Vodafone Group Plc

Corporate Social Responsibility Report 2003/04

For the year ended 31 March 2004

Being a responsible business

How we're doing

vodafone™

About this report

This, our fourth Corporate Social Responsibility (CSR) Report, covers the year ended 31 March 2004 (2003/04).

CSR is about being responsible in the way we run our business and interact with society and the environment. Our reporting focuses on the issues that our stakeholders consider to be most important. Our stakeholder consultation in 2003 (see page 20) helped to identify our priorities. In particular, we have highlighted five issues for coverage: consumer issues; social products and services; mobiles and health; concerns around our supply chain; and the reuse and recycling of mobile phones.

This report aims to provide a balanced account of our performance on environmental and social issues, including the positive and negative impacts of our business. It provides an overview of our CSR activities. Please visit our regularly updated website for more detailed information, including further performance data, case studies and position papers.
See www.vodafone.com/responsibility

A table on our website shows which core and telecoms sector indicators of the Global Reporting Initiative have been used in our reporting.
See www.vodafone.com/responsibility/gri

Further information on corporate governance and directors' remuneration can be found in our Annual Report and Accounts for the year ended 31 March 2004 and/or the Annual Review and Summary Financial Statements for the year ended 31 March 2004.

Scope and data

The data cover 15 of our 16 operating companies. Although Vodafone Albania (representing less than 0.2% of our customer base) is excluded, it is becoming increasingly involved in our Group-wide CSR programmes, is starting to contribute data, and will be included in next year's report.

Our associates and investments are not included in the data, although we work with these companies on CSR issues, and some of their case studies are included in this report and on our website. Our non-mobile telecommunications businesses (5.5% of turnover) and network of franchised retail outlets are not included in our CSR reporting.

We collect information on environmental impacts and community contributions using a web-based data collection system called Envoy. Data are collected twice a year for Group purposes, but more frequently in some operating companies by local management. Group guidelines on data collection and reporting define the key performance indicators and require all operating companies to document sources of data, check data accuracy and have data signed off by a senior executive. Data are checked and consolidated at Group level. Inevitably, some data contains estimations and extrapolations from measured samples, but overall the quality is improving.

Deloitte & Touche LLP has reviewed our environmental and community data collection and reporting processes. See their independent assurance statement on page 23.

Local reporting

This report focuses on the CSR performance of the Group. We encourage operating companies to produce their own CSR reports addressing the concerns of local stakeholders. In 2003/04, we developed guidelines on local reporting and a toolbox resource, to maintain a level of consistency of reporting and to enable good reporting practices to be shared across the business.

Reports from our operating companies are available in Greece, Ireland, Italy and the Netherlands for the financial year 2002/03 – ahead of our target to publish five local reports by June 2005. CSR country reports for the financial year 2003/04 are also expected for Germany, New Zealand, Portugal, Spain and the UK.

All references to "Vodafone", "Vodafone Group", "the Group" or "we" within this report mean Vodafone Group Plc and its operating companies.

Feedback

We welcome your feedback on our CSR performance and your views on this report. Please contact:

Charlotte Grezo
Director of Corporate Responsibility

Faraday House
The Connection
Newbury, Berkshire, RG14 2FN
United Kingdom

responsibility@vodafone.com

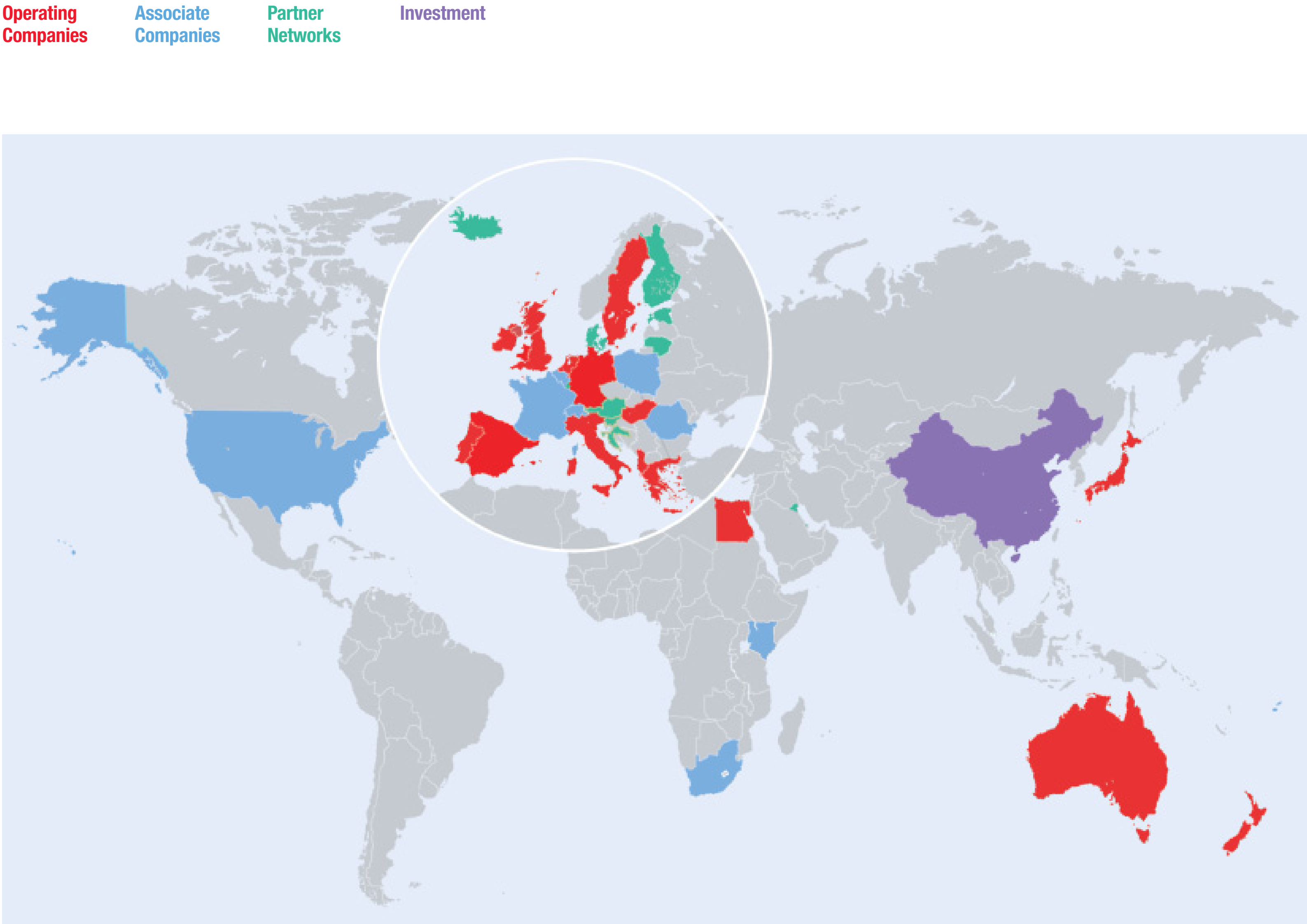
See our website www.vodafone.com/responsibility for further details of our CSR performance

Contents

2 Chief Executive's message
3 Group Chief Operating Officer's message
4 Impact of mobile phones on society
6 Responsible marketing, content and use
8 Services that make a difference
10 Mobile phones, masts and health
12 Supply chain
14 Reuse and recycling of mobile phones
16 Environmental impacts of our operations
18 Employees
19 Foundations and social investment
20 Managing CSR
23 Assurance
24 CSR objectives and commitments
27 Performance and data summary

To keep the environmental impact of this document to a minimum we have given careful consideration to the production process.
The paper is 75% recycled from de-inked post-consumer waste, manufactured in the UK at mills with ISO 14001 accreditation.
This document was printed by The Beacon Press, a company accredited to ISO 14001 and EMAS registered, using vegetable-based inks.

Consultancy by Context   Concept design by The Team   Final design and typesetting by Barrett Howe Plc



About Vodafone

Vodafone Group Plc is the world's leading mobile telecommunications company, with a significant presence in Europe, the United States, and the Asia-Pacific region. The Group provides an extensive range of mobile telecommunications services, including voice and data communications. The Group also has controlling interests in certain non-mobile telecommunications businesses.

Vodafone has 16 controlled mobile network operators. These are referred to as operating companies. Vodafone also has 9 associates and 13 partner network agreements with companies, in which Vodafone does not hold an equity stake.

The introduction of 3G technology will enable customers to do more, faster. Vodafone live!™ with 3G will bring consumers improved quality, sound, pictures and videos, as well as increased speed when downloading games and ringtones. Customers will also be able to access a select range of new services such as video calling, video downloads (sports, news, music and general entertainment) and the streaming of live events to their handsets, as well as existing services such as video messaging. For business customers, the greater data speed of the Vodafone Mobile Connect 3G/GPRS datacard, coupled with its reliability and ease of use, will generate greater business productivity and enhanced responsiveness from mobile workers.

Vodafone live!™ gives customers of 14 operating companies – and additional associates and partner networks – access to pictures, games, interactive messaging and the internet.

	2003/04	2002/03	2001/02
Group statutory turnover (£m)	33,559	30,375	22,845
Group operating profit (before goodwill, amortisation and exceptional items) (£m)	10,749	9,181	7,044
Free cash flow (£m)	8,521	5,171	2,365
Number of proportionate customers (thousands)	133,421	119,709	101,136
Number of employees	60,109	66,667	67,178

Operating Companies

Albania; Australia; Egypt; Germany; Greece; Hungary; Ireland; Italy; Japan; Malta; Netherlands; New Zealand; Portugal; Spain; Sweden; UK

Associate Companies

Proximus (Belgium); Vodafone Fiji; SFR (France); Safaricom (Kenya); Plus GSM (Poland); Connex (Romania); Vodacom* (South Africa); Swisscom Mobile (Switzerland); Verizon Wireless (USA)

Partner Networks

A1 (Austria); MTC-Vodafone (Bahrain); VIPnet (Croatia); Cytamobile (Cyprus); TDC Mobil (Denmark); Radiolinja (Estonia); Radiolinja (Finland); Og Vodafone (Iceland); MTC Vodafone (Kuwait); Bite GSM (Lithuania); LUXGSM (Luxembourg); M1 (Singapore); Si.mobil (Slovenia)

Investment

China Mobile (Hong Kong) Ltd (China)

* Vodacom also has presence in Lesotho, Mozambique, DRC and Tanzania.

Message from Arun Sarin

Chief Executive

Vodafone is a company driven by vision, values and goals. We aspire to be a great company – and central to that is being a responsible business.

We already have a clear compass. One of our four values is ‘Passion for the world around us’ and one of our six strategic goals is to ‘be a responsible business’. Our challenge now is to embed these values in Vodafone’s culture at every level.

The business we are in touches people’s lives: our products and services help customers connect with friends, families and colleagues. These connections help build communities, create societies and make countries. With our operations spanning 26 countries, we have a significant impact on society and we must take our responsibility for the world around us seriously.

During my first year at Vodafone I have travelled around the business extensively and have had the chance to interact with several thousand of our employees. In every country there are great examples of how we are living our values.

For example, during a business trip to South Africa I visited Soweto to see how our associate, Vodacom, turned a regulatory requirement into a business model, providing 22,000 phones to under-serviced areas and uplifting communities across the country. Through Vodacom’s Community Service phone kiosks, housed mainly in customised shipping containers, local entrepreneurs were introduced to the mobile telecommunications business. Overnight these locations developed into ‘centres of commerce’ as they attracted other businesses, boosting the local economy by connecting it to untapped commercial opportunities and helping to lift local people out of poverty. This kind of work exemplifies what our business is all about: connecting people and enriching lives.

We are also taking firm action to implement our goal to ‘be a responsible business’, particularly when it comes to earning the trust of our customers and other stakeholders in areas of concern such as mobiles and health, supply chain and access to inappropriate content. For example, during 2003/04 we have spent £23 billion with our suppliers, contributing to jobs and wealth creation for a lot of people. But a £23 billion supply chain also carries risks in relation to potential abuse of human rights and labour standards. We are already starting to manage these risks through our Code of Ethical Purchasing, which we are advocating to all our suppliers. We also participate in forums aimed at achieving a common industry method of assessing social and environmental supply chain risks.

These are just a few examples of how our Vodafone team is demonstrating a commitment to business responsibility every day of every year – and there are many more.

As a global leader in mobile telecommunications, it’s important for us to take a lead in setting standards for the way we go about our business. We have come a long way – and we have a long way yet to go – but Vodafone is committed to making a positive difference.

