

now

Welcome to Vodafone New Zealand's third Corporate Responsibility Report for the year ended 31 March 2006. An electronic copy of this document, along with our previous two Corporate Responsibility reports, is available online at www.vodafone.co.nz/responsibility

This document reports on the local operations of Vodafone New Zealand. The Vodafone Group publishes an annual Corporate Responsibility Report, which covers Vodafone's global operations.

More information, along with Corporate Responsibility reports from other Vodafone companies around the world, can be found at www.vodafone.com/responsibility

ABOUT THIS REPORT

Our aim is to provide a balanced account of all of Vodafone's impacts on New Zealand – economic, environmental and social. The contents of the report were determined through a process of internal and external stakeholder engagement. URS New Zealand have undertaken an audit of the content to provide readers with an independent assurance as to its accuracy and materiality.

We took into account the Global Reporting Initiative (GRI) sustainability reporting guidelines in the preparation of this report. A table of GRI indicators is provided on page 36.

CONTENTS

Letter from the Chief Executive	1
Vodafone Profile	2
Economic Impacts	4
Social Impacts	10
Foundation	14
Employees	16
Health and Our Technology	18
Environmental Impacts	22
Reuse and Recycling	24
Responsible Network Deployment	26
Supply Chain	28
CR Management	30
CR Targets	32
Assurance Report	34
GRI Index	36

URS New Zealand

URS New Zealand Limited (URS) has carried out an independent audit of the Vodafone New Zealand (Vodafone) Corporate Responsibility Report for the 2006 Financial Year, to provide readers assurance on whether the report is accurate and adequately provides information of material interest regarding the company's performance.

The AA 1000 Guidelines for verifying a report's materiality and completeness were used as a basis for the audit. Feedback was also provided on Vodafone's responsiveness to stakeholders.

For more information, see the full Assurance Statement on page 34.

Welcome to Vodafone New Zealand's third Corporate Responsibility Report, covering our 2006 financial year. Through this report we hope to give a full and frank account of our performance across our social, environmental and, for the first time, economic impacts.

The past year has been an eventful time in the telecommunications industry. Government regulation of the unbundling of the local loop has hit the headlines, along with potential regulation of charges between fixed and mobile networks. So – what's the reason for this focus on telecommunications?

Our industry has the potential to act as a catalyst for economic development. A lack of investment in world-class telecommunications infrastructure, or restrictive pricing, could act as a bottleneck to growth. The Government wants to ensure kiwis are getting a good deal, and they have access to the technology to allow businesses to reach their full potential and to shine on the global stage. The challenge for Government across the industry is to work with service providers to create the best solution for this country – one that delivers for everyday New Zealanders while still encouraging future private investment in infrastructure.

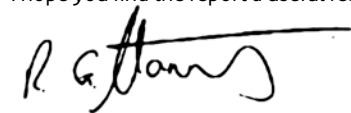
An example of this investment is our 3G (third generation) network, which went live in August 2005. This technology expands the potential of mobile applications, while allowing us to offer mainstream products in the broadband market which are competitive in both price and speed. This ties-in with our new global strategy – Mobile Plus – to move our service offering beyond mobile, to meet our customers' full voice and data communication needs.

"Our industry has the potential to act as a catalyst for economic development. A lack of investment in world-class telecommunications infrastructure, or restrictive pricing, could act as a bottleneck to growth."

Our objective to grow our 20 percent share of the total telecommunications market will bring innovation and increased competition, giving a better deal to all New Zealanders.

Our economic impacts are only a part of the overall story. Within this report you will see how we're striving to be a truly responsible and sustainable company, taking account of all our impacts on New Zealand's environmental and social wellbeing. Our strategy for achieving this is by working in partnership with our stakeholders, taking responsibility for our impacts and by operating in an open and accountable fashion.

I hope you find the report a useful resource.



Russell Stanners
Chief Executive Officer

Vodafone New Zealand

Vodafone New Zealand began operation in 1998, when the Vodafone Group purchased Bell South New Zealand. Since then we have made a significant investment to build a world-class network covering 97 percent of where New Zealanders work and play.

Over the past eight years we have grown our market base from 138,000 customers, reaching the two million mark in the last financial year. This growth positions us as the leader in the New Zealand mobile market, and as the key challenger to the main telecommunications incumbent, with approximately 20 percent of the total telecommunications market.

We provided mobile communications services (including voice, data, video calling, mobile email and picture messaging) to our mix of business and personal customers. Last year saw the launch of 3G technology, bringing faster data speeds and increased functionality to many of our users.

Our new global strategy, Mobile Plus, will see us driving innovation and fixed/mobile convergence as we aim to meet the full voice and data communications needs of our customers.

Vodafone Group

Vodafone is the leading global mobile telecommunications company. Since its formation in Britain in the 1980s the company has expanded rapidly, with over 170 million proportionate customers* as of 31 March 2006. One in four of the world's mobile phone users is on a Vodafone network.

Vodafone Group publishes an annual Corporate Responsibility Report, which details our global impacts and programmes. Some of the issues we face on a global scale include digital inclusion – unlocking the socio-economic potential of mobile communications in developing countries – and managing our footprint through our global supply chain. Many of our Local Operating Companies also publish reports specific to their country.

More information can be found at www.vodafone.com/responsibility/reports

Vodafone New Zealand factbox

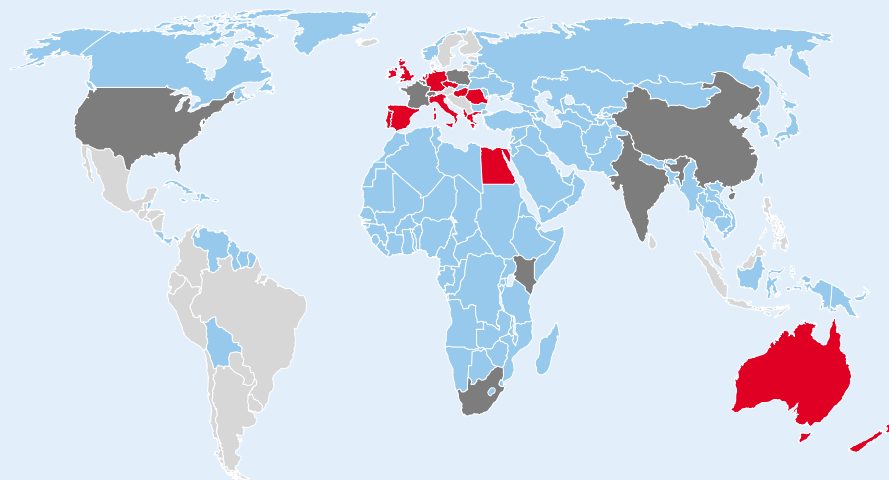
(units \$NZ)	2006	2005
Turnover (\$'000)	1,300,191	1,198,849
Profit (after tax) (\$'000)	151,677	182,252
Customers ('000)	2,068	1,891
Share of Mobile Market	52.5%	55.4%
No. of Employees	1,426	1,346
No. of Mobile Phone Sites	1,141	1,125

Vodafone Group factbox

(units billion GBP)	2006	2005
Revenue	29.4	26.7
Operating (loss)/profit	(14.1)	7.9
Adjusted Operating Profit	9.4	8.4
Market Capitalisation	72.4	90.8
Proportionate Customers*	170.6m	140.1m
No. of Employees	62,672	57,759
No. of Mobile Phone Sites	97,899	97,787

* Adjusted to reflect Vodafone's proportionate ownership of each operating company

Where we are



● Local operating companies

	%
Germany	100
Italy	76.9
Spain	100
UK	100
Albania	99.9
Australia	100
Czech Republic	100
Egypt	50.1
Greece	99.8
Hungary	100
Ireland	100
Malta	100
Netherlands	99.9
New Zealand	100
Portugal	100
Romania	100

● Affiliates, investments and other joint ventures

	%
China	3.3
Fiji	49.0
France	44.0
India	10.0
Kenya	35.0
Poland	19.6
South Africa*	49.9
Switzerland	25.0
United States	44.4

* Our affiliate in South Africa, Vodacom, also operates in Lesotho, Mozambique, the Republic of Congo and Tanzania.

● Partner markets

Vodafone also has agreements to market certain services through partner markets in which we have no equity stake. These agreements exist in 32 countries in Central and South America, Europe, the Middle East and Asia.

2.1m

customers

\$2b

investment in infrastructure

2010

committed to bringing NZ to the top half of OECD pricing benchmarks by 2010

Introduction

Vodafone's impact on the economy stretches beyond direct contribution through our operations, taxes, employees' wages and payments to suppliers.

