

Being accountable - our Corporate Responsibility Report - 2012

Letter from Russell Stanners, Vodafone NZ CEO

I'm delighted to share with you Vodafone's Corporate Responsibility report for 2012.

Behind all the words and facts and figures, I hope you'll see how much we care for our people, our communities and our environment. I only have to look at the work of the Vodafone Foundation, our cyber-bullying initiatives, the progress we've made in diversity and our endeavours to reduce our impact on the environment, to know that Vodafone is full of people who care passionately.

This report, our ninth, measures how well we're doing, and details activity for the year ending 31 March 2012. The content of this report has been independently assured as a full, balanced and accurate account of our performance by an [independently auditor](#).

Vodafone Group, our parent company, also publishes an annual [Corporate Responsibility Report](#).

We value your feedback so please do let us know what you think by sharing your thoughts by emailing SustainabilityNZ@vodafone.com.

Enjoy,
Russell



Our approach

How does Vodafone operate in an open and accountable manner?

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Environment

What is Vodafone doing to protect the New Zealand environment?

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Social

What impacts does Vodafone have on communities in New Zealand?

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Economic

What is Vodafone doing for the New Zealand economy?

- [Economic Impacts](#)

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 across our mobile and fixed businesses. Our 2G and 3G mobile networks cover 97 percent of where New Zealanders live, work and play, and more than 80% of New Zealand homes can get fixed line services such as home phone lines and broadband from us.

Although we are the leader in mobile, our share of the overall telecommunications market is smaller. We aspire 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	2012	2011	2010
Turnover (\$ million)	*	1,698.4	1,594.9
Profit (after tax) (\$ million)	*	148.5	121.6
Mobile customers (million)	2.4	2.5	2.5
No. of Employees	1938	1634	1367
No. of Mobile Phone Sites	1477	1402	1369

* Financial figures will be filed with the Companies Office in September 2012. This data will be updated once the audited accounts are published.

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, and
- Report progress back to our stakeholders.

The Corporate Responsibility team has specific oversight of 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.

The strength of our approach to responsible governance has been recognised through our win of the 2010 and 2011 Kensington Swan, Responsible Governance awards at the Deloitte/Management Magazine Top 200 awards for stakeholder commitment. This is an award in which we have been a finalist six times since 2001.

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 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.

Supply Chain

Vodafone New Zealand is part of a global business. Each year Vodafone Group businesses 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. It is supported by global enterprise resource planning systems and processes with a locally based supply chain management team.

- [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 suppliers are made 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. Our people undertake annual refresher training on the CEP.

All New Zealand suppliers are subject to a qualification and approval process. This includes acceptance of the CEP and management of Corporate Responsibility issues in their own supply chain. In line with our global process, should a supplier be identified as medium or high-risk they will be referred for detailed local assessment. 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 qualified and been approved. 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 Corporate Responsibility 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 Alcatel-Lucent, Carlson Wagonlit Travel, Cisco, Dell, Downers, EMC, Hewlett-Packard, Huawei, IBM, ITCS, Nokia Siemens Network, OMD, Optimization, Siae, Starent, Teradata and Unisys.

Anti-Bribery

The UK Bribery Act 2010 (the 'Act') came into force on 1 July 2011 and applies to the global operations of all companies carrying on part of their business in the UK. It introduced the strictest legislation internationally on bribery. We have zero tolerance for bribery and have rolled out procedures to prevent bribery as part of a Group wide programme.

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. We have discussions with the Government and other members of the industry on industry matters. Our parent company surveys our key stakeholders about how we are doing on addressing concerns about [Electromagnetic Frequency](#) and on reputation.

