

Being accountable - our Corporate Responsibility Report - 2009

Each year Vodafone New Zealand publishes a Corporate Responsibility Report, accounting for our environmental, social and economic impacts. This report, published online, is our seventh annual report, covering the year ended 31 March 2010.

This report, and the content within these sections, has been [independently assured](#) as a full, balanced and accurate account of our performance by an independent auditor.

Vodafone Group, our parent company, also publishes an annual Corporate Responsibility Report. This report, along with copies of previous local and Group reports, is available [here](#).



Our approach

How does Vodafone operate in an open and accountable manner?

- [Vodafone profile](#)
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- [Supply chain](#)
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Environment

What is Vodafone doing to protect the New Zealand environment?

- [Environment](#)
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Social

What impacts does Vodafone have on communities in New Zealand?

- [Social impacts](#)
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Economic

What is Vodafone doing for the New Zealand economy?

- [Economic Impacts](#)
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Vodafone Profile

Vodafone launched in New Zealand in 1998 with the purchase of Bell South New Zealand. At the time the company had 138,000 customers served by a small GSM network which covered only limited urban areas.

Today Vodafone has over two million customers. Our 2G and 3G mobile networks cover 97 percent of where New Zealanders live, work and play.

With the 2006 purchase of ihug, Vodafone is also now a full-service telecommunications provider, offering fixed-line services such as home phone lines and broadband. Many of these services are provided through our own fixed-line 'Red Network'. This is part of our global total communications strategy, which will see us driving innovation and fixed/mobile convergence as we aim to meet the full voice and data communications needs of our customers.

Although we are the leader in mobile, our share of the overall telecommunications market is smaller. We hope to increase competition across the whole telecommunications industry, and push to grow our share of the broader telecommunications market. Our current position puts us as the number one challenger in the New Zealand market.

Vodafone NZ Fact box

Financial (\$ 000)	2009	2008
Turnover (\$million)	1,603.4	1,509.8
Profit (after tax) (\$million)	177.7	191.5
Customers (000)	2,502	2,366
No. of Employees	1379	1,553
No. of Mobile Phone Sites	1326	1,305

[Vodafone Global Profile](#)

CR Management

Our approach to Corporate Responsibility (CR) is to:

- Engage with stakeholders to understand their expectations
- Respond to stakeholders with our evolving CR targets and programmes
- Report progress back to our stakeholders.

The Corporate Responsibility team has specific oversight over our impacts on the environment and local New Zealand communities. The CR team is also responsible for engaging with stakeholders with an interest in, or who are impacted by, our social and environmental footprint. The CR team are also responsible for the production of the annual Corporate Responsibility Report. An independent third party audits the contents of the report to ensure it represents an accurate and fair account of our performance.

For this report, our sixth, we have moved the majority of our CR disclosure online, to minimise the printed report.

New Zealand Corporate Responsibility Governance

Members of the Vodafone New Zealand executive team have responsibility for the Corporate Responsibility programmes which fall within their business unit's operations. Tom Chignell, the General Manager of Corporate Affairs, is the member of the executive team with responsibility for Corporate Responsibility. Ultimate responsibility for CR rests with Vodafone New Zealand's Chief Executive Officer, Russell Stanners.

Global Corporate Responsibility Management

Vodafone operates a global Corporate Responsibility management system. Vodafone New Zealand, along with all other Vodafone operating companies, reports against 49 KPIs on a bi-annual basis. These KPIs include performance against quantitative targets for energy efficiency, mobile recycling, responsible marketing and network waste management, along with qualitative measures of compliance against Vodafone Group policy requirements. These include requirements to publish an audited annual CR report, integrate CR issues into the job descriptions of relevant employees and report regularly to the local Management Board.

Each year this information is aggregated to form a full picture of Vodafone's global footprint and performance. For 2009 Vodafone has published an online Global Corporate Responsibility report (insert hyperlink). This report is accompanied by other local operating company reports (insert hyperlink to other publications) such as this one, which focus on the specific impacts within the local country.

The Vodafone Business Principles

The Vodafone Business Principles

(http://www.vodafone.com/start/about_vodafone/corporate_governance/business_principles.html) represent the commitments Vodafone makes to its stakeholders around the world across

all legislative environments. The Principles cover our interactions with customers, employees, suppliers, communities, the environment, government and business partners and competitors.

In our previous report we identified that many of our employees required additional training to refresh their understanding of the Business Principles. This training is currently on hold, awaiting a review of the format of the Principles, which may be simplified for our employees, improving their effectiveness.

Text box – Vodafone Global Strategic Goals

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

Supply Chain

Vodafone is a global business. Last year we spent approximately \$75 billion purchasing products and services from thousands of suppliers around the world. This scale gives us the power and responsibility to specify social and environmental expectations for our suppliers to meet. It also allows us to influence other companies in our sector to work together to build consistent standards for ethical supply chain management.

Vodafone does not manufacture anything itself. We source all of our equipment for our networks and the handsets we sell from third-party manufacturers. These suppliers are mainly large, well known multi-nationals, who themselves source components and assembled products from other suppliers. Vodafone's supply chain operates as a global function, ensuring greater efficiency in its spend and consistent standards across all countries.

[Global supply chain management](#)

Our approach to supply chain management

Our Code of Ethical Purchasing (CEP) sets out Vodafone's expectations of suppliers. CEP requirements are integrated into our supplier qualification process, to ensure that all new suppliers are aware of our expectations at the first point of contact. Vodafone's strategy is to engage directly with our first-tier suppliers and assess their compliance with the CEP. We emphasise the need for our global strategic suppliers to engage with their own suppliers in a similar way.

All New Zealand suppliers are subject to a qualification and approval process. This includes acceptance of the CEP and management of CR (Corporate Responsibility) issues in their own supply chain. Should a local risk assessment show any cause for concern, the supplier is required to go through the global qualification process, which involves completing a detailed self assessment before they can progress to the next stage of qualification. In line with our global process, should a supplier be identified as medium or high-risk they will be referred for an audit. In some cases a site assessment may also be necessary. The supplier will only qualify as a Vodafone supplier after all of these requirements have been met.

