

Being accountable - our Corporate Responsibility Report - 2011

Each year Vodafone New Zealand publishes a Corporate Responsibility Report, accounting for our environmental, social and economic impacts. This report, published online, is our eight annual report, covering the year ended 31 March 2011.

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

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Environment

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Social

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Economic

What is Vodafone doing for the New Zealand economy?

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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 2.4 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 became 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'.

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	2011	2010
Turnover (\$million)	1,698.4	1,594.9
Profit (after tax) (\$million)	148.5	121.6
Customers (million)	2.5	2.5
No. of Employees	1,634	1,367
No. of Mobile Phone Sites	1,402	1,369

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 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.

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 key performance indicators (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 with 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. Vodafone publishes an [online sustainability report](#). This report is accompanied by other local operating company reports such as this one, which focus on the specific impacts within the local country.

The Vodafone Business Principles

The [Vodafone Business Principles](#) 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 previous reports we identified that many of our employees required additional training to refresh their understanding of the Business Principles. The Business Principles are set within a

newly revised Vodafone Code of Conduct for employees. We rolled out a training programme for all employees to update them on the Code of Conduct and test their compliance in August 2010.

Supply Chain

Vodafone is a global business. Each year we spend billions of dollars with a global portfolio of tens of thousands of suppliers. 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.

Our approach to supply chain management

[Our Code of Ethical Purchasing \(CEP - PDF 78KB download\)](#) 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 lowvalue 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 17 local suppliers last year. These were Nokia Siemens Networks, HP, Alcatel Lucent, Unisys, Huawei, EMC, Carlson Wagonlit, Downer, Teradata, Starent, Cisco, ITCS, Siae, Dell, IBM, TCT and ZTE.

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 stakeholders. We regularly survey customers and employees on their satisfaction with our performance and we have discussions with the Government on industry matters.

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. In previous years we hosted structured stakeholder engagement sessions, where we invited people and organisations from a broad cross-section to discuss our social and environmental performance. These sessions were useful in developing our broad understanding of the range of our material issues and impacts. However, we found that repeating these events on an annual basis did not yield the same insights and value to Vodafone or the attendees, as the issues were already well understood.

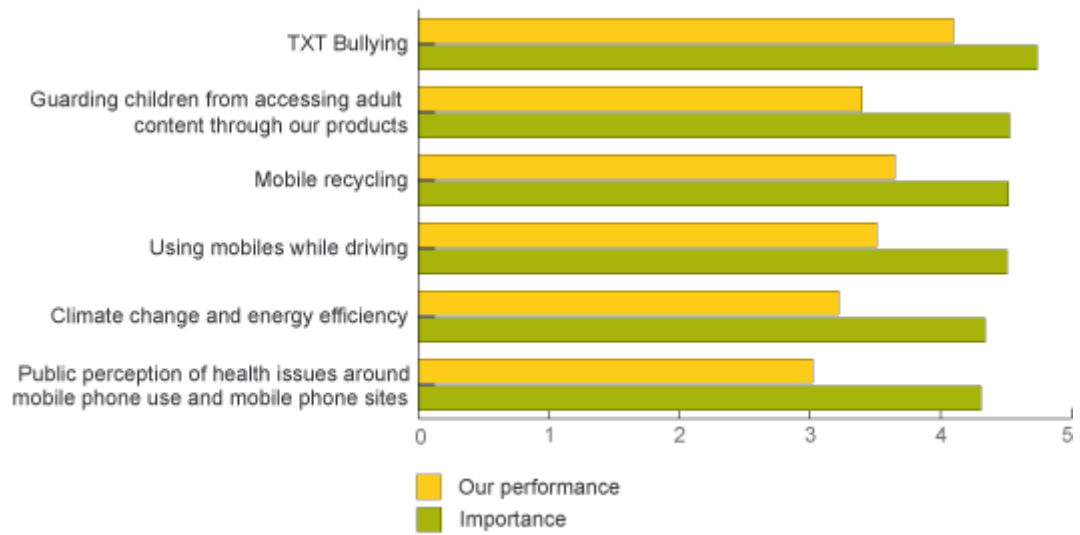
Our current approach favours issue-specific engagement to deepen our understanding of newly emerging issues, and strategic, solutions-focused, engagement on complex issues to understand our role in New Zealand's response to these issues.

