

**we said
we have
we will**

About our CR reporting



Local CR reports are available at www.vodafone.com/responsibility/reports

This is Vodafone's sixth Corporate Responsibility (CR) Report covers the year ended 31 March 2006. Our CR reporting information is available in a range of formats to make it more accessible for different audiences.

This printed report is primarily aimed at stakeholders with particular interest or professional involvement in CR. It is a summary focusing on the issues we judge to be most material.

Our website, www.vodafone.com/responsibility, provides more detail than this report and is a complete account of our CR activity catering for a wide range of stakeholder interests. Specific web pages are referenced in each section of the report.

A number of our operating companies publish CR reports focusing on issues relevant to local and national stakeholders and providing details of individual operating company CR programmes (see report covers above). These reports are available online at www.vodafone.com/responsibility/reports.

Selection of the information included in this report

In this report, we aim to provide a balanced account of our performance on the socio-economic, ethical and environmental issues which are most material to Vodafone at Group level. These issues have been identified through extensive stakeholder engagement, media tracking, reports from our local operating companies and other methods. See page 6 for an explanation of the process we use to assess the issues that are material to Vodafone.

Reporting guidelines

We took the Global Reporting Initiative (GRI) sustainability reporting guidelines into account when preparing this report. An index of conformance with the GRI guidelines is provided on our website: www.vodafone.com/responsibility/gri.

Further information on our business and financial performance, corporate governance, regulatory issues and directors' remuneration is provided in our Annual Report for the year ended 31 March 2006. All references to 'Vodafone', 'Vodafone Group', 'the Group' and 'we' within this report mean Vodafone Group Plc and its operating companies.

Scope and data

The data in this report cover Vodafone's mobile telecommunications subsidiary undertakings in 14 countries: Albania, Australia, Egypt, Germany, Greece, Hungary, Ireland, Japan, Malta, the Netherlands, Portugal, Spain, New Zealand and the UK. The data also cover the Group's joint venture in Italy for which Vodafone is responsible for the day-to-day operations. Within this report we refer to our businesses in all these countries as 'local operating companies'.

During the 2006 financial year, the Group sold its entire interest in Vodafone Sweden and acquired new operating companies in the Czech Republic and Romania. We have included data from Vodafone Japan in this report as the sale was completed after the financial year end. We aim to include data from the Czech Republic and Romania in our next report.

The Group's non-mobile operating subsidiaries, associated undertakings ('affiliates'), investments, franchised retail operations and partner networks are not included in the scope of this report, although we work with affiliates and partner networks on CR. Revenue from non-mobile businesses accounts for 4.4% of the Group total.

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

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Deloitte & Touche LLP has undertaken assurance work in accordance with the International Standard on Assurance Engagement 3000 (ISAE3000) and the AccountAbility1000 Assurance Standard (AA1000 AS) on three specific areas within the CR report:

1. Vodafone's approach to managing and reporting Corporate Responsibility against the AA1000 AS principles of completeness, materiality and responsiveness;
2. Selected environmental, community and occupational health & safety performance data and their underlying collection and reporting systems; and
3. The reported progress against the commitments set out in the 2004/05 CR report.

See page 35 for the independent assurance statement of Deloitte & Touche LLP.

Deloitte.

Letter from the Chief Executive



Arun Sarin

Welcome to our sixth CR report. When we first reported six years ago we had just established our CR department. From the outset we decided to be ambitious. We do not believe that you can be 'half responsible' or pick and choose the convenient areas to be responsible in, so we set ourselves a simple challenge: to be a recognised leader in CR. Since then we have made progress.

We now have a global team of CR managers in each local operating company. Ten operating companies have already published local CR reports of their own. All operating companies have handset recycling programmes and have begun supplier CR assessments. Access controls are available in all operating companies that offer age-restricted content on Vodafone live!. Our annual survey of CR opinion leaders found that 96% rated our Group CR report 'good' or 'excellent' compared with 69% in 2004.

Despite this early progress, we have learned in the last six years that the CR challenge is perpetual. New issues arise and expectations are raised.

A key challenge in a company with tens of thousands is to embed CR at every level in every local operating company. Achieving this means creating an organisational culture where the instinctive course of action is also the responsible course of action. Vodafone's formal statement of our vision, values and goals includes our Passion for the World Around Us. But it's not enough to write down our values.

That's why, when I arrived at Vodafone in 2003, I made CR one of our six strategic goals. And last year, our Executive Committee approved a five-year CR strategy which sets clear priorities on ethics, stakeholder engagement, consistency, responsibility to customers, reuse and recycling, energy and climate change, and socio-economic value. As we engage with our stakeholders and listen to their concerns we discover time and again that doing the right thing pays. Let me give you some specific examples.

We want our customers to enjoy a wide range of services including internet access and the ability to share video and picture downloads. We also want them to be confident that they can do this without risk; this is of particular concern for parents who are concerned that their children might access content which is only suitable for an adult audience. We have worked with a wide range of experts, including non-governmental organisations and industry partners, to develop ways to ensure this risk is kept to a minimum. As a result we have committed to introducing access controls in all our markets by March 2007. Indeed the UK was the first country in the world to launch access controls. We are proud of this achievement and look forward to offering a similar service in all other markets.

We believe that our industry has great potential to generate social and economic development and particularly for individuals and businesses in the developing world.

We wanted to investigate this potential through robust independent research and our report, 'Africa: the impact of mobile phones' shows a correlation between mobile penetration and GDP growth. The report highlights the positive role that mobile can play in the developing world and has contributed to developing a better understanding of the social and economic impact of our industry.

We see real growth potential in emerging markets and we view this as a win-win proposition for our business and their economies. This year we agreed to acquire Telsim in Turkey, we acquired a 10% stake in Barathi Telecom in India and increased to 50% our stake in Vodacom, which operates in South Africa, Tanzania, Lesotho, Mozambique and the Democratic Republic of the Congo. The next few years will see the development of innovative products and services that will be tailored to the needs of local customers. As we expand, we may also encounter new CR issues and our clear commitment to ethical standards will be an essential guide to our behaviour.

This year we announced a £5 million social investment fund over the next three years to develop mobile products and services that benefit society. This builds on the work we have been initiated this year on areas such as social alarms, teleassistance, microfinance and inclusive design. The new fund will help us explore further opportunities to develop products that have both high social value and commercial benefits. Part of the fund will be used to launch an entirely new use of mobile-facilitating microfinance in developing regions not served by conventional banking networks.

New technologies and services will bring new challenges. The extension of mobile into new areas such as internet access and providing TV programme content requires us to think about issues such as virus protection, security, privacy and the nature of programme or internet content we carry. This emphasises the strategic role CR plays in our business.

Vodafone is one of the largest companies in the world, and when you are running a large company today, you have to be ethical and transparent. For example, it is vital that reporting of financial and non-financial issues is trusted. Vodafone intends to be around in the long-term and to build and sustain a great global company requires an ethical underpinning. That's why I believe CR and long-term shareholder value are aligned. I look forward to reporting our progress to you next year and beyond.

A handwritten signature in black ink that reads 'Arun Sarin'.

Arun Sarin
Chief Executive

About Vodafone

Vodafone is the world's leading mobile telecommunications company. We provide a wide range of communication services, including voice calls, SMS text messaging, MMS picture and video messaging, internet access and other data services. Our 170.6 million proportionate* mobile customers include private consumers and corporate customers in diverse markets around the world.

The company has expanded dramatically since its formation in the 1980s, largely through acquisition and substantial investment in rapidly advancing mobile technology. We describe our brand essence as 'Red, Rock Solid and Restless'. High quality services, innovation, dependability and trust are at the core of our brand.

The Group had a market capitalisation of approximately £72bn at 26 May 2006, making it the fifth largest company in the Financial Times Stock Exchange 100 Index, and the twenty-second largest company in the world based on market capitalisation at that date. See our Annual Report for more information.

*Adjusted to reflect the Group's percentage ownership.

Key financials and statistics

	Year ended 31 March	
	2006 £bn	2005 £bn
Continuing operations ⁽¹⁾		
Revenue	29.4	26.7
Adjusted Operating Profit⁽²⁾	9.4	8.4
Operating (loss)/profit	(14.1)	7.9
Free cash flow	6.4	6.6
Market capitalisation	72.4	90.8
(at 31 March)		
Closing Proportionate Customers (m)	170.6	140.1

(1) Excluding the results of discontinued operations in Japan in the 2005 and 2006 financial years.

(2) Adjusted to exclude impairment losses, non recurring amounts related to business acquisitions and disposal and changes in the fair value of equity put rights and similar arrangements where applicable.

What we do

Network

- Total base stations: **97,899**
- 2G base stations: **43,884**
- 3G base stations: **15,887**
- Base stations with 2G and 3G: **38,128**
- Total exchanges (MSCs): **585**
- Capital expenditure on network infrastructure: **£2.4 bn**



What are the issues?

Issues

- Community consultation and legal compliance associated with network rollout
- Radio frequency fields and health
- Energy use
- Waste

Services

- Total voice calls: **191 billion minutes**
- Vodafone live! downloads available: **650,000+ full music tracks, 12,000+ ringtones, 400+ games**
- Vodafone Mobile Connect Card: **over 700,000 customers**
- Vodafone Passport: **5.6 million customers**
- Roaming: **global coverage by Vodafone's network and partners exceeds that of any other mobile operator**



Issues

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

Brand presence and retail

- Stores owned by Vodafone: **1,046**
- Franchised Vodafone branded stores: **5,411**
- Customer store-visits per day: **550,000**
- Total retail staff: **approximately 35,000**
- Calls taken by contact centres: **1.5 million per day**



Issues

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

Key events in the 2006 financial year

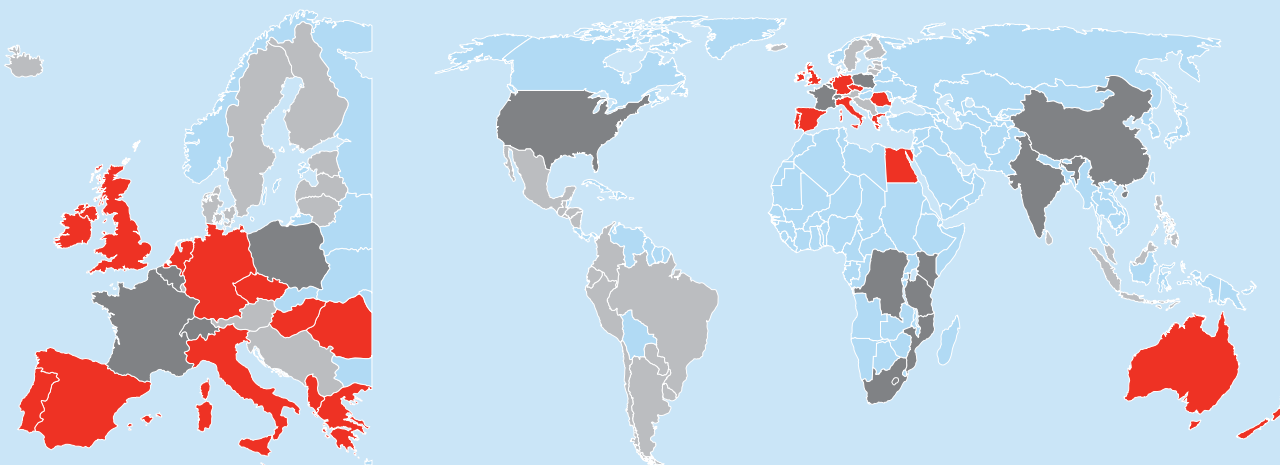
The business

- Acquisitions: operating companies in the Czech Republic and Romania, 10% stake in Bharti (India), increased stake in Vodacom (South Africa) to 50% and agreed acquisition of Telsim (Turkey)
- Sold Vodafone Sweden and agreed to sell Vodafone Japan
- Announced results of annual impairment review of assets under International Financial Reporting Standards – anticipating a material impairment in the carrying value of goodwill in the range of £23–28 billion
- Strategic partnerships with Huawei on exclusive Vodafone-branded consumer 3G handsets, Microsoft on email solutions for business and Google for Vodafone live! search engine
- Met 3G target for over 10 million customers by 31 March 2006

The CR agenda

- Published study on the impact of mobile phones on health services
- Launched Vodafone Speaking Phone and Vodafone Simply to improve accessibility
- Piloted new qualification process for global suppliers
- Introduced clearer pricing with the launch of Vodafone Passport
- Handset recycling programmes established in all operating companies
- Software capable of call interception discovered in Vodafone Greece
- EU proposed regulation on roaming charges
- Competition cases in a number of markets

Where we are



Local operating companies

	Ownership (%)	No. customers ('000)	Customer growth (%)	Registered prepaid (%)
Germany	100.0	29,191	7.2	53.3
Italy	76.9	24,056	6.9	92.2
Spain	100.0	13,521	17.9	50.4
UK	100.0	16,304	6.4	61.1
Albania	99.9	773	19.1	96.8
Australia	100.0	3,177	16.3	74.0
Czech Republic*	100.0	2,214	—	47.5
Egypt	50.1	6,615	59.9	90.4
Greece	99.8	4,479	11.9	66.4
Hungary	100.0	2,063	18.9	68.9
Ireland	100.0	2,075	6.3	73.7
Malta	100.0	175	4.8	89.8
Netherlands	99.9	3,913	3.2	52.4
New Zealand	100.0	2,068	9.4	77.6
Portugal	100.0	4,276	19.2	79.7
Romania*	100.0	6,384	27.1	64.9

* The data contained in this report cover Vodafone's mobile telecommunications subsidiary undertakings and joint ventures in the above countries, excluding Czech Republic and Romania and including Japan. Within this report we refer to our businesses in these 15 countries as "local operating companies"

Affiliates, investments and other joint ventures

	Ownership (%)	Venture customers ('000)
Belgium	25.0	4,338
China	3.3	260,645
Fiji	49.0	206
France	44.0	17,282
India	10.0	19,579
Kenya	35.0	3,944
Poland	19.6	9,779
South Africa ⁽¹⁾	49.9	23,520
Switzerland	25.0	4,370
US ⁽²⁾	44.4	53,020

- (1) Our affiliate in South Africa, Vodacom, also operates in Lesotho, Mozambique, the Republic of Congo and Tanzania
 (2) The Group's ownership interest in Verizon Wireless is 450%, however, the Group's proportionate customer base has been adjusted for Verizon Wireless's proportionate ownership of its base across all its network interests of approximately 98.6% at 31 March 2006

Partner markets

Argentina	Iceland
Austria	Indonesia
Bahrain	Kuwait
Brazil	Latvia
Chile	Lithuania
Colombia	Luxembourg
Croatia	Malaysia
Cyprus	Mexico
Denmark	Nicaragua
Ecuador	Paraguay
El Salvador	Peru
Estonia	Singapore
Finland	Slovenia
Guatemala	Sri Lanka
Honduras	Sweden
Hong Kong	Uruguay

The above information is presented for continuing operations only. Japan is classified as a discontinued operation and had 15,210,000 venture customers and 14,858,000 registered proportionate customers at 31 March 2006. Further information can be obtained our Annual Report for the 2006 financial year.

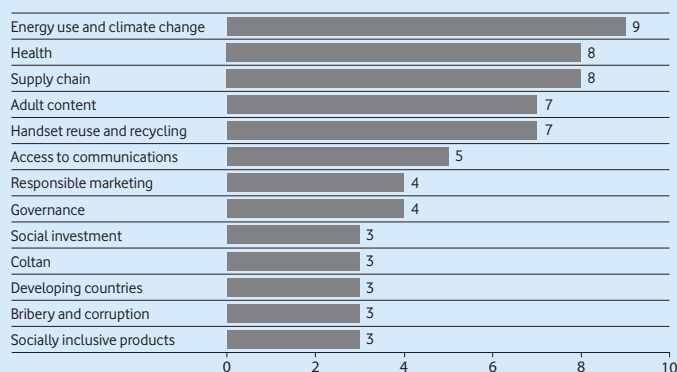
Vodafone has a minority equity stake in a number of affiliates. In addition, the Group has agreements to market certain services through partner markets in which Vodafone has no equity stake. Through these partner markets, Vodafone can implement its global services in new territories, extend its brand into new markets and create additional revenue without the need for equity investment.

Stakeholder engagement

Feedback from our investors

Our impact on climate change was the most commonly raised issue this year. New issues on the SRI agenda include our impact in developing countries and our policy on bribery and corruption. Health, supply chain, adult content and handset recycling remained important issues.

Most common issues raised by investors (number of times discussed)



How Vodafone is rated by investors and CR benchmarks

Research carried out by Sustainable Investment Research International (SIRI) found that on 30 June 2005 Vodafone was the **number one stock most frequently selected** by socially responsible funds in Europe.

Rating/Benchmark	Vodafone's performance
AccountAbility	Vodafone was ranked third out of the Global Fortune 100 in AccountAbility's 2005 Rating
Dow Jones Sustainability Indexes	Vodafone was included in the 2005 Dow Jones Sustainability World Index
FTSE4Good Index	Vodafone was included in the FTSE4Good Index
Global 100 Most Sustainable Companies – Corporate Knights	Vodafone was included in the Global 100 Most Sustainable Companies, based on research by Innovest Strategic Value Advisors.
Governance Metrics International	Vodafone received the maximum score of 10 in 2005
Morley Fund Management	Vodafone was rated B2 in the FTSE100 and Eurotop 50 Matrix in 2005

Engagement is an essential part of our approach to managing CR issues, helping us to understand concerns, appraise our activities, policies and programmes and build trusting relationships.

The feedback we receive from external stakeholders informs our own internal judgement about the CR priorities for our business. Our aim is for both Vodafone and its stakeholders to benefit from the process. In cases where we do not agree or cannot respond to the feedback we have received, we aim to explain our position honestly and openly.

How we engage

Our stakeholder interactions take many forms including one-to-one meetings, multi-stakeholder forums, opinion surveys, partnerships, and industry initiatives. With the exception of surveys, our engagements are almost always a two-way dialogue where views are exchanged and a consensus is sought.

The majority of our engagement is carried out within our business functions and in our local operating companies. This is where stakeholder feedback is most effective focusing on specific issues and solutions and informing the work of the experts and policy makers within our business.

We also seek stakeholder feedback on our group CR strategy and communications. This includes engagement with investors, opinion leaders, and regulators across the full range of issues and regions in which we operate.

Stakeholder engagement at global level

Investors – We held 12 meetings to discuss CR issues with institutional investors – both mainstream and socially responsible investors (SRI) – as part of our CR investors' road-show. In addition, three investors requested a meeting specifically on content standards. The main issues raised at these meetings are shown in the chart above. The most frequently raised subject is now our climate impact. The focus on this issue has increased significantly since last year. Other leading issues are health, supply chain, adult content and handset recycling.

Opinion leaders – We held four focus groups with CR opinion leaders including academics, investors, journalists, NGOs and policy makers (Washington DC, Brussels, and two in London). They gave us valuable feedback on our CR performance and our CR Report 2004/05 (see box above). This is the second year

we have conducted such a survey. In addition, we carried out a quantitative survey of 146 opinion leaders in 11 European countries. Participants completed a short survey online which assessed how responsible they perceive Vodafone to be.

Non-governmental organisations (NGOs) and inter-governmental organisations (IGOs) – We have maintained existing relationships and broadened our engagement in areas of socio-economic impact, human rights, bribery and corruption, and the role of communications in disaster relief. The discussions have highlighted the interest of NGOs and IGOs in Vodafone's potential contribution to development of emerging economies. They also revealed increasing concern about privacy and human rights. As a result of this engagement we decided to join Transparency International's UK Corporate Supporters Forum.

Employees – We seek formal feedback from our employees through surveys and consultation with their representatives, as well as direct feedback through appraisals and team meetings (see page 28).

Governments and regulators – We meet regularly with government officials and regulators to discuss issues of interest to our business and wider public policy, including roaming, call termination, data security and spectrum policy (see page 31).

Industry organisations – Part of our engagement is to be an active member of a range of CR organisations including the World Business Council for Sustainable Development (WBCSD), Forum for the Future, the Global e-Sustainability Initiative (GeSI), the International Business Leaders Forum (IBLF), CSR Europe and Business in the Community (BiTC).

Customers – We engage in many ways with customers as part of our normal operations, for example through our retail outlets, contact centres and customer research. This year, we held focus groups with consumers in four markets to explore the relationship between CR and our brand. We have piloted the introduction of CR-related questions in the Brand Health Tracker system in eight markets.

Engagement issue by issue

Discussions focusing on a single issue allow greater depth of engagement with stakeholders selected to represent groups with a genuine 'stake' and for their specialist expertise. For example:

RF fields and health – We focused on improving communications with customers, the public, national politicians, opinion leaders, investors, analysts, doctors and health agencies. We have engaged with politicians and opinion formers to keep them up to date with developments in mobile phone health research and surveyed 17,000 members of the public in 17 countries to understand the levels of public concern and the underlying reasons (see page 14).

