Dialogue on Freedom of Expression and Privacy, a group of global telecoms companies working together and in collaboration with the Global Network Initiative to address issues of privacy and freedom of expression. Vodafone is signatory to the Industry Dialogue's Guiding Principles on Freedom of Expression and Privacy, which define a common approach to dealing with demands from governments that may affect privacy and freedom of expression in a principled, coherent and systematic way across the industry.



Contributing to the privacy debate

Privacy and security is topical and can be controversial. Vodafone actively contributes to this debate; we have advocated for the development of policy and industry guidelines on privacy, for example, as co-founder of GSMA's Mobile Privacy Initiative. Visit our online Privacy Centre for more on our dialogue and research on the future of privacy, as well as details of our approach to privacy in relation to specific issues.

Stakeholder views

"Vodafone will have to ensure that users can use your networks with confidence, that you are protecting their privacy. To do so, you will have to compel action amongst device manufacturers, operating system developers, and other parties to ensure that privacy is protected across the layers."

Gus Hosein, Executive Director, Privacy International

Managing operational risks

Our network of privacy officers across the Group use our comprehensive Privacy Risk Management System (see box below) to help us live up to our Privacy Commitments in our day-to-day operations, while ensuring that we are prepared to respond to new privacy and security concerns and risks as they emerge. This system provides the flexibility to respond to local privacy concerns, legal requirements or stakeholder expectations, while providing a common framework to build and measure the maturity of our programme and implement improvements across all key areas of our business operations.

Privacy and security – Our approach

In focus: Vodafone Privacy Risk Management System

Supplier review – Process to review suppliers, such as outsourced call centres and companies that provide hosting platforms and customer data, and ensure measures are in place to protect privacy.

Product and service review – Processes for taking privacy into account when developing products and services (such as privacy-by-design in mobile applications).

Incident management – Process for managing incidents, such as data security incidents and losses of data.

Disclosure – Processes for governing all disclosures of personal information, such as in response to legally mandated government requests and assisting law enforcement authorities.

Data management and retention – Processes for managing the lifecycle of data, including destruction and retention of data.

Privacy impact assessment – Processes for identifying, prioritising and conducting privacy impact assessments, such as for specific business units, technologies or products.

Personal information location register – A register of personal information assets, enabling the effective management of all personal information.

Critical privacy risk management – Processes for ensuring that strategies and policies developed to address critical privacy risks are effectively implemented.

Review and reporting – Processes to ensure that all the above are reviewed and reported to executive management, with identified improvements included in business plans.

We follow industry best practices in line with ISO 27001, the international standard for information security management systems. Our core data centres in Germany, India, Ireland and Italy are certified to this standard. We require our external suppliers and partners to meet defined minimum security standards, and we conduct risk assessments and due diligence exercises to provide assurance that these are being met in practice.

Operational risk management is as much about prevention as it is about detection and treatment. We run a series of coordinated global awareness and engagement programmes designed to ensure our staff understand the vital importance of privacy to our customers, including the role that individual employees have in protecting the security of customers' information.

Our Group Privacy and Security Governance Forum ensures coordination and alignment between our Group-level privacy and security functions to provide end-to-end protection of customer information.

Taking action on global cyber security

Organisations like Vodafone must use every tool they can to stay ahead of the constant threat of cyber-attacks by malicious hackers that, if successful, could have a huge impact on customer security and privacy.

To detect attacks as they happen and minimise their impact, Vodafone created the Global Security Operations Centre (GSOC). This centralised security centre monitors our IT systems 24 hours a day, seven days a week, to enable us to respond to cyber-threats in real time and provide the highest level of protection.

Our privacy programme is underpinned by extensive information and network security practices and technologies designed to secure the infrastructure and systems on which our business and our customers' privacy is based. These include advanced security monitoring systems to detect and respond to incidents and issues in real time (see box on our Global Security Operations Centre), physical controls including appropriate vetting of people to manage against misuse of access or privileges by our own staff, and significant investment in security technologies. The robust information security policies, processes and procedures supporting these controls are regularly audited and tested.

Privacy and security – Performance in 2012/13

Ensuring privacy and security, and putting customers in control of their information, is critical to gaining the trust we need to unlock the potential benefits of using customer data – for our customers and our business – as we explore the opportunities to grow our business in areas such as mobile commerce and analytics.

At the same time, our continued investment in security measures is becoming more critical as the threat of targeted cyber-attacks to businesses and their customers' information increases, as well as social engineering attacks as a result of wider use of social media.

Putting customers in control

Research tells us customers are increasingly concerned that their information is being misused or sold to third parties. The most strongly stated concern is a lack of control and transparency¹. In 2012/13, we focused on gaining a better understanding of what our customers expect from us in relation to privacy and how we can meet their expectations. We conducted research across Europe, Africa and Asia, including 2,500 consumer online surveys and 60 in-depth stakeholder interviews.

Our research revealed that stakeholders believe companies are abusing their position by taking advantage of consumer ignorance and apathy, and that many existing initiatives are seen by stakeholders as companies putting their own interests ahead of consumers. However, consumers conveyed a sense that as the scale of information use changes, they will increasingly trust and use companies that are willing to offer them greater control through tools that are easy to use. We are continuing further in-depth consumer research in key markets.

Using the findings of this research, we have created a global permissions management strategy that has been approved by the Executive Committee. We are now developing the tools and capabilities that will deliver increased transparency and give our customers choice about how their personal information is used. We have already adopted a global policy on the permissions and transparency needed for all the different ways we might use customer information.

Work is now underway to build and launch a simple space, closely designed around our customers' needs, where our customers can set their permissions and indicate their preferences across all touch points, including smartphone apps, tablets, online and in store. By bringing all the different choices and information together into a single tool, this will improve customers' experiences by increasing visibility about how their information is used and shared and putting them in control. It will also help us prepare for the European reform of data protection law by building our technical capability to comply with the anticipated new regulation regarding the way permission to use information is sought from customers.



In focus: Gauging consumer perceptions of privacy

Measuring privacy perceptions in our brand helps us make the business case for privacy, encouraging further investment in improving and innovating on privacy with clear, measurable business metrics. In 2012/13, we included privacy as one of the key criteria in a survey measuring public perception of our brand reputation in the Netherlands. Responses showed we are ahead of our competitors on two of the three issues covered – taking our responsibilities on privacy seriously and giving customers opportunities to make their own choices with services that use their personal information.

On the third issue, about the clarity we give customers around their personal data, we scored just below the leading competitor. We have since opened an online Privacy Centre for customers in the Netherlands to provide a clear source of information on privacy.

Additional consumer research on privacy and perceptions is now being conducted in the Netherlands, UK, Germany and Italy.

Recognising opportunities, not just obligations

Privacy and security can pose risks to our customers and our business, but we also see potential to differentiate our brand not just by managing these risks but by offering products and services designed to support customers in improving their privacy and security.

In 2012/13, we launched and expanded a number of products that demonstrate the potential of privacy and security as a business opportunity. This included developments in the design, scope and reach of our innovative privacy products for consumers, such as:

- Vodafone Protect, a free app that keeps consumers safer online by enabling them to lock and wipe their mobile remotely if it is lost or stolen, now available in 13 markets
- Vodafone Guardian, a free app to help parents keep children safer on their mobile phones, now available in 16 markets, for more information see child safety online

We have also introduced new products for our enterprise customers such as Vodafone Device Manager and Profile Manager, as well as further improving our innovative Vodafone Locate service (see feature below).

Privacy and security – Performance in 2012/13

In focus: Supporting enterprise customers

With more and more employees using mobile devices to work at home or on the move (see Smart working), our innovative solutions are helping enterprise customers ensure the security of their information.

Vodafone Device Manager is a new solution that helps IT managers secure corporate mobile devices throughout their organisations. We have also introduced Profile Manager, which enables employees using their own mobile devices for work purposes (Bring Your Own Device programmes) to separate business and personal areas to protect both their personal information and company assets.

In addition, we have redesigned our privacy platform for enterprise tracking solutions, Vodafone Locate, to make it even easier to use and have launched it in new markets.

Strengthening our programmes

We set clear targets in 2012/13 to improve maturity levels against each of the controls of our Privacy Risk Management Framework (see Approach). We have substantially met these targets – 68% of our privacy risk management controls across the Group are now at the highest levels of maturity, up from 28% in March 2012.

To improve implementation of our privacy programme, we held a series of two-day workshops for our privacy officers across Europe, the Middle East and Africa, to improve their understanding of the programme and help them better manage privacy risks in their local markets. Integrating privacy into new products and services was an important focus of the workshops. We introduced an online privacy impact assessment tool, the Privacy Wizard, to help our privacy officers and product development teams understand the potential privacy impacts of new products and services. By responding to a few short questions, the tool assesses the type of personal information handled, the ways it will be used, and the intrusiveness of the product, to provide a score for the level of privacy impact. The product development team is then automatically connected to the relevant privacy experts for further advice on how to proceed.

We are also strengthening specific aspects of our privacy programme. To address one of our critical privacy risks, traffic management (see Approach), we are introducing additional policy requirements following a global audit of compliance with our policy on traffic management that found we were compliant but identified areas for improving the implementation of the policy.

In 2012/13, we rolled out an 'AppPack' that sets out requirements for our app developers on how to incorporate our Privacy-by-Design principles into new mobile applications, and we contributed to the development of an Accountability Framework to ensure the effective and consistent implementation of the GSMA's Mobile Application Privacy Guidelines. By signing up to this framework, we are demonstrating our commitment to accountability for securing the privacy of customers using our mobile apps.

Our efforts to ensure the privacy of customers' information and give them control over how it is shared are meaningless without the support of our measures to ensure that information is secure. In 2012/13, we continued to strengthen our information security controls and systems, and emphasise the link between privacy and security functions at Group and local level. Senior Technology Security Heads have been appointed to improve oversight and mitigation of information security risks. They report directly to the Chief Technology Officers in each local market and work closely with their local Head of Corporate Security.

We have developed a set of Key Principles on Information Security (see Approach) and revised our Information Security Policy to include these. An assessment of compliance with these principles will be completed in 2013/14. We have also created a series of best practice mandates that ensure consistent deployment of our robust security technology and processes by enabling us to assess capability in each market and invest in improvements where needed. Remediation plans are in place for 99% of the short-term risks we have identified and these plans are reviewed regularly by our Executive Committee.

In 2012/13, we continued to expand the capabilities of our Global Security Operations Centre (see Approach), including the introduction of new technologies that allow us to identify misuse of identities such as employee accounts, and a tool that enables us to manage security incidents more efficiently and simplifies incident reporting.



In focus: BS10012 privacy certification in India

In 2012/13, our operations in India achieved certification to the globally recognised British Standard 10012 for data protection in recognition of our high privacy standards and efforts to protect customers' personal information. Privacy risk impact assessments and regular audits helped us identify gaps and make improvements to ensure compliance with the requirements of Vodafone's global privacy programme, helping to minimise the risk of security breaches in India.

Privacy and security – Performance in 2012/13



In focus: Award for privacy innovation

In 2012/13, Vodafone won the Privacy Innovation award from the International Association of Privacy Professionals, in recognition of our original approach to managing a wide range of potential privacy risks across diverse markets through the Vodafone Privacy Programme. Find out more here.

Creating a cultural shift

The update and relaunch of Vodafone's Code of Conduct in 2012/13 (see Ethics) gave us an opportunity to improve employee awareness of the key privacy and security requirements included in the Code. Privacy and security were also included in the employee awareness campaign on Working in the Vodafone Way (see Our people) for Group-level employees, which will be extended globally in 2013/14.

In 2012/13, we launched a global security awareness strategy – Protect and Secure – to promote secure behaviour and emphasise that this is an important part of working in the Vodafone Way. A key focus of the strategy is to ensure employees safeguard company and customer data whether they are working in the office or on the move, on a laptop, tablet or smart phone. We have created a new intranet site on security that provides key points from critical policies in clear, engaging language, and a wider communications campaign is planned in 2013/14.

We have continued to increase awareness of our privacy programme through a range of initiatives in 2012/13. Under the theme of our programme, 'Putting privacy at the heart of Vodafone', we have conducted a series of targeted communications and activities for a wide cross-section of business functions and markets. In November 2012, our week-long annual Privacy Summit brought together senior leaders from key functions across Vodafone, using a combination of face-to-face and virtual online events. The Summit explored the theme, 'Putting customers at the heart of privacy', and emphasised the need to convert internal principles and actions into tangible outcomes customers.



In focus: Improving employee awareness of information security in the UK

In 2012/13, we ran a campaign in the UK to raise awareness of the importance of protecting our customers' information among the 4,000 customer-facing employees in our retail and contact centres. We used a campaign to engage employees and explain why protecting customer information is so important.

The campaign began with a fake news story on our intranet showing a demonstration by people claiming to have lost everything as a result of Vodafone's negligence. Filmed in the style of a 'breaking news' story, employees watching it did not know that the protestors were in fact local actors. Actors also posed as homeless people in our contact centres, with begging bowls and signs saying they had lost everything because their identities had been stolen.

The campaign was supported by training and an intranet site, and as a result, 81% of customer-facing employees said they felt more confident about how to handle customer data.

In January 2013, we launched our 'Privacy Dialogue', a series of online debates and discussions on some of our Privacy Commitments that have the most direct impact on our customers, including openness and honesty, choice and privacy-by-design. The Privacy Dialogue began with a competition to identify both the best and worst examples of transparency, encouraging employees to think about how Vodafone deals with transparency on privacy and security with our customers. We received over 60 entries, and hundreds of votes, and the #transparency hashtag remains the top trend on our internal social media platform.

Our dedicated privacy intranet site, Privacy Matters, has been redesigned to improve usability and to increase traffic, and we have launched the Privacy Circle, an internal social media space dedicated to debate and discussions on privacy.

We also ran a series of workshops with local management teams in Egypt, Portugal and Turkey to explore how to build and maintain customer trust and promote a deeper awareness of why privacy is so critical to our relationship with our customers (see feature below).

Privacy and security – Performance in 2012/13



In focus: Making privacy personal for our people

Our privacy workshops in 2012/13 used innovative ways to get employees thinking about how important privacy is to them and make it personal. Ahead of a workshop in Portugal, employees were sent a 'friend-request' on Facebook from a new colleague whom no one had yet met. Several people accepted the request and only found out at the workshop that the new colleague was in fact an actor hired by the privacy team to demonstrate how it feels to have a stranger gaining access to their personal information. In Egypt, employees participating in a workshop on privacy were asked to bring along and discuss a special belonging or photo to help them understand the value of things that are personal. Both workshops stimulated lively discussions on privacy issues and reinforced how central privacy is to customer trust.

Contributing to policy and debate

Regulations on privacy and data protection continue to evolve. We believe Vodafone has an important role to play in ensuring that new regulations are appropriate for changing technologies, business models and consumer behaviours. We engage regularly on privacy with policymakers, regulators, civil society and opinion formers at national and international levels.

In 2012/13, we continued to participate in the global debate about how privacy should be regulated. We created opportunities for constructive dialogue on the draft European Data Protection Regulation, exploring changes that can encourage a regulatory regime that is flexible, technology-neutral, accountability-based and risk-aware. In March 2013, we co-hosted an event in Brussels with EU40 (a group addressing young European Parliamentarians) to share experiences from the telecommunications industry on 'Building an Accountability Framework for Data Protection'. Renate Schmidt, Vodafone Germany's Ombudswoman for Data Protection (see Approach), gave a keynote address presenting her experience of Vodafone's programme, and how companies should be encouraged through regulation to adopt accountability mechanisms.

Vodafone partnered with the South African Department of Communications, the Film and the Publication Board and the African Centre of Excellence on Information Ethics to host a seminar in November 2012 on 'The Future of Privacy and the World in 2020'. The seminar was part of the Future Agenda programme sponsored by Vodafone, which provides an open forum for discussion on major challenges that society will face in 2020.

We continue to adopt positions on surveillance legislation that encourage balance with strong privacy protections and consistency with international human rights standards. For example, we engaged with the UK government on their Communications Data Bill.

Shaping industry principles on freedom of expression and privacy

As a founding member of the Telecommunications' Industry Dialogue on Freedom of Expression and Privacy, Vodafone has been working with other telecommunications companies to develop principles on these issues. The Guiding Principles on Freedom of Expression and Privacy, published in March 2013, set out a common approach to dealing with privacy and freedom of expression in a principled, coherent and systematic way across the industry. They are guided by the UN Business and Human Rights Framework. In March 2013, the Industry Dialogue announced a collaboration with the Global Network Initiative to advance freedom of expression and privacy rights in the telecoms industry.

The Guiding Principles are closely aligned with Vodafone's own existing Global Policy Standard on Law Enforcement Assistance. The table below sets out Vodafone's status and activities on each of the principles. We will report our progress in implementing the Guiding Principles in future annual Sustainability Reports.

Privacy and security – Performance in 2012/13

Vodafone's alignment with the Industry Dialogue Guiding Principles on Freedom of Expression and Privacy

Guiding Principle	Vodafone's alignment
Telecommunications companies should, to the fullest extent that does not place them in violation of domestic laws and regulations, including license requirements and legal restrictions on disclosure:	
1. Create relevant policies, with Board oversight or equivalent, outlining commitment to prevent, assess, and mitigate to the best of their ability the risks to freedom of expression and privacy associated with designing, selling, and operating telecommunications technology and telecommunications services.	Our Privacy Commitments and Global Policy Standard on Law Enforcement Assistance, with Executive Committee sponsorship, set out the requirements for balancing the potentially conflicting requirements of respecting privacy and assisting law enforcement.
2. Conduct regular human rights impact assessments and use due diligence processes, as appropriate to the company, to identify, mitigate and manage risks to freedom of expression and privacy – whether in relation to particular technologies, products, services, or countries – in accordance with the Guiding Principles for the Implementation of the UN 'Protect, Respect and Remedy' framework.	<p>A range of due diligence processes are in place. We have established a Critical Privacy Risk Register (see Approach) at the centre of a formal review process used regularly to assess the most significant privacy risks affecting our business.</p> <p>We take a range of human rights factors into account as part of our due diligence before entering new markets, acquiring businesses or establishing new partnerships. This includes areas such as internet freedom, freedom of speech, freedom of media, the extent of state interference in privacy matters, respect for political rights, corruption, government transparency and respect for workers' rights.</p> <p>Our Global Advisory Forum brings together a cross-functional group of experts from across Vodafone Group to provide input on potential new products, services and technologies, ensuring that privacy and freedom of expression are taken into account at the earliest stage of the design process.</p>
3. Create operational processes and routines to evaluate and handle government requests that may have an impact on freedom of expression and privacy.	Our Global Policy Standard on Law Enforcement Assistance includes guidance and requirements for evaluating, handling and challenging demands and requests from law enforcement agencies.
4. Adopt, where feasible, strategies to anticipate, respond and minimise the potential impact on freedom of expression and privacy in the event that a government demand or request is received that is unlawful or where governments are believed to be mis-using products or technology for illegitimate purposes.	The Global Policy Standard on Law Enforcement Assistance provides requirements and guidance on challenging law enforcement demands where we have reasonable grounds to believe the request is not legally mandated or is unlawful. It requires operating companies to bring together the right people to consider the possible impacts and actions and use their judgement.
5. Always seek to ensure the safety and liberty of company personnel who may be placed at risk.	Vodafone's Code of Conduct includes a high-level commitment to protect the health, safety and wellbeing of our employees, and the Global Policy Standard on Law Enforcement Assistance requires potential personal risk to individuals to be considered in any decision to challenge law enforcement demands.

Privacy and security – Performance in 2012/13

Guiding Principle	Vodafone's alignment
6. Raise awareness and train relevant employees in related policies and processes.	Our Global Policy Standard on Law Enforcement Assistance includes a requirement on training and awareness, and we continually raise awareness as part of our wider privacy communications campaigns (see above).
7. Share knowledge and insights, where relevant, with all relevant and interested stakeholders to improve understanding of the applicable legal framework and the effectiveness of these principles in practice, and to provide support for the implementation and further development of the principles.	We regularly share knowledge and engage with stakeholders on these issues, for example through our Sustainability Expert Advisory Panel and engagement with stakeholders, and by providing information through this Group Sustainability Report, our online Privacy Centre and at specific events (see above).
8. Report externally on an annual basis, and whenever circumstances make it relevant, on their progress in implementing the principles, and on major events occurring in this regard.	This Privacy and security section of our Group Sustainability Report covers Vodafone's approach and activities on these issues. We have previously publicly reported on major events and will build this requirement into our policies and processes.
9. Help to inform the development of policy and regulations to support freedom of expression and privacy including, alone or in cooperation with other entities, using its leverage to seek to mitigate potential negative impacts from policies or regulations.	The Global Policy Standard on Law Enforcement Assistance covers engagement with government on these issues and we regularly contribute to dialogue on the development of policies on a national and international level (see above).
10. Examine, as a group, options for implementing relevant grievance mechanisms, as outlined in Principle 31 of the UN Guiding Principles for Business and Human Rights.	This will be explored by the Industry Dialogue going forward.

Notes:

1. "The Data Dialogue" report from UK Think Tank DEMOS



Responsible supply chain – Our approach

We work with our suppliers to help them meet our ethical, health and safety, social and environmental standards and improve their performance through monitoring, assessments and improvement activities.