Last year we hosted three [New Zealand Future Agenda](#) events. The Future Agenda is a global Vodafone programme which aims to provide an open forum for discussion on how to address the major challenges which society faces over the next 10 years.

The New Zealand sessions were attended by leading academics, politicians, business and community leaders. We hosted three events, in Wellington, Christchurch and Auckland to discuss global issues with particular relevance to New Zealand. These were immigration and connectivity (Wellington), water and energy (Christchurch) and transport (Auckland). The insights from these sessions, along with similar workshops hosted around the world, are available on the [Future Agenda site](#).

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 managing public perception of health issues around mobile phone use and mobile phone sites. Our employees ranked us highest in our most visible programmes, TXT bullying, mobile recycling and mobiles and driving.



Corporate Responsibility Report Assurance Statement

ERM Independent Assurance Report to Vodafone New Zealand Limited



ERM New Zealand Limited (ERM) was engaged by Vodafone New Zealand Limited (Vodafone NZ) to provide independent assurance of its 2011 Corporate Responsibility Report (2011 CR Report), to the scope of work outlined below.

Scope of Work

This assurance statement is intended for Vodafone NZ's stakeholders. The 2011 CR Report covers Vodafone's operations for the 12 months to 31 March 2011, unless stated otherwise in the text. This work was performed in accordance with ERM's assurance methodology, which is based on the international standards ISAE 3000, AA1000 Assurance Standard (2008) and ISO 19011. ERM reviewed Vodafone NZ's performance reporting for the subject matter specified below. To achieve this, we interviewed a number of personnel and reviewed relevant documentation at Vodafone NZ's operations in Auckland.

The subject matter for this assurance process consisted of a representative sample of data and statements for the following material data streams and therefore the related pages of the Online Vodafone NZ 2011 CR Report: CR management; supply chain; social; stakeholder engagement; environment; targets; network deployment; Vodafone NZ profile; health and our technology; economics; network deployment; employee and Foundation. The scope excluded data and statements relating to financial information as well as data that had been assured in 2010 and not changed for the 2011 CR Report. In addition, Vodafone NZ's 2011 CR Report has been published online, and includes non-assured data which falls outside the above scope of work.

ERM's Independence

Vodafone NZ was responsible for preparing the 2011 CR Report. The ERM team, led by Tracey Ryan, Partner, Australia & New Zealand, was responsible for expressing assurance conclusions in line with the scope of work agreed with Vodafone NZ. During 2010/11, ERM did not work with Vodafone NZ on other consulting engagements.

Our Conclusion

On the basis of its scope of work, and in consideration of the limitations of the assurance engagement presented above, ERM concludes that, for the specified subject matter, Vodafone NZ's 2011 CR Report appropriately reports CR performance for the 12 months to 31 March 2011.

Key Findings

Based on the scope of work, and without affecting our assurance conclusion, ERM identified the following key findings:

Good Practice

- Vodafone NZ demonstrated responsiveness and adaptability in their management of the major incidents that have affected their operations in the past year: the Christchurch earthquake and the unrest in Egypt. Vodafone NZ's response to both incidents was also heavily focused on sound CR principles including the health and wellbeing of staff, as well as supporting the local community.
- Whilst the need to respond to the major incidents of the past year has clearly been a priority, Vodafone NZ has continued to support its ongoing CR programs, including aspects such as the health and wellbeing of young New Zealanders, increasing mobile and broadband coverage through New Zealand, and supporting market diversification.
- Vodafone NZ continue to invest in its own staff through recognition and reward programs as well as opportunities to participate in wider CR initiatives which have allowed Vodafone NZ to maintain high levels of staff engagement.

