

Vodafone New Zealand 2013 Sustainability Report

Vodafone profile	1
Corporate responsibility governance.....	3
New Zealand corporate responsibility governance	3
Global corporate responsibility management	3
The Vodafone Business Principles	3
Stakeholder engagement	4
This report	4
Assurance	4
Supply chain.....	5
Environment	7
Climate change and carbon emissions	7
Network waste	10
Office waste	10
Vodafone New Zealand Foundation	11
Vodafone direct community investments	12
Emergency response	14
Our people in the community	14
Responsible network roll-out, health & technology	15
Our mobile network	15
Our fixed network	16
Community engagement	16
Health and our Technology	17
Looking after our customers	19
Malicious cyber behaviour	19
Complaint and investigation process	19
Cybersafety and cybercitizenship education	20
Mobiles and road safety	21
Responsible marketing	21
Employees.....	23
TelstraClear purchase	23
Diversity	24
Health and wellbeing	26

Learning and development	26
Measuring employee engagement	28
Economic impacts	30
TelstraClear purchase	30
Competition	31
Infrastructure investment	32
Addressing the digital divide: Rural Broadband Initiative (RBI)	32
Regulation	33
Assurance statement.....	34

Vodafone profile



Name: Vodafone New Zealand Limited

Company HQ: v.nue, 20 Viaduct Harbour Ave, Auckland

Ownership: Wholly owned subsidiary of Vodafone Group Plc

Market served: New Zealand

Vodafone NZ Ltd began operation in New Zealand in 1998 as a mobile only telecommunications provider with 138,000 customers. Over the past 15 years we have grown our market base, reaching 2,307,000 million mobile connections at the end of the last financial year, which amounts to 42% of the New Zealand mobile market.

On 12 July 2012 we announced that we were purchasing TelstraClear. On 30 October 2012 the Commerce Commission gave regulatory approval for the purchase and on 1 April 2013, Vodafone became the single brand for the combined business.

Purchasing TelstraClear enables Vodafone to meet the changing needs of our customers. By combining Vodafone's leadership in mobile with TelstraClear's fixed communications expertise we are positioned to innovate, compete and grow, particularly in the emerging world of fibre access. It also strengthens our national presence, particularly in Christchurch.

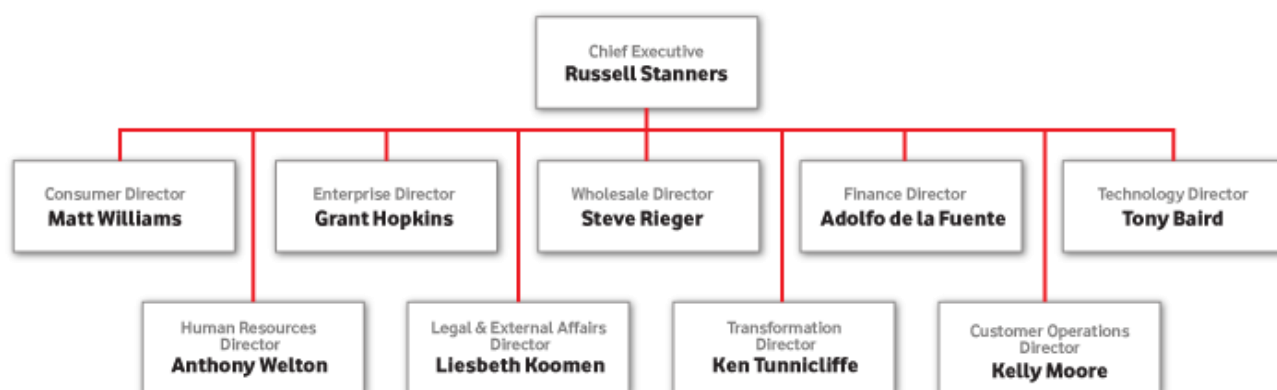
"This acquisition will allow us to combine our strength in mobile with TelstraClear's strength in fixed communications solutions. It means we can meet customers' constantly evolving communications needs - whether that's mobile services, broadband, pay TV, or sophisticated ICT services - from the Far North to Southland." Russell Stanners

The acquisition allows us to offer a broader range of total telecommunications capabilities for business customers, including network services such as mobile and fixed voice and data, smartphone and tablet

solutions and fast secure networks; and data management services such as hosted PBX and apps, contact centre services, security services, LAN, WAN and data centre services.

The acquisition will enable a richer, better set of fixed solutions for our consumer customers. In addition to our existing services for consumer customers such as mobile voice, TXT and data, and fixed line phone and broadband, we now offer PayTV in Christchurch, Wellington and the Kapiti Coast.

The integration of the two businesses was conducted in two phases. The first phase saw both businesses operate separately, while each sought to understand more about the other. The second phase was to bring both businesses together under the Vodafone brand and a single organisational structure. A key objective for the combined Vodafone/TelstraClear transformation team was to ensure that the new business structure was based on the best of both organisations, so a single new structure, different from that of both previous businesses was created. Structure and appointments shown are those communicated on 26 April 2013.



Vodafone NZ fact box	2013	2012	2011	2010
Number of permanent employees	Vodafone 1971 TelstraClear 1360	1938	1634	1367
Turnover (\$ million)	1,501.5	1,618.7	1,698.4	1,594.9
Profit (after tax) (\$ million)	76	175	148.5	121.6
Number of mobile customers (million)	2.3	2.4	2.5	2.5
Number of mobile phone sites	1482	1477	1402	1369

[Vodafone Global Profile >](#)

Corporate responsibility governance

Reporting period	1 April 2012 – 31 March 2013
Previous report	Published 16 July covering 1 April 2011 – 31 March 2012
Reporting cycle	Annual
Previous reports	Found on-line at: www.vodafone.co.nz/corporate-responsibility/

Our approach to Corporate Responsibility (CR) is to:

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

The CR 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 is also responsible for the production of the annual CR 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 CR programmes which fall within their business unit's operations. Tom Chignell, the Director of External Affairs, is the member of the executive team with responsibility for CR. Ultimate responsibility for CR rests with Vodafone New Zealand's Chief Executive Officer, Russell Stanners.

Global corporate responsibility management

Vodafone operates a global CR 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.

Each year this information is aggregated to form a full picture of Vodafone's global footprint and performance. Vodafone Group 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.

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. We engage directly with communities where we wish to build our infrastructure and with the not-for-profit sector through the Vodafone Foundation.

In a small market like New Zealand we are usually able to identify key stakeholders through introduction or recommendation. For example, our community engagement for the Rural Broadband Initiative build involved using local hubs such as community schools, doctors or iwi, and asking their advice to help identify other key stakeholders. We also monitor PR and media, and typically seek to engage with those organisations that have credibility and influence.

Our CR specific engagements are typically with organisations that would not otherwise engage with Vodafone. We favour 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.

This report

This report applies only to Vodafone NZ Ltd. Our parent company [Sustainability Report](#) covers the entire Group.

This report covers the Vodafone NZ business, including our network, retail stores, offices and all people employed by the Vodafone NZ Ltd business. It does not cover DigiMobile in which Vodafone has a non-controlling shareholding. Only where specifically mentioned does it include the TelstraClear business, network or people. We have sought to include TelstraClear data where it is available and have reported it separately to ensure comparability of data against last year's report, and to provide a baseline for future years.