Vodafone's accounting systems mean that no purchase orders can be raised, or any payments made, to suppliers who have not completed the qualification and approval process. Purchases made using company credit cards do not require supplier approval, but are typically for low-value and low-risk services such as accommodation and meals.

Supplier Performance Management

As standard practice we regularly monitor the performance of strategic suppliers. As one of the six pillars of Vodafone's supplier performance management, part of this monitoring includes assessment of CR performance and risk management, which accounts for 10% of the overall evaluation score. The scorecard evaluates:

- acceptance of the CEP
- management systems for employee welfare
- management systems for environmental management
- management of CR in the supplier's own supply chain
- CR reporting activities and stakeholder transparency
- proactive approach to CR with Vodafone.

In New Zealand we assessed 18 local suppliers last year. These were Nokia Siemens Networks, HP, Alcatel Lucent, Unisys, Huawei, EMC, 724 Solutions, Carlson Wagonlit, Downer, Microsoft, Teradata, Nortel, Ericsson, Seeker Wireless, Syniverse, Bytemobile, Comverse and Starhome.

Stakeholder Engagement

Vodafone New Zealand has an impact on a wide range of stakeholders. Our products, services and operations have an effect on our employees, our customers, our shareholders and broad cross-section of the community. These stakeholders are at the heart of our business and to operate responsibly we must ensure we understand their expectations of our behaviour and the impacts we are having on them. We must also ensure we're effectively engaging all our stakeholders, including those who do not have a direct impact on our operations or those whose voices might otherwise not be heard. These stakeholders typically include organisations and individuals with an interest in the social and environmental impacts of our business.

Stakeholder Engagement Strategy

We have many engagement channels for our everyday stakeholders. We regularly survey customers and employees on their satisfaction with our performance. We have discussions with the Government on industry matters and briefings with investors on our financial performance.

Our Corporate Responsibility stakeholder engagement strategy is designed to complement these activities and provide a platform to engage those stakeholders omitted in the traditional engagement channels. We base our strategy on two principles:

- That our stakeholders have the right to be heard
- That our stakeholders have a right to be informed about our performance across our social and environmental impacts

In August 2008 we hosted two sessions with external stakeholders in Auckland and Wellington. Based on feedback from the 2007 discussions, we did not have separate sessions for environmental and social stakeholders. Instead we aimed to discuss both themes at each of the sessions. We also reshaped the engagement sessions to broaden the scope of the discussion, in response to stakeholder feedback. In the past we had focussed predominantly on Vodafone's immediate performance regarding social and environmental issues.

This year the discussion was guided by a central question; what is the role of telecommunications in shaping a sustainable future for New Zealand? The purpose of this was to stimulate a future-focussed discussion that looked at issues beyond those directly associated with Vodafone New Zealand. We wanted to build an understanding of what these stakeholders thought a sustainable future New Zealand looked like, what the role of telecommunications was in that future, what barriers existed to achieving that future and what society and industry could do to overcome those barriers.

The stakeholders that attended the Auckland discussion included NetSafe, The Manukau City Council, the Mental Health Foundation, the Rotary Youth Driving Association, Youthline, GreenFleet, and several education researchers. The Wellington discussion included representatives from Consumer New Zealand, the Automobile Association, Internet New Zealand, the Energy Efficiency and Conservation Authority (EECA), the Victoria University of Wellington and the Ministry for the Environment.

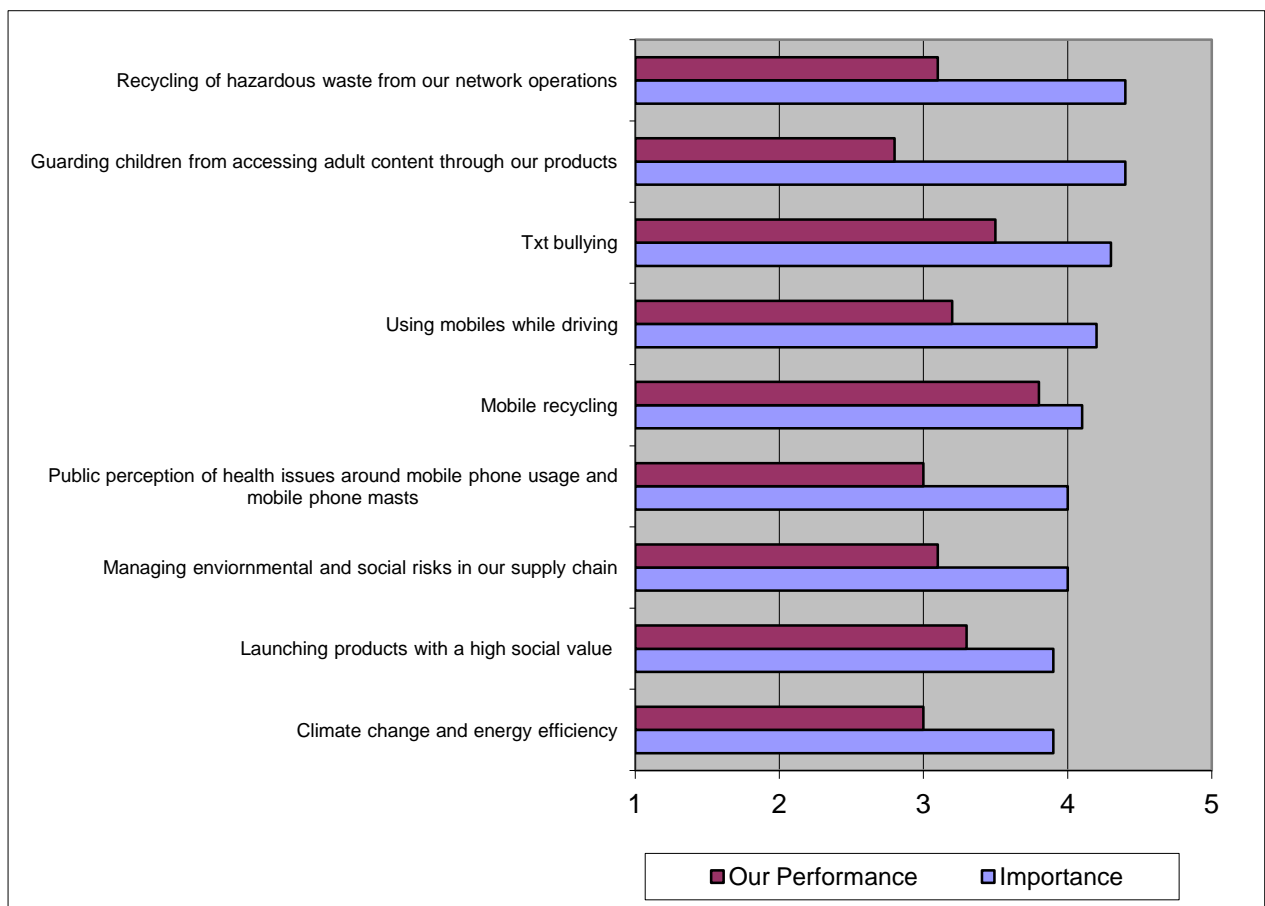
The Auckland group discussed several themes for creating a sustainable future New Zealand including online safety and literacy, work life balance, social connectedness / isolation and mental health, education, and environmental sustainability.