Areas for Improvement

- Although Vodafone NZ is recognised in the marketplace as a leading practitioner of CR principles, there is a need to ensure that the continuity and effectiveness of the telecommunications service it provides do not over-shadow these efforts.
- Vodafone NZ's direct carbon dioxide (CO₂) emissions have continued to increase over the past three years. Whilst this has been attributed to an increase in network capacity, efforts to identify and implement energy efficiency initiatives require more focused attention, particularly as initiatives such as the Rural Broadband Initiative will increase in Vodafone NZ's network footprint.
- As new technology and network infrastructure are commissioned, a greater focus will need to be placed on network waste generation and the validity of waste data, which is currently sourced from external suppliers and is not independently verified.

ERM congratulates Vodafone NZ on its 2011 CR Report.



ERM New Zealand Ltd, 10 August 2011, Auckland, New Zealand

ERM New Zealand Limited (ERM) is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. ERM has prepared this statement for Vodafone New Zealand in accordance with ERM's standard terms and the standard practised by members of the environmental consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by ERM as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and ERM will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without ERM's express written permission.

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 and carbon emissions

Vodafone has made a global climate change commitment to reduce its global emissions by 50 percent by 2020, against baseline emissions from 2006. Vodafone New Zealand's emissions are included in this target. This reduction is intended to be a direct reduction in emissions from our operations, without any offsetting.

Vodafone New Zealand's carbon dioxide emissions increased 6.5 percent last year. Our network operations account for 80 percent of our carbon emissions. Network emissions increased 8.9 percent, or 1398 tonnes, over the past year. This increase is due to investment in increased network capacity.

Emissions reductions from other sources partially offset the network growth. Transport emissions, which include air travel and vehicle fuel, reduced 2.6 percent. We also achieved an emissions reduction of 6.1 percent from our offices.

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 post 2020.

[The Rural Broadband Initiative \(RBI\)](#) will also require an increase in our network footprint. In April 2011 Vodafone and Telecom NZ were selected as the Government's preferred partners for the Government's rural broadband initiative. Over the next six years Vodafone will construct 154 new fibre-connected cell phone towers and upgrade 380 existing cell towers. These new and upgraded sites will provide wireless broadband access to areas previously not serviced by high-speed data.

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 and deploy 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.

Vodafone New Zealand Carbon Emissions (tonnes CO2)

	2011	2010	2009
Network	17,124	15,726	14,608
Office	2,137	2,277	2,482
Retail	222	151	162
Transport	1,669*	1,714*	1,909*
TOTAL	21,152	19,867	19,159

* Air travel figures are for the 12 months from February.

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. We hope that 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.

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.

In March 2010 we launched a new [mobile recycling partnership with the Starship Foundation](#). The Starship Foundation launched their own rival mobile recycling programme in 2009, and had been running a scheme whereby suitable collected phones were resold into developing countries. The proceeds from these sales are directed to the Starship Children's Hospital.

The high profile of the Starship cause, and the participation of other industry members in the scheme, have assisted in raising awareness of mobile recycling and consequently increased collection performance. Last year the Starship Foundation scheme collected 143,387 handsets. This compares very favourably to Vodafone's own collection performance from the previous year (2009), which netted only 14,236 handsets.

In the next year ahead we will work with our industry counterparts to achieve accreditation of the scheme under the Product Stewardship provisions of the Waste Minimisation Act. This will require the scheme to produce an annual performance report, increasing transparency.

Network waste

We have an ongoing commitment to reuse or recycle more than 95% of the waste from our network operations. In the past year we reused or recycled 96.2% 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 an independent audit on 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 air conditioning 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

	2011	2010	2009
Disposed (kg)	2,698	2,293	963
Reused or Recycled (kg)	69,140	69,844	25,191
% Recycled/Reused	96.2	96.8	96.3

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 2011 we had 1402 mobile phone sites around the country, covering 97% 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 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

In recent years we have 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, which have both rolled out new mobile networks. A key concern raised by many groups regarding the rollout of mobile sites has been the lack of consultation and notification prior to consent applications or site construction.

The 2008 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](#).

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

Christchurch Earthquake response

The February 22 earthquake showed the value of mobile telecommunications in a natural disaster. The Vodafone mobile network remained functional throughout the earthquake event. Some individual sites failed instantly due to power loss and destroyed equipment. Widespread power outages meant many other sites were reliant on temporary battery power backup in the immediate aftermath.