Assurance

This full report is assured by ERM as independent auditors.

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 in New Zealand

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.

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.

The purchase of TelstraClear and the need to integrate our approach to supplier management has meant that our usual approach to supplier performance management and assessment of Corporate Responsibility performance has not been as comprehensive as in previous years. We plan to address this in the coming year.

Local Suppliers

During the reporting period Vodafone New Zealand spent in excess of \$1.5bn with our top 100 suppliers. 87% of that spending was with locally-based suppliers. Locally-based suppliers are regarded as those companies head quartered in New Zealand or global companies with a local office, where we pay them in New Zealand dollars.

Anti-Bribery

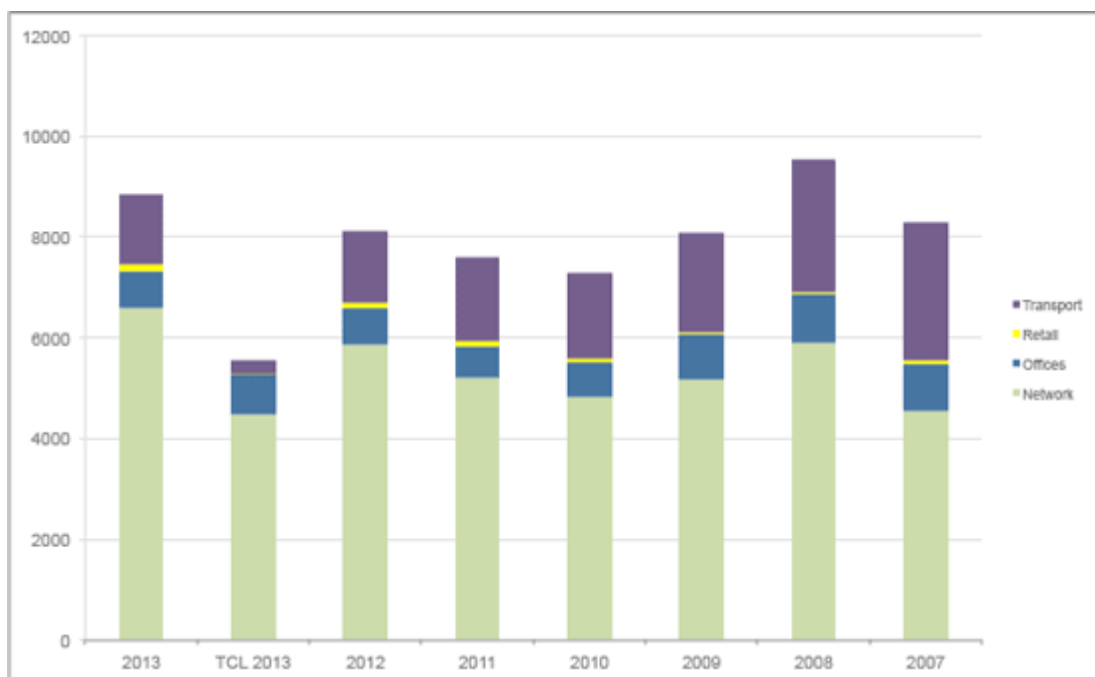
The UK Bribery Act 2010 came into force on 1 July 2011 and applies to the global operations of all companies carrying on part of their business in the UK. It introduced the strictest legislation internationally on bribery. We have zero tolerance for bribery and have rolled out procedures to prevent bribery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

otherwise managed to contain our emissions despite continued network growth and investment, in particular in 4G and Rural Broadband. We have continued our programmes of work to improve data centre and network efficiency achieving an average Power Usage Efficiency factor of 1.657 across the data centres in the Vodafone network - a figure significantly lower than the average, and one usually associated with much newer data centres. As part of our Rural Broadband Initiative we built a new mobile site on Great Barrier Island at Claris. It is a hybrid-powered site, using solar and wind, with diesel generator back up should it be required.

With the purchase of TelstraClear we will be integrating two networks and two businesses, including network locations, offices and retail stores. As a result our overall carbon emissions will grow. We don't have data about TelstraClear's carbon footprint prior to the purchase. In measuring the footprint of that business, we have defined the boundary for this year's reporting to include all network, offices and retail stores. We have not included customer facing datacentres within our scope. We calculate TelstraClear's carbon footprint for the reporting period was 5573 tons CO₂e, around 63% of the Vodafone carbon footprint for the same period. These figures have been reported separately this year to provide a baseline against which to compare future measurements. We will report aggregated figures in next year's report.

Although the purchase of TelstraClear will increase Vodafone's overall carbon footprint, the integration of two networks will result in efficiencies and reduce our overall CO₂e emissions per megabyte.

Vodafone New Zealand Carbon Emissions (tonnes CO₂)



TCL = TelstraClear

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 or fleet tracking. 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. At a Group level we have committed to providing 10 million carbon-reducing M2M connections by March 2013. Vodafone NZ contributed over 650,000 such connections by that date.

Telework Week

From 12 - 16 November 2012, Vodafone alongside a handful of other New Zealand companies sponsored a National Telework Week . The purpose was to highlight and educate New Zealand businesses and public sector organisations about the benefits of teleworking and encourage them to give it a go. A focus for the week was the sustainability benefits of teleworking including reduced urban congestion and environmental benefits.

Eco Rating

During 2012 we were the first network in New Zealand to introduce Eco Ratings for the handsets we sell. The Eco Rating is presented as an easy to understand score from one to five, where five is the most sustainable. The score is based on an analysis of three components: green design which covers special features that improve environmental performance like elimination of hazardous substances or easy disassembly at end-of-life; mobile phone lifecycle which covers the environmental impact of the phone through its lifecycle from extraction of raw materials through to disposal at end-of-life; and company performance which looks at the manufacturer's overall commitment to managing environmental and ethical issues in their operations.

Mobile phone recycling

Every year hundreds of thousands of new mobile handsets are sold in New Zealand, resulting in large numbers of handsets becoming surplus to requirements. A survey in 2012 from Folamh NZ Ltd shows that a percentage of these are sold, some are passed on to friends and family, some are passed on to charity appeals, but many are kept in drawers, and some are thrown away. Many of the handsets that are left in drawers or thrown away are still in good condition and can continue to be used. Reusing them has three benefits: it makes mobile phones more affordable for people on low incomes; it reduces electronic waste; and reduces the demand for new handset manufacture and the associated resource use and environmental impact.

Although Vodafone does not manufacture mobiles, we do sell them through our extensive network of retail stores. We have offered mobile recycling programmes since 2003. Our biggest challenge is to get more customers to return their old mobiles to us. Since March 2010 we have operated a mobile recycling partnership with the Starship Foundation through their recycling partner, Swapkit NZ Ltd. This programme has been successful at encouraging customers to return their phones by linking it to fundraising for Starship Children's Hospital.

Numbers of handsets collected and resold

FY12/13	FY11/12	FY10/11
213,267	238,263	154,329

Restated figures provided by Swapkit NZ Ltd

During the reporting period the Starship programme collected and resold 213,267 handsets; down by 11 percent against the previous year. This figure refers only to the useable handsets that are collected by Swapkit and sold into other countries for ongoing use. It does not include the number of handsets collected that are end-of-life and which are broken down so that the component materials can be recovered and reused.