Investment in world-class infrastructure is vital to New Zealand's economic health and development. As a telecommunication service provider we have an important role to play in ensuring New Zealand's access to modern and efficient telecommunication services. These services are a key element in encouraging local and international investment, to increase productivity and to drive innovation to ensure New Zealand's geographical isolation is not a barrier to participation in the global economy.

The economic impact of technology

The economic impacts of mobile communications can be measured. International studies have shown that a developing country with 10 extra mobile phones per 100 people between 1996 and 2003 would have had GDP growth 0.59 percent higher than an otherwise identical country.¹

We're proud of the results of our investment in New Zealand. When Vodafone purchased Bell South in 1998, New Zealand's mobile infrastructure lagged much of the developed world, without access to now ubiquitous services such as txt messaging and the ability to roam the world using your New Zealand mobile.

Eight years on we've made a significant investment to build a world-class national network. Rather than lagging other countries, in many new technologies New Zealand is now a leader. An example of this innovation is the recent launch of mobile broadband.² New Zealand is only the ninth country in the world to have a mobile broadband service HSDPA (High Speed Download Packet Access) in operation, and one of the first to have HSDPA at the speeds that we launched with.

Over the past eight years the cost of mobile phones and calling has dropped significantly and the mobile phone has overtaken the landline as New Zealanders' preferred means

of communication, with mobile connections outnumbering landlines more than two-to-one. Pre-pay connections with no monthly charges have also opened up access to telephones to those on low-incomes.

With the competitive environment we've helped to create, it's a very easy business case to ensure that our impacts on the telecommunications market are positive – if we're not offering well-priced cutting-edge products and services we risk losing our market share to our competitors. We're embracing this competition and, over the next few years, hope to breathe fresh life into the broader telecommunications market. Although we're the market leader in mobile communications, we have only a 20 percent share of the total telecommunications market. We want to increase our share of the total market in coming years.

Productivity and efficiency

Technology has always had the potential to drive economic growth and improve the standard of living. The mobile revolution is no different. Vodafone is challenging traditional business practices, mobilising workforces, generating efficiencies and challenging the accepted ways of doing business.

The ability for people to work and communicate from different locations boosts productivity and efficiency, and also has many knock-on benefits such as reducing the need to travel. These benefits don't just end with our customers. If New Zealand businesses are more productive and able to compete on the global scale, then so is the New Zealand economy.

www.vodafone.co.nz/business

¹ Source: 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 Mobile broadband was launched in October 2006, outside the 2006 financial year

Energex New Zealand

Energex New Zealand provide design, construction and maintenance of energy distribution networks. They build and maintain the power line networks for Vector and other energy companies. They employ 350 people, including 60 field engineers, working from six offices spread throughout New Zealand.

Vodafone worked with Energex to create a seamless communications solution, ensuring that employees and customers could stay in touch wherever they were using the Vodafone 3G network. Field workers were equipped with email capable handheld devices to give real-time access to essential information using mobile broadband.

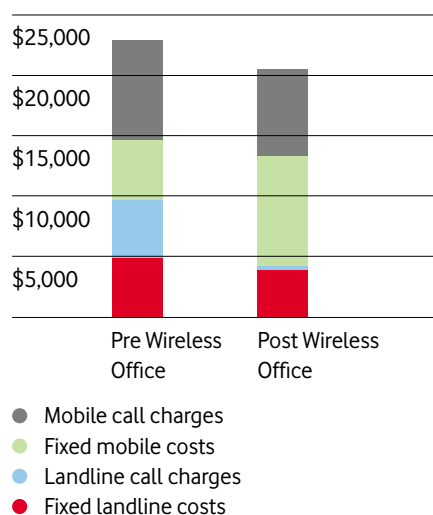
Full integration with Energex's PBX (Private Branch Exchange) meant customers no longer needed to leave messages or call several numbers to reach the person they wanted. This reduced the need for field workers to return to the office to check voicemail messages and receive and process jobs. Calls to field workers' DDIs are automatically redirected to their mobiles, and because all internal calls are routed through the local PBX, those calls are at zero cost.

Overall the changes increased effectiveness and efficiency of Energex's communications and customer service, while creating a six percent cost saving.

"Our people can now spend more time getting out and getting on with business", says David Williams, Energex's Commercial Manager. "Our customers love us and the improvement in our internal and external communications is hard to quantify. We told Vodafone we wanted at least a six percent cost saving – this has been more than achieved."

Monthly cost of communications

Saving of 6% each month



Results

- 6% overall cost saving
- Improved communication and reduced response times lead to greater productivity
- Improved client and end-user satisfaction.

Competition and telecommunications

Healthy competition between network providers is important to ensure that customers are getting the best deal. A competitive market drives innovation, efficiency and a better outcome for users.

The fixed-line telecommunications market has come in for some attention in the past year, with regulation announced to open up access to existing fixed-line infrastructure and regulate wholesale access rates to competing carriers. This regulation was introduced because it was judged that the current environment wasn't working for New Zealand consumers.

We believe that competition in a market economy, pursued in an ethical way, is the best way of delivering benefits to our stakeholders

Vodafone Business Principle #1 – Value Creation

To increase our share of the New Zealand telecommunications market, Vodafone must meet our customers' full communications needs. Through our Mobile Plus strategy we hope to increase competition for services traditionally provided through fixed-lines. Leading this strategy is our investment in new technology, driving fixed/mobile convergence, and cutting the need for landlines with products such as mobile broadband. This is supplemented by the ability to offer the full range of traditional fixed-line services such as broadband and home calling.

These services offer real facilities-based competition, boosting investment in New Zealand's telecommunications infrastructure and capacity. This creates choice in the marketplace for the benefit of consumers.

The mobile market

The mobile market is also the focus of regulatory attention. This is reflected in the Commerce Commission's ongoing mobile services review, which is looking at whether further regulation of the mobile sector is required to promote competition³. The challenge of regulatory intervention is to ensure sufficient incentive remains for private investment in infrastructure, and that unnecessary uncertainty around the regulatory environment is avoided.

Vodafone supports regulation to resolve enduring market failures. However, there is strong evidence to show that the mobile market is delivering a good deal for consumers.

Low take up of services compared to other developed countries was a major concern in the debate about fixed-line broadband. Examining the rate of market penetration shows the rate of adoption of new technologies, and can highlight market issues (such as a lack of choice or prohibitively high pricing). This isn't a concern for mobile use in New Zealand.

The number of people with a mobile phone continues to grow. There were 3.9 million active mobile connections compared with 1.8 million fixed lines as at 31 March 2006 – a mobile penetration of just over 94 percent. International comparison of these figures against other OECD⁴ countries shows New Zealand at the middle of the pack, ahead of countries such as the USA, Canada, France and Australia.

³ www.comcom.govt.nz Commerce Commission of New Zealand

⁴ www.oecd.org Organisation for Economic Co-operation & Development

We know we have a fight on our hands to maintain our leadership position in the New Zealand mobile market. Market churn – the number of customers switching between operators – is another indicator of market health, as competitive offers entice customers to switch networks. In New Zealand churn between networks is high, with almost a quarter of our customers switching each year. This compares positively with other countries, placing New Zealand above the OECD average for market churn.

Vodafone sells wholesale access to its network, allowing other operators to offer branded mobile services which they may bundle with other services to make a single offering to their customers. We have been operating a wholesale agreement with TelstraClear since 2000, with a number of agreements with other operators in the pipeline for the coming year.

There are also more formal mechanisms to encourage entry and investment in the mobile market. Roaming agreements allow another operator’s customers to roam on an existing network while outside the coverage of their home provider, meaning that a new entrant can offer national coverage while still building their network. Another means of reducing the costs of building mobile networks is to co-locate mobile phone sites, with operators sharing facilities and expenses. These mechanisms work on agreements between carriers. Both roaming and co-location are regulated and as such the Commerce Commission can be involved in setting terms between the parties if they are unable to agree.

Mobile calling rates

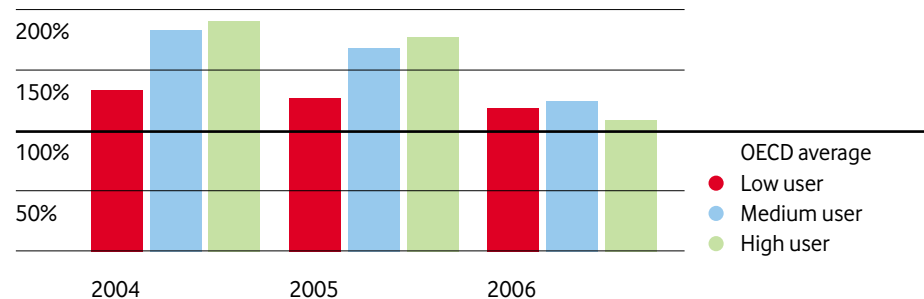
Prices for calling have been falling in New Zealand for a number of years. These falls are due to competitive forces, combined with a strategy to boost mobile usage and compete more directly with fixed-line calling services, encouraging greater fixed/mobile substitution. These changes are accelerating – in the first three months of the 2007 financial year average revenue per user (ARPU)

has dropped nine percent. The drop in revenue is a combination of a decrease in termination charges paid to Vodafone when our customers receive calls, but also pricing changes including our You Choose, Free Text Weekends and discounted calling offers. More recently we launched Supa Prepay, heralding a new approach to prepay based on simple, regular, fixed payments for large amounts of calling or texts.