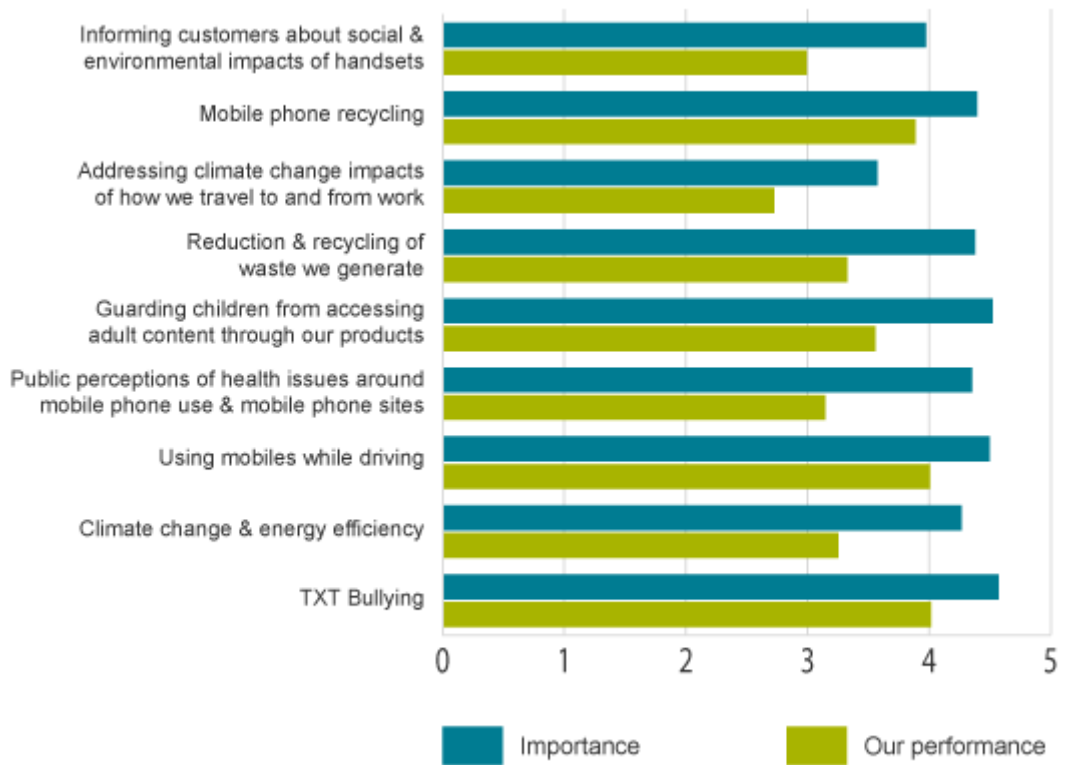
Our Corporate Responsibility stakeholder engagement strategy is designed to complement these activities and provide a platform to engage those stakeholders omitted in the traditional engagement channels. In previous years we hosted structured stakeholder engagement sessions, where we invited people and 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.

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.

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



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 2012 Corporate Responsibility Report (2012 CR Report), to the scope of work outlined below.

Our Brief

We were asked to provide external independent assurance as to whether the material data and disclosures contained within the following sections of the online Vodafone NZ 2012 CR Report were appropriately reported:

- CR management; Economic Impacts; Employees; Environment; Responsible Network Roll-out, Health and Technology; Philanthropy; Looking After Our Customers; Stakeholder Engagement; Supply Chain; and Vodafone NZ profile.

The scope excluded data and statements relating to financial information as well as data that had been assured in 2011 and not changed for the 2012 CR Report. In addition, Vodafone NZ's 2012 CR Report has been published online, and includes non-assured data which falls outside the above scope of work.

Our Approach

We delivered our work in accordance with ERM's assurance methodology, which is based on the following international assurance and audit standards: ISAE 3000, ISO14064-3, and ISO 19011.

We planned and performed our work to obtain all the relevant information and explanations that we believe were necessary to gather sufficient evidence to provide a basis for our assurance conclusions as to whether the reported information and data set out in the 'Our Brief' were appropriately reported i.e. that nothing has come to our attention through the course of our work that the data are materially mis-reported (limited assurance).

If we had been asked to conclude on whether the reported subject matters were robust (reasonable assurance), we would have needed to conduct more work at corporate and site levels and to gather further evidence to support our assurance opinion.

Our assurance activities included:

- Face-to-face interviews at corporate level to understand and test the processes in place for reporting CR data and underlying data management system. This was followed up with a review of relevant documentation;
- Interviews with selected Vodafone NZ stakeholders to ascertain the responsiveness and inclusivity of Vodafone NZ's CR approach;
- Reporting of our assurance findings to management as they arose to provide them with the opportunity to correct them prior to finalisation of our work; and
- Review of the presentation of information relevant to the scope of our work in the report to ensure consistency with our findings.