We said, we have, we will…

Arun Sarin

Arun Sarin
Chief Executive

Message from Julian Horn-Smith

Group Chief Operating Officer

Three years ago we set ourselves the challenge of becoming a leader in CSR. We have come a long way since then and made good progress. Frequent consultations with stakeholders have given us a clear picture of their expectations of Vodafone. In short, we have embarked on the long journey of laying a solid CSR foundation for the Group.

As chair of the Group Operational Review Committee, responsible for implementation of our CSR programme, I am pleased to report some significant achievements. In the last two years we have collected 2.5 million old mobile phones through take-back schemes in 13 of our operating companies (see page 14).

Products and services designed to meet social and environmental needs are in development (see page 8) and we have agreed guidelines on responsible marketing (see page 6). A Vodafone Code of Ethical Purchasing was adopted to begin the substantial task of applying our standards throughout our supply chain.

Targets and measurement are essential to good performance. We were successful with nearly all of the targets set last year. One we are still pursuing is to establish Group-wide guidelines on network deployment. Although national procedures and expectations differ widely, we believe that Group-wide guidelines remain an appropriate objective. Our new working group on responsible network deployment will help to shape this.

We strive to be continually alert to new issues in our industry. The introduction of mobile internet, video and colour images raises new concerns over content, spam and customer choice. We recognise that Vodafone's responsibility extends to enabling our customers to make informed choices about the way they use our products and services (see page 6).

As part of our stakeholder engagement activity, we carried out a major survey of attitudes towards Vodafone and CSR in five of our key markets. This covered over 5,000 members of the general public, customers and non-governmental organisations (NGOs). We gained some interesting insights from this research (see page 20) and I will be ensuring that these are incorporated into our CSR programmes.

This year we have set out a clear roadmap for the future, addressing the key issues by setting both short and longer-term targets (see targets on page 23). I am confident that we have the management structures and systems in place – and the support of our employees – to put Vodafone's CSR commitments into practice with good results.

I look forward to reporting progress to you again next year.

Julian Horn-Smith
Group Chief Operating Officer

Impact of mobile phones on society

'Mobile communications and pervasive computing technologies, together with social contracts that were never possible before, are already beginning to change the way people meet, mate, work, war, buy, sell, govern and create.'[1]

This comment by futurologist Howard Rheingold is widely echoed. But while any observer can see and feel the changes that mobiles have on our lives, actually measuring the impact is altogether more difficult. There is considerable research under way and Vodafone has embarked on a far-reaching study to help find answers.

Meanwhile, there are clear indicators of the potential impacts of mobile phones on society. Their popularity and success is based firmly on the obvious benefits to most people, businesses and our economies. The challenge is to ensure that the benefits are spread as widely as possible while minimising negative impacts.

Social impacts

Mobile telephones have spread faster than any previous technology for which figures exist. By 2002, only 20 years after the launch of the first commercial mobile services anywhere, there were more mobile than fixed telephone users globally, and nearly as many people had a mobile as a television.[2]

Take-up in developing countries has been particularly rapid, with the number of mobile users growing twice as fast as in the developed countries in recent years. In 19 African countries, mobiles account for three-quarters or more of all telephones, and the proportion is even higher in a few countries, such as Benin and Kenya.

While mobiles are sometimes seen as a fashion item, their personal benefits go well beyond the fashionable. They save time (doing business on the move), provide security (emergency services are close at hand), provide entertainment (games and pictures) and most of all, keep us in touch with family and loved ones.

In the early days of mobile telephony there were concerns that only the rich would benefit. But as with any new electronic technology, prices have fallen dramatically, and certainly in the developed world the evidence shows that wealth does not determine access. The rapid spread of mobiles has been aided by pre-pay options that allow users to control their spending.

In the UK, the ownership gap between high and low earners is much smaller in the case of mobile phones than for other new technologies such as personal computers and the internet: 34% of the poorest tenth of households own a mobile while only 10% have an internet connection. There has been a big increase in the proportion of low-income households acquiring a mobile since 1996.[3]

The popularity of mobile telephony in many poor rural areas of developing and emerging economies indicates the value this brings. For example, in these countries, economic and social conditions often necessitate people working long distances from their families. As well as allowing families to keep in touch, it also delivers a financial gain through the ability to keep better track of remittances from their wage packets.

Of course, there are social drawbacks to the use of mobile phones. For example, sociologists speak of the invasion of personal space (people talking loudly in public), or the creation of personal space bubbles when people text or play games in public. But just as society has always adapted to life-changing technologies – from air travel to the personal stereo – we are beginning to see the emergence of a social etiquette for mobile use. Vodafone's responsibility lies in helping to encourage the discreet and appropriate use of mobiles, through information campaigns on, for example, appropriate use of camera phones and reminding our customers of regulations that control use of handsets while driving.

[1] Howard Rheingold, *Smart Mobs: The Next Social Revolution*, Perseus Publishing, October 2003
[2] United Nations Development Programme, *Human Development Report*, 2003
[3] Office for National Statistics, *Family Spending*, 2003

Greater efficiencies for business

So much of the success of business depends on efficient communication and mobiles are helping companies improve their communications, cut the number of journeys or delivery runs and respond faster to customers. Making the most efficient use of employees' time brings huge benefits. A survey in Hong Kong showed that tracking field technicians via their mobile phones increased efficiency by 7-10%.[4]

These benefits are available to big and small businesses alike, including those in the developing world. Increased mobile connectivity improves access to information. Knowledge of latest prices in different markets, for example, can improve price transparency for small farmers and fishermen, who can cut out the middlemen and gain direct access to markets. For example, in Kenya, Vodafone's associate, Safaricom, has helped farmers keep track of market prices for their goods (see page 8).

In South Africa, Vodacom's Community Services programme has allowed millions of people to gain access to telecommunications through a network of nearly 5,000 subsidised phone shops that provide access to over 22,000 phones. These shops have not only given people with lower incomes access to previously unobtainable communications but in so doing have created approximately 2,000 entrepreneurs who have in turn created 20,000 jobs in the communities that need them most. The community phones now generate more traffic than all the pre-paid phones on the network.

Adding value to the economy

The mobile industry makes a significant contribution to developed economies, where the use of mobile telephones is widespread. For example, Vodafone alone adds £15.2 billion a year in value to the global economy, according to UK government figures.[5]

'Value-added' is an accepted measure of wealth created by a company. It is the value of sales less the cost of bought-in materials, components and services. Vodafone ranks 9th in the top European companies in value-added terms.

Research by Ovum – commissioned by Vodafone – shows that the mobile industry in the UK employs about 77,000 people directly and creates over 400,000 jobs in the EU directly and indirectly.

The impact of the growth of mobiles in the developing world is sure to be profound as tens of millions of people with no access to postal or fixed telephone services are becoming connected to the wider world. The spread of mobiles has the potential to encourage entrepreneurship in some countries and to boost employment. Vodafone's associate in Kenya, Safaricom and Vodacom Tanzania have launched a UK government-funded project to explore how mobiles can help facilitate micro-finance in the developing world (see page 8).

Meeting the challenges

There are, however, some social, health and environmental concerns about mobile telephones. These range from worries about radiation from handsets and masts and waste created by frequent model changes, to limiting access to adult material and the dangers of using handsets while driving. The rest of this report examines these issues in greater detail.

Gaining a better understanding

'Early signs are that the impact of mobile telephony on society will be profound. Understanding the consequences is fundamental if mobile service providers are to take their responsibilities seriously,' says Professor Diane Coyle, chairperson of Vodafone's socio-economic impact advisory panel.

Vodafone has started a programme of research into the socio-economic impact of the mobile, covering the developed and developing world. An advisory panel of experts, chaired by Professor Coyle, will scrutinise the programme. The first meeting was held in February 2004 and the aim is to complete some of the initial projects before the end of the year.

Proposed studies include: examining the socio-economic effects of mobiles in Africa; the use of mobiles in improving patient care and productivity in healthcare services; and how mobile telephony affects developing countries in attracting foreign direct investment.

The advisory panel members are:

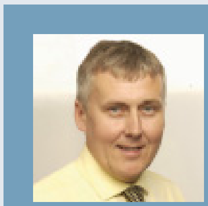
- Allen Hammond, Chief Information Officer and senior scientist, World Resources Institute.
- Professor Heba Handoussa, adviser to the Economic Research Forum for the Arab Countries, Iran and Turkey.
- Alan Knott-Craig, Chief Executive Officer of Vodacom.
- Ed Mayo, Chief Executive of the UK National Consumer Council.
- Brian Pearce, formerly Director of the Centre for Sustainable Investment, Forum for the Future and now Chief Economist at the International Air Transport Association.
- Professor Leonard Waverman, Chair of the Department of Economics at the London Business School.
- Professor Diane Coyle of Enlightenment Economics and University of Manchester (chairperson).

---

[4] *Far Eastern Economic Review,* 12 December 2002

[5] UK Department of Trade and Industry, *Value-Added Scoreboard*, 2004 http://213.219.8.102/value_added/home.asp?p=home

Responsible marketing, content and use



> **‘Trust is hard to earn and easily lost. Every time we deal with a customer we should have in mind that their trust in Vodafone is at stake.’**
>
> David Haines – Global Marketing Director
> Champion of our responsible marketing initiative

One of our six corporate goals is to delight our customers. Besides providing new products and services, this requires us to treat consumers responsibly in everything we do. Here we cover three key areas of responsibility:

- **Marketing:** the way we market our products and services is defined by our global standards for Vodafone marketing material. We will check that operating companies are applying them.
- **Customer advice:** guidance we offer our customers about the use of our products and services covers subjects such as how to avoid theft, driver safety, health and mobile etiquette.
- **Consumer protection:** our content classification and access controls (now under development) will help customers and their children avoid inappropriate material. Also, we provide safeguards against abuse of our network by, for example, malicious calls and marketing scams.

The introduction of 3G networks (allowing rapid transmission of video, audio and colour images) and the development of the mobile phone as a marketing medium are creating new challenges. Vodafone is monitoring these closely and we are working to develop solutions that enable our customers to benefit from 3G without encountering undesirable or unethical practices.

Our guiding principle is to provide customers with the information they need to choose how they use their phone and the nature of the material they access with it. We recognise that the internet allows access to material unsuitable for children and are investigating how best to provide parents with the controls they need to ensure appropriate access for their children.

New services can bring new issues. This is the case with services that enable the location of customers to be tracked via their mobile. This capability has safety benefits, for example by helping emergency services to reach accidents. It can also contribute to more efficient working by mobile workers, such as taxi drivers or couriers. But the service raises concerns about privacy and consent. Vodafone will develop a Group position on location services in 2004.

Last year we said...

... we would develop Group-wide responsible marketing guidelines that address key issues by June 2004.

... we would implement a training programme for retail staff on responsible marketing by March 2005.

This year we have...

Agreed guidelines for responsible marketing.
The guidelines provide our operating companies with advice on the advertising and marketing standards expected of our brand. These ensure marketing material is not only legal, decent, fair, honest and truthful but is also sensitive to the views of all parts of society and does not denigrate or exploit people because of age, gender, race, religion, physical or mental ability.

Improved consistency in our customer information.
Our new Group-wide brochures for operating companies – to be rolled out in 2004/05 – give customers objective advice about mobile phone issues such as driving, health, content, and etiquette. This enables them to make informed choices about using their phones. The brochures build on material many of our operating companies have offered customers in the past.

Defined content standards for Vodafone.
Vodafone live!™ gives customers of 14 operating companies – and certain associates and partner networks – access to pictures, games, interactive messaging and the internet.

Our new standards (in the process of implementation) set out the following requirements for content provided on Vodafone live!™:

Vodafone Responsible Marketing Guidelines
February 2004
vodafone
How are you?

- Warning screens for age-classified content or services. Some types of content are banned.
- Screens advising users that they are leaving the Vodafone domain.
- Ratings for games available for downloading (U, 12+, 16+ and 18+). Certain categories of game, deemed unacceptable, are banned.
- An automatic profanity filter for chat services.
- Advice on how to chat safely, provided on the websites of our operating companies.

We are also developing content access control tools. In Germany and the UK, customers need to opt in before they can receive adult content on Vodafone live!™ In Italy and Portugal, customers have the option to opt out of receiving adult content and services.

In Ireland and the UK, we are working to introduce a filtering system for all content accessed via the internet. This will enable parents to restrict their children from accessing adult and other inappropriate content on the internet. Our Global Product and Content Services team is also developing a content filtering system for use across our business.

In the UK, we have participated in developing an industry Code of Practice on new forms of content and services on mobile phones. We are working with other mobile phone companies to establish a content classification body to classify video clips, photos and other downloadable content.

Introduced measures to tackle spam.

