

It's all about **balance**



About Vodafone UK

Operations

Vodafone UK is one of 18 Vodafone Group operating companies. Vodafone UK's headquarters are at Newbury, Berkshire, and we have seven other office locations. At the end of March 2005, we had over 300 retail stores, and eight customer management centres throughout the UK.

Services

Vodafone UK provides a range of voice and data communication services, including text messages, Vodafone live! and other data services, through prepaid and contract pricing arrangements.

Vodafone UK operations

- UK headquarters
- Other major office locations



Key statistics 2004/05

	Vodafone UK	Vodafone Group
Turnover (£m)	5,065	34,133
Operating profit (before goodwill amortisation and exceptional items) (£m)	975	10,904
Number of customers (million)	15.5	154.8
Number of employees	11,018	57,378
Number of base stations (approximately)	11,500	97,800

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About this report

This report covers Vodafone UK's corporate responsibility (CR) performance in 2004/05.

It is intended to supplement the Vodafone Group Corporate Responsibility Report 2004/05, available at www.vodafone.com/responsibility.

Data relate to the year April 2004 to March 2005. The report covers all of our operations in the UK including UK based Group employees (7% of total UK employees) unless otherwise stated.

We are continually improving our reporting systems and the quality of performance data, although some data contain estimates. We intend to include more detailed data on UK performance in future reports.

Deloitte & Touche LLP has reviewed our environment, health and safety and community performance data, and underlying collection and reporting processes for the year end March 31 2005. See their independent assurance statement on page 22.

Feedback

We welcome your feedback on this report and our CR performance. Please contact: Nicola Woodhead
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Welcome to Vodafone UK's second Corporate Responsibility (CR) Report. To me, corporate responsibility is about addressing the subjects that matter to society. So it's only by taking the views of our employees, customers, suppliers, investors and communities into account that we can manage these issues in a sustainable way.

balance

That's why

is the theme of this year's report.



Good performance on corporate responsibility strengthens our company – ensuring that people see Vodafone UK as a responsible brand. As individuals it makes us proud of what we do. CR is one of our six strategic priorities as a Vodafone Group operating company and it's one of my personal priorities as the new Chief Executive Officer (CEO) of Vodafone UK.

So I'm pleased to report we've made good progress in many areas this year.

We continue to lead the industry on Content Control (page 4) – matching the demand for new adult content with tools so parents can protect their children from inappropriate material.

On mobile phones, masts and health, we're supporting independent research, so everyone can take an informed approach to this important issue (page 8). Consultation helps us to balance the views of local communities with the improvements to network coverage for our customers. This remains a priority as we roll out our 3G network (page 10).

We're doing valuable work in the area of community investment – partnering with charities to ensure they get maximum benefit from their relationship with Vodafone. Our efforts were recognised by Business in the Community with a Big Tick Award. I'm also excited about

new uses for our technology which have the potential to benefit society in areas such as healthcare and safety (page 6).

But, we're not complacent. We've made a good start on challenges such as managing our energy use (page 12) and engaging on corporate responsibility with suppliers (page 14) – but there is still much more for us to do.

We don't always get it right but we do take feedback seriously. We are responding to recommendations made in an independent audit of our network deployment policies (page 11) and to issues raised by employees in our latest survey (page 16). Simplified price structures are one way we're responding to customer concerns (page 5). This year we've extended our CR reporting to include supply chain and employment issues in response to feedback from our stakeholders (page 14 and 16).

I welcome your comments on anything in this report and look forward to updating you on our progress next year.

Tim Miles, Chief Executive Officer (CEO),
Vodafone UK

The key issues for Vodafone UK

Corporate responsibility (CR) is a broad field, so deciding which issues to focus on requires careful consideration. We must take account of both risks – the ‘negative’ issues that could harm our company if badly managed – as well as the opportunities to strengthen our brand.

Our managers and experts identify the priority issues for our business and we engage with a range of external stakeholders to test and refine this analysis. We regularly review our priorities so that we continue to focus on the most important issues.

Through this process we have defined our most important – or material – CR issues as:

> Network roll out:
minimising visual impact and community concern related to base stations.

> Radio Frequency (RF) field levels and health:
providing objective and timely information.

> Responsibility to customers:
including Content Control, unsolicited text messages and clear pricing.

> Climate change impact:
managing our energy use and its impact on climate change.

> Handset recycling:
our efforts to recover handsets from consumers and refurbish or recycle them.

Stakeholder engagement

We are in regular contact with our stakeholders. Conversations with customers through our customer management centres and shops, with local councils, elected members and communities, journalists, government, non-governmental organisations (NGOs), employees and investors are all examples of stakeholder engagement.

Not all of this contact is documented and appraised, so we conduct a number of more formal engagement exercises specifically to gather feedback on our CR performance.

Opinion leader engagement – we invited CR opinion leaders to two focus groups where they were asked about their overall perceptions of Vodafone UK's CR activities, our CR report, CR performance and commitments.

The main feedback we received was:

1. We manage some areas well, particularly: responsibility to customers, socially significant products and services, and social investment.

2. But there are several areas where we could do more, primarily: network roll out, RF fields and health, and social impact of mobiles.

3. Our CR management and reporting need more metrics to measure progress and trends.

4. It is good that we are setting targets but these should be more specific and challenging.

Research – we commissioned MORI to conduct research among 2,000 adults and a small panel of opinion leaders, NGOs and corporate contacts.

A number of critical messages emerged from the research that we are determined to address:

1. The percentage of people who think we take our responsibility to society and the community seriously is lower than we would like (customers 45%, CR journalists 37%, general public 25%, environmental NGOs 18%).

2. Our communications on research into RF emissions and health should be improved.

3. Consultation with communities about network roll out should be a priority.

4. We should act to ensure suppliers do not compromise workers' human rights or fair labour conditions.

There were also a number of positive points:

1. Our performance on handset recycling is encouraging.

2. We promote our products responsibly.

3. Our products that improve the quality of life for those with special needs are appreciated.

4. Our parental control mechanisms are valued.

These findings are helping us to refocus and improve our programmes.



Employment:

responsibility to our employees including health and safety, equal opportunities, diversity and communication.



Socially significant products:

that increase accessibility or support social and environmental services.



Other environmental impacts:

including waste and ozone depletion.



Community:

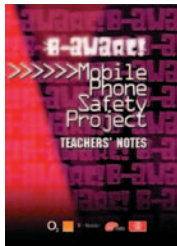
the social investments made by the Vodafone UK Foundation, our relationship with the National Autistic Society (NAS) and employee volunteering.



We welcome your feedback on this report and our CR performance and invite you to respond to responsibility@vodafone.com

What matters to our customers

Vodafone UK has 15.5 million customers. Gaining and keeping their loyalty depends on more than just offering the best products and services. We must treat them fairly, address the issues that matter to them and give them the information they need to make informed choices.



Left: Our guide for parents on the safe use of mobile phones.

Centre left: 'B-Aware' – the industry's education pack for 12-14 year-olds on issues such as text bullying and chat rooms.

Centre right: Vodafone UK is a member of the Virtual Global Taskforce (VGT) working to restrict child abuse online.

Right: The new Vodafone Travel Promise simplifies the cost of calling from abroad.

Content Control

3G technologies enable customers to access the internet through their mobile and visit Vodafone live!, our internet portal. They can download games and music tracks and view 18-rated content such as chat and dating sites, online gambling and erotica.

Vodafone UK was the first operator to launch Content Control – a network bar that automatically prevents access to 18-rated content from Vodafone phones. It's in place as standard on all our phones. This gives customers choice about the material they access and enables parents to protect children from inappropriate content. Customers who do want to use 18-rated services can easily lift the bar by proving their age.

We have other safeguards in place too. Adult chat services are restricted by Content Control and other chat services are fully moderated by trained people 24 hours a day. Our mobile games are age-rated and our content bar stops children downloading 18-rated games.

Vodafone UK and other mobile operators support the Independent Mobile Classification Body (IMCB), an independent organisation that regulates adult content. We helped to develop the mobile operators' UK Code of Practice, introduced in October 2004. The Code of Practice governs content on mobiles and we comply with its requirements.

Information for parents

Our research shows that parents often know less about mobile services than their children, so they may not understand how they can protect their children from risks online. We worked with the National Family and Parenting Institute, a leading charity, to help produce 'Staying in Touch – A Parent's Guide to Mobile Phones'. This helps parents get the most out of mobile technology while keeping their children safe. It is available on our website and by request in Vodafone stores.

Vodafone UK and other UK mobile operators produced 'B-Aware' – an education pack for 12-14 year-olds. It covers issues such as text bullying and accessing internet chat rooms via mobiles. It was requested by 1,200 schools in 2004/05.

The Virtual Global Taskforce

Vodafone UK is a founding member of the Virtual Global Taskforce (VGT). This is a partnership between the UK's National Crime Squad, industry partners and law enforcement agencies. It is an international initiative to restrict child abuse on the internet.