Our strategy to reduce prices is showing up on OECD comparisons. Mobile prices have been falling faster in New Zealand than the OECD as a whole. International benchmarking has shown mobile pricing in New Zealand to be higher than in other OECD countries – this is a situation we’re working to address.

Our goal is to have New Zealand in the top half of the OECD’s pricing benchmarks by 2010, matching the Government’s goals for the telecommunications industry as expressed in the Digital Strategy. We believe we are making excellent progress towards this goal.

NZ mobile calling vs. OECD average (years to August)



Vodafone NZ mobile calling rates over time

2004 Mobilise Plans			2006 You Choose Plans			Saving %
Monthly fee	Free Minutes	Price per minute	Monthly fee	Free Minutes	Price per minute	
\$45.00	50	\$1.01	\$39.95	60	\$0.67	34.2
\$70.00	100	\$0.79	\$59.95	120	\$0.50	36.6
\$110.00	200	\$0.62	\$109.95	250	\$0.44	28.9
\$190.00	400	\$0.53	\$224.95	600	\$0.37	29.8
\$300.00	750	\$0.45	\$369.95	1100	\$0.34	25.3

804

enquiries to the NetSafe call centre relating to txt bullying

\$800k

committed to accessibility partnership with RNZFB

1,426

employees

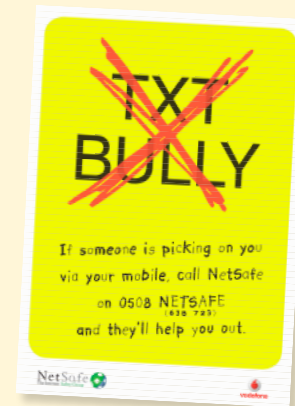
Mobile phones have changed the way we work, the way we socialise, the way we play. The mobile revolution has brought added safety, productivity and connectivity. But as a provider of this technology we must take care to consider all of its impacts on people, and manage our business in a responsible manner.

Impact on children

It's our responsibility to ensure younger customers can enjoy our products safely. This is a responsibility we share with the entire mobile industry. We have taken a collaborative approach to addressing child safety and wellbeing. At our request, NetSafe (the Internet Safety Group) set up a working group to address the issue of text bullying. Through this group we worked with NetSafe, the Police, and Telecom New Zealand to ensure an industry-wide approach to this issue, adopting a standard policy.

To raise awareness of the support services available through the NetSafe call centre, we sponsored the print and distribution of posters and brochures, offering advice and a help-line number for those affected. These materials were distributed to a total of 61 schools, and 32 other organisations. Over the past year more than 21,000 brochures and 235 posters have been distributed, to offer support and advice to those in need.

NetSafe can also provide information and support for those concerned about mobile chat rooms.



Last year we published a parents' guide to mobiles. Mobile phones are a great way for parents to keep in touch with their children and ensure they're safe. The guide includes information on how to supervise children's usage of mobiles, giving tips for secure and safe usage. It also serves as an introduction to the language of txt, mobile chat rooms, and the expanded potential of 3G (third generation) mobile devices for accessing more powerful applications and browsing the internet. You can download a copy of the Parents' Guide at www.vodafone.co.nz/aboutus/mobile_safety.pdf

Number of calls to the NETSAFE call centre regarding txt bullying and harassment

Children	403
Adults	360
Email enquiries	41
No. of callers referred to the Police	265

Adult content

The launch of 3G has opened up the potential for rich, multi-media services to be sold over our network. Some of these services, such as adult content, may be inappropriate for younger customers. To prevent young people accessing adult content we led the development of the Mobile Content Code of Practice, which has been approved by the Telecommunications Carriers' Forum.¹ The Code requires access controls must be in place for age verification before restricted content can be sold. We expect to have these controls in place by the end of the financial year. At present Vodafone do not provide any restricted or adult content through our network.

¹ www.tcf.org.nz

Responsible marketing

Over the past year we continued to roll out our Responsible Marketing Guidelines, with specific training sessions for our creative agencies. Our aim for this year is to continue these sessions, ensuring all employees responsible for our advertising, direct marketing and point-of-sale material understand and adopt these standards.

The guidelines require that our marketing is honest, straightforward and fair.

Last year the Advertising Standards Complaints Board received a total of 27 complaints against Vodafone advertisements. None of the complaints were upheld by the Board. The advertisement receiving the most complaints (16) was a cartoon television commercial showing six naked adults playing volleyball, with each characters' private areas covered by bold black rectangles. The advertisement was a promotion of free txtng weekends, with the tag line "Nothing beats being free".

Due to the timing of broadcast of the advertisement, after 6pm, the chairman's ruling stated that the commercial "had been shown with a due sense of social responsibility and did not meet the threshold to cause either serious or widespread offence in the light of generally prevailing community standards".

Car safety

The use of mobile phones while driving is a distraction. We encourage safe use of mobile phones by advising motorists to:

- Pull over safely and stop to make or receive a call
- Allow voicemail to answer the call, and check messages later
- Use a car kit or hands-free device
- If using a car kit or hands-free device, keep conversations simple and short and don't get distracted.

It's not in our interest for irresponsible use of our technology to cause injury. It's also a reputational issue for our industry. An information leaflet, Responsible Drivers Pull Over, is available at www.vodafone.co.nz/aboutus

Inclusive products

Digital inclusion is a global issue for Vodafone. In the developing world our focus is on making mobile phones more affordable, and leveraging the socio-economic potential of mobile technology for poorer people.

With 94 percent market penetration, it appears few people are missing out on the benefits of mobile technology in New Zealand. However, we believe we can do more to ensure mobile communication is accessible to all members of the community, particularly those with disabilities. Our target is to have launched three products which increase inclusion by March 2008.

SIMPLY Phone

The SIMPLY phone is designed to make the benefits of a mobile phone more accessible. Primarily designed for our older customers, it features simple menu systems, a large and easy-to-read screen, large buttons and simplified features (such as the address book). These features have also made the phone popular among some of our partially sighted customers.

Our partnership with the RNZFB

In December 2005 we signed a three-year partnership with the Royal New Zealand Foundation of the Blind (RNZFB), which is supported by an \$800,000 grant from the Vodafone New Zealand Foundation. The agreement makes Vodafone the lead partner in delivering adaptive technology to the RNZFB's 11,700 members.

The grant will enable the RNZFB's Mobile Adaptive Technology Training Units to get on the road and take their training courses to members throughout New Zealand.

The courses will help blind, deaf-blind and vision-impaired people of all ages to:

- Use a wide range of programmes on computers equipped with screen-reader software or refreshable Braille
- Harness the power of the internet to use email, conduct research, do internet banking, or search for employment
- Gain the skills and confidence to help them find employment (with RNZFB's help) or succeed in tertiary education.

The grant pays the salaries of three full-time Adaptive Technology Trainers. A separate grant is funding the rollout of TALKS technology to RNZFB members. TALKS is a piece of software which acts as an audio interface between a mobile phone and the user, by reading aloud the contents of phone menus and messages. This technology opens up the broader functions of a mobile device, allowing blind, deaf-blind and vision-impaired users to utilise functions sighted people may take for granted, such as txt messaging and address books. We hope to rollout TALKS to the RNZFB's membership in late 2006.

SIMPLY convenient

It was Elizabeth East's son and a vision-impaired friend who prompted her to get a Vodafone SIMPLY phone last year, to stay in touch with friends and family.

Elizabeth, National Co-ordinator for peer support at Retina New Zealand, said the phone has been a big plus to her, adding convenience and safety to her life.

Elizabeth was diagnosed with a form of macular degeneration when she was in her late 30s. This made reading print that was not clear extremely difficult for her.

Elizabeth says her teenage son was getting frustrated with his mum for not using a mobile phone so he could text her. A fellow committee member at Retina NZ told her about the SIMPLY phone, and two weeks later she received a promotional flyer advertising the phone for \$199.

"I went to the shop, tried the phone and I said, 'yep I can read that screen', so I bought it with a prepay connection. The instruction booklet was very basic so I was texting pretty quickly."

Elizabeth says the phone can be connected to her computer which enables her to use a large font size to enter new contacts into the phone.

"The phone is really useful if I'm late at meetings. I text my husband while I'm on my way home on the train."