Working with industry counterparts, we have successfully established the Starship programme as a Product Stewardship Scheme under Telecommunications Forum (TCF) governance. We have sought Ministry for Environment accreditation for it under the Waste Minimisation Act, which has required us

to improve data collection and reporting, set recycling targets and increase transparency through reporting. We expect a decision from the Ministry of Environment later in 2013.

Trade-In

In early 2013, Vodafone launched Trade-In, which allows customers to earn Vodafone vouchers, which can be spent in Vodafone stores, in return for their mobile handsets. By offering customers value for their handsets, we hope to create an additional incentive for customers to bring in their phones for reuse or recycling. Not all phones are eligible for vouchers, because they may be too old or too damaged. Unsuitable phones can be dropped into the recycling bins we offer in all our stores, and will be passed to the Starship recycling programme. All the handsets collected through Trade-In are refurbished and sold for use in other markets.

Network waste

We have an ongoing commitment to reuse or recycle more than 95 percent of the waste from our network operations. We recycled 95 percent of our network waste by mass over the past year. TelstraClear did not collect network waste data, so we have been unable to report that here. Those impacts will be included in future reporting.

During the reporting period there was a significant increase in the volume of network waste. This was primarily due to a project to upgrade our access network equipment to IP technology (which enables 4G) which required us to remove and replace equipment at our sites.

As we have noted in previous years' reports, our network waste data is sourced from a raft of network contractors, suppliers and service providers, and an independent audit had identified gaps in our reporting across the various teams who deal with waste inside Vodafone. We have started work to improve our understanding of the various waste streams, including those emerging from TelstraClear, and are working with our contractors to improve our processes for data capture.

	2013	2012	2011	2010	2009
Disposed (kg)	21,351	5,576	2,698	2,293	963
Reused or Recycled (kg)	402,965	138,107	69,140	69,844	25,191
Recycled/Reused	95%	96%	96.2%	96.8%	96.3%

Office waste

Our offices are also a source of waste, and this is an area of interest to our people. At our head office, v.nue, we operate internal recycling systems for paper, glass, plastics, metals, cardboard, toner, courier bags, CDs & DVDs, electronic waste and mobile handsets. We provide more limited recycling facilities at our other sites.

Our 2012 office waste audit showed that at head office each person was responsible for 0.63kg of waste to landfill and we therefore had significant opportunity to reduce our waste,. In the past year we have introduced compostable recycling, bathroom hand driers and new recycling bins and expect these to have reduced our waste to landfill. We plan to introduce regular measurement of office waste to allow us to track how we are doing.

Community investment



Vodafone New Zealand Foundation

The Vodafone New Zealand Foundation is Vodafone's philanthropic arm. It is an independent charitable trust registered with the Charity Commission funded by Vodafone NZ Ltd and the Vodafone Foundation our Group parent's charitable arm.

Vodafone NZ Foundation's strategy is to encourage positive and healthy outcomes for young New Zealanders aged 12 to 24. Since the Foundation was formed in 2002, it has distributed over \$16 million to the community.

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

The World of Difference Programme is the Foundation's signature programme, funding the salaries and expenses of passionate people for a year, enabling them to contribute their skills working with a charity of their choice. 69 people have so far taken part. The Foundation provides extra support to the recipients by running at least two Hui a year bringing together past and current recipients to encourage networking and collaboration and provide up-skilling opportunities. Recipients are paired up with a Foundation Board member or Vodafone employee for extra support and they receive additional assistance from Vodafone such as Vodafone airtime, access to Vodafone sponsorship assets or Vodafone employees volunteering their time.

World of Difference celebrated its 10th anniversary in 2012 and the Foundation commissioned Point Research Limited to evaluate the programme. The evaluation found that World of Difference projects create positive outcomes for young people, for recipient organisations and the wider sector.

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. This year grants of between \$5,000 and \$50,000 were made to youth focussed and small capital

projects including repairs to quake-damaged sports grounds, creation of new arts spaces and counselling support.

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

Source / Destination	2013	2012
Foundation Income		
From Vodafone New Zealand	\$1,049,752	\$2,121,235
From the Vodafone Foundation	\$700,000	\$1,614,251
Foundation Investments		
Total grants made in the financial year	\$1,975,507	\$2,184,132

Please note, the difference between income and investments over the past two years is primarily due to the Canterbury Fund. The full income intended for the Canterbury Fund has been paid to the Foundation, so that the Fund can continue to operate into the future.

Vodafone direct community investments

Vodafone NZ donates cash and funds the operating expenses for the Vodafone NZ Foundation. It also invests in the community beyond the activity of the Vodafone NZ Foundation, and TelstraClear also directly invested in community organisations with a charitable purpose. The relationships outlined below are all with organisations with a charitable purpose and where community benefit was part of the purpose for entering the relationship. It includes sponsorships as well as philanthropic arrangements.

TelstraClear direct community investment

TelstraClear's community investment focus was on helping Kiwis to help each other and nurturing NZ families and telecommunications users of all ages.

Starship Foundation

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 funding Starship's National Air Ambulance.

We are enabling this, in part, by allowing customers to make donations through Vodafone bill payments; by making a donation with every handset returned to Vodafone through our Trade-In service and by enabling customers to make a further donation during the transaction; and through Payroll giving internally. We have also provided 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.

Parenting Place

Vodafone NZ partners with Parenting Place to provide the Connected programme to empower young people with education and practical tips for using technology in everyday life.

Pacific Events Centre

Although the commercial benefits of naming rights were a strong part of the motivation for TelstraClear sponsoring the Events Centre, its relationship with schools and delivery of benefits and services to South Auckland were also critical drivers for investing.

Skooville

TelstraClear has partnered with Skooville (formerly SuperClubsPLUS) since 2009, to bring their cyber-citizenship focussed children's social media network to New Zealand schools for free.

Casper - Community action of suicide prevention, education and research

TelstraClear partnered with Casper to further their work on helping prevent suicide in New Zealand.

CrimeStoppers

TelstraClear partnered with CrimeStoppers to fight crime by providing an anonymous and simple way to pass on information to the authorities.

Vodafone NZ and TelstraClear investments

	2013	Source / Destination
Vodafone NZ cash donation to Vodafone NZ Foundation	\$1,049,752	
Vodafone NZ non-cash contributions to Vodafone NZ Foundation	\$322,954	Vodafone NZ Foundation operating costs funded by Vodafone NZ
Vodafone NZ cash investments in organisations with community purpose (other than Vodafone Foundation)*	\$118,669	Parenting Place Connected programme sponsorship
Vodafone NZ in-kind gifts to organisations with charity status or community purpose. <i>Includes new and returned handsets, airtime credits, wi-fi broadband</i>	\$60,286*	Includes Starship Foundation, Parenting Place, Vodafone Foundation community partners and other organisations on request
TelstraClear cash investments in organisations with charitable status or community purpose	\$510,000	Casper, Pacific Events Centre sponsorship, Skooville sponsorship

	2013	Source / Destination
<p>TelstraClear in-kind gifts to organisations with charity status or community purpose</p> <p><i>Includes fixed lines services, corporate accommodation, recycled computers</i></p>	\$94,800*	Crimestoppers, Casper, Motor Neuron Association, schools

*Market value.