Vodafone does not send spam (bulk unsolicited messages) to customers. Customers may opt in to receive marketing messages from Vodafone or from responsible third parties. But most spam is generated by third parties who operate internationally and disregard national regulations. A particular problem is the use of unsolicited SMS messages inviting customers to phone a premium rate tariff. This generates revenue for the spam originator and may mislead customers.

In Spain, Vodafone has developed a filter for spam on Vodafone email and this is now operating successfully. In Japan, a range of approaches have been taken to suppress spam on Sha-mail, including termination of Vodafone's service to customers who breach anti-spam guidelines. Vodafone is committed to extending these approaches internationally so that we have an effective portfolio of techniques to counter spam.

Advised on the safe use of mobiles when driving.

Using a handset while driving can distract drivers and increase the risk of accidents. Our new policy requires Vodafone operating companies to advise customers never to use a hand-held phone while driving and to use hands-free solutions only when they judge it is safe to do so. Some of our operating companies have already run awareness campaigns to discourage customers from using hand-held phones while driving. Employees face disciplinary action if they use a handset while driving in the course of their employment.

Worked to combat mobile theft.

Equipment Identity Registers (EIRs) have now been set up by 12 of our operating companies to block stolen phones. Phones are identified through their unique International Mobile Equipment Identity (IMEI) number, listed on the register and blocked from our network.

In these countries, we also work closely with the GSM Association and other mobile phone companies to block stolen phones being used on other networks. The information on our Equipment Identity Registers is submitted to a global database of stolen phones – the GSM Association's Central Equipment Identity Register (CEIR).

SIM cards reported stolen are blocked from the network immediately to avoid calls being charged to our customers' accounts.

Next year we will...

... implement responsible marketing guidelines across the business.* C

... audit marketing and advertising practices against the responsible marketing guidelines. C

... at Group-level, and in each operating company, develop a major responsible marketing communications initiative for the benefit of customers. C

... audit compliance with our Content Standards. C

... provide more information and education for customers on content control.

* This replaces and expands last year's target to implement a training programme for retail staff by March 2005. The new commitment will also include business partners.

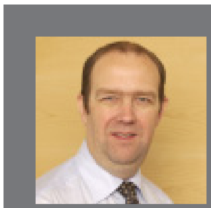
C This refers to our commitments for the financial year 2004/05. (See page 26)

Content Control static

CONTENT CONTROL
RESTRICTED ACCESS!
Access to this service is restricted as Vodafone Content Control is in place.
If you're 18 years or over, go to "Remove Content Control" to remove it now, or select "About Content Control" for other ways to remove it.
Multi-SIM and Corporate customers should call their

Options
Back
vodafone

Services that make a difference



> **‘Our challenge is to identify and respond to social needs in the marketplace. That is the rationale for creating a new team in Group Marketing that will focus on products and services that deliver high social value.’**
>
> Guy Laurence - Global Product & Content Services Director
> Champion of our product and services initiative

Mobile telephones and services can be used to meet a wide range of social needs. For example, modified handsets can provide elderly and disabled people with better access to telecommunications. Enhanced data and image transfer by mobile phone can help improve communications between doctors and their patients and teachers and their pupils. Personal safety can be improved using mobile services. Mobile technology can also improve access to information on environmental issues such as air pollution and traffic flows.

The potential of mobile telecommunications is only just beginning to be appreciated.

Last year we said...

... we would identify and implement three global initiatives that use mobile applications to deliver specific environmental and social benefits by June 2004.

This year we have...

Commenced the global roll-out of the Speaking Phone.
This phone, introduced in the UK in 2003, converts text and other phone screen information to speech, enabling blind and visually impaired customers to use voice, text and data applications better. It was developed by Vodafone UK, in partnership with Nokia and the Royal National Institute of the Blind. Nearly 2,000 Vodafone customers are using it. We are now introducing it to new markets across the world.

Sponsored a new Mobile in the Community award.
At the annual GSM World Congress, Vodafone sponsored an award to recognise the best use of mobiles for accessibility, emergency situations and special-needs customers. The award helps to increase awareness of important work in this area. Winners included mmO$_2$ for the ‘teach ur mum 2 txt’ child safety campaign, a great initiative that demonstrated a powerful and practical way to harness the benefits of mobiles by helping people stay in touch. See www.gsmworld.com/awards.

Launched a project to explore how mobile technology can enable provision of micro-finance in the developing world.
Vodafone has been awarded UK government funding to explore how mobile telecommunications can support the micro-finance sector, an important component of economic activity in many developing countries.

Working with Vodacom Tanzania, Safaricom (Kenya) and banks and micro-finance institutions in East Africa, we are examining how mobile technology can overcome many of the barriers to growth in this sector. For example, mobiles may improve communications between remote units and bank head offices and accelerate approval of loans, allowing more people prompt access to financial services.

Held a global workshop on developing products and services with high social value.
This helped our managers to share ideas and knowledge. Innovative thinking among our product development community is already enhancing products and services in five key areas: accessibility, education, security, environmental protection and health management.

This categorisation of market needs provides a useful basis on which to prioritise and develop propositions (see our ‘next year we will’ commitments).

Our operating companies are already developing an increasing number of innovative propositions and applications that have social and environmental benefits. Here are some examples and case studies:

- In Germany, we have developed a new digital radio system for police, fire and rescue services. This combines advanced features, including user location, video transmission and alarm signalling with more conventional control centre functions.
- In Kenya, our associate company Safaricom has developed a service in partnership with the Kenya Agricultural Commodity Exchange (KACE), providing farmers and buyers with the latest market prices for agricultural products on their mobile phones. The service is used regularly by over 2,000 farmers.
- In the UK, we launched a Communications Support Directory for deaf and hard-of-hearing customers. This gives local information and contact details for British Sign Language (BSL) interpreters, lip-speakers, speech-to-text reporters, communication support workers and deaf-blind interpreters. Other services available in the UK for disabled and elderly customers include bills in braille and audio formats, and a service for blind people to hear the telephone number of the last caller. There is also a dedicated customer services team for special-needs customers. See www.vodafone.co.uk for further details.
- In Japan, we launched a new Priority Support service that gives discounts of up to 50% to disabled customers.
- In the Netherlands, Vodafone was the first operator to provide a device for deaf and hard-of-hearing customers.

Next year we will...

... establish a new team within Group Marketing to focus on social products and services. C

... develop a social products and services roadmap that will ensure Vodafone delivers best-in-class products and services Group-wide. C

... review our current core global products and services against recognised accessibility standards. C

C This refers to our commitments for the financial year 2004/05. (See page 26)

www.vodafone.com/responsibility/beneficialservices

Traffic info using mobile phones

In the Netherlands, we have developed a service that uses signals from drivers' mobile phones to track traffic flows. The project has been carried out in North Brabant, in partnership with LogicaCMG and the local government. This information is being used by the road authorities to manage traffic and ease congestion. The underlying software has been developed by Applied Generics (www.appliedgenerics.com) and is also being piloted with Vodafone in the UK but with the additional benefit of being able to locate roadside emergency calls.

Social product development in operating companies

The commitment to progress global high social value products will build on work already underway in operating companies. For example, Germany, Portugal, Spain and the UK have dedicated resources for product development in this area. Here is an example from Spain:

Vodafone Spain has appointed a Special Needs Manager, José Manuel Azorín, within the marketing team to develop new products and services for elderly and disabled people and those with special healthcare requirements. He is working in partnership with the Vodafone Spain Foundation, the Red Cross and other associations to bring products to market that can improve the quality of life for people with special needs.

Nearly 500,000 people with hearing problems in Spain are unable to hear a voice on the phone even with hearing aids. Vodafone, as part of a pilot study with the Spanish Confederation of Deaf People, is developing technology to convert speech into text, allowing mobile communications for deaf people.

Vodafone Spain's mobile tele-assistance service helps people who are usually able to lead a normal daily life but need assistance if they feel ill, fall or become disoriented. This allows 24-hour access to support services, giving them the confidence to overcome mobility difficulties. The tele-assistant can also be used to provide reminders for medical treatment and appointments, contact relatives and locate the user in case of emergency.

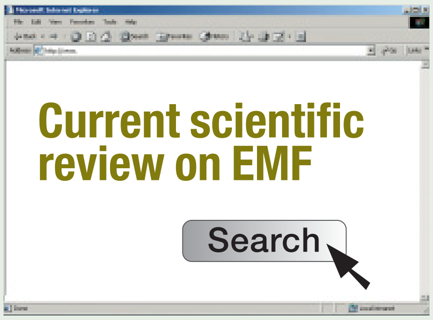
Making it easy . . . help at the touch of a button

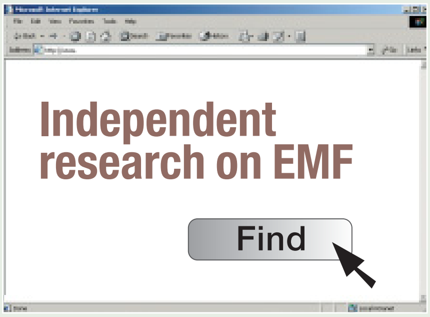
In Germany, we have developed mobile communications solutions for the elderly, hospital patients and people in care.

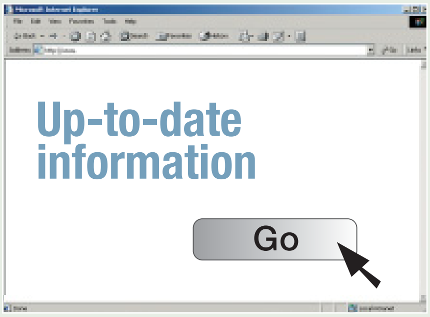
The **mobi-click** handset, to be launched next year, allows elderly and disabled people to call for help at the touch of a button. Calls are answered by a dedicated call centre, which alerts a doctor or ambulance and notifies relatives. The **Butler** emergency call handset also includes GPS location and fall-detection features.

Vodafone Germany has developed mobile technology to monitor medical data, such as electrocardiographs, allowing patients to receive care in their own homes, and helping to pre-empt emergencies. Emergency doctors can send data from ambulances, using a notebook and Mobile Connect Card. This helps hospitals prepare for the arrival of the patient.

Mobile phones, masts and health


Current scientific review on EMF


Independent research on EMF


Up-to-date information

Based on current scientific review, there is no evidence of an impact on human health when electromagnetic fields (EMF) exposure levels are below internationally recognised guidelines. Mobile phones and base stations are operated so that people are not exposed to above these levels. All our mobile phones and base stations comply with standards set by the International Commission for Non-Ionising Radiation Protection (ICNIRP). We also comply with national and regional limits.

However, our research shows that, in some countries, there is public concern about EMF and we need to recognise and respond to this concern. Vodafone's survey of public opinion (see next page) shows that concern about EMF varies between countries. For example, in Egypt, Greece, Portugal and Sweden, the majority of those interviewed agree with the statement 'I do not believe that mobile phones are safe to use'. In Germany, Ireland, Italy, Japan, Malta and Spain, opinion is divided. In Australia, Hungary, New Zealand and the UK, the majority believe mobiles are safe.

The scientific research on EMF is by its nature complex. Our approach is to continue to support research and to provide customers and local communities everywhere we operate with the most up-to-date, reliable information in an understandable form.

Our health and safety policy requires all operating companies to put in place local policies and procedures. These must ensure that base stations are designed and operated so that people are not exposed above-guideline levels.

Last year we said...

... we would complete an assessment of stakeholder perceptions relating to health issues by March 2004.

This year we have...

Assessed stakeholder perceptions of health issues around mobile phones and masts.
Over 17,000 interviews, including 6,000 with Vodafone customers, were carried out by market research organisation MORI in 14 countries. Perceptions varied significantly between countries. We plan to repeat this survey every two years to track changes in public opinion.

Continued to invest in research on EMF.
We have continued to invest in research on mobile telecommunications health & safety (MTHS), including EMF, with more than £6 million assigned over the nine-year period from 1999. We invested £1.2 million in MTHS research in the calendar year 2003, including the World Health Organization's (WHO) International EMF Project, and national research programmes.

Produced communication materials about mobiles and health.
The materials produced include a leaflet for customers about health and handsets and one for local communities about health and base stations. The leaflets will be distributed by our operating companies in 2004/05. These are a part of our wider responsible marketing initiative (see page 6).

Published EMF values for more of our base stations.
Our EMF monitoring policy requires all operating companies to make EMF values from selected base stations available to the public. The table opposite shows the information on EMF published by our operating companies in 2003/04.