Respective Responsibilities and ERM's Independence

Vodafone NZ was responsible for preparing the 2012 CR Report and for the collection and presentation of information within it. The ERM team, led by Neil Kirkpatrick, Technical Director and Practice Lead for Air Quality and Climate Change, was responsible for expressing assurance conclusions in line with the scope of work agreed with Vodafone NZ. During 2011/12, ERM did not work with Vodafone NZ on other consulting engagements.

Our Conclusion

On the basis of work undertaken as described above, ERM concludes that in all material respects, the data and disclosures included in our brief are appropriately presented in the 2012 CR report.

Key Findings

Based on the scope of work, and without affecting our assurance conclusion, ERM identified the following key observations and recommendations for improvement:

Good Practice

- Vodafone NZ continues to demonstrate strong leadership in the use of mobile technologies to address emerging societal issues, with services such as Blacklist and Drive Safe. These services have received global recognition for their innovative approach.
- Initiatives to promote staff diversity have received a strong focus in the last year, with the launch of various programmes to increase gender equality and Maori representation within Vodafone NZ's workforce.
- Vodafone NZ is actively seeking opportunities to reduce energy consumption in its network infrastructure, recognising the materiality of this component within its overall carbon footprint.

Areas for Improvement

- Whilst Vodafone NZ communicates at numerous levels with various stakeholder groups, a more formalised programme of engagement could help to ensure that the diversity of stakeholder CR concerns can be identified and addressed.
- Increasing both internal and external awareness of Vodafone NZ's CR programmes through more active promotion of these initiatives.
- Although various energy efficiency opportunities have been identified and trialled, Vodafone NZ's direct carbon dioxide (CO₂) emissions continue to increase, albeit at a reduced rate compared to 2011. With commitments to expand Vodafone NZ's network through initiatives such as the Rural Broadband Initiative, a continued focus on addressing network energy consumption is recommended.

ERM congratulates Vodafone NZ on its 2012 CR Report.

ERM

ERM New Zealand Ltd, 16 July 2012, Auckland, New Zealand

ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past 4 years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.

Our assurance statement provides no assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the information since it was first published. These matters are the responsibility of Vodafone NZ but no control procedures can provide absolute assurance in this area.

Environment

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. We also produce office waste in our offices and stores.

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.



Vodafone volunteers off-setting their fleet carbon emissions with a tree planting day at Blockhouse Bay Intermediate.

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 1.4 percent last year. Our network operations account for almost three quarters of our carbon emissions. Network emissions increased 6.3 percent, or 335 tons, over the past year. This increase is due to investment in increased network capacity. The network growth did not result in similar increase in emissions due to a programme of work to improve data centre efficiency such as introduction of 'hot row-cold' systems, server virtualisation, rationalisation of services and associated equipment removal. This has resulted in an average Power Usage Efficiency factor of 1.63 (May 2012 average) across our data centre – a figure usually associated with much newer data centres. Network emissions

