



Sustainable Business Report 2015-16



Vodafone Group Plc



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Introduction

We believe a commitment to enhancing lives and livelihoods – together with our longstanding commitment to operating responsibly – should be integral to our duty to maximise returns to our shareholders. This, our first Sustainable Business Report to be compiled under our new strategy, provides an overview of what we are trying to achieve together with, where applicable, our progress to date.



Chief Executive Statement

Mobile and digital are a powerful social good, comparable to many of the greatest advances in science, technology and engineering in recent generations. They positively impact the quality of life for more than a billion people globally.

Communications networks underpin every aspect of a mobile, digital society, enabling citizens to increase their knowledge while providing access to services that can improve health and wellbeing, enhance skills and increase prosperity for the population as a whole. The democratising influence of mobile and digital is matched by an equally transformative effect on the workplace. Information and communications technology (ICT) has fundamentally reshaped entire industries; indeed, the extraordinarily rapid growth of ICT has led to the creation of new industrial sectors whose scale and cumulative value was unimaginable just a decade ago.

As one of the world's largest communications companies, we are proud of the role that we play in bringing this social good to more than 462 million mobile customers across 26 countries on four continents. From the headquarters of some of the world's largest multinationals in the wealthiest cities in Europe to remote villages in Mozambique, every hour of every day our customers rely on our networks and services to help manage their lives and achieve their ambitions.

In 2015-16, we set out to redefine our approach to sustainability. In doing so, our intention was to ensure an even closer alignment between the core commercial goals of our business and the maximum possible social and economic benefit achievable as a consequence of those goals. We also set out to address those aspects of our operations – such as privacy, data protection and human rights – that are the source of greatest public concern and where we are well-placed to help inform public debate through our ongoing corporate transparency programme.

The outcome from our work during 2015-16 is a new sustainable business strategy for Vodafone. The change in nomenclature – from *Sustainability* to *Sustainable Business* – is a reflection of our desire to ensure our business objectives have a clear social purpose. We believe a commitment to enhancing lives and livelihoods should be integral to our duty to maximise returns to our shareholders. That belief has been informed in part by the concepts and insights of the Blueprint for Better Business – an initiative that Vodafone has supported since its inception and which an increasing number of multinational companies now use as a guide to shape their own purpose and values.

This is the first annual Sustainable Business Report to be compiled under our new strategy. It provides an overview of what we are trying to achieve together with – where applicable – our progress to date as well as the full range of background information and statutory and material non-financial disclosures to be expected from a company with a longstanding commitment to operating responsibly, as encapsulated in our Code of Conduct. For example, in one of several new developments in this Report, we include for the first time a statement – as stipulated under the UK Modern Slavery Act (2015) – setting out how we address the risk of slavery across our businesses and supply chain.

We would like to thank the many stakeholders who have provided us with their thoughts and insights as we have developed our new strategy. As always, we welcome views on this Report and on the aspirations and outcomes described within it.

Vittorio Colao
Group Chief Executive
Vodafone Group Plc

Sustainable Business Strategy

At the centre of our new sustainable business strategy is our intention to work towards three significant global transformation goals between 2015 and 2025. Each goal has the potential to deliver meaningful socio-economic benefits for our customers and wider society; each is also derived directly from – and will be achieved by means of – our core long-term business objectives.

The three global transformation goals are:

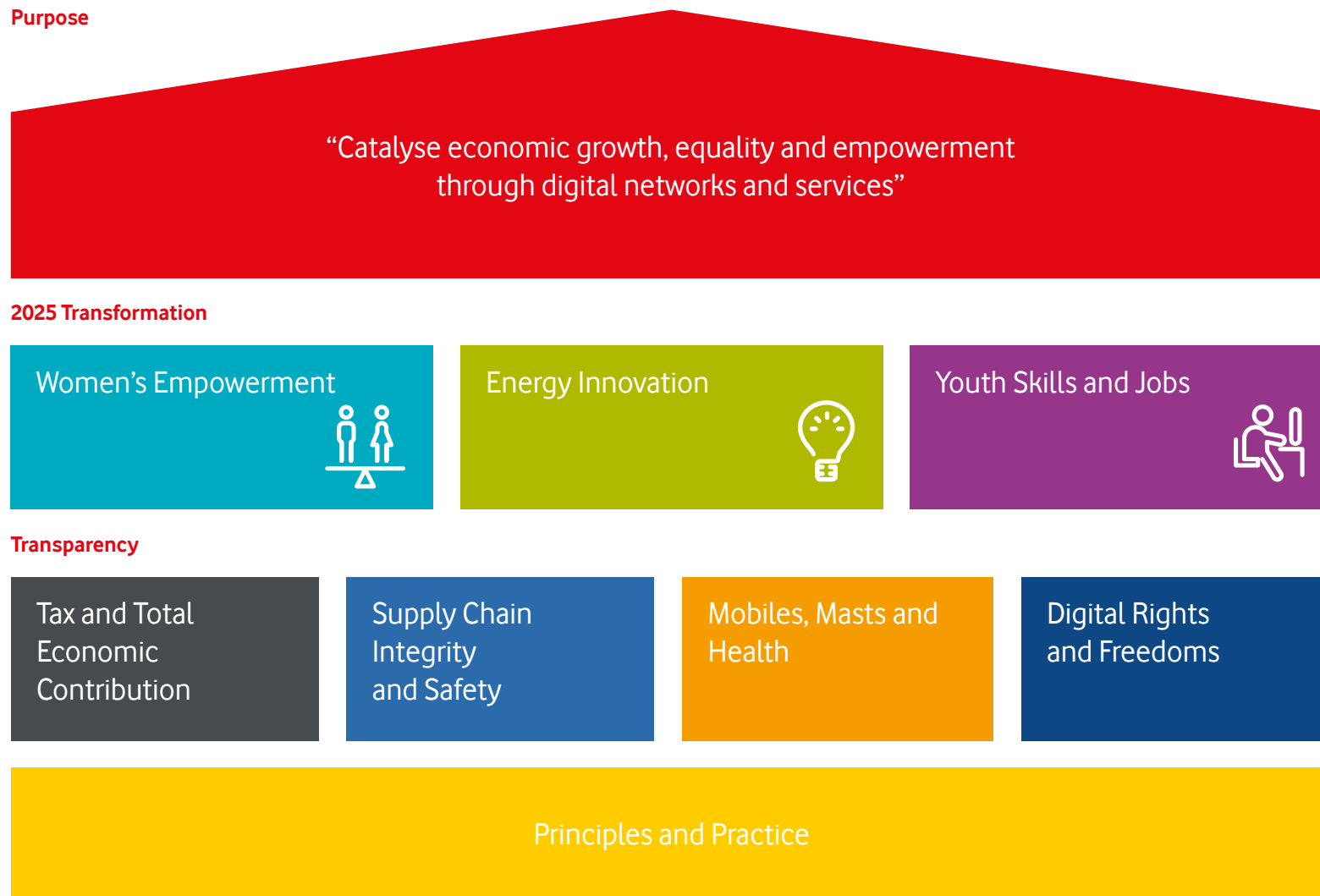
- women’s empowerment;
- energy innovation; and
- youth skills and jobs.

We explain these goals later in this Report. We also provide an insight in the Appendix into the methodology used to identify the key risks and opportunities facing our business and thereby determine the priorities for our new sustainable business strategy.

In parallel, we intend to enhance our corporate transparency programme to address four specific areas that are the focus of intense public debate.

The four transparency focus areas are:

- taxation and total economic contribution;
- supply chain integrity and safety;
- mobiles, masts and health; and
- digital rights and freedoms.



Delivering Our Sustainable Business Strategy

Our strategy is founded on Vodafone's commitment to responsible behaviour in everything we do. In addition to the four transparency focus areas, we also intend to provide greater insights into the ethical challenges that inform our business principles and which influence the controls we have put in place to ensure our operating practices meet our expectations.