We spend billions of euros each year with suppliers on network and IT equipment and services that enable us to operate our network, and on products such as mobile phones, SIM cards and other devices that we sell to our customers.

We demand high ethical, health and safety, social and environmental standards of all our suppliers. These are set out in our Code of Ethical Purchasing and are integrated right from the start of our engagement with suppliers, in the initial qualification process. We conduct regular site assessments to ensure compliance and if suppliers consistently fail to meet our standards, we will not work with them.

Sustainability is embedded in our supplier management programme and we work directly with our suppliers to help improve their sustainability performance. To target improvements further down the supply chain, we require our suppliers to demand similar standards of their own suppliers – and we check that they do so. We also participate in industry initiatives to raise standards across the sector.

Priority areas for Vodafone include:

Safety of contractors working on our network infrastructure in emerging markets (see Health and safety)

Social and environmental standards in suppliers' operations and factories

Mining of minerals in conflict regions.

Read on to find out more about our approach to this issue. Or go to Performance to read about our progress in 2012/13.

Becoming a Vodafone supplier

We decide if we will work with a new supplier based on our qualification process which identifies and assesses potential risks associated with doing business with them.

The qualification process applies across our global supply chain and covers compliance with each element of our Code of Ethical Purchasing, including labour standards, health and safety, environmental management and bribery and corruption. Suppliers that may fail to meet our standards in any of these areas are investigated further.

Our Group-wide tendering process (also known as a request for quotation or RFQ) includes criteria that assess the risk of suppliers failing to meet our standards for managing sustainability issues. The results are then factored into our decision to work with any given supplier. For projects involving high-risk activities, such as working at height, suppliers' health and safety performance is considered and suppliers that do not meet our minimum requirements are not awarded work.

We carry out assessments to identify new suppliers that are high risk, based on the product or service supplied and the degree of association with our brand and customers. Suppliers identified as high risk are selected for on-site assessments by our auditors and independent audit firms to identify any instances of non-compliance with the Code of Ethical Purchasing.

Responsible supply chain – Our approach

Managing supplier performance

Sustainability is a key pillar in the way we measure our suppliers' overall performance. Our sustainability assessments enable us to identify problem areas with our suppliers and prioritise specific areas for improvement as well as rewarding best practice through our annual supplier sustainability awards.

Global suppliers are rated on sustainability criteria as part of the scorecard used to evaluate their overall performance every year (see feature). In addition to the core criteria, the scorecard includes some criteria specific to certain supplier types. We have a stronger focus on health and safety for network contractors and we include criteria on conflict minerals due diligence for suppliers of electronic equipment, mobile phones and other devices we sell. Scorecard criteria are updated and strengthened regularly to take account of emerging issues and push suppliers to improve further. See Performance to read about changes in 2012/13.

Scores for suppliers of mobile phones are used to rate their products through our Eco-rating scheme which enables customers to choose their phone according to sustainability criteria. See Customers and the environment.

In focus: Scorecard sustainability criteria

Sustainability questions in the supplier scorecard cover:

- Commitment to the Code of Ethical Purchasing, including policies on child and forced labour
- Public reporting of their performance on social, environment, and health and safety issues
- Certification of environmental management systems to ISO 14001 or EMAS standards
- Certification of social management systems to SA8000 or equivalent standards
- Certification of health and safety management systems to OHSAS 18001 or equivalent
- Evidence that the supplier manages social, environment, and health and safety issues in its own supply chain
- Evidence that the supplier manages the risks and opportunities associated with climate change
- Evidence of steps to manage and prevent bribery and corruption
- Evidence that a supplier is managing its water footprint
- Evidence that a supplier manages equality, diversity and inclusion
- Evidence of how suppliers are adding social, ethical and environmental value to society

Monitoring and improving supplier performance

Based on scorecard results, we make recommendations and work with suppliers to address any issues. We use follow-up assessments or on-site audits – either conducted by Vodafone or through joint industry audits – to monitor the performance of high-risk suppliers.

Everyone in our supply chain organisation, as well as relevant people in other functions who work closely with suppliers, are trained to observe and report non-compliances when visiting supplier sites and communicate our expectations on sustainability effectively.

To enable us to reach more suppliers and those further down the chain than our direct suppliers, we collaborate with other telecoms operators through the Joint Audit Cooperation (JAC) initiative to assess and improve the social and environmental performance of common suppliers. Audits are conducted by independent specialists based on internationally recognised social and environmental standards including SA8000 and ISO14001. Results are shared between JAC member companies and one member leads the follow-up with regular updates to the other JAC companies. As well as establishing common standards and helping to improve performance, collaborating on audits saves time and money for both suppliers and customers by removing the need for duplicate audits and follow-up processes.

We work with suppliers to develop and implement improvement plans, and conduct workshops for high-risk suppliers on specific issues such as health and safety. See Performance to read about our progress in 2012/13.

Tackling conflict minerals

The issue

'Conflict minerals' is the term given to minerals from mines that directly or indirectly finance or benefit armed groups in conflict regions, generally referring to the eastern provinces of the Democratic Republic of Congo (DRC). The trading of conflict minerals funds rebel armies, fuelling conflict and human rights abuses. Conflict minerals include:

- Columbite-tantalite (coltan), refined to produce tantalum
- Cassiterite, refined to produce tin
- Wolframite, refined to produce tungsten
- Gold

ICT is one of several industries using metals from these minerals. Tin, tungsten, tantalum and gold are used in components for a wide range of electronic products including mobile phones.

Responsible supply chain – Our approach

Regulatory requirements

Section 1502 of the US Dodd Frank Wall Street and Consumer Protection Act 2010 (The Dodd Frank Act) requires companies listed on a US stock exchange to disclose whether their products contain conflict minerals that are necessary to the functionality or production of such products and whether those minerals originated in the DRC or its adjoining countries in reports filed from 31 May 2014. This requirement applies to products that companies manufacture themselves or for products over which they have influence of manufacturing and design.

The Dodd Frank Act applies to Vodafone as a US listed company. Vodafone does not manufacture products itself but does have influence on the manufacturing and design process for a number of products, including many of those that carry the Vodafone brand.

The conflict mineral rules specify that companies must publicly disclose their use of conflict minerals that originated in the DRC or an adjoining country, or which might originate from the DRC or an adjoining country. A product is considered to be 'DRC conflict-free' when it does not contain metals from minerals that directly or indirectly finance or benefit armed groups in the DRC or an adjoining country. As a practical matter, this means that metals can be sourced from mines in countries outside the DRC or adjoining countries, or mines within the DRC or adjoining countries if the appropriate certification and traceability is in place.

Vodafone's view

We believe mining activities that fuel conflict are unacceptable. We are optimistic that the conflict mineral rules will help improve supply chain transparency across the industry. We recognise, however, that their timing presents a challenge, as robust systems need to be in place to determine the conflict-free status of products. Programmes to trace the source and certify the status of metals coming from the DRC and adjoining countries (see below) are unlikely to be fully operational in time for companies to report on the conflict-free status of all their products immediately.

We also recognise that ceasing to source minerals from legitimate mines, as well as those funding armed groups, is likely to have a negative impact on economic development and people's livelihoods in the region.

Working with our suppliers

We are working with our direct suppliers to ensure that conflict minerals originating in the DRC or adjoining countries do not end up in the products that we sell or the equipment that we buy and use.

Our global Conflict Minerals Policy Standard sets out our position and requirements for suppliers. For products where we have influence over the design and manufacturing process, these requirements will be included in relevant supplier contracts.

We conduct due diligence activities to determine the sources of any tin, tantalum, tungsten and gold within these products. The results of this due diligence will be disclosed through Vodafone's website and relevant disclosures to the US Security Exchange Commission.

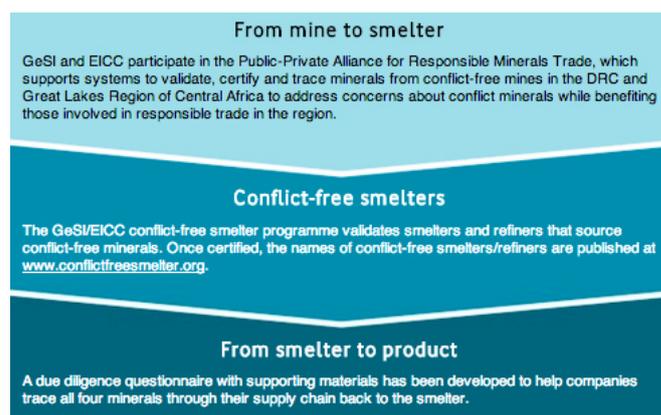
See Performance to read about our progress in 2012/13.

Industry collaboration

To tackle the industry-wide issue of conflict minerals, as well as working directly with our own suppliers, we participate in initiatives led by the Global e-Sustainability Initiative (GeSI) and the Electronic Industry Citizenship Coalition (EICC).

The GeSI/EICC Extractives Working Group has a number of programmes to help companies improve the transparency and traceability of the minerals they source (see graphic).

GeSI/EICC activities to support improved transparency and traceability of mineral sourcing include:



Through our participation in the GeSI/EICC Extractives Working Group, Vodafone is supporting these programmes and using the outputs in our own due diligence processes:

- From mine to smelter: Vodafone represents GeSI in the Public Private Alliance for Responsible Minerals Trade in-region working group
- Conflict-free smelters: We are using the results of The Conflict Free Smelter (CFS) programme to support our due diligence activities
- From smelter to product: We are using the industry due diligence questionnaire, to trace metals used in our suppliers' products back to the smelter as part of our due diligence activities

Looking beyond conflict minerals

Sourcing of minerals (beyond gold, tin, tantalum and tungsten from the DRC and adjoining countries) is a growing issue of concern for Vodafone and for our stakeholders. Through the due diligence activities we are developing to target conflict minerals usage from the DRC and adjoining countries, we aim to build a strong foundation of information and systems that promote traceability for the future which can be used to help ensure minerals in our products are from responsible sources.

Responsible supply chain – Performance in 2012/13

We have continued to drive improvements in supplier performance, work towards a common industry approach and enhance traceability of metals in our products to tackle conflict minerals.

Strengthening sustainability criteria for supplier qualification

Sustainability is integrated from the start of our relationship with suppliers by assessing standards during qualification and including the Code of Ethical Purchasing in our commercial contracts and purchase order terms. In 2012/13, 11 suppliers failed to qualify on sustainability grounds. We also included sustainability criteria in the 'request for quotation' (RFQ) process which determines which suppliers we will work with.

Sustainability criteria are weighted according to the level of risk associated with the contract. For example, health and safety plans are reviewed as part of the overall tendering process for work involving high-risk activities such as civil works, working at height or electrical work. Suppliers tendering for work on our global retail store rollout in 2012/13 were assessed on a range of sustainability criteria including choice of materials (such as wood from sustainable sources and use of low-solvent paints).

We will not work with suppliers who do not meet our standards. In 2012/13, we excluded a supplier providing promotional and merchandising materials following due diligence in the tender process, because they were proposing to use a sub-contractor factory in Bangladesh that was failing to comply with local laws on employee wellbeing and fire regulations.

Embedding sustainability with suppliers

In 2012/13, we broadened the range of criteria in our supplier scorecard to better measure supplier sustainability performance, including questions about conflict minerals and water use for relevant suppliers. See Approach for more information on our sustainability scorecard.

Overall, suppliers demonstrated a strong commitment to sustainability, with 12 out of our top 67 achieving full marks in 2012/13, a significant result as the standard is raised annually. However, there were generally lower scores relating to the management of greenhouse gas emissions and conflict minerals (see more on our work with our suppliers on these issues in the sections below).

We have also begun piloting the Ecovadis supply chain management tool to help us improve the way we assess key suppliers.



In focus: Training procurement staff for effective supplier management

To ensure effective management of suppliers, our procurement teams need to understand our sustainability requirements. In 2012/13, all supply chain employees completed training on our Code of Ethical Purchasing. Supply chain managers also completed a two-day training course to help them implement sustainability. The course, designed with the European Institute of Purchasing Management, aimed to engage supply chain managers in sustainability through a series of interactive sessions focusing on topics such as ethics, compliance, mapping a sustainable value chain, strategies for supplier evaluation and ideas on how to make different categories of supplier more sustainable.

In addition, we trained people in our marketing teams as well as people in our supply chain organisation to communicate our expectations on sustainability effectively, having offered this training for relevant teams in our Technology function in 2011/12.



Recognising strong performance

Our annual Supplier Awards recognise strong performance from suppliers in a range of areas including sustainability. Our supplier of the year for 2012/13 was IBM, for achieving the highest sustainability ranking in our supplier performance management programme.

Responsible supply chain – Performance in 2012/13

Developing a consistent industry approach

We continued working with other members of the Global e-Sustainability Initiative (GeSI) to evaluate a range of tools for assessing and managing suppliers, exploring the potential to adopt a common tool as an industry standard. We also work with GeSI and the Electronic Industry Citizenship Coalition (EICC) to tackle conflict minerals in the ICT supply chain (see below).

Membership of the Joint Audit Cooperation (JAC) initiative has grown to nine telecoms operators since we joined in 2011/12: Belgacom, Deutsche Telekom, France Telecom, KPN, Swisscom, Telecom Italia, Telenor, Telianonera and Vodafone. This strengthened our ability to establish and conduct common audits across our industry and to develop joint follow-up plans for improvement, while reducing the burden of multiple audits on suppliers. In 2012, JAC conducted 35 joint audits of common suppliers.

We continued to participate in the Carbon Disclosure Project Supplier programme, which helps large companies and their suppliers report emissions transparently, share information and target carbon reductions. In 2012/13, 71 suppliers responded to the questionnaire, up from 67 the previous year. Disclosure levels remain similar with 72% disclosing their emissions and publishing targets to reduce their emissions. We also work closely with suppliers to improve the efficiency of equipment used in our networks (see Environment).

Driving improvements through supplier assessments

We set ourselves an objective to cover 10 times as many suppliers through sustainability assessments in 2012/13. We have focused on capturing and assessing additional information relating to sustainability of our suppliers and sub-tier suppliers during supplier qualification, as this is the most effective place for us to influence which suppliers we work with. We achieved this by completing 622 sustainability assessments of suppliers during qualification in 2012/13, up from 60 the previous year. Based on these assessments, we rejected 11 suppliers at qualification stage. As we work to optimise our supplier base, the number of these assessments is likely to decrease significantly in future.

In addition, we performed 68 on-site assessments of our suppliers to check compliance with our standards and monitor their performance on sustainability. Of these, site assessments of 33 suppliers (15 Tier 1 and 18 Tier 2 suppliers) were conducted by Vodafone and the remaining 35 were conducted jointly through JAC. We increased our focus on Tier 2 suppliers – working together with Tier 1 suppliers to assess their performance and help them improve.

We made 247 recommendations for improvements to suppliers in 2012/13. The number of non-compliances was relatively high partly because we audited several packaging suppliers and the focus on sustainability in this category of the supply chain is not as mature as for electronics.

Health and safety, environmental compliance and working hours remained the most frequent reasons for non-compliance. For example, an assessment of a Tier 2 Chinese supplier indicated that some factory workers were working around 70 hours a week – exceeding the limit of 60 hours per week set out in Vodafone's Code of Ethical Purchasing. We raised the issue with the relevant Tier 1 supplier and developed an improvement plan with them. But they were not able to resolve the issue in time to start a new project involving that supplier. As a result, we chose not to go ahead with this new project with this supplier and selected another supplier to complete the work.

Working with suppliers to build capability

Working with suppliers to develop improvement plans is a critical and lengthy part of the audit and follow-up process. We also engage with suppliers to improve their performance on specific issues such as health and safety.

We work closely with high-risk suppliers, particularly those supporting the deployment and maintenance of our networks, to improve health and safety. For example, in 2012/13 we introduced a consequence management process to make it clear that failing to demonstrate a robust safety procedure is directly linked to termination of purchase orders or contracts. We are also planning a workshop on health and safety for suppliers in 2013/14. See Health and safety for more on our extensive work with contractors.

To raise standards more widely, JAC member companies held a JAC Forum for suppliers in Shanghai, China, in January 2013 to address issues such as working hours, business ethics, the environment and health and safety. Around 160 participants attended the event, including 80 suppliers, five non-governmental organisations, local institutions, telecoms companies and representatives of the JAC members.

Responsible supply chain – Performance in 2012/13

Tackling conflict minerals

In 2012/13, we developed a new Global Policy Standard on conflict minerals, finalised in April 2013, which will be incorporated into RFQs and contracts for relevant suppliers (see Approach). We have briefed relevant suppliers on the standards and requirements to support our due diligence process and have established a cross-function working group to help drive our conflict minerals programme. Our Group Disclosure Committee received updates on the conflict minerals programme twice in 2012/13.

Where we have influence over the design and manufacturing of products, we have made significant progress in identifying the majority of products that we believe will be in scope of the conflict mineral rules, and the suppliers who provide us with such products.

We continue to support industry initiatives through our participation in the GeSI/EICC Extractives Working Group. For more on our position on conflict minerals, see Approach).

Environmental and labour standards in our supply chain are a key focus for external stakeholders, and we continue to be open to dialogue and sharing experiences with a range of NGOs including Walk Free and Friends of the Earth. We participated in MakeITFair's roundtable in May 2012, and we are working with Fairphone in the Netherlands to develop an environmentally and socially fair phone (see Customers and the environment).

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement.

June 2013

 **ERNST & YOUNG**
Quality In Everything We Do

Responsible supply chain – Data

Supplier scorecard 2012/13: sustainability pillar

Supplier Sustainability Compliance Score	Number of suppliers achieving this score
91 – 100%	12
81 – 90%	13
71 – 80%	0
61 – 70%	7
51 – 60%	5
50% or less	30

Number of supplier site assessments conducted

	2010/11	2011/12	2012/13
Number of supplier site assessments conducted	27	33	33
Number of site assessments conducted of Vodafone suppliers by JAC ¹	–	–	35 ²
Total	27	33	68

Notes:

1. Vodafone joined JAC in Oct 2011.
2. JAC assessments are reported on a calendar basis. This figure refers to the 2012 calendar year.

Number of recommendations for improvement (details by category and by type [performance/policy])¹

Category	2010/11	2011/12	2012/13
Total number of recommendations for improvement			
Child labour	6	3	9
Forced labour	1	4	1
Health and safety	30	86	119
Freedom of association	8	22	21
Discrimination	4	5	5
Disciplinary practices	0	8	5
Working hours	6	16	22
Payment	1	13	9

Responsible supply chain – Data

Category	2010/11	2011/12	2012/13
Individual conduct	4	10	3
Environment	17	38	26
Implementation of Code of Ethical Purchasing or equivalent	18	15	21
Total	95	220	241
Of which, performance issue identified			
Child labour	0	1	6
Forced labour	0	2	1
Health and safety	26	85	119
Freedom of association	1	20	21
Discrimination	1	1	0
Disciplinary practices	0	4	0
Working hours	5	10	21
Payment	0	12	8
Individual conduct	0	4	3
Environment	17	36	20
Implementation of Code of Ethical Purchasing or equivalent	5	10	13
Total	55	185	212
Of which, policy only issue identified			
Child labour	6	2	3
Forced labour	1	2	0
Health and safety	4	1	0
Freedom of association	7	2	0
Discrimination	3	4	5
Disciplinary practices	0	4	2
Working hours	1	6	1
Payment	1	1	1
Individual conduct	4	6	0
Environment	0	2	0

Responsible supply chain – Data

Category	2010/11	2011/12	2012/13
Implementation of Code of Ethical Purchasing or equivalent	13	5	8
Total	40	35	20

Notes:

1. This data excludes the results of the audits conducted through JAC which are subject to a non-disclosure agreement.

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement.

June 2013





Tax and our total contribution to public finances

The amount of tax paid by large companies is a matter of significant public debate and scrutiny.

Individuals and companies have legal obligations to pay tax; but those obligations do not extend to paying more than the amount legally required. Companies also have a legal obligation to act in the interests of their shareholders. Vodafone's shareholders include many of the investment funds relied upon by tens of millions of individual pensioners and savers.

At the same time, individuals and companies must meet their responsibilities to contribute to the funding of public services and infrastructure, without which societies cannot operate effectively.

Achieving a transparent and effective balance between those obligations and responsibilities is therefore integral to operating sustainably.

£11.1 billion

In 2011/12, Vodafone contributed more than £11.1 billion in cash to the public finances in our countries of operation.

Understanding tax

When considering a company's tax contributions, there are several important factors to take into account.