In Wellington, the group focussed on the themes of access to telecommunications, health and safety, and environmental sustainability. Key issues discussed included accessibility to our products and services, pricing and competition, and health issues relating to Electromagnetic Fields (EMF) associated with the deployment and maintenance of our network.

Employee Corporate Responsibility Survey

Each year we conduct an online CR survey of our employees. Employees ranked a range of key issues on a 1-5 ascending scale in terms of importance and also how well they thought we were managing these issues. The employees said that our performance was weakest in guarding children’s access to adult content through our products and services. Our employees ranked us highest in our most visible programmes, TXT bullying and mobile recycling.

Our employees’ key issues – average score on 1-5 scale



Environment

Introduction

The environmental impacts of our operations are diverse. Through our mobile network, Vodafone's footprint spans the length of the country, across urban and rural locations. This network requires energy to run and produces electronic waste when we maintain and upgrade it. Electronic waste is also the result of the sale of hundreds of thousands of new mobile handsets each year, into a country where phones already outnumber people.

For our business to be sustainable we must be responsible in our management of these impacts. We can also take advantage of the opportunities to reduce the environmental impacts of our customers through smart application of our technology.

Climate change

Vodafone announced its global climate change approach in April 2008, including a key commitment to reduce Vodafone's global emissions by 50 percent by 2020, against baseline emissions from 2006. This reduction is intended to be a direct reduction in emissions from our operations, without any offsetting. At present this strategy excludes operations integrated into the Vodafone Group since 2006, including operating companies in Turkey and India, which are formulating individual strategies.

The New Zealand Emissions Trading Scheme is intended to introduce a market mechanism to reduce New Zealand's greenhouse gas emissions and meet its international carbon reduction obligations. In its current form the trading scheme will be implemented with a staggered introduction of emissions caps across all emitting sectors, covering forestry, industry, electricity generation, fuel and agriculture. Vodafone New Zealand does not consume electricity and fuel in the quantities required to be directly covered by the trading scheme, although our energy costs would be likely to increase moderately as a result of its introduction.

Reducing impacts through our technology

Our products and services have the potential to be used to save carbon dioxide emissions in a number of ways. They can reduce the need for travel, streamline logistics processes and change the way we work. These carbon reductions will potentially outweigh the operational impact of the telecommunications industry in the future.

A recent study commissioned by Vodafone Group analysed the role mobile technology could play in enabling carbon reductions in Europe. The report (insert hyperlink http://www.vodafone.com/etc/medialib/cr_09/carbon.Par.76396.File.tmp/carbon_web_2009.pdf) shows that in 2020 mobile enabled services could save 2.4% of expected EU emissions – 113 million tonnes of CO₂e. This would save €43 billion in energy costs alone and would require a billion mobile connections, 87% of which are machine-to-machine (M2M), connecting one piece of equipment wirelessly with another.

In 2010 we intend to replicate this research in New Zealand, to assess the role ICT and telecommunications can play in reducing our local economy's carbon intensity. The research is not directly applicable to the local environment, as our emissions profile is heavily weighted towards emissions from agriculture, which were not identified as one of the reduction opportunities to cover in the EU study.

In the past year we partnered with the New Zealand Business Council for Sustainable Development (NZBCSD) to survey New Zealand businesses on their usage of technology. The survey (insert <http://www.vodafone.co.nz/personal/about/media-centre/impact-of-telecommunications.pdf>) showed some positive results:

- **39 percent** of respondents believe their need to travel has reduced because of calling / texting from their mobile phone
- **One in four** believe their need to travel has reduced because of using the internet or email from their mobile phone
- **Nearly half** of all respondents (48%) believe their need to travel has reduced because of their home broadband connection.

The survey also identified some barriers to adoption of technology in the general populace. Of the 19 percent of respondents without access to broadband at home, 59 percent said the main reason they didn't have access was that the cost was too high, followed by 12 percent who said the main reason was that broadband was not available where they lived.

Our direct CO2 emissions

Vodafone New Zealand's carbon dioxide emissions increased 3 percent last year.

This increase is predominately due to the growth of our mobile network, working towards the accelerated rollout of 3G coverage to 97 percent of the population, which was completed a year ahead of the original schedule in (check) May 2009. Total emissions growth from the network was 1032 tonnes, an increase of 7.6%.

Emissions reductions from other sources partially offset the network growth. Transport emissions, which includes air travel and company fuel purchases for employee and fleet vehicles, reduced 28.7%, or 768 tonnes. This was from a 33% reduction in air travel, and a reduction in fuel purchases on company fuel cards.