2015-2025 Global transformation goals

Women's empowerment

Mobile has the potential to transform women's lives in emerging markets, thereby making a material impact on their physical and economic security, education, skills, access to employment opportunities, health and wellbeing and the health of their children. Additionally, as a large international employer, Vodafone has the opportunity to demonstrate global leadership in supporting and empowering women employees within our own businesses. Details of our approach and ambitions are set out in the Women's empowerment section.

Energy innovation

Information and communications technology (ICT) companies such as Vodafone have significant power requirements and are therefore meaningful – and growing – contributors to greenhouse gas emissions associated with climate change. However, the technologies we deploy also have a very significant impact in reducing our customers' overall emissions.

The development of strategies to optimise our energy use while helping our customers to optimise their consumption will be an increasing focus of our innovation efforts in future, as explained in the Energy innovation section in this Report.

Youth skills and jobs

Many of the countries in which we operate are experiencing significant levels of unemployment among younger people which in turn lead to a range of serious social and economic challenges. ICT has directly reduced employment opportunities in many workplaces through the development of technologies such as robotics and automation, the Internet of Things and massive global data networks used to locate back-office functions offshore. However, digital and mobile can also be used to create a wholly new kind of working world – and young adults need to be equipped with the skills required to thrive within it. Our thoughts on Vodafone's potential contribution are set out in the Youth, skills and jobs section.

Transparency focus areas

Taxation and total economic contribution

In 2013, we became the first communications company in the world (and one of very few in any sector) to report our total taxation and economic contribution on a country-by-country and actual cash paid basis. The Report is published in the first quarter of each year: the most recent version can be found [here](#) and will be updated in early 2017 to cover the 2015-16 financial year.

Supply chain integrity and safety

Our businesses rely on a very large supply chain spanning around 15,000 companies across dozens of countries. We seek to ensure the safety, wellbeing and ethical treatment of all who work with Vodafone in any capacity, anywhere in the world. However, there is a broad range of labour rights and safety and environmental risks inherent with such a complex supply chain and many of those risks also arise in the business operations under our own direct control. Further details of our approach to supply chain integrity and safety risks can be found in the Supply chain integrity and safety section in this Report.

Mobiles, masts and health

In a number of countries there remains a level of public concern regarding electromagnetic frequency (EMF) emissions from mobile phones and base stations despite a scientific consensus that there is no evidence of adverse effects on human health associated with mobile technologies operating within regulated limits.

We provide detailed explanations and context in response to those concerns in the Mobiles, masts and health section in this Report and will continue to update this information to ensure it addresses current and emerging topics of interest to local and global stakeholders focused on EMF matters.

Digital rights and freedoms

In 2014, we published our first *Law Enforcement Disclosure Report* which set out the details of how we responded to lawful demands for access to our customers' private data from law enforcement and intelligence agencies. The Report – now widely considered to be one of the most comprehensive of its kind in the world – is updated every year: the most recent version can be found [here](#). During 2016-17, we intend to expand the focus of the Report to include key aspects of the commercial use of customer data in addition to the current analysis of agency and authority surveillance and censorship powers and practices. The expanded *Digital Rights and Freedoms Report* is due to be published later in 2016.

Principles and practice

We are committed to the highest standards of ethical behaviour and have clearly stated principles articulated in our [Code of Conduct](#) which govern everything we do. Putting those principles into practice can lead to complex and difficult challenges in cultures and working environments which can sometimes be in conflict with our corporate values and commitments. We believe that how we work is as important as what we do and what we achieve: we set out our views on, and risk management approach to, areas such as human rights in the Principles and practice section in this Report.



Women's Empowerment

By empowering women and promoting gender equality we can enable communities, economies and businesses – including our own – to prosper.