Developed the way we manage EMF across the Group.
Our existing EMF Committee was expanded into a Group EMF Council made up of representatives from relevant business functions and operating companies. We also appointed EMF Leaders in all our operating companies to ensure that Group decisions are communicated and implemented across the business.

The Group EMF Council reports twice a year to the Board. It develops policies, monitors emerging issues, sets and promotes best practice and open and effective communications on mobile phones, masts and health.

The Council published new guidance in 2003 to help operating companies develop internal and external communications material on EMF. The guidance will also help operating companies respond consistently to new government regulations on EMF or voluntary industry agreements.

See page 17 for details of our responsible network development initiative and community consultation.

Independent information on mobile phones, masts and health can be obtained from the World Health Organization at www.who.int/peh-emf

www.vodafone.com/responsibility/emf
www.who.int/peh-emf

Next year we will...

… ensure every one of our operating companies will make available up-to-date information regarding radio frequency (RF) field strength values from locations that have been selected by an independent body, such as local or national government. **C**

… ensure that relevant, clear and concise information about RF and health-related issues is available to all stakeholders including customers and local communities. **C**

... focus on anticipating new products and new technologies and their RF field outputs prior to these new products and technologies being rolled out and audit compliance with our standards and procedures.

... review funding of independent RF field research, to ensure it is adequate to address all the priority areas of the WHO EMF Project.

C This refers to our commitments for the financial year 2004/05. (See page 26)

Global perceptions about mobile phones, masts and health

In September 2003, we commissioned market research company MORI to carry out a global survey of perceptions about health issues connected with mobile phones, masts and health.

Key findings of the survey were:

- EMF is not a top-level health concern in the majority of our markets although in some countries up to 31% of our customers limit their use of mobile phones because of health concerns.
- EMF exposure from masts is perceived to be a more serious issue than EMF exposure from handsets, in most markets.
- The public does not think that enough research is being carried out on the issue of mobile phones, masts and health.
- Doctors, scientists and the World Health Organization are among the most trusted sources of information on the issue.
- The majority of the public receives information about EMF from the media.
- The public believes that network operators are not taking the EMF issue seriously enough.
- Up to 45% of people do not make the connection that mobile phones need to have a mast in the vicinity to work.

We plan to repeat this survey every two years and the next one will be in mid-2005.

> **‘In 2003, we carried out one of the most extensive pieces of research into people’s attitudes to EMF and health ever undertaken. This found that people do have safety concerns and require information on the subject. Our role is to support independent research and explain the findings in plain language so that our customers have the information they need to make their own decisions on mobile phone use.’**

Vittorio Colao – Chief Executive Vodafone Southern Europe, Middle East and Africa Region
Champion of our EMF initiative

Information published on EMF/RF Field Values*

	RF Field strengths issued on request	Independent authority audit reports published	Site measurements on web	‘Real time monitoring’
Albania	🟩			
Australia	🟩	🟩	🟩	
Egypt	🟩	🟩		🟦
Germany	🟩	🟩	🟩	🟩
Greece	🟩	🟩	🟦	🟩
Hungary	🟩			
Ireland	🟩	🟩		
Italy	🟩	🟩	🟩	🟩
Japan	🟩			
Malta	🟩	🟩	🟩	🟩
Netherlands	🟩	🟩	🟩	
New Zealand	🟩	🟩	🟩	
Portugal	🟩	🟩	🟩	🟩
Spain	🟩	🟩	🟩	
Sweden	🟩	🟩	🟦	
UK	🟩	🟩		

🟩 Achieved 🟦 Started

*Based on values from sample locations.
We intend either to make site measurements available on the web and/or undertake ‘real time monitoring’

Supply chain

> **'Vodafone will not tolerate poor labour or environmental practices in our supply chain, and neither can we afford to. We are managing these risks through our integrated supplier performance management system to ensure that our suppliers uphold the values that are important to us. This is a long-term project with long-term benefits.'**
>
> Detlef Schultz – Director Global Supply Chain Management
> Champion of our CSR supply chain initiative

In 2003/04, Vodafone made payments of £23 billion[1] to third parties. This includes, for example, capital expenditure and sales and distribution costs across all the operating companies. Of this figure, goods and services worth £11 billion were purchased through global contracts. This relates to mobile phones, network infrastructure, marketing and IT services. Approximately 80% of this expenditure was with 25 global suppliers.

As a large buyer in this industry, we recognise our responsibility to ensure a high level of environmental and social standards in our supply chain. This also includes managing risks in our sub-supply chain as well.

We are working to do this through partnerships with suppliers and through industry forums such as the Global e-Sustainability Initiative (GeSI).

In 2003/04, Vodafone helped establish the GeSI Supply Chain Working Group, which is exploring ways in which information and communications technology (ICT) companies can work more closely on supply chain issues. An assessment of supply chain management practices within the sector has been carried out. Vodafone is working with other members of the GeSI Working Group to develop an industry-wide standardised assessment tool for suppliers.

Vodafone's purchasing in 2003/04

	Expenditure	Main items
Purchasing through global contracts	£11 billion	Handsets Network infrastructure Marketing IT and services
Operating company expenditure	£12 billion	Local contractors Maintenance Customer care Distribution costs

Last year we said...

... we would launch a Code of Ethical Purchasing (CEP) by March 2004.

... we would measure implementation of the CEP with three major suppliers over the same period.

This year we have...

Approved our Code of Ethical Purchasing (CEP).
This was developed in consultation with employees, suppliers, investors and NGOs, including Morley Fund Management, ISIS Asset Management, Fauna and Flora International, Save the Children Fund and WWF. The CEP is based on Vodafone's Values and international standards, including the Universal Declaration of Human Rights and the International Labour Organization (ILO) Conventions on Labour Standards. It aims to ensure safe and fair working conditions and responsible management of environmental and social issues in the supply chain.

Started to implement the CEP.
We have sent the CEP to many of our global suppliers and started to include it in contracts with them. We carried out a pilot CSR assessment of a Panasonic mobile phone factory in the Philippines (see box on next page) and reviewed social issues with Motorola and SonyEricsson, to determine whether they comply with the CEP.

Vodafone's Code of Ethical Purchasing covers:

1. Child Labour
2. Forced Labour
3. Health & Safety
4. Freedom of Association
5. Discrimination
6. Disciplinary Practices
7. Working Hours
8. Payment
9. Individual Conduct
10. Environment

See the full CEP at
www.vodafone.com/responsibility/cep

---

[1] This figure includes expenditure from both mobile and non-mobile businesses.

www.vodafone.com/responsibility/supplychain

Held a CSR workshop for Vodafone supply chain managers.
The Director of Global Supply Chain Management hosted the workshop in March 2004 for supply chain managers from our operating companies and several associate companies. The Group Chief Operating Officer opened the workshop and delegates discussed progress on last year's CSR commitments and agreed the targets for 2004/05. The new supplier performance management system was also introduced.

Developed a tool-kit on the CEP for our purchasing teams.
To be effective, the CEP must be understood by suppliers and communicated to them by our purchasing teams. The new tool-kit explains the CEP and helps our purchasing teams understand how it should be applied by suppliers and driven down through the whole supply chain.

Engaged with NGOs and investors.
Concerns around supply chain issues were highlighted in reports from several NGOs and investors including Oxfam, the Catholic Agency for Overseas Development (CAFOD), Insight Investment and ISIS Asset Management. Vodafone met CAFOD and ISIS Asset Management to discuss issues arising from their reports as well as Vodafone's overall approach to managing supply chain risks. This feedback has strengthened the business case for increasing our focus on this area. We have also continued to discuss supply chain issues with other NGOs, such as Fauna and Flora International (FFI), to ensure stakeholders are aware of the work we are doing to implement our CEP.

Next year we will...

… ensure our top[1] 25 global suppliers complete Vodafone's self-assessment questionnaire to determine compliance with our Code of Ethical Purchasing (CEP).[2] C

… complete assessments of five of the top[1] 25 global suppliers against our CEP (to include one or more facility audits). C

… ensure the top three suppliers to each of our operating companies complete Vodafone's self-assessment questionnaire to determine compliance with our CEP.[2] C

… incorporate our CEP into the contracts of all of our top[1] 25 global suppliers.

… develop CSR training for supply chain managers.

ETHICAL PURCHASING
QUALITY
PRICE

A pilot CSR assessment

In February 2004, Vodafone and Panasonic Mobile Communications Co. Ltd. (PMC), one of our major suppliers, conducted a pilot CSR assessment of a PMC mobile phone factory in the Philippines.

The assessment was a joint learning exercise to assess PMC's performance against Vodafone's Code of Ethical Purchasing (CEP) and to help Vodafone start implementing its supply chain programme.

A team from both companies inspected the PMC factory and examined the PMC's CSR policies and procedures. They interviewed PMC senior managers, union representatives and more than a dozen factory employees to assess awareness of policies and standards and to find out how these were implemented. Key focus areas were freedom of association, working hours, equal opportunities and pay.

PMC's policies and procedures were found to be consistent with the standards in Vodafone's CEP, although many PMC factory managers and employees were not familiar with the CEP itself.

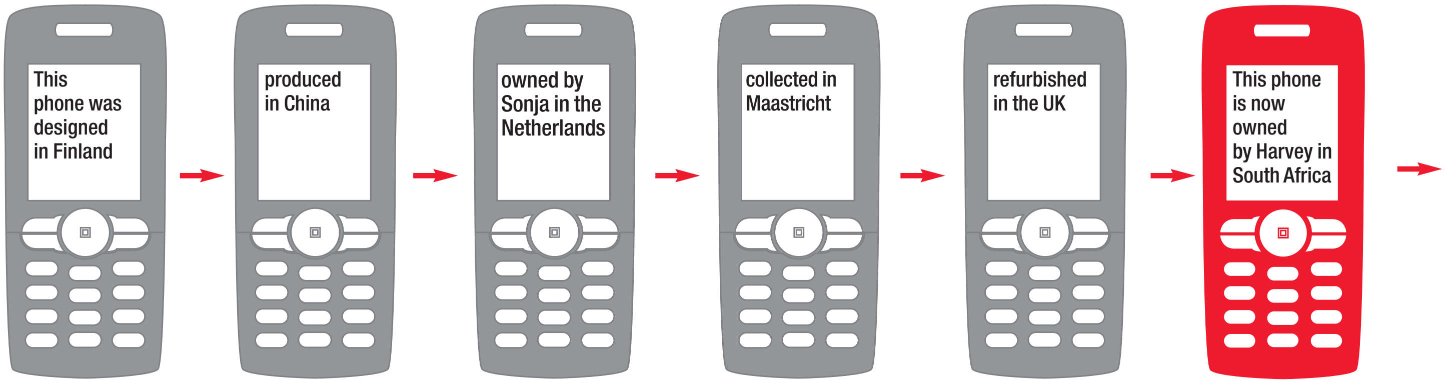
Vodafone has recommended that PMC develop senior managers' familiarity with the Vodafone CEP. We will use the lessons learnt from the pilot to help us integrate social and environmental criteria into our supply chain assessment process.

---

[1] by expenditure.
[2] an initial element of the assessment process.

C This refers to our commitments for the financial year 2004/05. (See page 26)

Reuse and recycling of mobile phones

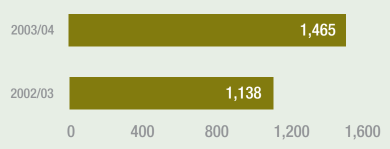

This phone was designed in Finland
produced in China
owned by Sonja in the Netherlands
collected in Maastricht
refurbished in the UK
This phone is now owned by Harvey in South Africa

Rapid advances in mobile phone technology mean that customers want to upgrade their handsets regularly. In developed countries, consumers now replace their mobile phone every 18 months on average. Contract terms often promote this by offering discounts on new phones each year when contracts are renewed. Returned phones are usually in good condition and can be reconditioned and reused.

The supply of lower-priced reconditioned phones helps to promote wider access to telecommunications in developing and transitional countries, bringing social and economic benefits. This is also the best environmental option because breaking up the phone to recycle its materials and components results in some waste of resources.

Some components cannot be recycled and have to be disposed of.

Number of mobile phones collected (thousands)



In some operating companies, the number of mobile phones returned data is collected directly. In others, the number returned is calculated based on the mass of returns and an average mass per mobile phone.

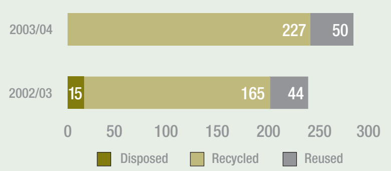
Our strategy is to establish mobile return programmes in all of our operating companies. Phones are bought by specialist companies for recycling or reconditioning. We use the sales to run our recycling programmes, provide incentives for customers to return used phones and for charity donations.