Emergency response

Instant Network programme

Vodafone NZ is one of the companies in the Vodafone Group participating in the Group Foundation's Instant Network programme. The instant network programme aims to deploy Vodafone volunteers and technology in emergencies to provide free communications and technical support to aid agencies and victims.

Vodafone NZ has 15 staff volunteers trained in using the instant network. We have one of the four Group 'instant networks' (also known as 'mobile in a box') based in New Zealand. In December 2012 Typhoon Bopha hit the Philippines, destroying mobile towers in some regions, removing communications connectivity for whole regions. Cliff Robertson and Jason Rogers, two New Zealand volunteers, deployed to the Philippines with the Instant Network. Working with Telecom Sans Frontieres and local operator SMART, they set up the Instant Network, re-establishing Baganga town's communications, giving SMART the time to rebuild its infrastructure. The Instant Network operated for 17 days, with 296,926 calls and 578,994 TXTs travelling over it during the deployment.

Compassionate credits for calls and TXTs to disaster areas

When natural disasters happen which are likely to be of significant concern to New Zealanders, we will consider making calls or texts to those destinations free for our customers on compassionate grounds. We took this action in 2009 for Samoa and in 2011 for Christchurch and Japan following the earthquakes. During December 2012, Fiji, Samoa and Philippines all suffered significant damage as a result of Cyclone Evan and Typhoon Bopha. We made the decision to credit all calls and TXTs made within four days after the events, to the affected locations, for all Vodafone mobile and fixed customers. The total value of mobile credits alone was in excess of \$114,000.

Our people in the community

Many of our people are active in their communities, and we encourage this through two employee programmes run by the Vodafone Foundation. We encourage our people to volunteer, and during the reporting period, our people gave 1,386 hours. 'Hands Up' enables our people to lend their specialist skills for two weeks to one of the Foundation's partner charities or a charity of their choice. Six of our people took up this opportunity over the past year. 'Double your Dollar' offers dollar for dollar matching for fund raising undertaken by our people. This year 116 of our people took advantage of this, resulting in \$102,704 of funds raised and matched by the Foundation.

Vodafone NZ also offers 'payroll giving' to enable our people to support charities of their choice direct from their pay - giving \$10,566 during the reporting period.

Responsible network roll-out, health & technology



Our network of mobile phone sites and fibre are the foundation of our operation - which we continue to invest in and which represents a large proportion of our overall 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 mobile network

Our mobile network extends around the country, made up of 1482 mobile sites, covering 97 percent of where New Zealanders live, work and play. It contains different generations of mobile technology which all interoperate:

- **2G:** Built in the early 1990s the 2G network is also known as 2nd generation. This is our original GSM network, which handles mobile calls and our Machine to Machine (M2M) services. It operates on the 900/1800MHz spectrum bands.
- **3G (standard 3G):** Also known as 3rd generation, 3G provides mobile calls, mobile internet access, wireless voice telephony, fixed wireless internet access, video calls and mobile TV and operates on the 900/1800MHz spectrum bands.
- **Dual Carrier 3G (DC or DC-HSPA), 42 Mbps:** Technology that bonds two 3G channels together to provide a faster data session. Dual Carrier 3G is available now in parts of Auckland, Wellington and Christchurch and works by combining two 3G channels (or "carriers") that operate at 21 Mbps (Megabits per second) download giving a total 42 Mbps. Actual speeds will vary depending on things like signal level, distance from the tower and so on. It operates on the 2100MHz and 900 MHz bands.
- **4G:** Known as 4th generation or LTE, 4G is a high speed mobile data connection for mobile devices like smartphones and tablets. It provides almost instantaneous web page loading and streaming media experiences. For businesses it means smooth video conferencing, seamless

connection to the cloud, and no delays when using hosted applications. 4G launched in parts of Auckland in February 2013 and is being rolled out across the country. It will be rolled out to 15 additional cities by the end of December this year and our 4G network will cover 40% of the New Zealand population. It operates on the 1800MHz spectrum band.

Our fixed network

The Vodafone fixed network is made up of what was the TelstraClear network and the existing Vodafone fixed network also known as the Red network.

TelstraClear invested more than a billion dollars in building its core fibre optic network. Taken together, this core network and the high speed local fibre networks in Wellington, Christchurch and Kapiti coast are made up of 7,500km of fibre. This network supports over 10,000 businesses and there are over 3,000 customers using the 100Mbps home service.

Both Vodafone and TelstraClear had invested in 'unbundling' exchanges to provide broadband to customers on their own networks. Vodafone sells services to customers from 51 exchanges; TelstraClear was selling services from 62 exchanges.

Rural Broadband Initiative

Vodafone's involvement in the Rural Broadband Initiative (RBI) is building our mobile network footprint. Vodafone is committed to 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 31 March 2013 40 sites had been built, of which 36 were live, and 145 sites have been upgraded.

Community Cell-site Scheme

Our network footprint is also increasing as a result of our 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 in the parts of New Zealand not covered by either the Vodafone network or the RBI. We committed to build at least two additional cell-sites each year in response to applications under this Scheme.

In our 2011/12 programme we selected North and South Catlins and Waihou Bay to be the first community cell site recipients. During the reporting period we worked with the selected communities and North Catlins and Waihou Bay sites are now consented and entering the build phase. These sites will be operational during 2013. We are still working with South Catlins to secure a suitable location.

We encountered some challenges with operating the programme in its original form, in particular the differing expectations and understandings of the successful communities we chose. As a result, we have made changes to our process, our selection criteria and our requirements of applicants.

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
- Access to fibre backhaul for high-speed wireless broadband

Health and our Technology

Vodafone's global resources on [mobiles, masts and health](#) :

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.

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 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 were due to be published in 2012 but were still not available during the reporting period.

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 10 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, (NRL) 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. NRL has created a significant public database of sites showing typical RF levels around our sites with measurements taken at 255 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 [NRL website](#).

Last year we commissioned reports on 10 sites selected at random by the NRL, with Vodafone having no say in the choice of cellsites to be tested. 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 10 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. For most 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 site in New Plymouth was recorded at 4.9 $\mu\text{W}/\text{cm}^2$ which is 1.1 % of the New Zealand standard. A motorway overpass site at Bond Street in Newton recorded the highest peak reading of 63 $\mu\text{W}/\text{cm}^2$, which is 14% of the New Zealand standard. In addition to Vodafone, two other telecommunication providers have cell-site antennas on the overpass bridge.

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. 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.

Looking after our customers



Communications technology provides so many benefits for businesses, consumers, the environment and society generally, but it can also cause harm such as cyber-bullying or if used while operating a vehicle. At Vodafone we have addressed some of these harms by introducing products and services to empower customers to address these issues.

Malicious cyber behaviour

Cyber bullying and other malicious behaviour using communication technology is a serious issue. Developing [Vodafone Blacklist](#) was a response to this issue, and we have ensured we have a process to enable customers to address the issues directly. We are currently working with [Netsafe](#) to develop a new tool that we hope will help schools and young people communicate better about bullying in schools.