Connecting women

By 2025, we will seek to connect 50 million women living in emerging markets to help improve their lives and livelihoods

Gender balance

We aim to improve our gender balance to ensure women hold at least 30% of senior roles

Increasing diversity

Our ambition is for Vodafone to become the world's best employer for women by 2025

Women's Empowerment

The global context

Equality of opportunity between men and women is a key indicator of long-term social stability and economic prosperity. Over the last two decades, there has been significant progress in closing the global gender gap: for example, more girls are attending school than ever before and there has been a large reduction in the number of mothers dying in childbirth.

However, major challenges remain. UNESCO has found that more than 60 million girls worldwide are out of school.¹ Evidence suggests that women are more likely to live in poverty than men² and it is estimated that every year there are more than 250,000 maternal deaths and 1.7 million new-born infant deaths that would have been averted if the appropriate healthcare services had been available.³ Many women are economically disadvantaged compared with men: less likely to be engaged in formal work, paid less, less likely to set up a business and less able to benefit from education and training as a consequence of the burden of domestic labour.

While the gender gap is more visible in emerging markets – particularly where reinforced by cultural norms – there are also systemic challenges in even the most advanced economies. Women account for almost half of all roles in the workplace in developed countries;

however, comparatively few progress their careers at the same pace as their male peers. There is a 'leaky pipeline' of talent in which women and men enter the workplace as young adults in broadly equal numbers but female representation decreases at more senior levels.

The UN Sustainable Development Goals recognise that gender equality is core to the functioning of modern society. Measures designed to enable women and girls to thrive alongside men and boys can improve public health, increase productivity and grow prosperity, potentially increasing GDP in certain countries by up to 34%.⁴

Communications technology has a critical role to play in achieving those objectives. Mobile phones represent independence for many women and girls. Even a basic mobile provides a woman with the freedom to communicate, ask for help, learn, set up and run a business and – as we explain later in this section – achieve financial security. For that reason, in the most patriarchal of cultures it is not unusual for men to seek to control or deny access to mobile phones for their wives and daughters.

Mobile technologies also enhance a wide range of public services and economic activities of direct relevance to women and girls in emerging markets, from disease control and maternal healthcare to increased crop yields for smallholding farmers and mobile banking financial services for self-employed homeworkers. Many of these applications are life-changing for women; some of them are also life-saving.

200 million
fewer women than men own
a mobile phone worldwide

It is estimated that more than 1.7 billion women in low- and middle-income countries do not own a mobile phone. If you are a woman, you are 14% less likely to own a mobile than a man; worldwide, that equates to approximately 200 million fewer women than men who can use a mobile to manage their daily lives and seek opportunities to grow and learn. Some of the reasons for this are economic; however, many are linked to cultural norms.

Closing the mobile gender gap would have a significantly positive socio-economic impact for the reasons explained above. There are also good financial reasons for the mobile industry to focus on this objective; it is estimated that connecting more women (and increasing the mobile usage of existing women customers) to reach parity with men could enhance industry revenues by around \$170 billion from 2015 to 2020.⁵ There is therefore a very strong alignment between a critical societal need and a global industry commercial opportunity.

Vodafone and women's empowerment

We are one of the largest mobile operators in India and Sub-Saharan Africa. Our emerging markets businesses serve more than 330 million mobile customers, an estimated 125 million of whom are women. As we explain later in this section, Vodafone created the world's leading mobile money transfer service, M-Pesa, which enables men and women in poorer countries to benefit from simple and secure financial transactions and microfinance services. We have developed mobile technologies that are now integrated within critical public healthcare programmes in a number of emerging markets. Our technologies are also used to enhance productivity across a wide range of enterprises and industries with high levels of female employment.

We employ more than 107,000 people across 26 countries and are one of the largest foreign investors in many of the countries in which we operate. We also provide employment opportunities for hundreds of thousands of people across our global supplier base of more than 15,000 companies. We have a strong commitment to diversity and women's empowerment within our own business and believe the initiatives underway to achieve greater gender parity will strengthen our company significantly over time.