Many developing countries do not have the infrastructure to recycle or dispose of old mobile phones. We are planning to work with a range of partners to transfer skills, knowledge and technology to help set up reuse and recycling programmes in developing countries.

Last year we said...

... we would increase the number of handsets returned for recycling by 10% by 2005 from the 2002/03 level.

Processing of handsets, batteries and accessories (tonnes)



This data has been provided by all operating companies with operational handset return schemes. Due to the accounting practices of some of the scheme contractors, some mobile phones collected last year will have been processed this year and are included in the figures above. Similarly, some mobile phones collected this year will not be processed until next year and are not included within these figures.

This year we have...

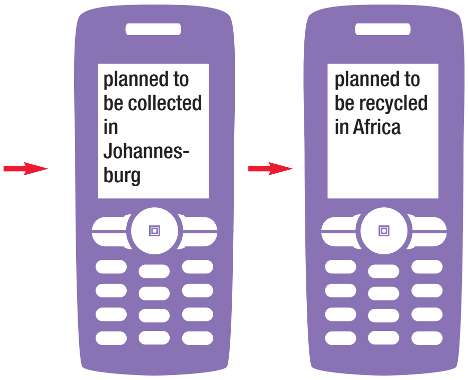
Collected 1.5 million phones.
This is an increase of 29% compared to last year's levels, meeting our commitment one year early. This year, 82% were recycled and 18% reconditioned for reuse (by weight).

Established handset return programmes in two more Vodafone operating companies (Greece and Hungary).
Return programmes are now in place in 13 of our 16 operating companies, covering 97% of our customer base. Albania, Egypt and Malta were the only operating companies not operating a return programme. Egypt and Malta plan to introduce a handset return programme in 2004/05.

Group guidelines for return programmes are adapted to suit local conditions. In all countries where the service is available, customers can return their old handsets to Vodafone shops and in Germany, New Zealand and the UK they can also post them free of charge.

Raised awareness about handset recycling.
Our operating companies run awareness campaigns to encourage customers to bring back their old phones. The campaigns stress the environmental benefits of returning handsets for recycling. In Greece, for example, TV advertisements were used to launch the new recycling programme. Our operating company in New Zealand relaunched its handset return programme with a major country-wide advertising campaign, 'The Old, the Broke and the Ugly'.

www.vodafone.com/responsibility/recyclingphones


planned to be collected in Johannesburg
planned to be recycled in Africa

Provided incentives to customers to return their phones.
These include discounts on a new phone or free airtime. Several of our operating companies also make a donation to charity. In 2003/04 this generated over £0.5m for charities including OFF Road Kids in Germany, UNICEF in Japan and the Zero Waste New Zealand Trust.

Joined the Mobile Phone Partnership Initiative.
This brings together mobile phone companies to manage handset waste, in line with the objectives of the Basel Convention on waste. Vodafone's key focus is to promote practical programmes that help countries to develop the infrastructure and skills to reuse, recycle or safely dispose of old mobile phones.

Next year we will...

... pilot a programme to support reuse and recycling of mobile phones in one developing country. C

... continue to raise awareness about our return programmes and develop incentives to encourage customers to return their phones.

... continue to increase the number of handsets returned for reuse or recycling.

C This refers to our commitments for the financial year 2004/05. (See page 26)

> ‘Reusing and recycling old phones is a win-win activity. People in developing countries win because they have a supply of more affordable mobile phones. The environment wins because reuse and recycling minimises electronic waste.’

Brian Clark – Chief Executive Vodafone Asia Pacific Region
Champion of our handset recycling initiative

Studying the benefits of refurbished phones in Romania

Around a third of Romanians use a mobile phone, and the market is growing fast. But in a country where the average monthly wage is £90, the price of the handset is a barrier.

A study by Forum for the Future, the UK sustainable development organisation, and Shields Environmental Plc, a UK-based phone recycler, confirmed our assumption that refurbished handsets would increase access to communications in Romania.

TELEFOANE RECONDITIONATE
GARANTIE 1 AN
PROMOTIE
Nokia

Reconditioned phones, with a guarantee of one year, for sale in Bucharest.

The researchers found that Romanians were willing to spend a larger proportion of their income on mobile phones than customers in Western Europe. The average revenue per customer in Romania is just under half the level in western Europe, while the average wage is only 5% of that in the West.

As with most markets, pre-pay packages (where customers pay in advance for a handset and calls) are more popular than contracts (billed in arrears). Around 65% of users in Romania choose this option.

Second-hand phones, refurbished and imported from countries like Germany, Italy and the UK, are much cheaper than brand new models (around £15 + £5 for a SIM card compared with at least £50 for a new phone).

An estimated quarter of a million quality refurbished phones entered Romania in 2003, and accounted for more than 10% of all handsets sold in that year.

Handsets are now being refurbished in Romania. Vodafone's associate company in Romania, Connex, is working with Shields to set up a handset return programme in 2004/05. In addition, Shields has set up a new facility that processes 40,000 handsets a month, employing 100 people.

Environmental impacts of our operations

Mobile telecommunications have a number of environmental impacts that take place throughout the life-cycle of the network, from site selection to design, operation and eventual decommissioning.

For example, visual impacts are determined by the way the network is designed. During operation, energy is consumed and waste is generated. Redundant equipment has to be disposed of unless it can be reused or recycled to recover valuable materials.

Here is a summary of our environmental performance. See our website www.vodafone.com/responsibility/environment for more details.

Last year we said...

... we would develop Vodafone Group standards on responsible network development.

... we would develop formal energy efficiency strategies (in operating companies serving over 90% of the Group's customer base), to include quantitative targets by March 2004.

... we would complete an assessment of the impact of 3G on energy consumption by June 2004.

... we would complete an assessment of waste management practices against the Group guidelines in 12 operating companies by June 2004.

... we would reuse and/or recycle 85% of network waste by March 2005.

This year we have...

Continued to work on the development of Group-wide guidelines on responsible network deployment.
These will set out basic principles and best-practice guidance on all aspects of network development, including ways to improve energy efficiency and manage waste. We have found that different local practices and regulations make this a complex issue. As a result, we have not progressed as quickly as we hoped.

Set up a new working group on responsible network deployment, chaired by Francisco Roman, Chief Executive of Vodafone Spain.
This will take forward our work on developing the Group guidelines. While our operating companies work to local standards, our new initiative will ensure we take a more consistent approach across the business on key issues.

Worked with suppliers to assess the impact of 3G on energy consumption.
3G base stations are more energy intensive than earlier technology. We have held meetings with key equipment suppliers about the energy efficiency of network equipment and are increasingly considering energy efficiency in our purchasing decisions. We are on track to meet our commitment to complete an assessment of the impact of 3G on energy consumption.

We are not yet in a position to set Group-wide quantitative energy targets, due to uncertainties relating to the impact of 3G. However, we are working to improve energy efficiency by developing energy efficiency strategies in all of our operating companies.

Developed energy efficiency strategies in ten of our operating companies.
These cover 95% of our customer base – meeting our commitment. The strategies include specific initiatives and targets. For example, Vodafone Ireland has a target to reduce CO_2 emissions per base station by 6.5% by 2006 and Vodafone Spain will install energy-saving free-cooling across all new indoor radio sites.

Used more energy because of the continuing expansion of our network.
In 2003/04, our total energy use – excluding transport and retail – was 2,243 GWh, resulting in 1.1m tonnes of CO_2 emissions. This is equivalent to the average annual energy consumption of around 100,000 UK households.[1] Although this figure has increased by 14%, our network energy efficiency remained broadly stable.

Our network accounts for 90% of our total energy use and remains our priority. (See www.vodafone.com/responsibility/energy for further details about our initiatives to improve network energy efficiency.) Office energy consumption remained constant.

We are increasing the amount of energy we use from renewable sources. For example, during the year, Vodafone Netherlands secured a contract for green power for all its base stations. Vodafone Greece installed solar panels at 35 base stations and plans to fit a further 90 by the end of 2004.

Recycled/reused 86% of network equipment waste – reaching our target one year early.
Our total network equipment waste (reused and disposed) was 3,850 tonnes (2,260 tonnes of non-hazardous waste and 1,590 tonnes of hazardous waste).

Completed assessments of waste management practices in a number of operating companies.
We are on track to meet our target to complete 12 assessments by June 2004.

Several of our operating companies have found opportunities to create revenue from managing their waste streams. For example, in 2003/04, Vodafone UK earned over £500,000 from the resale of network equipment.

Reduced our holdings of ozone-depleting substances (CFCs and HCFCs).
These are used in cooling systems to prevent network equipment overheating. We also use ozone-depleting substances (ODS) in some air conditioning systems in our offices and shops (less than 20% of the total).

Although ODS are held in sealed systems, some accidental releases do occur. Across the Group, we estimate that approximately 1 tonne of CFCs and 7 tonnes of HCFCs were released in 2003/04.

Approximately 50 tonnes of halons are held in fire protection equipment in Japan, where it is still legally permitted. We plan to phase this out as opportunities arise.

Been found to be in breach of planning regulations relating to mast siting.
This resulted in approximately £7,500 of fines. No convictions for criminal offences under environmental law have been reported to the Group.

Next year we will...

... complete an assessment of the impact of 3G on energy consumption by June 2004. C

... complete an assessment of waste management practices against the Group guidelines in 12 operating companies by June 2004. C

... reuse and/or recycle 90% of network equipment waste.[1] C

...complete the development of Vodafone Group guidelines on responsible network deployment.[2] C

C This refers to our commitments for the financial year 2004/05. (See page 26)

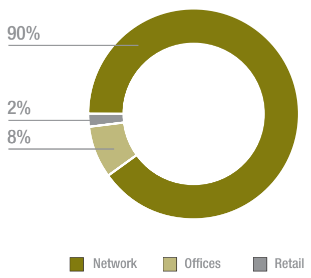
www.vodafone.com/responsibility/environment

---

[1] Based on the average annual energy consumption of a medium-sized UK household, provided by the Office of Gas and Electricity Markets (OFGEM).

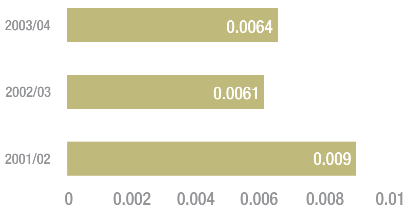
[1] target achieved a year early, and increased
[2] target not achieved in 02/03 – re-launched

Energy consumption (%)



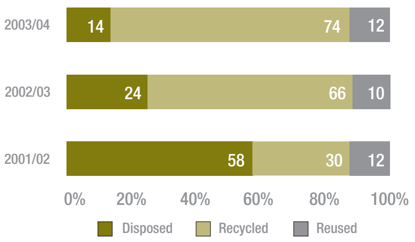
Retail data is estimated.

Climate change: kg of CO_2 per minute of call time



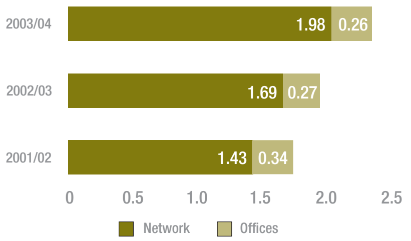
This graph relates to both indirect and direct emissions of CO_2 from our network operations.

Network equipment waste reused and recycled (%)

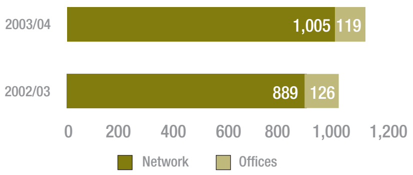


Data quality continues to improve but in some instances includes estimation and extrapolation from measured samples.

Energy consumption of network operations and offices (thousand GWh)



CO_2 emissions from network operations and offices (thousand tonnes)



This graph relates to both indirect and direct emissions of CO_2.

‘Being a responsible business means taking responsibility for the environment seriously. We are part of the global warming issue. It’s our responsibility to operate as energy efficiently as possible and to work with equipment manufacturers to achieve this.’

Jürgen von Kuczkowski – Chief Executive of Vodafone Northern Europe Region and Champion of our energy efficiency initiative

‘You can tell a good business by the attention to detail. Dealing responsibly with our waste and taking care with the ozone-depleting substances we use are two things a good business does as a matter of course.’

David Jones – Chief Operating Officer, Vodafone Japan and Champion of our waste management and refrigerants initiative

Community engagement in network development

‘Everybody wants a mobile phone with excellent network quality but nobody wants a phone mast. Where concerns arise, we work to find an acceptable solution through consultation, sensitive design and planning of sites.’