- In many countries and for many companies, corporation tax payments only account for a small proportion of businesses' total tax contribution to national governments. For example, corporation tax accounts for around one-tenth of total tax paid to the UK Exchequer and one-third of total taxes paid to the UK Exchequer by the UK's largest 100 companies¹. Businesses also pay a very wide variety of additional taxes: as the Appendix demonstrates, corporation tax is only one of almost 50 different types of taxation paid by Vodafone's operating businesses every year

- Corporation tax is paid on profits, not on revenues. If a company makes little or no profit – for example, as a consequence of declining sales, competitive market conditions or a period of intense capital investment, particularly if funded through borrowing, it will generally incur lower tax charges than another similar company with higher profits. This approach is common to all countries as without it, companies enduring periods of low profitability would be faced with disproportionate tax demands and significant disincentives for investment in infrastructure. In a number of Vodafone's markets, including the UK, the cost of acquiring radio spectrum from the government, high operating costs, substantial levels of capital expenditure and sustained competitive and regulatory pressures have a significantly negative effect on the profits of our local businesses. In addition, in some markets, other taxes that are levied on revenue (together with non-taxation-based contributions such as spectrum fees) have the effect of depressing profit and so reducing corporation tax liabilities

- Taxation is local. Taxes generally fall due wherever profits are generated, and the tax liabilities that arise as a result are decided under the rules of the country that is host to the business in question. So, for example, a company operating in South Africa pays taxes to the South African government under tax rules determined by that country's government; and a company operating in Italy pays taxes under Italian rules to the Italian government. Vodafone pays all taxes due under the law in all our countries of operation: in 2011/12, these amounted to more than £3 billion. For further details, see 'Multinationals, governments and tax'

- Taxation is not the only route used by governments to raise revenue from businesses. Governments also use other mechanisms to derive revenues from business activities, including a wide range of licensing regimes, revenue or production-sharing agreements and, for communications companies, radio spectrum fees and auction proceeds. Those additional sources of government revenue are often substantial – sometimes exceeding the monies raised through taxation – and represent a critically important

Tax and our total contribution to public finances

contribution to public finances. It is therefore essential to take those government revenue-raising mechanisms into account when assessing the extent to which a company is playing its part in funding wider civil society

- Large companies are an important source of investment and employment. Governments seeking to stimulate investment often develop corporate taxation regimes which are intended to attract the capital necessary to deliver key policy objectives. Those measures also have the effect of stimulating job creation, in turn leading to higher government revenues from employment taxes and increased levels of consumer spending on the part of an expanded workforce. This is particularly relevant when considering multi-billion pound, multi-year programmes to build critical national infrastructure, such as the UK Government's target for universal broadband coverage by 2015. Political leaders make an active choice to incentivise corporate investment by offering capital allowances – to be offset against future corporate tax liabilities – in order to achieve a wider national benefit that would otherwise have to be funded directly by the state, invariably through public borrowing. These allowances are not 'loopholes': they reflect the public policy choices made by governments and also – wholly intentionally – have the effect of reducing tax liabilities for companies whose investment decisions support those policy choices

Tax conduct and principles

We are committed to acting with integrity in all tax matters. We always seek to operate under a policy of full transparency with the tax authorities in all countries in which we operate, disclosing all relevant facts in full, while seeking to build open and honest relationships in our day-to-day interactions with those authorities, in line with our Tax Code of Conduct, which is contained within our Tax risk management strategy.

In forming our own assessment of the taxes legally due for each of our businesses around the world, we follow the principles stated in our publicly available tax risk management strategy. We have two important objectives: to protect value for our shareholders, in line with our broader fiduciary duties; and to comply fully with all relevant legal and regulatory obligations, in line with our stakeholders' expectations.

However, tax law is often unclear and subject to a broad range of interpretations. Furthermore, the financial affairs of large multinational corporations are unavoidably complex: we typically process and submit more than 12,000 tax returns to tax authorities around the world every year. The assessment and management of tax uncertainty is therefore a significant challenge for any company of Vodafone's scale, and the key issues are subject to review by the Board and Audit and Risk Committee.

Our overarching approach is to pursue clarity and predictability on all tax matters wherever feasible. We will only enter into commercial transactions where the associated approach to

taxation is justifiable under any reasonable interpretation of the underlying facts, as well as compliant in law and regulation. Our Tax teams around the world are required to operate according to a clearly defined set of behaviours, including acting with integrity and communicating openly. These are aligned with the Vodafone Group Code of Conduct and the values set out in The Vodafone Way.

In focus: Multinationals, governments and tax

Within the European Union and in many other territories, companies have a legal right to set up businesses in different countries and to trade freely across borders. All governments therefore seek to balance the need for tax revenues with the need to encourage companies to do business in and from their jurisdictions, through the development of competitive tax regimes.

Multinational companies choose from a range of locations when setting up certain centralised global operations, such as procurement or IT support. Their decisions are influenced by a wide range of factors beyond the local tax environment, including:

- the stability and predictability of the political, regulatory and social environment, including respect for the rule of law and compliance with international human rights conventions
- the availability of relevant skills within the local labour force
- labour costs, and the cost of operations
- the effectiveness of transport links
- the quality and reliability of communication networks
- the range and value of the real estate market

In an international context, various treaties and inter-governmental agreements ensure multinational companies are not subject to 'double taxation' by paying tax twice over in two different countries in relation to the same economic activity. Governments also maintain measures that restrict companies from entering into artificial arrangements to move profits from one country to another lower-tax destination. These include requiring multinational companies to apply 'transfer pricing' rules to inter-company activities to ensure that profits are allocated to countries where the relevant economic activity takes place. Vodafone does not enter into artificial arrangements – for example, by artificially diverting profits to minimise tax payments to the UK Exchequer – and will only adopt business structures that reflect genuine and substantive commercial and operational activities.

Tax and our total contribution to public finances

Contributing to the development of tax policy

When governments seek to develop or change tax policy, they invariably seek input from a wide range of interested stakeholders, including business advocacy groups and a large number of individual companies. Vodafone regularly engages with governments – typically through public consultation processes or in our role as a member of an industry group – to provide our perspective on how best to balance the need for government revenues from taxation against the need to ensure sustainable investment.

For example, we co-chair the tax policy committee of the European Telecommunications Network Operators' Association (ETNO) and the Groupe Speciale Mobile Association (GSMA), which represents the industry when looking at emerging issues across the EU. In this role, we have shared our insights as a multinational operator with the European Commission Taxation and Customs Union Directorate-General (TAXUD).

We contribute to tax committees of telecommunications industry organisations in Germany, which work on legal developments with tax policy and on tax administration, including the interpretation and application of tax law. In the UK, our Group Chief Financial Officer is a leading industry representative in the Government's Business Forum on Business Tax and Competitiveness, working to build a more competitive UK tax system. Vodafone also chairs the Finance Committee of the Cellular Operators Association in India and is a member of the South African Institute of Chartered Accountants (SAICA), which engages on a wide range of tax issues.

To promote research into the structure of business taxation and its economic impacts, Vodafone contributes to the funding of the Oxford University Centre for Business Taxation, based at the Said Business School. As well as providing world-class economic analysis, the Centre has produced policy papers and hosted conferences bringing together formal and informal gatherings of government, academic, business and NGO representatives to promote better understanding and quality of debate on tax matters.

In focus: India and tax

In 2007, Vodafone purchased an indirect stake in a company in India from Hutchison Telecommunications International Limited. After the acquisition was completed, the Indian tax authorities sought to raise a tax demand against Vodafone, even though the transaction took place outside India between two non-Indian entities and Vodafone was the buyer, not the seller.

The Indian tax authorities' actions led to a protracted legal dispute, which culminated in a hearing before the Indian Supreme Court. The Supreme Court examined all the facts related to the transaction before concluding unambiguously and unanimously, in January 2012, that no tax was due. The Court also highlighted that it was important for the Indian government to avoid penalising international investment in the country.

Although the country's highest court had vindicated Vodafone's position, the Indian government subsequently changed the law to introduce retrospective taxation rules. Those rules, which were back-dated to 1962, were designed to require taxes to be paid retrospectively which, as the Supreme Court had concluded, could not be levied against Vodafone under any reasonable interpretation of the evidence or the law.

All businesses depend on tax policy predictability and certainty in order to plan investments for the long term. The Indian government's decision to rewrite half a century of tax legislation with immediate retrospective effect was widely condemned worldwide, greatly damaged global business confidence in the Indian government and led to a marked reduction in the flow of investment into the country.

As a result, the Indian government commissioned an independent inquiry, led by the economist Parthasarathi Shome, to recommend a way forward. The Shome Committee concluded that retrospective tax rules should be introduced only in the 'rarest of rare' cases, and that, if applied to capital gains tax cases, the authorities should pursue the seller, not the buyer (Vodafone being the latter not the former in the case at issue).

While we maintain that no tax is due on the 2007 acquisition, we have informed the Indian government that as a committed long-term investor in India, we are willing to explore the possibility of a mutually acceptable solution. The Indian government is currently considering its options.

Over the last five years, Vodafone has become one of India's largest investors: we have spent more than £12.8 billion in building our business in the country since 2007. We are also one of the country's largest taxpayers: as we set out under our country-by-country total contribution table, in 2011/12 our direct and indirect contributions to Indian public finances exceeded £1.4 billion.

Tax and our total contribution to public finances

In focus: The HMRC/Vodafone Controlled Foreign Companies settlement

In 2010, Vodafone and Her Majesty's Revenue and Customs (HMRC) concluded a long-running legal dispute, focused on a specific point of UK and European tax legislation, with a full and final settlement of £1.25 billion.

The background to this settlement is highly complex. It was focused on an area of law whose application was unclear, and which successive UK governments agreed needed to be rewritten. It involved nine years of legal argument, three court cases and two independent appeals, followed by a detailed HMRC review and settlement in 2010. That settlement was then followed by a National Audit Office (NAO) inquiry in 2012, assisted by a former High Court judge, Sir Andrew Park. The NAO report concluded that the HMRC/Vodafone settlement was a good outcome for the UK taxpayer, and that if Vodafone had chosen to continue litigation instead of settling with HMRC, "there was a substantial risk that the Department [HMRC] would have received nothing."

The dispute focused on the UK tax authorities' interpretation of Controlled Foreign Companies (CFC) legislation and began when Vodafone bought the Mannesmann conglomerate in Germany in 2000. This was an all-share transaction involving no borrowings or loans from Vodafone's UK business. Importantly, there was no reduction in Vodafone's UK tax contributions as a consequence, and the dispute was not related in any way to the tax liabilities arising from our UK operations. We therefore questioned the UK tax authorities' application of the rules on both factual and legal grounds, in common with a number of other companies who had also challenged the UK's approach to CFC legislation.

Vodafone's subsidiary in Luxembourg is the main financing company for our many operations around the world. The UK tax authorities argued that, had those financing activities been established and undertaken in the UK, they would have attracted tax in the UK, and that therefore tax should be payable under UK CFC provisions. Vodafone argued that, as a matter of European law, we were freely entitled to establish activities wherever we chose, and that as a matter of fact, these were neither artificial arrangements nor did they have any impact on Vodafone's UK tax liabilities.

The underlying facts were scrutinised by the UK tax authorities and the points of law involved were examined in detail by the European Court of Justice, the UK High Court and the UK Court of Appeal, prior to the decision to reach a settlement. Subsequently, the UK Government sought to address a number of inconsistencies and flaws in UK CFC legislation, clarifying the UK's approach to this complex area of international taxation in new rules, which took effect in January 2013.

Notes:

1. See Analyses of Corporation Tax receipts and liabilities and Total tax contribution: results of The Hundred Group 2012 survey

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement. June 2013

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Quality In Everything We Do

Tax and our total contribution to public finances

Our contribution, country by country

Vodafone plays an important role in helping to develop the economies of the countries in which we operate. We are a major investor, taxpayer, employer and purchaser of local goods and services. We also make a vital contribution to the delivery of governments' policy objectives through our substantial capital expenditure in building the next generation of digital infrastructure.

We contribute directly to public finances through a wide range of taxes as well as non-taxation revenue mechanisms such as licence and regulatory fees. We also make a significant indirect contribution through the taxes paid by our employees and the suppliers that our businesses support (many of which are effectively dependent on the fact that we do business in the country in question), as well as through taxes collected on governments' behalf, such as sales taxes and VAT.

Assessing our contribution to public finances

The following table sets out the data for five of the most relevant indicators of Vodafone's total overall contribution to the public finances and wider economies within which we operate.

Certain data is only gathered and reconciled some time after the end of the previous financial year, for example, in relation to some non-taxation-based fees paid to national governments. Therefore, to ensure the most effective comparisons between different types of contribution within the same period, all the data presented in the table below is for the 2011/12 financial year and is drawn from our audited accounts.

In the 2011/12 financial year, Vodafone's businesses around the world paid more than £3.3 billion in direct taxes to governments in our countries of operation plus more than £1.8 billion in other non-taxation-based fees and levies. Our businesses also made a total indirect tax contribution to national governments of more than £5.9 billion. Our total cumulative contribution to the public finances of our countries of operation was therefore more than £11.1 billion. We also invested more than £6 billion in the networks and services now relied upon by more than 400 million customers worldwide.

In the table below, the direct tax contributions to governments are reported on an annual actual cash paid basis for each local market as, in our view, these are among the most meaningful and transparent metrics to consider when assessing a company's tangible role in helping to fund public services. International accounting rules governing the reporting of a multinational company's profit and loss tax liabilities and charges are complex, reflecting a wide range of factors such as deferred taxation, losses, group-level taxation and various provisions related to uncertain tax positions. The cash payments or reliefs arising from those factors may be several years in the future. As a result, there can be a variance between a multinational company's statutory reported numbers over a specific time period – particularly in territories with holding companies as well as a local operating company – and the actual cash paid numbers set out below¹.

For more detailed information about our latest financial performance in 2012/13, see our Annual Report.

The columns in the table are explained below.

- Direct government revenue contribution: taxation.** This encompasses Vodafone's total direct tax contribution in each country, including corporation tax, business rates or equivalent, employers' national insurance contributions or equivalent, municipal and city taxes, sector-specific taxes (such as 'special' taxes, 'telecoms' taxes or 'crisis' taxes), stamp duty land tax, stamp duty reserve tax, irrecoverable Value Added Tax (VAT), insurance premium tax, climate change levy, environmental taxes, customs duties, fuel excise duties, vehicle excise duty and acquisition taxes. An illustrative list of the types of taxes paid is set out in the Appendix
- Direct government revenue contribution: non-taxation mechanisms.** This encompasses all other forms of government revenue raised in addition to a country's direct taxation regime, including telecoms licence fees, radio spectrum management fees, proceeds from revenue-sharing agreements, usage fees and proceeds from radio spectrum auctions. Examples of these payment types are listed in the Appendix
- Indirect government revenue contribution.** This encompasses taxes collected by companies on behalf of national governments, including Pay As You Earn (PAYE) income tax, employees' National Insurance contributions, withholding taxes, sales and consumption taxes, and VAT. These indirect contributions to government revenue would not be collected (or generated to the same extent) if the company did not employ people and offer services or products to the customers responsible for paying the tax in question, or procure goods and services from its suppliers on which such taxes are due
- Capital investment.** Our significant investments in building the networks and services relied upon by more than 400 million Vodafone customers around the world are often taken into account by local tax authorities when determining corporate tax liabilities
- Direct employment.** Vodafone is an important source of employment and skills transfer worldwide. We provide incomes, benefits and the potential for a high-technology sector career path for 91,272 people in more than 30 countries as of end March 2013 (2011/12: 86,373). In addition, we have contractual relationships with many thousands of suppliers and partner companies around the world, each of which relies to a greater or less extent on revenues from Vodafone to pay their employees' wages

Notes:

- For example, see CBI – Tax and British Business: Making the Case and CBI – UK Corporation Tax system: 12 misunderstood concepts

Tax and our total contribution to public finances

This data is intended to provide a broader insight into Vodafone's significant economic contribution to the societies in which we operate. We have no view on the merits of direct versus indirect taxation, nor on the distinction between the revenues that flow to governments from taxation versus those obtained through other means, such as spectrum fees. Governments – not companies – determine the rules.

The figures set out in the table below will vary widely from country to country and from year to year as a result of local differences between, and annual movements in, factors such as levels of profit and capital investment. For example, next

year's table will reflect our considerable recent investments in radio spectrum during the 2012/13 financial year, particularly auction payments of almost £1,200 million to the Netherlands government and more than £800 million to the UK Government. There are also wide variations in local taxation regimes and other government revenue-raising mechanisms, many of which change from year to year.

Total Economic Contribution – country by country

FY2011/12	1A. Direct revenue contribution: taxation	1B. Direct revenue contribution: other non-tax	2. Indirect revenue contribution	3. Capital investment	4. Direct employment
	£m	£m	£m	£m	
N&CE region					
Czech Republic	43	8	74	85	2,974
Germany	160	0	892	1,044	12,115
Hungary	33	0	45	55	1,543
Ireland	22	8	84	117	1,122
Netherlands	43	0	217	243	3,034
Romania	64	13	92	80	3,515
Turkey	299	19	446	266	3,312
UK	338	21	523	767	8,151
Total	1,002	69	2,373	2,657	35,766
SE region					
Albania	6	1	12	22	438
Greece	25	6	217	78	2,225
Italy	668	1,069	1,333	653	5,838
Malta	5	2	6	9	312
Portugal	71	91	149	151	1,505
Spain	225	71	334	429	4,379
Total	1,000	1,240	2,051	1,342	14,697

Tax and our total contribution to public finances

FY2011/12	1A. Direct revenue contribution: taxation	1B. Direct revenue contribution: other non-tax	2. Indirect revenue contribution	3. Capital investment	4. Direct employment
	£m	£m	£m	£m	
AMAP region					
DR Congo	54	5	3	24	585
Egypt	100	57	170	209	4,384
Ghana	6	2	46	57	1,392
India	257	414	802	815	11,234
Kenya	98	29	92	71	2,701
Lesotho	6	2	2	7	131
Mozambique	1	0	3	45	236
New Zealand	57	1	57	106	1,922
Qatar	0	1	0	69	378
South Africa	374	18	291	603	5,147
Tanzania	16	1	31	43	477
Total	969	530	1,497	2,049	28,587
Non-OpCo ¹	400	0	10	13	494
Global total	3,371	1,839	5,931	6,061	79,544²

Notes:

Contributions made directly by the Group's joint ventures and associate interests are included in the table above for countries where Vodafone is the largest shareholder in the local entities in question. Contributions are not included for the US and Australia and Fiji, where Vodafone is not the largest shareholder in the relevant local entities. Contributions from our wholly owned US holding companies relating to Vodafone's 45% interest in Verizon Wireless are included in the 'Non-OpCo' line.

- 'Non-OpCo' includes (i) subsidiaries in countries with no Vodafone operating companies such as Luxembourg (location of the Group's global procurement, financing and roaming operations) and (ii) holding company entities in the US relating to the Group's 45% interest in Verizon Wireless.
- The global total direct employment number does not include some roles in global functions and some joint venture/non-controlled assets.

The source data is predominantly drawn from information included within the publicly available Vodafone Group Annual Report & Accounts, the public accounts of the Group's listed operating company subsidiaries and the accounts of various non-listed Group operating company subsidiaries. The Vodafone Group public accounts are certified by the Group's external auditors Deloitte, and the public accounts of the Group's listed operating company subsidiaries are certified by those companies' external auditors. Additional data is subject to assurance by Ernst & Young, in line with the approach taken for other metrics disclosed in the Vodafone Group Sustainability Report.

Tax and our total contribution to public finances

Key Vodafone Group financials and statistics at global level

	2010/11	2011/12	2012/13
Revenue (£m)	45,884	46,417	44,445
Adjusted operating profit (£m)	11,818	11,532	11,960
Free cash flow (£m)	7,049	6,105	5,608
Market capitalisation (as at 31 March) (£m)	91,034	85,490	91,300
Group customers (million)	370.9	404.7	403.9

Tax and our total contribution to public finances

Appendix: taxation types

The table below provides an illustrative overview of the types of taxation paid by Vodafone operating companies around the world every year.

Direct taxation

Advertisement tax
 Air passenger duty
 Airtime excise tax
 Business rates
 Capital gains tax
 Climate change levy
 Commission levy
 Communications services tax
 Construction tax
 Corporation tax
 Customs duty
 Donations tax
 Economic activity tax
 Education tax
 Employers' national insurance contributions
 Environment tax
 Excise duty
 Expatriate tax
 Fuel duty
 Garbage tax
 ICA/turnover tax
 Import duty
 Insurance premium tax
 Interconnect tax
 International inbound call termination surtax
 Irrecoverable VAT
 Judicial tax
 Mobile telecoms services VAT
 Mobile telecoms VAT (higher rate)
 Municipal and city rates
 Municipal tax on immovable property
 Municipal waste tax
 National health insurance levy
 Numbering tax

PAYE settlements
 Site rental tax
 Social security tax
 Special communications tax
 Special consumption tax
 Sprint payments
 Stamp duty land tax
 Stamp duty reserve tax
 Tax on public domain/fixed lines
 Technology tax
 Universal service tax
 Vehicle excise duty
 Withholding tax
 Workers' compensation insurance levy

Non-taxation-based fees

Chamber of commerce fees
 IMEI number registration fees
 Licence renewal fees
 National Copyright Collecting (SIAE) fees
 Network usage fees
 Proceeds from revenue-sharing agreements
 Radio link fees
 Spectrum auction receipts
 Spectrum management fees
 Telecoms levy
 Telecoms licence fees
 Usage fees
 Wireless connection fees
 Wireless usage fees

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report. For more details see their Assurance Statement. June 2013

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Environmental footprint – Our approach

We aim to minimise the environmental footprint of our operations to enable us to do more with less: less energy, less carbon, less waste and less use of resources. Vodafone's products and services also enable enterprise customers to achieve significant reductions in their own carbon footprints.

Our main focus is to use energy more efficiently in our networks, data centres and operations. This is where we can make the biggest difference to our environmental footprint – by tackling related carbon dioxide (CO₂) emissions – and where we can make the strongest business case by saving energy costs.

We have environmental management systems in place to manage our energy use and carbon emissions as well as a range of other environmental impacts, such as electronic waste from our network equipment, office waste, emissions of ozone-depleting substances and water use.