We also believe we should demonstrate leadership as a 'beacon employer' in each of the countries in which we operate through our efforts to accelerate the progress towards gender equality within our own workforce. Our intention by 2025 is to become the best employer of women in the world. If we are successful in that aim, we believe it is likely that other companies will seek to emulate the measures we are putting in place, thereby expanding the range of opportunities for women across the broader working world.

Our aspiration: to be the best employer for women in the world

As explained in the Introduction, we have therefore identified *Women's empowerment* as one of our three core global transformation goals over the ten years to 2025.

Our commitment begins at the top of the company. Vodafone's diversity and gender equality activities are overseen by the Vodafone Group Plc Board and are led directly by our Group Chief Executive. Additionally, the emerging markets programmes covered in this section are led by our Chief Executive for the Africa, Middle East and Asia-Pacific region.

Educating girls in India

Suhani used to go to school until a few years ago. She struggled with reading and writing but had no way of getting additional support to improve her learning. Suhani's parents thought that she wasn't gaining much from education so they took her out of school. At the age of 12, her tasks were confined to cooking, cleaning, fetching water and taking care of her younger siblings at home.

More than three million girls like Suhani are no longer in school in India. More than 350,000 of them are in the state of Rajasthan, where 40% of girls leave school before the age of 11 and one in two girls is married before the legal age of 18.⁶

Vodafone India and the Vodafone Foundation are working in partnership with Educate Girls, an NGO concerned with keeping girls in Rajasthan in school for longer. Through the #Selfies4School campaign in 2014-15, we promised to send 10 girls to school for every selfie that was uploaded on Facebook and Twitter. We received more than 5,800 selfies from all around India, more than double our original target of 2,500, while raising awareness on social media about the importance of educating girls.

Building on the success of this campaign, Vodafone India's employees and customers raised £163,000 through donations and charitable giving – sufficient to send 62,000 girls to school for one academic year.

To date, Vodafone India has supported more than 120,000 girls like Suhani, enabling them to benefit from the education they need and deserve.

"Vodafone's contribution will go a long way as Educate Girls attempts to reach more than 3 million children across 27,000 schools in Rajasthan."

Safeena Husain, Founder and Executive Director, Educate Girls

Image courtesy of Educate Girls



Changing women's lives through mobile

We have set ourselves two parallel goals across our businesses:

- to expand the benefits of mobile to a greater number of women at all levels of society through a range of targeted commercial programmes; and
- to use our mobile technologies to enhance the quality of women's lives in three key aspects:
 - enabling financial inclusion;
 - improving health and wellbeing; and
 - building skills and entrepreneurship.

We believe our actions between now and 2025 will make a material difference to women, families, communities and national economies across the countries in which we operate. Over the next decade, we will seek to help 50 million women join the emerging markets mobile revolution.

Achieving these goals would have significant multiplier effects throughout the societies in which we operate. For example, girls growing up in a household in which their mother was empowered through mobile to communicate freely on her own terms – as well as potentially manage her own business and oversee the family's finances – would have a very different role model to the current norm in some cultures.

Enabling financial inclusion

More than 2.5 billion people in low- and middle-income countries do not have access to conventional banking services. The majority of them are women.

In 2007, Vodafone and our Kenyan affiliate Safaricom developed the first mobile money transfer service M-Pesa. M-Pesa is simple to operate (payments are transmitted and received using technology available on even the most basic of 2G mobile phones), highly secure (transactions are protected with enterprise-grade encryption) and cheap and convenient. Worldwide, there are now more than 4.5 billion M-Pesa transactions every year and in countries such as Kenya and Tanzania the service has largely replaced cash in many people's daily lives. M-Pesa now has more than 25 million active users.

25 million
active users of M-Pesa – our
mobile money transfer service

With a mobile phone and an active M-Pesa account, even people on very low incomes gain control over their financial affairs. For example, their exposure to common risks in a low-income, cash-based society – such as street robbery and petty corruption – is significantly reduced. M-Pesa is used to manage business transactions big and small, from the weekly

shopping in a Nairobi market to the purchase of cotton for an Indian textile collective. We also offer microfinance services as part of M-Pesa: M-Shwari in Kenya and M-Pawa in Tanzania provide access to advanced financial services such as savings and insurance products and hire purchase agreements.