The VGT website, launched in 2005, is a gateway to information on using the internet safely, with links to agencies that support victims of abuse. It will enable people to report online child abuse confidentially.

Vodafone live! provides a link to the VGT. The website, which can be found at www.virtualglobaltaskforce.com, has had six million hits since its launch.

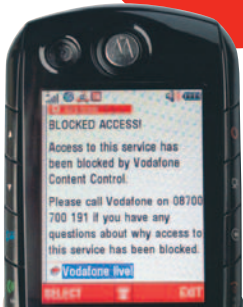
Unsolicited text messages (SPAM) and premium rate services

Unwanted text messages are intrusive and often mislead customers into calling premium rate services. Our customers can stop SMS services and marketing spam by sending a return text "STOP". They can also help combat scams by forwarding suspicious messages to 87726 (VSPAM), free of charge. We monitor traffic on our network to identify where unsolicited text messages may be occurring, and take action against service operators who abuse our premium rate SMS services.

Vodafone led the development of a new cross-industry code on the operation of premium rate SMS subscription services. This requires all service operators to comply with strict rules and inform customers about pricing, billing and using the STOP command.

These measures led to a 40% drop in customer complaints relating to unwanted subscription services between January and April 2004. Our research suggests that 80% of premium SMS service users are aware of the STOP command.

Content Control
automatically
prevents access to
18-rated content
from our phones



Location based services

Location based services technology allows individuals to be tracked via their mobile. This has many uses – from enabling companies to track fleet vehicles or people working in remote locations to helping the emergency services reach people in difficulties. We helped to develop the cross industry Code of Practice on location based services and comply with its requirements. Vodafone customers cannot be tracked without their prior consent and, once using the service, are reminded by text message that they are being tracked.

Clear pricing and responsible marketing

Mobile pricing structures can be complex and sometimes confusing. Our responsible marketing guidelines commit us to pricing our products and services clearly and promoting them through advertising that is legal, decent, fair and clear.

We simplified our pricing structures for 3G downloads and international roaming during 2004/05 to ensure customers understand the cost of these services. Vodafone UK customers can now browse the Vodafone live! portal free of charge in the UK. For downloads, customers receive one simple line on their bill for each purchase, making it easier to check their costs.

Our new Vodafone Travel Promise simplifies the cost of calling from abroad. Customers that register pay a one-off connection fee for each call they make while abroad on selected networks. Calls are then charged at the same rate as at home – making it easier to work out the cost. Customers can now use their inclusive or voice pack minutes abroad.

We are starting to track complaints upheld against Vodafone advertising as a measure of the responsibility of our marketing. The UK Advertising Standards Authority (ASA) made two rulings against Vodafone UK advertisements both related to pricing claims. We now require rigorously compiled supporting documents before launching any campaign making price claims. Ofcom, the UK telecoms regulator, ruled on a complaint from Leicestershire County Council, and found seven potential infringements of regulations relating to unfair contract terms and misleading advertising. Vodafone, in discussion with Ofcom, agreed to amend the relevant contract terms and issue updated promotional material.

“

This is a major contribution to making 3G a safer way to access the internet. I am very grateful to Vodafone for taking the initiative and investing to create this facility. Only when industry and law enforcement work together will we reduce potential exposure on the internet.

”

Stuart Hyde, Association of Chief Police Officers, speaking about Content Control

We have started to review our marketing on a quarterly basis to assess compliance against the Vodafone Group responsible marketing guidelines.

Our booklet, 'Vodafone Protection – Safe and Secure Connections' is based on responsible marketing leaflets developed by Vodafone Group. It includes advice for customers on using their phone safely and responsibly.

Mobile phone theft

Vodafone UK helped the police to establish the National Mobile Phone Crime Unit. We are working with the British Transport Police to help combat false insurance claims for mobile phones, with jointly branded posters on trains and station platforms.

COMMITMENTS FOR 2005/06

Work with the National Family and Parenting Institute to raise awareness among parents about helping their children use mobiles safely.

Ensure that any instances of inappropriate content (including images) on Vodafone live! are removed within 24 hours of coming to our attention.

Review our pricing plans to ensure these are clear and easy for customers to understand.

Socially significant products

Vodafone UK is developing new products and services that enable more people to use mobile phones and bring new social benefits.

Recent research indicates that **9% of adults** have difficulty using a phone



Text and Speaking Phones

Our Mobile Textphone software enables deaf and hearing-impaired customers to make and receive calls in text format.

Mobile Textphone customers can call other textphone users and people without hearing difficulties with the help of the Royal National Institute for the Deaf (RNID) Typetalk Relay service. Typetalk operators translate between text and speech. Vodafone Speaking Phone uses text-to-speech software to speak the information displayed on-screen. It was developed with the Royal National Institute of the Blind and makes the world of text messaging accessible to all our customers. Around 2,000 Vodafone UK customers are now using Speaking Phone.



Above: Demonstration Identisafe card

Lone Worker Protection

Around 1.3 million workers are attacked each year in the UK, with those who work alone – such as social workers, midwives and parking attendants – particularly at risk.

Identisafe is an all-in-one support device specifically designed for such workers. It looks just like a normal ID badge but contains a panic button and uses Vodafone's Enhanced Location Based Services. Once activated, users are located on intelligent mapping, linking them to a 24-hour support and response service. Vodafone UK has worked with NHS Counter Fraud and Security Management Services amongst others to develop the device which was launched in July 2005. Research is underway to investigate uses for the devices in the private sector.



Left: Identisafe looks just like a normal ID badge but in emergency it links users to a 24-hour response service.



The scheme and its success has been reliant upon Vodafone. Their commitment to this project is immense and has allowed a large number of the local population who were previously not catered for to have access on a very real level. Their approach epitomises partnership working.



PC Clinton Thacker, West Midlands Police

CASE STUDY

Improving access to the police for people with hearing impairments



Vodafone UK's accessibility team has been working with the West Midlands Police to improve communication between the police and people with hearing impairments in non-emergency situations. The result is the launch of a new programme – the Deaf Community, Police Link Officer (DCPLO).

The programme was prompted by a complaint to the Brownhills Police

(West Midlands) in December 2005. This came from a deaf man who had been unable to reach officers at the station when visiting out of hours, since being deaf he couldn't use the intercom system.

Vodafone UK has provided guidance on accessible technology and supplied mobile equipment to the station, free of charge. The service enables people with hearing difficulties to contact officers at the station on non-emergency issues, both during the day and when the station is closed. The programme will be extended to other stations in the West Midlands and information is currently being shared with other police forces enabling them to implement similar projects.

Most of us are familiar with the benefits of mobile technology. Our phones keep us in touch with family, friends, clients and customers. They are a crucial point of contact in an emergency. What's less well known is that many people can't take advantage of these benefits.

Recent research in EU countries, commissioned by Vodafone, indicates that around 9% of adults have difficulty using a mobile phone. This includes people with hearing and visual impairments or limited dexterity. By introducing specialist products or making mainstream handsets easier to use we can make mobile technology accessible to these groups.

Our goal is to provide the right range of products and services so that everyone can use and benefit from our technology.

Vodafone UK already has a number of products that enable the deaf and blind to use mobile phones including voicemail, text messaging, directory enquiries and email. Our Speaking Phones and Mobile Textphone services are now an established part of our product range.

We are working with suppliers and experts in the field of disability and access such as the Royal National Institute of the Blind, to extend and improve the products we offer. Our customers can now use handsets which have higher resolution screens, making text and numbers larger and easier to read. We're also

publicising our existing products through our website, and in-store information in Braille, large type and audio formats. Easy-to-spot symbols in our customer magazine, Choice, help customers find handsets with accessibility features. We are providing information to our employees in our stores so they can advise customers with special needs.

Accessibility is not just about specialist products for the disabled. Modern handsets can be complex and difficult to use, particularly for customers who are less technology – and computer – literate. **Vodafone Simply** is a mainstream product aimed at those who want a phone to make calls, send texts and nothing else. Its market is customers who want, or need, functionality above variety and innovation. In our view, Vodafone Simply is a valuable accessibility tool.

The flexibility of mobile technology also lends itself to products and services with social benefits. Vodafone UK is investing in research to develop new uses for mobile phones. Lone Worker Protection is one example (see left).

Patient health is another area benefiting from new mobile services – from hospital -or doctor-linked alarms for the elderly, to a phone service for diabetics. These improve emergency assistance and give people with chronic illnesses more freedom by reducing the need to visit their doctor.

To help encourage new ideas Vodafone UK sponsored the Wireless category of the SustainIT eWell-being Awards in 2004/05, which rewards new uses for mobile and wireless technology.

We believe mobile technology has much more untapped potential. Our product development teams are working with suppliers and others to find new beneficial uses for our technology. This research makes commercial sense for our business and will help to improve quality of life for our customers.