Read on to find out more about our approach. Or go to Performance to read about our progress in 2012/13.

Minimising our carbon footprint

We are enabling businesses and other organisations to reduce their carbon emissions using our mobile services (see Low carbon solutions). To deliver these services to more customers our operations must expand, although we remain committed to minimising our carbon footprint as our business grows.

Our priority is to manage CO₂ emissions from our networks which, together with our data centres, account for more than 80% of our footprint. We are doing this by investing in more efficient technologies and exploring innovative solutions that cut CO₂ emissions by reducing energy consumption or using alternative energy.

See Performance to find out about our progress in 2012/13.

Network efficiency

We are working with suppliers to develop and install more efficient components in all new base stations and replace less efficient equipment in existing base stations and switching centres. Across all our markets, we are rolling out technology such as single RAN base stations (which combine 2G, 3G and 4G technologies), more efficient power amplifiers, and free cooling – using fresh air to cool network equipment to reduce the need for energy-intensive air conditioning. Sharing network equipment with other operators can also deliver energy savings.

Alternative energy

Switching to alternative energy sources cuts emissions and reduces our reliance on fossil fuels. A small but growing number of our base stations use renewable energy, mostly solar and wind power. Alternative energy sources are most economically viable for sites in emerging markets, where they help us expand our reach to remote areas where grid supplies may be unavailable or unreliable. These sites would otherwise depend on high-carbon diesel generators either for primary or back-up power.

Our hybrid power systems, which combine diesel generators with batteries for greater fuel efficiency, use smart controls to cut diesel use by up to 70%. For sites with higher power requirements, batteries can be supplemented with solar and wind power.

As we roll out more on-site renewable power, we are also exploring the use of our network to provide not just telecommunications services but clean energy to remote communities. This brings climate benefits, by replacing carbon-intensive fossil fuels, and provides an opportunity for us to contribute to development by extending access to energy (see Low carbon solutions).

Our Site Solution Innovation Centre in South Africa provides a base for our network innovation teams to collaborate with external partners and suppliers to develop and test new technologies that will help us reduce our energy use and carbon footprint.

Environmental footprint – Our approach

Renewable energy from the grid

In addition to using small-scale renewable energy to power parts of our network, we also purchase some electricity from the grid that is generated from renewable sources (green tariff electricity).

Our research into the use of green tariff electricity across Europe in 2011/12 highlighted the risk of double counting emission reductions due to uncertainties surrounding the carbon accounting of green tariff electricity in some European countries.

It is for this reason that we report both a gross and net total for our CO₂ emissions (see Data). We continue to monitor regulations around this issue. While we buy green tariff energy in some markets, at a Group level we prioritise improving the energy efficiency of our networks and working to help our enterprise customers reduce their CO₂ emissions.

Data centre efficiency

Our data centres – which account for around 7% of our total CO₂ emissions – must become more efficient to reduce energy use and handle increasing traffic as mobile internet and other data applications become more popular.

Two of our data centres in Germany and Ireland have achieved third-party certifications for energy efficiency. We are implementing efficiency measures at these and our other data centres including:

- Installing more efficient hardware and innovative technology, such as dry coolers, which optimise energy efficiency
- Reducing the number of physical servers needed to store the same or more data by increasing the amount of virtual servers used
- Cutting energy needed for air-conditioning by reorganising equipment to create 'cool aisles' to circulate cool air better

Business travel

Our employees often need to meet with colleagues in other countries. We are working to reduce the need for business travel – and associated greenhouse gas emissions – by equipping our offices with state-of-the-art technology to enable our people to communicate and work together. Our unified communications system combines internal voice, data and video applications into one online experience so employees can contact colleagues through voice, video, instant messaging or web-based conferencing programmes.

Managing electronic waste produced by our networks

Replacing network equipment at our base stations to keep up with advances in technology helps us provide the best service for our customers as well as giving us the opportunity to install new, more energy-efficient equipment to reduce the carbon footprint of our operations. However, upgrading our network

also generates electronic waste (e-waste), some of which is potentially hazardous and must be disposed of responsibly.

We recycle the majority of our network waste. In our mature markets, we often have a choice of expert e-waste recycling contractors that comply with international regulations on e-waste. However, this is more challenging in emerging markets with limited facilities to recycle and manage electronic waste. Finding the most sustainable solution in these markets is not always easy. For example, we may have to choose between:

- Allowing e-waste to be processed within the emerging market despite a lack of suitable facilities, and helping to build recycling capacity for the future
- Or transporting e-waste back to mature markets for processing, which enables the use of high-quality facilities but increases carbon emissions from transport and does not help to build capacity in emerging markets

See Performance to find out about our progress in 2012/13.

Managing our environmental impacts

Accountability for environmental performance rests with the senior management of our local markets and Vodafone Group functions, including the Technology and Supply Chain teams. Ultimate accountability rests with local market chief executives and the Group Executive Committee.

The issues most relevant to our business are identified through our annual materiality process (see Material issues). Our environmental management systems provide a framework for managing these issues and reducing our impacts across the Group. This includes monitoring risks, setting targets, reviewing progress and reporting performance.

Our local markets' environmental management systems in the Czech Republic, Greece, Portugal, Romania, South Africa, Spain and the UK are certified to international standard ISO 14001.

In addition to our focus on managing our carbon footprint and network e-waste (see above), we also manage a range of other issues. These include:

Office waste

We are committed to reduce, reuse and recycle the waste we produce where possible. The main waste produced by our offices, call centres and shops is paper, printer toner cartridges, packaging material and IT equipment. We provide recycling points in offices to encourage employees to recycle, and promote double-sided printing to save paper. See Performance for information on our Less Paper Office project.

Water

Our operations use relatively little water compared with other industries and we do not consider this one of our key environmental impacts. However, we recognise that water is becoming an increasingly important issue, particularly in water-

Environmental footprint – Our approach

stressed regions of the world. We monitor and aim to reduce water use locally by, for example, installing low-flow toilets in offices. See Data for our performance in water use.

Ozone depletion

Some of our network cooling systems and air conditioning systems in our offices and shops use refrigerants. We have phased out the use of CFCs and are working to phase out the use of HCFCs in accordance with the Montreal Protocol, an international agreement on the phasing out of ozone-depleting substances. See Data for our performance in reducing ozone-depleting substances.

Complying with environmental regulations

We have taken steps to ensure we comply with the following European legislation on electronic waste:

- The EU's Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive
- The Waste Electrical and Electronic Equipment (WEEE) Directive in EU countries which requires companies to take back and recycle used electronic and electrical equipment at the end of their useful life
- The EU's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Directive which restricts the use of certain substances of high concern in any of the products we sell

See Data for our performance in environmental compliance.

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.
For more details see their Assurance Statement.
June 2013



Stakeholder views

"ICT businesses can save millions of tonnes of CO₂ by greening their operations but also gigatonnes of CO₂ through smart solutions. WWF continues to encourage Vodafone and the sector as a whole to target low carbon products and services at high carbon activities."

Dax Lovegrove, Head of Business & Industry, WWF-UK

Environmental footprint – Performance in 2012/13

We continue to invest in new technologies, such as smart metering and hybrid generators to make our network more energy efficient. This is enabling us to minimise increases in our carbon emissions as our business grows to meet the needs of our growing customer base and rising demand for mobile internet and data services.

Our carbon footprint

Our carbon footprint must be viewed in the context of the immense potential for our solutions – such as M2M and smart working – to help our customers cut theirs significantly. The Global e-Sustainability Initiative’s (GeSI) SMARTer 2020 report recently projected that while the ICT industry’s footprint will rise to 1.27 GtCO₂e by 2020, its solutions have the potential to deliver carbon reductions of seven times that amount. For more on how we are helping customers cut their carbon footprint, see Low carbon solutions.

We also have targets to help us manage the carbon footprint of our own operations (see table below). Meeting these targets is proving challenging, particularly in mature markets due in part to growing demand from customers to send and receive more data. But we remain determined to reduce our global environmental footprint as far as possible. We are doing this by implementing new technologies that improve energy efficiency in our networks and looking for opportunities to use renewable power cost effectively.

In 2012/13 net Group carbon emissions increased by 6% from 2011/12 to 2.32 million tonnes of CO₂. This increase was partly due to business growth in emerging markets and the inclusion of data from four additional markets which we have not previously reported on (DRC, Lesotho, Mozambique, Tanzania). Excluding these markets, our total CO₂ emissions increased by 3%.

Although net Group carbon emissions continue to rise, the rate of increase in emerging markets is slowing as we roll out more efficient technology and in mature markets we have broadly stabilised emissions at 1.01 million tonnes (compared with 1.00 in 2011/12). We continue to focus on improving energy efficiency and efficiency of our network has greatly improved with carbon emissions per base station almost 40% lower than in 2007.

To reduce our reliance on carbon intensive energy sources, we promote the use of small-scale renewables to power our network (see below: Using alternative energy to replace diesel use at our base stations) and we purchase 16% of our grid electricity from renewable sources – this is a slight reduction compared with the previous year, partly due to increased energy use in markets where availability of renewable energy from the grid is limited.

See Data for detailed carbon accounts.

 Ongoing
  Achieved
  Partial
  Not achieved

Objective	Our performance in 2012/13	Status
Reduce CO ₂ emissions by 50% against the 2006/07 baseline by March 2020 for mature markets ¹	Net CO ₂ emissions in our mature markets were stable at 1 million tonnes of CO ₂ in 2012/13, equivalent to a 3% decrease from our 2006/07 baseline. Despite our continued efforts to improve energy efficiency, current projections show that we will not meet the 50% target by 2020 through energy efficiency alone.	
Reduce CO ₂ per network node ² by 20% against a 2010/11 baseline by March 2015 for emerging markets ³	We reduced our emissions per network node to 16 tonnes of CO ₂ , a 14% reduction from the 2010/11 baseline keeping us on track to achieve this target.	

Notes:

1. Mature markets defined as those obligated under the Kyoto Protocol: Czech Republic, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, New Zealand, Portugal, Romania, Spain and the UK.
2. A single base station site may contain more than one node for each type of network served (e.g. 2G, 3G or LTE).
3. Emerging markets defined as those not obligated under the Kyoto Protocol: Albania, Egypt, Ghana, India, Malta, Qatar, South Africa and Turkey.

Environmental footprint – Performance in 2012/13

Improving energy efficiency in our networks

In 2012/13 we continued the rollout of energy efficiency measures across our network of more than 248,000 base station sites and core facilities such as mobile telephone exchanges, although the rate of progress was slower than planned due to pressure on expenditure across the business. Initiatives include:

- Using free cooling to reduce energy needed for air conditioning at 21% of our base station sites globally, which saves between 2,000 and 3,500 kWh a year per site
- Increasing the maximum temperature at which base stations can operate to 35°C at a further 2,300 sites, saving an average of 2,750 kWh a year per site and reducing associated CO₂ emissions by between 3% and 6% depending on the climate where each site is located
- Beginning to roll out batteries that can withstand higher temperatures (up to 35°C) to reduce the need for cooling in hot countries
- Installing more efficient Single RAN technology (allowing multiple network radio technologies, 2G, 3G and LTE, to be run from a single base station) at a further 36% of our sites
- Adopting free cooling at 45% of our mobile telephone exchange sites and increasing the temperature at which air conditioning is triggered to 25°C to further benefit from free cooling
- Trialling tri-generation (combined heat, cooling and power) at one of our mobile telephone exchange sites in Italy, reducing energy use by 20% and related CO₂ emissions by 15%

We also extended our rollout of smart meters to 4,500 more sites. Now installed at more than 19% of our base stations, these meters provide detailed information on energy use which is helping us identify and target opportunities to reduce consumption. Smart meters are also helping us improve the accuracy of our billing and negotiate better tariffs with utilities companies.

Energy efficiency in our data centres and operations

Carbon emissions from our energy use in our data centres accounted for approximately 7% of our total emissions in 2012/13, and are projected to increase in the future as consumer demand for mobile internet and data services grows. We have introduced a range of initiatives to improve energy efficiency at our five strategic data centres located in Germany, India, Ireland, Italy and South Africa. Examples include:

- Including energy efficiency requirements in our requests for proposals for data centre equipment from suppliers
- Increasing maximum air temperature from 20°C to 28°C at data centres in Germany, Ireland and Italy, to reduce the amount of energy needed for cooling

- Improving the virtualisation ratio – the number of virtual servers compared with physical servers. This has increased from 35% in 2011/12 to 52% in 2012/13, making more effective use of space at our data centres and reducing the need for physical infrastructure
- Installing three dry coolers and five CoolAir hoods at our data centre in Ireland, reducing the amount of energy needed for cooling by up to 50% and cutting CO₂ emissions by more than 1,300 tonnes per year

Our data centres in Ratingen, Germany, and Dublin, Ireland, retained their third-party certification for energy efficiency for the third year running. Ratingen is one of the few data centres in the world to receive a premium rating (more than 85%) for energy efficiency, achieving an efficiency rate of around 87%.

We also target reductions in CO₂ emissions from other parts of our operations, including employee travel, office and IT impacts.

In 2012/13, carbon emission from our business travel reduced by 24%. Business travel was limited to only the most essential trips as part of our Group-wide cost reduction efforts, bringing accompanying carbon savings. We have also increased the use of our remote collaboration technologies by almost 30%, with employees using video conferencing for more than 75,000 hours a month. Our flexible working programmes in several markets are also helping to reduce energy use and emissions from offices and employee commuting. We are using these programmes to showcase the potential of our technology to bring similar benefits for our customers. See Smart working.

In 2012/13, we held the second Vodafone Global Green IT Summit in Germany. It brought together key stakeholders from a number of organisations to help develop ways to make our operations sustainable. Our new approach to office printing is also contributing to carbon reductions from our IT operations (see feature below).



In focus: Targeting reductions in office energy and paper use

In 2012/13, our Group-wide Less Paper Office project resulted in a completely new global print solution that has reduced the amount of paper we used by almost 40% – saving us money, energy and related CO₂ emissions. This new solution is based on using large, multifunctional devices – each shared by around 60 people – to replace individual printers, photocopiers, scanners and fax machines. Accompanying default settings promote double-sided printing and discourage colour printing.

Environmental footprint – Performance in 2012/13

Using alternative energy to replace diesel use at our base stations

Nearly half our base stations still depend on carbon-intensive diesel generators for primary or back-up power, and in areas where there is limited access to reliable grid electricity.

In 2012/13, we continued to extend the use of hybrid generators – a combination of diesel and battery generators with greater fuel efficiency – and alternative energy to power our base stations, mainly in emerging markets where the business case is stronger. We continued to install efficient hybrid generators which reduce diesel use by up to 70% across the Group. In Tanzania and Mozambique alone nearly 900 generators were installed. These are now in place at more than 3,100¹ sites across the Group.

We installed renewable solar power at a further 130 sites in India in 2012/13 although on-site renewable generation continues to power only a small proportion of our base station sites across the Group.



In focus: South African centre wins awards for green building

Our Site Solution Innovation Centre in South Africa is leading by example by showcasing innovative green building features. The building itself is one of the most sustainable on the continent and was the first to be awarded the maximum six stars by the South African Green Building Council. In 2012/13, the design of the centre received the South African Mail & Guardian's 2012 Greening the Future award for innovative renewable energy and the 2012 Eskrom eta award for energy efficiency from the Department for Energy.

To find out more about the centre's green features, view video.

Targetting emissions reductions through innovation

We continue to explore new technologies that could help to reduce the carbon footprint of our network at our Site Solution Innovation Centre in South Africa, which opened in 2011/12 (see feature). In 2012/13, technologies trialled at the centre included:

- A hybrid generator, known as a 'power cube', which can reduce the running time of a diesel generator by 82% and halve fuel consumption – four types of power cube have been tested at sites in South Africa
- More efficient filters that extend the life of base station equipment and reduce the number of maintenance trips required, cutting operating costs and travel emissions
- Air conditioners that use up to 75% less energy by running on both alternating current (AC) and direct current (DC) power
- Several types of small wind turbines although we are not pursuing any of these as they did not offer high enough levels of efficiency or long-term reliability

As we expand our networks to more rural areas, we are exploring opportunities to use renewable power generated at our base stations to bring power to remote communities without electricity. In the first year of operating a trial site in South Africa, we cut our monthly diesel use by 90%, labour maintenance costs by 24%, and reduced CO₂ emissions from the site by 90%. There have also been significant benefits to the community. Find out more in Low carbon solutions.

Managing waste from our networks

As we introduce new technologies to our network that help improve its speed and efficiency, we are replacing increasing amounts of outdated equipment, most of which is recycled.

Electronic waste (e-waste) is an on-going concern, particularly in emerging markets, which often lack sufficient facilities and legal safeguards for recycling and disposing of it safely. We aim to ensure network waste is disposed of responsibly as we expand our operations in these markets. In 2012/13, we drafted a Group-wide policy on e-waste management to ensure consistent high standards for handling e-waste across the Group. See Data for more on our network waste performance.

Vodafone co-chaired the Global e-Sustainability Initiative (GeSI) working group set up to promote greater industry and government collaboration and help improve e-waste management. The output of this working group was the establishment of an E-Waste Academy, now run by Solving the E-Waste Problem (StEP), which brings together governments, recyclers and other stakeholders in emerging markets to share best practice through lectures, presentations, site visits and workshops.

StEP and the UN University Institute for Sustainability and Peace organised the first academy event in Ghana in June 2012. The week-long event helped share existing knowledge and research into effective e-waste management with policymakers and recyclers from the West Africa region.

Environmental footprint – Performance in 2012/13



E-waste academy in action

Notes:

1. The number of sites with diesel hybrid generators appears to have remained stable from 2011/12 to 2012/13 despite absolute increases because Indus owned sites were included in the 2011/12 figure but not in 2012/13.

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement.

June 2013

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Environmental footprint – Data¹

Notes

- 2010/11 and 2011/12 data in this section does not include DRC, Lesotho, Mozambique and Tanzania, which, reported for the first time in 2012/13.

Business travel

Distance flown on business flights

	2010/11	2011/12	2012/13
Distance flown on business flights (thousand km)	234,803	269,364	202,857¹

Notes:

- Excludes data from India, Qatar and DRC.

Number of video-conferencing units available

	2010/11	2011/12	2012/13
Number of video-conferencing units available	1,237	1,569	1,887

Resource use

Total volume of water used

	2010/11	2011/12	2012/13
Total volume of water used (million litres)	1,220	1,092 ¹	1,037²

Notes:

- 2011-12 data is corrected to account for partial double counting in the 1,638 million litres reported previously.
- 2012/13 data for Qatar, India and Tanzania based on estimates from previous records. Data from Lesotho and DRC was not available, and is therefore excluded.

Total Ozone Depleting Potential (ODP) of refrigerants and fire suppressants replenished during the year

	2010/11	2011/12	2012/13
Total Ozone Depleting Potential (ODP) of refrigerants and fire suppressants replenished during the year (kg CFC-11 equivalent)	511 ¹	625 ¹	102²

Notes:

- 2010/11 and 2011/12 data does not include India, Qatar or South Africa.
- 2012/13 data does not include Czech Republic, Ghana, India, Lesotho, Mozambique, Qatar or Tanzania and is therefore excluded.

Environmental footprint – Data

Network equipment waste generated

	2010/11	2011/12	2012/13
Network equipment waste generated (tonnes)	7,473 ¹	14,532 ²	23,441³

Notes:

1. Data does not include Ghana, and data from India includes network batteries only.
2. The network waste data for India and Egypt are based on receipts from authorised waste contractors which only include large consignments of waste.
3. Data does not include DRC, India, Lesotho, Mozambique, Qatar and Tanzania. Data for Egypt are based on receipts from authorised waste contractors which only include large consignments of waste.

Network equipment waste sent for reuse and recycling

	2010/11	2011/12	2012/13
Network equipment waste sent for reuse and recycling (%)	99	98	99

Environmental compliance

Environmental compliance

	2010/11	2011/12	2012/13
Amount of fines for environmental regulation breaches (£)	83,130	80,225	131,511

Energy use^{1,2}

Total energy consumption

	2010/11	2011/12	2012/13
Total energy consumption (GWh)	4,117	4,454	4,723
of which, energy sourced from renewables (%)	19	18	16

Notes:

1. Data for Qatar for 2011/12 and 2012/13 is estimated based on an extrapolation of data from 2010/11 aligned with network growth.
2. Data includes energy used to power our network and buildings, but does not include fuel for travel.

Environmental footprint – Data

Total network energy use by source

	2010/11	2011/12	2012/13
Total network energy use by source (GWh)	3,599	3,946	4,180
Grid	2,665	2,957	3,163
Grid renewable	665	730	714
Local market-owned renewable (micro-renewable)	3	3	3
Diesel	258	247	293
Other	8	8	6

Minimising our carbon footprint

We report our total carbon emissions with and without green tariff electricity due to uncertainties that remain around the carbon accounting of green tariff electricity in Europe. Green energy purchased from the grid ('green tariff') is rated as having zero carbon emissions when the net CO₂ emissions figure is being considered. However, we also report this energy as producing carbon emissions at the prevailing national grid rate (i.e. gross CO₂ emissions) due to the external uncertainty about carbon accounting for green tariff energy. Please see notes 2–4 to the CO₂ emissions reporting table (below) for further information on how we report gross and net CO₂.