More information on the web:
vodafone.com/responsibility/stakeholders



Understanding consumers attitudes to CR

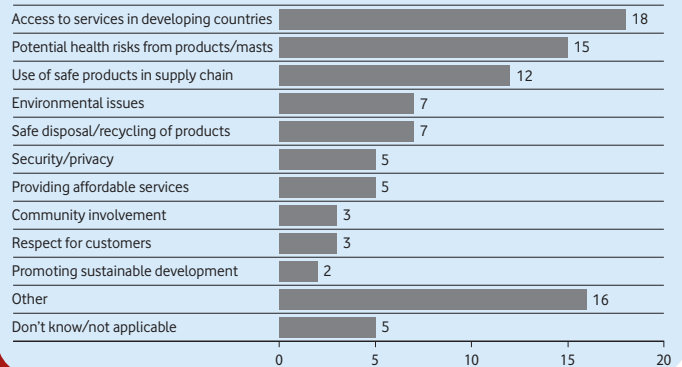
Understanding the attitudes of our customers about CR issues is critical to getting our strategy right. Over the last few years we have run perception questions in 10 countries, interviewing more than 12,500 customers and members of the public. This year we integrated CR perception questions into our Brand Health Tracker in a pilot in eight countries. We also held a number of focus groups in Italy, Germany, Romania and the UK to gain a more detailed understanding of consumer attitudes towards our brand.

We have found it particularly valuable to address specific issues in depth. For example, we have conducted research on mobile phones and health, privacy, content standards and mobile phone usage among young people.

Feedback from CR opinion leaders

Participants in a series of four focus groups told us that our 2004/05 CR Report was an improvement on the previous year particularly on mobile phones, masts and health. Over 90% rated the report as 'good' or 'excellent'. They told us that our report addressed the material issues without resorting to excessive length but was weak on supply chain and employment. They wanted to know more about our strategy and vision and commented that we should not overemphasise stakeholders in our decision making. Emerging issues for Vodafone were identified as privacy, corruption in developing countries, the role of mobile in disaster situations and crime associated with mobiles (such as 'happy slapping'). A more detailed summary of the feedback from opinion leaders is available at www.vodafone.com/responsibility/stakeholders.

Issues identified by a survey of 146 opinion leaders in 11 countries (number of times each issue was raised)



Social products – Our team developing social products consults widely with NGOs, government and experts in accessibility. During the 2006 financial year Vodafone addressed the Education of the Deaf Child conference in Maastricht, the E-Accessibility Conference in London, the Telecommunications Conformity Assessment and Market Surveillance Committee (TCAM) Working Group Meetings and held meetings with organisations including ONCE (the Spanish national association for the blind), the Royal National Institute of the Blind (RNIB), the Royal National Institute of the Deaf (RNID), Nottingham Cochlear Implant Centre and the National Deaf Children's Society.

Supply chain – Vodafone is working with the industry through GeSI to develop a common industry approach. Our Head of Supplier Performance Management held a stakeholder workshop with seven experts from NGOs, investment funds and business to discuss our strategy for CR in the supply chain (see page 23).

Environment – Vodafone is continuing to engage with network equipment manufacturers to target improvements in energy efficiency. We participate in the GeSI Climate Change Working Group to understand the potential for the ICT sector to contribute to the reduction of carbon dioxide emissions associated with transport and in the Mobile Phone Partnership Initiative on mobile phone recycling (see pages 25 and 27).

Content standards – At focus groups in 2004, customers raised concerns about several issues related to content standards: adult content, violent content, chat services, location based services, gambling and spam. Parents were particularly concerned about their children being exposed to unsuitable material and saw it as the operator's responsibility to provide safeguards. In partnership with the industry, we have developed codes of conducts in eight countries as well as Group guidelines and targets on content standards (see page 20).

Engagement by local operating companies

Local operating companies undertake a wide range of stakeholder engagement and are increasingly applying a systematic approach. Ten operating companies have developed engagement plans. This work is essential to tailor Vodafone's services and practices to the needs of local markets. Cultural norms differ greatly and our local engagement is one of the main ways we ensure Vodafone is a multi-local multi-national.

Local operating company engagement is reported in the individual market reports available at www.vodafone.com. Examples from Vodafone Albania and Vodafone Italy are profiled opposite.

Vodafone Albania's stakeholder panel

Vodafone Albania established an opinion leader panel in May 2005 to create and strengthen relationships with key stakeholders. This is the first such initiative for Vodafone Albania and for the growing Albanian business community.

The panel is made up of 25 opinion leaders from 20 organisations, including academia, government and NGOs. Members were selected according to their direct influence on CR issues – for example the Public Health Institute plays a key role in the debate on RF fields and health. The panel meets quarterly to review a different aspect of the company's CR programmes. During the 2006 financial year it looked at issues around mobile phones, masts and health, the environmental impact of mobile communications and social investment. As the panel becomes more established its members will help to decide the agenda for future meetings.

"The panel is an opportunity for us to tell important opinion formers about what we are doing and to hear their views. We think we're operating in a responsible way but we also want to know how these issues and our actions are seen through other people's eyes. We believe this panel will help to create a different business culture in Albania."

Albi Grevia, CR Specialist, Vodafone Albania



Vodafone Italy's focus groups

Vodafone Italy engages with its stakeholders to understand their needs and expectations, evaluate whether it is meeting these expectations and to identify what, if any, corrective action should be taken. Engagement also helps to strengthen relationships with stakeholders.

In 2005, Vodafone Italy held a series of focus groups with suppliers, consumers and business customers, NGOs and media organisations. Around 15 stakeholders were invited to each group. Stakeholders were identified through a mapping process based on their knowledge of the company or the issue under discussion and their potential to have a positive or negative impact on Vodafone's business. The findings from the focus groups and the plans developed in response were shared with the stakeholders involved. Vodafone Italy plans to expand the dialogue with stakeholders by involving consumer associations and institutions. The company also conducted an employee survey and a corporate reputation audit. Stakeholder engagement has been a positive process for the stakeholders and for Vodafone Italy.

How we respond to material issues

Production of this report

How we ensure this report is produced in accordance to the AA1000 AS principles.

This report is produced in three phases intended to ensure complete and balanced reporting:

Planning: We start with an assessment of issues (see below) and analysis of feedback from stakeholders to establish an outline of the report contents. We hold meetings with issue owners to discuss how best to report on each issue.

We adopt a simple report structure – 'we said, we have, we will' to encourage transparency, consistency and clarity in our reporting. This makes it easy for readers to check our progress against past commitments.

Drafting: The first two drafts of the report are circulated to issue owners for comment and amendment. The third and final draft is reviewed by senior management and signed off for publication.

Checking: The drafts are reviewed by our assurers and selected external CR experts, and their comments are incorporated during drafting. The assurers conduct a formal process (see page 35) to check we are covering the right subjects in an accurate and balanced way.

We believe this report provides a balanced account of our performance on the CR issues which are most material to Vodafone at Group level. We believe the report does not have material misrepresentations or omissions and contains the information required by our stakeholders to make informed judgements about Vodafone.

Extract from independent assurance report by Deloitte & Touche LLP

Based on the assurance work we performed, we are not aware of anything that causes us to believe that Vodafone's description presented below of its approach to managing and reporting corporate responsibility using the principles of completeness, materiality and responsiveness set out in the AccountAbility 1000 Assurance Standard is not fairly stated. Please refer to page 35 for our full assurance report.

Plans have been drawn up to address the recommendations for improvement we raised in our last year's assurance report. As presented below, progress has been made in a number of areas though there is still a good deal to be done in the financial year 2007. Please refer to page 35 for recommendations arising from this year's assurance process.

Deloitte.

Our approach to CR management and reporting is to focus on the most important issues. It is aligned with the principles of the AA1000 Assurance Standard: completeness, materiality and responsiveness.

Completeness

How we ensure that we have clearly identified our stakeholders and fully understand their views and concerns.

We identify our stakeholders by assessing who is impacted significantly by the company and who can have an impact on the company. Stakeholder engagement within local operating companies and at Group level helps us understand the issues of concern to our stakeholders. In addition, we use focus groups to obtain opinion leader views on our reporting and carefully record any gaps or deficiencies identified (see page 4). We also use media scans and consumer surveys to track public opinion and topical issues concerning Vodafone.

We bring together experts from inside and outside Vodafone to discuss a specific issue in depth to improve our understanding of the issue. Engagement takes place at Group level and at local operating companies. We are continuing to build our capacity to engage.

Materiality

How we assess the relative importance of the issues and determine the content of our CR reporting.

There is no natural basis for comparing the significance of one issue with another. Nevertheless it is important to be able to prioritise effort and resources. To make these judgements we assess the extensive list of issues for significance in three areas:

- The level of concern and interest among stakeholders most affected by our operations
- Our impact on society and the environment
- Financial and reputational impact on our business.

The assessment process is not an exact science and requires judgement. Our assessment at the end of March 2006 indicated that the most material issues for Vodafone Group are: clear pricing, content standards, energy use, handset recycling, network rollout, radio frequency fields and health, supply-chain issues and tax. The table opposite indicates our assessment of the relative significance of the issues.

We aim to cover all the issues raised in the appropriate places in our reporting. This report focuses on the issues material at Group level. Our website also covers some additional issues of lesser significance. Local issues are reported by the local operating companies that produce CR reports (see inside front cover).

Responsiveness

How we respond to challenges and concerns.

We use the knowledge gained from stakeholder engagements to explore possible actions and solutions. Where these are possible we make an appropriate commitment and publish it in this report. On occasion we will not agree with a criticism or not be able to respond with a solution. In this situation we explain our view clearly and publicly. The table opposite lists our material issues and summarises our response.

Last year, our assurance provider made recommendations to improve our reporting on employment and network rollout. They also recommended extending CR to partner networks, affiliates and franchised retailers.

We have improved our performance measures and included additional employee data. Our progress in reporting network rollout issues has been slower but we have made a significant commitment to establish new measures next year. Partner networks and affiliates are increasingly being included in our CR activities by attending workshops and participating in sharing of good practice. To date we have not extended our CR work to franchised retailers globally.

Putting materiality into perspective

Maintaining a focus on vision, opportunities and positive impacts

A process based on asking external stakeholders to identify issues always tends to emphasise negatives over positives. We accept this as a reality of how people engage with global companies. Our internal materiality assessment focuses on the opportunities that our technology brings to society.

We believe that Vodafone makes a strong positive social and economic impact by providing enhanced access to communications. Extending communications to people who currently cannot access them is part of our core business strategy as well as our corporate responsibility. The sections in this report on the socio-economic potential of mobile and socially inclusive products highlight this.

More information on the web:
vodafone.com/responsibility/material

Vodafone's response to stakeholders: our most material issues

Issue	Main stakeholders affected	Key elements of Vodafone's response
Radio frequency fields and health (page 14)	Customers, communities, regulators, governments	We are committed to leading the industry in making objective information widely available. We support independent research and base our policies on the guidance of expert reviews undertaken by national or international health agencies.
Content standards (page 20)	Customers, regulators, content providers, child protection NGOs	We provide tools for our customers to manage their mobile phone use and that of their children. Our services include content control, internet filtering, anti-spam measures and guidelines for premium rate subscription services.
Network rollout (page 16)	Communities, local councils, landlords	The main concerns are radio frequency fields and visual impact. We are implementing a Group policy and guidelines on responsible network deployment based on local operating company best practice. We consult with local stakeholders.
Supply chain (page 22)	Workers in developing countries, suppliers and NGOs	Vodafone has no manufacturing facilities. We buy our mobile phones, network equipment, and other products and services from a number of suppliers. They are required to comply with Vodafone's Code of Ethical Purchasing including implementing supply chain programmes of their own. We are working with the industry to develop a common approach in the Information and Communication Technology (ICT) sector.
Handset reuse and recycling (page 26)	Consumers in developed countries and less-developed markets, handset manufacturers, environmental NGOs	All our local operating companies have schemes to recover used handsets. These are either recycled or refurbished and returned to less developed markets at reduced prices.
Clear pricing (page 18)	Customers and regulators	We are committed to clear and transparent pricing and have introduced Vodafone Passport and Vodafone Mobile Connect data cards which offer cheaper, clearer international roaming charges.
Tax (page 31)	Governments	Our tax policy makes clear that we undertake legal means to minimise taxes but we do not condone tax evasion.
Socio-economic impact (SIM) (page 10)	Governments, development agencies, key opinion leaders communities, the public	We have established the socio-economic impact (SIM) panel of experts. Research has been done on the impact of mobile in Africa (2005) and the impact of mobile in healthcare (2006). The panel is now looking at the impact of specific Vodafone products in developing countries.
Privacy (page 19)	Customers, governments, civil liberties groups	We adopted a Group Privacy Policy in 2005 that covers the collection, storage and use of our customers' personal information. We are developing a Group-wide policy on law enforcement assistance to ensure we strike the right balance between privacy and security.
Environment: energy use and climate change (page 24)	Government, communities, environmental NGOs	Although there has been little focus on the impact of mobile on climate change, the growth of our business is leading to increased energy use. We have begun projects with equipment manufacturers to improve the energy efficiency of network equipment and set a target to achieve a 40% reduction in network energy carbon dioxide emissions per MB traffic by 2011.
Environment: other (page 24-27)	Governments, communities, environmental NGOs	We manage our other main environmental impacts of which waste is the most significant. Our focus on network equipment waste has resulted in more than 95% being sent for re-use or recycling.
Bribery and corruption (page 31)	Governments and the populations of certain countries	Our Business Principles set a policy of zero tolerance on bribery and corruption and require all employees to comply with all applicable anti-corruption laws and regulations. Vodafone is ready to meet the FTSE4Good Index Criteria for Countering Bribery. We are developing an educational programme to raise awareness of our anti-corruption policies among employees.
Employment (page 28)	Employees	All our local operating companies share a common set of values and policies on equal opportunities and diversity, health and safety, fair compensation and other issues related to employment. We are focusing on managing change and improving development opportunities in response to feedback from our 2005 employee survey.
Social products (page 12) (includes accessibility)	Older and disabled customers, customers in less-developed countries	We are promoting inclusive design to improve accessibility for a wide range of customers. Our technology is also being piloted to facilitate micro-finance in less developed countries.
Responsible marketing (page 19)	Customers, regulators	Our Responsible Marketing Guidelines establish consistent standards for all local operating company marketing and advertising. We monitor awareness and implementation of the guidelines.

How we manage CR

Our CR journey



We said:

"We have come a long way since we started in 2001, but our business is highly dynamic and we have to be quick to respond. As we enter new markets and embrace new technologies we encounter new CR issues."

Charlotte Grezo
Group Corporate
Responsibility Director



Who we are: our brand essence

- Red** – For the passion and spirit that drives us
- Rock Solid** – We are dependable and empathetic
People can trust us
- Restless** – We're always challenging ourselves to improve

What drives us: our values

We have four core values, described internally as 'Passions'. One of our values is 'passion for the world around us' which is about helping people lead fuller lives through the services we provide and the impact we have on the world around us.



For customers



For results



For our people



For the world around us

Our 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

One of our six strategic goals is to be a responsible business. CR requires an understanding of stakeholders' expectations and taking action to meet those expectations where they are realistic and legitimate. CR also requires a clear sense of corporate vision and values. Our dedicated CR teams at Group and local operating company level work with core business functions to ensure CR is embedded throughout Vodafone's global operations.

Our CR strategy

Our vision for 2010 is to be one of the most trusted companies in the markets where we operate. In 2005, we developed a five year CR strategy to help us realise this vision. It sets clear priorities to:

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

Identifying current and emerging CR issues

Monitoring emerging CR issues helps us signpost future risks and opportunities for our business. We do this by tracking CR issues in the media and engaging with stakeholders in a variety of formal and informal ways, both globally and locally (see page 4).

In the 2006 financial year, we developed a Group-wide issues management process whereby each operating company and most Group functions report the most significant local CR issues on a quarterly basis. The results are reported to our Corporate Affairs Board, which includes Corporate Affairs Directors from several operating companies and departmental heads within Group Corporate Affairs. The Board ensures that someone within the business is assigned to develop appropriate responses to each issue, feeding into our strategic decision-making. By formalising this process we can better understand global and local social trends and anticipate emerging issues as far as possible.

The focus of our CR programme is regularly reviewed to reflect the changing business and CR agenda, and ensure we continue to address the issues that are material to our business (see page 6). When we acquire a new business,

we consider CR issues relating to the country such as the levels of bribery and corruption, and we review existing CR policies and programmes within the company where information is available.

Accountability for CR

Ultimate responsibility for CR lies with our Group Executive Committee (ExCo), reflecting the strategic significance we attach to CR. The Group Corporate Responsibility Director, Charlotte Grezo, reports to the Group Corporate Affairs Director, Simon Lewis, who is the ExCo member with responsibility for CR. CR performance is discussed with ExCo members and once a year at Vodafone's main Board.

Our Group CR team works with local operating companies and Group operational functions to develop policies on CR issues. Additional Group resources are also dedicated to key issues, such as RF fields and health, social products and enterprise, and content standards. For example, we have an EMF Board and committees on Content Standards, Privacy and Social Investment.

We believe that CR issues are most effectively managed as part of our core business processes rather than as a separate 'add-on'. CR is therefore managed within the Group's mainstream management systems and responsibility allocated to operational line managers. Local operating companies have the key role in the successful implementation of our policies.

Managing CR at operating companies

The chief executive of each local operating company has overall responsibility for CR. Every operating company has employees dedicated to CR who work directly with the Group CR team and local business functions. Group guidelines on specific issues provide flexibility for operating companies to respond to feedback from local stakeholders within the framework of Group policy.

In the 2006 financial year, we defined specific CR performance targets to be embedded in the performance quarterly review process, where the senior management of Group and operating companies meet to evaluate performance of local operating companies. We are reviewing these and introducing further targets, indicators and analysis to provide more information on CR performance to the company's top managers.

The Group CR Director meets the executive teams from operating companies on a regular basis to discuss Group priorities, review progress and make recommendations. In the 2006 financial year, these meetings were held in Albania, Australia, Greece, Ireland, Italy, New Zealand, Sweden and the UK. We hold our Global CR workshop twice a year for operating company CR managers and Group issue owners to communicate Group policies and initiatives and share

More information on the web:
vodafone.com/responsibility/managingcr

Managing CR in operating companies

	Board member responsible for CR	CR issues reported to the Board regularly	Local CR report published	Number of people in CR team
Albania		•	•	1
Australia	•	•		2
Egypt	•	•		3
Germany	•	•	•	4
Greece	•	•	•	3
Hungary	•	•		3
Ireland	•	•	•	2
Italy	•		•	6
Japan	•	•		4
Malta	•	•		1
Netherlands	•	•	•	1
New Zealand	•	•	•	4
Portugal	•	•	•	4
Spain	•	•	•	4
UK	•	•	•	2

For the second year running, Vodafone has won a Clarion Award for its CR internal communications strategy from the International Visual Communications Association. The award recognised Vodafone's strategy to address CR issues as part of its sales and customer services processes, noting that 'many aspects of their communications provide true models of best practice'.



Global CR workshops

Every six months, our Group CR team runs a workshop for CR managers and issue owners from all our operating companies. The workshops provide the opportunity to meet colleagues from around the world, develop CR strategies and share best practices. Our affiliates and partner networks are invited to attend as well as external stakeholders.

Workshops in 2005 were held in Athens, Greece and at our Group headquarters in Newbury, UK. Key focus points were Vodafone's five year CR strategy and the socio-economic potential of mobile. Other sessions covered specific CR programmes such as social products and enterprise, mobile phone recycling and responsible network deployment, as well as issues management, performance monitoring and reporting.

best practices (see box above). A teleconference is also held once a month and a newsletter is distributed monthly to local operating companies and partner networks. CR is discussed between Group functions and operating companies in many other forums connected with operational issues, for example through our Technology, Network, EMF and Marketing Boards, and our Supply Chain, Content Standards and Privacy committees.

We have begun to integrate our new operating companies in Romania and the Czech Republic into our Group CR programme. Local CR teams have been set up and have started to participate in our global workshops. Both operating companies will begin reporting against Key Performance Indicators (KPIs) in the 2007 financial year. Our affiliates and partner networks, in which Vodafone has no controlling stake, are not covered by our Group-wide policies and quarterly performance review system. However, we do share guidelines, policies and best practice with them and they are included in our CR workshops and newsletters.

Measuring CR performance

Local operating companies report CR KPIs to the Group quarterly, alongside their financial and operational performance. Data are analysed and reviewed by senior executives to assess the level of commitment, integration, management of issues, and implementation of our CR strategy.

The KPIs include qualitative indicators and quantitative data on issues such as energy efficiency, waste management, handset collection, reuse and recycling, and community contributions. Data are validated through our internal audit key control questionnaire, completed by all our operating companies once a year and signed off by their senior management. The KPIs enable us to benchmark performance, and help identify and share best practice. The results are reported to the Group Board of Directors.

Internal communication and awareness

Our CR performance is dependent on our employees understanding the issues and how they relate to their roles within the company so that they can take responsibility for implementing our CR policies and communicate these to our customers and other stakeholders. In 2005, we won the International Visual Communication Association Clarion Award for Strategic CR Communications.

We have an internal communications plan that supports the delivery of our five-year CR strategy. CR issues and messages are communicated within the mainstream global channels including our intranet, internal magazine and internal television channel. In the 2006 financial year, we focused on communicating our five-year strategy, RF fields and health, and handset recycling. In September 2005, we published our third printed CR report specifically for employees, covering the 2005 financial year.

Two examples of how CR is managed at local operating companies

CR at Vodafone Germany

The CR department at Vodafone Germany was established in 2004 as part of the Corporate Communications Division. It reports directly to the operating company Chief Executive. A steering committee which includes the directors of CR, Marketing, Sales, Technology and Legal Affairs ensures that CR is integrated throughout the company. At Vodafone Germany the focus is on environment, child protection and RF fields. These issues are managed by appointed officers within their respective departments. Vodafone Germany has produced two CR reports covering the 2004 and 2005 financial years and will publish its third report in 2006.