Elizabeth says her son is now happier and the whole family is able to keep in touch wherever they are.



The Vodafone New Zealand Foundation is the face of Vodafone’s community investment in New Zealand. The Foundation makes a positive contribution through its financial support of important charity work, and by enabling everyday New Zealanders and Vodafone employees to make a world of difference.

The Vodafone New Zealand Foundation is a charitable trust, formed in 2002. The Foundation is funded by annual donations from Vodafone New Zealand and the Vodafone Group Foundation. The Foundation provides support through a number of channels:

- The World of Difference programme
- Through grants to charitable organisations
- Through financially matching charitable donations from employee fund raising.

The Foundation is currently undergoing a strategic review. This process, led by the Foundation’s board of trustees, will re-focus the Foundation’s investment strategy. The outcome of this review will be covered in next year’s report.

Making a world of difference

The World of Difference programme has been running since 2002. The programme funds up to six people a year to work for the charity of their choice.

Over the past four years the programme has enabled 18 New Zealanders to commit themselves full-time to a cause they feel passionate about, while the Foundation pays their salary and expenses for one year.

Vodafone New Zealand Foundation contribution

Source / Destination	Foundation Income
from Vodafone New Zealand	\$518,000
from the Vodafone Group	\$1,705,373
from third-party donations	\$27,058
	Foundation Investments
grants made in the 2006 financial year	\$1,723,919
donated through employee matched giving scheme	\$67,379
Vodafone New Zealand contribution	
Donated volunteering time (by 87 volunteers)	3430 hours
Total contribution	
Total donations	\$1,791,298
Net profit before tax – Vodafone New Zealand	\$239,852,000
Percentage of pre-tax profits donated	0.75 percent

A World of Difference winner Diane Sharp, one of the 2005 World of Difference winners, has been funded by the Foundation to spend 12 months working with the New Zealand Riding for the Disabled Association (NZRDA), which uses riding activities and skills to provide therapy and support to people with disabilities.

As a registered occupational therapist, Diane’s knowledge and skills are invaluable to the NZRDA’s many voluntary groups around the country, helping them to develop the potential of using horse riding as therapy for people with disabilities.

“I’ve done a lot of volunteer work for Riding for the Disabled and am passionate about riding therapy, having seen first hand the difference it can make. Now I’ve been given a golden opportunity to contribute to developing a quality assurance programme that makes a difference to the lives of riders and volunteers,” says Diane.



Other 2005 World of Difference winners

Kylie Bentham & Mercy Ships

Kylie is a registered nurse who applied to work as a Theatre Manager aboard the M/V Africa Mercy, based in Ghana, West Africa. Mercy Ships is an organisation operating a fleet of hospital ships providing vital care in developing nations.

Vicki Culling & Stillbirth and Newborn Death Support / SANDS NZ

Vicki has been funded to work as a project manager for Stillbirth and Newborn Death Support (SANDS), a voluntary group that supports newly bereaved parents who have lost a baby at, or soon after birth.

Sue van Schreven & Orphans Aid International

Sue has established Orphans Aid International, a New Zealand charity that cares for orphaned babies and aims to place them with new families in their home country.

mini-World of Difference

Last year saw the launch of mini-World of Difference, a version of the World of Difference programme tailored for our employees. Our staff were invited to apply to spend up to one month working with and supporting one of the Foundation’s partner charities.

“It was one of the greatest experiences of my life. I felt so privileged to work with the young sail trainees and I can’t wait to go again.”

Claire Smith, volunteer Watch Leader Spirit of Adventure Trust

Nine employees were chosen to spend time with four charities. Their experiences ranged from acting as a Watch Leader for the Spirit of Adventure Trust, to putting their work skills to good use in the Marketing Team at Project K and in web-development for the Yellow Eyed Penguin Trust.

For more information on the Vodafone New Zealand Foundation, visit www.vodafonenzfoundation.org.nz

To find out more about the Vodafone Group Foundation, or other Vodafone foundations, visit www.vodafonefoundation.com

Our business is changing, and so is our workplace. We are attempting to evolve our internal culture, to find a sustainable balance between being a great employer, maintaining our reputation as a fun and engaging place to work, while building a culture of high performance and achievement.

Of course, we couldn't attract and retain the employees we want without a competitive remuneration package. Our people enjoy a number of benefits, including health insurance for employees and their immediate families, a paid superannuation plan, life insurance and a mobile phone for work and personal use.

We also take a broader interest in employee wellbeing. In April this year our employee wellness programme, W.A.V.E. (Wellbeing, Attitude, Vitality and Energy), was recognised at the New Zealand Workplace Health and Safety Awards, receiving the award for best initiative to improve employee wellness.

To achieve the shift towards a high-performance culture we realise we must invest in our employees and their development. Over the last year we have focused on improving our performance management systems, and setting development plans for every employee.

A key change for the next year is within our remuneration strategy. Previously, if the business met its set targets, the employee bonus was paid equally across all employees as a percentage of base salary.

This year we have included an aspect of personal performance in deciding the level of bonus to be paid. High performing employees will be rewarded with a larger proportion of their salary, whereas employees with unacceptable performance risk losing their bonus.

Employee Factbox

	2006	2005
No. of employees	1,426	1,324
Employee turnover	17.7%	21.9%
No. of women in senior roles	5 out of 32	4 out of 28
Investment in employee training	\$3.08m	\$3.25m
No. of lost-time accidents	2	7

Engaging with our employees

In 2003 and 2005 our employees participated in the Vodafone Employee Survey (VES), a global survey to measure employee satisfaction and identify areas for improvement. Ninety-two percent of our New Zealand employees participated in the March 2005 survey, giving us a great insight into how we were performing.

The feedback from the 2005 VES was used to create specific action plans for each area of the business. The Human Resources team took ownership of the action planning process to drive this across all business functions, to ensure we were acting on our employees' concerns.

To make the process transparent and accountable we published the full survey results on our intranet, and communicated them to all employees. Each business units' action plan arising from the VES is also published on the intranet, with information on how they're tracking against these goals.

We also worked to improve our internal communications processes, reducing unnecessary traffic to communicate more effectively, and giving our line managers clearer messages to communicate and cascade through their teams. As a result of our people's feedback, particular focus was placed on improving our management

of employee development. To aid this, we rolled out an online performance dialogue process, to build our managers' interactions with their employees, and encourage conversations on career development. The system requires that development plans be created for all employees.

To check that this process is working well, we implemented six-monthly employee surveys, so our people can give feedback to their managers on their experiences on the performance dialogue and development planning processes.

To ensure employees are kept aware of internal opportunities, all Vodafone roles are advertised internally through our standard communications channels. We have also revised our succession planning processes, to examine opportunities for employee development as a part of planning for the future.

In the coming year we plan to measure employee opinion more frequently, to fill in the two-year gaps between the Vodafone Employee Surveys. A "Pulse" survey was carried out in May 2006, which was a simpler version of the VES. In the future we intend to repeat these surveys on a six-monthly basis.

The interim results showed some significant improvements in the areas of focus, such as an 11 percent increase in employees saying their managers coach them to improve their skills and performance.

Compared to previous years the overall trend is downwards. However, the results showed we are above the average for 19 of the 28 metrics surveyed across all Vodafone operating companies. The local shift is to be expected, as our business matures and our focus moves towards building a high-performing culture. Our challenge is to find a sustainable balance, recognising that high employee satisfaction and engagement is vital to a high-performing organisation.

Percentage of employees agreeing with the statement

	2005 %	2003 %
Vodafone is socially responsible (a good corporate citizen)	92	91
Vodafone is ethical in its business dealings	87	90
My objectives are consistent with the Vodafone values	86	n/a
I am proud to work for Vodafone New Zealand	87	91
The company takes a genuine interest in my wellbeing	63	77
My line manager treats employees with respect	78	82
My benefits are good compared to people doing similar work for other companies	78	87
Overall, Vodafone is a good place to work compared to other organisations I know about	87	93

We take our responsibility for the safety of our customers, employees, contractors and the general public seriously. The remarkable growth in the use of mobile phones, and the roll out of the infrastructure necessary for their use, has brought with it public concern over the potential health impacts of the technology.

The use of radio waves for communication is nothing new. They have been in use for over 100 years, with established and publicly accepted services such as radio and television broadcast over these frequencies.