Net CO₂e emissions (all sources)

	2010/11	2011/12	2012/13
Net CO ₂ e emissions ¹ (all sources) (millions of tonnes) (emissions of greenhouse gases from energy to power our network and buildings, from fuel used by fleet and air travel, and losses from refrigerants and fire suppressants, expressed as CO ₂ -equivalents)	2.14 ²	2.27 ²	2.39 ³

Notes:

1. Green tariff energy is included with a carbon intensity of zero.
2. Data does not include business flights data from Qatar or refrigerants and fire suppressants data from India.
3. Data does not include refrigerants and fire suppressant emissions from Czech Republic, India, Lesotho, Mozambique, Qatar or Tanzania.

Environmental footprint – Data

Gross CO₂ emissions

	2010/11	2011/12	2012/13
Gross CO ₂ emissions ¹ (millions of tonnes) (CO ₂ emissions from the energy to power our network and buildings and from fuel used by our vehicle fleet)	2.293	2.59	2.67
of which, net Group total CO ₂ emissions (millions of tonnes) ²	1.96	2.20	2.32
of which, CO ₂ emissions from green tariff energy (millions of tonnes)	0.33	0.39	0.35

Notes:

1. Green tariff energy is included with emissions being calculated using the conversion rate for normal grid electricity.
2. Green tariff energy is included with a carbon intensity of zero.

Net CO₂ emissions

	2010/11	2011/12	2012/13
Net CO ₂ emissions (millions of tonnes) ¹ (CO ₂ emissions from the energy to power our network and buildings and from fuel used by our vehicle fleet)	1.96	2.20	2.32

Notes:

1. Green tariff energy is included with a carbon intensity of zero.

Net CO₂ emissions (mature markets)

	2010/11	2011/12	2012/13
Net CO ₂ emissions (mature markets) ¹ (millions of tonnes)	0.94	1.00	1.01

Notes:

1. Green tariff energy is included with a carbon intensity of zero.

Net CO₂ emissions (emerging markets)

	2010/11	2011/12	2012/13
Net CO ₂ emissions (emerging markets) ¹ (millions of tonnes)	1.02	1.20	1.31

Notes:

1. Green tariff energy is included with a carbon intensity of zero.

Environmental footprint – Data

CO₂ emissions reporting (tonnes CO₂)

		Mature markets ¹			Emerging markets ¹		Total	
		2006/07 base year	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Gross emissions²								
Base stations	Electricity	695,292	858,370	872,715	508,393	556,748	1,366,763	1,429,462
	Diesel	24,532	20,449	16,445	186,364	228,475	206,812	244,920
	Other	1,938	4	141	2,548	2,426	2,552	2,566
	Total	721,762	878,823	889,301	697,305	787,648	1,576,128	1,676,949
Other network	Electricity	308,871	330,107	281,950	306,924	317,081	637,031	599,031
	Diesel	473	2,374	634	10,712	15,349	13,086	15,983
	Natural gas	6,943	549	472	352	19	901	491
	Other	0	124	37	100	70	224	107
	Total	316,287	333,154	283,093	318,088	332,519	651,242	615,612
Offices	Electricity	128,309	84,896	94,099	134,388	130,659	219,284	224,758
	Diesel	1,439	513	115	4,078	3,135	4,591	3,250
	Natural gas	11,361	9,010	8,567	82	58	9,092	8,625
	Other	0	8,201	14,715	13	9	8,214	14,724
	Total	141,108	102,619	117,497	138,561	133,861	241,181	251,358
Retail	Electricity	23,546	23,691	21,121	16,439	15,871	40,131	36,992
	Diesel	0	25	9	831	1,639	855	1,648
	Natural gas	1,236	946	1,615	0	0	946	1,615
	Other	0	185	185	7	5	192	190
	Total	24,782	24,847	22,931	17,277	17,515	42,124	40,446
Travel	Road	61,496	55,798	48,038	28,003	39,499	83,801	87,537
Total		1,265,435	1,395,242	1,360,859	1,199,235	1,311,042	2,594,476	2,671,901
Emissions from renewable tariffs³								
Base stations	Green tariff	-148,689	-277,311	-236,734	0	0	-277,311	-236,734
Other network	Green tariff	-54,186	-93,181	-93,382	0	0	-93,181	-93,382

Environmental footprint – Data

		Mature markets ¹			Emerging markets ¹		Total	
		2006/07 base year	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Emissions from renewable tariffs³ (continued)								
Offices	Green tariff	-19,320	-21,674	-17,727	0	0	-21,674	-17,727
Retail	Green tariff	-5,489	-2,711	-3,112	0	0	-2,711	-3,112
Total		-227,683	-394,878	-350,955	0	0	-394,878	-350,955
Total net emissions⁴								
Total		1,037,752	1,000,363	1,009,904	1,199,235	1,311,042	2,199,598	2,320,946
Scope 3 emissions⁵								
Travel	Air	–	28,788	53,881	8,429	6,997	37,217	28,464⁶
Indian shared base station sites					1,768,251	1,648,095	1,768,251	1,648,095

Notes:

- CO₂ emissions are provided for mature markets (Czech Republic, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, New Zealand, Portugal, Romania, Spain, UK) and emerging markets (Albania, DRC, Egypt, Ghana, India, Lesotho, Malta, Mozambique, Qatar, South Africa, Tanzania, and Turkey). Ghana, India, Qatar and South Africa are only included in data from 2010–11 onwards. DRC, Lesotho, Mozambique and Tanzania are only included for 2012–13. Our joint venture in Italy is included in all years.
 - Gross CO₂ emissions are total CO₂ emissions before accounting for any emissions reductions that have been purchased or sold. For grid electricity, emissions have been calculated using a kWh to CO₂ conversion factor based on one of the following sources (in order of priority):
 - Conversion factors provided by our energy suppliers
 - Conversion factors provided by governments or other national bodies
 - International Energy Agency conversion factors
- For the purposes of calculating gross CO₂ emissions, electricity generated from renewables purchased under a green tariff and transmitted through the national grid has been included, with emissions being calculated using the conversion rate for normal grid electricity.
- CO₂ emissions associated with renewable tariffs have been reported separately using the conversion factor for normal grid electricity. Renewable tariffs include electricity purchased under 'green' energy tariffs backed by evidence of renewable supply and transmitted through the national grid.
 - Net CO₂ emissions have been calculated by subtracting emissions associated with renewable energy and emissions from sales of renewable energy back to the grid from gross CO₂ emissions. This means that CO₂ emissions associated with green tariff energy are assumed to be zero. It is unlikely that renewable energy is truly zero carbon; for example, there will be carbon associated with manufacturing and maintaining the renewable energy generator equipment. However, due to the current lack of clear international guidance on how to estimate the carbon emissions associated with renewable energy, it is counted as zero carbon here.
 - Scope 3 emissions are those associated with activities which are outside of Vodafone's direct control.
 - Excludes data from India, Qatar and DRC.

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement.

June 2013



Health and safety – Our approach

The safety of everyone involved in our operations is a core value for Vodafone. We believe all accidents and injuries are preventable, and we are driving a culture where safety is an integral part of every business decision across the Group.

Loss of life related to our operations is unacceptable. Our strategy is designed to tackle the root causes of major incidents and to create a mature safety culture across the Group. We are working hard to ensure employees and contractors know how to identify and manage risks, and take personal responsibility for their own safety and the safety of those around them. This constant vigilance is essential to our vision not just of eliminating major incidents, but preventing any incidents that could affect the health and safety of our people.

We are determined to be admired for our approach and our performance on health and safety. We have already achieved significant improvements and continue to push ourselves with stretching objectives. Our suppliers consistently tell us that Vodafone's expectations exceed those of other operators, and we believe we have an opportunity to lead our industry on health and safety.

Read on to find out more about our approach to this issue. Or go to Performance to read about our progress in 2012/13.

Managing key risks

Network deployment is our highest risk activity. The majority of this is taking place in emerging markets, where we face significant cultural and practical challenges in health and safety management. Much of this work is also outsourced, making management of contractors critical to our success.

Our focus is on reducing the impact of our top five risks across all operations: occupational road risk, working with electricity, working at height, control of contractors and legacy infrastructure. We ask each of our markets, our Supply Chain teams, and our Group Technology teams to clearly demonstrate what they are doing to reduce or eliminate these risks.

We have a wide range of programmes and systems to tackle each of these key risks, often tailored to the particular needs of each market (see Performance for some examples). By concentrating on these key risks and understanding the risk profile of our business, we are tackling the safety issues that are most likely to arise in our day-to-day operations.



In focus: Absolute Rules

Our Absolute Rules on safety demand zero tolerance of unsafe behaviours. They focus on high-risk activities including occupational road risk, electrical safety and working at height.

- Always wear seat belts when travelling in or operating vehicles
- Always use suitable personal protective equipment, a safety harness and fall protection when working at height
- Never carry out electrical work on electrical equipment, circuits and gear if you are not qualified
- Never work under the influence of substances (alcohol or drugs) that are illegal or in excess of legal levels or where this impairs the individual's ability to perform tasks
- Never exceed speed limits or travel at speeds that are dangerous for the type of vehicle or conditions
- Never use a hand-held phone while driving and only make calls by pulling over or using hands-free devices, when it is safe to do so

Health and safety – Our approach

Occupational road risk

Road traffic accidents involving employees, contractors or members of the public account for a high proportion of major incidents recorded in emerging markets. These usually occur on public roads as a result of poor driving conditions and unsafe driving behaviour. Rates of road traffic injuries in low- and middle-income countries are twice those in high-income countries and 80% of road traffic deaths occur in middle-income countries. India alone accounts for just 1% of the global vehicle population, but 8% of recorded fatalities worldwide¹.

Although reducing risk related to driving on public roads is challenging, we can help to minimise the severity and likelihood of accidents by reinforcing our strict rules on driving. We discipline employees who fail to comply with our Absolute Rules (see feature box above) and we use GPS vehicle tracking systems to monitor and therefore deter speeding violations, an internationally recognised major cause of accidents.

Our road risk programmes include driver training for the most at-risk employees and we aim to improve safety by addressing driving behaviour among employees, contractors and the wider community.

Go to Performance to read about our progress in 2012/13.

Working with electricity

The risk of injury from electric shock is a major concern for those deploying or maintaining our network equipment, and ensuring only qualified people work on electrical equipment is one of our Absolute Rules.

We work with contractors to make sure they have a documented risk management process for working with electricity, that those working on electrical equipment are authorised, competent and medically fit, that electrical equipment is fit for its intended purpose, and that appropriate safety devices are in place before work starts.

An e-learning module on working with electricity provides all employees with basic awareness of how to detect and manage electrical hazards, as well as instruction on how to deal with incidents should they arise.

Go to Performance to read about our progress in 2012/13.

Working at height

The danger of falling when working at height is a particular risk for employees and contractors working on rooftops, towers and masts. Our priority is to make sure that anyone operating at height is trained on the risks involved, follows agreed procedures, demonstrates appropriate behaviours at all times, and always employs the necessary safety equipment. This is an important aspect of our Absolute Rules.

We have amended our network site design principles so that all sites are designed with safe access in mind. Our policy standard on working at height has also been updated, with associated guidance published on how to implement the control requirements. This, along with our ongoing programme to replace ladder cages with fall arrest systems, is reducing the incidents we have when our people work at height.

Go to Performance to read about our progress in 2012/13.

Managing our contractors

We require all our suppliers and contractors to meet strict health and safety requirements, and we monitor their performance through our supplier management programme (see Supply chain).

Our procurement team works closely with key contractors to help them improve safety management in their own teams and among sub-contractors. We hold workshops for key network suppliers to promote collaboration and raise standards across the industry. A particular focus is on working with suppliers to ensure their design specifications for network infrastructure meet our requirements and minimise health and safety risks. One of our key suppliers working on high-risk projects in emerging markets only allows subcontractors on site if they have a Safety Passport that shows they have completed appropriate health and safety training before starting work.

Go to Performance to read about our progress in 2012/13.

Legacy infrastructure

Through the acquisition of other companies, particularly in emerging markets, we have inherited some infrastructure that does not meet our exacting standards on safety. In addition, some of our own infrastructure was built prior to the introduction of our safety standard on design.

We therefore carry out programmes of improvements and checks to masts, towers and other equipment, modifying or replacing it where necessary. Chief Technology Officers in each market have annual targets to upgrade and replace infrastructure, and are audited to make sure they fulfil these targets.

Go to Performance to read about our progress in 2012/13.

Reporting and investigating incidents

We continually monitor and audit our local markets against our Group safety strategy and objectives, and each market reports health and safety incidents through our global online reporting system. All major or high potential incidents must be reported within 48 hours to the Group Director of Health, Safety and Wellbeing and a full investigation is undertaken into the causes. Local market CEOs are required to personally oversee these investigations and ensure corrective actions are implemented.

Health and safety – Our approach

We share these findings across the Group to prevent similar incidents happening elsewhere. Safety Alerts notify our employees, local markets and relevant suppliers of any incidents or near misses that might have implications for other parts of the business. We also share lessons on good practice that we believe should be emulated.

Go to Performance to find out about our recorded incident rates in 2012/13.

Health and safety management

Our Group Health, Safety and Wellbeing team, which reports to the Group Human Resources Director, oversees health and safety management across Vodafone. The team works closely with key Group functions and local market representatives, who share best practice through a Health, Safety and Wellbeing network. For more on wellbeing, see Our people.

Senior leaders across the Group conduct safety tours to raise awareness, personally assess health and safety standards and make recommendations for improvement. We hold leadership workshops for executives and senior managers to reinforce leadership behaviours that contribute to a strong health and safety culture.

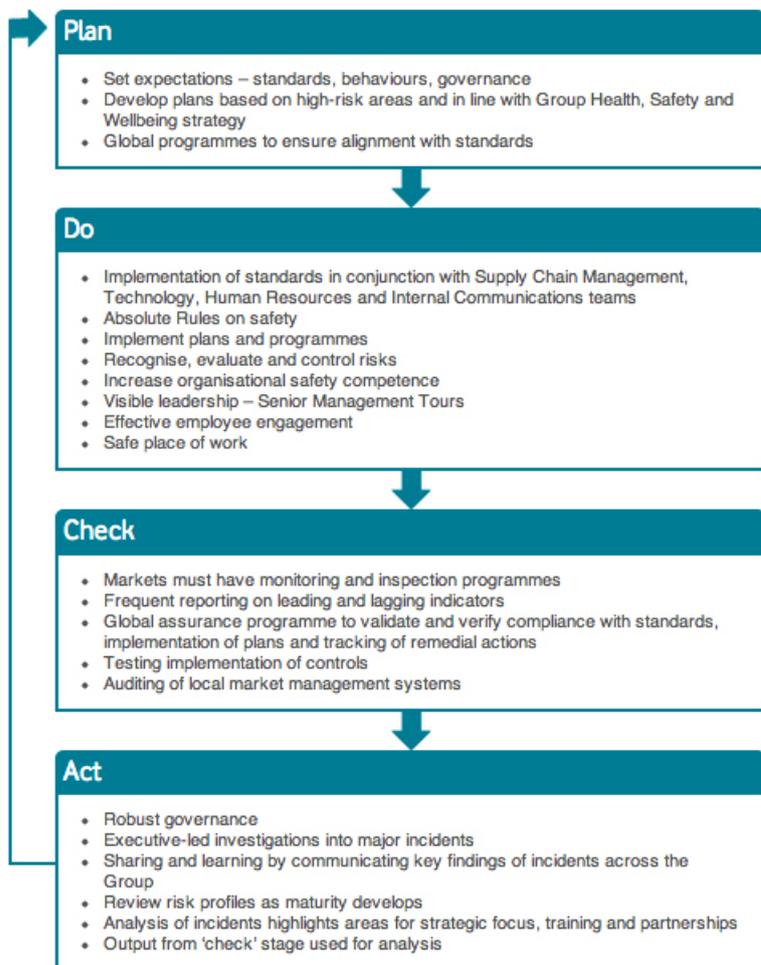
Our Group Health & Safety Policy and accompanying suite of standards on specific risks set out our expectations across our markets with clear guidance on risk assessment, incident reporting and management of key risks. We have strong management systems in place to ensure compliance in all our markets, and managers across the Group receive health and safety training appropriate to their role.

Management systems in our local markets are aligned with internationally recognised standards and our operations in Greece, Italy, South Africa and the UK are accredited to OHSAS 18001. Employees are trained to ensure management systems are used effectively. We are developing a maturity matrix tailored to our business to help us consistently assess the maturity of how we manage health and safety across the Group, and set targets to improve our safety culture.

Our approach to health and safety management operates on a cycle of four key elements: plan, do, check and act (see graphic).

Notes:

1. Global Status Report on Road Safety 2013, World Health Organization



Health and safety – Performance in 2012/13

Delivering significant improvements in managing health and safety has inspired us to push even harder to further embed a culture of safe behaviour across our business.

We set challenging objectives in 2011/12 to help us drive a zero fatalities culture, mindset and behaviour and embed health and safety into our business decisions across the Group. We achieved two of these in 2012/13 – four years ahead of schedule and are making progress towards achieving the third.

But for Vodafone, there is no room for complacency when it comes to the safety of our employees and contractors. With safety now embedded in our decision making processes across the business, our focus is on moving health and safety from the heads to the hearts of our people. We continue to target improvements in how we manage our top five safety risks.

Putting health and safety into the hands of our decision makers

We are making safety integral to every business decision across the Group. In 2012/13, we embedded safety into our leadership programmes including our Technology Excellence programme, Leading in the Vodafone Way, and inductions for senior leaders. The training is led by commercial people in the business, not safety experts, and the message is clear: if you want to be a leader in our business, you must personally value safety.

All Group executives, local market Chief Technology Officers and local market HR directors now have annual personal objectives on health, safety and wellbeing, and this will be extended to senior leadership teams in every local market in 2013/14. This is reinforcing health and safety as the responsibility of our key decision makers, as a core part of what they do and what others need to do to be considered for senior positions.

In 2012/13 our executives and senior leaders conducted site safety tours to show that safety is important to them and ensure people know that Vodafone cares about their personal safety.

 Ongoing  Achieved  Partial  Not achieved

Objective	Our performance in 2012/13	Status
Ensuring local and regional executives complete at least two senior management site tours a year	Executives conducted site safety tours in 2012/13, and all our Chief Technology Officers achieved their target of four safety tours.	

Include health, safety and wellbeing objectives in the annual objective for Executive Committee members, regional executives and local market executives by 2016	Executives across the Group now have personal objectives on health, safety and wellbeing which contribute to their performance reviews annually.	
Implementing safety leadership programmes in all markets by 2016	Safety has been embedded in leadership programmes across the business, including leadership development training and induction processes. Including safety in existing leadership programmes communicates much more clearly that safety is a core value for Vodafone and all our leaders.	

In focus: Mission Reach makes safety personal in India

Our 'Mission Reach' programme in India is raising awareness of our Absolute Rules (see Approach) on safety, checking employees have completed their safety induction and letting them know we care about their personal safety.

Employees across our business in India each made weekly calls to 10 people working in high-risk roles, holding a scripted conversation with them on safety, asking questions depending on what they are doing that day such as 'Are you wearing your helmet?' or 'Does someone know where you are going?'. In 2012/13, we made more than 45,000 personal calls to field employees and contractors over a three-month period.

In addition to improving safety awareness, we believe this programme has also had the unanticipated benefit of enhancing our brand image and reputation by showing Vodafone cares. This is helping to make Vodafone an attractive employer and strengthening staff loyalty in a competitive labour market.

Health and safety – Performance in 2012/13

Occupational road risk

In 2012/13, introducing and strengthening programmes to target occupational road risk – one of our biggest risks – was a major focus for all local markets. Programmes are tailored to local needs in each market. They include:

- Running a Safe Driving Month in **Egypt** to raise awareness and provide employees with practical guidance – 106 employees attended 10 sessions on road safety and 706 employees learned how to maintain their tyres
- Holding a Road Safety Action Day in **Germany** to educate 200 employees on brake and reaction distances, bike safety and the risks of drink driving – participants wore 'drunken-glasses' in a driving simulator to understand how alcohol affects vision and reactions
- Rolling out our 'Expect the Unexpected' safety awareness programme to 85,000 employees and contractors in **India** and distributing more than 28,000 reflector jackets, now included as part of mandatory personal protective equipment for our motorbike riders
- Launching a network application, 'DriveSafe', in **New Zealand** to discourage texting behind the wheel – the app sends an automated response to all text messages received while driving, to let the sender know the person they have contacted is driving and will not respond immediately
- Launching a new online assessment for all fleet drivers and employees with a company car in **Spain** to raise awareness of our Absolute Rules on safe driving and ensure they have the necessary driving qualifications
- Introducing customer-facing programmes to promote safer driving beyond our own employees and contractors in **Malta** and **Portugal** (see case study on Portugal)
- **India** rolled out 'Expect the Unexpected' to 85,000 people. These awareness sessions were designed to educate people on risk awareness and 'controlling the uncontrollable', particularly relating to road risk

We also issued a Group-wide Safety Alert to tackle unsafe use of mini buses for transporting employees, which included detailed guidance on how we expect all mini bus services to be managed, the condition of the vehicles and level of qualification required for drivers.



In focus: The Future Driver app in Portugal

The Vodafone Foundation sponsored a national awareness campaign in Portugal to promote the responsible use of mobile phones while driving, the third highest cause of road offences in the country. The innovative Future Driver app offers a practical driving theory test, a glossary of traffic signs and information about mobile phones and driving. The app is fully endorsed by the national transport administration, IMTT.