Battery backup power is designed for routine power outages to hold the sites over for a number of hours until mains power is restored. It is not designed to cover long-term power outages. At the peak of this crisis 55 sites were down. Within 48 hours this number was reduced to 14, predominantly due to the rollout of generators to sites without power. Christchurch-based Vodafone employees deployed over 60 generators and worked around the clock to ensure they remained fuelled to keep the network running. We also deployed temporary sites in the form of Cellsites on Wheels (COWs), which were located to provide additional network capacity at key sites in the city, including the Civil Defence coordination centre.

Within 48 hours of the earthquake the Vodafone mobile retail truck, dubbed 'Optimus Prime', arrived in Christchurch. The mobile store provided free WiFi, ten free calling phones and provided free car chargers to people without power. Senior executive Russell Hewitt has been appointed to lead the Christchurch business recovery efforts. We are aware this is a long-term recovery. Russell will be working with Christchurch civil authorities to understand Christchurch's recovery needs, and align Vodafone's own business recovery plan.

What we did to support Vodafone customers

Having checked on the welfare of our employees our next priority was to ensure the continued operation of the network. Following the disaster we introduced a number of initiatives to support Vodafone customers impacted by the earthquake:

- Prepay customers identified as using their phones in the earthquake affected areas over the period received 100 free anytime calling minutes, valid for one month
- On-account customers with a billing address in the greater Christchurch area received 120 free anytime calling minutes
- Fixed line customers in Christchurch have been credited with one month's free calling, dated from February 22
- We have waived disconnection, reconnection and termination fees for customers whose homes or premises have been affected
- We offered free call diversions from Vodafone landline or Home Phone Wireless phones, free for 30 days, for customers who were unable to get back into their homes or businesses
- We handed out over 1000 car phone chargers in the week following the earthquake, to enable customers to charge their phones if they could not access mains electricity
- We offered free top-ups to Civil Defence, Student Army and other relief organisations assisting with the recovery effort

Unrest in Egypt

In 2007 some of Vodafone's call centre operations were outsourced to an Egypt-based contact centre. Early in 2011 political unrest in the country affected our contact centre there. A curfew meant call centre employees were unable to travel to and from work.

Under the guidance of our Crisis Management Team and Emergency Management Team disaster recovery plans were put in motion. We called upon New Zealand-based Vodafone employees to volunteer to man the lines, to ensure we could continue to respond to incoming customer contact.

The volunteer drive saw a significant response, with more than 230 volunteers and 58 temporary staff taken on. Service employees rallied to provide training sessions for volunteers without contact centre experience.

In March 2011 Vodafone announced the creation of 125 local jobs by consolidating all of its contact centre operations in New Zealand. In May 2011 the operations undertaken by the offshore call centre in Egypt shifted back to New Zealand. Vodafone's other three contact centres are all New Zealand based.

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 ten members who fund the TDR, including Vodafone and the other main telecommunications companies.

TXT Bullying and the Blacklist Service

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.

In November 2010 Vodafone launched the first [TXT Blacklist service](#) in New Zealand. The free Blacklist service has given our customers the choice to self-manage unwanted contact by TXT message. When a customer Blacklists a number it prevents any further TXTs or picture messages (PXTs) coming through from that number to their phone. This includes TXT/PXTs from any other network.

Since the introduction of Blacklist we have observed a 40% reduction in the number of customers escalating complaints about unwelcome contact. As of 31 March 2011, 10,595 people had activated Blacklisting on their account, indicating that this was a problem many people were just putting up with, or too scared to tackle, prior to the introduction of the service.

The gross figures* for last year show a slight reduction in the overall number of complaints. Had we not introduced Blacklist we project the total number of complaints received would have exceeded 7,500, a significant increase on last year.

Malicious and nuisance complaints reported

Complaint type	2011*	2010
Nuisance/Bully	6,286	6,247
Malicious	94	327
Wrong number	10	52
TOTAL	6,389	6,626
Action		
Warning	2,829	3,277
Forward to other telco	219	280
Temporary service bar	241	215
TXT removed	20	148
Account deactivated	17	10
TOTAL	3,326	3,390

* The 2011 figures include extrapolated figures for November 2010.