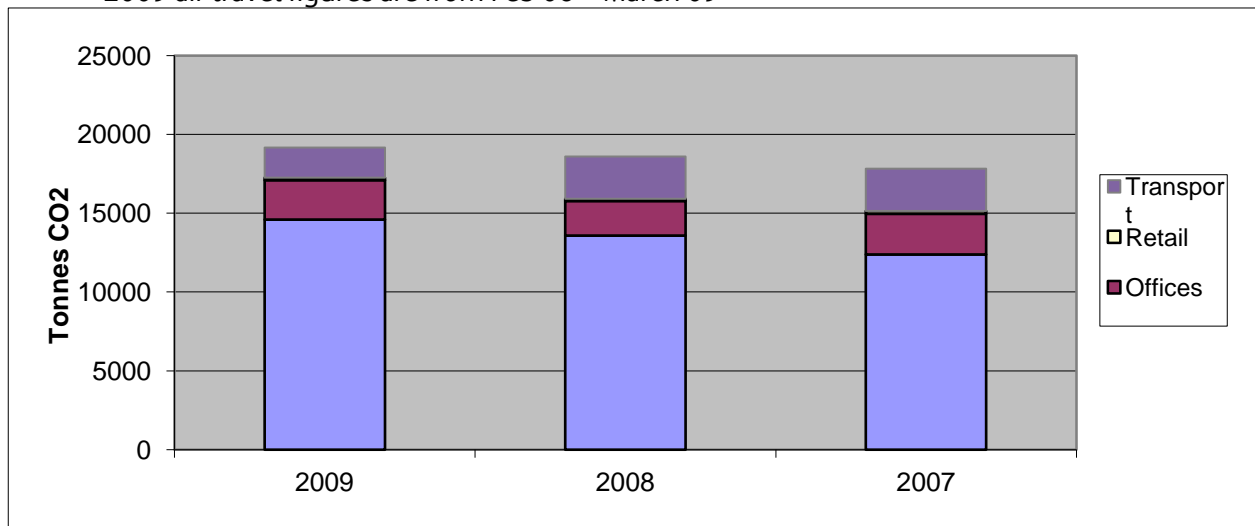
Our long-term goal is to reduce outright emissions across all our operations. At present we are running two networks in parallel, both 2G and 3G. Ultimately, as our customers migrate across to the newer and more efficient 3G network, we will be able to decommission 2G network equipment. Fourth generation networks (4G, or LTE) are likely to integrate 2G and 3G technology in one box, delivering further efficiency gains. In the meantime, our focus is to run our current networks efficiently. This includes optimising current technology, adopting efficient solutions such as free-cooling air-conditioning and assessing onsite renewables such as wind and solar generation for remote mobile phone sites and core network hubs.

Our total energy usage for the financial year was 38.2 GWh, beating our energy target of 38.7GWh for the year.

Vodafone New Zealand Carbon Emissions Chart

	2009	2008	2007
Network	14608	13575.8	12383.25545
Offices	2482	2198.54	2578.5819
Retail	161.64	147.8372	184.22865
Transport	1908.811*	2677.226	2672.9059
Total	19159	18599.4	17818.9719

- 2009 air travel figures are from Feb 08 – March 09



Mobile recycling

Mobile recycling is one of our key environmental initiatives. The mobile industry has shown leadership as one of the first to collect consumer electronic waste. Despite the availability of multiple recycling options for our customers, we are still struggling to meet our mobile recycling targets. With the introduction of the Waste Minimisation Act, similar product stewardship schemes will be introduced across many other products groups, raising public awareness of the importance of recycling and the availability of recycling facilities.

In 2008 we launched a partnership with Enable Community, an Australian-based charity who work alongside microfinance organisations in the developing world. Enable Community give mobile phones to micro entrepreneurs, to assist them to work their way out of poverty and create wealth and employment in their communities.

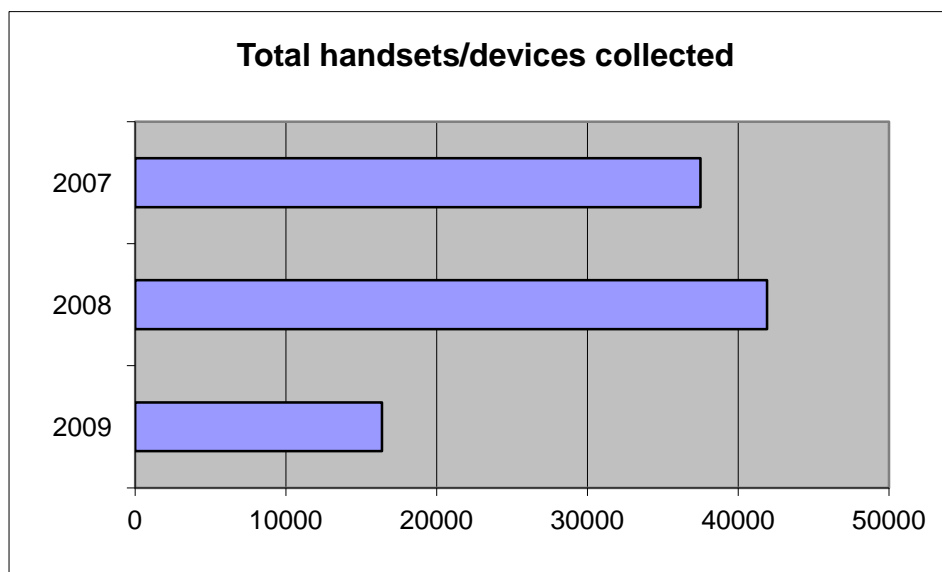
If a phone is still in good working order, the best environmental outcome is for that phone to be reused by someone else. A working phone also represents a social and economic opportunity for someone in the developing world, whom otherwise would not have access to any form of telecommunications. A condition of the partnership with Enable Community was that they implement a collection scheme in the recipient countries, in order to collect all of the phones when they reached the end of their life.

Last year we collected 16,382 mobile handsets for recycling. This falls short of our collection target of 75,000. This is disappointing because it represents a drop in collection numbers from previous years. However, this follows a similar trend noticed across other Vodafone operating markets, where tough economic conditions have slowed sales of new handsets, hence limiting the number of handsets and opportunities to recycle.

www.vodafone.co.nz/recycling

Recycling data to draw graph:

	2009	2008	2007
Handsets collected	16382	41925	37511



Network waste

We have an ongoing commitment to reuse or recycle more than 95 percent of the waste from our network operations. The profile of our network waste is changing. Previously our focus has been on new site builds, and maintenance of the existing network. We are now starting a phase of replacement of older technology with next generation equipment. In the past year we reused or recycled 96.3 percent of our network waste by mass.