COMMITMENTS FOR 2005/06

Establish an internal cross-functional Steering Group to ensure we meet the provisions laid out in the Mobile Industry Good Practice Guide for Service Delivery for Disabled and Elderly Customers in the UK.

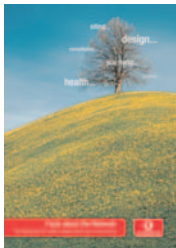
Develop relationships with and provide mobile equipment to three more police stations in the West Midlands.

Continue to work with handset manufacturers and NGOs on improving accessibility.

Update our Products and Services Guide, available in stores and from our customer management centres, to increase awareness of our products for customers with special needs.

Mobile phones, masts and health

Vodafone recognises that some people are concerned about the impact mobile phones and base stations may have on health. Safeguarding the health and safety of our customers, the public and employees is paramount. We believe people deserve a comprehensive response to their concerns.



Left: We have a team of experts (the National Acquisition and Environment Team) ready to answer questions from organisations and individuals on planning and health. Our handbook 'Facts about the Network' can be found at www.vodafone.co.uk.

How does Vodafone address these issues?

Complying with exposure guidelines

We aim to reduce concerns by adhering to international exposure guidelines, supporting independent research, making objective information widely available to our stakeholders and by engaging in open, transparent dialogue.

As a responsible business, Vodafone ensures that all our installations are designed in compliance with the International Commission on Non-Ionising Radiation Protection (ICNIRP) public exposure guidelines. These guidelines have been adopted by the European Union, are recommended to us by the UK government, and have the formal backing of the World Health Organisation (WHO). Our base stations typically have Radio Frequency (RF) field levels of just 0.01% to 2% of ICNIRP guidelines.

Handsets are also covered by ICNIRP guidelines and all handsets sold by Vodafone UK comply with these. For information on specific handsets, please refer to The Mobile Manufacturers Forum website www.mmfa.org/public/sar.cfm.

Scientific research on Radio Frequency (RF) fields and health

There has been research into RF fields for over 60 years but the rapid increase in use of mobile phones has caused experts to review the science more closely. The consensus of scientific opinion is that there is no substantiated evidence of

adverse health effects from exposure to RF fields below guideline levels. During the past four years there have been 26 government and other official scientific reviews internationally and in the UK, that have confirmed this conclusion.

The UK National Radiological Protection Board (NRPB) – now Radio Protection Division of the Health Protection Agency – in its Mobile Phones and Health Report 2004 concludes: "...the widespread development in the use of mobile phones worldwide has not been accompanied by associated, clearly established increases in adverse health effects. The Board believes that the main conclusions reached in the Stewart Report in 2000 still apply today and that a precautionary approach to the use of mobile phones should continue to be adopted."

The WHO states on its website: "None of the recent reviews have concluded that exposure to the RF fields from mobile phones or their base stations causes any adverse health consequence. However, there are gaps in knowledge that have been identified for further research to better assess health risks. It will take about 3 to 4 years for the required RF research to be completed, evaluated and to publish the final results of any health risks."

Research in this area is ongoing and various reports are expected over the coming months and years. In particular, the WHO plans to

publish its comprehensive review in 2007. Vodafone UK supports further independent research and is co-funding the Mobile Telecommunications and Health Research (MTHR) Programme with other mobile operators and the UK Government. The MTHR is supporting a range of independent studies into the possible health impact of mobile telecommunications. See www.mthr.org.uk for information on the latest studies or the WHO website at www.who.int/peh-emf.

Communication

We are committed to providing clear and objective information on RF fields and health and informing customers about any new developments in research. Vodafone has a National Acquisition and Environment team with responsibility for providing objective information to the public directly and through acquisition agents working on our behalf. A comprehensive handbook entitled 'Facts about the Network' is available on our website at www.vodafone.co.uk, or from our specialist EMF Advisory Unit at emf.advisoryunit@vodafone.com.

We distribute a range of fact sheets covering issues such as the planning process, exposure guidelines and background information on 3G technology, during stakeholder meetings and drop-in sessions. These are available to stakeholders on request.



It hasn't yet been proven that there is no effect on health from mobile phones but the report suggests there's definitely no problem. There is a lot of research going on here and a bit more on this would be useful.



Stakeholder feedback on last year's CR report

CASE STUDY

Monitoring RF fields in Portsmouth



Vodafone worked with Portsmouth City Council to install a monitoring device in the Paulsgrove area, as part of the Cassiopeia project. The equipment is located near a school, in an area where there are many sources of radio frequency fields. These include emissions from the local Vodafone base station along with other operator facilities, radio, TV and from military equipment based at the nearby dockyard and research establishment.

The equipment monitors RF levels 24 hours a day, and presents the data in

a simple graph. You can review the results on Portsmouth Council's website at www.portsmouth.gov.uk/living/3358.html.

"We recognise that some people are concerned about the increasing number of masts necessary for us to use mobile phones. As a responsible authority we agreed to work in partnership with Vodafone to establish monitoring equipment (called Cassiopeia) for measuring and recording the radio frequency fields from masts. The unit gives off no radio frequency fields itself. We see this as a demonstration of transparency and openness and as a way of providing reassurance about a potentially controversial issue".

Dr Julian Lomas, Portsmouth City Council Strategic Director

We also provide information during consultations with local communities as part of our responsible network deployment (see page 10).

Update for 2004/05

We track all enquiries on health issues and aim to respond within 10 working days. We met this target for all enquiries in 2004/05. Over the last year, we have worked on a range of documentation to help our acquisition agents and public facing staff address customer and stakeholder concerns.

Cassiopeia, our base station monitoring project, is part of our commitment to keeping the public informed about radio frequency fields. Cassiopeia records radio frequency fields in a set location and sends the data to a central point where it is tracked against ICNIRP guidelines. It operates 24-hours a day, is solar-powered, and is discreet in its design. The data can be accessed by the public through their local council's website. The monitors record RF field levels from other sources such as TV and radio, as well as base stations, enabling the public to check combined levels in their area. We are working with seven councils so far: Cambridge, Wycombe, Hinckley, Oxford, Portsmouth, Swansea and Stroud. Over the next year, we will be evaluating the results of this project (see case study).

RF fields from handsets

Mobile phones work on the same principle as television and radio by using radio frequency (RF) fields to communicate information.

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. ICNIRP guidelines state that SAR values from handsets (measured in watts per kg) should not exceed 2 watts per kg.

All handsets sold by Vodafone comply with ICNIRP guidelines. The most popular handsets in 2004 had maximum SAR values between around 0.24 and 1.05 watts per kg. 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.

In the UK handset SAR values are provided with each new handset sold and are also available from the Mobile Manufacturers Forum, see www.mmfa.org/public/sar.cfm.

COMMITMENTS FOR 2005/06

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

Continue to provide advice to customers who wish to reduce exposure to RF fields from handsets.

Network roll out

Demand for mobile phone coverage creates the need for base stations to receive and transmit calls. Without base stations, the handsets we rely on simply cannot work. However we recognise that despite the popularity of mobiles there is sometimes public concern about the potential health or visual impact of base stations.



A comprehensive network is vital to ensure a good service for our customers but plans for new base stations can be contentious



In March 2005, our network was made up of approximately 11,500 base stations around the UK, serving 15.5 million customers.

3G technology uses a higher frequency which is less easily transmitted through the atmosphere. This means more base stations are required to provide good coverage for our 3G network. Where possible, Vodafone adapts existing base stations, however additional base stations will be needed by 2007/08 as we continue the roll out of our 3G network.

Our approach

Mobiles need base stations to operate. Our customers will only choose Vodafone if we provide them with a good service, through a comprehensive network of base stations. We must balance this commercial requirement with sensitivity to the concerns of local communities.

We have a range of processes to help us deploy our network responsibly and take the views of communities and local authorities into account when selecting new sites.

Vodafone UK is committed to best practice in the siting of new base stations. All our installations are designed in compliance with regulations and the International Commission on Non-Ionising Radiation Protection (ICNIRP) public exposure guidelines (see page 8). We also adhere to the Mobile Operators Association's Ten Commitments to Best Siting Practice now enshrined in the Government's Code of Best Practice on Mobile Phone Network Development. These cover consultation, site sharing, compliance with RF guidelines (see page 8), and support for independent research.

Consultation is a key part of our approach. We cannot engage directly with every stakeholder in all the communities where we have base stations. Therefore we focus our efforts on community representatives such as local planning authorities or councillors. However we also meet with local communities at sites where there are particular concerns.

Our National Acquisition and Environment team is a central source of expertise on health, planning and consultation for the public and our site acquisition agents.

Radio frequency

All Vodafone base stations comply with stringent international guidelines (ICNIRP) on radio frequency emissions (see page 8).

Site sharing

Where possible we add new equipment to our existing sites. If a new site is required, we try to locate it on an existing structure eg a rooftop, or a base station belonging to another operator. About 66% of our base stations are on existing structures and around 20% are shared with other operators.