Cybersafety and cybercitizenship education

In 2009 Vodafone announced a partnership with Parents Inc. Parents Inc is a charitable organisation whose vision is to positively impact every family. They aim to achieve this by equipping parents and children with the best-quality skills and resources.

Their partnership with Vodafone is focused on educating parents and young people get the best from technology. This includes the development of an online education space and seminars for parents and using TXT messaging to help encourage parents and provide information. A school module as part of [Parent Inc's Attitude programme](#) has also been rolled out to high schools, providing students with advice. Parents Inc did 105 of these presentations over the past year.

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 complementary 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 some years, but has been delayed due to compatibility issues with our network.

In our fixed-line business we have agreed to participate in the Department of Internal Affairs (DIA) illegal content filtering scheme. 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 call was covered across national media, and was influential in the previous Government's announcement of their intention to consider a ban.

The ban on the use of handheld mobile phones while driving came into force on 1 November 2009. Vodafone 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.

We now believe that awareness of the ban, and of the [dangers of using a mobile while driving](#), are well understood by our customers. However, it is apparent that many people are still continuing the behaviour. Our approach has now shifted from raising awareness of the dangers, to exploring options to encourage behavioural change among drivers. We have a number of initiatives planned for the year ahead in partnership with road safety organisations.

Employees

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

Over the past year we have increased our workforce numbers significantly. The majority of these employees are in customer-facing roles. We have been actively recruiting NZ-based call centre employees following the decision to move our offshore call centre operations back to New Zealand.

Supporting Christchurch-based employees

We have approximately 40 employees based in Christchurch. Following the February 22 earthquake the first priority for Vodafone was to establish their location and safety and that of their families. Vodafone dispatched a team of structural engineers to assess its offices and retail stores. These engineers also assessed personal homes of employees.

Vodafone interviewed all affected employees to assess their safety and immediate needs. Issues included wrecked houses, trapped cars and traumatised children. Vodafone supported employees to address these issues, emergency accommodation was provided and employees provided the appropriate support for their situation. Each affected employee was granted a hardship payment to help them rebuild their lives.

Measuring employee engagement

The Vodafone People Survey is an annual survey of our performance as an employer. The survey which ran in late 2010 was completed by 94 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 and OpCo / Group Function
- Retention= willingness to continue working for the company
- Discretionary Effort = willingness to 'go the extra mile' for the company.

The results of the 2010 People Survey measured an increase in the Employee Engagement Index to 76 points, a gain of one point. This consolidates the gains over the past two years, with a total increase of seven points over this period. The engagement improvement was the result of a broad range of improvements, with the large increases measured for

- ensuring the most talented people progress (+11% increase in favourability)
- providing opportunities to learn to meet personal development objectives (+9%)
- job conditions enable people to be as effective as possible (+6%).

The most significant decreases over the past year were measured against question asking whether employees believed the survey would be used constructively by management (down 3%) and whether employees believed the leadership team listens to employee's opinions and ideas (down 4%).

Employee fact box

	2011	2010
Total number of permanent and fixed term employees	1,634	1,367
Voluntary employee turnover	12.2%	14.3%
Number of women in snr management roles	9/42	4/27
Number of lost time accidents*	2	2

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

Vodafone People Survey Results: % of employees agreeing with the statement

	2010	2009
Vodafone is socially responsible (a good corporate citizen)	92%	93%
Vodafone is ethical in its business dealings	87%	83%
I am proud to work for Vodafone New Zealand	86%	86%*
The company takes a genuine interest in my wellbeing	74%	74%*
Overall, Vodafone is a good place to work compared to other organisations I know about	82%	83%
I am rewarded fairly for the work that I do	54%	53%*
Overall Engagement Score	76	75

* Figures restated for consistency in number rounding

Vodafone Foundation

[The Vodafone New Zealand Foundation](#) is Vodafone's philanthropic arm. The Foundation's strategy is to encourage positive and healthy outcomes for young New Zealanders aged 12 to 24. The Foundation is funded by grants from Vodafone New Zealand and the [Vodafone Foundation based in the UK](#).