Our network waste data is sourced from a raft of network contractors, suppliers and service providers. In previous years we have commissioned independent audit our network waste stream, to ensure we are capturing all sources of network waste, to test our reporting system and our data accuracy. These audits have shown areas for improvement, and highlighted gaps in reporting across our internal network team, which is split into deployment, transmission and maintenance units. We are confident in the accuracy of the data reported, however we are working to improve data capture to ensure any gaps are filled to get a complete picture of network waste.

Some of our older airconditioning units contain R-22, an ozone depleting HCFC used as a refrigerant. Our target is to replace all R-22 units by 2012. All sales and import of R-22 will cease across New Zealand from 2015.

Network Waste

	2009	2008	2007
Disposed (kg)	963	959	1608
Reused or Recycled (kg)	25,191	53,429	75,465
Percentage Recycled/Reused	96.3%	98.2%	97.9%

Network Deployment

Our network of mobile phone sites is the foundation of our mobile operations – it represents a large proportion of our investment in New Zealand. The ability to operate our network around the country depends upon the trust of local communities, alongside the support of local and central government.

At 31 March 2009 we had 1326 mobile phone sites around the country, covering 97 percent of where New Zealanders live, work and play. In recent years the focus of our network deployment has shifted from building national coverage to maintaining and improving performance. Growth in new site numbers has slowed. Our main focus now is to upgrade the speed and capacity of our sites, in order to bring faster data speeds and the benefits of next generation 3G services to more New Zealanders.

In areas of dense population, 3G services are provided by smaller, lower-powered mobile sites, operating at higher 2100MHz frequencies. Much of the rollout of our urban coverage has involved adding to and updating equipment on existing network sites. Accompanying this is the rollout of new site builds, designed to make use of existing structures such as lamp-posts and commercial rooftops.

Community Engagement

Over the past financial year we dealt with a number of communities concerned about the rollout of new mobile sites. This concern coincided with an increase in network deployment activity across all mobile providers, including Telecom and 2degrees, whom have both rolled out new mobile networks. A key concern raised by many groups regarding the rollout of mobile sites is the lack of consultation and notification prior to consent applications or site construction.

In the past year the enactment of the National Environmental Standard (NES) for telecommunications facilities has meant there are fewer regulated obligations upon network builders to consult with councils and local communities when building mobile sites. In order to address these issues Vodafone proposed the creation of a set of Community Engagement Guidelines, setting out a set of engagement practices for the industry to commit to when constructing or altering mobile sites. These guidelines were created by a working party of the Telecommunications Carriers Forum, the TCF. The working party included representatives from Vodafone, Telecom, Woosh and Kordia.

The guidelines were launched in November 2009, following a period of public consultation. The guidelines, and the submissions to the consultation, are available to the public on the TCF website ([insert hyperlink to consultation page](#)).

What to consider when choosing a mobile phone site

A suitable location for a new mobile phone site must fulfil the technical network requirements for improved coverage for our customers, while balancing the expectations of the community and impacts on the local environment. There are a number of criteria to take into account:

Community/environmental

- Compliance with Resource Management Act
- Compliance with local authority district plan
- Alignment with the Urban Design Protocol
- Compliance with NZS 2772.1:1999 RF exposure levels
- Visual impact on the landscape
- Road safety impacts of roadside cabinets
- Noise emissions
- Community sensitivity around certain sites such as schools
- Environmental impacts and impacts on biodiversity

Network requirements

- Enhanced network coverage or capacity
- Strong and safe construction
- Any requirements for line of sight with other mobile sites
- Easy access and maintenance
- Available location for lease

Social

Customer Service

Customer service is a core focus for Vodafone New Zealand. It is a key indicator when we assess the performance of our business, standing with equal importance alongside our financial results.

Customer service has traditionally been a strength for Vodafone. However the rapid growth in the complexity and size of our business in some cases outpaced the development of robust processes to ensure we could effectively respond to customer requests. This negatively impacted our reputation for providing excellent service. We have implemented a number of significant programmes designed to improve our customer experience and will continue to focus on this area.

In 2008 we introduced a \$1 charge for calls to our contact centre for our prepay customers. This charge was introduced to encourage our customers to self-serve for simple issues, and was only introduced when we were confident effective and accessible self-service channels were open to all impacted customers. We also outsourced some of our prepay and consumer on account customer care to our Vodafone colleagues in Egypt, in order to increase our call handling capacity.

These changes were successful in reducing the number of calls into the call centre, which meant that our employees can now spend more time dealing with more complex issues over the phone, and that call answering times have reduced dramatically.

Telecommunications Dispute Resolution Service

The Telecommunications Disputes Resolution (TDR) service is a free and independent service available to consumers to resolve complaints with their telecommunications provider. Customers can escalate complaints to the TDR if they feel their complaint has not been handled appropriately, or if they have not received a response within six weeks. A TDR resolution can award compensation up to \$12,000.

This is an industry-wide scheme created by the Telecommunications Carriers' Forum (TCF). At present the scheme has 16 (check) members who fund the TDR, including Vodafone and the other main telecommunications companies. www.tdr.org.nz

Txt Bullying

Txt bullying is a serious issue. Vodafone have approached this on an industry-wide basis. We work with NetSafe, the Police and other mobile operators to maintain a standard approach to individual complaints across all organisations, and an agreed process for handing over complaints when the message originated on a different mobile network.

Last year the number of calls we received reporting nuisance or malicious calls and txts reduced slightly. The number of actions from complaints also decreased slightly. This follows a number of years of increasing complaints and actions. We believe this shows awareness of the txt bully

process is now high, and we hope this trend continues in the future, aided by further education and awareness campaigns.

Since the end of the financial year, in July 2009, we set up an alternative reporting channel for txt bully complaints. Customers can now Txt the word 'Bully' to 4001 to report an incidence of bullying. The primary reason for setting up this alternative channel was to ensure our customers did not fail to report problems if they were concerned about the \$1 service charge for pre-pay customers to call the call centre. Although all calls about txt bullying, harassment or nuisance calls have this service charge refunded, customers must have a minimum balance of \$1 in order to make a call.