Vodafone Blacklist

In November 2010 we launched Blacklist, a free service that allows our customers to self-manage unwanted contact by TXT message. When a customer Blacklists a number it prevent any further TXTs or picture messages (PXTs) coming through from that number to their phone. This includes TXT/PXTs from any other network. As at 3 April 2013 96,835 people had activated Blacklist on their account, and as at 3 May 2013 we had passed the 100,000 user mark with 100,084 active users.



Complaint and investigation process

Vodafone works 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 originates on a different mobile network.

The figures for last year show a significant reduction in the number of actions needing to be taken (which includes actions for nuisance, bullying, malicious and wrong number calls). We believe that this year-on-year reduction is due in part to the growing use of Blacklist.

Malicious and nuisance complaints

	2013	2012	2011	2010
Warning	1,075	2,421	2,829	3,277
Forward to other telco	253	333	219	280
Temporary service bar	103	127	241	215
TXT removed	8	3	20	148
Account deactivated	7	7	17	10
TOTAL	1,447	2,891	3,326	3,390

Cybersafety and cybercitizenship education

Technology is a part of our lives, so helping young people to use it safely is a core part of our approach to addressing this issue.

Connected programme from Parenting Place (formerly Parents Inc)

Vodafone has partnered with Parents Inc since 2009, supporting its mission that "family is everything".

Our partnership is focused on educating parents and young people on the healthy and positive use of technology. Together we've developed Attitude's Connected programme, which is presented to secondary school students every year and empowers them with education and practical tips around using technology in everyday life. During the reporting period Parenting Place presented to 145 high schools, which represents around 37% of all high schools in New Zealand. Around 30,000 students attended the presentations, and 7338 Connected handbooks were handed out. During the year, there was a special focus on delivering teaching resources to schools that could be used in the classroom with over 450 teaching resources given to schools.

Skoolville

TelstraClear has partnered with Skoolville (formerly SuperClubsPLUS) since 2009, to bring its cyber-citizenship focussed children's social media network to New Zealand schools for free. Skoolville is a place where children learn how to be safe and responsible online, and teaches them firsthand, giving them a guided experience that helps to develop confidence, skills and behaviours to protect themselves in their online lives. In New Zealand 53,800 children are users of Skoolville and 292 schools have signed up for the service.

Online and mobile content

Protecting children and restricting their access to inappropriate content is also a key part of our response to these issues.

Vodafone Guardian app

It is now easy to use a phone to gain access to the full range of content available on the internet. Some of these services include content unsuitable for young people. In order to protect young people from adult-only content and support parents to help their children to use technology safely, we launched the Vodafone Guardian application in December 2011. The Vodafone Guardian app is a free Android smartphone application that allows parents to choose who can call/TXT their child, the times their child can use their phone and whether they can use the camera, browse the Internet or download apps.



Content Guard

We have ContentGuard, a filter for material that customers access through Vodafone Live!. ContentGuard must be deactivated via an age-verification process before any restricted content may be accessed.

Digital Child Exploitation Filtering System

In our fixed-line business, both Vodafone and TelstraClear, participate in the voluntary Department of Internal Affairs Digital Child Exploitation Filtering System which blocks websites that host child sexual abuse images.

Mobiles and road safety

Despite the ban on the use of handheld mobiles while driving, which Vodafone supported, many people are still continuing the behaviour.

Vodafone DriveSafe

We launched DriveSafe in February 2012. It is a free service for Vodafone customers, that when activated by a short code, sends an immediate response to any TXTs stating that the person is driving and will respond when they are available. As at 3 April 2013 we had 11,530 active subscribers to this service.

Vodafone DriveSafe won the Global Telecoms Business Innovation Award in June 2012, the same award won the previous year for Vodafone Blacklist.



Responsible marketing

As competition increased and operators responded with new products and services, there were occasions where some customers considered our advertising misleading or confusing, or they considered we had breached consumer protection legislation. Customers are able to have their concerns address through avenues such as the Telecommunications Dispute Resolution Service, of

which Vodafone is a member, the Advertising Standards Authority or to the Commerce Commission under the Fair Trading Act.

During the reporting period, there were no complaints against us upheld by the Advertising Standards Authority. We were convicted and fined for three separate charges under the Fair Trading Act in relation to promotional campaigns undertaken between 2006 and 2009.

We are very focused on making sure that our communication is clear and that our systems support the offers we have in the market. Further we have introduced consumer legislation training for all Vodafone NZ staff so everyone understands what they can and can't say when dealing with customers.

Billshock

With the increase in numbers of smartphones, customers were telling us that one of their key concerns was billshock, which occurs when a customer receives a bill for a significantly higher amount than expected. High risk circumstances for billshock were data use on a smartphone and overall use while roaming.

Data Angel

In response, in May 2012 we introduced our free Flexi Data service. This service notifies customers when they reach 80% and then 100% of their data plan usage, then giving them a choice about how to proceed - buying another bundle, continuing to browse at a per megabyte rate or stopping data use all together. In November 2012 we launched Data Angel Overseas to address international roaming billshock. Vodafone customers can no longer use data without buying a data bundle, and they are notified when they have used 80% or 100% of that bundle. Once it has run out, their data session stops and they are redirected to a free website where they can choose to buy more, or simply stop using data.



Employees



A responsible business must also be a responsible employer.

It is essential to our ongoing success that we ensure our people feel confident, appreciated and inspired and have opportunities to develop and are motivated to excel.

TelstraClear purchase

The past year has been significant for our people. On 31 October 2012 we purchased TelstraClear, including its full permanent staff of 1360. The capability and skill of the TelstraClear people was one of the key assets identified in the purchase. A key objective for the combined Vodafone/TelstraClear transformation team was to ensure that the new business structure was based on the best of both organisations, so a single new structure, different from that of both previous businesses was created.

The process for implementing the new structure has progressed in stages. Russell Stanners was confirmed as CEO of the new combined entity on 1 November 2012. Once the new structure was established, feedback was sought from the senior leadership teams. Once the structure was confirmed, candidates were interviewed and rigorously vetted to ensure parity and fairness between candidates from the both businesses. Once confirmed in role, each Director has gone on to run similar processes with the structure of their business units progressing through each layer. This process was still ongoing at the end of the reporting period.

Employee Fact Box	2013	2012	2011	2010
Total number of permanent and fixed term employees	Vodafone 1971 TelstraClear 1360	1,938	1,634	1,367

Employee Fact Box	2013	2012	2011	2010
Location of employees (Vodafone)	Auckland (87%) Wellington (4%) Christchurch (3%) Nth Island other (3%) Sth Island other (2%)	N/A	N/A	N/A
Voluntary employee turnover	19%	17.1%	12.2%	14.3%
Employee turnover by age (Vodafone)	Under 30 - 54% 30 - 50 - 42% Over 50 - 3%	N/A	N/A	N/A
New employee hires by age (Vodafone)	Under 30 - 57% 30 - 50 - 41% Over 50 - 2%	N/A	N/A	N/A

Diversity

As the face of New Zealand continues to change, we believe it is both our responsibility and a business necessity to reflect those changes and build and maintain close ties with the society in which we operate. This is reflected in our 'Vodafone Way' value - 'one company, local roots'. The priorities for our diversity and inclusion strategy are on improving female representation at senior levels and Māori representation right across the New Zealand Vodafone business.