CR at Vodafone Greece

Vodafone Greece has a dedicated CR team supported by committees for energy and environment, content standards, health and safety, and RF fields.

The company uses a risk assessment approach to identify its key impacts and prioritise CR issues. RF fields and health, products and services for people with special needs, waste management and energy use were identified as priorities in the 2006 financial year. Vodafone Greece is certified according to the ISO 14001 (environment) and OHSAS 18001 (health and safety) international management standards since 1999, and the European Eco-Management and Audit Scheme (EMAS) since 2003.

In 2005, Vodafone Greece won the Social Contribution Excellence Award from the Greek Advertisers' Association in recognition of its constant offer to society with the 'We care' corporate responsibility program.

Vodafone Greece has published CR reports for three years. The latest report is available at www.vodafone.com/responsibility/reports.

More information on the web:

www.vodafone.de
www.vodafone.gr



Socio-economic potential of mobile

Advisory panel members for Vodafone's socio-economic study

Diane Coyle (chair)

Enlightenment Economics and University of Manchester

Allen Hammond

Vice President, Special Projects and Innovation, World Resources Institute

Marc Ivaldi

Professor of Economics, University of Toulouse

Alan Knott-Craig

Chief Executive Officer, Vodacom

Amanda Rowlatt

Director Europe Trade and International Financial Institutions Division, UK Department for International Development

David Porteous

Director Bankable Frontier Associates LLC

Mostafa Terrab

Programme Manager, World Bank Information for Development Program

Leonard Waverman

Chair, Department of Economics, London Business School

Howard Williams

University of Strathclyde and Consultant to the World Bank Global Information and Communication Technologies Policy Group

David Woolnough

Information and Communications for Development Advisor, UK Department for International Development

Direct economic value

Payment	£bn
Shareholder returns	9.3
Procurement of goods and services	25.9
Tax	1.9
Retained for growth	-2.1
Salaries and bonuses	2.1
Returns to lenders	0.4

Value-added

Vodafone added £11.7 billion to the global economy in the 2006 financial year. Our value added per employee was £268,000.

Mobile technology can bring significant social and economic benefits. Vodafone makes a direct contribution to the global economy through the wealth we generate, the taxes we pay, the suppliers we support and the people we employ. We also stimulate economic development by giving wider access to communications that in turn extend access to finance, markets, education and health services. Our socio-economic impact (SIM) project is leading research in this area. We will use the findings to harness the potential of mobile for the benefit of society and our business.

In brief:

- £11.7 billion cash value added
- Top value-added per employee in telecommunications sector in DTI Value Added Scoreboard 2005
- Continued socio-economic impact project
- Published study on potential of mobile to improve healthcare

More information on the web:

- The impact of mobile phones in Africa (full report)
- The role of mobile phones in increasing accessibility and efficiency in healthcare (full report)

vodafone.com/africa

vodafone.com/healthcare

vodafone.com/responsibility/sim

Economic value added

Vodafone contributes directly to countries in which it operates through licence fees, taxes, wages and purchasing products and services. Research suggests that the presence of mobile telecommunications in less developed countries promotes GDP and individual entrepreneurial opportunities. For example, a developing country with an extra 10 phones per 100 people between 1996 and 2003 would have had GDP growth 0.59% higher than an otherwise identical country.⁽¹⁾

A standard measure of a company's economic contribution is 'cash value added'. This is the value of sales less the cost of bought-in materials, components and services we buy from our suppliers. Vodafone added £11.7 billion to the global economy in the 2006 financial year, compared with £17.5 billion the previous year.

The UK Government Department of Trade and Industry's Value Added Scoreboard 2005 ranked Vodafone third in the UK and seventh in Europe. The criteria for the scorecard differ to the cash value added measure, primarily as excludes capital expenditure within the cost of goods and services. In the 2006 financial year, our value added per employee rose to £268,000 compared with £258,00 in the 2005. The latest scoreboard is due to be published later in 2006. For more information, see www.innovation.gov.uk/value_added.

In 2004, the GSM Association (of which Vodafone is a member) commissioned a study⁽²⁾ by the consultancy Ovum into the economic contribution of the mobile services industry in the EU15 (the 15 members of the EU before enlargement). The study found that the industry generated €106 billion GDP in the EU15 in 2004. That is equivalent to 1.1% of the total GDP, a larger contribution than industries such as mining and quarrying. In 2004, the industry directly employed 423,000 people, who generated 2.5 times as much GDP as the average EU15 worker. A further 1.3 million jobs depended on the industry indirectly and an additional one million jobs depended on expenditure in the economy created by the industry.

In the UK in 2003, the mobile industry employed about 77,000 people directly and created over 400,000 jobs directly and indirectly in the EU, according to another study conducted by Ovum. In Spain, the contribution of mobile telephony to GDP is around 2% and direct employment doubled from 2000 to 2005, according to a study by Instituto de Empresa.⁽³⁾

(1) Waverman, Meschi and Fuss, The Impact of Telecoms on Economic Growth in Developing Countries, Africa: The Impact of Mobile Phones, Vodafone Policy Paper Series Number 2, 2005.

(2) Lewin, The Economic Contribution of Mobile Services in the Europe Union Before its 2004 Expansion, Ovum, December 2005.

(3) Becerra and Santaló, Efectos Economicos del Estancamiento en el Despliegue de la Infraestructura en España (The economic effects of the blockage in network rollout in Spain), December 2003.

Using mobile technology to improve accessibility and efficiency of healthcare

You said:

"SMS-enabled intervention in the management of diabetes improves patient satisfaction in their ability to manage their illness, which in turn improves their quality of life and health outcomes."

Dr Rifat A. Atun
Director, Centre for Health Management,
Imperial College London

Text messages used to help manage diabetes

In 1995 the number of people living with diabetes in the world was estimated to be 150 million. It is expected to reach 300 million by 2025.

A text message (SMS) support system that facilitates greater self-management and control was trialled among young people with type 1 diabetes. The system, developed by the University of Dundee, improved users' long-term blood glucose levels by 10%. Other studies suggest that this level of reduction can potentially reduce complications of blindness by 76% and kidney disease by 50%.



Text reminders save missed appointments

Trials have shown that SMS reminders to patients lead to a 30–50% decline in missed hospital and doctors' appointments. This simple text system could save between £240 and £370 million per year in England alone.



You said:

"SMS offers further opportunities to deploy the benefits of mobile phone technology and improve access to healthcare and information."

Dr. Mike Sadler
Medical Director,
NHS Direct

The impact of mobile in health services

The pressures to improve efficiency and service exist in all sectors but perhaps nowhere more than in healthcare. Healthcare costs in Western Europe are rising faster than both population and GDP. In 1960, average healthcare spending in the then 15 EU member states was 3.9% of GDP; in 2003, it was 9.4%. In addition, people have rising expectations for high-quality care and customer service.

Vodafone has published the first systematic study into the potential use of mobile communications in healthcare. The research, led by Imperial College London, found that using existing basic voice and text mobile services in healthcare could significantly improve:

Efficiency: Trials have shown that text message reminders to patients lead to a 30–50% decline in missed hospital and doctors' appointments. Missed appointments in England cost the National Health Service about £789 million a year. By extrapolating the data from these trials, this suggests that a simple text message reminder system could save between £240 and £370 million per year in England alone.

Health outcomes: Text message support systems can help improve self-management and monitoring of patients with chronic conditions such as tuberculosis and diabetes (see box above).

Access: Calling from a mobile provides more convenient, direct and confidential access to healthcare services than a shared fixed line, either at home or at work. Our research suggests that teenagers (particularly girls) prefer to use their mobiles to seek advice on health issues for privacy and confidentiality reasons.

Public health benefits: Mobile brings public health benefits by increasing adherence to treatment programmes and improving control of communicable diseases. A text message support system for patients with tuberculosis can improve treatment compliance resulting in annual savings of up to £1.9 million per 1,000 patients.

The research findings were published in March 2006 as part of our series of public policy papers designed to stimulate debate. See www.vodafone.com/healthcare.

A review of the SIM project – Diane Coyle, Chairperson

The SIM project set out to provide a systematic analysis of the impact of mobiles, going beyond the rich but scattered array of anecdotal evidence. This rigorous approach to providing data and estimating impacts is essential for a proper understanding of the part Vodafone is playing in its activities around the world. This in turn can help improve both business and policy decisions.



Our first set of studies explored the impact of mobiles in Africa, where rapidly growing mobile use has been one of the very few areas in which the continent has been catching up with the rest of the world rather than falling further behind. The work, published in 2005, documented the boost to growth from greater mobile penetration, and found that even in remote rural communities there were fewer barriers to use of mobiles than might have been expected. Mobile technology can play a vital role in bridging the digital divide, particularly in rural areas where there is limited access to other forms of communication – roads, postal systems or fixed-line phones. The findings have been widely cited, and made an important contribution to the policy debate in a year when Africa was top of the agenda for the G8 group of industrial countries.

The second set of studies, published in March 2006, looked at the impact of mobiles in healthcare, finding benefits for the users of health services, for public health undergoing a growing burden of diseases, and for health services efficiency.

Over the next two years, the third stage of the SIM project will look at specific products and services and assess their socio-economic impacts. This includes looking at the evolving role of mobile in micro-payments, the transmission of relatively small sums of money and provision of some basic banking services in countries where few people have any access to the security and convenience of a bank. This is a live issue for policy makers concerned about economic and social development, especially in countries with many migrant workers overseas.

We hope this emerging evidence about the important role played by mobile communications will make a useful contribution to understanding our globalised world.

Socially inclusive products

M-PESA

The M-PESA pilot project gives people in Kenya access to micro-finance services from their mobile phones.



You said:

"I haven't needed to go to the bank in two and a half months."

M-PESA user

You said:

"Low income people will no longer have to store their money under the mattress."

M-PESA user

The accessible BlackBerry®

Vodafone and the National Confederation of Deaf People in Spain launched the Accessible BlackBerry® from Vodafone. This mobile service, based on 'push to talk' technology, allows deaf people to communicate in real-time through emails, text and the BlackBerry® messenger, enabling users to send and receive instant messages anytime, anywhere. Beneficial price plans for deaf customers include a 50% discount on BlackBerry® services, 100 free SMS text messages, a €9 monthly discount and no joining fee.



Vodafone is working to extend the social benefits of mobile phones. We are improving the accessibility of mobile handsets; developing products and services that support health and personal security; and trialling mobile micro-finance services in developing countries.

In brief:

- 9% of the EU adult population is excluded from using mobile phones, according to our research
- Research project underway to design more accessible handsets based on an inclusive design platform
- Market surveys reveal accessible marketing and improved product information are key to improving the accessibility of mobile telephony
- Rolled out the Vodafone Speaking Phone to six markets
- Mobile micro-finance platform in business trial in Kenya

Many people already find their mobile phone and the opportunities it provides indispensable. Vodafone believes the benefits of mobile should be available to as many people as possible regardless of age or disability. We are also expanding the uses of mobile technology to tackle social problems in developed and developing countries. The three strands of our social products programme are accessibility, social alarms and micro-finance.

Accessibility

Accessibility is an issue for a broad demographic that increases with age (see box above). Vodafone's research suggests at least 9% of the EU adult population is excluded from using mobile phones. We regard addressing this as both a social and commercial challenge.

Social alarms

Social alarms are a range of specialised services that use mobile technology to connect people to professional or medical or security help. These include systems to improve health sector efficiency, wireless communications for care workers and personal alarms for the elderly or infirm.

Micro-finance

We are using our mobile network to facilitate transfer of small sums of money in developing countries where banking facilities are inaccessible.

We said

- We would reduce the level of preventable exclusion by at least a third by 2010.
- We would introduce three significant products with features that reduce exclusion by 2008.
- We would raise awareness of inclusive design among Vodafone product managers.

We have

Worked towards our goal of reducing preventable exclusion by at least a third by 2010

Our groundbreaking exclusion study in the 2005 financial year showed that at least 9% of the European population over 16 is excluded from the most basic mobile usage. This increases significantly with age, with conservative estimates suggesting that 20% of over 50s are excluded.

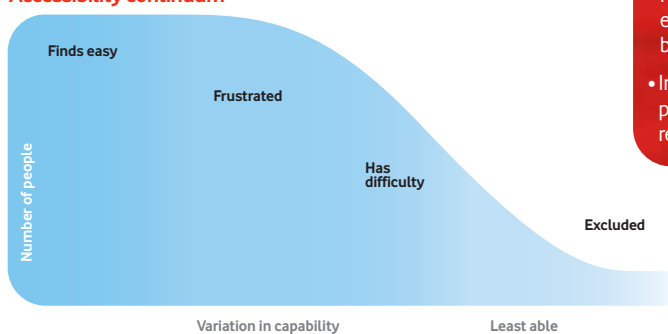
In the 2006 financial year we extended the study to include Vodafone Simply, a handset designed to be easier to use. We are working with Cambridge company, Scientific Generics, to identify key features that will significantly reduce the level of exclusion from mobile communications.

More information on the web:
vodafone.com/responsibility/accessibility
vodafone.co.uk/specialneeds
vodafone.es/accesible

What is accessibility?

Accessibility is usually associated with disability, but in fact difficulty using certain products, including mobile phones, is much more widespread. Many people who would not be characterised as having a serious disability still have difficulty using the full functionality of a handset, handling mobile phones, pressing the necessary keys or reading what is on the screen. This difficulty is growing as phones become smaller and more complex, and leads to frustration. This can be addressed by adopting a more inclusive design. However, for those people with serious disabilities – including people who are deaf, hard of hearing, blind or visually impaired, we need special products (such as the Vodafone Speaking Phone or hearing aids).

Accessibility continuum



Our solutions

Inclusive design



Special products



We will

- Reduce the level of preventable exclusion by at least a third by 2010.
- Introduce three significant products with features that reduce exclusion by March 2008.

Assessed the availability of handsets with accessibility features

Early this year we completed an assessment of the accessibility market. This concluded that existing mobile products and services offer many features that can improve accessibility for a wide range of the population. People who are deaf, for example, commonly use text messaging and handset vibrate alert to communicate. However, despite these features the potential to improve accessibility is not being fully realised because communications about these product features is frequently not effective. Consumers with accessibility requirements are often confused about which features and models best meet their needs. We are working with our local operating companies to provide clearer and more accessible product information. For example the Vodafone Choice magazine in the UK has icons identifying accessibility features, and our website www.vodafone.co.uk/specialneeds provides detailed accessibility information.

Assessed hearing aid compatibility

We conducted an investigation of hearing aid compatibility with mobile phones. This concluded that some hearing aid users experience interference when using a mobile phone. The level of interference depends on the type of hearing aid and mobile phone being used. Our research shows that 3G handsets and 'flip' or 'clamshell' handsets generally lead to less interference.

Extended marketing of the Vodafone Speaking Phone

The Vodafone Speaking Phone converts text messages and screen content into speech for blind and visually impaired customers. We have fully launched the Vodafone Speaking Phone in six markets and trialled it in one more. Launches are planned in two further markets and to date the product has achieved sales of approximately 8,000.

Our analysis shows that the key barrier to sales of the Vodafone Speaking Phone in current markets is product and pricing awareness. For example, it is not widely known that the Vodafone Speaking Phone software is free of charge to people who are visually impaired. We have allocated a budget to test new marketing ideas during the 2006 financial year to try to increase sales.

Partnered with a leading supplier of social alarms and telecare

We are working with the Tunstall Group Ltd and the Spanish Red Cross to investigate opportunities for mobile products and services to enhance their operations. Provision of mobile social alarms that use mobile technology to connect people to professional or medical help has a social benefit by reducing dependence on residential and hospital-based care.

Raised awareness of inclusive design among Vodafone product managers

We held workshops on inclusive design in the UK and Germany for our European handset designers and product teams. In addition, we are developing guidelines on inclusive design for our product managers.

Extended the micro-finance trial in Kenya

The Kenyan micro-finance product (M-PESA) trial is progressing well and has been expanded from 500 to 1,000 people. M-PESA allows customers to access virtual loan accounts through their mobile phones by following text message instructions. The virtual loan is then turned into cash through an authorised retailer (either an air-time reseller or a local shop). These retailers effectively act as 'cash points' and receive a commission for each deposit and withdrawal. The customer can also pay suppliers for goods and services using the technology.

Trialled solar chargers

Solar handset chargers were marketed in the Netherlands, Portugal and Greece. They proved particularly popular in the Netherlands where the chargers raised environmental awareness.

Developing mobile products and services to manage health

Our local operating companies together with our Group Research & Development (R&D) are developing applications and technology that allows people to use their mobile phones to monitor and manage their health. This, for example, can help control chronic conditions and prevent complications through early diagnosis and prevention.

Vodafone Spain has developed a service that enables people with diabetes to effectively control their sugar levels. A monitoring device measures the level of sugar in their blood and displays the reading on their mobile phone. The phone also automatically sends the information to a database that can be accessed by the patient's doctor.

Vodafone's Vitaphone service enables people with heart conditions to monitor their heart rate using their mobile phone. This can help to identify and treat complications early and reduce hospital stays. The handsets are easy to use and can be accurately located via GPS in an emergency, providing security and peace of mind particularly when people are away from home.

Vodafone Group R&D is working on a project which aims to improve diagnosis of high blood pressure. Due to be completed in 2008, the project is looking at ways that mobile phones can monitor blood pressure and evaluate it depending on the person's current life situation to support individual therapy.

Another goal of R&D is to strengthen preventive healthcare via mobile services which can motivate people by making regular exercise more fun and entertaining.

Mobile phones, masts and health

You said:

"I got a sense of openness and that they're taking it seriously, willing to explore issues and respond."

Alan Knight
AccountAbility

Significant reviews and research published during the 2006 financial year

Publications from the INTERPHONE study: Results from a number of the collaborating INTERPHONE national study groups have been published during the financial year 2006, which conclude that there is no evidence of an association between short-term (up to 10 years) mobile phone use and risk of acoustic neuroma, meningioma or glioma. There was insufficient data for firm conclusions to be made on long-term usage.
www.iarc.fr/ENG/Units/RCAAd.html

May 2005 France: Report to the AFSSE (Agence Francaise de Securite de l'environnement et du Travail) on mobile telephony and health 2004-2005 edition. The AFSSE could not make definitive conclusions regarding health effects caused by the electromagnetic fields generated by mobile phones. On base stations they concluded "...no new study has shown convincing evidence of such effects. In the current state of scientific knowledge, such effects have not been conclusively demonstrated." www.afsse.fr

November 2005 Netherlands Health Council of the Netherlands (HCN) – Electromagnetic Fields: Annual Update 2005. The HCN reviewed the scientific evidence in relation to 3G signals, base stations and cancer, mobile phones and brain tumours, laboratory studies on DNA damage and electrical hypersensitivity in their 2005 update. The HCN found no evidence of adverse health effects from exposure to radiofrequency fields below internationally recognised limits. www.gr.nl

December 2005 Sweden

Recent Research on EMF and Health Risks: Third annual report from SSI's (Swedish Radiation Protection Authority)

Independent Expert Group on Electromagnetic Fields. Regarding the scientific evidence for the effects of radiofrequency fields on DNA strand breakage, the blood-brain barrier, cognitive function and alterations of sleep in human volunteers as well as recent epidemiological evidence on mobile phone use and possible association with brain tumours, the SSI concluded there is no evidence of adverse health effects. The SSI call for more research on long-term health effects.
www.ssi.se/english/lank_symbol_Eng.html

December 2005 World Health Organisation (WHO):

Electromagnetic Hypersensitivity Fact sheet No 296. The WHO concludes that "EHS is characterized by a variety of non-specific symptoms that differ from individual to individual. The symptoms are certainly real and can vary widely in their severity. Whatever its cause, EHS can be a disabling problem for the affected individual. EHS has no clear diagnostic criteria and there is no scientific basis to link EHS symptoms to EMF exposure. Further, EHS is not a medical diagnosis, nor is it clear that it represents a single medical problem." www.who.int/mediacentre/factsheets/fs296

Vodafone intends to lead the industry in responding to public concerns regarding mobile phones, masts and health. Safeguarding the health and safety of our customers, the public and employees is paramount. We support research to resolve scientific uncertainty and are committed to reducing public concern by making objective information widely available to our stakeholders and by engaging in open, transparent dialogue.

In brief:

- The WHO and the latest expert reviews have not suggested any adverse health effects from exposure to low level RF Fields
- Based on Vodafone's research, levels of concern among the general public remain largely unchanged
- The WHO concludes that symptoms attributed to electromagnetic hypersensitivity cannot be scientifically linked to exposure to RF fields
- In January 2006, the WHO updated its future RF field health research needs to focus on children, long-term exposure and social issues
- Vodafone has extended external engagement and employee awareness programmes
- Vodafone now requires mobile devices to be tested for use against the body

More information on the web:

- How mobile phones and base stations work
- Summary of the latest scientific research
- Links to authoritative information sources

vodafone.com/responsibility/mpmh
www.who.int

The rapid growth of mobile phones has brought personal, commercial and social benefits. However, some people are concerned about the health effects from the radio frequency (RF) fields emitted by handsets and base stations. We believe that introduction of 3G technology may have increased this concern.

We recognise the concern and are addressing this by:

- Engaging with local communities as part of our responsible network deployment process (see page 16).
- Offering guidance to those who are concerned about how best to limit their RF field exposure from handsets.
- Providing easy-to-understand information through a variety of channels including websites and brochures to help people reach informed views.
- A commitment to inform customers and the general public of significant new developments in published research. We advocate the publication of scientific research in peer-reviewed journals.
- Supporting independent research at arm's length so that areas identified by the WHO as priorities are properly funded.