Malicious and nuisance complaints reported (to be updated)

Complaint type	2009	2008
Nuisance	5920	6043
Malicious	202	281
Wrong number	192	467
Total	6314	6791

Actions		
Warning	2694	2682
Forward to other telco	374	449
Temporary service bar	165	128
Txt removed	134	122
Account deactivated	8	13
Total	3375	3394

Online and mobile content

With the convergence of mobile and internet technology, the range of content available over the internet is now easily accessible through a mobile phone. This includes the full range of content format, including audio and video files. Third-party content providers are able to sell their services to our customers using Vodafone's network. Direct payment for these services is taken from the customer's Vodafone account.

Some of these services include content unsuitable for younger customers. In order to protect young people from adult-only content we introduced the ContentGuard filter. ContentGuard must be deactivated via an age-verification process before any restricted content may be accessed. It was Vodafone's policy that no adult content was sold via the Vodafone Live! service prior to the introduction of the content filter.

A complimentary content filter which will cover content across the mobile internet, covering all websites, is also planned. This filter will be activated on request, and can only be deactivated by following an age-verification process. The launch of this filter was planned for the previous financial year, but has been delayed due to compatibility issues with our network. We hope to have the filter in place by the end of the 2010 financial year.

In our fixed-line business we have agreed to participate in the Department of Internal Affairs (DIA) illegal content filtering scheme which is due to commence in the coming year. The filter works on a blacklist principle, blocking any sites which have been identified as hosting illegal content.

Mobiles and Road Safety

As a responsible business we support legislation to promote safe driving. Using a mobile while driving is a significant distraction and increases the risk of accident and injury.

In 2008 we strengthened our public position on mobiles and driving safety, and called for a law change banning the use of handheld mobiles while driving. This is a position we continued to promote during the reporting period. This call was covered across national media, and was influential in the previous Government's announcement of their intention to consider a ban.

Since the end of the financial year the use of handheld mobile phones while driving has been banned. The new law came into force on 1 November 2009. Vodafone has publicly supported the ban, and implemented a communication plan to educate our customers. The primary communication was a Txt message to all customers, advising them of the law change, encouraging them to do the right thing by turning their phone off or pulling over to use it, and providing a link to more information. www.vodafone.co.nz/driving

Mobile phone blocking in prisons

From 2007 Vodafone and Telecom New Zealand cooperated with the Government in a successful pilot of mobile phone blocking in prisons. Mobile phone blocking prevents prisoners committing further offences while behind bars. There is potential for prisoners to use cell phones to organise further crime, harass witnesses and others in the community and arrange escapes. Mobile phone blocking complements existing monitoring systems on prison pay phones.

The roll out of the technology across the majority of prison sites was completed in February 2009.

Premium Txt Services

Premium txt services can include paid txt competitions, subscriptions to txt updates and paid access to content via txt message. These services are operated by other companies through our mobile network. In the past premium txt competitions have prompted complaints to the Commerce Commission, due to questions over the adequacy of disclosure of terms and conditions, which can include automatic subscription to premium txt services.

In order to ensure these services are sold responsibly the Telecommunication Carriers' Forum (TCF) established an industry code of practice to set standards for telecommunication service providers, content service providers and content providers. The Mobile Premium Messaging Services Code was launched by the TCF in February 2008, with Vodafone one of 16 signatories. www.tcf.org.nz

Employees

A responsible business must also be a responsible employer. It is essential to our ongoing success that we ensure our people feel confident, appreciated and inspired and have opportunities to develop and are motivated to excel.

The Vodafone People Survey is an annual survey of our performance as an employer. The survey which ran in December 2009 was completed by 88 percent of New Zealand employees, giving us a thorough indication of employees' views of the company. The survey's results are used to drive action to improve employee engagement and measure the effectiveness of our organisation and management.

Employee engagement is the key high-level performance indicator measured by the People Survey. The engagement index contains seven key questions that measure:

- **Commitment** = overall satisfaction with Vodafone; rating of the company as a place to work; willingness to recommend the company as a place to work and pride in Vodafone
- **Retention** = willingness to continue working for the company
- **Discretionary Effort** = willingness to 'go the extra mile' for the company

The results of the 2009 People Survey measured a significant increase in the Employee Engagement Index to 75 points. The engagement improvement was the result of improvements across the board, with the largest increases measured for

- successfully retaining quality people (+18 percent increase in favourability)
- using the People Survey results constructively (+17 percent)
- management team listening to employee's opinions and ideas (+17 percent)
- job security (+16 percent)

Employee Fact Box

	2010	2009
Total number of permanent and fixed term employees	1,367	1,390*
Voluntary employee turnover	14.3 percent	22.6 percent
Number of Women in senior management roles	4 out of 27	5 out of 28
Number of lost-time accidents**	2	4

* Restated from previous report to ensure consistency in reporting methodology

** Excludes accidents for employees travelling to and from work, but includes work travel

Vodafone People Survey Results

	Percentage of employees agreeing with the statement		
	2009	2008	2007
Vodafone is socially responsible (a good corporate citizen)	93%	89%	85%
Vodafone is ethical in its business dealings	83%	75%	78%
I am proud to work for Vodafone New Zealand	85%	83%	89%
The company takes a genuine interest in my wellbeing	73%	59%	63%
Overall, Vodafone is a good place to work compared to other organisations I know about	83%	73%	79%
I am rewarded fairly for the work that I do	54%	51%	53%
Overall Engagement Score	75	69	68

Health and Our Technology

Current Advice, updated in May 2006, from the World Health Organisation (WHO) in their fact sheet on base stations and wireless technology states “there is no convincing scientific evidence that weak RF (Radio Frequency) signals from base stations and wireless networks cause adverse health effects” www.who.int/peh-emf/en/

Vodafone’s global resources on mobile phones, masts and health (insert hyperlink www.vodafone.com/mpmh)

Mobile phones use radio frequency (RF) fields to communicate with the nearest available base station. Many other everyday items make use of RF fields to send and receive information, such as radios, televisions, walkie talkies, baby monitors and wifi networks. When a mobile phone is used, the body absorbs some of the RF field and some scientists have suggested that this might be harmful.