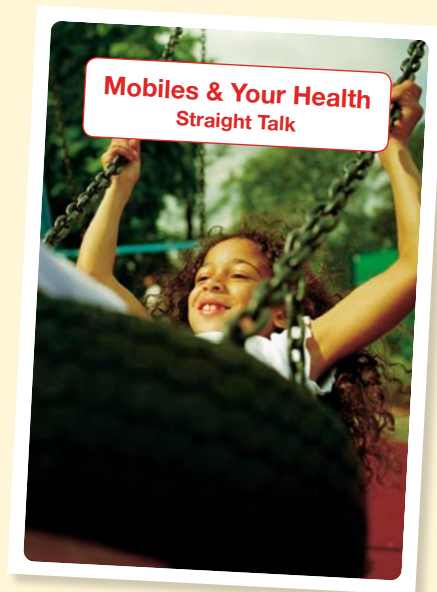
It is Vodafone's vision to lead the industry in responding to public concerns regarding mobile phones, masts and health. This is a global issue, and one that our company is tackling with a global strategy. We support independent research aligned to World Health Organisation (WHO) priorities, and are committed to communicating clearly and consistently, taking into account our stakeholders' concerns.

The issue can be split into two different areas – emissions from mobile phone sites and emissions from mobile phone handsets. For more information on how we go about choosing and constructing a mobile phone site, see our Responsible Network Deployment section on page 26.

“All reviews conducted so far have indicated that exposure below the limits recommended in the International Commission on Non-Ionising Radiation Protection (ICNIRP) (1998) EMF guidelines, covering the full frequency range from 0–300 GHz, do not produce any known adverse health effect.”

World Health Organisation website 2006.

www.who.int



Last year we made significant improvements in the way we communicate with concerned customers and the public. Our call centre procedures were updated, to allow simple questions to be answered on the spot. For more complicated enquiries callers are directed to the Community Relations team.

We also produced two fact-cards for use across our business. A card designed for our retail stores addresses health concerns relating to mobile phones. A second card addresses concerns about mobile phone sites, and is used by contractors building our network.

More information on health and our technology is available on the Vodafone New Zealand website, where you can download a copy of our local information booklet Straight Talk. Printed copies of this booklet are available on request. Anyone with specific questions about health and our technology can contact our Community Relations team on 0800 10 17 10.

www.vodafone.com/responsibility/mpmh

www.vodafone.co.nz/healthfacts

Mobile phones and health

How do mobiles work?

Our mobile phones operate by transmitting and receiving radio signals using radio frequency waves (RF). These are the same type of waves produced by radios, televisions and remote controls and have been around for years.

Do mobiles affect your health?

The World Health Organisation (WHO) says "Based on current independent scientific review there is no evidence of an impact on human health when exposure to RF is below internationally recognised guidelines". All handsets sold by Vodafone comply with these international health and safety standards and guidelines.



Mobile phone sites and electromagnetic energy (EME)

Q. Why is Vodafone building a mobile phone site in this location?

A. This mobile phone site will transmit and receive radio signals to and from mobile phones, enabling people to use their mobile phones in the area.

Q. Will this mobile phone site pose any health risks to people in the area?

A. The weight of scientific opinion concludes that there are no known adverse health effects caused by the levels of radio signals from mobile phone sites. As with all Vodafone mobile phone sites, this site complies with international health and safety standards.

Q. Where can I get more information

A. If you have any questions about mobile phone sites or any of Vodafone's activities you can contact Vodafone's Community Relations Unit or visit our website (see reverse).

Mobile phone site monitoring

Each year we commission the National Radiation Laboratory (NRL) to monitor electromagnetic field (EMF) strength around our mobile phone sites. The National Radiation Laboratory is part of the Ministry of Health. The annual survey encompasses approximately five percent of our mobile phone sites, with 50 sites measured in the past year. The location of the sites and the timing of the tests is chosen by the NRL independently of Vodafone. Their approach is to ensure:

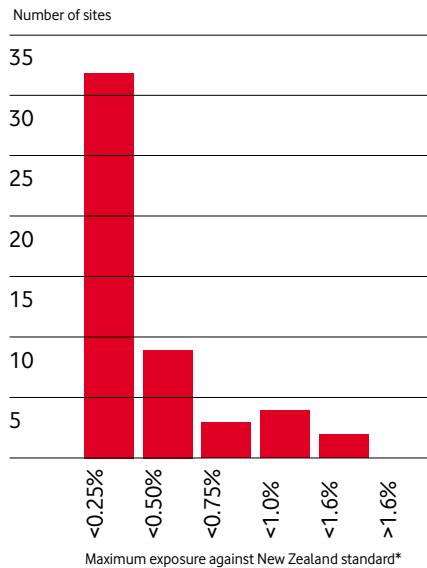
- A good geographical spread of sites
- A range of types of site (city/urban/suburban, rural)
- Coverage of sites known to be of community interest.

Last year the maximum exposure at any site was measured at 7.17 micro watts per square centimetre, or 1.6 percent of the New Zealand standard*, which states a maximum public level of 450 micro watts per square centimetre at 900 MHz. This was at a rooftop mobile phone site shared with another operator, at Hauraki Corner in Auckland's North Shore. Typical exposure around the site was less than 3 micro watts per square centimetre.

The results from all site monitoring from the past three years is published on the National Radiation Laboratory's website. Vodafone is the only company in New Zealand to publicly disclose independent monitoring information of transmission strength.

www.nrl.moh.govt.nz (search "Vodafone")

Maximum exposure levels measured near Vodafone mobile phone sites



Emissions from mobile handsets

The strength of a Radio Frequency (RF) field's effect on a person can be measured using specific absorption rates (SAR). The SAR value measures the energy absorbed by the body as heat in watts per kilogram. The International Commission on Non-Ionizing Radiation Protection (ICNIRP) has guidelines for a recommended maximum SAR value of two watts per kilogram. All handsets sold by Vodafone comply with these guidelines. SAR values for many handsets are available on the Mobile Manufacturers Forum site

www.mmfa.org/public/sar.cfm

Modern mobile phones adjust the power automatically to the minimum required to communicate with the mobile phone site. Generally, the nearer the site, the lower handset RF output. 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.

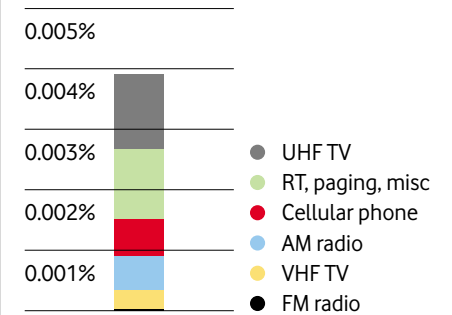
We provide information for concerned customers on how they can minimise their exposure to RF fields through mobile phone usage. This information is available through our website

www.vodafone.co.nz/healthfacts

Sources of electromagnetic energy in New Zealand

Electromagnetic waves at different frequencies in the spectrum have different qualities, from visible light perceptible to the human eye, through to radiated heat, radio waves and x-rays. Our mobile phone technology uses frequencies between 900 and 2100 MHz, within the radio spectrum. Some of our mobile phone sites also use higher frequencies to transmit to other sites. Emissions from mobile phones and base stations are classified as non-ionizing radiation, meaning that they are not strong enough to break chemical bonds.

Average exposure against New Zealand standard*



This chart shows readings taken by the National Radiation Laboratory in 2004, and show an average across five urban locations. The chart shows the sources of the radiation which made up the total exposure. From all sources the average EMF level across all five sites was just 0.004 percent of the New Zealand standard*, 25,000 times lower than the permissible level for public exposure. The highest was Aotea Square in Auckland, in direct line of sight of the Sky Tower, where EMF was measured at 0.013 percent of the standard.

*NZS 2772.1:1999

1,141
mobile phone sites

18,000
tonnes CO₂ emissions

23,493
mobile phones recycled

Vodafone's environmental impacts are diverse. Our operations stretch from urban to rural environments, from retail stores to network centres and mobile phone sites.

Alongside the standard problems of efficient resource usage, we face some issues specific to our industry. The proper processing of electronic waste, from mobile phone handsets and disused network equipment, is a key challenge for our business. Many batteries, circuit boards and air-conditioning units contain hazardous substances, some of which cannot be processed by local companies.

The continued roll-out of our network, bringing better coverage and enhanced services to our customers, must also take into account impacts on the local environment and the expectations of local communities.

In this section we aim to account for our impacts on the environment, and explain how we're working to manage our business sustainably, making efficient use of resources.

CO₂ emissions

In 2006 our CO₂ emissions increased by 25 percent. Our network operations and transport emissions were responsible for the majority of this rise.

Sixty-three percent of our total CO₂ emissions are created by our network operations. Our network continues to grow, as does the amount of data transmitted across it each year. To measure the energy efficiency of our global network and to set a meaningful CO₂ reduction target, we measure network efficiency in CO₂ emissions per unit of data transmitted. Vodafone have set a global target to reduce network CO₂ emissions per megabyte of data by 40 percent by 2011. For more information on energy efficiency in our network see the Responsible Network Deployment section – page 26.