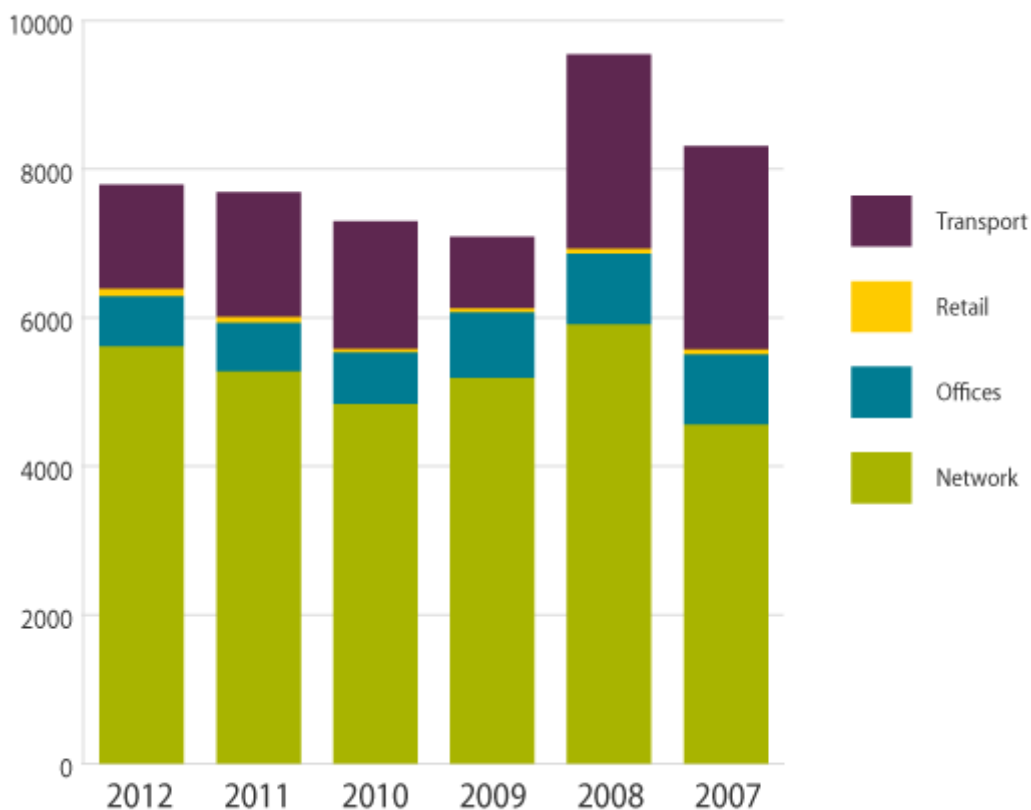
were also controlled by ongoing work to improve efficiency at cell sites by introducing passive cooling and closer monitoring and analysis of energy peaks.

Emissions reductions from other sources partially offset the network growth. Transport emissions, which include air travel and vehicle fuel, reduced 16.1 percent as a result of a reduction in flights as the business focussed on reducing unnecessary travel. We have been off-setting our fleet emissions through tree planting as part of the SBN Greenfleet programme since 2004.

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.

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)



Please note: we have adopted MfE emissions factor for electricity the first time year. The figures above are restated using those factors.

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.

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.

Since March 2010 we have operated a mobile recycling partnership with the Starship Foundation whereby suitable collected phones are 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 206,006 handsets. This represents a 44% increase against last year's figures.

We are working 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.

- [Vodafone NZ mobile recycling](#)

Network waste

We have an ongoing commitment to reuse or recycle more than 95 percent of the waste from our network operations. In the past year we reused or recycled 96 percent of our network waste by mass. Our server virtualisation and data centre rationalisation project has resulted in a significant increase in overall network waste.

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 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.

Network waste	2012	2011	2010	2009
Disposed (kg)	5,576	2,698	2,293	963
Reused or Recycled (kg)	138,107	69,140	69,844	25,191
Recycled/Reused	96%	96.2%	96.8%	96.3%

Ozone depleting substances

Some of our older air conditioning units contained R-22, an ozone depleting HCFC used as a refrigerant. Our target was to replace all R-22 units by 2012 and we achieved it this year. There are no R-22 units remaining in our network. All sales and import of R-22 will cease across New Zealand from 2015.

Office waste

Our offices are also a source of waste, and this is an area of interest to our people. We operate internal recycling systems for paper, glass, plastics, metals, cardboard, toner, courier bags, CDs & DVDs and mobile handsets. In February Waste Not Consulting conducted a waste audit at v.nue, our head office. Waste Not Consulting conducted a waste audit for Vodafone in 2004 so was able to compare results, which showed that our waste to landfill per person has reduced from 0.75 kg per person per week, in 2004 to 0.63 kg in 2012.

The audit showed us that there were significant opportunities for us to reduce our waste to landfill. We are introducing compostable recycling, bathroom hand driers, new recycling bins and communications to address the key opportunities to reduce our waste to landfill.

We are also working with our print partner, BlueStar, to ensure that our printed materials have minimal environmental impact. Over the past year more than 99% of these materials were printed using paper from certified sustainable sources.

Using our technology to help our customers reduce their carbon footprint

Smart meters with embedded SIM technology use machine to machine (M2M) connections to enable remote monitoring of electricity, gas and water consumption. This can reduce CO₂ emissions by promoting more efficient energy and water use by increasing visibility of consumption rates, as well as eliminating the need for engineers to travel to read meters. Smart meters also play an important role in encouraging consumers and businesses to improve energy efficiency.