The handsets we sell and our network of base stations comply with international standards for limiting human exposure to RF fields. Our website explains how mobile phones work and contains links to independent authoritative research organisations, see www.vodafone.com/responsibility/mpmh.

We said

We would directly engage with the public, customers, key opinion formers and employees on mobile phones, masts and health.

We would provide advice to address the concern of customers who wish to reduce exposure to RF fields from their handsets.

We have

Engaged with a wide range of external and internal stakeholders

Our external engagement programme focused on improving communications with a range of stakeholder groups including customers, the general public, national politicians and opinion leaders, investors and analysts and doctors and health agencies.

In the 2006 financial year, we developed a contact programme for government officials and opinion formers to keep them up to date with developments in mobile phone health research. Key medical doctors were identified and a contact and education programme initiated. We produced a standard set of messages and answers to frequently asked questions to ensure anyone contacting Vodafone receives consistent, relevant, up-to-date information. We also reviewed all local operating company websites for consistent messaging.

Summary of current and forthcoming research on RF and health

Radio frequency (RF) fields are generated by a wide variety of modern devices including mobile phones, TV remote controls and wireless security alarm systems. For the past 60 years, scientists have been monitoring the situation to see if exposure to RF fields at different frequencies has had any effect on human health.

The widespread use of mobile technology has caused particular scientific interest and extensive research has been conducted into the possible health effects of exposure to many parts of the frequency spectrum. As scientific evidence grows, some gaps in knowledge have now been widely addressed.

The World Health Organisation (WHO) concludes that "All reviews conducted so far have indicated that exposures below the limits recommended in the International Commission on Non-Ionizing Radiation Protection (ICNIRP) (1998) EMF guidelines, covering the full frequency range from 0-300 GHz, do not produce any known adverse health effect. However, there are gaps in knowledge that still need to be filled before better health risk assessments can be made." www.who.int/peh-emf/research.

Worldwide there has been a total investment of over US\$250 million in scientific research on the possible health effects of EMF. The WHO will review the entirety of the RF field research data and report on its findings in two to three years.

Vodafone Group recognises and supports research aligned to the WHO priorities. We base our position and policies on the guidance of panels of experts considering peer-reviewed sources, conducted under the auspices of national or international health agencies, such as the WHO. While we rely on these experts reviews, we also monitor new science published in peer-reviewed literature on an ongoing basis.

We will

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

Future significant reviews and research

2006: INTERPHONE will analyse the totality of data from national studies in 13 countries in order to ascertain whether there is an association between mobile phone usage and an increase in the incidence of tumours of the head. The report is anticipated in late 2006.

2007: The International Agency for Research on Cancer (IARC) will conduct a review of the science leading to a formal classification of the cancer potential of RF fields. IARC routinely conduct reviews of materials in common use to provide scientific advice.

2008: The WHO RF health risk assessment will review the scientific evidence on all health outcomes arising from human exposure to RF fields. The IARC classification will be a key input.

We commissioned a major research study into public opinion in 18 countries.

The study, conducted by MORI, surveyed 17,000 members of the public to understand levels of public concern and the reasons for it. It found that:

- RF is an important issue, but not a primary health concern. This low level of unprompted concern mirrors the findings seen in MORI's research for Vodafone in 2003
- In most markets the majority believe that "there is no conclusive information regarding the effects of mobile phones and/or masts upon health"
- The single most important trigger leading to concern is information on health effects that people have gathered from the media
- The public do not think that network operators are taking the RF issue seriously enough. Fewer than half in all markets (except Egypt) think any operator "takes its responsibilities for mobile phones, masts and health seriously"
- Many believe that the industry is withholding important information and many would view their operator more favourably if it proactively supplied information.

This year our internal communications on health focused on raising appropriate awareness among customer-facing employees and top management teams in local operating companies as well as among employees in general. Some operating companies ran training programmes, for example Vodafone Egypt trained 80% of its employees.

We plan to continue building the level of internal knowledge of health issues by regularly communicating with employees through our employee magazines, intranet and internal TV channel.

Provided advice to customers who wish to reduce exposure to RF fields from their handsets

We published a set of guidelines that are consistent with WHO advice, and have posted these on the Vodafone Group website and on all local operating company websites. Retail and customer-facing staff have been informed about the guidelines and advised to direct customers and members of the public to them.

Increased availability of information on base station RF field strength values available for independently-selected locations

Last year we reported that 14 operating companies published these values on their own websites or provided data for publication by an independent organisation. In July 2005, Hungary started to publish independent field monitoring information and Japan continued with its trial. We extended this information in Portugal through home visits while in Italy the Borodoni Foundation funded a bus visiting places where there is public concern. Plans will be developed to make this information available in our newly acquired companies.

Facts about mobile handsets and health

Mobile phones work on the same principle as television and radio by using RF fields to communicate information. A mobile phone network requires a large number of base stations to connect calls to all our customers' handsets.

The handset RF power adjusts automatically to the minimum needed to communicate with the base station. Generally, the nearer the base station the lower the handset RF power.

When switched on but not in use, handsets send only brief infrequent signals to maintain contact with the network. These are made a few times every hour as a short transmission lasting just a couple of seconds.

Guidelines on field strength

When a person is exposed to an RF field it penetrates a few centimetres into the body and is absorbed as heat. This is measured using specific absorption rate (SAR) values.

The ICNIRP has issued guidelines for SAR values from handsets (measured in watts per kg). These set a maximum SAR value of two watts per kg. All handsets sold by Vodafone in 2005 have maximum SAR values between around 0.24 and 1.05 watts per kg when tested against the head and 0.25-1.94 watts per kg when tested against the body. The maximum value is only reached at the limits of reception, for example in rural or poor coverage areas and typical levels in use are lower. All handsets sold by Vodafone comply with the ICNIRP guidelines. SAR values for many handsets are available on the Mobile Manufacturers Forum site, www.mmfa.org/public/sar.cfm.

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

Vodafone now requires manufacturers to test for specific absorption rate (SAR) compliance of their handsets when used against or near to the body. We are continuing to work with international standards bodies to establish global test protocols for new technology and device uses.

Continued to defend four legal actions in the United States

Vodafone, along with various other carriers and mobile phone manufacturers, is a defendant in four actions in the United States alleging personal injury, including brain cancer, from mobile phone use. These personal injury claims have not been substantiated and we will be vigorously defending them. For further information, see our Annual Report at www.vodafone.com.

How we manage network rollout

Choosing base station locations: a balancing act

Choosing a site and design for each new base station presents a challenge. We must balance a wide range of considerations in our network deployment to satisfy often conflicting technical requirements and community concerns. For example, higher masts can sometimes improve coverage for our customers but can also have greater visual impact. We want to roll out our network quickly but community consultation is vital and can take time.

Community considerations

RF field strength guidelines must always be complied with

Public concern relating to schools, hospitals, nature reserves, etc

Visual impact on the landscape

Compliance with local planning regulations

Minimal disturbance to the community

Access to information and consultation

Technical considerations

Good coverage, capacity or enhanced services

Strong and safe construction

Efficient rollout and deployment

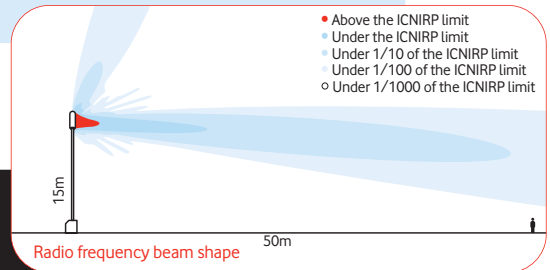
Line of sight with other base stations for transmission

Easy access and maintenance

Access to power supply

Base stations and radio frequency fields

All of Vodafone's base stations comply with International Commission of Non-Ionizing Radiation Protection (ICNIRP) guidelines. The maximum public exposure to base station RF fields is usually between 1/50 and 1/10,000 of the ICNIRP guideline levels depending on the amount of traffic on the network and whether the mast is in a densely populated urban area or in a rural area. Exposure to the public from base stations is at very low levels on a continuous basis.



You said:

"The issue of phone masts is the only thing I get in my post bag from constituents relating to your industry. You can't address this by just giving out more information that won't be listened to. An industry-wide approach is needed."

Philip Bushill-Matthews

Member of the European Parliament

Our mobile services rely on a network of base stations that transmit and receive calls. We recognise that our network rollout can cause concern to communities, usually about the visual impact of base stations or health issues concerning radio frequency (RF) fields. We consult with local stakeholders and aim to minimise community concerns.

In brief

- 5,137 new base stations installed (bringing the total to 102,924)
- Began implementing Group policy and guidelines on responsible network deployment
- Completed best practice guidelines on visual impact
- Continued to consult with local communities on network rollout

We continually invest in network development to improve coverage and capacity for our customers and support new technology such as 3G. The network is made up of a series of base stations, each consisting of transmitters that emit radio frequency (RF) fields, a supporting structure and a cabinet housing network equipment. Each base station provides coverage for a specific area, ranging from a five-kilometre radius in open country to less than 100 metres in built-up areas or inside buildings.

Communication and consultation with local stakeholders plays an important part in the selection and acquisition of base station sites. We have to balance technical and commercial constraints with community concerns about location and design. Most base station developments are uncontroversial. When people raise objections to planned base stations, we listen and accommodate their views as far as possible. We also engage with campaigning community groups targeting mobile operators in some countries where we operate. The way we engage with communities can greatly influence their reactions to our network rollout.

We need permission from landlords to construct base stations on their property and we must engage with communities and local councils to obtain consent. The average time taken to obtain consent varies from market to market, ranging from 30 days to two years in some local operating companies. This depends partly on the complexity of local legislation. It is in our interests to engage with stakeholders to shorten this approval process, enabling us to improve quality of service for our customers by increasing network coverage and capacity in a responsible way.

Our responsible network deployment policy, approved by the Executive Committee in April 2005, sets out guidelines for all our operating companies on legal compliance, environmental impact, RF emissions, site planning and selection, communication and consultation, and landlord relationships.

The approach we take in implementing this policy varies between operating companies reflecting local regulations and cultural differences in our markets on what is considered acceptable. For example, community stakeholders in some countries express concerns about camouflage solutions where others prefer not to see a base station.

More information on the web:

- Responsible Network Deployment Policy
- How mobile phones and base stations work
- Examples of innovative mast design solutions

vodafone.com/responsibility/network
vodafone.com/responsibility/mpmh

We said

- We would implement our responsible network deployment policy and guidelines across the business.
- We will have developed local methodologies for assessing visual impact of masts/base stations by March 2007.

MORI Survey – What was your reaction to a mast being placed in the neighbourhood or area in which you live?

(Values from the countries with maximum and minimum scores and average from 15 operating companies*)

Reaction	Average	Highest	Lowest
No reaction, indifference	51%	88%	32%
No reaction, I did not feel that I could control the situation	15%	27%	<0.5%
I objected about this to my local/national government representative	4%	13%	0%

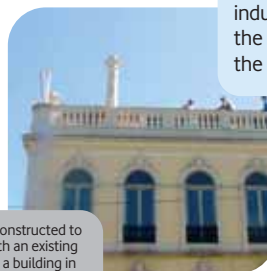
* Sample base: All non business users aware of a mast in their neighbourhood, surveyed in September and October 2005 in the following countries: Australia, Albania, Albania, Egypt, Germany, Greece, Hungary, Ireland, Italy, Japan, Malta, Netherlands, New Zealand, Portugal, Spain, UK (sample base per country ranged from 58 to 282)



Antennae are designed to blend in on a church by building an extra chimney



Outdoor advertising camouflages the antennae of a base station in Lisbon, Portugal



Masts are constructed to blend in with an existing balcony on a building in Madrid, Spain

We will

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

Industry codes of practice at local level

In addition to our own responsible network deployment policy and guidelines, our local operating companies have signed up to national industry codes of best practice in Australia, Germany, the Netherlands, New Zealand, Portugal, Spain and the UK.

We have

Begun to implement our responsible network deployment policy and guidelines

We ran workshops for network deployment employees from all operating companies to raise awareness of our responsible network deployment policy. The accompanying guidelines were refined in the 2006 financial year to incorporate their feedback.

We have developed a set of Key Performance Indicators (KPIs) to measure our performance against the policy. These include the percentage of contracts not renewed by property owners; the number of local authority objections to applications; the average time to obtain consent after an application has been put forward; and surveys of landlords and the general public.

Local operating companies will begin collecting data on these KPIs from the 2007 financial year onwards. We will begin reporting the data next year. Operating company chief executives are responsible for ensuring the policy and guidelines are implemented.

Worked with contractors to ensure they implement the policy and guidelines

Our local operating companies employ contractors to carry out much of the work involved in network rollout, ranging from acquisition and planning of sites to construction and maintenance of base stations. Vodafone's responsible network deployment policy and guidelines apply to contractors as well as employees. We provide handbooks on the policy and our operating companies offer workshops for contractors to reinforce the guidelines. We plan to extend our supply chain assessments (see page 22) to monitor how well contractors are implementing our responsible network deployment policy and guidelines.

Shared best practice to help operating companies manage the visual impact of masts and base stations at local level

Last year, we set a target to develop local methodologies for assessing visual impact of masts and base stations. In the financial year 2006, Vodafone Spain began piloting a numerical method to assess visual impact on new and existing base stations. The overall score is based on criteria including the location (such as school, office, historical building) and height of a base station, and whether it blends in with the environment. However, we found that this method was difficult to extend globally due to the subjectivity of criteria to measure visual impact.

We have decided on a new approach based on sharing a global database of best practice examples across the Group. In the financial year, presentations on different design solutions were made at a workshop to launch this initiative. Our global responsible network deployment guidelines also provide best practice examples for reducing visual impact. These include using existing structures to support antennae and house equipment where possible; constructing equipment cabinets from materials that match the environment or painting them to blend in; and positioning masts to shield them from the most obvious viewpoint.

Installed 5,137 new base stations

This is due to the expansion of our business and the rollout of 3G networks. We now have a total of 102,924 base stations, an increase of 5% from last year.

We co-operate with other networks to share sites to limit the overall number of sites. This can reduce our costs and relieve pressure on planning authority resources because there are fewer sites to review. Communities often support the idea of shared sites to reduce the need for additional structures in their area. However, shared sites can have a greater visual impact than individual base stations because they often need to be higher to accommodate additional antennae.

For example, in Australia Vodafone and Optus launched a joint venture in 2004 to share sites. This has reduced the total number of sites used for base stations by 48% in Sydney and 57% in Melbourne. The number of greenfield sites have been reduced by 66% and 79% respectively. By sharing sites, the network can be deployed faster, costs can be cut in some cases and the environmental impacts are reduced.

Surveyed public opinion on network rollout

We commissioned a survey of between 500 and 1,000 members of the public in each of the countries where we have a local operating company. The research by MORI focused on health issues related to mobile phones and masts (see page 14) and concerns about mast siting.

The survey found that of those aware of a mast in their neighbourhood, the largest proportion in each country felt indifferent about it, a significant minority felt they could not control where the mast was sited, and a minority made an objection to their local or national government about the mast siting (see table).

Been found in breach of planning regulations relating to 46 mast sitings

This resulted in approximately £63,000 of fines. No prosecutions for criminal offences under environmental law have been reported to the Group.

Earning the trust of customers

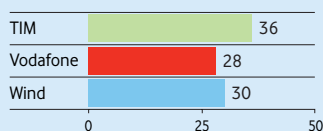
Engaging consumer associations in Italy

In Italy, 17 consumer associations are recognised by the government, seven of which specialise in telecommunications. The role of consumer associations is to represent and protect consumers as individuals and collectively, and if necessary take legal action to restrain any activity deemed to be against the interests of consumers.

Vodafone Italy engages with consumer associations to understand and take into account consumer views when devising price plans and launching new services. Feedback from this engagement helps to anticipate potential problem areas.

In 2005, Vodafone scored positively in questions about consumer trust in a survey by Altroconsumo, Italy's largest consumer association with 300,000 subscribers. According to the survey, Vodafone's marketing campaigns were the most transparent in the industry and 88% of respondents said that they would recommend Vodafone to a friend.

Customers that have had problems with the promotional campaign of the operator (%)



Customers that recommend the operator (%)



Vodafone Passport

This service enables customers to take their home tariff with them when they travel abroad for a small connection fee.

"It gives you more control, you roughly know what your bill is going to be."

Vodafone UK customer

"It gets rid of the grey area – this is certainly more specific."

Vodafone Germany customer

Quotes from customer research
December 2005



Vodafone recognises its responsibility to communicate fairly and clearly with customers at all times. This includes our marketing and advertising material, product information and billing.

In brief:

- Achieved significant international roaming price reductions for our customers and made roaming prices clearer to understand
- Assessed awareness of Responsible Marketing Guidelines with marketing agencies and Vodafone managers at local level
- Adopted a Group Privacy Policy
- Received two industry awards for offering value to customers

We said

- We would launch two major initiatives that provide clearer and easier-to-understand costs for our customers by March 2006
- We would be a recognised leader in responsible marketing by March 2007.

We have

Launched two major initiatives to ensure clearer and easier-to-understand costs for customers: Vodafone Passport and Vodafone Mobile Connect

Customers can often feel concerned or confused about the costs of calls while travelling away from home. International roaming has also been brought to the attention of regulators, especially the European Union which is proposing to draft a regulation relating to international roaming charges. Vodafone Passport is leading our industry's response to these concerns, making it easier to understand the cost of calls abroad.

Vodafone Passport enables customers to take their home tariff with them when they travel abroad. Customers pay just a small connection fee per call then pay the same per minute rate as they do at home. Vodafone Passport is available to both our pay monthly and our pay-as-you-go customers. Over 5.6 million customers have signed up for this roaming service since June 2005 in our local operating companies, affiliates and partner markets.

We have also developed a roaming package for Vodafone Mobile Connect, which offers high-speed internet connection to laptops. The package makes costs more predictable with a fixed monthly charge of €75 for 100MB of data.

More information on the web:

vodafone.com/responsibility/clearpricing
vodafone.com/responsibility/privacy
vodafone.com/responsibility/responsibleuse
vodafone.com/travelpromise

Tackling text bullying in New Zealand

School bullies are using threatening and offensive text messages to cause misery for other children in New Zealand. In 2006, the suicide of a 12-year-old girl who was the victim of text and email bullying highlighted the severity of the problem.

Vodafone New Zealand is working with the internet safety group NetSafe in an effort to prevent text bullying. NetSafe provides advice to parents, students and schools, and runs a confidential advice hotline. In the financial year 2006, Vodafone New Zealand printed 200,000 copies of a brochure, distributed in schools by NetSafe, which provides practical advice on how to deal with text bullies. The brochure encourages children to report bullying and save messages as proof.

In addition, Vodafone New Zealand helped agree a common process for handling complaints about text bullying with the police, NetSafe and Telecom. The company has procedures for investigating complaints and can send formal warnings to those responsible. The police are working on a policy for handling text bullying complaints and some schools have now banned the use of mobiles in an attempt to stop text bullying.



We will

- Be a recognised leader in responsible marketing by March 2007.
- Engage with key stakeholders about customer privacy issues by March 2007. We will seek their views on the appropriate balance between safeguarding privacy and assisting law enforcement authorities to tackle serious crime and terrorism.

You said:

"How does Vodafone deal with privacy issues? How does it respond to requests from government for information on users and content of text messages?"

Arvind Ganesan
Human Rights Watch

Continued our programme of ensuring Vodafone's marketing and advertising is responsible

We are working towards our target to be a recognised leader in responsible marketing by March 2007 and will report on this next year. To ensure our marketing and advertising is responsible, we need to understand the issues across our markets, raise awareness of our responsible marketing guidelines and monitor our performance.

This year we conducted a survey to assess awareness of our responsible marketing guidelines and identify challenges in complying with them. The survey established that there is high awareness of the guidelines among marketing agencies and Vodafone managers at local level. The most common challenge in our advertising is clear communication on value and price plans. Other advertising issues such as stereotypical portrayal and taste are now very seldom encountered.

We monitor complaints upheld by advertising regulatory bodies across all our operating companies. In financial year 2006 we had 17 upheld complaints: 13 of these related to insufficiently clear descriptions of pricing and services; two stated that we had over-claimed the quality of our service; one stated that our claim to be the cheapest in the market was not substantiated; and one concerned an email advertisement Vodafone sent by mistake to a customer who had opted out of email marketing. Vodafone will learn from these cases when preparing future marketing material.

Established a Group Privacy Policy

Vodafone is entrusted with the confidentiality of millions of people's private communications and with managing an immense volume of personal information. The way Vodafone handles this information is an important part of our overall responsibility to our customers.

In November 2005, Vodafone adopted a Group-wide Privacy Policy that covers the collection, storage and use of our customers' personal information. The issue had previously been covered by local operating company policies. The Group policy is overseen by a Privacy Steering Group, a cross-functional body made up of senior management. It requires each local operating company to appoint a privacy officer with day-to-day responsibility for compliance. An overview of Vodafone's Privacy Policy is available at www.vodafone.com/responsibility/privacy.

We manage our legal duty to provide assistance to law enforcement authorities in the markets where we operate with care and consideration for the various interests at stake, including customer privacy. We also recognise that, subject to

legal restrictions or requirements, it may be appropriate to compromise privacy to protect public safety or security. We are developing a Group-wide policy on law enforcement assistance and are seeking stakeholders' views on the appropriate balance between safeguarding privacy and assisting law enforcement authorities to tackle serious crime and terrorism.