Women

At a global level, Vodafone has identified that we could be doing more to ensure women make it to senior leadership positions in the business.

In 2010 our parent company, Vodafone Group, established a 'Plus One' gender diversity target to apply to all Executive Committee members and Senior Leaders in our business. For Vodafone New Zealand this means that each year our CEO and his team have a target to add one additional female direct report if they have the opportunity. The integration of TelstraClear was a key opportunity to improve our gender balance. We have an ongoing target to fill 50% of senior vacancies with female candidates as opportunities arise.

We have several initiatives underway which are designed to help deliver these commitments. We were one of the first companies in New Zealand to become a signatory to the United Nation Women's empowerment principles. We were a founding sponsor and now major partner for Global Women through which we are building the capability of our emerging women leaders. Our internal Women's Network continues to deliver activities and programmes to empower women and help them be their best.

We understand that having children can be a life stage evolution that creates challenges for our people. We provide enhanced support for parental leave by topping up maternity pay and providing paid paternity leave. We also support part-time work when an employee first returns from maternity leave. We have a yearly 'funky whānau' event for Vodafone people and their families, which for the first time this year, we held in our three main centres, Auckland, Wellington and Christchurch.

To deliver our gender targets into the future we also need to ensure that there are young women interested in entering our sector, and that we are attracting young female talent. We have therefore given ourselves a target of a 50:50 split of men and women for our graduate recruits and apprentice recruits.

We have also developed the 'Encouraging Girls into Technology' programme which aims to inspire and inform young women about career pathways and opportunities that exist in the technology field. The programme targets pre-option age girls and girls who are interested in science and technology at high school. Vodafone Group is now using this New Zealand-made model across the global operating companies to address the gender diversity issue.

Gender statistics

Employee Fact Box	2013	2012	2011	2010
Women as % of all employees (Vodafone only)	40%	N/A	N/A	N/A
Number of women in senior management roles	37 out of 112* (33%)	10 out of 45 (22%)	9 out of 42 (21%)	4 out of 27 (15%)
Women as % of new employee hires	39%	N/A	N/A	N/A
Women as % of employee turnover	49%	N/A	N/A	N/A
Return to work rate following parental leave (Vodafone only)	81%	N/A	N/A	N/A
Percentage of employees working part time (Vodafone only)	7% (65%F, 35%M)	N/A	N/A	N/A

**Our definition of senior management has changed and now includes all D, E and F band roles*

Māori

In 2011 we estimated that our Māori employees made up around 5% of our work force, while Māori made up around 15% of the New Zealand population. This is a disparity we need to address, so we are focussed on attracting, retaining and progressing Māori talent. We have several initiatives underway which are designed to help meet these objectives.

Last year we committed to taking on five Māori into graduate positions and we completed the appointments in November. We have also established an apprenticeship scheme part funded by the NZ Government. As part of that programme we are actively seeking Māori and Pasifika people to join, and were successful in attracting 10 technology apprentices, of which three identified as Māori and two Pasifika.

Te puawaitanga o te whakaaro (the blossoming of a thought) our Steering Group to champion Māori initiatives inside Vodafone continued its ongoing work programme, including a successful Māori

Language Week celebration (our second) in July 2012. This included a nationwide celebration for all employees including a karakia to open the week, screensavers highlighting Te Reo Kupu o te ra, call centre agents greeting customers in Te Reo and a Māori Expo at head office with hangi meals for 1000 staff and lunchtime kapa haka performances. A key focus for Māori Language Week was our partnership with Hika Group to launch their Hika Lite app. Hika Lite enables people to quickly and easily translate English to Māori. Vodafone NZ, with Hika Group, were finalists (for the second time) for the Māori Language Week awards, receiving a special commendation. The Hika app went on to win the Diversity award of the 2012 Australia and New Zealand Internet Awards and received an acknowledgment from the Human Rights Commission for a positive contribution to race relations.

Health and wellbeing

	2013	2012	2011	2010
Number of lost-time accidents	4	2	2	2
Rates of absenteeism	11462.19 days	N/A	N/A	N/A

We take the health and wellbeing of our people seriously. We are an ACC tertiary accredited partner. We have six 'Absolute Rules' which are focussed on keeping our people safe while at work and we used World Safety and Health at Work Day on 28 April 2012 to remind our people of these rules and communicated them again during the course of the year. To encourage a good health and safety culture, we run senior leadership safety tours, where members of our Executive team tour key sites. The objective of these tours is for them to meet staff and have a dialogue about health and safety to drive improvements in behaviour and culture.

All our main sites now have Automated External Defibrillators. We have also rolled our First Aid training to ensure that we have first aiders at all our locations, and also offering it to all for our people who wish to develop it as a life skill. We trained 170 people and now have 178 trained first aiders in our business (including TelstraClear).

We implemented new design standards for Health and Safety for our infrastructure. In 2011 we set a target to upgrade 75% of our legacy infrastructure to meet these standards. We upgraded 71 sites of 1479 with 90% of the infrastructure now compliant. We completed the implementation of the Gateway Access and Accreditation online system which we are using to ensure that our partner companies and their contractors have relevant competency to undertake activities on our behalf safely when visiting our sites. We have set minimum standards and requirements for contractors, including working at height training.

We offer general health support, including a health expo offering health checks for our people. 750 Vodafone people attended in the year. This year we provided more than 527 free flu inoculations. We provide all our permanent staff with health and life insurance.

Learning and development

Training, development and career progression are important to our people and to our business. We ensure there is a clear process for performance review for all our people, and we focus on providing training and development that allows our people to do their job well and set them up for their next role; and on training that enables people to lead, rather than manage.

Performance Dialogue is our performance and development programme for all employees. People leaders are required to have regular conversations with each team member, to coach, guide and give feedback, and to enable employees to make the most of their careers. Goals and outcomes are tracked through our on-line EVO system.

Over the reporting period, for Vodafone employees, we estimate that we provided 8837 days of classroom learning, and 2613 days of e learning, or an average of around 6 days training for each staff member. The programmes delivered include induction, core skills for Retail, SME and Service teams, as well as product, compliance and technology training. On top of this we provided 980 days of induction training to TelstraClear people new to Vodafone.

Our training programme "Vodafone Retail Store Manager Programme Vodafone Apprentice" won the New Zealand Association for Training and Development's Learning and Development Innovation award 2012. A programme designed to increase overall store manage capability, it uses augmented reality games, mobile and web based learning, and social media to deliver a NZQA Level 4 Certificate in Business.

Enabling young people into ICT

Vodafone identified that a growing challenge was the ability to attract first time job seekers, such as graduates or recent school leavers, with the appropriate qualifications. In order to address this challenge, we have worked with Government to improve the state of qualifications for our sector and we have introduced new and refined existing programmes for developing young talent.

Improving sector qualifications and programmes

During the reporting period we worked with Tertiary Education Commission, New Zealand Qualifications Authority (NZQA) and industry training organisations (SKILLS) to review and update national certificates in Telecommunications. As a result, a new proposed national certificate in telecommunications at Level 3 has been developed and is currently with the NZQA for approval. We are currently helping lead the development of the Level 4 standard.