The Foundation operates three main programmes - strategic grant making, the World of Difference programme and the new Youth Health Fellowship, which was first awarded in 2010. The World of Difference Programme is the Foundation's signature programme, funding the salaries and expenses of up to eight people each year, enabling them to contribute their skills working with a charity of their choice.

The Foundation also supports Vodafone employees to support causes they are passionate about. The 'Hands Up' programme gives Vodafone employees the chance to lend their specialist skills by spending up to two weeks volunteering for one of the Foundation's partner charities or a charity of their choice. The Foundation also supports employee fundraising, matching any funds raised by employees with the 'Double your Dollar' scheme.

[The Vodafone New Zealand Foundation](#) has its own website. Detailed information on its programmes and funding recipients is available there.

Philanthropic response to the Christchurch earthquakes

Last year we launched the new Vodafone Red Alert fundraising service. The service was introduced in 2010 to provide a TXT-based fundraising facility which could be quickly activated in the event of a local or international disaster. Experience showed that people are more likely to donate in the immediate aftermath of an event, so the sooner a service could be activated the more money could be raised.

A total of \$1,337,201 was donated via the Foundation to the Christchurch recovery. Of this \$675,015 of this was raised by the Red Alert service, including donations from both customers and Vodafone employees. One hundred percent of all donations through Red Alert were passed on to the Red Cross earthquake appeal funds.

Vodafone Foundation income

2011	2010	Source
\$1,131,330	\$593,294	from Vodafone New Zealand
\$1,702,466	\$700,000	from the Vodafone Foundation

Vodafone Foundation investments

2011	2010	Source
\$2,424,448	\$1,342,122	total grants made in the financial year

2011	2010	Source
\$58,420	\$37,956	grants through employee-matched giving scheme
\$675,015	n/a	customer donations enabled through Red Alert

Health and Our Technology

Current advice, 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: 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 seven 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 was the first 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](#).

From 2007 onwards we 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.

All sites tested in the past seven years have 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 most of the sites tested in the past year, the maximum exposure was less than 1 percent of the levels permitted by the New Zealand Standard. At one site, a rooftop site in a beachside recreational area in Mt Maunganui, the peak reading was 36.9 microwatts per square centimetre ($\mu\text{W}/\text{cm}^2$), 8.2 percent of the Standard. This reading was taken from a small deck on a Surf Lifesaving building. Measurements taken in publicly accessible areas around the site were all below 1 percent of the Standard.

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

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.

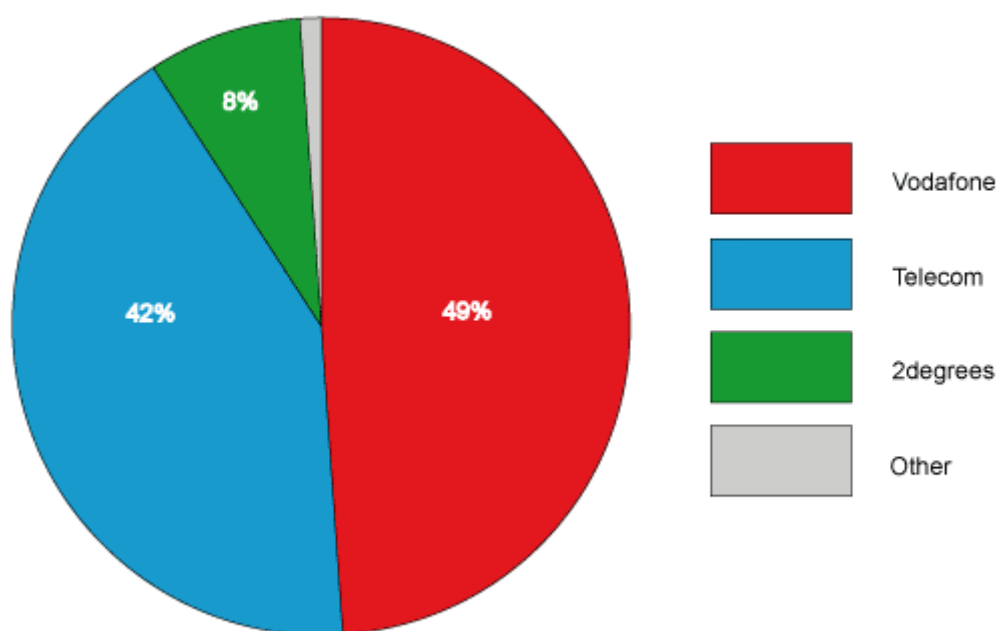
To maximise these benefits the commercial and regulatory environment needs to encourage private investment in infrastructure, while also fostering competition to drive innovation and value for consumers. To ensure this balance Vodafone works with other members of the telecommunications industry, the Government and various government agencies to help develop rules that apply to 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 in the mobile market