Visual impact

Our National Acquisition and Environment Group, ensures that environmental considerations are a priority when we select base station sites and designs. Even in sensitive areas, such as National Parks, we can demonstrate responsible network development – keeping people in touch without spoiling valuable landscapes (see case study).

We investigate a range of different designs to minimise visual impact. These include camouflaged base stations eg chimneys or flagpoles, or base stations integrated into existing infrastructure eg pylons.

Consultation

Many concerns about the siting of base stations arise when interested parties feel they have not



This is a model of good practice. By involving all stakeholders, the operators and the Corporation of London have achieved what most people will see as a good compromise. I am delighted that this scheme will balance two important requirements – a good mobile service for Forest visitors without significantly impacting on the Forest itself.



Jeremy Wisenfeld, Superintendent of Epping Forest



Left: Base station equipment for all mobile network operators is concealed in a specially designed watch tower in Epping Forest.

CASE STUDY

Partnership approach to improving coverage in Epping Forest



Vodafone and the UK's other mobile operators are providing network coverage to Epping Forest following extensive public consultation.

Epping Forest is the largest public open space in the London area. It's an area of recreation for local people and an important wildlife habitat, with much of the Forest designated a Site of Special Scientific Interest. Until now there has been poor coverage for residents, workers and visitors using mobile phones.

Vodafone UK led the four other UK mobile operators in this project, working closely with the Corporation of London, local planning authorities and local people to improve coverage, without spoiling the area's natural beauty.

Together, the operators developed a sensitive design for the base stations. Equipment for all mobile networks has been concealed in a specially designed watch tower, two well-screened lattice towers, and a tree mast set amongst mixed woodland. By working together the operators have been able to keep the number of sites needed to a minimum.

The local community was involved throughout the planning process. Two open days were held for residents and forest workers to hear about the plans and give their feedback before a planning application was submitted.

"For the first time all operators have come together to bring a much-needed service to the Forest. Our key responsibility was to ensure that the natural beauty of the Forest was protected and thanks to some innovative design ideas and the contributions of our partners, this has been successfully achieved."

Stephen Oxley, Vodafone Project Controller

been fully informed about proposals. To address this, Vodafone and other mobile operators consult with local authorities and, where appropriate, local communities at an early stage. Relevant employees and site acquisition agents receive frequent training and auditing on this strategy and are expected to follow it at all times.

Key points of Vodafone's consultation strategy:

- Vodafone writes to all local planning authorities in the UK annually with details of its network development requirements.
- We always write to the local ward councillor and parish or town council inviting their comments before submitting a planning application. Depending on the site, we also notify other local stakeholders at this stage.
- When submitting an application we ensure the planning officer has a clear point of contact with Vodafone or our site acquisition agent.

We monitor all enquiries on siting, planning and health issues and aim to respond within 10 working days.

Find out more in 'Facts about the Network' at www.vodafone.co.uk.

Update for 2004/05

The industry is working together to achieve best practice in applying the Ten Commitments and the Government's Code of Best Practice. During 2004/05 the independent auditors,

Deloitte & Touche LLP, carried out a review of the UK's five mobile operators to assess compliance with these standards.

The review confirmed that the operators continue to make demonstrable progress in implementing the Ten Commitments. It found that the operators have improved consultation on base station siting since the first review published in 2003.

The findings showed that:

- Local ward councillors were consulted at a pre-application stage in 96% of cases where this is required by the Code of Best Practice.
- Information on alternative sites considered was regularly supplied with planning applications.
- Local planners are generally satisfied with the supporting information provided by the operators with each planning application.
- ICNIRP compliance certificates were provided before the processing of every planning application.

The review recommended amongst other things, that mobile operators work more closely with local planning officers from the start of the siting process and attend planning committee meetings wherever possible. Vodafone accepts the findings and is working with its site acquisition agents to address the recommendations. The full report is at www.mobilemastinfo.com/planning/best_practice.htm.

Complying with planning requirements

During the launch of our 3G network in November 2004 Vodafone UK identified a need to strengthen network coverage in some key locations. Temporary sites were installed as an interim measure in these areas while we identified permanent sites. A number of these temporary sites gave rise to enforcement actions and as a result, we removed them at most locations.

In 2004/05, Vodafone UK received 25 enforcement notices from local planning authorities relating to planning issues, including temporary sites. We are working with the Local Planning Authority in each case to resolve these issues. At the time of writing (September 2005) over 80% of these issues were resolved.

COMMITMENTS FOR 2005/06

Continue to take people's concerns seriously in relation to network deployment.

Continue to respond openly and transparently to stakeholders' questions and concerns.

Continue to work with local planning authorities and other stakeholders to find mutually acceptable solutions.

Environment

Our most significant impacts on the environment are energy use and waste. The energy we use in our network, operations and business travel results in carbon dioxide (CO₂) emissions that contribute to climate change. Waste from our network, offices and stores can damage the environment if not managed correctly. Reducing waste helps to conserve natural resources and cut costs.

3G technology uses more energy so **reducing energy use** is a challenge as we roll out our 3G network



Our approach

Our environmental policy commits us to improve energy efficiency, to reduce waste and to increase reuse and recycling. 3G technology uses more energy than 2G so reducing energy use is a challenge as we roll out our 3G network.

Vodafone UK's Chief Executive Officer has overall responsibility for environmental performance but we expect everyone in the business to play a role in achieving our objectives.

We aim to integrate environmental considerations into overall business decision-making. Environmental performance is reported at board level. We have an environmental policy and management system to help us monitor performance and set targets for improvement.

Vodafone is starting to work with suppliers to improve the environmental impacts of the products and materials we buy.

Progress in 2004/05 Management system

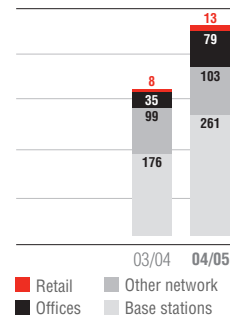
In October 2004 we achieved accreditation of our overall environmental strategy, the operations undertaken in our headquarters in Newbury and the headquarters buildings themselves to the international standard for environmental management, ISO 14001. We aim to achieve accreditation for the whole UK business by March 2007, starting with our customer management centres, retail outlets and other offices during 2005 and our network in 2006/07. Our network includes base stations, mobile telephone exchanges (installations for managing our network and interconnection with other operators' networks) and data centres (housing our billing and network management computing equipment).

Energy and CO₂ emissions

We used 456 GWh of gas and electricity in 2004/05, resulting in 190,733 tonnes of CO₂ emissions, an increase on last year.

This is partly due to an increase in customers and the roll out of 3G base stations which use more energy. It also reflects improvements in our data collection system which means more of our data are based on actual readings rather than estimates. We expect energy consumption to continue to rise in future years so we are looking for ways to use energy more efficiently.

Energy use – gas and electricity (GWh)



A proportion of our energy comes from renewable sources. However we don't have sufficient information to reflect this in our CO₂ data. This means our CO₂ emissions are overstated.

We have signed a new electricity supply contract so that from October 2005 all our direct grid supplied electricity in mainland UK will be purchased from renewable generation sources.

A new Utilities Management Policy was introduced in 2004/05 to ensure we take a consistent approach to energy management across Vodafone UK.

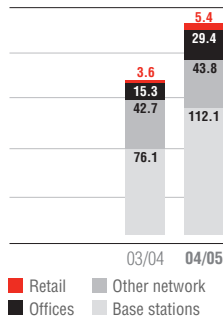
Network – We aim to select modern cost effective equipment and focus on energy efficiency in the specification of that equipment. 80% of the energy we consume is used to power our network. Base stations account for 60% of total consumption, of which a significant portion is used for cooling. We are introducing Savawatt power control units for air conditioning systems in our base stations. These have been installed in 1,600 locations so far, and have shown typical energy reductions of 14% per site.

Offices and retail outlets – Our offices and stores were responsible for more than 34.8 tonnes of CO₂ emissions in 2004/05.

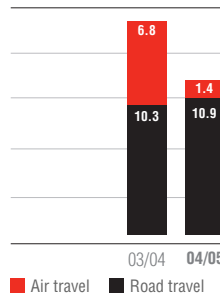


Left: Our bus service takes employees from our main offices on key local routes to the city centre and train station.

CO₂ emissions – network, offices and retail (thousand tonnes)

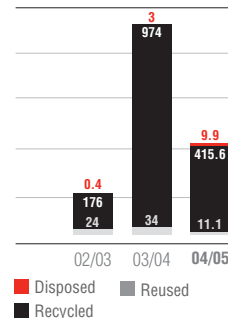


CO₂ emissions – business travel (thousand tonnes)



The figure for air travel has decreased this year. This is because we are no longer reporting data for Vodafone Group employees. Air travel figures now relate to Vodafone UK employees only.