In some cultures and demographics, women are responsible for running the household but have little or no ability to manage the money without which the household cannot function. M-Pesa helps put power over the family's finances into women's hands, enabling them, for example, to save money each week to pay for a child's education or to secure a small loan to set up a business working from home.

Pre- and post-natal support in Turkey

Vodafone Turkey has developed a free mobile information service in partnership with a local maternal and infant healthcare NGO, AÇEV. Women receive up to six free text messages a week addressing healthcare topics that are directly relevant to the mother's pregnancy calendar and, post-birth, the first 18 months of the baby's life.

The local Foundation also supports a free health information service for all women, and fathers can also choose to receive tailored information as their babies grow. The service has more than 160,000 active subscribers.



Business Women Connect in Tanzania

In Sub-Saharan Africa, access to financial services can be extremely challenging, particularly in rural areas. In a region where most people run their own small enterprises, either alone or with family members, traditional gender roles mean that women often find it harder than men to access land, equipment and other assets which can enhance their capacity to grow their businesses and improve their livelihoods.

Business Women Connect – a partnership between TechnoServe, Vodacom, the World Bank and the Centre for Global Development – builds on the success of M-Pesa and M-Pawa, and is designed to increase business income and economically empower female micro-business owners in Tanzania by introducing them to mobile savings and offering them business training. The programme was launched in March 2016, and will eventually serve approximately 5,000 business women in the Mbeya and Dodoma Regions.

We are using a mix of mobile savings promotions and in-depth business training to gain a better understanding of how we can support women most effectively to save and invest in growing their business to fulfil their ambitions, increase their earnings and break the poverty cycle.

“M-Pawa can enable [these] women to increase their savings, re-invest in their businesses and grow their incomes, thereby advancing their economic empowerment.”

Dr Susan Mlangwa, Program Manager, TechnoServe

Improving health and wellbeing

Worldwide, around 400 million people lack access to essential health services. Screening, prevention and treatment services that are considered routine in the developed world are limited or even non-existent in low to middle-income countries. For example, every year around half a million women in emerging markets die from cervical and breast cancers that, in richer countries, are more likely to have been detected and treated with good outcomes for many patients.⁷

55 million

texts sent to help avoid maternal deaths in Tanzania

We have developed a range of mobile technologies which enhance primary healthcare and preventative services in our emerging markets businesses. Many of these are particularly important for women and their young children.

mHealth Tanzania Partnership

Women in Tanzania are more than 40 times more likely to die from preventable causes during pregnancy and childbirth than women in the UK.⁸ Vodacom Tanzania Foundation is working with the Tanzanian government and others partners in the mHealth Tanzania Partnership to try to reduce 8,000 avoidable maternal deaths every year, using mobile to provide free ante-natal support and guidance to women across the country, even in the most remote rural areas.

Expectant mothers receive three to four text messages per week with information that follows national public health guidelines. The information is relevant to the birth timetable for each mother including reminders to go to ante-natal clinics, take anti-malarial medication and health advice tailored for each stage of pregnancy in the weeks leading up to birth.

More than one million subscribers have benefited from the free service as at November 2015. Since service launch in 2012, more than 55 million text messages have been sent, providing pregnant women and their families with crucial information that is helping to save the lives of mothers and babies.



Building skills and entrepreneurship

There are few better ways to enhance a girl's opportunity to thrive in life than to provide her with a good education. However, many girls in poorer emerging markets communities enter adulthood without even the most basic literacy and numeracy skills. Even more attend school when young but drop out early in their academic life: it is estimated that only around 1 in 100 girls in rural India reaches the final year of school.

Women who have received some form of education up to secondary school level benefit from higher incomes (on average up to 20% more throughout their lifetimes) than girls without schooling. They also tend to have better health outcomes. Many parents across all cultures and demographics recognise the benefits of an education for girls as well as boys and do all they can to equip their children with the skills needed to become economically active in the modern world.