In March 2005, Vodafone Greece was made aware of a security issue in its network. Software foreign to the network, and capable of performing interception, had been installed without Vodafone's knowledge in the network software created, supported and maintained by an external supplier. The foreign software was removed without delay and the Greek authorities promptly informed. The authorities conducted investigations and subsequently made the matter public in February 2006. Since then, further investigations have taken place and continue. Vodafone Greece is co-operating with the Greek authorities.

Assessed compliance with our policy on location services

Location services identify the location of a mobile phone to provide local information on request and enable the location of customers to be tracked via their mobile. We introduced a policy on location services in the 2005 financial year designed to protect customers' privacy and ensure that location services cannot be used without their prior consent. In the 2006 financial year, we sent out a self-assessment questionnaire to all local operating companies to assess compliance with the policy. We will report the findings next year.

Received industry awards for offering value to customers

Vodafone received two 2006 GSM Association awards for initiatives designed to deliver greater value to Vodafone's customers.

The 'Best Roaming Product or Service' was given to Vodafone Passport which introduced a new roaming pricing architecture for Vodafone and its partner networks, resulting in enhanced simplicity and value for customers.

Vodafone also received the 'Best Broadcast Campaign' award for 'Stop The Clock', highlighting the innovative Vodafone UK price plan that enables customers to make more use of their mobile talking for up to 60 minutes for the price of three minutes at evenings and weekends.

Content and use



Content Controls in the UK: How it works

- A default content control bar is applied to all consumer customers.
- The bar can be removed if customers are able to verify that they are 18 years old or over.

Age verification can be done by:

- Credit card registration
- Proof of age.

Rollout of content controls in local operating companies

Operating comp	Access controls	Internet filter	Local industry codes
Albania	No age-restricted content on Vodafone live!	Currently low usage of data services	
Australia	No age-restricted content on Vodafone live!	March 2007	Mobile Content and Premium Rate Services (PRS), 2005
Egypt	No age-restricted content on Vodafone live!	Currently low usage of data services – reviewed regularly	
Germany	Yes	March 2007	Protection of minors from adult content, 2005
Greece	No age-restricted content on Vodafone live!	March 2007	
Hungary	No age-restricted content on Vodafone live!	Currently low usage of data services – reviewed regularly	
Ireland	No age-restricted content on Vodafone live!	March 2006	Responsible use of mobiles, 2006
Italy	Yes	March 2007	Child protection and Premium Rate Services, 2005
Japan	No age-restricted content on Vodafone live!	Yes	
Malta	No age-restricted content on Vodafone live!	Currently low usage of data services – reviewed regularly	
Netherlands	Yes	March 2007	Mobile Content, 2005
New Zealand	No age-restricted content on Vodafone live!	March 2007	Mobile Content, 2006
Portugal	Yes	March 2007	
Spain	Yes	March 2007	Premium Rate Services, 2004
UK	Yes	Yes	Premium Rate Services, Location Base Services and Mobile Content and Short Codes, 2004 and 2005

Where a future date is shown, there is no age-restricted content offered at present.

Mobile phones offer a wide range of features including picture messaging, downloadable pictures and video clips, games and internet access. These technologies bring significant benefits to our business and personal lives, but can also raise concerns about misuse. We care about our customers and have developed tools to combat spam and enable parents to protect their children from inappropriate content, contact and commercialism. The implementation of our content standards varies between markets reflecting local cultures and specific areas of concern.

In brief:

- Access controls provided by all six local operating companies that offer age-restricted content on Vodafone live!
- Internet filters implemented at two operating companies
- Group guidelines produced on premium rate subscription services
- Participated in developing GSMA code of practice on spam
- Implemented measures by all operating companies to combat mobile theft

Our goal is to ensure our customers are satisfied with our service and in control of how they use it. That is why Vodafone is leading the mobile sector in adopting content standards.

Bulk unsolicited communications, or spam, are a source of irritation for mobile users. Vodafone never sends spam but third parties use our networks to send marketing messages to our customers. Messages inviting customers to call or subscribe to premium rate services can be particularly problematic. We are tackling spam at both ends: monitoring unusually high sending patterns and disconnecting the sender, as well as providing spam filters for our customers to screen out unsolicited messages.

Our access controls enable parents to protect their children by restricting access to age-restricted content on Vodafone live!. Some local operating companies (see table above) also provide internet filters for content on the worldwide web, outside Vodafone live!.

A combination of technological filters and human moderators provide a safeguard against misuse of chatrooms within the Vodafone live! domain.

We said

- We would implement access control solutions which prevent inappropriate access to age-restricted content and services by March 2007
- We would develop and make available a global mobile internet filtering solution to all markets by March 2007
- We would assess compliance with our anti-spam policy and review our customers' ability to report spam in all operating companies by March 2006
- We would issue a policy on premium rate subscription services and recommend an industry-wide Code of Practice to combat abuse by March 2006.

We have

Launched access controls at six local operating companies

Access controls are now available at all six local operating companies that offer age-restricted content on the Vodafone live! domain (see table above). We are on track to meet our target to implement access control solutions by March 2007.

Continued to roll out internet filtering system

This system enables parents to prevent their children accessing inappropriate age-restricted content on the internet via their mobile phones. It is now available at two local operating companies and nine additional operating companies have set target dates for implementation. We are making good progress towards our target to offer internet filtering solutions in all markets by March 2007.

More information on the web:
vodafone.com/responsibility/content

Tackling spam in Japan

Spam is a big issue in Japan compared with other markets because recipients rather than senders are charged for messages. Vodafone Japan introduced a mail filtering system in May 2005 that rejects emails containing web links identified as spam. The system checks links against a database of adult and dating websites. Customers can choose to block all emails containing weblinks matching those on the database.

More than 90% of Vodafone customers using the blocking function have noticed a reduction in the number of spam emails received, according to a survey of around 9,000 customers in December 2005. Almost 80% said they now received only one spam email a day or none at all.

Less than half of those surveyed were aware of the mail filtering function. Vodafone Japan is responding to this feedback by publicising anti-spam measures in its shops, catalogues, websites and by bill enclosures.

Vodafone Japan is a member of the Japan E-mail Anti-Abuse Group, set up by mobile operators and internet service providers in 2005 to develop and implement technology to combat spam. The company is also targeting spammers by limiting outgoing transmissions if messages are sent to over 120 recipients within three hours.



We will

- Implement access control solutions which prevent inappropriate access to age-restricted content and services by March 2007.
- Develop and make available a global mobile internet filtering solution to all markets by March 2007.

You said:

"It is important to make new media safe for children, I therefore welcome Vodafone's efforts on corporate social responsibility, they provide an encouraging example of self-regulation by industry."

Commissioner Reding

Commissioner for Information Society and Media,
European Commission



Worked closely with the Internet Watch Foundation

The Internet Watch Foundation (IWF) runs a hotline for reporting websites that contain illegal images of children. It has agreed that where there is no local national equivalent hotline organisation, our operating companies in all countries can use the IWF list to block access to child pornography. Vodafone UK already uses the list to strengthen the capability of its internet filter.

Begun to assess compliance with our anti-spam policy

Self-assessment questionnaires have been sent out to all local operating companies. We will audit responses and report the findings next year. The assessment will establish if our customers are able to report spam in all operating companies (this target will now not be met until March 2007).

In addition to assessing compliance with our own anti-spam policy, we were involved in developing the mobile phone industry association GSMA's code of practice on spam. The code, published in February 2006, commits network operators to work together to investigate cases of mobile spam transmitted across mobile networks and take action where appropriate. The code also commits operators to introduce anti-spam conditions into all new contracts with third party suppliers, enabling suspension or termination of the mobile contracts of those who originate spam messages.

Developed Group guidelines on premium rate subscription services

Customers can subscribe to services from third-party service providers through their Vodafone account, for example to receive a text message every time their soccer team scores a goal or to download a certain number of ringtones each month. However, we have received complaints about misleading subscription services when our customers were not made aware they had entered into a subscription contract obliging them to continue making payments for a period of time. Customers complain it is often unclear how to cancel these services and in extreme cases some feel the only way to stop paying for the subscription is to terminate their mobile service. In many cases the problem lies with TV or print advertisements for the services over which Vodafone has no jurisdiction.

Our operating companies comply with local regulation and national industry codes on premium rate services. In the 2006 financial year, we produced Group guidelines to help local operating companies develop their own codes of conduct where no national codes exist. The guidelines recommend that operating companies require service providers to advertise clearly, and send a confirmation text to customers when they sign up explaining applicable charges and clearly stating how to opt out. We are recommending the Group guidelines as the basis of an industry-wide code of practice.

Continued to assess compliance with our Content Standards

Self-assessment questionnaires have been sent out to all our operating companies to assess compliance with our Content Standards. The results of this assessment will be analysed and reported next year.

Implemented new measures to combat mobile theft in Albania and the Netherlands

All of our operating companies except Japan have now established equipment identity registers (EIRs) to block mobiles that are reported stolen. All operating companies pass on this information to the GSM Association's Central Equipment Identity Register to help prevent phones being stolen in one country and reused in another. Different mobile technology in Japan makes an EIR irrelevant in because Japanese mobiles do not use SIM cards.

Mobile phones and driving safety

Mobile phones can provide security for lone drivers and improve road safety, for instance when used to report road accidents or alert authorities about reckless drivers. However, using a mobile phone while driving can be distracting and dangerous.

Using a hand-held mobile phone while driving can increase the risk of driver fatality by between four and nine times, according to one Australian study. Governments in several countries where we operate, including Spain and the UK, have made this illegal.

Although Vodafone cannot ensure all drivers behave safely, we aim to raise safety awareness by providing guidance to employees and customers on mobile phones driving. All our local operating companies have a policy to address the issue and their chief executives are responsible for implementing this policy.

Vodafone strongly discourages drivers from using a hand-held mobile phone while driving. The safest way to use a mobile phone is to pull over and stop before making a call. If this is not possible, using a hands-free kit significantly improves safety, especially if drivers use voice-activated dialling or answering.

In 2005, Vodafone Ireland launched a safe driving campaign – 'Make Safety Your First Call' – which includes a straightforward guide on using a mobile phone while on the road.



CR in our supply chain



You said:

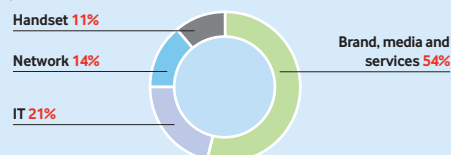
"In terms of responsibility it is safer to investigate where labour is first applied. There is a risk Vodafone will get unrealistically positive information from its first tier suppliers since some are agents or intermediaries, not the factory owner and employer of labour."

Rosey Hurst
Impactt

Local CR supplier reviews

Vodafone local operating companies have focused on reviewing marketing suppliers (including those sourcing merchandise and promotional materials), identified on the basis of risk. The review process for suppliers of handsets, network equipment and IT equipment is typically managed at Group level. These are often well-known companies with their own CR and supply chain programmes.

Category of local suppliers reviewed



Vodafone's six pillars of Supplier Performance Management

CR is one of the six criteria used to evaluate our suppliers

Corporate responsibility	Financial stability	Technology portfolio	Commercial	Delivery capability	Quality management
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Vodafone is concerned about labour and environmental standards in our supply chain. We believe that we can maximise our influence in three ways:

- Assess and engage with tier 1 suppliers to ensure they meet our Code of Ethical Purchasing
- Work with our tier 1 suppliers to develop their own programmes
- Develop a common industry approach.

We believe that this combined approach will raise standards across the ICT sector.

In brief:

- Risk-based approach used across the Group to prioritise supplier assessments and site visits. Over 600 suppliers assessed for risk and 85 of these suppliers evaluated by local operating companies
- Site evaluations completed for 15 global suppliers
- 84% of supply chain managers and employees have received training on the CEP
- Development of a common, ICT industry self-assessment questionnaire and risk assessment tool
- More than 1,200 scorecards (which include CR performance) completed since April 2005 for Vodafone global and local suppliers.

More information on the web:

- Vodafone's Code of Ethical Purchasing
- Self-assessment questionnaire and risk assessment tool
- Details of training for supply chain managers and employees
- Summary of work being undertaken to develop a common ICT industry approach
- Feedback from our supply chain stakeholder workshop held in February 2006.

vodafone.com/responsibility/supplychain

Vodafone has no manufacturing facilities. We buy our mobile phones, network equipment, merchandising and service from a number of suppliers, both large and small.

Handsets, network equipment, marketing and IT services account for the majority of Vodafone's payments to third parties. Unlike supply chains in some other sectors, Vodafone's suppliers are mainly large multi-nationals (often well-known brands) that either operate their own assembly factories or source from independent manufacturers, or both.

We believe our responsibility is to engage with our tier 1 suppliers (suppliers with whom we deal directly). We do not have direct commercial relationships with companies in tier 2 or beyond, and we believe that it is neither appropriate nor effective to engage independently beyond tier 1. We recognise there may be risk of poor environmental or labour practices further down the supply chain, therefore we influence our tier 1 suppliers to develop and maintain rigorous programmes for engaging with their suppliers.

Our global contract template includes a clause requiring our global suppliers to comply with our Code of Ethical Purchasing (CEP), which sets out the labour and environmental standards we expect them and their suppliers to meet. 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 (see www.vodafone.com/responsibility/cep).

We are also collaborating with other companies to build capacity within our industry sector. Vodafone is participating in the Global eSustainability Initiative (GeSI) with approximately 12 other major ICT companies to produce common industry tools to drive change throughout the sector.

We said

- We would adopt a risk-based approach to identify high-risk global and local suppliers
- We would complete 10 site evaluations of global suppliers (identified on the basis of risk)
- We would complete a CR evaluation with five suppliers in each operating company
- We would deliver CR supply chain training to 80% of purchasing managers in all operating companies
- We would work with other major ICT companies to develop a common approach to supplier assessments by March 2007.

Two examples of our supplier qualification process in practice

During 2005, Vodafone established a process for introducing new global suppliers. The process assesses suppliers against the six pillars of our Supplier Performance Management model, prior to any contracts being awarded.

This year a new Chinese equipment manufacturer satisfied Vodafone's criteria. The qualification team, including third party specialist auditors from the local region, assessed the supplier's policies, processes and facilities against our Code of Ethical Purchasing. The review included an assessment of the manufacturing facility and worker accommodation, as well as interviews with employees.

The audit team identified four areas for improvement, which the supplier acted on and qualified as an approved supplier during 2005.

We also used the qualification process to review a potential new supplier of base station batteries based in Asia. Vodafone identified several areas for immediate improvement related to health and safety.

The supplier engaged independent specialists to further identify and address employee and environmental safety issues. Vodafone approved this supplier after the necessary improvements had been made and will continue to monitor the supplier's progress.

Site evaluations of global suppliers

Recommendations for improvement from Vodafone

Child labour	2 ⁽¹⁾
Forced labour	1 ⁽¹⁾
Health and safety	41 ⁽²⁾
Freedom of association	1 ⁽¹⁾
Discrimination	1 ⁽¹⁾
Disciplinary practices	4 ⁽²⁾
Working hours	2 ⁽²⁾
Payment	1 ⁽²⁾
Individual conduct	2 ⁽¹⁾
Environment	11 ⁽²⁾
Implementation	9 ⁽²⁾

(1) Performance found to be adequate, recommendation on the development of policy only.
(2) Recommendations related to systems and performance improvement.

We will

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

We have

Implemented a risk-based approach to supplier assessments

We have assessed over 600 of our local operating company suppliers to identify those at highest risk of non-compliance with our CEP. Our criteria for determining CR risk include the size of supplier, location of operations and type of product or service. The risk assessment tool is available at www.vodafone.com/responsibility/supplychain. We used this risk assessment to prioritise further evaluation of high-risk suppliers (both globally and locally) against the CEP.

Completed 15 more site evaluations of high risk global suppliers

This exceeded our target of 10 evaluations. The suppliers assessed were identified on the basis of risk and strategic importance in the following categories:

- The two lowest-scoring suppliers in the self-assessments made in 2005 financial year
- One marketing merchandise supplier (suppliers providing these types of goods typically present a higher risk)
- Three handset suppliers based in the Asia Pacific region
- Nine potential new suppliers prior to accepting them as qualified Vodafone suppliers.

Supplier evaluations were carried out in Asia Pacific, Central and Eastern Europe, and Northern Africa. In a number of cases, local third parties conducted the audits. In total we made 75 recommendations for improvement against our CEP – 41 relating to health and safety, 14 to labour standards and individual conduct and 11 relating to the environment. Nine recommendations were aimed at ensuring our suppliers drive the CEP standards through their own supply chains.

Local operating company purchasing teams evaluated a total of 85 suppliers

All our operating companies have completed CR evaluations of at least five high-risk suppliers, identified through our risk assessment process described above.

CR evaluations involve introductory meetings with suppliers to brief them on the requirements of our CEP. Suppliers then complete a self assessment to provide initial data. In selected cases improvement plans and/or site visits are then required. In the self-assessment, 24% of our suppliers achieved a score of below 60%, 28% scored 60% – 75%, 36% scored 76% – 90% and 12% achieved a score of above 90%.

Delivered CR supply chain training to 84% of purchasing managers and employees in all operating companies

The majority of managers and employees were trained using an interactive learning tool on our intranet. The training explains the background of the CEP, the risks and challenges of our supply chain and the role and responsibilities of purchasing managers in implementing the Code. Ten global managers received

additional specialist social audit training. We also held two CR workshops bringing together supply chain representatives from most of the local operating companies to share their experiences.

Worked with other major ICT companies to develop a common approach

Vodafone is part of the GeSI Supply Chain Working Group which is collaborating with the Electronics Industry Code of Conduct Implementation Group to develop a common approach to measure and improve supply chain standards across the sector. In the 2006 financial year the groups finalised a supplier self-assessment questionnaire and a risk assessment tool.

Both groups are also working on a common audit approach and a web-based system to improve the efficiency of information flow between suppliers and customers and to reduce duplication of efforts. We anticipate that these will be available for use in the financial year 2007, when the focus of the work will progress to reporting and capability building.

Vodafone will adopt this common industry approach within its own Supplier Performance Management programme. More information on this industry approach is available at www.gesi.org.

Worked with suppliers on energy efficiency and other environmental impacts

The energy we use in our network accounts for more than 85% of Vodafone's total energy use. We are working with our infrastructure suppliers to improve the energy efficiency of the next generation of equipment to help us meet our energy targets. For more information on Vodafone's energy targets and our environmental commitments see page 24.

Held a workshop with stakeholders to discuss Vodafone's strategy for CR in its supply chain

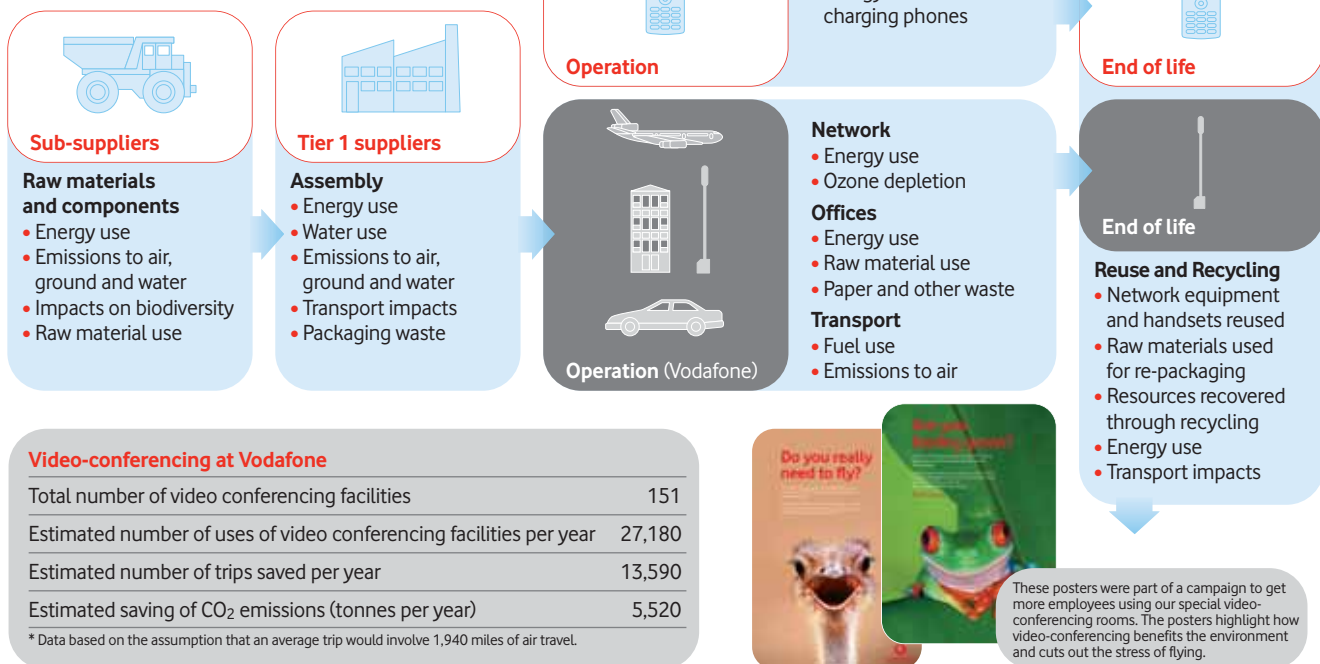
In February 2006, we held a workshop with seven experts from NGOs, investors and business to share our supply chain CR strategy and gather their valuable feedback. The workshop addressed three areas:

- Where do the company's responsibilities apply and where do they not apply?
- Is Vodafone's strategy for CR in the supply chain appropriate?
- What actions should Vodafone prioritise?