Ongoing
 Achieved
 Partial
 Not achieved

Objective	Our performance in 2012/13	Status
Implement occupational road risk programmes in all local markets by 2016	Road risk programmes tailored to local needs are in place in the majority of our markets. Three markets are yet to implement a road risk programme but plan to do so in 2013/14.	<input checked="" type="radio"/>

As well as raising awareness among our employees and contractors, we are consulting with international motoring organisations and other multinational companies about how we can help to improve standards of road safety and share lessons learnt more widely in the countries where we operate. Through our involvement in Fleet Forum, which has over 200 member organisations, we are working with others to improve road safety in emerging and middle-income countries in a coordinated and efficient way.

Health and safety – Performance in 2012/13

Working with electricity

We rolled out our e-learning module on working with electricity in 2012/13 to provide all employees with a basic awareness of electrical hazards and risks. It includes information on how to recognise risks as well as appropriate interventions and controls to be used when working with electricity.

Following an electrocution which cost one of our contractors his life in June 2012, we communicated lessons learnt from this incident through our internal safety newsletter to help prevent an accident of this kind ever happening again.

Working at height

Research has shown that ladder cages used to prevent falls from height can lead to a false sense of security when climbing, cause additional injury in the event of a fall and hinder rescue attempts. We committed to replacing all cages on vertical ladders over four metres in height with alternative 'fall arrest' systems by March 2014.

We have fall-arrest systems in place at all our sites in Germany, Greece, Ireland, the Netherlands, New Zealand, Portugal and the UK. All remaining markets have plans to complete the installation of these systems in 2013/14 so we are on track to achieve our target.

Following two fatalities in India since 2010/11 as a result of falls from unprotected rooftops, we inspected over 12,000 base station sites across the country to ensure they had an adequate level of protection and identified 789 sites that needed additional edge protection to make them safer. By the end of March 2013, we had installed edge protection, such as fitted guard rails and parapet walls, at 782 sites. The seven remaining sites could not be modified as they are heritage sites which are protected. In some of these cases we moved the locations to other nearby buildings that allow such safety features to be installed.

Managing our contractors

We continued to work with our contractors to manage and improve their health and safety performance. We integrate health and safety criteria into the initial qualification process and evaluations of contractors, and in 2012/13 we made progress in extending this to the qualification of our sub-contractors.

Contractors' safety performance is monitored through a combination of site inspections, formal audits and assurance programmes that require them to verify that appropriate safety systems are in place. In 2012/13, we conducted nearly 40 random audits a month across our live network sites in Egypt to check that sub-contractors comply with our standards. Any violations are recorded and tracked, with penalties enforced as necessary.

Our Safety Passport system ensures that, for high-risk projects, sub-contractors show that they have received appropriate safety training before they are allowed on site to begin work. Following the success of our pilot project in Greece, we have rolled this system out to other markets including South Africa, Romania, India and Turkey. In 2012/13 our team in Greece launched the Health & Safety Contractors Team website, a new online facility that helps high-risk contractors and sub-contractors to access health and safety information for training their employees. It provides information on the Absolute Rules, our Safety Passports and Safety Alerts. Since its launch, 140 contractors have become registered users and the site has had more than 11,000 hits.

Our ONESAFETY database in Italy provides information on key risks and environmental characteristics of network sites to registered contractors and professionals. The database enables communication between field technicians and our Network Monitoring Centre so users can raise potential problems and update site risk information.

In focus: Red card for safety

In 2012/13 we introduced a consequence management system for suppliers who do not meet our health and safety requirements, making it clear that failing to demonstrate robust safety management is linked to the termination of purchase orders and contracts. Suppliers receive a warning for any high-potential or near-miss incident. Incidents that could have been prevented or those that lead to injury or fatality may result in the termination of our contract with the supplier or the supplier being excluded from bidding for new work with us for a probationary period. To work with us in future, the supplier must go through our full qualification process again.

Health and safety – Performance in 2012/13

Legacy infrastructure

Our legacy infrastructure upgrade programme aims to improve the safety of base stations built prior to the introduction of our new design standards. In 2012/13, we continued to extend our programme of preventative maintenance across our markets. We estimate that this process was complete for half of our sites at the end of its second year, putting us on track to complete the four-year programme as planned. As part of this process, the safety standards we have established for the installation of all new base stations will be progressively rolled out to existing sites.

Following the collapse of a guyed tower in Portugal, the local team has implemented a procedure for new and existing towers, to ensure the anchorage points that support them are sufficiently strong. From tests conducted so far, around 60 towers out of 198 had one anchorage point that did not perform to the specified strength. In these instances, we changed the position of the anchorage point and re-tested its strength to ensure it met our requirements. We have also imposed stricter limits on the height of all new-guyed towers to improve safety.

Reducing fatalities and major incidents

Lost time injury rates fell by 27% to 1.23 per 1,000 employees in 2012/13 as a result of our continued efforts to prevent incidents across the Group. The number of major incidents also declined by 51%, from 33¹ to 16.

The number of high-potential incidents we recorded – those that do not cause a major accident but could have under different circumstances – has increased by 21%. This is a strong indication that awareness of safety is increasing and our management systems are working.

We find it encouraging that this year we had 0 employee fatalities, however we deeply regret that 12 contractors lost their lives in 2012/13. Six of these fatalities were the result of road traffic accidents, three were due to electrocution, two as a result of falls from height and one from a fall through unsound flooring. In addition, one member of the public died as a result of a vehicle incident in South Africa.

Although there were almost 50% fewer fatalities in 2012/13 than the previous year, any fatality is unacceptable and we continue our efforts to drive a culture of zero fatalities across the Group.

See Data for more detailed, year-on-year performance.

Strengthening health and safety management

In 2012/13, we developed a new safety maturity matrix that will provide consistent criteria to measure and compare health and safety management across the Group. This will integrate elements of the International Safety Rating System (ISRS), used previously, but will be more tailored to our business and put greater emphasis on improving performance rather than simply complying with standards.

The matrix is designed to help our senior leaders measure the health and safety culture in the business against a set of consistent criteria. Results of the assessment will be used to create a tailored improvement plan for each local market, which is regularly reviewed by the relevant Leadership Team. Maturity levels of each market will be validated annually through internal audits every three to five years.

 Ongoing
  Achieved
  Partial
  Not achieved

Objective	Our performance in 2012/13	Status
Achieve International Safety Rating System (ISRS) Level 7 in all local markets by 2016	In 2012/13, we phased out the ISRS auditing programme. From 2013/14, we will begin the transition from ISRS to our own safety maturity matrix. While we will not set specific targets for markets to achieve a certain level of the matrix, our expectation will be for markets to demonstrate continuous improvement against the matrix criteria.	Target replaced

Health and safety – Performance in 2012/13

In focus: DNV award for innovation in safety

In 2012/13, Vodafone received an award for Innovation in how we manage safety from Det Norske Veritas (DNV), an independent global provider of services for managing risk.

Notes:

1. This figure has been restated from 25 in the 2011/12 Sustainability Report due to a report error.

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.

For more details see their Assurance Statement.

June 2013

ERNST & YOUNG
Quality In Everything We Do



Absolute Rules

Our Absolute Rules on safety demand zero tolerance of unsafe behaviours in three of our highest risk activities: occupational road risk, electrical safety and working at height. See more in Our approach.

Health and safety – Data

Total number of fatalities (employees and contractors)

	2010/11	2011/12	2012/13
Employee fatalities	4	1	0
Contractor fatalities	17	20	12
Total	21	21	12

Cause of fatalities (employees and contractors)

	2010/11	2011/12	2012/13
Electrocution	1	4	3
Work at height	4	2	2
Structural failure/collapse	1	0	0
Road traffic accident	12	13	6
Materials and equipment handling	3	0	0
Criminal activity	0	1	0
Struck by a falling object	0	0	0
Security incident	0	0	0
Plant, product or equipment related	0	1	0
Slip/trip/fall	0	0	1

Total number of fatalities by country (employees and contractors)

Country	2010/11	2011/12	2012/13
Egypt	2	2	1
Ghana	1	0	0
India	11	14	7
Czech Republic	1	1	0
Turkey	2	0	1
Vodacom ¹	4	3	2
Romania	0	1	1

Notes:

1. Vodacom markets include South Africa, Democratic Republic of Congo, Lesotho, Mozambique and Tanzania.

Health and safety – Data

Number of lost-time incidents

	2010/11	2011/12	2012/13
Number of lost-time incidents (employees)	188	146	112

Lost-time incident rate per 1,000 employees

	2010/11	2011/12	2012/13
Lost-time incidents (rate per 1,000 employees)	2.4	1.69	1.23

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report.
For more details see their Assurance Statement.
June 2013





Customers and the environment – Our approach

We aim to reduce the environmental impacts of our products and services, empowering our customers to make more sustainable choices. We are also helping our enterprise customers achieve their sustainability goals through our low carbon solutions.

We work with both our suppliers and our customers to reduce the impacts of our products across their lifecycle. Our focus with suppliers is on improving their sustainability performance in sourcing raw materials and manufacturing products. With our customers, we help them to make an informed choice about which mobile phone they buy, to reduce impacts from charging their phone and to recycle it when they no longer need it.

Read on to find out more about our approach and our performance in 2012/13.

Empowering customers to make more sustainable choices

We want to empower our customers to make informed decisions about the phones they buy. Vodafone's Eco-rating scheme, now launched in eight markets, helps them do just that. The Eco-rating scheme is part of our marketing materials, and scores are displayed next to phones in our retail stores and web shop.

The Eco-rating scheme assesses handsets on a scale between 1 and 5, with 5 being the most ethical and environmentally responsible. Manufacturers are asked to respond to more than 200 questions covering the environmental and social impacts of each phone across its lifecycle, from the mining of raw materials used to make components to consumer use and disposal, and the level of commitment of the manufacturer to managing its own impacts, which is reassessed annually. Responses are verified by two independent third parties, Bureau Veritas and SKM Enviros, who request further evidence if needed. (Find out more on the methodology behind Eco-rating.)



Eco-rating is available in Australia, Czech Republic, Hungary, the Netherlands, New Zealand, Portugal, Romania and Spain, and will be rolled out to further European markets during 2013.

Criteria for the Eco-rating accreditation are updated annually, and the update in 2012/13 defined clearer and stricter criteria in the green design category, incorporating the feedback we received from a meeting of stakeholders including NGOs and consumer groups.

The response from consumers has been positive. We conducted a survey in July 2012 of over 1,000 consumers in the Netherlands, where we first introduced Eco-rating: 80% believed the score to be trustworthy and half said they would consider it when they buy a phone in future.

The Eco-rating scheme has received support from NGOs such as Planet Ark which endorsed the launch of Vodafone's Eco-rating in Australia, and social enterprises such as Fairphone are using it in their development of an environmentally and socially fairer phone.

We are now working with other operators, manufacturers, the GSMA and the ITU to develop an industry standard for measuring the environmental and social impact of handsets.

For more on how we are working with suppliers to reduce the impacts of mobile phones and other devices, see Supply chain.

Customers and the environment – Our approach

Stakeholder views

“Fairphone cooperates with industry partners to create a platform for best practices in the industry and apply them in the development of a fairer phone. Our ultimate aim is to produce a fair phone, one that respects the complexity of sourcing, manufacturing and recycling in the mobile industry. Working with Vodafone’s Eco-rating, which is aimed at providing transparency and empowering users, is one step closer to achieving this goal.”

Bas van Abel, Founder and CEO, Fairphone

Reducing impacts from charging mobile phones

Vodafone is a signatory to the GSMA’s industry-wide commitment to introduce a universal charger. This initiative aims to reduce electronic waste by eliminating the need for consumers to replace their charger when they buy a new phone.

The universal charger is one of the evaluation criteria in our Eco-rating scheme. In 2012/13, our Eco-rating evaluation process showed that over 90% of the smartphones stocked by Vodafone are supplied with a GSMA-compliant (or equivalent) universal charger.

We also offer solar-powered charging solutions that reduce environmental impacts from charging phones and extend access to reliable, renewable energy supplies in remote areas of emerging markets. See Low carbon solutions.

Retaining, reusing and recycling mobile phones

Mobile technology advances rapidly and many of our customers regularly replace their phones to stay up to date with the latest technology, especially in our mature markets.

Research through our Eco-rating scheme shows that the biggest environmental impact across the lifecycle of a mobile phone is from its production, partly because mobile phones are often only used by consumers for a relatively short period of time compared with other consumer electronics.

For many years, we have encouraged customers to return their unwanted handsets and accessories to Vodafone for reuse (where possible) and recycling. We do this by raising awareness about our recycling programmes through posters, leaflets, in-store collection points and prepaid envelopes with new handsets.

In 2012/13, we changed our approach to proactively ask customers what they are doing with their old handsets when they upgrade. The new Vodafone BuyBack scheme offers both consumers and business customers attractive incentives to return used phones and tablets, including discounts on new handsets, charity donations or store credit. Returned handsets are refurbished and resold. In cases where equipment cannot be refurbished or resold, we work with specialist partners to separate and recycle the components.



How Buyback works in the UK

Buyback is a great example of how operating responsibly can directly support our business as this is not only helping us to increase the number of handsets collected for recycling (see data), but also has a significant commercial benefit for Vodafone. Through our new proactive approach, Buyback enabled us to collect an additional 300,000 devices in three markets alone (the Netherlands, Spain and the UK) in 2012/13. As the scheme is introduced in further markets, we expect to significantly increase this total. It is now available in Germany, Greece, Ireland, the Netherlands, New Zealand, Spain and the UK.

We also offer incentives for customers to keep their handsets for longer. In several markets we offer SIM-only price plans with a lower monthly subscription rate for customers who continue using their existing phone rather than upgrading.

Customers and the environment – Data

Phones collected for reuse and recycling

	2010/11	2011/12	2012/13
Phones collected for reuse and recycling (millions)	1.23	1.37	1.62

Number of markets where mobile phone recycling programmes are available

	2010/11	2011/12	2012/13
Number of markets where mobile phone recycling programmes are available	17	17	17



Child safety online – Our approach

Vodafone helps parents protect their children from inappropriate content and contact on the internet to make their children's online world safer. Our industry-leading initiatives offer advice for parents and guardians to help them understand new technologies and to help young people use those technologies safely.

Some of the content and services accessible via the internet are inappropriate for younger users, such as age-rated games, gambling, sexual material and some social networking sites. For example, children and younger teenagers need to understand the potential risks of chatting to strangers or giving out their personal information when using social networking and location-enabled services, and what to do if they think they are being bullied online.

Many parents find it challenging to protect children from these risks. Typically, parents have a lower level of understanding of new technologies than their children and therefore need support to make informed decisions about how to help their children stay safe online.

Digital parenting

Our Digital Parenting website provides up-to-date guidance on protecting children from inappropriate content and the risks associated with social media sites. The accompanying magazine, also available as an app, offers views from experts as well as practical information, such as step-by-step guides on how to set up parental controls on handsets.

Following the success of the first issue of the magazine in 2010, we launched a second edition in 2012 which is available online. We also printed 500,000 copies for distribution in schools across the UK. The latest edition includes guidance for grandparents, recognising the increasing role many play in looking after children.

We also offer a range of apps across our markets to support child safety online. The Vodafone Guardian app is now available in 17 countries and gives parents more control over the way their children use their phone (see feature below).



In focus: Safer smartphones with Vodafone Guardian app

Vodafone Guardian is an app for Android smartphones which gives parents much more control over how and when their children use their smartphone.

Vodafone Guardian is simple to use and is provided for free. Parents can use the app to choose who can call or text their child, set the times when they can use their phone and decide whether or not they can use the smartphone camera, browse the internet or download other apps. Vodafone Guardian also enables parents and children to block unwanted text messages and calls, limiting the impact of cyber bullying and prank calls.

The app was developed by the Vodafone Foundation as part of our Mobiles for Good Programme. Download it for free here.

Child safety online – Our approach

Promoting a common industry approach

Network operators such as Vodafone provide consumers with a means of connecting to the internet to view content in a web browser or to access content and services via apps on their devices. While we can control the content made available within the small number of apps we have created ourselves, the vast majority of the content and services accessible via our network is not created, hosted or controlled by Vodafone in any way.

Smartphones and tablets can access online content and services via a variety of different types of provider, including the 3G and 4G networks operated by Vodafone and our competitors, public WiFi networks and ADSL or cable networks via private WiFi networks.

Additionally, some device manufacturers maintain their own controls and filters. For example, Blackberry maintains its own servers to provide customers with access to the internet, Apple offers on-device child protection measures which allow parents to limit their child's access to certain kinds of content, and third-party app stores operated by Blackberry, Apple, Google and Microsoft limit access to apps on an age-rating basis. However, these measures are also beyond Vodafone's direct control.

Keeping children safe online therefore requires an integrated approach across the broader technology industry.

Vodafone has been a leading force in online child protection since 2002, working closely with other organisations in the industry and beyond, to drive common approaches to safe browsing and app use. In 2004, Vodafone UK was the first company anywhere in the world to deliver an online child protection filter across its own 3G mobile network, which included integration of the Internet Watch Foundation (IWF) Child Sexual Abuse Content Block list (see below). In 2007, similar 3G network-level filters were rolled out across our networks in our local markets, where permitted by law and accepted as necessary and desirable according to the prevailing culture of the country. In some countries, network-level filtering by operators is viewed as an unacceptable restriction of a citizen's freedom to communicate, even when such measures are intended to protect children from harmful content.

Vodafone is one of 26 companies who have signed up to the ICT Coalition for a Safer Internet for Children and Young People's guiding principles, which we helped to develop. The principles set out a common code of conduct for the development of products and services that promote child safety online. Coalition members are funding an independent assessment of their self-declaration reports commencing in 2013.

Vodafone is also a signatory to the European Commission's CEO Coalition on Child Safety Online, which commits us to making it easier for users to report harmful content, ensure that privacy settings are age-appropriate and offer parental controls. In January 2013, we delivered our commitments and status report to the EU outlining our policy and initiatives for online safety.

Blocking illegal content

The internet contains large amounts of material that is not suitable for under-18s. A much smaller proportion of the material accessible on the internet is also illegal in many countries, particularly content related to the sexual abuse of children.

Vodafone is committed to doing all we can to remove such content from the internet. We have 'Notice and Takedown' procedures in place to ensure this illegal content is removed or dealt with appropriately, should it be found on our servers, and to co-ordinate with law enforcement agencies on any subsequent investigation.

Additionally, as a member of the Internet Watch Foundation, we maintain filters on our own networks that block access to web pages known to host child sexual abuse content using a blacklist provided by the IWF. We do this in the majority of our markets in the EU, with the exception of the Netherlands and Germany, where it is not legal to use such a block list.

Much of this illegal content is hosted in countries where Vodafone and other major operators do not have an operating business. We are a founding member of the Mobile Alliance against Child Sexual Abuse Content, established by the global industry body the GSM Association (GSMA) and supported by more than 90 operators.

The Alliance provides best-practice advice and support to mobile operators worldwide in order to obstruct the use of mobile networks and services by individuals or organisations wishing to consume or profit from child sexual abuse content, and to provide support for law enforcement agencies seeking to investigate such activities. The Alliance is active in more than 30 countries and seeks to protect a total of more than 600 million mobile phone users from exposure to illegal content accessed via the member operators' own networks.



Human rights – Our approach

Wherever we operate, we work to ensure that we do not infringe on human rights through our operations or business relationships. This responsibility is embodied in our Business Principles and our Code of Conduct.

We believe that telecommunications supports human rights by enabling the exchange of ideas and access to information in a way that supports economic and social opportunity, development, advances knowledge and increases openness and transparency. See Transformational solutions for more on how our products and services are improving lives.

We recognise that Vodafone has a responsibility to respect human rights, as articulated in the Universal Declaration of Human Rights and we are aligning our approach with the UN Guiding Principles on Business and Human Rights.

Aligning with the UN Guiding Principles

We welcome the development of the UN Guiding Principles on Business and Human Rights which provides a clear framework to guide companies and other stakeholders. The 'Protect, Respect, Remedy' framework assigns responsibility to corporations to respect human rights – to avoid infringing on the human rights of others and to address adverse human rights impacts with which they are involved.

In 2012/13, we worked with the sustainability organisation, Business for Social Responsibility, to conduct a gap analysis on our Group-level approach to human rights against the UN Guiding Principles. This identified the categories of human rights most relevant to Vodafone's business as: labour rights; civil and political rights; rights of the child; economic, social and cultural rights; land and property acquisition; and the environment.

Each of these categories is managed through well-established policies and programmes which are described in detail in the relevant sections of this report (indicated below).

In addition, human rights issues are integrated in the due diligence process we conduct before entering new markets (either as an operator ourselves or through partnerships with other operators). This due diligence process uses

internationally recognised indexes and evaluations of particular issues such as corruption, respect for privacy, internet freedom, freedom of expression and workers' rights to assess and highlight the potential impacts or risks associated with entering new markets. The findings are considered as part of the decision making process on whether and how to enter a particular market.

Labour rights

We are committed to respecting the human rights of everyone working for Vodafone either directly as an employee or indirectly as a contractor or a worker employed by one of our suppliers.