However, even with supportive and willing parents, access to education beyond basic primary teaching is very difficult for many children in low- and middle-income countries. Schools can be remote or expensive and teaching resources scarce.

Mobile can increase access to quality education, especially for people in remote areas. The Vodafone Foundation is a global pioneer in developing innovative digital teaching and remote learning technologies for deployment among some of the most isolated and vulnerable social groups in emerging markets including refugees in camps in Sub-Saharan Africa. The Foundation is championing the education of refugees, targeting a potential three million young people in refugee camps across the countries in which we operate by 2020.

“All girls are entitled to an opinion, your voice matters in society.”

Malala Yousafzai, Nobel Peace Prize Laureate and Malala Fund co-founder

Connecting refugees with education in Kenya

Children in refugee camps are being given an opportunity to learn through a series of innovative *Leadership Lessons* run by the Vodafone Foundation.

A series of inspirational speakers share their experience, thoughts and stories via live video links over Vodafone's networks – and using our *Instant Network* technology – directly into the camp's school. In March 2015, Nobel Peace Prize Laureate Malala Yousafzai used her lesson to share her life story and emphasise the importance of education when she spoke to young people in Dadaab, Kenya, the largest refugee camp in the world. They in turn asked questions and shared their aspirations, which included becoming magistrates, lawyers and doctors.

Other speakers have included business leaders such as the Coca-Cola Company Chairman and CEO Muhtar Kent, Huawei Chairwoman Sun Yafang and Vodafone Group Chief Executive Vittorio Colao. The *Leadership Lessons* are part of the Vodafone Foundation and the United Nations High Commissioner for Refugees (UNHCR) *Instant Network Schools* programme which provides tablet-based teaching in schools in refugee camps.

The Vodafone Foundation's focus on reaching up to three million young people in refugee camps, in countries where we operate, by 2020 is part of our commitment to the UN Women *HeForShe* programme. Using our technology and our networks, we are overcoming the confines of a traditional classroom by giving students the chance to engage directly with inspiring leaders and experts around the world.





Helping victims of domestic abuse with TecSOS

One in four women around the world will experience domestic violence at some point during their lifetime. TecSOS, supported by the Vodafone Foundation, is offering thousands of women who are living in fear of violence a way to call for help.

The TecSOS device can be activated with the press of a single button, which initiates a phone call to the emergency services. The Vodafone Foundation is working closely with police forces to offer these handsets to women who are at risk of domestic violence.

TecSOS handsets have been used by over 51,000 users across Germany, Hungary, Ireland, Portugal, Spain and the UK. As well as empowering vulnerable women, TecSOS helps save cost and time, improving response times and outcomes for the police and emergency services.

“I activated the alarm once. As I was putting the children in the car, I looked up and he was coming towards me. He was facing me and he was shouting abuse at me and I was shaking, but I put my hand in my pocket because I have always got my TecSOS device on me, and activated the alarm. The police were there within 5-6 minutes and I felt safe.”

Empowering women entrepreneurs in Turkey

Our *Women First* programme in Turkey helps to connect women in rural parts of the country by giving them access to mobile phones and the internet.

Run by the Vodafone Foundation, one of the key elements of the programme is the *Women First Advertisement Service*, which enables women with little experience of technology to use a mobile phone to advertise their products and handicrafts on one of Turkey's biggest online marketplaces, www.sahibinden.com. They simply send information about their product via a text, which is then posted online on their behalf.

Enabling women entrepreneurs to reach a wider community of potential customers by advertising and selling their products on this online marketplace is helping female entrepreneurs to grow their businesses and improve their livelihoods.

The programme has gained approximately 640,000 subscribers, more than 20,000 adverts have been placed and the pages viewed by more than 1.3 million people.

“I used to make two or three thousand liras a month, now my monthly income has gone up to eight or ten thousand liras. Of course this has changed our lives.”