There was support for Vodafone's risk-based approach to assessing suppliers and our cross-industry activities. Vodafone was advised not to focus exclusively on compliance and was encouraged to focus on building capacity so that suppliers can take these issues forward themselves. Other suggested areas to prioritise were buyer behaviour, subcontracted labour and merchandising. A summary of the workshop findings is available at: www.vodafone.com/responsibility/supplychain.

Environmental impacts of our operations

Lifecycle diagram showing the direct and indirect environmental impacts of our operations



A consequence of our business growth is increasing energy demand to run our network. This is one of Vodafone's most significant environmental impacts and limiting our contribution to climate change is therefore a priority. In partnership with equipment manufacturers we are improving the energy efficiency of our network so that data and voice can be transmitted with less climate impact.

In brief

- Decreased carbon dioxide emissions per unit of data transmitted by 10%
- New Group target set to reduce carbon dioxide emissions per unit of data transmitted by 40% by 2011
- Total energy use increased by 23% this year
- Energy sourced from renewables increased by 22% this year
- Local operating companies monitoring network energy use prior to setting local reduction targets
- Working with suppliers to make network equipment more energy efficient
- Onsite renewable energy technologies trialled

More information on the web:

- Prediction of energy consumption on our network
- Use of renewable energy
- Environmental impacts of transport
- Ozone-depleting substances
- Water use
- Paper use

vodafone.com/responsibility/environment

Our operations fall into three main categories: networks (base station sites that send and receive radio frequency signals, switching centres and data centres to route calls and capture information); offices and call centres; and our retail outlets.

This section of the report focuses on one of our most significant environmental impacts – energy use associated with the operation of our network. This accounts for more than 85% of the carbon dioxide emissions from our total energy use (by our network, retail outlets, offices and transport).

Waste from our network and the reuse, recycling and disposal of used handsets are also significant issues (see page 26). Our other environmental impacts, such as ozone-depleting substances (mainly used in sealed network cooling systems), paper use and water use, are reported on our website.

Environmental impacts occur at every stage of the network equipment life-cycle. Vodafone has direct control over the operating and network equipment end-of-life stages. We use our influence to work with network equipment and mobile phone manufacturers to achieve more energy-efficient designs and to source materials and manufactured products in an environmentally responsible way.

We said

- We would develop and report against Group-wide quantitative targets for network energy efficiency and related carbon dioxide emissions by March 2007.

We have

Used more energy

In the 2006 financial year, continuing business growth contributed to a 23% increase in our total energy use to 3,198 GWh. This resulted in a total of 1.31 million tonnes of carbon dioxide emissions, a 3% increase from the previous year. We are implementing a number of measures as part of our strategy to limit our impact on climate change (see below).

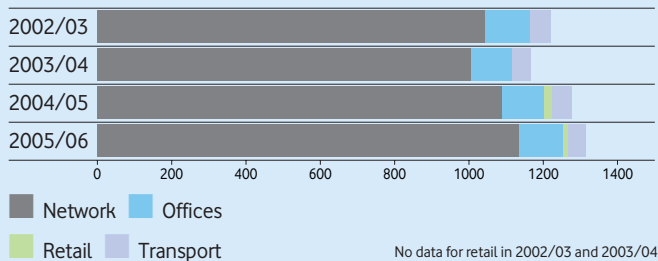
Average carbon dioxide emissions per subscriber from our network were approximately 9.55kg in the 2006 financial year, an 11% increase from 8.57kg the previous year. This is roughly equivalent to a single 60km journey in a modern family car with a 1.6 litre petrol engine.*

Established a Group-wide target for network carbon dioxide emissions backed by local operating companies' programmes to improve energy measurement and forecasting

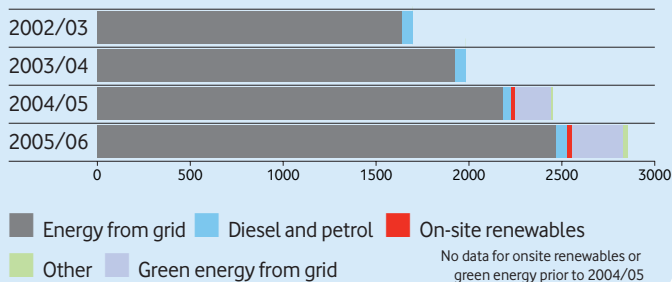
Our new 2011 target is to reduce network carbon dioxide emissions per unit of data transmitted (megabits of traffic) by 40%. Working towards this, in the 2006

* Due to a reporting error in last year's report, the equivalent length of journey in the same car for the emissions per subscriber of 8.57kg in 2004/05 should have been reported as 53km not 60km

Total CO₂-equivalent emissions (ktonnes CO₂)



Total network energy used by source (GWh)



You said:

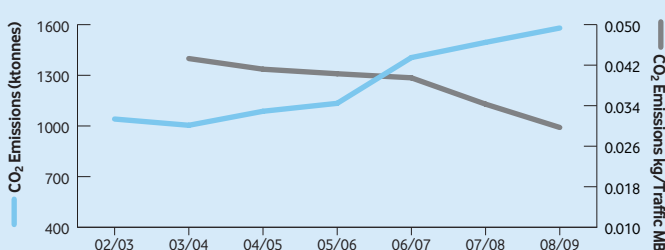
"All good companies are working to reduce GHG emissions, but telecommunications companies can pioneer the dematerialised economy."

Paul Dickinson
Carbon Disclosure Project

We will

- Reduce network carbon dioxide emissions per unit of data transmitted by 40% by 2011.
- Have developed, and be reporting against, Group-wide quantitative targets for network energy efficiency and related carbon dioxide emissions by March 2007.
- Work with our suppliers to increase energy efficiency of new network equipment by 25% by March 2008.

CO₂ emissions from network: past and predicted A forecast of the CO₂ emissions from base stations



financial year we expanded existing energy programmes in all local operating companies and intend to undertake a programme of energy audits, remote energy monitoring, energy forecasting and target setting by March 2007. This will increase data accuracy, which will help us identify further areas where we can reduce energy use and eliminate wastage.

Worked with suppliers at Group level to improve energy efficiency of network equipment

Our goal is to increase efficiency by 25% compared with current network equipment by March 2008. While it is technically and financially impossible to replace all existing network equipment at once, a 25% improvement in the energy efficiency of all of our current equipment would save around 300,000 tonnes of carbon dioxide emissions, based on current levels. This saving is equivalent to the annual domestic electricity consumption of a city with a population of approximately 360,000.

We have identified the following ways to reduce energy use in base stations:

- Relocating the power source closer to the antenna to reduce power loss – this system (known as remote radio heads) reduces power requirements by 20%. We will begin to install this technology at our base stations next year and we are encouraging all our network equipment suppliers to offer remote radio heads
- More efficient amplifiers – new power amplifiers will be 10% more energy efficient than the previous generation
- Reducing the energy needed for cooling through a range of design improvements (see below).

Implemented more energy-efficient network cooling

Network cooling helps to extend the life of batteries and reduce the chance of network failure. Cooling accounts for an estimated 25% of energy used in our network. We are working on a number of initiatives to reduce energy used in cooling. Average energy consumption in some units can be cut by more than 10% (depending on the climate conditions on-site) by increasing the ambient temperature of our base stations from 21°C to 25°C.

In another initiative, Vodafone Germany has installed 1,555 base stations with free cooling since 2001. This system uses fresh air to cool network equipment, reducing the need for energy-intensive air conditioning. The estimated total energy consumption for these free cooling systems since installation is 12.3 MWh, 80% less than the estimated 69.5 MWh if the units were fitted with standard cooling systems. However, this 80% increase in efficiency is not possible in all base station units and can only be achieved in cool climates.

Vodafone Germany plans to install free cooling in 96 out of the 120 units planned for installation in the coming year. Other local operating companies are

Green base station pilot in Greece

In the 2006 financial year, we created a pilot 'green' site in Greece to explore ways to reduce the costs and environmental impacts of producing power at our network sites. The continuously running diesel generator that powered the site was replaced by solar panels and a wind generator. A fuel cell was also installed to boost the power if there is not enough sunlight or wind.

The three-month trial showed that the system can work at sites with low power loads in remote locations. The system not only reduces environmental impacts but also significantly cuts maintenance costs. We are currently investigating how to use these green technologies at other sites.



also developing plans to use free cooling and the Vodafone Group Supply Chain team is working with our global suppliers to find ways to increase equipment suitability to free cooling.

Promoted renewable energy technologies

In remote locations not served by an electricity grid, on-site renewable electricity can be a viable alternative to diesel generators. For example, Vodafone Greece installed solar panels at 12 additional base stations in 2005/06, which have reduced generator running time by 60%. There are now 123 solar base stations in Greece and 70 in Egypt.

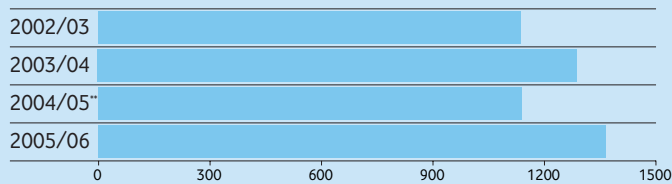
Renewable power from on-site sources accounts for 0.04% of the total energy used by our network. We buy a greater proportion of network energy from renewable generation sources via electricity grids. In the 2006 financial year, we sourced 30GWh of our grid energy from renewables. Together, on-site and grid renewables make up 10% of Vodafone's total network energy use.

Campaigned to increase video-conferencing among employees

Video-conferencing reduces the number of trips made by Vodafone employees and minimises travel impacts such as climate change. There are video-conferencing facilities at all local operating companies and we have set up dedicated video-conferencing booths at Group headquarters and other key sites. In the 2006 financial year, we promoted the service among our employees and an estimated 2,265 video conferences were held per month, reducing transport-related emissions by approximately 460 tonnes per month (5,520 tonnes per year).

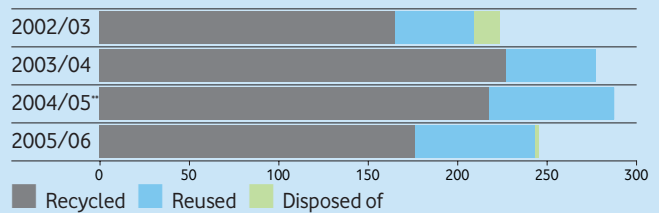
Reuse and recycling

Number of mobile phones collected*
(000s)



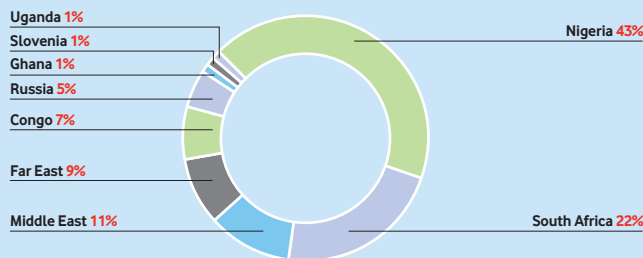
* The number of mobile phones returned are based on actual count or calculated from the average mass per phone.
** This is a revised figure for 2004/05 due to a reporting error last year.

Processing of handsets, batteries and accessories*
(tonnes)



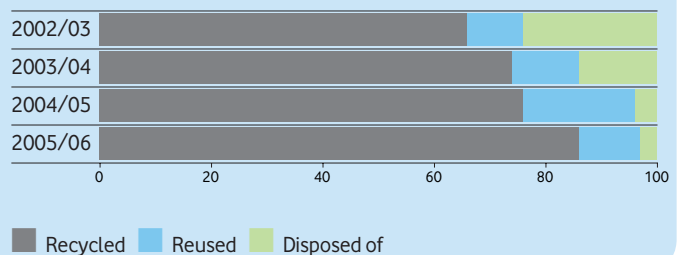
* The accounting practices of scheme contractors mean that some mobile phones may be collected during one year but processed in the next.
** Recycled figure revised due to reporting error last year.

Destination of reused mobile phones*



* Data related to phones collected by Vodafone during the 2006 financial year (Source: Fonebak).

Network equipment waste sent for reuse and recycling (%)



The fast pace of technology in the mobile phone industry means phones and networks rapidly become obsolete. Most handsets and network equipment can be reused or recycled into new materials and products. For example, refurbished handsets enable low-income customers to buy mobile phones relatively cheaply in emerging markets where mobile phone ownership is helping to drive economic development.

In brief

- Initiatives launched to raise awareness and encourage recycling
- Recycling programmes established at all local operating companies
- 1.37 million mobile phones collected for recycling
- 97% of network equipment waste reused or recycled

More information on the web:

- Environmental impacts of phones
- How we encourage handset returns
- Impact of reused phones in emerging markets, report from Forum for the Future

vodafone.com/responsibility/recycling
vodafone.com/responsibility/waste

Consumers in high-income countries typically replace their mobile phones every 18 months. In Western Europe, over 145 million phones are sold each year, often to replace old phones still in good condition. If these phones (along with accessories such as batteries, chargers and headsets) are returned, we can arrange to refurbish many of them for reuse in lower-middle-income countries. This means more people can afford mobile phones and enjoy the social and economic benefits they bring. When a phone cannot be refurbished, it can be broken down into component parts for recycling.

We don't manufacture mobile phones or network equipment, but we are encouraging suppliers to design handsets that are easier to recycle and made from environmentally preferable materials. The Restriction of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) directive will come into force in July 2006. We continue to work with suppliers to phase out the substances restricted by the directive.

Our fully owned and operated stores and franchise retail stores place us in a good position to collect used handsets when a new phone is sold. We have recovery programmes covering all local operating companies with collection points in all of our offices and the majority of our fully owned retail stores. We continue to expand our return programmes into our franchised stores. The success of these schemes relies on consumers handing in their used mobile phones. Currently only a small proportion of phones are returned to us – millions of handsets are lying unused in people's drawers and cupboards. We have conducted research to help us understand why consumers do not return these phones and have introduced incentives to encourage consumer handset recycling.

We said

- We would have return schemes in all our operating companies by March 2007
- We would increase the number of phones collected by 50% by March 2007
- We would actively support development of programmes in at least three developing countries to repair, reuse and recycle mobile phones by March 2007
- We would continue to send for reuse or recycling 95% of network equipment waste during the year from April 2005 to March 2006.

We have

Established a handset return scheme in all local operating companies
Recycling schemes are now in place at all of our local operating companies, implemented through Vodafone offices and the majority of our owned and operated retail shops, one year ahead of our target. We introduced a return scheme this year at Vodafone Albania, the only operating company without a recycling programme already in place. We launched a campaign to raise awareness among employees in Albania that included training for retail and call centre staff to encourage consumers to return their phones.

How to recycle a base station

Advances in telecommunications technology mean we often need to replace network equipment at our base stations. We resell used equipment where possible, or recycle it through recycling partners such as Shields Environmental.

At the end of a base station's useful life, Shields technicians identify and test the parts that can be sold for reuse. Vodafone's used network equipment makes modern technology affordable to network operators in emerging and developing countries, helping to improve communication in these countries.

Equipment that cannot be resold is broken down into separate materials for recycling. The first step in recycling is to identify and remove any hazardous substances from the equipment. Materials from lead acid batteries are separated to produce bullion (which can be refined into lead alloys), gypsum and a copolymer that can be sold. The remaining materials (acids) are neutralised. Some components contain the hazardous material beryllium oxide which cannot be recycled at present. Shields has a zero landfill policy, so it is storing the beryllium oxide safely while it works with other organisations to find a way to recycle this material.

The remaining non-hazardous materials are then separated. Cardboard, aluminium and steel are recycled and returned to productive use; plastics are incinerated to produce energy; circuit boards are sent to a specialist refiner to recover precious metals including palladium, copper, gold and silver. Vodafone receives a share of the revenue from the sale of these precious metals.



You said:

"Reusing phones increases access to communications in emerging economies. The industry must increase handset returns and Vodafone's 50% increase target is very welcome."

James Goodman
Forum for the Future

We will

- Increase the number of phones collected for reuse and recycling by 50% by March 2007 (from the 2004/05 level).
- Support development of programmes in at least three developing countries to repair, reuse and recycle mobile phones by March 2007.
- Send for reuse and recycling 95% of network equipment waste during 2007 financial year.



Raising awareness among employees

Our internal recycling campaign encourages employees to hand in their old handsets, highlighting the environmental and social benefits of reusing and recycling phones.

Collected 1.37 million phones for reuse and recycling

In the 2006 financial year we collected 1.37 million phones for reuse and recycling. This is a 20% increase on last year's figure and we are making progress towards our challenging target to increase the number of phones collected by 50% by March 2007. Although the number of phones collected through our own return programmes is increasing relatively slowly, this does not mean that old phones are all going to waste. Many phones are recycled through other schemes, for example those associated with charities.

In our European markets the Waste Electronic and Electrical Equipment (WEEE) directive requires companies to take back and recycle electronic and electrical equipment. We have handset recycling programmes in place at all our EU companies in 10 countries to comply with the directive. We have also worked with our suppliers of electronic and electrical equipment to ensure that the appropriate labelling is provided on products sold through Vodafone.

Continued to support reuse and recycling in emerging and developing countries

Developing countries often do not have the skills or infrastructure to deal with handset waste safely. We are making good progress towards our target to support handset recycling programmes in at least three emerging and developing countries by March 2007. We have launched programmes in Egypt and Albania and are in the process of setting up a scheme in Romania. The phones are collected through our fully owned stores in these countries and will be sent for recycling.

In the 2006 financial year, we commissioned research by the NGO Forum for the Future into environmental and waste management capacity and mobile phone recycling in emerging economies. The research will assess existing facilities in several African countries, as well looking at how consumer behaviour affects mobile phone recycling. The project aims to identify how to increase capacity for recycling used mobile phones and how Vodafone and other companies can contribute.

Offered incentives to encourage handset recycling

Many consumers are reluctant to hand in their old phones. We have focused on promoting recycling and making it easy for consumers to return their phones. Our research in Australia and the UK found that offering charity donations or financial incentives encourages people to recycle.

These are some of the ways our local operating companies encouraged handset recycling in the 2006 financial year:

- Vodafone Germany donated €5 to wildlife charity NABU for every handset returned as part of a four-year partnership with the conservation organisation.

- Vodafone Ireland donated all proceeds from recycled handsets to the Conservation Volunteers Ireland Nature Fund, which funds environmental projects around the country.
- Vodafone Italy piloted a programme at retail outlets in four regions offering customers free air time or points if they returned their old phone. Around 9,400 handsets have been collected in these regions since the trial was launched in October 2005, increasing the average number of phones collected at each point of sale from five to 40 per month. The campaign will be extended to all stores in Italy in the 2006 financial year.

Raised awareness of handset recycling among employees

We ran a campaign to encourage employees to hand in their phones for recycling or reuse. We published an article in the employee magazine and produced videos, posters and other promotional material. The campaign highlighted the environmental and social benefits of reusing and recycling phones. The campaign was particularly successful in New Zealand, where more than 2,300 phones were handed in by the 1,300 employees within two weeks.

Promoted handset recycling for corporate customers

We have programmes in Australia, Ireland, Italy, Japan, the Netherlands, Spain and the UK to help our corporate customers increase handset recycling. We supported campaigns to raise awareness among their employees and provided returns bins and freepost envelopes. In the UK, for example, funds generated from recycling are donated either to Vodafone's selected charity or to the customer's chosen charity. In the 2006 financial year, we collected over 200,000 phones from corporate customers in these seven countries.

Continued to participate in the Mobile Phone Partnership Initiative (MPPI)

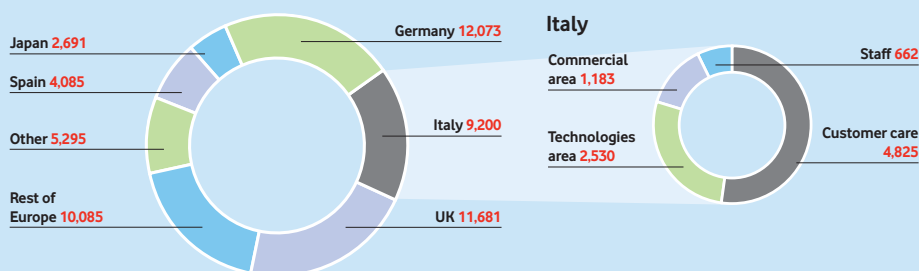
Vodafone is participating in the MPPI, part of the UN Basel Convention on waste. It brings together mobile phone companies, waste and recycling experts, and NGOs. The MPPI has four project groups that are developing guidelines on phone refurbishment and collection, materials recovery and recycling, awareness raising and environmentally responsible design.

Reused or recycled 97% of network equipment waste

We produced 2,950 tonnes of equipment waste in our network in the 2006 financial year. This includes 1,804 tonnes of non-hazardous waste (such as radio equipment, metal and cables) and 1,146 tonnes of hazardous waste (mostly lead acid batteries). Of this, 2,849 tonnes were sent for reuse or recycling, exceeding our ongoing commitment of 95%. Other waste streams where we do not have reliable data include wood, concrete and some plastics.