Over the past year the impact of our travel increased significantly with an increased number of local and international flights. For 2007 tighter controls on air travel have been implemented, which should bring both a financial and environmental benefit to the business.

We also offset the fuel usage of our fleet vehicles by planting trees to act as a carbon sink. We offset last year's emissions of 15 of our fleet vehicles in June 2006, with 52.8 tonnes of CO₂ offset through a planting event at Mount Albert Grammar School in Auckland. The project was organised through our membership of Greenfleet.

www.greenfleet.org.nz

Our environmental footprint for 2006

- 1,141 mobile phone sites

- 18,000 tonnes CO₂ emissions

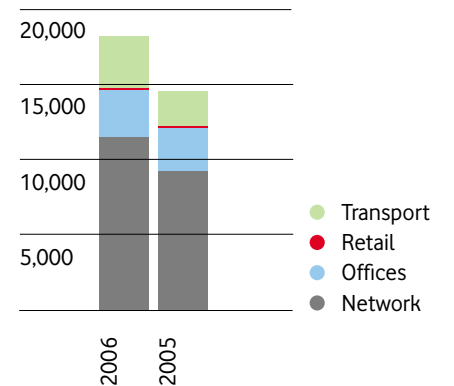
- 80 tonnes of waste from network operations – 99.6 percent reused or recycled

- 23,493 mobile phones recycled

- 32 tonnes of office paper used – over 80 percent from recycled sources

- 40 tonnes of paper recycled

CO₂ emissions (tonnes)



Mobile technology moves fast. The rate of change means older phones and network equipment quickly become obsolete. Many of the materials used in the construction of this hardware can be reused and recycled, but much of this waste must be shipped overseas to be properly disposed.

Local companies do not have the capacity to process waste in these quantities, nor is there a local market for old technology which may be refurbished and reused in the developing world.

Mobile phone recycling

There are millions of mobile phones in circulation in New Zealand. Recent research commissioned by the Ministry for the Environment showed on average each household owned 2.1 mobile phones. Of those households with more than one phone, 47 percent said that at least one of their phones was no longer in use. The survey data suggests an average of 0.9 unused phones in each of these households – or a projection of 812,530 unused mobile phones in New Zealand.

Last year we worked with the Ministry for the Environment on their product stewardship initiative. Our mobile recycling scheme was featured as one of five industry case studies. The information will be used by Government to assist businesses in taking responsibility for their electronic products at end-of-life.

www.mfe.govt.nz

Handset recycling target

Phone handsets, batteries, chargers and accessories are all processed through our recycling scheme. Our target for last year was to collect 50,000 handsets. We fell short of this, with 23,494 handsets collected.

What do people do with their old mobile phones?

	%
Store/keep it no longer in use	28.5
Give it family/friend	19.2
Dumped it	14.3
Traded it in	10.5
Returned to shop for disposal	7.0

Top five reasons for keeping an old mobile phone

	%
Keeping it as a backup	41.9
Planning to give it away	19.0
Don't know how to dispose of it	13.0
It's broken but think it still has value	7.2
Planning to sell it	3.3

*Source – UMR Research Electronic and Electrical Equipment Survey, January 2006.

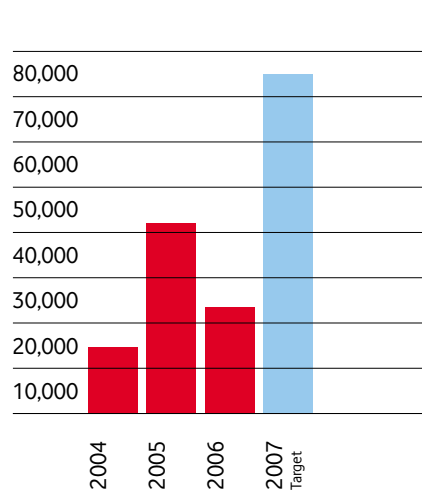
Although the numbers have dropped, this doesn't tell the whole story. The 2005 figures were boosted by a trade-in promotion, which was responsible for 32,693 of the 42,114 mobile handsets collected. Excluding the trade-in promotion, the number of handsets collected has more than doubled.

We have set an ambitious target to collect 75,000 handsets for 2007. Our strategy for achieving this targets both business and

institutional customers through a corporate recycling scheme, and incentivising the public through another trade-in promotion targeting old handsets and accessories.

For more information on corporate and institutional recycling programmes email recycling.nz@vodafone.com

Handsets collected for recycling



We welcome any type of phone, from any network. Phones, batteries and accessories can be recycled through any of our retail stores, or can be posted free to:

✉ **Freepost**
Vodafone Mobile Recycling Programme
Private Bag 92222
Auckland

Network waste

Our ongoing target is to recycle or reuse over 95 percent of our network equipment waste. In 2006 we continued to track above this target, reusing or recycling 99.6 percent of network waste including electronic equipment, phone masts, air-conditioning systems, equipment cabinets and batteries. The majority of waste from our network is batteries, with 39 tonnes recycled last year.

Network Waste

(units kg)	2006	2005
Disposed	284	414
Percentage of total	0.4	1.6
Reused or Recycled	79261	26206
Percentage of total	99.6	98.4

Some of the waste from our network is classed as hazardous. This can include chemicals such as those in batteries and ozone depleting substances found in air-conditioning systems. The key ozone depleting substance still in use is R-22, a HCFC refrigerant gas used in the air-conditioning systems at our older sites. Approximately 40 percent of the systems in our network still use R-22.

Vodafone has a programme for the phase out of R-22 and other units that use ozone depleting substances. Since 2003 no new units containing R-22 have been installed at any Vodafone New Zealand site. The average lifespan of these air-conditioning systems is approximately five to eight years, meaning all units will be replaced well before 2015, when all imports of HCFCs will be phased out.

Use of resources in our offices

Last year we purchased 32 tonnes of office paper. 26 tonnes, or 82 percent of this paper contained more than 80 percent recycled content. Over the past year our overall paper consumption has reduced by almost three tonnes. In 2006 we recycled over 40 tonnes of paper through our office collection schemes.

We rely upon our network of mobile phone sites for the day-to-day operation of our company. The sustainability of our business depends upon earning the trust of the community, local and central government in the maintenance and enhancement of our network.

Vodafone has a Responsible Network Deployment policy that is applied across the world. This policy is to ensure global best-practice in the roll-out and maintenance of our mobile infrastructure.

Globally, we have identified the five main impacts of our network as:

- Energy consumption (and associated CO₂ emissions)
- Waste generation
- Noise emissions
- Visual impact
- Impact on biodiversity.

Group wide, all operating companies will begin reporting against these impacts this year. We will develop local action plans to ensure we meet KPIs to ensure our compliance with the global policy.

Our network covers 97 percent of the population. In the first years of operation our main focus was expanding our geographical coverage.

Now the challenge is giving more of our customers access to 3G services, and ensuring that our network can cope with expanding traffic demands in urban areas.

The majority of our new sites are low-power, urban transmitters, designed to blend in with their location, making use of existing structures such as lamp-posts and rooftops.

How do we build a mobile phone site?

Choosing a site for a new base station is a act of balancing the needs of our customers and business with the concerns of the local community and the impact on the surrounding environment.

Community considerations:

- Compliance with the Resource Management Act
- Compliance with the district plan of local authorities
- Compliance with NZS 2772.1:1999 radio frequency exposure levels
- Visual impact on the landscape
- Community sensitivity around certain sites
- Alignment with the Urban Design Protocol
- Environmental impacts

Technical considerations:

- Enhanced service for our customers
- Strong and safe construction
- Line of sight with other mobile phone sites for transmission
- Easy access and maintenance
- Available location for lease

Energy Consumption

Air-conditioning is a major consumer of energy in the network, as sensitive equipment must be kept within a temperature-controlled climate. In New Zealand we had set ourselves the target of installing free cooling air-conditioning units in 55 percent of our sites by March 2007. Free cooling units are more efficient than conventional air-conditioning systems.

Approximately 45 percent of all air-conditioned sites used free cooling technology by March 2006. Most sites easily compatible with free cooling systems have already been upgraded. Since setting our 55 percent target two years ago, conventional air-conditioning units have become more efficient.

Globally, we have set ourselves the target of reducing network CO₂ emissions per megabyte of data by 40 percent by 2011. In New Zealand we will set a new energy efficiency target in partnership with Vodafone Group. Working towards this target will allow us to explore more cost-effective means of reducing our emissions per unit of data, while still installing free cooling where possible and within reasonable constraints.

Reasons people react negatively to a mobile phone site in their neighbourhood

	%
Lack of control of where masts are placed	40
No escape/can't get away from them/ they are transmitting all of the time	22
I worry about my family's health	22
I don't know enough about them	19
They look ugly	18

Source – Mori Market Research for Vodafone New Zealand

Visual Impacts

In 2005 we signed up to the Urban Design Protocol, agreeing to minimise the visual impacts of our new infrastructure on the built environment. Around New Zealand we have found clever ways of integrating mobile phone sites into existing structures, to minimise their visual impact on the landscape.