Francisco Roman – Chief Executive Vodafone Spain and Champion of our responsible network deployment initiative

It is in our long-term interest to build good and sustainable relations with landlords, local communities and planning authorities. All of our operating companies engage with communities on a regular basis. Community engagement is one of the issues that will be addressed on a Group-wide basis on the network deployment guidelines. Others will include site selection, base station construction and design as well as operation and decommissioning.

Some of our operating companies face concerns from communities about network development.

In the Netherlands, Vodafone has worked with others in the industry and the government to agree a Dutch Antennae Policy and Covenant. Residents are able to vote before a base station is put on their building. Over 85% of base stations are placed without objection.

In the UK, Vodafone fully supports the ‘Ten Commitments’, the best-practice guidelines drawn up by the mobile phone industry in 2001. The aim of the commitments is to ensure transparency in building networks, to provide more information to the public and local planners and to boost the community’s role in the siting of radio base stations. Vodafone activities include leaflet mailings and informal drop-in sessions to enable local residents to ask questions and inspect our plans.

Employees

www.vodafone.com/responsibility/employees

Vodafone employs approximately 60,000 people. One of our six strategic goals is to *Build the best global Vodafone team.* To do this we need to recruit and retain the best people and encourage effective team working.

Our employment policies are consistent with the principles of the United Nations Universal Declaration of Human Rights and the International Labour Organization's Core Conventions.

We think that it is vital to listen to all our employees and take into account their feedback. We carry out a Group-wide employee survey every two years. This helps us monitor our progress and identify where we need to improve.

Approximately 44,000 people (84% of intended sample) participated in our latest survey in 2003. The feedback showed that we are doing well in a number of areas:

- Employees have a good understanding of our Values (81% agreed that they are expected to behave in a way which is consistent with the Values and 74% agreed that their individual objectives are clearly linked to the Values).
- Employees think that Vodafone provides high quality products and services (76%).
- There are good relationships between employees and their line managers and strong cooperation within teams.

The survey also highlighted three main areas that we need to address:

- Employees want to know more about Group strategy.
- Career development is an area that could be improved as only 50% feel they receive coaching or regular performance feedback.
- More could be done to engage effectively with customers.

We are committed to providing a safe workplace for all employees and equal opportunities for everyone. Our Business Principles set out the standards of behaviour employees should meet in their work.

See our website www.vodafone.com/responsibility/employees for further details about our employment policies and programmes.

Last year we said …

… we would develop global standards on seven key health and safety workstreams (risk areas) by March 2004.

This year we have …

Developed global standards on seven key health and safety risk areas.

A Group-wide health and safety audit in December 2003 showed improved scores on how our operating companies manage health and safety, particularly in relation to emergency planning and working safely at height.

We deeply regret that one of our contractors in the Netherlands was killed as a result of a fall while working on a mast.

Addressed the findings of our employee survey:

- Improved the way we communicate our business strategy internally. Our Chief Executive and Group Chief Operating Officer have started a series of Talkabout sessions, visiting our operating companies to discuss our strategy with employees. Our internal communications team has developed a communications package and team-briefing process to ensure that the 'Vodafone Journey' represented by the new strategic goals reaches all our employees.
- Established the Global People Development Programme. This is focusing on: introducing career development principles for all employees by April 2005; establishing management development boards at operating company, regional and functional levels; and supporting and facilitating employees to move from one part of the business to another through formal transfer guidelines.

Through this programme we are also working to promote gender diversity, particularly at senior management level where the numbers of women are low. In 2003/04, women accounted for 23 of our top 215 senior managers.

As a global company with operations in many countries, we need managers who have a good understanding of local cultures and markets. In 2003/04, our top 215 senior managers came from 22 different countries.

Established a confidential email facility for employees to report any concerns.

Extended employee share ownership.

The number of employees participating in our Global Employee Options (GEM) scheme during the year was approximately 48,000.

Next year we will...

…verify the understanding of Vodafone's Business Principles among our employees and audit the effectiveness of the assurance process. C

… ensure an enhanced appreciation among our employees of World Around Us (WAU) issues as they relate to Vodafone's business.[1] C

… implement a job-posting tool on our global intranet for use by all our operating companies. C

… introduce three further Health and Safety standards. C

[1] target carried over and slightly modified from 2002/03 report.

C This refers to our commitments for the financial year 2004/05. (See page 26)

	2003/04	2002/03
Health & safety: Lost-time accidents	190	176
Diversity: Number of women in the top 215 senior management roles	23	Not available
Diversity: Number of nationalities in the top 215 senior management roles	22	Not available

Health & Safety data includes accidents reported by contractors although this is difficult to collect and validate.

See page 27 for further employment key performance indicators (KPIs).

Foundations and social investment

www.vodafonefoundation.org

The unique 'family' of foundations that has been established over the past two years has supported projects that seek to deliver clear benefits to the world in which we live – conservation, education, young people, disaster relief and the environment have all benefited. The Vodafone Group Foundation has provided oversight and ensured that all foundation grant-making supports the overall strategy and individual mission statements of each foundation.

The hallmark of the Vodafone Foundations around the world is engagement with societal needs. Our support encompasses a wide range of resources such as employees' skills and Vodafone's core technology as well as financial and non-financial support.

This year we have created our first Foundation Yearbook in which we highlight the wide range of projects and programmes that are now part of the Vodafone Foundation story. To find out more about either our Yearbook or the many projects that we support, please visit our website www.vodafonefoundation.org

Last year we said...

... we would establish 16 local foundations by March 2004.

... we would target support to help raise an additional £3 million from third parties by March 2004.

... we would report on community investment using the London Benchmarking Group Model by March 2004.

... we would enable a significant increase in the number of employees volunteering on CSR-related projects by March 2005.

This year we have...

Established more local foundations.

We have created seven new foundations, bringing the total to 19 – exceeding our target. Thirteen are in countries where we have operating companies and six where we have associate companies. A workshop and networking forum is held twice a year to bring together the employees who run our foundations to discuss issues of common interest and to share good practice.

Increased our grant-making.

During the year, Vodafone made a total of £22.7m in cash donations to a range of organisations, including the Vodafone Group Foundation and local Vodafone Foundations. Vodafone and its foundations have made total contributions of £23.0m to social projects, an increase of 58% over last year. This sum is made up of cash donations, and the value of donated products and services, employee volunteering on company time, donations of redundant IT equipment and the cost of running the foundations.

The data has been collected using the principles of the London Benchmarking Group Model, an international standard for measuring social contributions.

In some countries, Vodafone is required to make contributions as a condition of the licence to operate a mobile telephone service. This accounted for 10.6% (£2.5 million) of our direct community investment in 2003/04.

The Vodafone Group Foundation provided direct support to address major world issues by working with global partners. For example, working for young people with UNICEF; protecting the environment for future generations with WWF and Fauna and Flora International; connecting people to healthcare with the Elton John Aids Foundations; relieving distress after disasters with the International Federation of Red Cross and Red Crescent Societies; and teaching technology for tomorrow's leaders with the University of Strathclyde.

We are currently working with a number of other organisations to establish additional partnerships, which will address further global issues through joint project support.

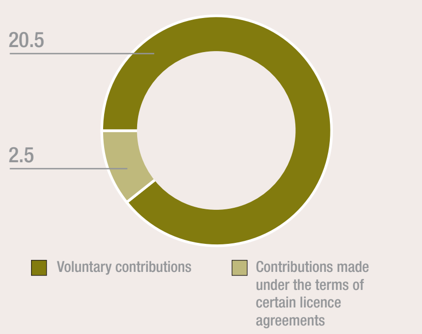
Helped raise additional funds from third parties.

Our operating companies and foundations have helped partner charities to raise over £5m in additional funds, exceeding our target of £3m. This has included substantial contributions resulting from the activities of The Vodafone UK Foundation and Vodafone Italy.

Designed a volunteering scheme.

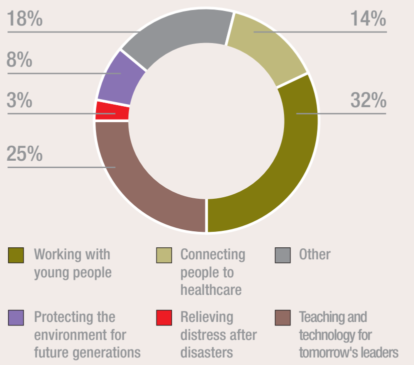
During the year, approximately 1,900 employees volunteered on company time, delivering over 17,500 hours of support to charitable and other social projects. We have designed a pilot scheme for 1,200 employees of Vodafone Group Services Ltd; this will be extended to the whole employee base if it is successful. Our long-term aim is to give all employees access to the database of Foundation projects (national and global).

Total contributions to Social Projects 2003/04 (£ million)

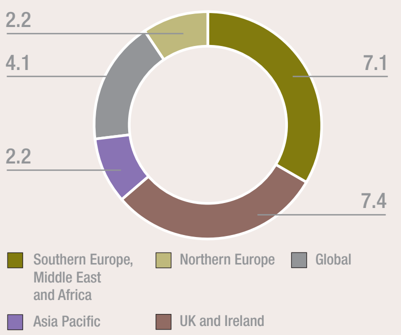


This chart refers mainly to cash donations but also includes donations of products and services, the cost of paid employee time and the cost of managing foundations, following the principles of the London Benchmarking Group Model.

Total contributions to Social Projects by subject 2003/04 (%)



Total contributions to Social Projects by Region 2003/04 (£ million)



This chart refers mainly to cash donations but also includes donations of products and services, the cost of paid employee time and the cost of managing foundations, following the principles of the London Benchmarking Group Model.

Managing CSR

> **‘The World Around Us Value has been vital in helping to embed concern for society and the environment into our business processes and decision making.’**
>
> Charlotte Grezo – Director, Corporate Responsibility

Vodafone is driven by values. We have four core Values, described internally as Passions: for customers, our people, results and the World Around Us.

More recently, the business has developed six strategic goals. One of these is to ‘be a responsible business’. This formalises the importance of corporate social responsibility at a strategic level and reinforces the drive to integrate it into the business. The Director of Corporate Responsibility reports on progress against this goal to the Executive Committee and to the Board of Directors.

Our Business Principles underpin our approach to corporate social responsibility. These cover corporate and individual behaviours and are communicated to employees in different ways, for example in induction material and training, team briefings and on the websites of our operating companies. We track implementation of the Business Principles across the Group and are strengthening assurance processes in this area. See www.vodafone.com/responsibility/businessprinciples

CSR is integrated into the way we run our business. It plays an important part in our business decisions, including risk management, business planning and product development. Our CSR management system follows a standard model that can be described as listening, planning, doing, measuring and reporting – and is designed to achieve continual improvement.

Vodafone’s six strategic goals

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

Listening

Stakeholder engagement

We engage widely with a range of stakeholders to ensure our CSR programme addresses their key concerns. This includes investors, NGOs, communities, suppliers, customers and employees.

Last year we made a commitment to complete an independent review of our Group-level stakeholder engagement programme. An assessment by the consultancy **csr**network identified our commitment to stakeholder engagement and our belief that it is as important to business success as key strengths. However, it highlighted that our stakeholder engagement programme is still at an early stage of development.

How we engage

We engage with stakeholders in a variety of ways, including face-to-face meetings, partnerships and perception surveys.

- **Perception survey**
  In 2003, we carried out a survey on how people perceive Vodafone’s CSR performance. The research organisation MORI interviewed over 5,000 members of the public, customers and NGOs in our five major markets: Germany, Italy, Japan, Spain and the UK, covering approximately 75% of our customer base. We plan to repeat this exercise to track perceptions over time. We also carried out a survey of stakeholder perceptions relating to mobile phones and health issues (see page 11).
- **Investors**
  We meet regularly with mainstream and socially responsible investors to discuss CSR issues. In 2003/04, we held meetings with 15 investors representing over 17% of shares held in Vodafone and a third of our top 30 shareholders by size of holding. Vodafone Group Plc is included in the Dow Jones Sustainability Index and the FTSE4Good Index.

  We have participated in the Business in the Community Corporate Responsibility Index for the two years that it has been running, improving our score by nearly 10% to 79.9%.
- **Non-governmental organisations (NGOs)**
  In 2003/04, we had meetings with a range of NGOs. For example, we discussed supply chain issues with the Catholic Agency for Overseas Development (CAFOD), our CSR performance with WWF, and coltan, an ore mined in west Africa, with Fauna and Flora International (FFI).

  Partnerships with a range of NGOs and CSR organisations help us address specific issues. For example, we are working with the World Resources Institute to assess the socio-economic impact of mobiles, with Forum for the Future to study the value of refurbished handsets, and Fauna and Flora International to explore ways that mobile technology can contribute to conservation.