Our employees

Employees by region



Key data

Total number of employees	55,110
Part-time employees	15%

Employee changes

Number of voluntary leavers	4,364
Number of involuntary leavers	2,297
Number of newly hired employees	7,292
Average turnover rate (%)	12.1

Training and development

Total training spend (covering 96% of employees)	£29m
Average training spend per employee (covering 96% of employees)	£550

Diversity

	2003/04	2004/05	2005/06
Number of nationalities in top senior management roles	22	23	18
Women in top senior management roles (approx top 250)	11%	13%	12%
Women in senior management (bands A-E: approx top 1,300)	—	10%	17%
Women in middle and senior management (bands A-F: approx top 4,900)	—	—	21%
Women (all employees)	—	—	44%

In 2005, Vodafone won the Global Equity Organisation award for 'Best Share Plan Communications (companies over 10,000 employees) for our AllShares campaign.

We employ approximately 55,000 people worldwide. Our goal is to recruit and retain the most talented, motivated people. We aim to do this by providing a good working environment, treating people with respect, and offering attractive incentives and development opportunities.

In brief

- Developed a strategy to focus on employee wellbeing at all local operating companies
- Introduced a Performance Dialogue for every employee to receive feedback on their performance from their manager
- Increased percentage of women in senior management (bands A-E) from 10% to 17%
- Introduced two new global health and safety standards
- Reduced work-related lost-time accidents by over 20% from last year
- Executive Committee members met with approximately 10,000 employees through the Talk About programme

All our local operating companies share a common set of policies and values that are consistent with the UN Universal Declaration of Human Rights and the International Labour Organization's Core Conventions.

Many of our local operating companies joined the Group as acquisitions and, as a result, have their own established human resources management systems. We believe employee issues should be managed locally in the context of cultural differences and local legal requirements. Therefore a number of policies and practices are set at local level. This year, we have expanded our data collection to include gender diversity at all levels, voluntary and involuntary leavers, part-time and full-time employees, and training (see above). A number of local operating companies also report on employee practices in their reports.

We are introducing a global people strategy to increase employee engagement. This will provide a clear statement of mutually agreeable commitments for our people, as well as stating our company values. The strategy will be reflected in our people management policies and practices across our operations.

We said

- We would take action at global and local level to address the issues arising from the employee survey
- We would reduce work-related accidents resulting in lost time by a further 10% by March 2008 (from the 2004/05 baseline)
- We would introduce a further two global health and safety standards in the 2006 financial year.

We have

Developed a strategy to address issues arising from the 2005 employee survey

Our biannual employee survey in February 2005 showed generally high levels of satisfaction among employees, with 76% proud to work for Vodafone. The survey also highlighted a number of areas for improvement. Each local operating company has developed its own strategy in response to local issues arising from the employee survey. Three key global issues were identified and strategies are being implemented to address these:

- **Customer focus:** a programme has been rolled out across the business to help employees understand what Vodafone's brand stands for and how every employee can contribute to consistent customer satisfaction
- **Managing change:** Programmes dealing with specific changes to the business are managed by local operating companies. At Group level, we have focused on building a consistent framework for communicating with employees who may be affected by change. Every change programme now has a dedicated internal communications manager.

More information on the web:

- Health and Safety Policy
- Equal Opportunity Policy
- Training and development
- Employee data and programmes from several operating companies in local reports

vodafone.com/responsibility/employees

You said:

"It would be useful to see statistics on staff turnover. I would like to learn much more about how the company is training and developing its non-managerial level staff as this is becoming an increasingly important facet of the political discussion around employability in Europe."

Ben Davies

CSR Europe, on last year's CR report

Wellbeing programme in Ireland

In March 2006, Vodafone Ireland launched a wellbeing programme designed 'to make people feel great at work'. The programme provides free online health checks and encourages employees to lead a healthier lifestyle. Health and fitness fairs provide information, products and services to help people understand and take steps to improve their health.

Hundreds of employees have taken the opportunity to check their health. Many are making positive lifestyle changes by quitting smoking, reducing alcohol intake and improving diet, exercise and work-life balance. The programme has received very positive feedback.



Flexible working in New Zealand

Vodafone is using its own products to create a more flexible working environment at its new offices in New Zealand. Mobile technology enables employees to move around the building to work elsewhere, improving interaction with colleagues in other areas of the business. This means less meetings and more engagement with senior management. The system also allows people the freedom to work from home and keep more flexible hours.

"Working flexibly and being trusted to do our jobs anywhere we need to creates a very positive atmosphere," said Annette Culpan, Vodafone New Zealand.

We will

- Ensure that every employee in the business has an annual performance dialogue and development discussion with their line manager by March 2007.
- Continue to deliver a Pride in Vodafone score (in the employee survey) that will at least equal the high performance norm of the 'World's Most Admired Companies' survey by March 2007.
- Reduce work-related accidents resulting in lost time by 10% by March 2009 (from the 2006 financial year baseline).

- **Employee wellbeing:** An analysis of the relatively low score in this area showed that the main concern was about employee development. In the 2006 financial year, we introduced a consistent performance dialogue process for all our employees (see below).

We are conducting an interim survey of 20% of employees across the business in May 2006 to monitor progress on the key issues identified by the full survey in 2005.

Responded to our employees' requests for more development opportunities

In the 2006 financial year, we introduced a global Performance Dialogue process to ensure a consistent approach to employee development across the Group. Employees meet regularly with their managers as part of the process to discuss opportunities and agree individual development goals.

We launched an academy to provide online training to help employees in the finance department meet the development needs identified through the Performance Dialogue process. In the 2006 financial year, more than 400 people completed training through the Finance Academy. We are now launching academies on business sales, technology and customer management.

Our Global Leadership Programme and Global Rotation Programme enable high potential managers to gain experience working abroad and in different company functions. The Global Leadership Programme is in its sixth year and has 93 participants.

We use our Leadership Framework to help us recruit and promote leaders within the company. We are evaluating our most senior managers against the framework. During the 2006 financial year over 80% of our senior appointments were made internally.

In the 2006 financial year, we spent approximately £29 million on training (based on data covering 96% of employees) and provided a total of approximately 242,000 training days for employees (based on data covering 86% of employees). This is equivalent to approximately five days of training per employee.

Continued to promote diversity in management

We believe that diversity benefits the business. Vodafone's top management remains highly international with 18 nationalities represented, although the number is slightly down on last year. We have also increased the percentage of our senior managers who have international experience, from 45% to 48%.

During the 2006 financial year, we appointed a second female chief executive officer (at Vodafone Romania). Although the number of women in top senior

management roles has only increased by one this year to 32, the number of roles increased in the financial year 2006 from 238 to 261, resulting in a slight decrease in the proportion of women. The percentage of women at all senior management levels (bands A-E covering approximately 1,300 employees) increased from 10% in the 2005 financial year to 17% this year.

Vodafone's Group Equal Opportunities Policy is available at www.vodafone.com/responsibility/policies.

Our programmes to support work-life balance include flexible working initiatives managed locally. See, for example, the case study on New Zealand above.

Continued to consult with employees

In the 2006 financial year, our Chief Executive Arun Sarin and other members of the executive management team engaged with approximately 10,000 employees in a series of Talkabout sessions across the Group. The sessions provide an opportunity for the executive team to discuss the Group's strategic goals with employees and listen to their feedback about the business and the issues that matter most to them. We also have direct dialogue with employees through regular performance dialogue and team meetings.

We recognise the rights of our employees to join trade unions or similar external representative organisations. Where representation by trade unions is conferred automatically by legislation, these rights will be upheld. All our local operating companies will respect the wishes of the majority of their employees in deciding whether to recognise a trade union to negotiate terms and conditions of employment, where legislation permits.

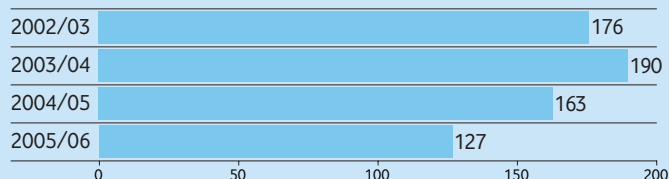
To ensure all our employees are treated fairly and consistently – whether they are represented by a trade union or not – we consult directly with employees to address their concerns.

Employee representatives from our local operating companies within the European Union meet annually with members of the executive management team at the Vodafone European Employee Consultative Council to discuss Group performance and transnational issues. The main concerns raised at the Council meeting in 2005 were about how employees would be affected by changes within the company, employee training, and issues emerging from the 2005 employee survey.

The Council, founded in 2003, meets the requirements of Article 13 of the EU Directive on multinational European Works Councils. In addition to the annual council meeting, employee representatives met separately on two occasions this year. The number of representatives per country depends on the number of employees in each local operating company.

Our employees continued

Work-related lost-time accidents (number)



Work-related lost-time accident rate (per 1,000 employees)



* The lost-time accident rates for 2003/04 and 2004/05 have been adjusted from previously reported information to reflect a consistent approach in recording employee numbers using year end data. In the 2004/05 CR Report, these figures were reported as 3.4 and 2.9 respectively.

Improving driving safety in Spain

Vodafone Spain has dramatically reduced driving accidents among its employees through a sustained driving safety campaign over the last five years.

The number of vehicle accidents resulting in lost time has fallen by more than 80% since the 2003 financial year (and by 50% since the 2004 financial year).

The company ran an awareness campaign to reinforce key messages about driving safety for employees through text messages, intranet and other internal communications channels as well as running a training course for 120 people.

In the 2006 financial year, 234 employees who work on the network took a refresher course in off-road driving (required to reach remote base stations), following the original course five years before.



More information on the web:

vodafone.com/responsibility/driving

Managed restructuring programmes

The average turnover rate in the 2006 financial year was 12%. There were approximately 4,360 voluntary leavers and 2,300 involuntary leavers across the business. The only significant restructuring this year was in the UK, with the closure of the Brindley Place and Woodlands call centres. Most of the work from the centres has been distributed among our other existing call centres and outsource partners within the UK, with a small amount transferred to our offshore partner in Mumbai, India. As a result of these closures, 533 employees at Brindley Place and 110 at Woodlands were made redundant in January 2006 after a 90-day consultation period. Of these, 170 decided to remain at Vodafone, moving to different sites within the UK. Vodafone helped employees at the call centres to search for new jobs through our internal resources and outplacement partner Drake Beam Morin.

Introduced two new global health and safety standards

We have created standards on working alone and electrical safety, meeting our target to introduce two new global health and safety standards in the 2006 financial year. In addition, we have developed a management system that will provide a global framework to measure performance and monitor implementation of health and safety initiatives.

Reduced work-related lost-time accidents by 18% from last year

This means we have met our target to reduce work-related accidents resulting in lost time by 10% from the 2005 financial year baseline two years early. There were 127 lost-time accidents in the 2006 financial year compared with 163 the previous year. The lost-time accident rate fell by over 18% this year from 2.8 to 2.3 per 1,000 employees.

We deeply regret that two subcontractors suffered fatal injuries in falls while working on network deployment projects. Both fell from unprotected flat rooftops during preparation for transmission infrastructure deployment. We conducted full investigations of both fatal accidents to analyse the root causes with the contracting companies involved. The findings and actions to prevent similar accidents have been communicated globally. All local operating companies are required to review their contractor management processes to ensure these actions are fully implemented.

Extended employee share ownership

We operate a range of all-employee share plans to encourage widespread employee share ownership throughout the company. As part of our continuing 'AllShares' programme, we granted 320 shares each to all eligible employees across the Group in the 2006 financial year. Through our share plans, employees now have interests or options in more than 740 million shares. In 2005, we won the Global Equity Organisation award for 'Best Share Plan Communications (companies over 10,000 employees)' for our AllShares campaign.

Vodafone aims to pay competitive rates in each local market to attract the best talent. We operate a number of pension plans for the benefit of employees, which vary according to the conditions and practices in the countries concerned. These are provided through defined benefit and defined contribution arrangements. The largest defined benefit plan is in the UK and has a funding ratio of 99%. Further information is available in our Annual Report.

Vodafone's Business Principles

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

Our Business Principles define how we intend to conduct our business and our relationships with stakeholders. They require employees to act with honesty, integrity and fairness. The principles cover ethical issues, including: bribery and corruption, conflicts of interest, data protection, environment, health and safety, human rights, political contributions and lobbying, and transparency.

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

More information on the web:

vodafone.com/responsibility/businessprinciples

Corporate governance and ethics

Extracts from Vodafone's Tax Code of Conduct

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

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

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

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

The full text of the Code is available at www.vodafone.com/responsibility/policies.

Vodafone's Public Policy Principles

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

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

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

Corporate responsibility is not just about our approach to social and environmental issues. It implies conducting all aspects of our business ethically and transparently. This includes our corporate governance, financial management and public policy engagement.

Governance

Corporate governance is about how our Board of Directors exercise the business judgement entrusted to them by our shareholders – openly, fairly, in good faith, and with honesty and integrity.

Information on our financial and corporate governance is available at www.vodafone.com/governance. The site includes details on our Board of Directors, executive remuneration, our Code of Ethics for financial officers, and compliance with the UK Combined Code on Corporate Governance and the US Sarbanes-Oxley Act.

Vodafone was one of 33 out of 3,200 companies rated to receive the maximum score of 10 from Governance Metrics International in their 2005 Corporate Governance Ratings. Companies are rated on board accountability, financial disclosure and internal controls, executive remuneration, shareholder rights, anti-takeover policies and corporate social responsibility.

Public policy

Public policy engagement takes place within local operating companies and at Group level. All engagement is subject to our Public Policy Principles (drafted in the 2006 financial year). Our Business Principles state that Vodafone does not make political donations and, in line with this policy, none were made in the financial year 2006. The public policy agenda differs in detail between countries. The main areas in which Vodafone engages with regulators and governments are call termination, roaming, spectrum, universal service, privacy and data security. Many of our written submissions are made public by the government organisations to which they are submitted. Vodafone believes in transparency in government relations and is willing to provide copies of any formal submissions in the public domain to regulators and governments on request to responsibility@vodafone.com. Our public policy activities are consistent with the views set out in this report.

Bribery and corruption

Our Business Principles set a policy of zero tolerance on bribery and corruption and require all employees to comply with all applicable anti-corruption laws and regulations. We believe that our management reporting structures and anti-corruption policies will meet the new FTSE4Good Index Criteria for Countering Bribery.

Vodafone supports NGO Transparency International's work in combating corruption as a member of its Corporate Supporters Forum. We are developing an educational programme to highlight the importance of compliance with our anti-corruption policies among employees, which will be rolled out in the 2007 financial year.

Tax

We believe that legally minimising our tax costs is one of our obligations to our shareholders in controlling our costs. We accept that some may not share this perspective and believe that transparency regarding our position is the best policy. However, Vodafone does not condone tax evasion (using illegal means to reduce taxes payable) in any circumstances.

Vodafone is willing to, and frequently does, consult with tax authorities on the introduction and clarification of tax law, and periodically situations arise where tax authorities question our interpretations. Ongoing matters include:

- **German write-down:** Following the acquisition of Mannesmann in Germany we were required under German law to claim a deduction following the fall in the value of our investments. Ongoing discussions with the German tax authorities are centred on the valuations to determine the scale of any write-down.
- **Tax questions referred to the European Court of Justice (ECJ):** As a result of questions relating to tax law, Vodafone is currently involved in two tax cases that have been referred to the ECJ. These concern whether the UK taxation of the profits of certain EU (but non-UK) companies is contrary to fundamental EU freedoms and whether certain supplies of 3G licences constituted taxable supplies for VAT purposes (further details of these cases can be found in the Annual Report).

The issue of taxation has risen on the agenda this year and, related to this, Vodafone has committed donations to fund the Oxford University Centre for Business Taxation. We believe that this new centre's programme of academic research into the structure of business taxation and its economic impacts will inform future debates.

More information in our Annual Report for the 2006 financial year on our website:

- Corporate governance
- Business Principles
- Tax
- Public Policy Principles
- Regulatory compliance

www.vodafone.com

Our family of foundations

Helping young people off the streets

Off-Road-Kids is a charity for homeless children in Germany. The Vodafone Germany Foundation is helping the charity to extend its services from Berlin to three new cities. The Foundation has funded the provision of 12 additional social workers who are available 24 hours a day, seven days a week to work with and build the trust of young people. During 2005/06, Off-Road-Kids moved 110 girls and boys aged between 13 and 18 off the streets into supportive and safe environments.



Reducing hoax calls

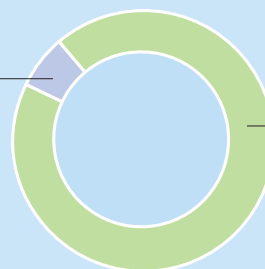
The Vodafone UK Foundation is supporting a unique local partnership to reduce the number of hoax calls made to the fire service in West Berkshire, UK. An A-level based education programme has been developed, with pupils from three schools creating hard hitting images to raise awareness and illustrate the effect of hoax calling on the emergency services. The initiative has contributed to a significant reduction in hoax calls from 67 in the 2004 financial year to 36 in the 2006 financial year, with overall savings of £62,000 for the fire service.

Total contributions to social project the 2006 financial year

£m

Contributions made under the terms of certain licence agreements 2.5

Voluntary contributions 35.6



Total contributions to social projects by region, £m



The Vodafone Group Foundation and its unique network of 20 local Foundations are at the forefront of our community investment programme. We further support this programme with cash donations and other activities including employee volunteering, product and technical assistance. We are also looking at ways our technology can assist emergency response to natural and man-made disasters.

In brief:

- Began a major review of the Group Foundation's donations strategy
- Donated £38.1 million to charitable causes worldwide
- Establishing new foundations in Albania and the Czech Republic

Vodafone is committed to changing lives in communities across the world, especially where we operate. We use both our global scale and our local presence in the way we provide funds, through volunteering or the provision of products and technical services.

We recognise the importance of addressing specific country needs and our family of 20 local Foundations, led by the Group Foundation, enables us to make local charitable donations with real impact. Each Foundation is governed to the highest standards, with a professional grant distribution process and full financial accountability.

In Greece, we have not yet formed a local Foundation so the Group Foundation provides grants to non-profit organisations as recommended by the local Vodafone operating company. This is also the case in Albania although we have now set up a new local foundation to be launched later in 2006.

We aim for our grants to have the greatest possible impact. Key to this is being able to measure their outcomes. Our community investment data are collected and reported using the London Benchmarking Group Model, an internationally recognised standard.

We said

We would review our social investment strategy at Group level to ensure that we maintain a clear focus in presenting leading-edge philanthropic and social product development programmes.

We have

Set up a review process to refine and develop our charitable donations strategy

Last year we recognised the need to update the Group Foundation's donations strategy and we are now completing a major review. The results will build on our experience since the Foundation was started in 2001, and will reflect our increased size and scale, while making sure we continue to spend our money where it can make the most difference.

More information on the web:

- Global programmes and world disaster funds
- Local foundation projects

www.vodafonefoundation.com



Providing computers for schools

The Vodafone Egypt Foundation is working with CARE International and the Egyptian Government to bring information and communication technology (ICT) to 100 schools in rural Upper Egypt. The four-year project involves planning, building and managing ICT centres in primary and multi-grade schools. The centres will also be made available to people living in the local community. Vodafone Egypt employees are bringing additional expertise to the initiative with volunteers providing computer skills training and technical support.

You said:

"In 2005, thanks to the support of Vodafone Group Foundation, Télécom Sans Frontières deployed to 10 stricken countries to the direct benefit of over 50,000 affected civilians."

Monique Lanne-Petit
Télécoms sans Frontières

We will

- Launch our new Foundations strategy.
- Further develop best practice in grant making across the Vodafone Foundations.
- Initiate new partnerships addressing issues of major international concern.

Supporting abandoned children

The Vodafone Romania Foundation is working with CRESC, a day centre for disabled children based in Sibiu County, central Romania. The project aims to prevent children aged one to eight years with physical or learning disabilities from being isolated, institutionalised or abandoned. CRESC provides 326 children with personalised education, recovery and counselling programmes, making sure they are treated as children not patients.



Donated £38.1 million in money, time and materials across the world

In the 2006 financial year the Group Foundation made community investments totalling £23 million, mainly in grants to local Foundations but also on trans-national projects and disaster relief. With the support of the Group Foundation and of local operating companies, local Vodafone Foundations distributed £16 million to social, environmental, health and educational programmes in their respective countries. Local operating company contributions to their local Foundations increased by 40% over last year.

The Group Foundation funded 29 trans-national projects with a wide range of partners in the environment, health, education and social fields. Working with the United Nations Foundation, the Group Foundation supported measles vaccinations for over one million children in Africa. The programme is part of a wider move to eliminate measles worldwide.

Other Vodafone donations including products and services, employee volunteering in company time, and redundant IT equipment totalled over £5.4 million.

Set up two new local foundations

New local Foundations have been set up in the Czech Republic and Albania, to be launched later in 2006, reinforcing our commitment to community investment in all countries in which Vodafone has operating companies. Each local Foundation is led by its own set of trustees and charitable objectives, aimed at addressing specific local needs.

Responded swiftly to disasters

We were shocked and saddened by the tragedies that befell so many across the world during the 2006 financial year. The Vodafone Group Foundation donated £582,000 to support those who suffered from the disasters in Pakistan, New Orleans, London, and East Africa. In addition, Vodafone employees were actively involved in fundraising and our technology enabled the public to make donations via text message.

Following the Red Sea ferry disaster in Egypt, Vodafone erected a mobile telecommunications centre in the port of Safage to deal with the volume of calls and provide free communications for the victims' families.