Vodafone and AMS supply M2M connections for smart meters in NZ households. This enables families to monitor the energy they use in real time, helping them cut costs and related CO₂ emissions.

Business customers are also installing smart meters to improve facilities management. ASB uses our technology to receive energy data from smart meters at all its branches and offices across the country. It uses this information to target energy e efforts, that have saved 2235 tonnes of CO₂e, cutting its carbon footprint by 27% over three years.

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.

Our network

At 31 March 2012 we had 1477 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. 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.

Rural Broadband Initiative

The Rural Broadband Initiative (RBI) is resulting in an increase in our network footprint. In April 2011 Vodafone and Telecom NZ were selected as the Government's preferred partners for the RBI, with Vodafone constructing 154 new fibre-connected cell phone towers and upgrading 380 existing cell towers by 30 June 2016. These new and upgraded sites will provide fixed wireless broadband access to areas previously not serviced by high-speed data and faster and wider mobile coverage to an additional 4,500km of rural roads. At 30 April 2012 the first seven new towers are complete, and providing service and 64 sites have been upgraded.

Community Cell-site Scheme

Our network footprint is also increasing as a result of our new Community Cell Site Scheme, a programme to improve mobile coverage for small rural communities which are not currently covered by our network and are outside the scope of the RBI. We established this scheme in response to requests for coverage in remote areas where the business case for building sites was not strong. We have committed to build at least two additional cell-sites each year in response to applications under this scheme.

We called for the first round of applications in October 2011. We received 15 applications from all over the country. We selected three communities in which to build cell-sites during 2012 – North and South Caitlins, and Waihau Bay, East Cape. We will ask for applications again in late 2012 for two further sites to be built in 2013.

Rebuilding in Christchurch

The earthquake of 22 February 2011 resulted in direct damage to our network. Ten (predominantly rooftop) cell-sites were destroyed, or were made unusable by their location in the Red Zone.

In the aftermath of the earthquake many Christchurch residents had to relocate away from population centres such as the inner city, which were unsafe, to other suburbs to both live and work. This activity had two impacts for our network: it increased the use of mobile technology as people needed to stay in touch and continue working; and it increased the demand on capacity in the areas to which residents had relocated. Vodafone responded to this by immediately identifying and taking steps to acquire 58 new sites in both retail and residential areas. The strategy has been to focus on building cell sites in the retail areas first to ensure that Christchurch residents can keep on working. As at 31 March 2012 24 new sites had been built. Vodafone has invested \$18million in network build in Christchurch. Much of this investment is going directly into Christchurch as the pole and cabinet manufacturers are based in Christchurch.

Community Engagement

Where Vodafone needs to build or alter cell-sites, we conduct community engagement in accordance with the Telecommunications Carriers Forum (TCF) [Community Engagement Guidelines](#) launched in 2009. Vodafone was involved in the TCF working party that developed the guidelines which set out engagement practices for the industry to commit to when constructing or altering mobile sites. The creation of the guidelines was in response to concerns raised by groups about the lack of consultation and notification prior to consent applications or site construction, and the reduction in regulated obligations on network builders to consult with councils and local communities as a result of the 2008 National Environmental Standard for telecommunications facilities.

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

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](#). Since the Foundation was formed in 2002, the Foundation has distributed over \$14 million to the community.

The Foundation operates three main programmes – strategic grant making, the World of Difference programme and the Fellowship in Youth Health. In addition to its core programmes, the Foundation launched the Canterbury Fund, in partnership with the Christchurch Earthquake Appeal Trust.



Youthline Central South Island, recipients of funding from the Vodafone Foundation Canterbury Fund, in partnership with the Christchurch Earthquake Appeal Trust, to fund training programmes for Youthline Christchurch.

The World of Difference Programme is the Foundation's signature programme, funding the salaries and expenses of passionate people each year, enabling them to contribute their skills working with a charity of their choice. 65 people have so far taken part. The Foundation provides extra support to the recipients by running two Hui a year bringing together past and current recipients to encourage networking and collaboration and provide up-skilling opportunities. Each recipient is paired up with a Foundation Board member for extra support and they receive additional assistance from Vodafone whether it be access to Vodafone sponsorship assets or Vodafone employees volunteering their time.

The Foundation also supports Vodafone employees to support causes they are passionate about. The 'Hands Up' programme gives Vodafone employees the chance 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.