Vodafone has no manufacturing facilities, meaning all of the phones and mobile devices we sell, and all the equipment we use to operate our network and run our business is sourced from suppliers throughout the world.

We have a responsibility to ensure the products we sell and use have been manufactured in an ethical fashion, by suppliers who share our concern for the wellbeing of employees and the environment.

We are working in partnership with our suppliers, to manage risks through our supply chain. Issues of forced or child labour, the provision of safe and healthy working conditions, and environmental impacts all present risks to our operations and our reputation.

Global supply chain management

Vodafone's supply chain impact is global. Many of our technology suppliers are large multi-nationals, and our contracts are negotiated globally across all Vodafone operating companies.

In the last year over 600 local suppliers were assessed for risk throughout the world. In addition to this, we also completed site evaluations of 15 global suppliers in Asia Pacific, Central and Eastern Europe and Northern Africa. These suppliers were identified on a risk basis, and comprised:

- The two lowest-scoring suppliers in the self-assessments made in the 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.

Last year we established a new process for introducing new global suppliers. The process assesses suppliers against our six pillars of Supplier Performance Management, including Corporate Responsibility, before any contract is awarded.

Vodafone's six pillars of Supplier Performance Management

Corporate responsibility

Financial stability

Technology portfolio

Commercial

Delivery capability

Quality management

Global supplier approval and review process

1. Risk assessment

2. Compliance with CEP*

3. Site Visit

4. Remediation

Approval

*Vodafone Code of Ethical Purchasing

One new supplier to complete this assessment process last year was a Chinese equipment manufacturer. The qualification team, including third-party specialists from the local region, conducted an audit of the supplier's policies, processes and facilities. 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 addressed to qualify as an approved supplier.

Vodafone is part of the GeSI (Global e-Sustainability Initiative) Supply Chain Working Group, the objective of which is developing a common approach to measure and improve supply chain standards across the ICT sector.

www.gesi.org

For more information on how we manage our global supply chain see

www.vodafone.com/responsibility/supplychain

Local approach to supply chain management

Eighty percent of our top-level local suppliers have signed up to our Code of Ethical Purchasing. The Code sets out the standards we expect of our suppliers in their management of social and environmental aspects of their business.

www.vodafone.com/responsibility/cep

Last year our focus was to ensure the remaining suppliers not covered by the Code agreed to sign up. 20 suppliers remain outstanding.

In the last year we conducted corporate responsibility evaluations of five of our local suppliers. These five were identified through a process of risk-assessment across our top suppliers by spend. The evaluations test our suppliers' compliance against the Code, and ensure they fully understand its requirements.

All five suppliers passed the assessments, with an average score above 80 percent. Remedial plans for the suppliers have been drafted, offering guidance on improving their assessment score.

The five suppliers included an advertising agency, logistics and warehousing providers, network deployment contractor, and an insurance provider.

In the next year we will work to integrate corporate responsibility performance into our standard supply chain processes through a new vendor approval process. Our Procurement Framework has been updated to include the Code of Ethical Purchasing along with clauses relevant to suppliers' social and environmental management.

Local supplier approval and review process

1. Risk assessment

2. Supplier assessment

3. Action planning

Approval

Corporate Responsibility forms one of our six global strategic goals – to be a responsible business.

In New Zealand we have adopted four passions as our core values:

- Passion for Customers
- Passion for our People
- Passion for Results
- Passion for the World Around Us.

The New Zealand Corporate Responsibility team is responsible for the management of the social and environmental aspects of Vodafone's business. This also incorporates management of the Vodafone New Zealand Foundation.

The CR team is part of the Human Resources business unit, reporting through Neil Porteous, HR Director, who is a member of the company's Board and also the Chairman of the Vodafone New Zealand Foundation.

Members of the Executive Team each have operational responsibility for Corporate Responsibility programmes which fall within their business units.

Vodafone is a global company, and is required to act globally on Corporate Responsibility issues. The New Zealand CR team has close ties with the Group Corporate Responsibility team, and with other CR managers within other Vodafone operating companies around the world.

Setting internal targets

Our Corporate Responsibility goals are set both locally and globally. We are transparent about our performance against these targets, and report our progress against them in our annual Corporate Responsibility Report.

Performance data is reported on a quarterly basis to Vodafone Group. This information is used to monitor Vodafone's global CR performance, and is part of the CEO scorecard, meaning that the Vodafone Group CEO's personal performance is measured in part against this information. Vodafone Group sets targets for each local operating company to improve against.

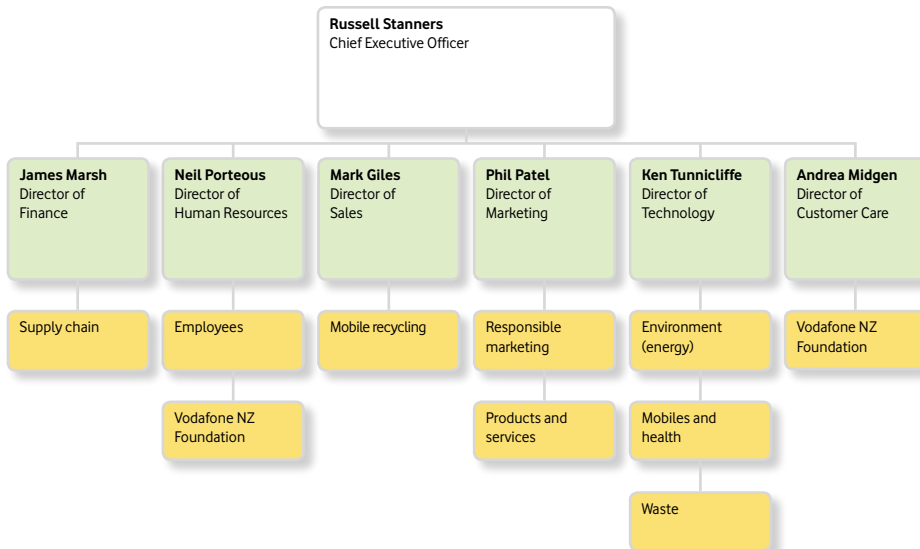
Locally we aim to lead in CR, working in partnership with other organisations such as the New Zealand Business Council for Sustainable Development and the Ministry for the Environment, and actively participating in the Sustainable Business Network.

Stakeholder engagement

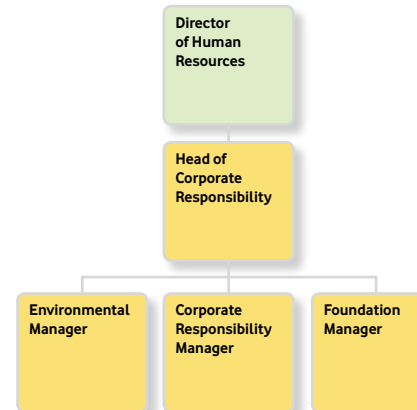
Dialogue is part of good business, whether it is with customers and suppliers, members of the community, government or regulators. We are currently mapping out our stakeholder footprint on New Zealand, to ensure we're taking into account everyone influenced by our operations and to ensure we're capturing all of the opinion valuable to our organisation.

The result of this process will be the formation of a formal stakeholder engagement strategy, which will ensure we're taking into account the full extent of our social and environmental footprint, and allow us to manage these risks effectively as a responsible business.