Vodafone is a member of the World Business Council for Sustainable Development (WBCSD), Global e-Sustainability Initiative (GeSI), Business in the Community (BITC) and the International Business Leaders Forum (IBLF).

- **Employees, suppliers and local communities**
  Our engagement with suppliers, local communities and employees is described on pages 13, 17 and 18 respectively.

What we have learned

Our engagement with stakeholders during 2003/04 has highlighted some clear messages.

The most important CSR issues for Vodafone are:

- Mobile phones, mast and health concerns.
- Human rights in our supply chain.
- Control of access to inappropriate information and content.
- Products for people with special needs.
- Environmental impact/responsible use of resources, particularly in relation to mobile phone reuse and recycling.

The feedback from the MORI survey indicated that:

- The majority of people agree that a company’s social and environmental performance influences their buying decisions and their overall opinion of the company.
- The public currently perceives little difference between mobile phone service operators in terms of their commitment to managing social and environmental issues.

www.vodafone.com/responsibility/engagement

- The majority of customers trust Vodafone, but the public is neutral in its view.

A clear consensus emerged in meetings with NGOs that Vodafone cannot address some issues alone. NGOs want us to work closely with suppliers and others in our industry to uphold human rights in our supply chain.

Planning

The Group Policy Committee, chaired by the Chief Executive, sets our CSR policies. The Group Operational Review Committee (GORC), chaired by the Group Chief Operating Officer, sets commitments and targets. The GORC is also responsible for policy implementation and regularly reviews our progress.

In 2003/04, we established an issues management process to help us identify new and emerging CSR issues. This takes into account feedback from our dialogue with stakeholders and other research. During the year we also integrated CSR issues into our ten-year planning across our operating companies (our long-range planning process). This helps to ensure that we plan ahead, identify local priority issues and take a long-term view of CSR issues.

The Group CSR team, made up of specialists in social and environmental issues, helps to plan and coordinate our CSR initiatives. Global CSR workshops are held twice a year with the network of CSR managers from our operating companies. This helps to drive implementation of CSR initiatives in the business.

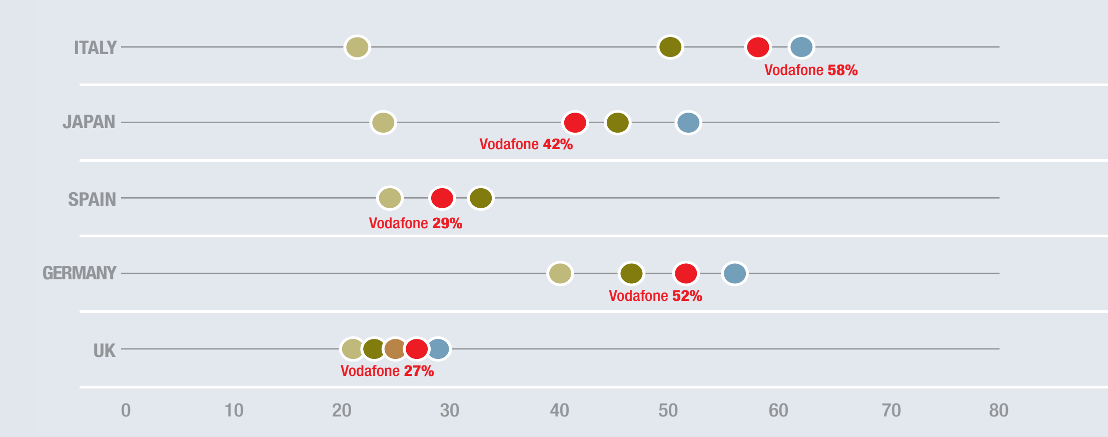
Doing

We have eight key CSR initiatives that were established after extensive consultation (see diagram). Each one is led by a senior executive from our operating companies or Group functions. This is a significant step towards embedding CSR in our operations. Progress in these areas is reported regularly to the GORC.

The Chief Executives of our operating companies are responsible for implementing Group policies and commitments within their businesses. The table overleaf shows the extent to which our operating companies are integrating certain CSR processes into their management.

Stakeholder perceptions of Vodafone's CSR Performance

Public perceptions of how seriously mobile phone service operators take their responsibilities to society and the environment

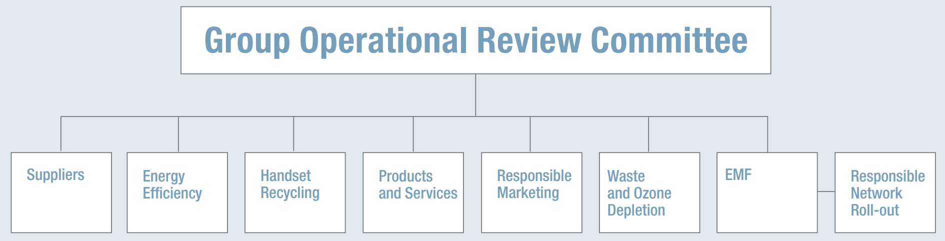


The graph shows how Vodafone is perceived, in comparison with other mobile phone service operators, in regard to the seriousness with which it takes its responsibilities to society and the environment. In each of the five markets, over 1,000 people were asked the following question:

Could you tell me how seriously you think each of the following companies takes its responsibilities to society and the environment?

Very seriously, Fairly seriously, Not very seriously, Not at all seriously, Don't know how seriously.

Our key CSR initiatives across the business



Awareness and training

We have made substantial progress in raising employee awareness of CSR. In 2003, we produced our first CSR report for employees and a second will be published in June 2004. We also include regular CSR articles in our employee magazine and our new intranet will have a CSR section.

Our employee survey in 2003 showed that 69% of the respondents rate Vodafone as a good 'corporate citizen'. We hope to improve this rating in 2004/05.

We have added a session on CSR into the Global Management Development Programme – a three-day course for our most senior managers held at the Institute of Management Development in Lausanne, Switzerland. The participants debate a series of issues from the perspective of different stakeholder groups, and then devise a Vodafone response. Since October 2003, more than 60 executives and directors from a range of operating companies have attended the course.

Managing CSR continued

www.vodafone.com/responsibility/integration

Integration of CSR in operating companies

CSR management processes implemented	number of operating companies
Board member responsible for CSR	12
CSR issues reported to the Board at least twice a year	6
CSR stakeholder perception survey(s) undertaken	7
CSR Report published	4
CSR issues included in the performance development review process	9

Measuring

We collect environmental and community information using a web-based data-gathering system. See inside front cover for details about our data collection process.

During the year, we implemented a new internal performance measurement system. Operating companies now report key performance indicators (KPIs) for CSR management to the GORC quarterly, alongside their financial and operational performance. These KPIs are calculated from detailed measures covering 'Demonstrating Commitment', 'Integration' and 'Managing Issues'. The KPIs enable us to benchmark operating companies' performances and help identify and share best practice. In addition, CSR perception (based on findings from the MORI survey) and performance trends are reported annually to the GORC.

Assurance

Internal assurance
A range of CSR questions are included in our internal audit Key Control Questionnaire, which is completed by all our operating companies once a year and signed off by their Chief Executives. The results are reported to the Vodafone Board. Next year we will integrate further CSR issues into our internal audit processes.

Third party assurance
In relation to this report, Deloitte & Touche LLP has (see their independent statement on page 23):

- Reviewed our environmental and community data collection and reporting processes at Group and four operating companies (Germany, Greece, Spain and UK).
- Carried out agreed-upon procedures on our Group occupational health & safety data collection and reporting processes.
- Reviewed our reporting of progress against last year's commitments and objectives disclosed on pages 24-25.

Environmental management systems are in place in some operating companies. The retail operations in Sweden and the network of Vodafone Egypt are certified to ISO 14001. Vodafone operating companies in Greece, Portugal and Spain have company-wide ISO 14001 certified systems. Vodafone Greece achieved certification to EMAS during 2003/04.

A sample of EMF values from base stations has been independently audited in 13 of our 16 operating companies (see page 10).

Our Group CSR management framework and stakeholder engagement programme have been assessed by **csr**network.

Reporting

We have published an annual Group CSR Report since 2000/01. See the inside front cover for further details about this report and the individual reports produced by operating companies.

Benchmarking the Vodafone Group CSR Management Framework

csrnetwork was appointed to undertake an independent benchmark of the Vodafone Group CSR management framework.
For more details on the benchmark process and results, please see the full statement at www.vodafone.com/responsibility/integration

After only three years since forming the CSR team, we believe that Vodafone's Group CSR management framework has developed ahead of expectation. Specific areas where short-term development effort could be focused or continued include:

- increasing formalisation of the issues foresighting process,
- integrating and signposting with wider business management processes,
- alignment and consistency of external communication channels,
- reviewing the scope and process for identifying possible future initiatives,
- embedding a process for Business Principles assurance.

In addition, the process raised a series of long-term strategic questions, including how to extend the existing consideration of CSR issues at key business strategy points, particularly in relation to the development of new products and services.

csrnetwork, Bath, April 2004

Assurance

Independent accountants' report to Vodafone Group Plc ('Vodafone') on the Group Corporate Social Responsibility Report 2003/04

We have been engaged by the Board of Directors to perform certain assurance and agreed-upon procedures on the Vodafone Group Plc Corporate Social Responsibility Report 2003/04 in accordance with our engagement letter.

Responsibilities of directors and independent accountants

The procedures performed were those agreed on with the management of Vodafone. There are currently no generally accepted international standards for the preparation of or giving of assurance on environmental and social reports. We have therefore based our approach on what we consider is emerging best practice in this field and on the underlying principles with international standards for assurance engagements and agreed-upon procedures.

The Directors are responsible for the preparation of the Group CSR Report, including the choice of commitments and objectives and the implementation and execution of systems to collect required data including Envoy-related processes for community and environmental data.

Basis of conclusions

Limited assurance

We carried out limited assurance procedures in accordance with International Standard on Assurance Engagements 3000 on the disclosures in the Group CSR Report relating to progress against the 2003/04 commitments and objectives and the community and environmental data collection, aggregation and reporting processes. This standard requires that we plan and perform the work to obtain limited assurance as to whether:

- The progress against the 2003/04 commitments and objectives disclosed in the Group CSR Report on pages 24-25 is consistent with the supporting evidence, based on criteria identified by management.
- The Envoy-related processes to collect, aggregate, validate and report community and environmental data at four operating companies (Germany, Greece, Spain and the UK), together with the processes to produce Group-level data, operated effectively.

A limited assurance engagement is primarily limited to inquiries of company personnel and analytical procedures together with tests on a sample basis of the operation of processes relating to community and environmental data. At the operating company level, these tests will consist of making enquiries of those responsible for the collection of underlying community and environmental data and performing walk-through tests of the processes put in operation to feed this information into the Envoy-related processes.

We were not required to consider the appropriateness of the 2003/04 commitments and objectives, nor to verify the underlying data fed into the Envoy-related processes, and therefore our report provides less assurance than a reasonable assurance engagement.

Agreed-upon procedures

We have carried out agreed-upon procedures to test on a sample basis the Group-level processes put in place by the Directors to collect, aggregate and report occupational health and safety information within the Group CSR Report. The procedures were carried out according to the International Standard for Agreed-Upon-Procedures ISRS4400 and did not constitute either an audit or a review but were sufficient for us to form our conclusions. Had we performed an audit or review or considered topics outside of our agreed-upon procedures it is possible that other matters may have come to light.

Conclusions

Limited assurance opinion

In our opinion, based on the work described in this report:

- Nothing has come to our attention that causes us to believe that the progress against the 2003/04 commitments and objectives described on pages 24-25 are inconsistent with the supporting evidence.
- Nothing has come to our attention that causes us to believe that the Envoy-related processes to collect, aggregate, validate and report community and environmental data at four operating companies (Germany, Greece, Spain and the UK), together with the processes to produce Group-level data, operated ineffectively.

Agreed-upon procedures factual findings

Our agreed-upon procedures, which consisted of sample tests of processes to collect, aggregate and report Group-level occupational health and safety data were performed and no significant failures were noted.

This report is made solely to Vodafone Group Plc in accordance with our engagement letter. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an assurance and agreed-upon procedures report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Vodafone Group Plc for our work, for this report, or for the conclusions we have formed.

Deloitte & Touche LLP, London
30 May 2004

London Benchmarking Group Assurance Statement

Vodafone Group Plc is an active member of the LBG (London Benchmarking Group, www.lbg-online.net). The LBG is a group of companies which are working towards measuring and reporting their contributions to the community in a more comprehensive and comparable way.