Network waste (tonnes)



Travel – Our data for business travel is incomplete but we estimate that travel by car and air led to emissions of 12,340 tonnes of CO₂ this year.

In 2004/05, 60% of employees at our Newbury headquarters drove to work (compared with 63% last year) and 40% of those shared transport with someone else.

We made 164 loans in 2004/05 to help employees buy rail season tickets, bikes and scooters.

Waste

Three types of waste are significant for Vodafone UK – old handsets (see page 15), waste from our offices and stores and network waste. This includes some hazardous waste such as back-up batteries from our base stations.

Offices and stores – We generated 688 tonnes of office waste in 2004/05 such as paper, plastic and packaging from our headquarters and other offices in Newbury and Theale. Of this, 40% (270 tonnes) was recycled, a significant increase from 25% in 2003/04.

During the year we completed a waste audit of our retail stores. This showed that recycling programmes were not in place at many stores.

We are implementing a national waste contract to cover all our stores, making it easier to monitor performance and set targets for improvement.

Network waste – Network upgrades in 2004/05 generated 436.6 tonnes of waste from our network – such as radio equipment, cables, servers and air conditioning units. Of this, more than 97% was reused or recycled, slightly less than last year. This is due to a one-off disposal of mixed plastic, wood and metal waste which it was not economically viable to recycle. This waste was sent for safe disposal via high temperature incineration. We do not dispose of any network waste in landfill sites.

Compliance

In January 2005 the Environment Agency informed us of a diesel spill from a generator operated by a contractor at one of our base stations. A clean up plan was prepared immediately and implemented for the site. Following this incident we investigated all sites where generators were deployed and identified four additional sites where diesel had been released. As a result we have changed contractors and added strict environmental requirements to our contract with generator suppliers. Contractors are now required to report all incidents to Vodafone.

Vodafone UK was also fined £250 and £160 costs for leaving a large cardboard box outside its store in Tooting, London for disposal. To prevent a recurrence we have issued strict instructions to all our stores on disposal procedures.

COMMITMENTS FOR 2005/06

- Implement our new Utilities Management Policy throughout the company.
- Implement a national waste contract for our retail stores.
- Implement recycling programmes at all our UK offices.
- Develop a waste reduction strategy.

COMMITMENTS FOR 2006/07

- Achieve certification to ISO 14001 for our whole UK business, including our network.
- Implement STARK, a utilities management database, to monitor energy use at our sites and target inefficient sites for improvement.
- Run internal awareness campaigns on recycling and reducing energy use.

Supply chain

Vodafone UK spent £1.2 billion on goods and services from approximately 2,300 suppliers in 2004/05. The Vodafone UK Supply Chain department is responsible for managing supplier contracts. We want to do business with companies that share our values and achieve high social and environmental standards. In a large supply chain there is a risk that some companies may not meet acceptable standards on human rights, employment practices or environmental protection.



In their last CR report the supply chain was very superficially skimmed over.



Stakeholder feedback on last year's CR report

CR is now one of **six criteria** used to select suppliers and monitor their performance

Our Approach

Our Code of Ethical Purchasing sets out the standards we expect suppliers to meet. It is included in all new and renegotiated UK contracts. We are starting to work with our suppliers to ensure they comply with the Code. This includes communicating the Code requirements, assessment of new and existing suppliers, and more detailed engagement with higher spend suppliers.

We also partner with selected suppliers to address industry issues such as content control, handset reuse and recycling and energy efficiency of network equipment.

Update for 2004/05

In 2004/05, we incorporated the Code of Ethical Purchasing into our UK supplier contracts. New and renegotiated contracts now include a requirement to comply with the Code.

Our top 40 suppliers (by spend) confirmed to us that they believe they comply with our Code. We also underwent a detailed CR evaluation with our top three suppliers by spend.

We developed a new Supplier Performance Management programme, for launch in 2005 making CR one of six criteria used to select suppliers and monitor their performance. It includes pre-assessment, a risk assessment

carried out before a company can become a Vodafone supplier, and on-going management of key suppliers.

Plans for 2005/06

During 2005/06, we will carry out pre-assessments with all existing suppliers where the contract is worth more than £1 million. These suppliers represent 70% of Vodafone UK's total supplier spend. This will show whether a supplier meets a minimum standard against our Code and enable us to assess any CR risks from a particular supplier.

Supplier Performance Management will also track CR performance amongst the largest of these suppliers (our top 40) through bi-annual assessments and agreeing improvement plans.

New suppliers, having a contract duration more than six months or contract value of £50,000, will be required to complete a pre-assessment questionnaire.

We will conduct more detailed assessments with five of our suppliers, deemed to be highest risk.

Our supply chain personnel need a good understanding of CR issues and risks in order to undertake this work effectively. We are introducing online training on ethical

purchasing with the intention that 80% of Vodafone UK supply chain personnel will complete the training by the end of the financial year 2005/06.

COMMITMENTS FOR 2005/06

Complete detailed CR evaluations with five suppliers based on risk.

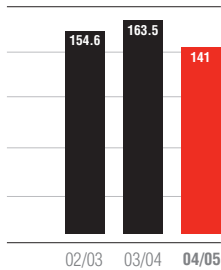
Deliver CR supply chain training to 80% of supply chain personnel.

Adopt a risk-based approach to all new suppliers to Vodafone UK.

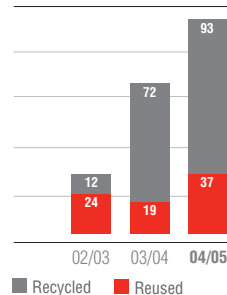
Handset recycling

Handset reuse and recycling are priorities for Vodafone for environmental, social and commercial reasons.

Handsets returned by customers (thousands)



Processing of handsets, batteries and accessories (tonnes)



CASE STUDY

Handset recycling at the Royal Bank of Scotland Group



Vodafone UK and Fonebak have helped The Royal Bank of Scotland Group (RBS) set up a recycling programme, to collect unwanted handsets from employees. RBS is a Vodafone Enterprise customer. When they became concerned about waste from unwanted mobile phones and its potential impact on the environment, they worked with the Vodafone Enterprise Fonebak Co-ordinator to develop a process for collecting unwanted handsets and accessories. The system allows phones and

accessories to be sent directly back to Fonebak for reuse or recycling, with an on-site collection point established at the bank's headquarters in Edinburgh.

David Graham, Group Environmental Manager at RBS said:

“At RBS concern for the environment is a fundamental part of the way we conduct our business. With the help of Vodafone and Fonebak our handset recycling programme has gone from strength to strength and we hope to extend the concept more widely across the Group.”

RBS is donating the money raised to Fauna & Flora International, the conservation charity whose projects help to mitigate problems caused by natural resource use and extraction.

Mobile handsets and batteries contain plastics, flame retardants and heavy metals. These substances are safe during normal use of a mobile, but some are potentially harmful to the environment or health if not disposed of correctly.

Consumers in the UK upgrade their handsets every 18 months on average. If handsets were thrown away rather than being reused or recycled this would result in significant amounts of waste each year.

Old handsets are usually in good condition and can be refurbished for reuse in poorer countries. Reused handsets are cheaper than a new mobile so they are helping to increase access to mobiles in Africa, Asia and Eastern Europe.

Our approach

Vodafone UK is a member of the Fonebak Scheme, the European-wide handset recycling programme run by our recycling partner Fonebak plc.

We collect old handsets and accessories from customers at all Vodafone stores. Customers can also post old handsets to FREEPOST Fonebak Recycling (see case study).

We encourage retail and consumer customers to return their phones by giving them £10-20 for

every old handset they recycle as an upgrade incentive. Customers can choose to donate this money to the National Autistic Society.

The phones we collect are delivered to Fonebak where they are refurbished for reuse or broken down so the components can be recycled. We donate all profits from phone recycling and reuse to charity.

The government has stated that the EU Directive on Waste Electrical and Electronic Equipment (WEEE) will be implemented in the UK by June 2006. Vodafone UK complies with its major requirements via the Fonebak programme.

Update for 2004/05

In 2004/05, we collected 141,017 redundant handsets from customers, down from 163,518 the previous year.

This decrease may be partly due to gaps in our data collection system. We introduced a new supplier during 2004, and data may be incomplete. All information will be included in our data system for next year.

During the year 133,663 handsets were reused. This includes some phones collected during 2003/04. This generated £370,400 for the National Autistic Society.

We have been working with our corporate customers to make it easier for them to return old handsets. Initiatives have included: providing Vodafone's on-site service managers with collection boxes, promoting recycling through notice boards and intranet sites in our customers' premises, and naming a single point of contact for customers to return their handsets (see case study).

Currently seven of our top 50 corporate customers (measured by number of accounts) have Fonebak schemes in place. We aim to extend this to 35 by March 2007.