Executive accountability for CR initiatives



Management of Corporate Responsibility



Our six strategic goals

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

2006 Targets

ISSUE	TARGET	DEADLINE	PROGRESS	
Responsible marketing	Implement responsible marketing training programme for Vodafone marketing managers and agencies	March 2006	Ongoing – programme delivered to agencies and some marketing employees, but not yet rolled out across entire team	⊘
	Publish parents' guide on mobiles and services	March 2006	Complete – see page 11	✓
	Implement access controls to prevent minors from accessing adult content and services	March 2007	On track – we are working with stakeholders to implement a suitable safeguard	✓
Mobiles and health	Ensure 100 percent of Vodafone retail stores have independent information on mobiles and health readily available for customers	March 2006	Ongoing – mobile information cards produced for use in branches, but no audit of availability has been carried out	⊘
Products with high social value	Introduce three significant products with features that reduce exclusion	March 2008	On track – SIMPLY phone launched last year	✓
Network deployment	Directly engage with the public, customers, key opinion formers and employees on mobile phone sites and health	March 2006	Ongoing – engagement has taken place, but this is an ongoing task	⊘
Energy	Establish quantitative targets for network energy efficiency and related carbon emissions	March 2007	Target to be set with Vodafone Group this year	✓
	Install free-cooling air conditioning in 55 percent of mobile phone sites	March 2007	Goal restated. Approximately 45 percent of sites achieved, but now working to Group target of reducing CO ₂ /MB of data by 40 percent	✓
Waste	Establish quantitative targets for phasing out of Ozone Depleting Substances	March 2007	On track	✓
	Reuse and/or recycle 95 percent of network equipment waste	Ongoing	Achieved – 99.6 percent of network waste reused or recycled	✓
Recycling	Collect 50,000 mobile phones for reuse and recycling	March 2006	Not achieved. 23,483 handsets collected	⊘
Ethical purchasing	Complete a Corporate Responsibility evaluation with five suppliers, based on the standards in the Vodafone Code of Ethical Purchasing	March 2006	Completed. Risk assessments of top suppliers identified five highest-risk suppliers. Evaluations complete and supplier remediation plans drafted	✓
	Ensure all of the top 116 local suppliers have signed up to the Code of Ethical Purchasing	March 2006	Not complete – 20 suppliers outstanding as at September 2006	⊘
	Develop and implement a strategy for communicating and promoting the Code of Ethical Purchasing to all of Vodafone's supplier base	December 2006	Ongoing – we have added the Code of Ethical Purchasing to our Procurement Framework and integrated it into our new vendor approval process	⊘
Employees	Ensure 100 percent of employees complete online training on the Vodafone Business Principles	March 2006	Not achieved. The online training was launched late in the year – 50% have completed the training by August 2006	⊘
	Reduce by 10 percent the 2005 number of work-related accidents resulting in lost time	March 2008	Achieved – work related accident reduced 70 percent, from 7 to 2. This is due to improved management and early intervention of gradual injuries	✓

2007 Targets

ISSUE	TARGET	DEADLINE
Responsible marketing	Implement access controls to prevent minors from accessing adult content and services	March 2007
Mobiles and health	Implement an ongoing internal audit process to ensure 100 percent of Vodafone retail stores have independent information on mobiles and health readily available for customers	March 2007
Products with high social value	Introduce three significant products with features that reduce exclusion	March 2008
Network deployment	Directly engage with the public, customers, key opinion formers and employees on mobile phone sites and health	Ongoing target
Energy	Establish quantitative targets for network energy efficiency and related carbon emissions	March 2007
Waste	Establish quantitative targets for phasing out of Ozone Depleting Substances	March 2007
	Reuse and/or recycle 95 percent of network equipment waste	Ongoing target
Recycling	Target customers through trade-in deals and corporate recycling schemes to achieve our target of 75,000 handsets	March 2007
Ethical purchasing	Develop and implement a strategy for communicating and promoting the Code of Ethical Purchasing to all of Vodafone's supplier base	December 2006
Employees	Ensure 100 percent of employees complete online training on the Vodafone Business Principles	March 2007
	Maintain a 10 percent reduction of work related accidents against 2005 figures	March 2008
Stakeholder engagement	Map out our stakeholder footprint and design and implement a stakeholder engagement programme	March 2007



ASSURANCE STATEMENT

Scope and Approach

URS New Zealand Limited (URS) has carried out an independent audit of the Vodafone New Zealand (Vodafone) Corporate Responsibility Report 2006, to provide readers assurance on whether the report is accurate and adequately provides information of material interest regarding the company's performance. The AA 1000 Guidelines for verifying a report's materiality, and completeness were used as a basis for the audit. Feedback was also provided on Vodafone's responsiveness to stakeholders.

Our approach has been to:

- Speak with key stakeholders to determine areas of significance to be included within report;
- Review the draft Report and supporting information (including files, data sources, correspondence), and meet with a range of internal report contributors and also external stakeholders to verify that the content is accurate and contains appropriately detailed information on issues of material significance to stakeholders;
- Identify errors or weakness in content and provide feedback to Vodafone for inclusion in the final Report. The scope of assurance covered all sections of the Vodafone Corporate Responsibility Report 2006.

Independence

URS did not work on any projects with or for Vodafone during the period covered by the Report. There is no aspect of the relationship that has influenced the independent nature of the verification findings.

Accuracy

On the basis of the described audit methodology, URS verifies that the content of the Vodafone Corporate Responsibility Report 2006 provides an accurate description of the company's performance.

Vodafone's Report provides a high level of exactness and low margin of error. Reporting and information systems are very robust and transparent. Some minor discrepancies were identified during the process; however these were corrected by Vodafone.

Materiality and Completeness

Vodafone's Report provides a balanced representation of the organisation's performance. Appropriate reference is made to the previous year's report to provide stakeholders with information on progress over time.

Vodafone sets clear targets for environmental and social performance to drive continuous improvement. Some of these targets are driven by Vodafone Group and a clearer way of distinguishing between these, and locally based targets, is recommended.

The Vodafone report provides a balanced appraisal of the company's annual performance – reporting on targets not achieved, and challenges faced. We note that a further opportunity exists, to add more in-depth commentary on why certain targets were missed and the plan to rectify these for next year.

Appropriately detailed information and data are included in the Report, especially with regard to Vodafone's wider contribution to sustainable development, physical infrastructure, staff challenges and stakeholder feedback.

There is a further opportunity to work more closely with Vodafone suppliers, on a local level, to further explore how Vodafone can positively influence their environmental and social performance.

Responsiveness

As reflected in the report, Vodafone works closely with its stakeholders across a range of projects related to sustainable development and reports on areas of interest to both external and internal stakeholders.

In the past year Vodafone has demonstrated a strong willingness to engage with other telecommunications companies to combat any adverse impacts arising from their technology (for example cell phone disposal) and we highly commend them for this inclusive approach. Vodafone is also actively committed to providing education around the key issues of price competitiveness and the economic impacts of their technologies.

It was evident throughout the verification process that Vodafone's culture and values are well aligned with the concepts of socially and environmentally responsible practices. We applaud Vodafone on their commitment to sustainable development and industry. We look forward to seeing further progress towards fully integrated sustainability. URS New Zealand Limited

25th January 2007

Gael Ogilvie
Senior Principal

URS New Zealand Ltd
13-15 College Hill, Auckland
PO Box 821, Auckland, New Zealand
Direct: +64 9 355 1300
Fax: +64 9 355 1300

DISCLAIMER

The veracity of the information summarised in the Report is dependant upon the uniformity, consistency and thoroughness of site/operational staff reporting all relevant matters. While the report Verification Process allowed URS to develop a good appreciation of Vodafone's sustainability issues and site specific initiatives, URS did not and can not determine precisely the uniformity, consistency and thoroughness of reporting. URS has prepared this Statement for the use of Vodafone in accordance with the usual care and thoroughness of the consulting profession. The opinions provided are based on generally accepted practices and standards at the time they were prepared. No other warranty, expressed or implied, is made as to the professional advice included in this Statement. To the extent permitted by law, URS excludes all liability that may arise from professional advice contained in this Statement. This Statement must be read in conjunction with the supporting documents prepared by URS. No responsibility is accepted for use of any part or all of this Statement in any other context or for any other purpose or by third parties. No third party is entitled to rely on any matter contained in this Statement without URS's prior consent in writing. Neither URS's name nor the material submitted in this Statement may be included in any prospectus or used in offering or representations in connection with the sale of securities or participation interest without URS's prior consent in writing. URS owes no duty of performance to any party other than our contracted client.

		PAGE NUMBER(S)
Economic	EC10	14
	EC13	4–9
Environment	EN1	23, 25
	EN3	23
	EN9	25
	EN11	25
	EN14	22–25
	EN15	24–25
Labour Practices	EN33	28–29
	LA4	16–17
	LA7	16
Society	LA17	16–17
	S01	10–13
	Product Responsibility	PR1
PR9		12
PR10		12
Telecommunications Specific	IO4	21
	IO5	20
	IO6	21
	IO7	26–27
	IO8	2
Accessibility	PA2	12–13

For more information on Vodafone's global reporting against the GRI see

www.vodafone.com/responsibility/gri

For more information on Corporate Responsibility at Vodafone, or to give feedback on this report, please contact:

Raphael Hilbron
Head of Corporate Responsibility
raphael.hilbron@vodafone.com
021 605 371

or

Tom Newitt
Corporate Responsibility Manager
tom.newitt@vodafone.com
021 703 340

Or call Vodafone on 09 355 2000
www.vodafone.co.nz/responsibility

To keep the environmental impact of this document to a minimum we have given careful consideration to the production process by printing on 100% post-consumer-waste paper with vegetable-based inks.

Vodafone New Zealand Limited

20 Viaduct Harbour Avenue, Auckland
Private Bag 92161, Auckland 1030
New Zealand

Ph +64 9 355 2000

 www.vodafone.co.nz/responsibility