The leadership we showed in skills development was recognised when were invited to be a member of the 'New Zealand Apprenticeships' industry advisory group reporting to the Minister of Trade and Industry. The purpose of this group is to reshape and improve the outcomes from apprenticeships in New Zealand, and advise the Minister on implementation.

Developing young talent

Our commitment to training and development includes attracting young talent to develop within our business. We operate a graduate programme, and during the reporting period we introduced an apprenticeship scheme, an internship programme and a retail store manager training programme.

Apprenticeship scheme

In response to the Government's strategy to deliver a trained New Zealand workforce by 2017, Vodafone is collaborating with an ITO (The Skills Organisation) to deliver a two year Technology Apprenticeship, which includes technical on- and off-the-job training in telecommunications, resulting in gaining a level 3 National Certificate in Telecommunications. The Apprenticeship includes tertiary and in-house training which is fully funded by Vodafone. The 10 successful apprentices are rotated throughout the Vodafone IT and Network technology teams. In March, for the second year running, one of our apprentices won the Electro Technologies Association, Apprentice of Year, Telecommunications Award.

Graduate scheme

Vodafone has a graduate programme across Technology, Finance and Marketing. In Technology we took seven graduates in 2012 and 10 in 2013. After a rigorous assessment centre, successful candidates are rotated across the different technical business units, including IT and Networks, as well as cross-functional commercial teams to gain experience, mentoring and on-the-job training.

Internship Programme

Vodafone has completed two summer internships contributing to the University of Auckland, Engineering School students' practical work experience requirements. This initiative was part of the Ministry of Science & Innovation internships. Vodafone supported the Engineering School's "Internet of Things" research; an innovative communication growth area that will provide economic productivity improvements for New Zealand.

We provide an annual Sales Scholarship for a student from a low decile school who is studying a Bachelor of Business in Sales at AUT and support them further by providing paid part time work and a business mentor while they are studying.

Vodafone has recently funded and filmed an episode of TVNZ's 'Just the Job' a 30 minute programme pitched at school leavers. The Vodafone section offers details of various telecommunications careers with particular reference to our apprenticeship scheme. This showcases a "day in the life" of working in ICT with a female student at St Mary's Bay College and illustrates Vodafone's commitment to engaging young people in the workplace.

Measuring employee engagement

The Vodafone People Survey is an annual survey of our performance as an employer. The survey ran in late 2012 was completed by 90 percent of New Zealand employees, giving us a thorough indication of employees' views of the company.

The results of the 2012 People Survey measured an increase in the Employee Engagement Index to 80 points, a gain of two points.

Vodafone People Survey - Relevant Results

Percentage of employees agreeing with the statement			
	2012	2011	2010
Vodafone is socially responsible (a good corporate citizen)	93%	93%	92%
Vodafone is ethical in its business dealings	87%	86%	87%
I am proud to work for Vodafone New Zealand	92%	88%	86%
The company takes a genuine interest in my wellbeing	78%	78%	74%
Overall, Vodafone is a good place to work compared to other organisations I know about	86%	84%	82%

Percentage of employees agreeing with the statement			
	2012	2011	2010
I am rewarded fairly for the work that I do	62%	60%	54%
Overall Engagement Score	80	78	76

Economic impacts



At Vodafone, managing the economic impacts of our operations is core to ensuring that we remain a sustainable business

With the purchase of TelstraClear, we play an even more significant role in providing the infrastructure and services that are necessary to drive economic growth in New Zealand. As a telecommunications provider, our economic impact extends far beyond our 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.

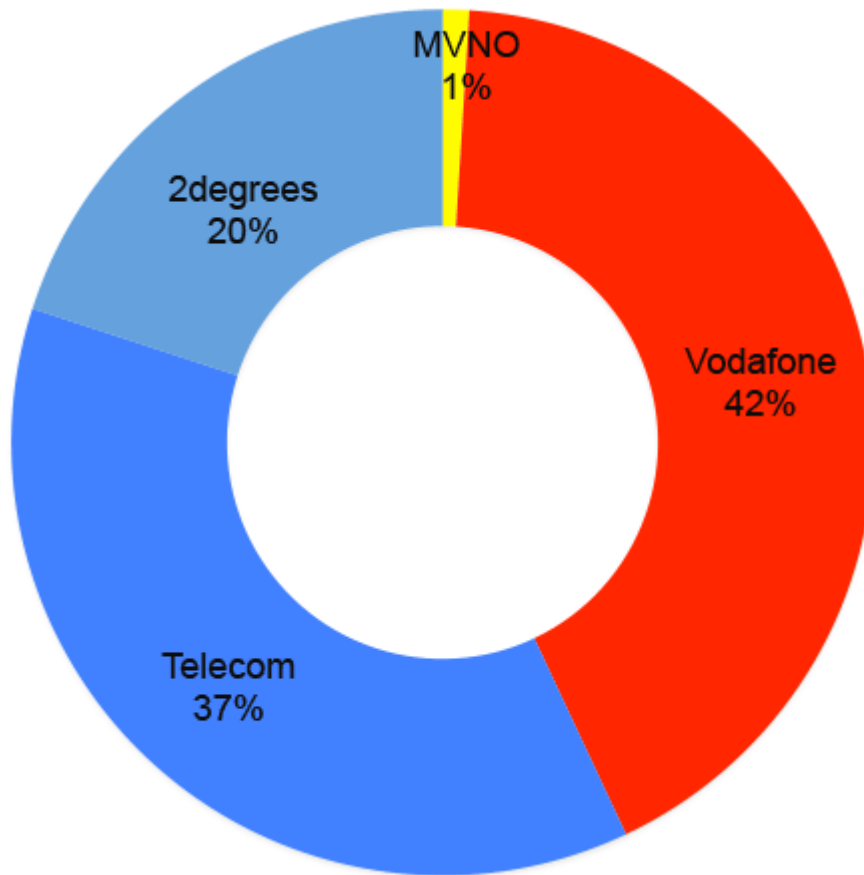
TelstraClear purchase

Vodafone's purchase of TelstraClear for \$840 million in October 2012 brings together two businesses with complementary strengths. The purchase brings proven experience and capability in business customer solutions, fixed services and TV to Vodafone as well as strengthening our national presence, particularly in Christchurch.

The purchase of TelstraClear also brings us closer to meeting our objective to be New Zealand's leading communications business and most admired company in New Zealand. We will only achieve these goals by winning the confidence, trust and loyalty of the New Zealand public by competing effectively and continuing to offer great service, great value and the best network.