COMMITMENTS FOR 2005/06

Set a target for increasing the number of redundant handsets collected from customers.

COMMITMENTS FOR 2006/07

Encourage 35 of our top 50 corporate customers to participate in Fonebak by March 2007.

Our people

Vodafone UK employed just over 11,000 people at the end of March 2005. Our aim is to build a great organisation and employee experience. We do this by treating our employees with respect, maintaining a safe workplace and providing opportunities for training and development. By investing in our employees we help them get more out of their job and give more back to our customers.

work

We have an employee experience framework covering seven priority areas. These are: organisation and change; careers and resourcing; communication and involvement; learning and capability; recognition and reward; policy and diversity; well-being and workplace environment. Each business unit and function is developing an Employee Experience Plan for improving performance in these areas. We have set key performance indicators to measure progress and all Vodafone managers are assessed on how they implement the plan within their team.

Update for 2004/05

Diversity

Diversity is an asset. We believe a workforce drawn from different cultures and backgrounds generates innovation and creativity. Our equal opportunities policy commits us to treating all employees and potential employees fairly and without discrimination on the grounds of factors such as race, sex, or disability.

Women accounted for 43% of total employees in 2004/05 and 26% of managers.

We are starting to collect data on ethnic diversity. This is currently incomplete but we estimate that in 2004/05 around 9% of employees were from ethnic minorities. A further 28% of employees preferred not to state their ethnicity.

Grievance Policy

This year we introduced a new grievance policy to ensure that grievances are resolved quickly, fairly and consistently. Employees are encouraged to discuss issues of concern or suspected cases of misconduct with their line manager, or Human Resources department. Employees can also report concerns anonymously via our independently managed telephone line.

Health and Safety

Our health and safety policies cover all relevant risks from working at height to driving at work. We met our target to maintain our annual Accident Incidence rate below 1.9 per 1,000 employees per year.

Work Life Balance

Vodafone UK offers a range of flexible working and career break opportunities to help employees balance their work and home commitments. These include flexible and part-time working options and a maternity return bonus.

Communication

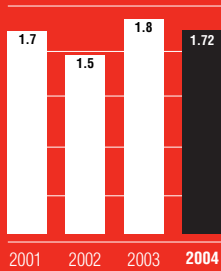
Regular surveys are important in helping us understand our people's views. Our employee survey in 2004/05 was completed by 82% of Vodafone UK employees. We received positive results on questions relating to company values and social responsibility. Lower scoring areas

included training and personal development. Each business unit is adapting its Employee Experience Plan in response to the survey findings.

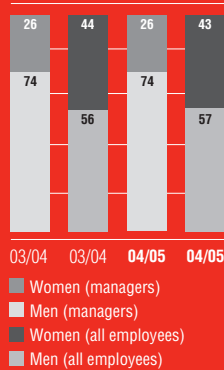
Employee Survey		
Feedback	2005 (% that agree)	Difference from 2003
Vodafone is socially responsible	74	+6
Vodafone UK takes a genuine interest in the well-being of its employees	73	+5
My objectives are consistent with the Vodafone Values	71	+3
My line manager treats all employees fairly and without discrimination	71	+7
Vodafone is ethical in its business dealings	69	+5
I understand Vodafone's Business Principles	51	N/A
Vodafone is effective at managing change and introducing new ways of working	43	N/A
I have opportunities for promotion	25	+3

We introduced a new Manager's toolkit – a reference guide and intranet site. This includes information for managers on motivating their team and implementing employee experience plans, as well as management training and development opportunities.

Accident Incidence rate per 1,000 employees



Gender diversity – management and all employees (%)



“ Vodafone UK employees rated us highly on questions relating to company values and social responsibility, but said we needed to do better on training and personal development. ”



Other methods of communication include regular leadership briefings, team meetings, our intranet site, employee magazines – Voice (Vodafone UK) and Life! (Vodafone Group), and individual career development reviews. We hold regular discussion sessions where employees can put questions directly to senior managers. In 2004/05 our CEO attended 16 sessions.

We consult elected employee representatives through both our European and UK Employee Consultative Councils.

Learning and Capability Development

In response to feedback from our employee survey we have strengthened our training and development programmes this year.

In 2004/05, 99.6% of employees took part in Performance Dialogue, our annual performance appraisal programme, a significant increase from 33% in 2002/03 and 66% in 2003/04. Regular appraisals help employees review their performance, identify strengths and weaknesses and agree targets and training.

We launched a new Learning and Capability Development Policy in February 2005. The policy links development opportunities to an individual's Performance Dialogue rating to ensure we provide the right training to the right employees.

We spent approximately £7 million on employee training. Employees completed 5,737 Leadership and Management Development days, our training for people managers and senior employees. We also offer a range of non-management courses for employees in customer contact centres and retail stores – our employees were involved in 70,660 employee training days in 2004/05.

Some of our business units have established training academies, focusing on core business skills, such as sales, human resources, marketing and retail. This enables individuals to choose very targeted training. We aim to extend training academies to cover 50% of our employee population by March 2006.

Our sales academy received external recognition in 2004 with a National Training Award for exceptionally effective learning and skills development, and an award from The Institute of Sales and Marketing.

Succession planning

We have a talent review and succession planning process to identify and develop future leaders and senior managers. This includes individual development plans for senior employees. Succession planning is being rolled out across Vodafone UK.

Employee Ownership

Share ownership enables employees to share in the company's success. In 2004/05, Vodafone Group granted 350 shares each to over 56,000 employees worldwide as part of a new 'AllShares' programme. A Sharesave Scheme and Share Incentive Plan are also available to all employees.

COMMITMENTS FOR 2005/06

- Extend training academies to cover 50% of our employee population.
- Measure and review employee engagement trends quarterly.
- Fill 70% of all job vacancies internally.
- Establish Vodafone 'Legend' award to recognise outstanding employee achievements.

- Establish Employee Experience Plans for every business unit.

COMMITMENTS FOR 2006/07

- To be ranked in the top 25 percentile of UK companies in the Hay Employee Engagement Index by July 2007.

Social investment

We support charities around the UK by donating cash, products and services, by raising awareness and by sharing our expertise. Much of our support is given through The Vodafone UK Foundation which focuses on charities benefiting young people aged 16-25. Many Vodafone UK employees give their time as volunteers to support good causes in their local community. The Foundation also matches employee donations to charity.



Left: Employees have been involved in a range of activities to raise money for charity including the London Marathon (Shelter) and climbing Kilimanjaro (NAS).
Right: We recently celebrated our first year of partnership with the NAS.

Update for 2004/05

In 2004/05, a total of £7.5 million was given to charity, of which £5.5 million was given through The Vodafone UK Foundation.

The Vodafone UK Foundation

Between 2004 and 2007 The Vodafone UK Foundation will be donating £6 million to its three flagship charities: Shelter, Samaritans and YouthNet.

However our goal is to give more than cash donations. We aim to create a genuine partnership. Several employees from Vodafone UK are working with the charities sharing our technology and marketing expertise to help them find new ways to reach 16-25 year olds. The Vodafone UK Foundation is helping the charities apply tools to measure the outcomes of their work and the positive impact their programmes have on society. It is hoped that this will help the charities attract further funding from other sources. The three charities are also working together sharing skills, expertise and best practice.

This year the charities have benefited in the following ways:

Shelter

Our funding is helping Shelter develop its services for young people, to improve their access to information on housing issues, and housing rights. In 2004/05, the focus has been on research to find out more about the 16-25 age group so Shelter can tailor its services and communication to benefit more young people. The new service will be launched in Autumn 2005.

SAMARITANS

We funded a major awareness campaign for Samaritans to promote jo@samaritans.org. This email service helps young people who are more comfortable discussing their feelings by email than on the phone. In 2004/05, 21 additional branches provided this service and 643 new volunteers were trained. The programme is being rolled out further in 2005/06.

YouthNet

YouthNet runs an award-winning website providing free advice for young people. Our funding has helped them set up and develop

askTheSite – the first 24-hour service where young people can ask any question and get an answer online. Text alerts are sent by mobile when a question is answered to ensure privacy. The site is now receiving around 350 individual questions each month and visits from 35,000 people logging on to look at previously answered questions.



The National Autistic Society – our cause marketing partner

Vodafone UK began a three-year partnership with the National Autistic Society (NAS) in March 2004. The NAS was selected because both our organisations are concerned with the fundamental human need for communication. For Vodafone, communication is our business. For someone with autism, communication is incredibly challenging.

During the year we launched a national advertising campaign to help people see the world through the eyes of someone with autism. Our goal for 2004/05 was for 60% of the general public to have heard of autism – we exceeded this target by reaching 81%.

Our support has enabled the NAS to create the largest online autism resource in the world at



The support of Vodafone in these essential projects will make a real and positive difference to the lives of people with autism and their families.