Preparing for the worst

We are exploring ways in which we can assist emergency responses over and above the provision of funds. Mobile technology has the potential to offer solutions in crisis situations and we are currently consulting key stakeholders about how best we can help.

In December 2005 we sponsored a GSM Association study on mobile communications in disaster and emergency situations. It found that mobiles can play an important role, allowing emergency services to communicate with each other and the public to check on the safety of their friends and family.

Mobile networks can be repaired much more quickly than fixed line communications. Temporary base stations can be rapidly deployed to replace damaged infrastructure or provide additional capacity during periods of high use. During particularly busy periods, network capacity can be increased by compressing call data (although this reduces the quality) and emergency service calls can be prioritised.

Vodafone Japan has trialled a Disaster Message Board service on Vodafone live!. In the event of a disaster, users can post messages to reassure loved ones of their safety. An email is automatically sent to pre-registered family and friends while others can access the board to check on their friend or relative.

We are investigating how mobiles can be used to warn people of impending disasters. In the Netherlands we began trials to pilot a cell broadcast programme. The system can alert every phone in a 'cell' (the area covered by each base station) but requires handsets to be specially configured. Text messages to individuals can also be used, although it is harder to specifically target phones in an area of risk.

Views from experts on five key issues

Vodafone values dialogue with our stakeholders. We invited independent experts to comment on five of the key challenges we face. Here, we present their comments.

Supply chain

"When implementing high standards in the supply chain the ICT sector faces challenge and opportunity in equal measure. Challenge, because today's global sourcing strategies and increasingly competitive margins are shining light on the fact that issues commonly associated with the retail supply chain – such as long working hours and poor health & safety standards – may just as easily exist in ICT industry. Opportunity, because the ICT industry can skip forward a decade and apply the hard lessons learned by other sectors.

Seizing this opportunity, the ICT industry is beginning to appreciate that supplier evaluations are a good diagnostic of performance but not a sustainable cure, and recognizes that a coordinated sector-wide approach can bring significant benefit. Specifically, the collaboration between GeSI and EICC on supplier evaluation has the potential to free up valuable resource to systematically address the capability of factory managers, auditors and government enforcement agencies to manage the root causes of problems in the ICT supply chain. Going forward Vodafone should encourage the industry to utilize innovative methods such as supplier training, stakeholder engagement and public-private partnerships."



Dunstan Hope
Director, ICT, Business for Social Responsibility

Socially inclusive products

"To me, corporate responsibility is about engaging with society and collaborating with users, governments and other stakeholders to realise a common vision for a world in which people can fulfil their potential. This report shows that Vodafone is genuinely trying to play its part. My own experience aligns well with that perception. For example, in the UK, Vodafone is still the only operator to offer a real mobile textphone solution, of great importance to many deaf and hard of hearing citizens.

By doing more than its competitors, Vodafone goes beyond its strict legal obligations and demonstrates that business goals can go hand in hand with the pursuit of wider societal objectives. I am convinced that there is untapped potential for further development of the Vodafone business by harnessing and deepening partnerships with the third sector. In addition to bringing key expertise and knowledge about specific user groups and a route to market, such partnerships result in improved services and products for all users, not just people with specialised needs. I am looking forward to seeing that vision become reality."



Guido Gybels
Director of New Technologies, Royal National Institute of the Deaf

Mobile phones, masts and health

"During the ten years I have known Vodafone I have found that the company recognises the importance and value of international and national standards for radiofrequency exposure and has a commendable global commitment to compliance with these wherever they are mandated. Modern mobile telephony, on which Vodafone's business depends, provides an intrinsically highly efficient use of the resource of radio-frequency energy and spectrum, however in my opinion Vodafone enhances this further by its corporate behaviour. The company goes to considerable trouble to maintain strong industry and academic links and keeps abreast of scientific and political opinion.

Vodafone has to arrange its business to avoid conflict with either but does so whilst clearly prioritising the certainty of safety of the company's products and services. Vodafone has also been prepared to co-operated with initiatives for exposure minimisation and that has helped the public feel more confident about contemporary uses of radiofrequency energy uses for mobile telephony. As a global service provider Vodafone has to maintain a sometimes difficult balance between listening to varying ideas and interpretations of science whilst basing its business on an objective consensus approach. The company manages this skilfully and fairly with an open and consultative approach. Vodafone has also contributed substantially to the development of evidence based science applicable to advancing knowledge in radio-frequency safety by supporting recognised independent research initiatives, particularly those co-ordinated by the World Health Organisation. Vodafone has a responsible and ethically driven approach, based on genuine concern for best practice in supplying and promoting the use of products and technologies in a manner which eliminates any conceivable adverse health effects. It has become my impression that the company behaves like this because it cares about its customers and the population at large and has a highly developed sense of corporate responsibility."



Dr David Black MBChB FAFOM MARPS MRSNZ
Specialist in Information Technology Medicine, University of Auckland

Environmental impacts

"We believe that climate change represents the biggest environmental challenge of our time. The contribution of different companies varies significantly, but all companies, regardless of sector, should be actively engaged with this critical issue. In time, the negative economic consequences of inaction will dwarf the costs of action now, and business will suffer along with the rest of society.

For the first time, Vodafone has set targets to reduce the amount of carbon dioxide it produces. The five year target – a 40 per cent reduction in network-related emissions per megabyte of data – is ambitious and extremely welcome.

This target is an important step on the path towards substantial reductions in absolute carbon emissions, against a backdrop of strong business expansion. We hope to see Vodafone use it as a platform to advocate the low-carbon economy to its customers, its value chain and the wider community."



Peter Madden
Chief Executive, Forum for the Future

Content and use



John Carr
Children's Charities Coalition for Internet Safety

"Vodafone is a company that takes its social responsibilities very seriously, particularly when it comes to promoting children's safe use of mobile phones. As a company it should be applauded for the proactive work that has already taken place.

But nothing stands still in this industry so it is important to remain alert to the challenges presented by technological innovations. The implementation of access controls alone is only part of the solution. It is important that Vodafone supports their launch with a carefully thought out communications campaign so that parents and carers are alert, not only to the risks associated with content and contact on mobiles, but also the solutions. The key is to remain committed to ensuring child safety remains a number one priority as new services are rolled out.

Looking ahead, issues around blogging, location services and the way users will be able to publish, share and distribute content seamlessly across mobile and internet platforms will certainly need close attention. I look forward to seeing Vodafone rise to the challenge."

Independent assurance report by Deloitte & Touche LLP to Vodafone Group Plc on the Group Corporate Responsibility Report for the 2006 financial year

What we looked at: scope of our work

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

- 1. Managing and reporting corporate responsibility ('CR') performance** – Whether Vodafone's description on page 6 of its approach to managing and reporting corporate responsibility using the principles of completeness, materiality and responsiveness set out in the AccountAbility 1000 Assurance Standard (AA1000 AS) is not materially misstated;
- 2. Performance data** – Whether the performance data relating to environment, social investment and occupational health & safety in the performance and data summary on page 39 is not materially misstated; and
- 3. Progress against targets** – Whether the reported progress against Vodafone's 2004/05 commitments on page 37 is not materially misstated.

What we found: our conclusions

- Based on the assurance work we performed:
 - We are not aware of anything that causes us to believe that Vodafone's description on page 6 of their approach to managing and reporting corporate responsibility using the principles of completeness, materiality and responsiveness set out in the AccountAbility 1000 Assurance Standard (AA1000 AS) is materially misstated;
 - Nothing has come up to our attention that causes us to believe that the performance data relating to environment, social investment and occupational health & safety in the performance and data summary on page 39 is materially misstated; and
 - We are not aware of anything that causes us to believe that the reported progress against Vodafone's 2004/05 commitments on page 37 is materially misstated.
- Vodafone has made the following key improvements in managing and reporting corporate responsibility since last year:
 - Made some progress on the recommendations for improvement we raised in last year's assurance report, especially with regards to collecting and reporting human resources performance data;
 - Continued to improve its identification and understanding of CR issues at Group and local operating company levels; and
 - Set quantitative performance targets on carbon emissions (efficiency per unit of data transmitted), and handset recycling (number of phones collected).
- Our key recommendations to Vodafone for future improvement in managing and reporting CR are related to the following areas:
 - Customer service management including customer complaints and satisfaction;
 - Status of compliance against publicly available Codes of Conduct which have been signed up to at local operating company level (network roll-out, content standards, others); and
 - Local operating company's CR reporting practices to ensure that they are consistent with the reporting principles applied at Group level.

What we did: assurance process and standards

- A multi-disciplinary team of CR assurance specialists performed the engagement in accordance with the International Standard on Assurance Engagements 3000 (ISAE3000) and the AccountAbility 1000 Assurance Standard (AA1000 AS).
- This is a limited assurance engagement, which is designed to give a similar level of assurance to that obtained in a review of interim financial information. These standards require that we review the processes, systems and competencies used to compile the areas of the CR report on which we have been asked to give assurance.

Key procedures we carried out included:

- We interviewed managers at Vodafone's head office, including the CR team and those with operational responsibility for performance in the areas we are reporting on;
- We visited six local operating companies (Egypt, Greece, Ireland, Japan, Spain and the UK) and gathered information about a further nine companies using interviews and questionnaires;
- We read and analysed public information relating to Vodafone and industry CR practices and performance during the year;
- We understood, analysed and tested on a sample basis the key structures, systems, processes, procedures and controls relating to:
 - Stakeholder identification, engagement and responsiveness;
 - Management commitment and the governance structures used for managing CR;
 - Implementation of CR-related policies/ strategies/ codes of conduct;
 - Relevant management systems to support the implementation of the above mentioned policies;
 - Internal Audit and other internal monitoring activities with regard to CR;
 - CR report development and approval process, including the selection of material CR issues to be reported on, related key performance indicators and other features of the CR report;
 - The collation, aggregation, validation and reporting processes of the environmental, community and occupational health & safety performance data; and
 - Progress made against 2005/06 commitments.
- We reviewed the content of the report against the findings of our work and, as necessary, made recommendations for improvement.
- A limited assurance engagement is substantially less in scope than a reasonable assurance engagement and does not include detailed sample testing of source data or the operating effectiveness of processes and internal controls. Accordingly we do not provide reasonable assurance on those matters specified in this report.

Responsibilities of Directors and independent assurance provider Vodafone's responsibilities

- The Directors are responsible for the preparation of the Group CR Report and for the information and statements contained within it. They are responsible for determining Vodafone's objectives in respect of CR performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Deloitte's responsibilities, independence and team competencies

- Our responsibility is to express conclusions on the assertions made by management on selected areas of CR practices and performance as defined within the scope of work above.
- Our multi-disciplinary team of CR and assurance specialists performed the engagement in accordance with Deloitte's independence policies, which cover all of the requirements of the International Federation of Accountants (IFAC) Code of Ethics and in some areas are more restrictive. We have confirmed to Vodafone that we have maintained our independence and objectivity throughout the year, including the fact that there were no events or prohibited services provided which could impair that independence and objectivity.
- This report is made solely to Vodafone Group Plc in accordance with our letter of engagement for the purpose of the directors' governance and stewardship. Our work has been undertaken so that we might state to Vodafone those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Vodafone Group Plc for our work, for this report, or for the conclusions we have formed.

Deloitte & Touche LLP

Deloitte & Touche LLP
London, United Kingdom
2 June 2006

Objectives and commitments

Issue	We said
Socially inclusive products page 12	<p>We would reduce the level of preventable exclusion by at least a third by 2010.⁽¹⁾</p> <p>We would introduce three significant products with features that reduce exclusion by 2008.</p>
Mobile phones, masts and health page 14	<p>We would directly engage with the public, customers, key opinion formers and employees on mobile phones, masts and health by March 2006.</p> <p>We would provide advice to address the concern of customers who wish to reduce exposure to RF fields from their handsets by March 2006.</p>
Network rollout page 16	<p>We would have developed local methodologies for assessing visual impact of masts/base stations by March 2007.</p>
Earning the trust of customers page 18	<p>We would launch two major initiatives that provide clearer and easier-to-understand costs for our customers by March 2006.</p> <p>We would be a recognised leader in responsible marketing by March 2007.</p>
Content standards page 20	<p>We would implement access control solutions which prevent inappropriate access to age-restricted content and services by March 2007.</p> <p>We would develop and make available a global mobile internet filtering solution to all markets by March 2007.</p> <p>We would assess compliance with our anti-spam policy and review our customers' ability to report spam in all operating companies by March 2006.</p> <p>We would issue a policy on premium rate subscription services and recommend an industry-wide Code of Practice to combat abuse by March 2006.</p>
Supply chain page 22	<p>We would complete 10 site evaluations of global suppliers (identified on the basis of risk) by March 2006.⁽²⁾</p> <p>We would complete a CR evaluation with five suppliers in each operating company by March 2006.</p> <p>We would work with other major ICT companies to develop a common approach to supplier assessments by March 2007.</p>
Environment page 24	<p>We would develop and report against Group-wide quantitative targets for network energy efficiency and related carbon dioxide emissions by March 2007.</p>
Reuse and recycling page 26	<p>We would have return schemes in all our operating companies by March 2007</p> <p>We would increase the number of phones collected by 50% by March 2007.</p> <p>We would actively support development of programmes in at least three developing countries to repair, reuse and recycle mobile phones by March 2007.</p> <p>We would continue to send for reuse or recycling 95% of network equipment waste during the year from April 2005 to March 2006.</p>
Employees page 28	<p>We would continue to deliver a Pride in Vodafone score (in the employee survey) that will at least equal the high performance norm of the 'World's Most Admired Companies' survey by March 2007.</p> <p>We would reduce work-related accidents resulting in lost time by a further 10% by March 2008 (from the 2004/05 baseline).</p>

vodafone.com/responsibility/targets

We have	Progress
Continued research into the causes of exclusion by extending our study to identify key features of Vodafone Simply that will significantly reduce the level of exclusion from mobile communications.	Due by March 2010
Launched M-PESA; assessed the availability of handsets with accessibility features; assessed hearing aid compatibility with mobile phones; extended marketing of the Vodafone Speaking Phone.	Due by March 2008
Commissioned a major survey of public opinion to understand levels of concern and engaged with government officials and opinion formers. We ensured the information we provide on health is consistent, relevant and up to date.	✓
Published a set of guidelines that are consistent with World Health Organisation advice and informed retail and customer-facing staff to direct customers and members of the public to them.	✓
Launched a global database to share best practice examples across the Group. We adopted this new approach after a pilot numerical methodology was difficult to expand globally due to the subjectivity of criteria to measure visual impact.	Target redefined
Launched two major initiatives to ensure clearer and easier to understand costs for customers: Vodafone Passport and Vodafone Connect.	✓
Continued our programme of ensuring Vodafone's marketing and advertising is responsible by assessing awareness of our Responsible Marketing Guidelines among marketing agencies and Vodafone managers at local level, and continued to monitor upheld complaints across our markets.	Due by March 2007
Launched access controls at all six local operating companies that offer age-restricted content on the Vodafone live! domain.	✓ Achieved one year in advance
Continued to roll out our internet filtering system. It is now available at two local operating companies and nine additional operating companies have set target dates for implementation.	Due by March 2007
Sent a self-assessment to all local operating companies. We will audit responses and report the findings next year.	✗ 60%
Developed Group guidelines to help local operating companies develop their own codes of conduct on premium rate subscription services where no national codes exist. We are recommending the Group guidelines as the basis of an industry-wide code of practice.	✓
Completed 15 more site evaluations of high-risk global suppliers.	✓
All our operating companies have completed CR evaluations of at least five high-risk suppliers (a total of 84 suppliers across the Group).	✓
A self assessment questionnaire and risk assessment tool have been developed.	Due by March 2007
Established a Group-wide target for network energy efficiency backed by local operating companies programmes to improve energy measurement and forecasting.	Due by March 2007
Established a handset return scheme in all local operating companies.	✓ Achieved one year in advance
Collected 1.37 million phones for recycling, a 20% increase from the 2005 financial year.	Due by March 2007
Launched programmes in Egypt and Albania and are in the process of setting up a scheme in Romania.	Due by March 2007
Reused or recycled 97% of network equipment waste.	✓
Developed a strategy to address key issues arising from the 2005 employee survey. We launched a programme to help employees understand what Vodafone's brand stands for; developed a consistent framework for communicating change to employees that may be affected; and introduced a consistent performance dialogue process for all our employees.	Due by March 2007
Reduced work-related lost-time accidents by 20% from the 2004/05 base line, meeting our target two years early.	✓ Achieved two years in advance

New commitments

We will	Deadline
Reduce the level of preventable exclusion by at least a third. Introduce three significant products with features that reduce exclusion.	March 2010 March 2008
Set targets, track and report stakeholder opinion on how responsibly Vodafone is acting regarding mobile phones, masts and health.	March 2007
Have developed, and be reporting against, a method to measure and track key stakeholder opinion relating to how responsibly Vodafone is deploying its network.	March 2007
Be a recognised leader in responsible marketing. Engage with key stakeholders on customer privacy issues and seek their views on the appropriate balance between safeguarding privacy and assisting law enforcement authorities to tackle serious crime and terrorism.	March 2007 March 2007
Develop and make available a global mobile internet filtering solution to all markets.	March 2007
Implement the supplier qualification process (Code of Ethical Purchasing is fully embedded in the process) Complete a second stage of 10 site evaluations of global suppliers. Put in place a whistle-blowing mechanism for suppliers to support the implementation of the Code of Ethical Purchasing.	March 2007 March 2007 March 2007
Develop and report against Group-wide quantitative targets for network energy efficiency and related carbon dioxide emissions. Achieve a 40% reduction in network energy carbon dioxide emissions per MB traffic.	March 2007 March 2011
Increase the number of phones collected for reuse and recycling by 50% Support development of programmes in at least three developing countries to repair, reuse and recycle mobile phones. Send for reuse and recycling 95% of network equipment waste during the year from April 2006 to March 2007.	March 2007 March 2007 March 2007
Ensure that every employee in the business has an annual performance dialogue and development discussion with their line manager. Continue to deliver a Pride in Vodafone score (in the employee survey) that will at least equal the high-performance norm of the 'World's Most Admired Companies' survey. Reduce work-related accidents resulting in lost time by a further 10% (from the 2004/05 baseline).	March 2007 March 2007 March 2008

(1) Preventable exclusion – % of population over the age of 16 that are excluded from using mobile phones as a result of audio, visual, dexterity or cognitive functioning issues and could be included through adapted products or inclusive design.

(2) This essentially replaces the existing three-year target, 'have conducted assessments of our top 25 global suppliers', with 'have conducted site evaluations of 25 of our global suppliers (identified on the basis of risk)'.

**We welcome your feedback
on our CR performance and
your views on this report**

Please contact:

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Performance and data summary

	2006	Year ended 31 March 2005
Financial		
Group revenue (£m)	29,350	26,678
Adjusted operating profit (£m)	9,399	8,353
Market capitalisation as 31 March (£bn)	72.4	90.8
Registered proportionate mobile customers (thousands)	170,571	140,146
% pre-paid customers	66	61
Network infrastructure additions (£m)	2,350	3,064
Revenue distribution		
Suppliers (£m)	25,914	23,799
Employees (£m)	2,106	2,100
Shareholders returns (£m)	9,257	6,076
Lenders (£m)	402	405
Tax authorities (corporation taxes and social security only) (£m)	1,939	1,826
Retained for growth (£m)	(2,087)	1,503
Employment		
Total number of employees ⁽¹⁾	62,672	57,759
Number of employees in the 15 operating companies in the scope of this report ⁽²⁾	55,110	–
Employee turnover rates (%)	12.1	12.2
Occupational health and safety-number of lost-time accidents	127	163
Percentage of women (all employees)	44%	
Number of women in the top senior management roles	32 out of 261	31 out of 238
Number of nationalities in the top senior management roles	18	23
Approximate number of employees participating in share ownership schemes	58,000	56,000
Social investment		
Total contributions to social projects (£m)	38.1	34.6
Environment		
Number of base stations	97,899	97,787
Number of mobile phones collected (million)	1.37	1.14 ⁽³⁾
Proportion of mobile phones reused (%)	30	37
CO ₂ emissions from network operations and offices (millions of tonnes) (direct and indirect)	1.25	1.2
CO ₂ emissions from company vehicles (tonnes)	47,000	56,000
Proportion of network equipment waste reused and recycled (%)	97	96
Paper purchased with a recycled content greater than 70% (%)	22	50

(1) Figure used in our Annual Report. It represents the average number of employees in the financial year (rather than at 31 March 2006), incorporating employees of newly acquired entities from the date of acquisition and the Group's share of employees in joint ventures, including Italy.

(2) In the CR Report, this measure represents all employees in our mobile local operating companies, which excludes the newly acquired operating companies in Romania and the Czech Republic but includes the discounted operation in Japan.

(3) Revised figure due to reporting error last year.

GRI core performance indicators reported by Vodafone (through CR Report, Annual Report and website)

	Economic	Environment	Labour practices	Human rights	Society	Product responsibility
Fully reported	1, 3, 5, 7	5, 14, 15, 16	4, 11	1, 2, 3, 4	1	1,3
Partially reported	2, 4, 6, 8, 10	1, 3, 8, 9, 11	1, 2, 5, 7, 9, 10	5, 6, 7	3, 2	2
Non reported	9	2, 4, 6, 7, 10, 12, 13	3, 6, 8	–	–	–

More information, see www.vodafone.com/responsibility/gri