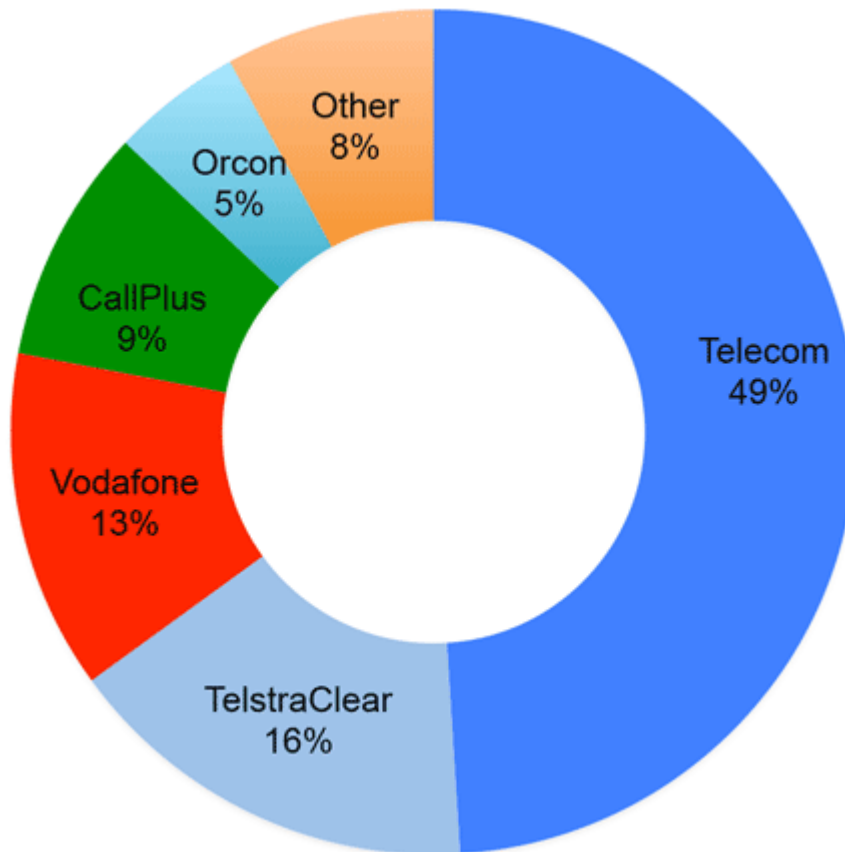
It will also strongly position Vodafone as the leading challenger in both the fixed access / broadband market and the PayTV market. Crucially, the acquisition positions Vodafone to lead in the emerging fibre market, and enables us to build a broad range of total communications capabilities for business including network services and data management services.

Competition



Intense competition has continued to characterise the consumer mobile market for the past year for Vodafone. In the final quarter of the year we reported a loss of 7,000 mobile customers, bringing our total customer numbers to 2,307,000 with 66.7% on prepay. The Commerce Commission Telecommunications Monitoring Report 2012 showed that our market share by connections was 42% as at 30 June 2012. The Commerce Commission has noted that the convergence trend in market share led to a further fall in the retail mobile market concentration.

We have continued to grow in the fixed broadband market, increasing our customer base by 13 percent year on year.



Infrastructure investment

During the past year, Vodafone invested over \$100million into its network, most significantly in dual carrier 3G, Rural Broadband roll out and the introduction of the world's fastest mobile technology, 4G.

Faster mobile broadband: Dual Carrier and 4G

During the year Vodafone accelerated its rollout of Dual Carrier 3G to many of New Zealand's urban centres, doubling the speed at which data could be sent and received. The company first introduced Dual Carrier HSPA+ in December 2010. Then in February 2013 Vodafone became the first network in New Zealand to launch 4G in parts of Auckland, with Christchurch following in May and further centres planned for the coming year. Also known as LTE, 4G offers a high speed mobile data connection, providing almost instantaneous web page loading and streaming media experiences without the wait. For business customers it means smooth video conferencing, seamless connection to the cloud and no delays when using hosted applications.

Addressing the digital divide: Rural Broadband Initiative (RBI)

Vodafone is the Government's partner selected to roll out the mobile component of the Rural Broadband Initiative. During this five year project, Vodafone will construct 154 new fibre-connected cell phone towers and upgrade 380 existing cell towers to deliver the Government's objective 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; 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.

At 31 March 2013, Vodafone had built 40 new sites of which 36 are live; and had upgraded 145 existing sites, providing coverage to over 100,000 households. The mast at Claris on Great Barrier is run by wind and solar, and is completely off the main electricity grid. It is our third renewably powered site.

Faster urban broadband: UltraFast Broadband Initiatives

Through the UltraFast Broadband Initiative (UFB), the government is investing up to \$1.35 billion to enable 75% of New Zealanders to access fibre to the premise, capable of peak speeds of at least 100Mbps, by the end of 2019. As at 31 March 2013 168,599 premises had been passed by the service with 5,133 end users connecting to it.

Vodafone is currently testing a range of UFB products in customer trials so that we can provide schools, businesses and homes with great value, high quality UFB packages that will open up our classrooms, businesses and households to new opportunities and allow us all to enjoy the latest technology.

Regulation

This reporting period saw limited regulatory activity in the telecommunications sector. An area of interest has been trans-Tasman roaming prices. Vodafone made significant reductions in the overall cost of roaming to Australia and around the world with the launch of DataAngel overseas in November 2012 prior to a decision by the New Zealand and Australian Government's to monitor trans-Tasman roaming rates. We expect the monitoring to highlight the value Vodafone New Zealand customers enjoy on both sides of the Tasman.

Direct economic impacts (millions)

	2013	2012
Revenue	\$1501.5	\$1618.7
Operating costs	\$442.8	\$455
Employee benefits	\$178	\$163.5
Donations	\$1.05	\$1.7
Tax paid	\$64.4	\$64.9

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 on selected information presented in its 2013 Corporate Responsibility Report (2013 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 2013 CR Report were appropriately reported:

- Corporate Responsibility Governance; Economic Impacts; Employees; Environment; Responsible Network Roll-out, Health and Technology; Community Investment; Looking After Our Customers; Supply Chain; and Vodafone Profile.

The scope excluded data and statements relating to financial information as well as data that had been assured in 2012 and not changed for the 2013 CR Report. In addition, Vodafone NZ's 2013 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 'Our Brief' above were appropriately reported, i.e. that nothing has come to our attention through the course of our work that indicates 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 Corporate Responsibility (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 2013 CR report to ensure consistency with our findings.

Respective Responsibilities and ERM's Independence

Vodafone NZ was responsible for preparing the 2013 CR Report and for the collection and presentation of information within it. The ERM team, led by Tracey Ryan, Managing Partner, ERM New Zealand was responsible for expressing assurance conclusions in line with the scope of work agreed with Vodafone NZ. During 2012/13, 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 2013 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

- Through a period of significant change in the organisation (the acquisition of TelstraClear), Vodafone NZ has maintained its commitment to reporting CR issues across the consolidated organisation.
- Vodafone NZ has initiated an improved CR data collection and management process that will add further robustness and traceability to the CR data collected.
- Managing the impact of greater societal connectivity and exposure through mobile and fixed communications technologies remains a strong focus for Vodafone NZ, demonstrating an understanding of the broad and indirect impacts of its operations.

Opportunities for Improvement

- Vodafone NZ has initiated a more formalised review of its stakeholders and their material CR issues, however, the integration of this into a formalised stakeholder engagement programme is still to be completed.
- In acquiring TelstraClear, Vodafone NZ has increased the scope of its services, the breadth of its customer base and the scale of its direct operational impacts. Identifying and assessing the material CR impacts associated with this new operating environment will be a key task for Vodafone NZ in the coming year.

ERM congratulates Vodafone NZ on its 2013 CR Report.



ERM New Zealand Ltd, 27 June 2013, Auckland, New Zealand