Stuart Notholt,
Director of Communications, the NAS

Our goal is to give more than cash donations. We aim to create genuine partnerships with our chosen charities

CASE STUDY

Supporting charities with more than money



“The Vodafone UK Foundation has provided the money to start up the individual projects but more importantly has placed as much emphasis on its match-maker role, encouraging the three charities to work closely together and to share with one another the things they do best”.

Adam Sampson, Director of Shelter talking about the Foundation's partnership with Shelter, Samaritans and YouthNet.

Our support for charities is about more than money – our goal is to help create a strong, effective voluntary sector, both directly and indirectly.

By targeting our direct support on a smaller number of charities, such as our flagship charities, we're able to work in partnership, share the business skills of Vodafone employees and ensure our support makes a real difference.

In addition, we offer advice on how charities can secure further funding from the private sector, helping them to measure and evaluate the impact of their programmes, and plan 'exit strategies' to ensure they can sustain their projects when funding from a particular source comes to an end.

However, through indirect funding we're able to continue supporting a broader range of charities. The Foundation has invested £100,000 in Charity Bank – the UK's first not-for-profit bank. Charity Bank provides affordable loans for charities and organisations from disadvantaged

communities across the UK enabling them to deliver programmes where they're most needed. The bank is funded by deposits from individuals and organisations. It reinvests any profits it makes to keep reducing the cost of its loans.

The 'Tools for Tomorrow' toolkit is one example of how we're helping charities to create business plans and strengthen their fundraising strategies. The toolkit is a guide to strategic planning for the voluntary sector. It adapts business planning techniques used in the public and private sectors to help charities anticipate future needs and trends and adapt accordingly. It was funded by The Vodafone UK Foundation and produced by the Centre for Charity Effectiveness at City University in partnership with the National Council for Voluntary Organisations (NCVO).

www.info.autism.org.uk. This service is also available on Vodafone live!.

The NAS was also able to run 26 new help! programmes – education and support for parents of children with autism – attended by 368 families. This exceeded our target of enabling the NAS to run 14 new programmes.

In total, we helped to raise £1.7 million for the NAS in 2004/05. This includes direct donations from Vodafone UK and £500,000 raised by our customers and employees. Customers were sent bill inserts, direct mailings and text messages encouraging them to make monthly £2 text donations to the NAS.



Vodafone UK received a Big Tick award for cause related marketing from Business in the Community for this project.

In April 2005 we relaunched our mobile phone recycling programme and all money raised will be donated to the NAS.

Employee giving

Employee fundraising is matched by The Vodafone UK Foundation, up to £500 for an employee's chosen charity and penny for

penny for our flagship charities. In 2004/05, employees raised £1.4 million through over 840 events.

An average of 889 UK-based Vodafone employees contributed money to charity through payroll contributions, donating an average of £21.48 a month. We ran internal awareness campaigns at most sites, encouraging employees to support charities through payroll giving. This helped to increase the value of employee payroll giving during the year by 10%.

In 2004/05, an additional one-off donation of £72,798 was made by employees via payroll giving to help victims of the Indian Ocean tsunami. This was matched by The Vodafone UK Foundation.

Every employee gets 24 hours paid time off each year to volunteer on an individual basis for the charity or good cause of their choice. In 2004/05, volunteers donated around 600 working days to charity. In addition, Vodafone UK organises team volunteering events, for which the UK Foundation provides up to £1,000 funding for project materials.

This year we launched our UK Foundation Community Awards to recognise and reward the good work our employees do for charity. All eligible applicants receive a £50 donation

for their chosen cause, with the winners having the chance to win more money for their favourite charity.

COMMITMENTS FOR 2005/06

Establish a network of like-minded companies to develop and share best practice on social investment. Initially this will focus on innovation, employee engagement, project and programme measurement.

Encourage employees and customers to donate £1 million to the NAS.

Increase awareness of the NAS partnership and expand programme activities.

Progress against 2004/05 commitments

ISSUE	COMMITMENT	PROGRESS
CUSTOMERS	<p>Meet the requirements of the cross-industry Code of Practice on new forms of content.</p> <p>In conjunction with the rest of the mobile industry, seek to finalise a set of guidelines for the safe development of location based services.</p> <p>Participate in Group initiatives on responsible marketing.</p>	<p>Helped to develop the mobile operators' UK Code of Practice in 2004 governing content on mobiles and complied with its requirements.</p> <p>Code of Practice introduced in September 2004.</p> <p>Started to review our marketing quarterly to assess compliance against the Vodafone Group responsible marketing guidelines.</p> <p>A booklet for customers on using mobiles safely and responsibly is available in all our retail stores on request.</p>
SOCIALLY SIGNIFICANT PRODUCTS	<p>Review our current activities, products and services to assess progress against the Mobile Industry Good Practice Guide for Service Delivery for Disabled and Elderly Customers.</p>	<p>We are establishing processes to ensure we meet all the provisions of the Good Practice Guide, and are extending our range of products and services to improve accessibility for customers with special needs.</p>
RF AND HEALTH	<p>Track enquiries as a way to ensure responses are prompt and accurate.</p>	<p>All enquiries were logged, acknowledged and forwarded to subject experts for action within a ten day period.</p>
NETWORK ROLL OUT	<p>Continue to adhere to the Code of Practice on Mobile Phone Network Development.</p> <p>Continue to work with industry, government, local authorities and communities to ensure networks are maintained and enhanced sensitively.</p> <p>Track enquires as a way to ensure responses are prompt and accurate.</p>	<p>Deloitte & Touche LLP's review of the UK's five mobile operators confirmed that the operators continue to make demonstrable progress in implementing the Ten Commitments. The full report is available at www.mobilemastinfo.com.</p> <p>Local councillors were consulted at a pre-application stage in 96% of cases where this is required by the Code of Best Practice.</p> <p>We met regularly with government officials and elected members. We also met with local planning authorities and communities at many of our sites, often before making a planning application.</p> <p>All enquiries were logged, acknowledged and forwarded to subject experts for action within a ten day period.</p>
ENVIRONMENT – ENERGY	<p>Reduce sole occupancy car commuting at HQ to 60%.</p> <p>Develop a policy for energy management.</p> <p>Achieve a 20% reduction in energy consumption at base stations where Savawatt is being installed.</p>	<p>60% of our employees at our Newbury HQ drove to work (compared with 63% last year) and of those, 40% shared transport with someone else.</p> <p>Utilities Management Policy introduced.</p> <p>Savawatt has been installed in 1,600 locations typically reducing energy use by 14% per base station.</p>
ENVIRONMENT – WASTE	<p>Maintain levels of reuse and recycling of network waste, at levels in excess of 99%.</p> <p>Undertake a review of waste management in retail.</p> <p>Recycle 40% of mixed recyclable waste from main HQ buildings by end 2004/05.</p>	<p>More than 97% of network waste has been reused or recycled.</p> <p>Audit completed. This showed recycling programmes were not in place in many stores. We are currently implementing a national waste contract.</p> <p>Achieved 40% target (a significant increase from 25% in 2003/04).</p>
SUPPLY CHAIN	<p>Ensure three of our largest suppliers complete a self-assessment questionnaire to determine levels of compliance with our Code of Ethical Purchasing.</p>	<p>Completed.</p>
OUR PEOPLE	<p>Maintain Accident Incidence rate below 1.9 per 1,000 employees.</p>	<p>Achieved – Accident Incidence rate was 1.72 in 2004/05.</p>
SOCIAL INVESTMENT	<p>Deliver first phase of the Public Autism Resource and Information Service (PARIS) programme.</p> <p>Enable the National Autistic Society (NAS) to run 14 new help! programmes.</p> <p>Increase number of employees payroll giving by 10%.</p>	<p>PARIS was launched online.</p> <p>The NAS was also able to run 26 new help! programmes.</p> <p>In 2004/05 10% of employees made payroll donations compared with 8% the previous year.</p>