We recognise there is public concern about the safety of mobile phones and mobile phone sites. It is our responsibility to ensure the health and safety of all our employees, customers and members of the public. We are committed to respond to public concerns on this issue by making objective and independent information available and engaging with stakeholders on this issue.

In New Zealand radio frequency emission levels from mobile phone sites are set by the New Zealand standard NZS 2772.1:1999. This standard is based upon International Commission for Non-Ionizing Radiation Protection (ICNIRP), which have a large safety margin built into them, with public exposure levels set 50 times below levels which health effects may be measured. There have been thousands of scientific studies into the effects of RF on health. There is no evidence to convince experts that exposure below the guidelines set by ICNIRP carries any health risks, for adults or children.

ICNIRP recently reviewed their guidelines considering all scientific research since the original publication. Their conclusion was that there was no new evidence of any health effects below their recommended guideline which would warrant any review or reduction of the precautionary limits set.

Monitoring EMF in New Zealand

For the past six years Vodafone has commissioned independent field monitoring of RF fields around its mobile phone sites. These tests are carried out by the National Radiation Laboratory, an independent organisation which is part of the Ministry of Health. This has created a significant public database of sites showing typical RF levels around our sites. Vodafone is the only company in New Zealand to publicly disclose independent monitoring information of RF levels in this way. The results of the tests are available on the National Radiation Laboratory’s website (insert hyperlink www.nrl.moh.govt.nz).

From 2007 onwards we have reduced the number of sites monitored each year. This corresponds with a slowing rate of growth in the number of mobile phone sites, as the focus shifts towards upgrading existing sites to newer 3G technology. In areas of particular public interest we may also commission individual field monitoring tests to meet community demand. Last year we commissioned reports on ten sites selected at random by the NRL. In some cases we also commission additional reports on specific sites if requested by the local council or community.

At most of the sites tested, the maximum exposure was less than 1 microwatt per square centimetre ($\mu\text{W}/\text{cm}^2$). Two sites had a maximum exposure greater than $1 \mu\text{W}/\text{cm}^2$, but were below $2 \mu\text{W}/\text{cm}^2$ and both had other transmitters nearby. Exposures at all sites complied with the reference levels for the public in New Zealand Standard 2772.1:1999 Radiofrequency Fields Part 1: - Maximum exposure levels 3 kHz - 300 GHz. At

For information on how we go about choosing the location of a mobile phone site see our [Network Deployment page](#)

Emissions from mobile handsets

The strength of a Radio Frequency 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 individual handsets can be found on the Mobile Manufacturers' Forum www.mmfai.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.

For those people concerned about emissions from handsets, the WHO advises that exposure may be limited by keeping call lengths to a minimum, and by keeping the handset away from the head by using a handsfree or speakerphone function. There have been attempts to design mobile phone covers that absorb RF fields, to reduce the person's exposure. The WHO advises that there is no scientific evidence that these are needed, and that the effectiveness of the covers is unproven. They are also likely to affect the quality of service, and may in fact increase the mobile phone's operating power.

Economic

Performance

Target	Progress
Bring New Zealand into the top half of OECD pricing benchmarks by December 2010	On track (Green)

Introduction

As a telecommunications provider, Vodafone's economic impact extends far beyond its direct financial contribution to the economy. Telecommunications products and services act as an economic enabler, facilitating coordination of people and resources, breaking down geographic isolation, increasing innovation and boosting productivity.

To maximise these benefits a balance in the commercial and regulatory environment is required that encourages private investment in infrastructure, while also fostering competition to drive innovation and value for consumers. To ensure this balance Vodafone works with other members of the telecommunications industry, the Government and various government agencies on different aspects of the New Zealand regulatory environment.

The shared aim is to foster a marketplace which delivers great value, world-class telecommunications services to all New Zealanders.

Competition and marketplace

2009 was a significant year in New Zealand telecommunications. Vodafone continued to work with 2Degrees Mobile as they moved towards their own services launch, through our work as their provider of National Roaming Services. National roaming allows a company such as 2Degrees to operate a nationwide mobile network, by supplementing their own coverage in urban areas with Vodafone's coverage across the rest of New Zealand.

We've also continued to enable competition through providing wholesale services to other telecommunications providers, allowing them to use our fixed or mobile networks to compete for customers against ourselves and other network operators. Vodafone has continued our relationships with Orcon, M2 Mobile, Black and White and Compass Communications, to allow them to offer their own mobile services; and also entered a new relationship with CallPlus, allowing them to purchase fixed services off our Red Network in Auckland.