Our Code of Conduct clearly states that we will base relationships with and between employees on respect for individuals and their human rights. We will not tolerate any form of discrimination. Our Group employment policies are consistent with the UN Universal Declaration of Human Rights and the International Labour Organization's Core Conventions. They require consistent standards across the Company. For more details on issues including health and safety, the right to join trade unions, equal opportunities and diversity, see Our people.

With an extensive global supply chain, there is a risk that some suppliers or subcontractors might not meet acceptable standards of working conditions and human rights. Our Code of Ethical Purchasing sets out the labour, health and safety, ethical and environmental standards we expect our suppliers to meet. The Code is based on Vodafone's values and international standards, including the Universal Declaration of Human Rights and the International Labour Organization's Conventions on labour standards. For more on how we monitor suppliers' compliance and tackle issues such as conflict minerals, see Supply chain.

Vodafone does not tolerate child labour, forced or compulsory labour.

Human rights – Our approach

Civil and political rights

We believe that access to communications technology can support greater freedom of expression. However, the right to freedom of expression and privacy must be balanced with the protection of vulnerable groups, such as children, and public safety or security in certain exceptional circumstances.

In every country where Vodafone operates, governments retain law enforcement powers that impact rights to privacy and freedom of expression. These include legal powers that require telecommunications operators to provide information about customers or users or to put in place the technical means to enable information to be obtained for law enforcement purposes, such as lawful interception. Governments also retain powers to limit network access, to block access to certain sites and resources or even switch off entire networks or services.

These powers have many legitimate purposes, including fighting crime and terrorism, and protecting public safety. However, these powers must be balanced with the respect for civil liberties and freedoms, including individuals' privacy and freedom of expression. We closely manage and monitor compliance with these legal obligations and our relationship with law enforcement authorities to ensure human rights are respected.

Vodafone's Global Policy Standard on Law Enforcement Assistance sets out our principles and standards on assisting law enforcement, including processes to ensure our actions are accountable at the most senior level.

Vodafone is also a founding member of the Telecommunications Industry Dialogue on Freedom of Expression and Privacy, a group of global telecoms companies working together and in collaboration with the Global Network Initiative to address issues of privacy and freedom of expression. Vodafone is signatory to the Industry Dialogue's Guiding Principles on Freedom of Expression and Privacy, which define a common approach to dealing with demands from governments that may affect privacy and freedom of expression in a principled, coherent and systematic way across the industry.

See Privacy and security for more details on how we manage privacy and freedom of expression.

Rights of the child

We support a common industry approach to child safety online. Vodafone has signed up to the ICT Coalition for a Safer Internet for Children and Young People's guiding principles, which we helped to develop. The principles set out a common code of conduct for the development of products and services that promote child safety online.

Vodafone is also a signatory to the European Commission's CEO Coalition on Child Safety Online which commits us to making it easier for users to report harmful content, ensure that privacy settings are age-appropriate and offer parental controls.

Vodafone is a founding member of the Mobile Alliance against Child Sexual Abuse Content, which aims to obstruct the use of mobile networks and services by individuals or organisations wishing to consume or profit from child sexual abuse content. We are committed to doing all we can to remove such content from the internet. We have 'Notice and Takedown' procedures in place to ensure this illegal content is removed or dealt with appropriately, should it be found on our servers, and to co-ordinate with Law Enforcement Agencies on any subsequent investigation. As a member of the Internet Watch Foundation, we maintain filters on our own networks which block access to web pages known to host child sexual abuse content using a blacklist provided by the Internet Watch Foundation. We do this in the majority of our markets in the EU, with the exception of the Netherlands and Germany, where it is not legal to use such a block list.

In addition, our industry-leading initiatives such as our Digital Parenting Magazine and Vodafone Guardian app provide advice and tools for parents to help young people use mobile phones and internet services safely.

See Child safety online.

Economic, social and cultural rights

We are increasing access to telecommunications by extending our network access across emerging markets and offering solutions tailored to low income markets. See Transformational solutions.

Vodafone has a zero tolerance approach to any form of bribery. This is embedded throughout the Group through our robust global anti-bribery programme. This programme targets bribery and corruption that, if used to influence public officials for example, could threaten the rule of law and realisation of economic rights. See Ethics.

Our approach to managing health issues is based on all available scientific evidence, to ensure we safeguard our customers, employees and the public. Mobile devices, and the masts that enable them to communicate calls and data, operate well within guideline safety limits. See Mobiles, masts and health. Our products and services are also helping to increase access to healthcare (see Health).

Land and property acquisition

We consult communities in the selection of our sites to ensure we obtain prior and informed consent for installing antennas or other equipment. See Network deployment.

Environment

We have strong processes in place to manage the environmental impacts of our operations including our carbon footprint and disposal of electronic waste. See Environment.

Our Low carbon solutions are also helping to reduce carbon emissions in other sectors.



Our people – Our approach

We support, train and encourage the 91,272 people working across Vodafone to ensure they have the right capabilities, commitment and enthusiasm to achieve our business goals.

Our aim is to attract, develop and retain the very best people by offering a motivating and inclusive workplace in which talent is recognised and developed, and wellbeing is promoted.

We make it a priority to listen to our employees to understand their views and respond to their feedback by taking action to improve. We monitor employee engagement and satisfaction levels through our annual Group-wide people survey, and use this to assess managers according to the experience they create for their team.

Read on to find out more about our approach. Or go to Performance to read about our progress in 2012/13.

Working in the Vodafone way

The Vodafone Way sets out a consistent way of working for everyone at Vodafone. It is supported by our Code of Conduct which sets out the high ethical standards all employees must uphold. The Vodafone Way is part of employees' performance objectives and those demonstrating outstanding commitment are recognised as Vodafone Heroes.

Employee engagement

Open and regular communication is fundamental to employee engagement. Our intranet keeps employees up to date on company strategy, internal news and events, provides videos from around Vodafone and promotes discussion through Vodafone Circle, our internal social network. Group and local market Chief Executives also communicate directly with employees through regular webinars and videos.

We use our annual Group-wide people survey to assess engagement levels and identify opportunities to improve ways of working and support employees to do their best. From the survey, we calculate an Employee Net Promoter Score which provides a key indicator of employee commitment to promote our products and services.



In focus: The Vodafone Way

The Vodafone Way defines a consistent way of working to help us strengthen our position as an admired company in the eyes of our customers, shareholders and employees. To achieve this corporate objective, we must be customer obsessed and operate with:

- **Speed** – bringing products and services to market quickly and prioritising the things that really matter
- **Simplicity** – making things simpler for our customers, business partners and colleagues
- **Trust** – acting with honesty, integrity and fairness, being reliable and transparent, and valuing the confidence that people place in us as a company

Our Employee Engagement Index gauges how committed employees are to Vodafone, their desire to continue working for us and their willingness to recommend Vodafone as an employer. The accompanying Manager Index provides a measure of the experience our managers create for their teams. For the latest survey results, see Performance.

Our people – Our approach

Employee consultation

Although Vodafone recognises the rights of our employees to join trade unions, we prefer to consult with our employees directly to ensure everyone is treated fairly, whether represented by a trade union or not.

Where representation by trade unions is conferred automatically by legislation, these rights are upheld. All our local businesses respect the wishes of the majority of their employees in deciding whether to recognise a trade union to negotiate terms and conditions of employment, where legislation permits.

In focus: Vodafone European Employee Consultative Council

We consult directly with our employees on changes to the business and other relevant issues through, among other channels, round tables and through employee representatives.

If two or more countries in Europe are affected we also consult with our employees through the Vodafone European Employee Consultative Council (EECC). The EECC meets at least once a year and gives employee representatives an opportunity to raise any concerns with our executive management team.

Employee delegates also hold two interim meetings a year, elect Select Committees and can request translation services. Founded in 2003, the EECC meets the requirements of Article 13 of the EU Directive on Multinational European Works Councils. Employees from 14 countries within the European Union are represented. The number of representatives per market is in proportion to the number of employees in each market.

Managing organisational change

We are committed to treating employees fairly and with respect during periods of organisational change. Any reorganisation is carried out in compliance with local legislation and in consultation with employee representatives, works councils and local unions.

Changes are communicated clearly to employees through team events and affected employees meet with their line managers and human resources teams. In cases where changes result in redundancies, we offer support to help affected employees find new jobs either within the company or externally. This includes outplacement services, recruitment events, and training on interview techniques and CV writing skills.

Development and training

Our development and training programmes ensure we have the skills and talent needed to grow our business now and in the future. The programmes help our employees gain new skills and experiences through formal training, on the job experience, coaching and mentoring.

We conduct an annual analysis of learning needs across the business to identify priorities and ensure that learning plans support our business strategy. Each employee has a formal Performance Dialogue twice a year with their line manager to review their performance and set clear goals and development plans for the year ahead.

Our global Academies in Marketing, Technology, Human Resources and Finance enable people to develop the critical skills they need to work in particular functions. We work with leading business schools and accredited external providers to develop and deliver the training, most of which is online. Training for our sales teams focuses on customer interactions and building customer relationships.

Developing the leadership capabilities of high-potential employees is a key focus to strengthen our succession planning. High-potential employees across the Group are identified through our annual Talent Review Process and, where appropriate, they are given the opportunity to take part in our global leadership development training programme, Inspire. Inspire is designed to accelerate the progress of high-potential managers into senior leadership roles. It provides a combination of learning programmes, executive coaching and mentoring from senior Vodafone leaders over a period of 18 months, and may include an assignment to another Vodafone local market or function.

We want people to grow at Vodafone and encourage people to develop their careers in the company, either through promotion or a change of role to broaden their experience. Vacancies across the Group are advertised on our intranet, which encourages the transfer of talent between local markets. We also conduct quarterly Talent Reviews for senior leaders to identify high-potential leaders, match their skills to business needs and help individuals achieve their development goals.

Diversity and inclusion

We believe that diversity plays an important role in a successful business. Our Group-wide diversity and inclusion strategy outlines our commitment to creating an inclusive work environment which respects, values, celebrates and makes the most of the individual differences our people bring to Vodafone.

Key to this is our recognition of diversity as a business asset that fosters innovation and helps us better understand and meet the needs of our customers.

Our people – Our approach

Inclusive leadership

Inclusive leadership workshops for our most senior leaders highlight the business benefits of diversity and encourage them to act as role models to promote diversity and inclusion across Vodafone. Similar workshops for their direct reports and human resources professionals, together with a dedicated online diversity and inclusion resource centre, support efforts to improve diversity within each of our local markets.

Valuing diversity

We value all types of diversity, but one global focus is on gender balance within teams and at all levels of the business. To understand and strengthen our female talent pipeline, we analyse the proportion of men and women in promotions, new hires and leavers through a talent management dashboard.

With operations worldwide, Vodafone is not only multinational but multicultural. We recognise the value that international experience brings by opening up new perspectives and spreading best practice. As part of our strategy to invest in talented employees, managers are encouraged to gain experience working in different countries.

We are conscious of the difficulties often experienced by people with disabilities in society and in the workplace, and make every effort to ensure access to the Group's facilities and services through the provision of additional facilities, job criteria and appropriate training.

Individual responsibility

All employees have a duty to act with integrity and respect for their colleagues and customers at all times. We do not condone unfair treatment or discrimination on any grounds. This applies to anyone working for Vodafone whether they are employees, contractors, agency workers or self-employed.

We promote an open culture that encourages people to raise issues to ensure that any behaviour which excludes or discriminates against individuals does not go unchallenged.

Reward and recognition

We offer competitive and fair rates of pay and benefits to attract and retain the best people.

Our global short- and long-term incentive plans reward employees based on their performance, potential and contribution to the success of the business. An ownership mentality is also a cornerstone of our reward programme and senior executives are expected to build up and maintain a significant holding in Vodafone shares.

Each of our markets offers a competitive range of benefits, which vary according to local market conditions and regulations. These include medical insurance, subsidised mobile phones, share plans and retirement benefits. For more information, see our Annual Report.

Employee wellbeing

We want to help employees balance work and family commitments, manage stress and have a healthy lifestyle. Supporting our employees' physical and mental wellbeing improves their performance, reduces absence rates and helps to make Vodafone a great place to work.

Our Group Health, Safety and Wellbeing Policy sets out our global commitment to wellbeing. Local markets develop initiatives tailored to the needs of their employees and share information through our Health, Safety and Wellbeing Network.

Employees can get advice on how to improve their own wellbeing such as reminders to set up workstations properly, tips on safe driving and how to limit stress through clear goal setting and good time management. Best practice guidance is available for managers to promote wellbeing among their staff.

We measure the effectiveness of our wellbeing programmes by asking employees what they think through our annual People Survey (see Performance). For more on our approach to employee safety, see Health and safety.

Our people – Performance in 2012/13

We have focused on embedding the Vodafone Way to improve the way we operate, developing high-potential employees and recruiting new talent through acquisitions to build the skills we need to drive business growth and expand into new areas. Our People Survey shows employees are engaged and we have demonstrated overall improvements year on year. A renewed focus on diversity and inclusion demonstrates our continued commitment to the value this brings to our business.

Employee engagement

Employee engagement remained strong in 2012/13. Around 90% of employees across the Group responded to our annual Global People Survey and we recorded an improvement in nearly every area. Our overall engagement score continued to increase to 78 points out of 100 (up from 77 in 2011/12). The Employee Net Promoter Score (NPS), an indicator of employee advocacy of our products and services, also increased. See Data for more detail on the survey results.



Objective	Our performance in 2012/13	Status
Improve our Employee Net Promoter Score (NPS)	Employee NPS continued to increase by one point	

Embedding The Vodafone Way remained a key focus of our employee engagement activities in 2012/13. We completed our series of workshops on Leading in the Vodafone Way for our global leadership team, and key messages have been cascaded through the business. We also developed and distributed a new guide for employees on how to communicate in the Vodafone Way.

In 2012/13, we launched the Vodafone Hub, our new intranet site, which aims to promote engagement with a social networking feature called Vodafone Circle and a video channel called Tube, which enables employees to upload videos that share best practice across the business.

Results from our Global People Survey demonstrate high levels of awareness of The Vodafone Way among employees and we are now moving from principles to practice, using the core values of speed, simplicity and trust to help tackle business challenges at Group level and in individual markets. Our revised Code of Conduct, with clear messaging and the use of real life examples, demonstrates the push towards simplicity in the business (see Ethics).

Managing change

The way we are working is changing, to meet the evolving needs of our customers. We continue to make our business more efficient, simplify processes across our markets and target business growth in new areas such as fixed line telecommunications and Enterprise. We have specifically focused on efficiency opportunities in areas of the business that are not customer facing. Employees in various markets were affected by organisational changes in 2012/13, including:

- The acquisition of the fixed-line telephone business Cable and Wireless Worldwide (C&WW), involving around 7,000 former C&WW employees
- The integration of 1,300 employees into Vodafone following the acquisition of the fixed-line telephone business Telstra in New Zealand in July 2012 – feedback on how we are managing this process can be submitted by employees via our 'strength-to-strength' portal
- The continued transition of transactional and back office activities around the Group to our shared service centres in Egypt, Hungary and India, including bringing some previously outsourced customer contact centres in-house to improve service. We supported employees through these organisational changes in a range of ways, finding people new jobs elsewhere in the company or arranging for them to work for a partner company where possible. We also helped those who were made redundant search for new jobs, offering them training on job applications and interview skills, and advice on how to start their own business. Vodafone aims to treat all employees fairly, consulting with those affected and clearly communicating developments

Development and training

We invested around £34 million in the training and development of our people during 2012/13 and 77% of our people agreed that they had opportunities to learn the skills that they need to do their jobs well (up from 75% the previous year).

We targeted leadership development and increased investment in improving capabilities of customer-facing staff to improve the Vodafone experience for both consumers and enterprise customers, and support our business in the future. We have developed these key capabilities through:

- Increased investment in face-to-face training for our retail and enterprise sales teams
- For the past five years we have been developing our next generation of leaders through Inspire, an 18 month programme for high potential managers. Since its inception, 200 high potential managers from over 26 countries joined the programme, attending leadership development workshops, leading business challenges, and receiving coaching sessions and mentoring from senior leaders. The Columbus programme which gives our top graduates the opportunity to develop international experience by working for two years in one of our other markets

Our people – Performance in 2012/13

We want our training to be relevant and accessible for all employees. In 2012/13 we launched an online global training programme which enables people to find training tailored to their role and development needs. Employees are able to access learning resources, including training on particular functions from our academies to aid self-development and progression towards their individual career goals.

All of our employees also completed Performance Dialogues with their managers to define their own career goals and identify development opportunities.

Developing the leadership capabilities of high-potential employees helps us reward and retain talent. In 2012/13, 61% of senior leadership positions were internal promotions.

Diversity and inclusion

Increasing diversity and inclusion (D&I) in our workforce has been a major focus in 2012/13. We created the new role of Director of Diversity, reporting directly to our Group HR Director, to drive the agenda at a senior level.

In 2012/13 our Inclusive Leadership workshops, which aim to encourage our leaders to value diversity and develop inclusive teams, were extended to middle managers across the Group. We conducted five 'Train the Trainer' programmes which have equipped 88 people from a variety of HR and business functions with the skills and knowledge needed to deliver D&I programmes in their local markets.

Newly trained facilitators have already delivered over 50 workshops to around 800 managers across the Group and we expect to reach around 2,200 managers on completion in 2013/14.

Our 2012 Global People Survey showed continued improvements in employee perceptions of diversity and inclusion within Vodafone. Of those surveyed, 85% (up one point from 2011/12) believe their local market or Group function values diversity, 85% (up one point) agreed that a person's background does not stop them progressing and 89% (up one point) agreed that people are treated fairly regardless of their gender, background, age or belief at Vodafone.

Gender diversity

Increasing female representation in the workplace remained a priority for us in 2012/13, especially increasing the number of women in management.

Women represent a growing proportion of management positions. We have one female Executive Committee member and three female local market CEOs. The proportion of female leaders in our top senior management has increased from 19% in 2011/12 to 20% in 2012/13, and from 23% to 24% in middle management. See Data.



Breaking the Mould

Our commitment to promoting greater female representation at all levels of the organisation was recognised by the Financial Mail on Sunday which named Vodafone as overall winner of its 2013 'Breaking the Mould' award.

Examples of how we are driving greater gender diversity in management include:

- Encouraging team leaders to take action to increase the number of women in their teams through internal promotions and external recruitment through our 'Plus 1' principle if the gender balance is less than 50% female
- Guaranteeing a 50:50 male/female split in our graduate and MBA recruitment programmes, and encouraging gender balance on our internal development programmes and resourcing shortlists
- Building on the success of our global technology women's network which offers coaching and career support for women in technology roles to create local forums for female employees in five further markets where they can connect with and learn from senior role models. We now have more than 10 active networks
- Identifying senior female employees suitable to serve with non-executive boards of other companies through our Membership of the European Round Table of Industrialists (ERT). We also disclose our gender diversity targets and progress against these as part of the ERT's voluntary targets initiative
- Providing senior Vodafone women with the opportunity to learn about life as a Non-Executive Director through our sponsorship of the Professional Boards Forum
- As part of our celebration of International Women's Day in March 2013 (see case study below), our local markets shared a series of best practices, including:
 - Our women-only 'Angel Stores' in India which are managed and run exclusively by female employees – the 16th Angel Store was opened on International Women's Day

Our people – Performance in 2012/13

- The maternity returners programme in Ireland which is helping women with the transition of going back to work after having children
- The Women's Movement in Technology initiative in Turkey which is encouraging women (who have 23% less access to technology than men) to use internet and mobile technology
- Vodafone Germany's programme to support the development of women working in sales



Age diversity

In 2012/13, we conducted research into the effect of an ageing workforce in Europe on our business. One of the findings was that our retail employees are generally younger than our average customers. We recognise that attracting and retaining staff who reflect the demographics of our local communities and customers will be vital to our continued business success. We have now included recommendations from this research into our Global HR strategy. For example, we are looking at ways of introducing more flexible working which appeals to all ages.

Lesbian, gay, bisexual and transgender inclusion

In 2012/13, we launched a new lesbian, gay, bisexual and transgender (LGBT) network for employees in the UK (both within our UK operating company and for UK based group employees). The network offers confidential support and advice to our employees on a variety of LGBT topics such as fear of coming out and opportunities that the LGBT community can bring to our business. This is helping promote an equal and fair treatment of employees irrespective of sexual orientation or gender identity. We plan to support more countries to roll out a similar network next year – while recognising the need to be sensitive to local laws and cultures where tolerance of LGBT people varies.

Employee wellbeing

In 2012/13, our performance on wellbeing continued to improve with 70% of employees agreeing that their local market or Group function takes a genuine interest in their wellbeing (up from 68% the previous year).