Commitments for 2005/06

ISSUE	COMMITMENT	DEADLINE
CUSTOMERS	<p>Work with the National Family and Parenting Institute to raise awareness among parents about helping their children use mobiles safely.</p> <p>Ensure that any instances of inappropriate content (including images) on Vodafone live! are removed within 24 hours of coming to our attention.</p> <p>Review our pricing plans to ensure these are clear and easy for customers to understand.</p>	2005/06
SOCIALLY SIGNIFICANT PRODUCTS	<p>Establish an internal cross-functional Steering Group to ensure we meet the provisions laid out in the Mobile Industry Good Practice Guide for Service Delivery for Disabled and Elderly Customers in the UK.</p> <p>Develop relationships with and provide mobile equipment to three more police stations in the West Midlands.</p> <p>Continue to work with handset manufacturers and NGOs on improving accessibility.</p> <p>Update our Products and Services Guide, available in stores and from our customer management centres, to increase awareness of our products for customers with special needs.</p>	2005/06
RF AND HEALTH	<p>Continue to engage directly with the public, customers, key opinion formers and employees on mobile phones, masts and health.</p> <p>Continue to provide advice to customers who wish to reduce exposure to RF fields from handsets.</p>	2005/06
NETWORK ROLL OUT	<p>Continue to take people's concerns seriously in relation to network deployment.</p> <p>Continue to respond openly and transparently to stakeholders' questions and concerns.</p> <p>Continue to work with local planning authorities and other stakeholders to find mutually acceptable solutions.</p>	2005/06
ENVIRONMENT	<p>Implement our new Utilities Management Policy throughout the company.</p> <p>Implement a national waste contract for our retail stores.</p> <p>Implement recycling programmes at all our UK offices.</p> <p>Develop a waste reduction strategy.</p>	2005/06
	<p>Achieve certification to ISO 14001 for our whole UK business, including our network.</p> <p>Implement STARK, a utilities management database, to monitor energy use at our sites and target inefficient sites for improvement.</p> <p>Run internal awareness campaigns on recycling and reducing energy use.</p>	2006/07
SUPPLY CHAIN	<p>Complete detailed CR evaluations with five suppliers based on risk.</p> <p>Deliver CR supply chain training to 80% of supply chain personnel.</p> <p>Adopt a risk-based approach to all new suppliers to Vodafone UK.</p>	2005/06
HANDBSET RECYCLING	<p>Set a target for increasing the number of redundant handsets collected from customers.</p>	2005/06
	<p>Encourage 35 of our top 50 corporate customers to participate in Fonebak by March 2007.</p>	2006/07
OUR PEOPLE	<p>Extend training academies to cover 50% of our employee population.</p> <p>Measure and review employee engagement trends quarterly.</p> <p>Fill 70% of all job vacancies internally.</p> <p>Establish Vodafone 'Legend' award to recognise outstanding employee achievements.</p> <p>Establish Employee Experience Plans for every business unit.</p>	2005/06
	<p>To be ranked in the top 25 percentile of UK companies in the Hay Employee Engagement Index by July 2007.</p>	2006/07
SOCIAL INVESTMENT	<p>Establish a network of like-minded companies to develop and share best practice on social investment. Initially this will focus on innovation, employee engagement, project and programme measurement.</p> <p>Encourage employees and customers to donate £1 million to the National Autistic Society (NAS).</p> <p>Increase awareness of the NAS partnership and expand programme activities.</p>	2005/06

Independent assurance

Deloitte has been engaged by the Board of Directors to perform limited assurance* procedures on selected environment, community, and occupational health and safety performance indicators for the year ended 31 March 2005.

The subject matters selected for this assurance engagement are the following:

Environment:

- Energy use (GWh).
- CO₂ emissions from energy use (tonnes).
- CO₂ emissions from business travel (tonnes).
- Number of car sharers, commuters and loans made to employees for alternative transport options at the Newbury HQ.
- Total network equipment waste – disposed, reused, recycled (tonnes).
- Total office waste generated and recycled (tonnes).
- Number of handsets returned by customers.
- Processing of handsets, batteries and accessories – recycled and reused (tonnes).
- Environmental compliance (number of enforcement notices, fines, prosecutions).

Community:

- Total charitable contributions (£).
- Total charitable contributions given through the Vodafone UK Foundation (£).
- Total employee fundraising (£).
- Number of employees giving money through payroll giving.

Occupational Health and Safety:

- Accident Incidence rate (per 1,000 employees).

Our conclusions

Based on the work we performed as set out below, nothing has come to our attention that causes us to believe that the environmental, community and occupational health and safety performance data defined above are materially misstated.

Assurance standards and procedures

Engagement assurance standards

- We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (ISAE3000) issued by the International Auditing and Assurance Standard Board (IAASB) for carrying out assurance engagements on non-financial information.
- 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.

Assurance procedures

- This standard requires that we review the systems, processes and controls that deliver the information in the areas of the report specified above.
- Our work consisted primarily of making inquiries of company personnel and carrying out analytical procedures and sample tests as follows:
 - Understanding, analysing and testing on a sample basis the collation, aggregation, validation and reporting of the selected performance data; and
 - Reading and analysing the content of the report against the findings of our work, industry corporate responsibility practices and other relevant information and, as necessary, making recommendations for improvement.

- The limited assurance procedures engagement excludes procedures such as testing of source data and is substantially less in scope than a reasonable assurance* engagement. Accordingly we do not provide reasonable assurance on those matters specified in this report.

Responsibilities of directors and independent accountants

Vodafone responsibilities

- The Directors are responsible for the preparation of the 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 responsibilities, independence and team competencies

- Our responsibility is to independently express a conclusion on the reliability of management's assertions in the areas listed above.
- A multi-disciplinary team of CR and assurance specialists performed the engagement in accordance with Deloitte's independence policies, which address and in certain places exceed the requirements of the International Federation of Accountants (IFAC). We confirm annually to Vodafone whether there have been any events, including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services during the last year.

- This report is made solely to Vodafone Ltd in accordance with our letter of engagement. Our limited assurance procedures have been undertaken so that we might state to the Company those matters we are required to state to them in a limited assurance 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 Ltd for our work, for this report, or for the conclusions we have formed.

Deloitte.

Deloitte & Touche LLP
Chartered Accountants
London, 27 October 2005

Footnote *: The types of assurance engagement are defined in the International Standards on Assurance Engagements 3000 (ISAE3000) issued by the International Auditing and Assurance Standard Board (IAASB). Reasonable assurance is similar to the audit of financial statements; limited assurance is similar to the review of financial information in the interim report. For more information please visit www.ifac.org/IAASB.

Corporate responsibility management

Management of CR is embedded within our operational functions. These include network development, human resources, supply chain, marketing, property and product development.

Detailed policy is determined by the CR Policy Committee. The CR Policy Committee is a sub-committee of the Policy Committee which is chaired by the Chief Executive, (see diagram below). Vodafone's Values and Business Principles both reinforce the requirement for social, ethical and environmental responsibility.

The CR team reports to the Head of Corporate Communications who in turn reports directly to the CEO. The head of CR for the UK meets regularly with the Vodafone Group CR Director and CR Managers at other Vodafone operating companies, to report progress, discuss Group policies and share best practice.

Training and communication

Embedding CR awareness and expertise requires training and communication. During 2004/05 training was provided in the form of an e-learning programme which was rolled out to all UK staff. This was designed to raise awareness of our Business Principles and to test employee understanding of CR.

We produce a CR Report specifically for our employees to keep them up-to-date with our CR programmes. In 2004/05, this was distributed to all employees. A follow up survey showed that 95% of respondents found the report useful and interesting, and 90% said it had improved their understanding of Vodafone UK's position on CR issues and would help them communicate this to family, friends and customers.

Performance measurement and reporting

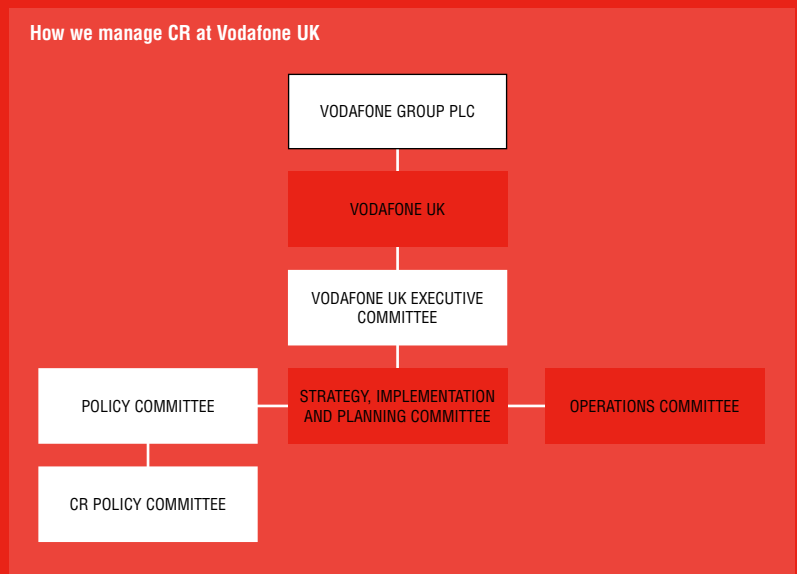
Most data in this report are collated and reviewed monthly. Vodafone UK data are reviewed annually by Vodafone Group.

Deloitte & Touche LLP has reviewed our environment, health and safety and community performance data, and underlying collection and reporting processes for the year end March 31 2005. See their independent assurance statement on page 22.

Targets have been set to help us improve performance (see page 21). These are agreed between the CR team and the manager and director for the relevant function. Targets are built into personal objectives agreed annually. Progress against targets is reviewed during annual Performance Dialogues and taken into account during pay reviews.



Above: Our internal CR Report was produced specifically for our employees



We welcome your feedback on this report and our CR performance and invite you to respond to responsibility@vodafone.com



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