As manager of the LBG, we have worked with Vodafone to assess its understanding of the LBG model (the "model"), and its application of LBG principles to projects and programmes funded around the world. Our aim has been to ensure that internal measurement and reporting systems for voluntary contributions to community organisations are based on LBG evaluation and reporting principles. Our work has not extended to an independent audit of the data presented in this report although we have reviewed a number of the data returns from operating companies, local foundations and The Vodafone Group Foundation, which together covered over 80% of total contributions.

We are satisfied, in material respects, that reporting systems reflect LBG principles and have been applied throughout the year.

Looking ahead, we recommend further training on the Model to promote better understanding of the guidance already given in the Group's data collection systems. We also recommend these systems be developed to capture more precise data to enable better categorisation of Vodafone's contributions (e.g. health or education), and motivations for contributing (e.g. community investments which have a long-term benefit to the business), in line with the Model.

We commend efforts to apply elements of the LBG model to measuring the outputs and impacts of key programmes, as in the UK and Spain, for example, and would encourage this approach to be rolled out across the Group.

The Corporate Citizenship Company
London
18 May 2004

CSR objectives and commitments

Progress against 2003/04 commitments

Issue	Last year we said...	This year we have...	Progress
Management system	Complete an independent benchmark of the Group-level CSR management system against current best practice (by March 2004)	An independent benchmark of our CSR management system was carried out by consultants **csr**network (see page 22)	100%
Engaging stakeholders	Complete assessment of stakeholder perception of CSR issues and Vodafone's performance in major markets (by December 2003)	MORI interviewed over 5,000 members of the public, customers and NGOs in our five major markets, covering 75% of our customer base. (see page 20)	100%
	Complete an independent assessment / benchmark of the Group-level stakeholder engagement programme (by March 2004)	An assessment of our stakeholder engagement programme was carried out by consultants **csr**network (see page 22)	100%
CSR reporting	Extend assurance to include review of data reporting processes and controls at a sample of operating companies e.g. Germany, Greece, Spain and UK (by March 2004)	This covered operating companies representing 50% of our customer base (see page 23)	100%
	Complete independent assessment of assurance processes behind Business Principles (by December 2004)	Assurance processes continue to be embedded in the business and an independent assessment will be completed by December 2004 (see page 20)	On track
	Five operating companies to produce local CSR reports (by June 2005)	Reports have so far been published in four countries – Greece, Ireland, Italy and the Netherlands (see inside cover)	On track
Marketing	Develop Group-wide responsible marketing guidelines that address key issues (by June 2004)	Guidelines have been developed, covering the advertising and marketing standards expected of our brand (see page 6)	100%
	Implement training programme for retail staff (by March 2005)	Commitment replaced See new commitments	
Products & services	Identify and implement three global initiatives that will promote mobile/wireless applications that deliver specific environmental or social benefits (by June 2004)	1) Held a global workshop; 2) sponsored the GSMA 'Mobile in the Community' award; 3) started to plan the global roll-out of the speaking phone; 4) launched a project on micro-finance (see page 8)	100%
EMF	Complete assessment of stakeholder perception relating to health issues (by March 2004)	MORI interviewed 17,000 people in 14 countries (see page 11)	100%
Suppliers	Launch a Code of Ethical Purchasing (CEP) and measure implementation with three major suppliers (by March 2004)	Launched the CEP and carried out a pilot csr assessment of a Panasonic mobile phone factory in the Philippines. We also reviewed social issues with Motorola and Sony Ericsson (see page 12)	80%
Handsets	A 10% increase in the number of handsets returned for reuse and recycling (by March 2005)	We collected 1.5 million handsets, an increase of 29% on last year (see page 14)	100% (one year early)

We set commitments every year to improve our CSR performance. We have achieved most of the commitments for 2003/04 (see below).

Deloitte & Touche LLP has reviewed progress against the commitments we made in 2002/03 (see statement on page 23). A full description of the criteria used to review progress is available on www.vodafone.com/responsibility/assurance

This year, as well as setting new commitments for 2004/05, we have also established medium-term commitments and longer-term aspirations. This sets the path towards our goal of being a responsible business and reflects the issues we have identified in consultation with our stakeholders. We plan to review our new commitments to take into account new issues that may arise in the future and ensure we meet our stakeholders' expectations.

Some additional plans are included on the previous pages (in the 'we will' sections). The one-year commitments for 2004/05 are marked with this symbol C in the preceding sections.

See www.vodafone.com/responsibility/targets which also includes performance against commitments made in 2002 and due for completion in the financial year 2003/04.

Issue	Last year we said...	This year we have...	Progress
Energy	Operating companies serving >90% of the Group's customer base to develop formal energy efficiency strategies, to include quantitative targets (by March 2004)	10 of our operating companies, serving 95% of the Group's customer base, have developed energy efficiency strategies. Three further operating companies will have strategies within six months (see page 16)	100%
	Complete assessment of impact of 3G on energy consumption (by June 2004)	Group R&D is developing a tool to model energy consumption when 3G is rolled out to new networks (see page 16)	On track
Network development	Group-level CSR guidelines on network development (by March 2004)	A new initiative on responsible network development has been established and we expect to complete guidelines by December 2004 (see page 16)	40%
Waste and ODS	Complete assessment of waste management practice against Group guidelines in 12 operating companies (by June 2004)	A number of operating companies have completed assessments of their waste management practices, and we are on track to complete assessments in at least 12 operating companies by June 2004 (see page 16)	On track
	85% of network waste reused and/or recycled (by March 2005)	We reused or recycled 86% of network waste. We have set a new target to reuse /recycle 90% (see page 16)	100% (one year early)
Employees	Enable a significant increase in the number of employees volunteering on CSR-related projects (by March 2005)	A policy has been adopted and a volunteering scheme is being piloted (see page 19)	On track
	Use internal communication programmes and training to deliver a measurable increase in the number of employees who understand the importance of social/environmental issues as they relate to Vodafone's business (by June 2005)	We published our first CSR report for employees ('Who says it's not cool?'); regular CSR items in employee magazine; CSR included in management training and MBA course (see page 21)	On track
Health and safety	Implement global standards on seven Health and Safety workstreams (by March 2004)	Group standards have been developed and launched. A monitoring process is in place (see page 18)	100%
Social investment	To complete the establishment of 16 local foundations (by March 2004)	Six new local foundations were established during the year bringing the total to 19 (see page 19)	100%
	Vodafone Group to report on social investment using the London Benchmarking Model (by March 2004)	Our reporting of social investment has been assessed by the LBG managers – see their assurance statement (page 23)	100%
	Target leverage of £3 million off Vodafone Group Foundation grants (by March 2004)	Vodafone Foundations and businesses have helped partner charities to raise over £5m additional funds from third parties as a result of their activities (see page 19)	100%

New commitments

Issue	One-year commitments for 2004/05. We will…	Three-year commitments for 2006/07. We will…
Responsible marketing, content and use	Implement responsible marketing guidelines across the business[1] Audit marketing and advertising practices against the responsible marketing guidelines At Group-level, and in each operating company, develop a major responsible marketing communications initiative for the benefit of customers Audit compliance with our Content Standards	Develop and make available a global mobile internet filtering solution to all markets Implement access control solutions which prevent inappropriate access to adult content and services Be a recognised leader in responsible marketing
Aspiration:	All our customers can access independently endorsed and consistent information on major issues of concern to them. Customers will have trust in Vodafone and confidence using our products and services. To enable younger users to use mobile internet services in a safe and responsible way.	
Services that make a difference	Establish a new team within Group Marketing to focus on social products and services Develop a social products and services roadmap that will ensure Vodafone delivers best-in-class products and services Group-wide Review our current core global products and services against recognised accessibility standards	Have a range of social products and services available globally, which delivers quantified commercial, social and brand value
Aspiration:	To be the mobile operator that best meets social needs with innovative products and services.	
Mobile phones, masts and health	Ensure every one of our operating companies will make available up-to-date information regarding radio frequency (RF) field strength values from locations that have been selected by an independent body, such as local or national government Ensure that relevant, clear and concise information about RF and health-related issues is available to all stakeholders including customers and local communities	Over the next three years, progressively increase customer and public perception that Vodafone is acting responsibly and transparently on this issue, as measured by our independent global survey
Aspiration:	To lead the industry in responding to public concerns regarding mobile phones, masts and health by demonstrating leading-edge practice and encouraging others to follow.	
Supply chain	Ensure our top[2] 25 global suppliers complete Vodafone's self-assessment questionnaire to determine compliance with our Code of Ethical Purchasing (CEP)[3] Complete assessments of five of the top[2] 25 global suppliers against our CEP Ensure the top[2] three suppliers to each of our operating companies complete Vodafone's self-assessment questionnaire to determine compliance with our CEP[3]	Have conducted assessments of our top[2] 25 global suppliers Work with other major ICT companies to develop a common approach to supplier assessment (to enable partner companies to recognise assessment results on a reciprocal basis)
Aspiration:	Our suppliers apply the standards set out in Vodafone's CEP. The ICT industry adopts a common approach to deal with supply chain issues.	
Reuse and recycling of mobile phones	Pilot a programme to support reuse and recycling of mobile phones in one developing country	Have return schemes in all of our operating companies Actively support development of programmes in at least three developing countries to repair, reuse and recycle mobile phones
Aspiration:	All our customers are incentivised to return used phones and accessories to Vodafone and have an easy process for doing so. The proportion of returned phones reused is maximised and we actively support the development of phone refurbishment, reuse and recycling in developing countries.	
Environmental impacts of our operations	Reuse and/or recycle 90% of network equipment waste[4] Complete the development of Vodafone Group guidelines on responsible network development[5]	Have developed a methodology for assessing visual impact of masts/base stations and established quantified reduction commitments Have developed, and be reporting against, Group-wide quantitative targets for network energy efficiency and related carbon dioxide emissions
Aspiration:	Our operations have the lowest practicable environmental impact.	
Employees	Verify the understanding of Vodafone's Business Principles among our employees and audit the effectiveness of the assurance process Ensure an enhanced appreciation amongst our employees of World Around Us (WAU) issues as they relate to Vodafone's business[6] Implement a job-posting tool on our global intranet for use by all our operating companies Introduce three further Health and Safety standards	Deliver a Pride in Vodafone score (from the Employee Survey) that will at least equal the high performance norm of the 'World's Most Admired Companies' survey Achieve a 10% reduction in work-related accidents causing lost time
Aspiration:	To be recognised as a leading employer wherever we operate.	

---

[1] This replaces and expands the target we set last year to implement a training programme for retail staff by March 2005.

[2] By expenditure.

[3] An initial element of the assessment process.

[4] Target achieved a year early, and increased.

[5] Target not achieved in 2003/04 – re-launched.

[6] Target carried over and slightly modified from 2002/03 report.

Performance and data summary

	2003/04	2002/03
Financial		
Group turnover (£m)	33,559	30,375
Total Group operating profit (before goodwill amortisation and exceptional items) (£m)	10,749	9,181
Market capitalisation as at 31 March (£m)	87.0	77.0
Registered proportionate customers (thousands)	133,421	119,709
% pre-paid customers	56	53
Network infrastructure additions (£m)	3,299	3,363
Revenue distribution[1]		
Suppliers (£m)	22,967	22,247
Employees (£m)	2,230	2,257
Shareholders returns (£m)	2,390	1,143
Lenders (£m)	–31	475
Tax Authorities (corporation taxes and social security only) (£m)	1,416	1,082
Retained for growth (£m)	6,252	4,218
Employment		
Total number of employees	60,109	66,667
Number of employees in non-mobile business	7,111	14,832
Employee turnover rates (%)	10.3%	9.8%
Lost-time accidents	190	176
Number of women in the top 215 senior management roles	23	N/A
Number of nationalities in the top 215 senior management roles	22	N/A
Number of employees participating in share ownership schemes	48,000	50,000
Social investment		
Number of operating companies that have a local foundation	13	9
Total contributions to social projects (£m)	23.0	14.8
Number of foundations that measure the effectiveness of their programmes	9	N/A
Environment		
Number of base stations	90,000	73,000
Number of mobile phones collected (million)	1.47m	1.14m
Proportion of collected mobile phones reused (%)	18%	20%
CO_2 emissions from network operations and offices (millions of tonnes) (direct and indirect)	1.1m	1.0m
CO_2 emissions from company cars (tonnes)	49,000	58,000
Proportion of network equipment waste reused and recycled	86%	76%
Paper purchased with a recycled content greater than 70% (%)	31%	23%

N/A: Not Available.

[1] As part of the process of developing the 2003/04 Group CSR Report we have undertaken certain re-classifications of items within the revenue distribution figures. An indication of the constituents of the categories is provided on our website.

We said, we have, we will...