The entry of 2degrees into the market in August 2009 has made a significant impact on the market. In March 2011 2degrees announced they had gained a customer base of 580,000 connections, representing approximately eight percent of the market. They continue to expand their network coverage from their launch footprint of Auckland, Wellington, Christchurch and Queenstown. As they expand their network coverage 2degrees relies upon Vodafone's network to support their customers through a roaming arrangement.

Mobile Market Share by Subscribers

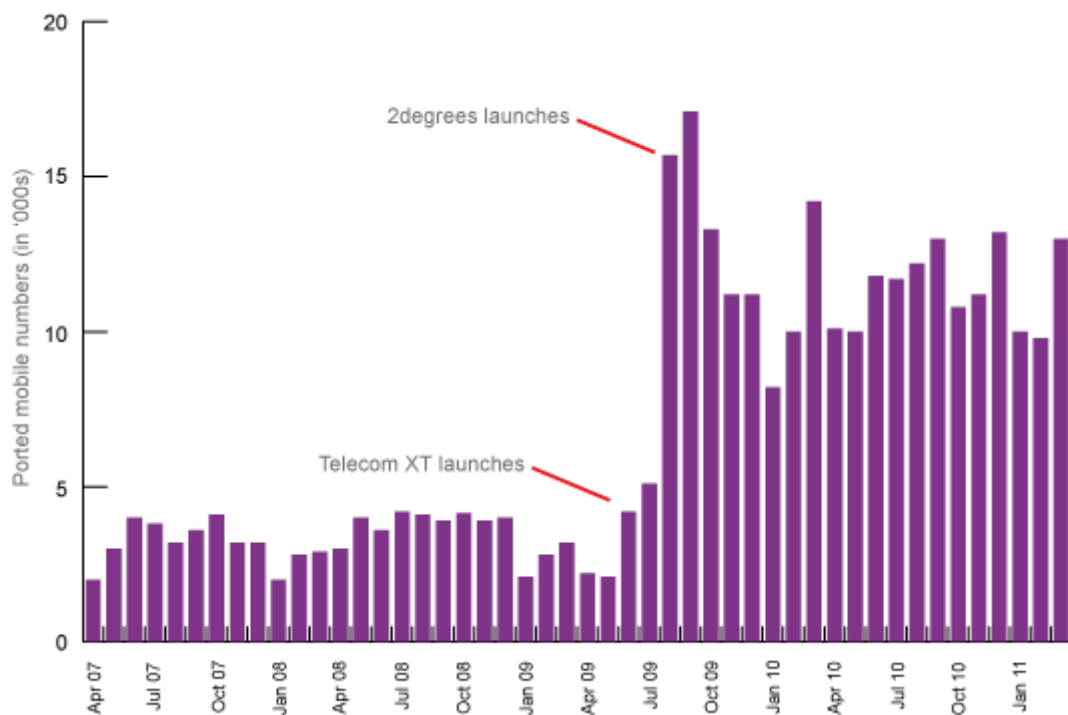


Source: Commerce Commission

Providers need not have their own network in order to compete in the mobile market. Both Vodafone and Telecom support Mobile Virtual Network Operators (MVNOs) - companies that use another company's network in order to provide services to their customers. At the end of the financial year there were a number of MVNOs operating in the New Zealand market, the largest of which was TelstraClear. Other MVNOs include Orcon, Slingshot and Callplus. The launch of 2degrees and the introduction of Telecom's 'XT' network meant that for the first time, many customers were able to keep the same phone when switching between mobile service providers, increasing customers' ability to shop around for the best deals and pricing. Telecom still operates their legacy CDMA network, though they intend to shut this network down in 2012.