Technology and Investment

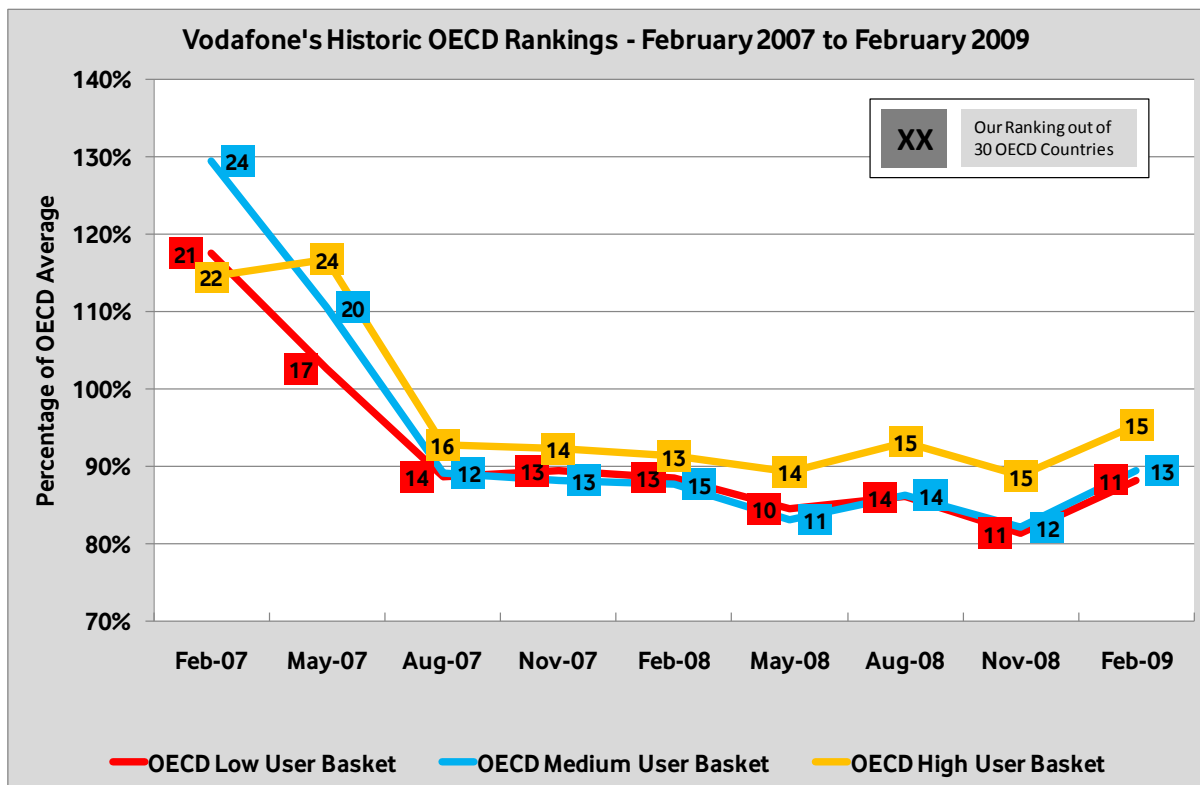
The past year has seen a significant investment in telecommunications infrastructure from Vodafone and its competitors. Vodafone invested heavily in the expansion of its 3G network, and the rollout of the fixed-line Red Network.

3G network extension: We commenced a expansion of our 3G mobile network, to match the coverage of our current 2G network, covering 97% of where New Zealanders live, work and play. The network expansion was completed on 28 May 2009, in the new financial year.Vodafone operating company. This allows New Zealanders to benefit from world-class mobile broadband services in more places.

Red Network fixed-line investment: Our expansion and investment in New Zealand continued, with us completing the rollout of our Red Network of fixed line services in Auckland, through unbundling all 40 exchanges in the Auckland area. This allowed us to offer real competition to 88% of fixed line connections in Auckland.

Pricing & Value

In 2007, we committed to getting our pricing for mobile services in the top half of the OECD by the end of 2010. We have overdelivered on this commitment – according to the data collected for the OECD by Teligen, and reported on by the [Commerce Commission](#), our pricing has been in the top half of the OECD for all of the period covered by this report.



Targets

In our previous printed CR reports we set targets for each section of the report. In the future we will report against a smaller number of key strategic targets. The purpose of this section is to disclose and track our performance against previous and existing public targets.

Key strategic targets TBC

Performance against existing/previous targets

Stakeholder targets

Target	Deadline	Progress
Conduct an engagement session with youth representatives	March 2009	Completed in February 2009 (link to Stakeholder section)
Continue to fund independent and public field monitoring for ten network sites each year	March 2009	Completed (link to Health section)
Develop case studies for how Vodafone products and services can be used to enable organisations to reduce their impact of the environment	March 2009	Not completed. Initial research completed (link to Shape NZ report), global research(link to environment section)
Work with key stakeholders to determine our role in promoting online safety	March 2009	Completed. Partnership with Parents Inc launched in June 2009(link to social section/BP

Social targets

Target	Deadline	
Have no advertising complaints upheld against us	March 2009	Achieved
Revise and republish our Parent's Guide to mobile	March 2009	Published in January 2010 (insert link)
Review the accessibility of our products and services	March 2009	Delayed
Launch internet ContentGuard filter for	March 2009	Launch delayed due to

adult content accessed via our mobile network		technical issues. Scheduled for launch in the 2010-11 financial year
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Economic targets

Target	Deadline	
Bring New Zealand into the top half of OECD pricing benchmarks	December 2010	Completed. Vodafone's Easy Plans are in the top half of the OECD for low, medium and high users (link to Easy Plans)
Roll out 3G Broadband network to match current 2G network footprint, 97 percent of where New Zealanders work and play	December 2010	Completed ahead of schedule, in May 2009

Employee targets

We Will

Target	Deadline	
Top quartile employee engagement relative to NZ companies	March 2009	Our employee engagement has increased significantly, reaching 75 percent in December 2009. However, we are unable to robustly benchmark this performance against other NZ companies, so cannot confirm completion of target.

Environment targets

Target	Deadline	
Collect 75,000 handsets for recycling	March 2009	Not achieved. 16,382 handsets collected.
Publish research on the impact of telecommunications on our customers' environmental impacts	March 2009	Completed, although further research planned. (link to Shape NZ study)
Roll out mobile recycling bins to more third party retail stores where Vodafone mobiles are sold	March 2009	Not completed. Pending review of industry-wide scheme.
Reuse and/or recycle 95 percent of network equipment waste	Ongoing	Achieved. 96.3 percent of network waste was reused or recycled
Phase out the use of all Ozone Depleting Substances in our airconditioning units	December 2012 - ongoing	On track
Beat our energy target of 38.7GWh	March 2009	Achieved. Energy usage was 38.2 GWh
Reduce our absolute CO2 emissions by 50%	2020	On track

Responsible Network Deployment targets

Target	Deadline	
Audit contractors' compliance with our Responsible Network Deployment Policy	March 2010	Pending.

Health and our Technology targets

Target	Deadline	
Directly engage with the public, customers, key opinion formers and employees on mobile phone sites and health	Ongoing	Ongoing. Community Engagement Guidelines launched in November 2009 (link to RND page)

Corporate Responsibility Management targets

Target	Deadline	
Implement an ongoing training process to maintain awareness of the Business Principles among existing employees.	March 2009	Not achieved. The Business Principles are currently under review.