Vodafone Foundation Canterbury Fund

The Vodafone Foundation Canterbury Fund was established in 2011, in partnership with the Christchurch Earthquake Appeal Trust, to support the rebuild of Christchurch. The aim is to make a positive, long term difference within Canterbury communities and be agile and flexible as needs emerge. Supporting youth is a major theme of the fund. This year small grants were made to youth and capital focused projects, as well as to the Canterbury Business Recovery Trust to support businesses looking to take on a new employee.

Source / Destination	2012	2011
Foundation Income		
From Vodafone New Zealand	\$700,267*	\$1,131,330
From the Vodafone Foundation	\$1,614,251*	\$1,702,466
Foundation Investments		
Total grants made in the financial year	\$1,877,373*	\$2,424,448
Grants through employee matched giving scheme	\$77,862*	\$58,420
Customer donations enabled through Red Alert	\$79,543*	\$675,015

* Financial audit of these data is underway but not yet complete.

Five Star sponsor of Starship

In April 2011 Vodafone decided to extend the relationship it had with Starship, the national children's hospital, through the mobile phone appeal, to become a five star sponsor. We have committed to fund Starship's National Air Ambulance. We are enabling this, in part, by allowing customers to make donations through the Vodafone bill payments. We are also providing free wi-fi to five levels of the hospital so the children who are patients there can stay in touch with friends and family and have fun on-line.

Health and Our Technology

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 responding 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 has a large safety margin built into it, with public exposure levels set 50 times below levels at 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.

International Agency for Research on Cancer (IARC) cancer hazard assessment

On 31 May 2011 IARC, a specialist agency within the World Health Organization, announced a cancer hazard assessment for radiofrequency signals (RF), including those from broadcast, mobile communications, microwaves and radar.

IARC classified RF as "possibly carcinogenic to humans (Group 2B), based on an increased risk for glioma, a malignant type of brain cancer, associated with wireless phone use." The full findings will be published in 2012.

Based on this assessment the WHO, governments and public health authorities will decide what advice and guidance, if any, is appropriate.

The latest [WHO fact sheet](#) published in June 2011, concluded that to-date no adverse health effects had been established for mobile phone use.

Monitoring EMF in New Zealand

For the past nine 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 Institute for Environmental Health and Research Ltd (ESR), a Crown Research Institute owned by the New Zealand Government. This has created a significant public database of sites showing typical RF levels around our sites with measurements taken at 245 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](#).

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 all of the sites tested in the past year the maximum exposure was less than one percent of the levels permitted by the New Zealand Standard. A residential rooftop in Surfdale, Waiheke Island recorded the highest peak reading of 2 microwatts per square centimetre ($\mu\text{W}/\text{cm}^2$), 0.44% of the standard.

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](#).

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 the 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.

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.

Rural Broadband Initiative (RBI)

The RBI is 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 percent 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 percent 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. At 30 April 2012 the first seven new towers were complete and providing service, and 64 sites had been upgraded.

The Vodafone RBI coverage will extend rural broadband to 80 percent of rural homes, providing access to the Vodafone rural broadband service. More information is available [here](#). (insert hyperlink to RBI section)

UltraFast Broadband Initiatives

Through the UltraFast Broadband Initiative (UFB), the government is 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. North Power, Ultrafast Broadband Limited, Enable Networks

and Chorus were selected as preferred partners. Vodafone will be offering retail services based on UFB.

Telecom de-merger

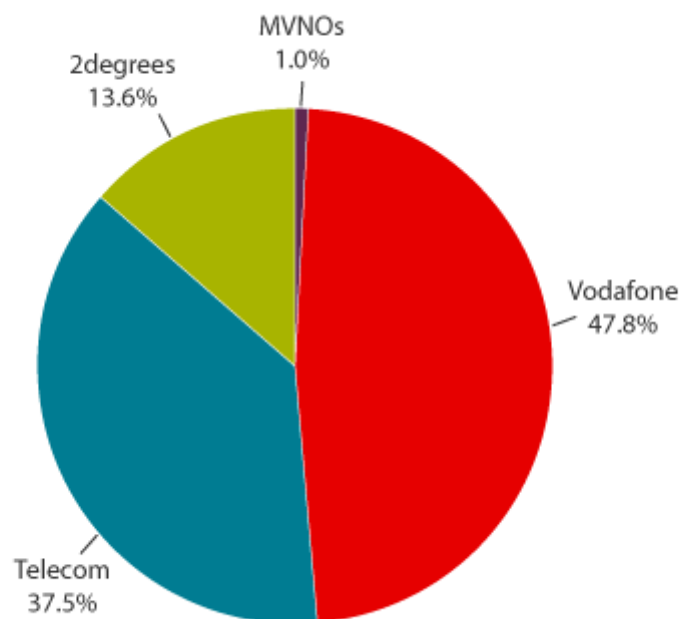
Telecom NZ's participation in UFB was conditional on it structurally separating its network and wholesale business from its retail operations. The de-merger of Telecom was completed by 1 December.