There is evidence customers are taking advantage of the increased choice and competition in the market by switching between providers more than ever before. The number portability statistics show an increase in the number of people transferring their existing phone number between mobile providers.

Mobile numbers ported each month



Source: TCF

The Commerce Commission publishes an [annual Telecommunications Monitoring Report](#) containing more data on the performance of the New Zealand market.

Mobile termination rates

Mobile Termination Rates (MTRs) are the charges levied between operators when terminating calls on a mobile network. For example, they make up part of the cost of a call from a fixed line telephone to a mobile phone.

In August 2010, the Minister of Communications announced his intention to regulate Mobile Termination Rates. His decision followed a Commerce Commission investigation, initiated in 2008 to explore whether mobile network operators like Vodafone were charging termination rates that were too high.

In May 2011 the Commerce Commission lowered MTRs from 17.7 cents per minute to less than 4 cents by 1 April 2012, with further reductions until 2014. Termination rates for text messages dropped to 0.06 cents from 6 May 2011.

The Commerce Commission's regulated pricing is below the cost Vodafone believes it incurs to terminate a call on its network. Below-cost pricing is potentially bad for investment in the telecommunications sector and could, in the long term, impact competition through dampening innovation and technology differentiation. The Commerce Commission's decision will have significant implications for Vodafone's revenue. The Commission's proposed cost based rate of 4.68 cpm for 2011 will have a significant impact on Vodafone's revenues for the year ahead.

A further area for potential Commerce Commission investigation is the volume of usage between an operator's customer base, compared to volume of traffic to other networks. This disparity is encouraged with special pricing plans with differentiated pricing for calling phones within the user's network (so called "on net"). The Commission is concerned that an imbalance in pricing on and off-network could pose barriers to new entrants.

As part of the MTR process the Commerce Commission indicated they could pose some sort of retail price regulation to prohibit certain forms of on-net pricing if the Commerce Commission does not observe changes in volumes.

Rural Broadband Initiative (RBI)

The RBI will be funded by \$50 million of Government funding, and another \$250 million collected from the Telecommunications industry through the Telecommunications Development Levy. The Government's objectives for the Rural Broadband Initiative (RBI) are to:

- connect 97% of schools to fibre, enabling speeds of at least 100 Mbps, with the remaining three percent to achieve speeds of at least 10 Mbps ("the rural schools objective"); and
- improve coverage of fast broadband services so that 97% of New Zealand households and enterprises are able to access broadband services of five Mbps or better, with the remaining three percent to achieve speeds of at least one Mbps ("the rural community objective"). Vodafone and Telecom NZ were selected as the Government's preferred partners for the Government's rural broadband initiative. Telecom will extend their existing fibre network by approximately 3,100 kilometres to improve connectivity in rural communities. Vodafone will construct 154 new fibre-connected cell phone towers and upgrade 380 existing cell towers.

[The Vodafone RBI coverage](#) will extend rural broadband to 80% of rural homes, providing access to the Vodafone rural broadband service.

UltraFast Broadband Initiatives

Through the UltraFast Broadband Initiative (UFB), the government will be investing up to \$1.35 billion in open-access, dark-fibre infrastructure to accelerate the roll-out of ultra-fast broadband to 75 percent of New Zealanders over ten years. The design of this initiative was finalised in

September 2009, with the government confirming its goal to provide downlink speeds of up to 100 Mbps and uplink speeds of up to 50 Mbps in the target areas.

The Government, via Crown Fibre Holdings, conducted a tender process to select partners for the Government in the UFB initiative.

Telecom NZ, North Power, Ultrafast Broadband Limited and Enable Networks have been selected as preferred partners. Telecom NZ's participation in the project is conditional on it structurally separating its network and wholesale business from its retail operations. Details of Telecom's separation will be unveiled in the coming year.