Wellbeing programmes are managed locally to suit the needs of employees in different markets. Examples in 2012/13 include:

Establishing a new doctor and nurse service and setting up two contact centres at our Newbury campus in the UK to make it easier and simpler to get medical attention at a time that suits our employees

Launching a walk-to-work campaign in Lesotho to encourage employees to stop driving and walk to work to get fit instead. This campaign was used to raise awareness of cardiovascular disease, cancer and diabetes

Running dietary awareness webinars in Italy to provide employees with advice on how to eat well and improve their diets in ways that may prevent chronic disease, such as diabetes

Our people – Data

Total number of employees

	2010/11	2011/12	2012/13
Total number of employees	83,862	86,373	91,272 ¹

Notes:

1. Represents the average number of employees in our controlled and jointly controlled markets during the year.

Diversity and inclusion

Women in management

	2010/11	2011/12	2012/13
Women in top senior management (top 200–250 employees) (%)	17	19	20
Women in senior management (top 1,100–1,600 employees) (%)	20	21	22
Women in middle management (top 4,500–6,400 employees) (%)	23	23	24
Women (all employees) (%)	40	39	37

Nationalities in top management bands

	2010/11	2011/12	2012/13
Nationalities in top management bands (top 200–250 employees)	29	25	26

Employee turnover¹

	2010/11	2011/12	2012/13
Part-time employees	7,918	8,479	8,802
Number of voluntary leavers	7,156	7,746	9,621
Number of involuntary leavers ²	4,598	4,019	4,234
Newly hired employees	13,046	11,913	15,597
Average turnover rate (%) ³	15	15	16

Notes:

1. Represents the average number of employees in our controlled and jointly controlled markets during the year and excludes CWW.
2. Involuntary leavers include those who leave the business through redundancy, Vodafone-initiated separation or death in service.
3. Includes voluntary and involuntary leavers.

Our people – Data

Vodafone global people survey

	2010/11	2011/12	2012/13
Overall response rate (%)	90	90	90
Employee Net Promoter Score ¹	41	42	43
Employee engagement index	75	77	78

Notes:

1. The employee Net Promoter Score is calculated from the number of promoters minus the number of detractors.

Employees responding positively to key sustainability-related questions (%)

	2010/11	2011/12	2012/13
Engagement and values			
I am proud to work for Vodafone	82	85	86
My local market/Group function operates ethically	80	83	83
Health, safety and wellbeing			
The Absolute Rules for Health and Safety are taken seriously at Vodafone	–	–	87
My local market/Group function takes a genuine interest in the wellbeing of its employees	62	68	70
Diversity and inclusion			
People in my team are treated fairly regardless of their gender, background, age or belief	87	88	89
My local market/Group function values diversity	81	84	85
A person's background does not stop them progressing	82	84	85
Training			
Opportunities to learn skills and knowledge to do job well	–	75	77
Reward			
Total reward package is fair	–	52	54



Ethics – Our approach

Vodafone's success is underpinned by our strong commitment to ethical behaviour in the way we do business. We expect our employees to uphold the high standards set out in our Code of Conduct which also includes our Business Principles.

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

Setting high standards

Our Code of Conduct, revised and updated in 2012/13, explains what is expected of everyone working for and with Vodafone including employees, contractors, subsidiaries, joint ventures and suppliers. It also sets out Vodafone's responsibilities to our people, partners and shareholders.

Available in 14 languages, the Code requires people to act ethically, comply with legal requirements, apply our Business Principles and speak up if they suspect any breaches of the Code. The refreshed Code is designed to be a one stop shop for employees to find all the policies they need to understand and is clearly linked with working in the Vodafone Way (see Our people).

Training

Employees across the Group receive regular communications, online refresher training, face-to-face sessions and team briefings on various aspects of our compliance programme, depending on their role.

A 15-minute online training course on the refreshed Code of Conduct was rolled out in our markets in 2012/13, using a series of scenarios to encourage employees to act in the Vodafone Way and direct them to the Code of Conduct for further information. We also introduced face-to-face training sessions for line managers on what the Code of Conduct means for them.



The Vodafone Code of Conduct

To raise awareness of the refreshed Code of Conduct, we released a video compilation of short messages from senior leaders across Vodafone about what the Code means to them.

Reporting concerns

All employees and contractors have a duty to report any breaches of our Code of Conduct, which is known as our 'Speak Up' policy. We have launched a global external reporting scheme which allows employees and contractors to report through a third party. This new process enables us to consolidate existing whistle blowing practice in local markets, increases visibility and ensures consistency of approach in responding to concerns raised from across the organisation. Concerns may be reported anonymously and the protection of innocent people is our priority at all times. People can identify



Ethics – Our approach

themselves to our external partner using a PIN and receive feedback. Vodafone has a non-retaliation policy and will not take any action against anyone reporting a genuine concern, even if this is proven not to result in a breach of compliance.

Taking action

We investigate reported concerns to resolve issues promptly and take appropriate disciplinary action. Any issue involving bribery, corruption or breaches of competition law must be reported immediately. Any resulting investigation will be led by a senior member of Group Legal. Speak Up reports are subject to a triage process and a decision on the appropriate response is made based on the seriousness of the allegation and the location. Local markets have to inform Group Corporate Security about any serious cases of fraud or dishonesty, data loss or breach or incident affecting multiple markets and are required to escalate these reports with 48 hours.

See Data on the number of dismissals and final warnings for employees and contractors, as a result of our investigations, and the types of fraud reported.

Anti-bribery

Vodafone has a zero tolerance approach to any form of bribery. This is embedded throughout the Group through our robust global anti-bribery programme, which is aligned with the six principles of the UK Bribery Act guidance:

- **Proportionate procedures:** The programme is managed centrally to ensure a consistent approach, but also requires each market to tailor the programme and controls to address specific risks and meet local needs, through training and other methods
- **Top-level commitment:** Vodafone's senior managers take an active role in implementing the programme. The Executive Committee receives regular updates on performance and progress from across the Group
- **Risk assessment:** We developed a more consistent approach to risk assessment across the Group in 2012/13, whilst continuing to identify and put in place anti-bribery procedures that are appropriate to the local operating environment. This process is reviewed and updated annually
- **Due diligence:** Our risk-based approach extends to identify high risk suppliers and business partners. Bribery requirements are included in the terms of our contracts with suppliers and anti-bribery questions are included in the qualification process for high risk suppliers, as well as our performance management programme for strategic suppliers (see Supply chain)
- **Communication and training:** Our anti-bribery policy is included in our Code of Conduct, promoted on a dedicated intranet page with supporting guidance, and supported by a global training and communication programme that includes

an anti-bribery eLearning tool available to all employees. Face-to-face workshops in all our markets help ensure employees working in high-risk areas (such as procurement, enterprise and government relations) have a practical understanding of the key issues

- **Corporate Gifts and Hospitality:** Employees are required to comply with specific procedures and gain appropriate approval levels prior to giving and receiving corporate gifts and hospitality, and record these in our global gift and hospitality register. To raise awareness of this issue, we run campaigns tailored to different cultures in our local markets. For example, in India employees were sent a Happy Divali message with a reminder to send back any gifts other than consumables (as long as they were shared with colleagues)
- **Monitoring and review:** Our global anti-bribery working forum, with representatives from each of our markets, meets monthly to discuss progress on implementing our anti-bribery programme and to share best practice. We regularly monitor and review compliance with anti-bribery requirements and address any new or emerging risks



In focus: Working with suppliers to understand and comply with Vodafone's policy on gifts

During 2012/13, we investigated two instances of excessive gifts offered to our employees from suppliers. We have a strict policy on gifts and hospitality as part of our anti-bribery programme. We worked with the relevant suppliers to investigate these incidents and find out whether the gifts were appropriate or not. In both cases, disciplinary action was taken against the individuals concerned and the gifts were donated to charity.

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report. For more details see their Assurance Statement. June 2013

ERNST & YOUNG
Quality In Everything We Do

Ethics – Data

Total number of confirmed cases of internal fraud

	2010/11	2011/12	2012/13
Total number of confirmed cases of internal fraud which resulted in dismissal	463	623	482

Internal fraud by type that resulted in dismissal

	2010/11	2011/12	2012/13
Manipulation of customer account ¹	182	324	234
Theft	99	78	77
Unauthorised release of customer data	58	78	79
False documents for fraud ²	33	47	29
Fraudulent invoicing	4	6	7
Technical fraud	2	2	0
Procurement fraud	0	5	2
Other fraud ³	85	83	54

Notes:

1. Unauthorised credits, removing call charges, manipulating loyalty points etc.
2. False documents or reporting to inflate overtime, commissions etc.
3. Includes false insurance claims, test SIM abuse, unauthorised sale of network unlock codes, misuse of company PBX, falsifying employment application, expenses fraud etc.

Number of employees and contractors dismissed in relation to fraud

	2010/11	2011/12	2012/13
Number of employees	227	212	168
Number of contractors	236	411	314

This section is included within Ernst & Young's assurance of Vodafone's Sustainability Report. For more details see their Assurance Statement. June 2013





Accessibility – Our approach

We want to make the mobile phones and services we provide easier to use for elderly customers and those with a disability.

The number of people excluded from mobile communications due to profound disabilities is relatively small, although the potential for technology to improve their quality of life is substantial. We partner with accessibility organisations to understand the needs of people with severe disabilities, work with handset manufacturers to develop specialist assistive products and services, and promote the creation of accessible apps through our Smart Accessibility Awards. Much of this work is led by Vodafone Spain which acts as a Centre of Excellence for accessibility within Vodafone.

Many more people experience difficulty using devices such as mobile phones due to minor impairments, particularly as they get older. With ageing populations in many of our markets, meeting the needs of elderly customers is an important opportunity for Vodafone.

Specialist products

Our range of specialist products and services include:

- Text-to-speech software that enables blind or visually impaired customers to use text messages on their mobile phones and GPS services that provide detailed information about the users' current position and instructions to go to a specified location without the need for visual prompts
- Handsets that are compatible with hearing aids and special price plans (such as the Sign Plan from Vodafone Spain) that offer customers who are deaf or hard of hearing reduced rate text messaging and video calls to facilitate use of sign language
- Help lines providing 24-hour access to assistance for elderly people and easy-to-use handsets that will dial designated emergency numbers at the touch of a button

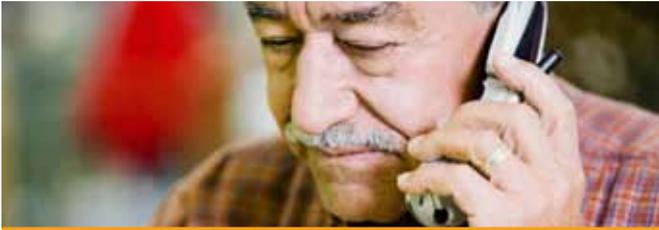
We are conscious that customers often want easy-to-use phones without the stigma of a 'special' handset. The Emporia RL2 and Vodafone 155 Simplicity handsets offer large keypads, clear keys, large colour displays and adjustable volumes, while maintaining an attractive design.



In focus: Improving the accessibility of our stores

Since 2010, we have been working to improve the accessibility of our stores in Spain, using the Spanish Association for Standardised Certification's (AENOR's) Universal Accessibility certification. In 2012/13, this certification was extended to 92% of our Spanish stores. Initiatives included improving access by installing automatic sliding doors, ramps and elevators, lowering the height of counters and installing a loop system for use with hearing aids. We also redesigned the layout of some stores to improve the contrast of displays and create 'slow areas' where customers can sit and take in commercials and advertising.

Accessibility – Our approach



Finding the right phone for your needs

To help people find the mobile phone that best suits their needs, the Vodafone Spain Foundation has developed a free app which lists and compares accessibility features of more than 400 devices using information gathered by the Mobile Manufacturer Forum's Global Accessibility Reporting Initiative (GARI). This and other accessibility apps developed or supported by the Vodafone Spain Foundation, can be downloaded free from the APPScesibles app store.

Accessibility apps

Smartphones offer an opportunity to target accessibility without the need for special handsets through apps tailored to customers' needs. Our annual Smart Accessibility Awards, run by the Vodafone Foundation, encourage developers to understand and consider the needs of elderly and disabled people in the development of apps. In 2012, winners included:

- **Starting Blocks** – Teaches people who are new to or unfamiliar with touch screen mobile technology, particularly the elderly, the skills they need to use their smartphone
- **Happen** – Enables users to access information, including daily news, weather and sports scores, in a format adapted to their needs, either visually or through spoken feedback
- **Ablah** – Enables users to communicate with others by making the device speak for them through images, text and sounds
- **Jaccede** – Enables users to search for places that are accessible to those with a disability anywhere in the world

Previous award winners include BIG Launcher, which Vodafone Spain customers can use to customise the home screen of Android phones to enable elderly or visually impaired customers to access phone functions using a simple menu with big buttons and large fonts.



Smart Accessibility Awards 2012

Vodafone Spain Foundation also worked with CNSE (Spanish Deaf Association) to develop SignaTIC, a free application that provides a glossary of the 61 most common ICT terms in Spanish Sign language, through a video with an avatar developed by the School of Advanced Computer Science of the Castilla-La Mancha University.



In focus: Apps map accessibility

We offer a number of apps which map the physical accessibility of cities and tourist attractions for those with disabilities. The Easyway app and accompanying website, developed in association with the Italian Federation for Overcoming Handicaps, enables disabled users to plan their routes by assessing the accessibility of various points of interest, and share first-hand accounts with others.

Two apps promoted by the Vodafone Spain Foundation provide similar services in Spain. The TUR4all app offers information on over 1,300 tourist facilities.

The Accessibility app covers over 20,000 points of interest across Spain, including information on parking, cash machines and transport.



Empowering young blind people in India

We are working in partnership with the Indian National Association for the Blind to empower young people who are blind or visually impaired by providing training in telesales and offering employment at Vodafone India. More than 60 individuals have participated in this initiative which continues to expand.



Mobiles, masts and health – Our approach

Mobile devices, and the masts that enable them to communicate calls and data, operate well within guideline safety limits. But some people are still concerned about potential health risks. Our approach to managing health issues is based on all available scientific evidence, to ensure we safeguard our customers, employees and the public.

Find out more on the dedicated section of our website which explains how mobiles work, answers frequently asked questions about mobiles, masts and health, and provides summaries and links to the latest expert reviews of scientific research.

Alternatively, go to Performance to read about our progress in 2012/13.

Mobiles, masts and health – Performance in 2012/13

Vodafone is still seen to be acting responsibly on both mast and device safety, as measured through our annual survey¹ of opinion leaders, and on balance we remain ahead of competitors in this area.

Over the past three years an average of 82% of respondents thought that Vodafone took its responsibilities on mobile phones, masts and health 'very' or 'fairly' seriously, meeting our three-year average target of 80%. We have ranked consistently higher than other operators over the six years we have carried out this survey.

Although our approval rating fell to 73% in 2012/13 (down from 87% in 2011/12), we believe that this drop is driven by the increased number (up from 4% to 15%) of stakeholders who responded that they 'do not know' how responsible Vodafone is in this regard. In addition, Vodafone continues to be seen to engage local communities and cooperate on mast placement.

These results are based on a survey, conducted by an external agency, of more than 100 national politicians, local authority decision makers, health bodies, government departments, media representatives, NGOs, academics, industry associations, and handset or technology suppliers.

See data for year-on-year survey results.

 Ongoing
  Achieved
  Partial
  Not achieved

Objective	Our performance in 2012/13	Status
Maintain an approval rating against external stakeholder opinion on how responsibly Vodafone is acting regarding mobile devices, masts and health as a rolling average, targeted at or above 80% over any three-year period.	Although our approval rating declined to 73% in 2012/13, we maintained an average approval rating of 82% over three years across all markets.	

Notes:

- Survey of 107 stakeholders across 20 markets conducted by market research agency Penn Schoen Berland between 7 December 2012 and 15 February 2013. Online questionnaires were completed by 97 stakeholders and 10 stakeholders were interviewed by Penn Schoen Berland by phone.

Mobiles, masts and health – Data

Opinion survey on how seriously Vodafone takes its responsibilities in relation to mobile phones, masts and health compared with others in the industry

Respondents who believe Vodafone is taking its responsibilities in relation to mobile phones, masts and health seriously

	2010/11	2011/12	2012/13
Vodafone ¹ (%)	87	87	73
Leading device manufacturer(s) ² (%)	79	61	36
Other operators (%)	75	61	48

Notes:

1. Q: How seriously do you believe the following organisations are taking their responsibilities in relation to mobile phones, masts and health? 2012/13 base = 107.
2. This score for 2012/13 is based on an average of three leading device manufacturers rated in the survey. Scores in previous years are for the single leading device manufacturer.



Network deployment – Our approach

We are deploying innovative technical solutions to extend and improve the capacity of our networks while minimising the impact of our base stations on communities and the environment.

Our mobile services rely on a network of thousands of base station sites to send and receive calls and data (see total number in Data). The network continues to expand as we extend coverage in emerging markets and improve capacity for new services in developed markets. We are working to reduce the overall number of base stations needed to achieve the desired coverage by deploying innovative technical solutions and cooperating with other operators to share sites.

When choosing a base station site, we must balance many, often conflicting, factors – including technical considerations, community concerns and visual impact. Most people welcome improved coverage and services. But we recognise some have concerns about the location of new base stations, which we aim to understand and address through community consultation.

Some people are also concerned about potential health issues relating to radio frequency fields and we have a dedicated website on mobiles, masts and health to address these concerns, with links to independent scientific reviews.

Read on to find out more about our approach to responsible network deployment.

Responsible network deployment

Our Site Planning and Implementation Guidelines, along with our EMF and Health and Safety standards, set our consistent standards for all our markets in five key areas: legal compliance, environmental impact, radio frequency emissions, site planning and selection, and health and safety. Accompanying guidelines share best practice and help each market adapt the Group guidelines and standards to local needs.

The standards and guidelines also apply to contractors and their subcontractors, who carry out much of the work involved in network deployment – from the planning and acquisition of sites to the construction and maintenance of base stations. Contractor compliance is a priority and we have an audit programme in place to monitor contractors' performance in the key area of health and safety.

When selecting base station sites, we always aim to comply with local planning regulations. In some markets, complex local and national planning regulations (sometimes conflicting) mean it can take up to 18 months to obtain local permits for individual sites. However, Vodafone's national operator licences often require coverage to be expanded sooner. As a result, some base stations may not have a local permit (see Data on violations of planning regulations). All our base station sites are designed and built to comply with international and local safety guidelines regardless of whether they are licensed as part of local or regional planning regimes.

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

Community consultation

We want to roll out our network quickly, but community consultation is vital and can take time. We aim to balance technical considerations with community concerns, which can conflict. For example, higher masts can sometimes improve coverage but can also have greater visual impact.

Clear communication is key to alleviating concerns by keeping communities informed of plans. Training and information packs aim to help employees respond to questions clearly and openly.

We tailor our communications and consultations in each market depending on local regulations and public attitudes – what is acceptable in one country may not be in others. When people do raise objections to planned base stations, we listen and accommodate their views as far as possible. The table shows some of the main factors we consider when deciding where to put our base stations.

Network deployment – our approach

Community considerations	Technical considerations
<ul style="list-style-type: none"> • Public concern relating to schools, hospitals, nature reserves and other such areas • Visual impact on the landscape • Compliance with local planning regulations • Minimal disturbance to the community • Access to information • Consultations 	<ul style="list-style-type: none"> • Compliance with local RF field strength guidelines • Good coverage, capacity and improved services • Strong and safe construction • Efficient rollout • Appropriate positioning to connect to the network • Easy access and maintenance • Access to power supply

Reducing visual impact

We use a range of base station designs to ensure we can choose the most suitable for each situation and blend in with the local environment. Each base station consists of antennas that emit and receive radiofrequency signals, a supporting structure and a cabinet to house network equipment.

Some are purpose built, some use masts shared with other operators and some are placed on existing structures such as rooftops or lamp posts. Some local communities prefer a bespoke design such as a tree mast to disguise the base station, while other communities prefer a discreetly sited standard design.

Examples of best practice for reducing visual impact are included in our guidelines on responsible network deployment. These include:

- Sharing sites with other mobile phone operators
- Using existing structures to support antennas and house equipment where possible

There are three types of network sharing:

Passive sharing	Active sharing	Regional roaming
The site and mast are shared but each operator maintains its own network equipment.	All infrastructure is shared at a certain site, including the mast and network equipment.	Individual base station sites are maintained by individual operators with an agreement to use each other's sites in different regions, expanding the coverage of each operator's network without the need for more base stations.

- Designing masts to look like street lamps or flagpoles
- Constructing equipment cabinets from materials that match the environment, or painting them to blend in
- Positioning masts so they are shielded from the most obvious viewpoint

Network sharing

More than 65% of base station sites across the Group are shared with other networks. By cooperating with other operators to share sites, we can accelerate the deployment of our network, limit the total number of sites required to provide coverage and cut costs by around 20%. Energy use and environmental impacts are reduced, making site sharing an important element of our strategy to improve network efficiency (see Environmental footprint). In Europe, the EU Commission also sees network sharing as a means to support the fast deployment of (new) mobile networks.

Sharing sites also relieves pressure on planning authorities because there are fewer sites to review, and helps us respond to communities' desire to reduce the need for additional structures in their area. However, we recognise that we must also take into consideration that shared sites can raise other concerns because they are often larger and therefore more noticeable.

The majority of our network sharing is 'passive' – sharing site and infrastructure such as masts or poles and air conditioning units (see diagram). 'Active' network sharing arrangements – where radio equipment is also shared – can be much more difficult to agree due to technical issues and the need to establish a high level of trust between competitor operators. We are, however, pursuing active network sharing in some markets despite these challenges. In some cases, licence agreements also require separate radio equipment to preserve full competition between operators.

Network deployment – data

Base station sites

	2010/11	2011/12	2012/13
Total number of base station sites	224,000	238,000	248,000
Number of violations of planning regulations in relation to masts / base station sites ¹	434	292	239

Notes:

1. The majority of these cases relate to base stations being moved or not built due to planning restrictions.