We expect the de-merger to result in reduced regulatory focus in the Telecommunications sector, and particularly on Telecom.

Competition in the mobile market

The entry of 2degrees into the market in August 2009 has made a significant impact on the market. As at June 2011 2degrees had gained 13.6% of the market. 2degrees provides coverage using its own cell sites which now cover most cities including Auckland, Wellington, Christchurch, Hamilton, Tauranga, Dunedin, Palmerston North, Queenstown, and Invercargill. It relies on roaming via our network to provide coverage where it does not have its own network.

Mobile market share by subscriber as at 30 June 2011

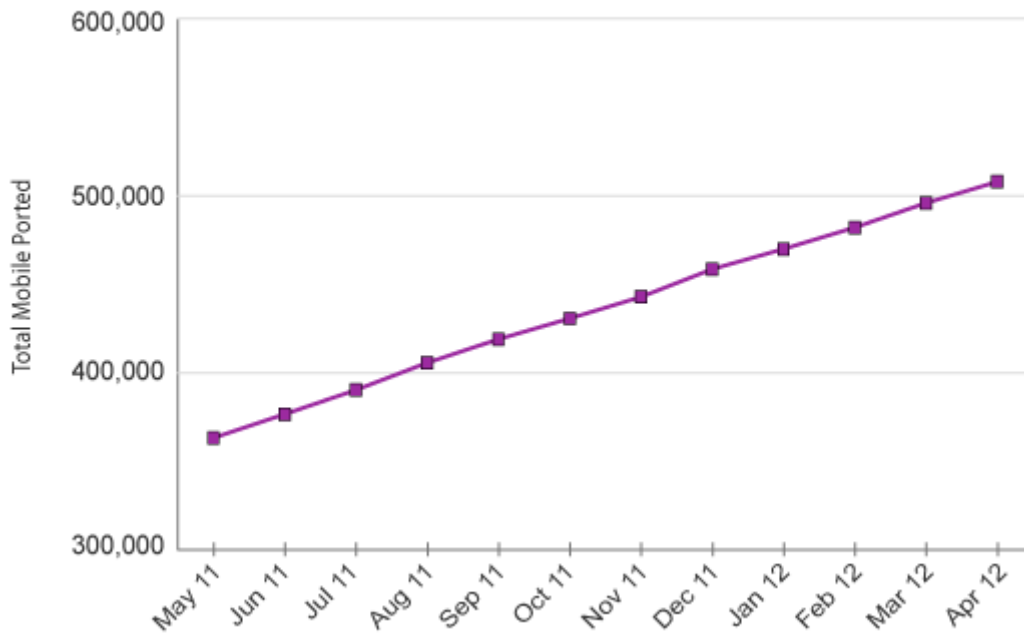


Providers do not need to have their own network in order to compete in the mobile market. Both Vodafone and Telecom support Mobile Virtual Network Operators (MVNOs) – companies that use another company's network in order to provide services to their customers. TelstraClear continues to operate the largest MVNO. Other, smaller MVNOs include Black + White, Digital Island, CallPlus/Slingshot, Compass and Orcon.

Customers are continuing to take advantage of the increased choice and competition in the market by switching between providers more than ever before. The number portability statistics

show an ongoing increase in the number of people transferring their existing phone number between mobile providers. Almost 13,000 mobile numbers are now being ported every month, compared with just 3,000 a month during the first year the scheme operated with about 150,000 mobile numbers having been ported over the last year.

Mobile Number Porting



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 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.