Muazzes Özer



Our aspiration: to be the world's best employer for women

We seek to be a company whose global workforce reflects the customers we serve and the broader societies within which we operate. We believe our strong commitment to diversity is a source of business strength, enabling us to understand better the needs of the men and women, families and businesses who rely on our networks and services.

Despite decades of measures to support greater gender equality – including an increasing number of statutory obligations in developed countries – women remain under-represented in many workplaces (and strikingly so at the most senior levels). Our long-term ambition is to become an employer whose track record in attracting and retaining female talent is so strong that we are widely considered to be the world's best employer for women by 2025.

We have a number of programmes already underway to support that goal, including:

- quarterly tracking of our 2020 global target of 30% women in management and leadership roles across our markets and functions; to date, 11 of our local markets have achieved more than 30% female representation; and are well on their way to achieving true parity;
- a focus on the importance of gender balance and inclusion in the induction programmes for all senior leaders across Vodafone;
- a new 'unconscious bias' programme to raise awareness of unintended behaviours that

have the effect of undermining a woman's confidence in a company's commitment to gender equality;

- a range of mentoring, coaching, training and peer support programmes for women including our Women's Networks, active in 18 of our local markets;
- high-profile senior leadership support for activities intended to promote women's achievements including a global webinar led by our Group Chief Executive – watched by over 2,200 employees – to mark International Women's Day and our *Women in Red Awards* which recognised the top 100 inspiring women across Vodafone;
- innovative and award-winning global programmes to support mothers and mothers-to-be; and
- flexible working and home working policies across many of our local markets – taking advantage of Vodafone's remote working technologies – which are designed to make it easier for women and men to balance family and work commitments.

We also make it clear – through our mandatory Code of Conduct and through all aspects of people management – that respect for diversity is integral to the behaviours expected from everyone who works for Vodafone.

We do not tolerate prejudice in any form and strive to ensure that every colleague – male as well as female – has the opportunity to thrive in a workplace that is welcoming and supportive.

Despite these and other measures, the proportion of women in our management and global leadership roles is still not as high as we would like.

The UN HeForShe Initiative

Our Group Chief Executive is one of 10 CEOs selected globally to be an Impact Champion for HeForShe, the United Nations Women global solidarity movement that encourages men and women across the world to stand up for gender equality.

HeForShe is a powerful advocacy movement that enables individuals to make a personal pledge online to support and empower women. We have an extensive programme underway to communicate the goals of, and background to, the HeForShe campaign to our employees. To date, more than 40% of our employees, suppliers and customers have signed the personal pledge. We hope to reach 100,000 signatures by the end of 2017.

Our medium-term goal is to increase the proportion of women managers globally to 30% by 2020, up from 27% as at March 2016, and with a view to increasing that proportion over time.

Our experience at the other end of the career path – recent graduates entering the world of work for the first time – provides good grounds for optimism about Vodafone's future leadership cadre. In 2015-16, women accounted for more than 54% of the intake into our *Discover* graduate development programme and 42% of the intake into our *Columbus* leadership fast-track graduate scheme.

Our focus is on growing female executive talent throughout our company; however, we are also committed to ensuring greater female participation at the non-executive and advisory level. For example, we encourage senior women executives at Vodafone who would like to take on non-executive board roles with other companies to complement their Vodafone careers. On the Vodafone Group Plc [Board](#), we have reached the 25% female representation threshold recommended by Lord Davies in the UK.

Female employees at Vodafone (%)	2013-14	2014-15	2015-16
Women in top senior leadership roles (top 200-250 employees)	22	22	24
Women in senior management (top 1,100-1,600 employees)	24	23	24
Women in middle management (top 4,500-6,400 employees)	25	26	27
Women (all non-management employees)	38	37	37

Vodafone's global maternity policy

In April 2015, Vodafone became one of the first companies in the world to offer a global minimum maternity policy to employees at all levels of the company and in every country in which we operate.

Women who feel supported by their employer through their maternity leave and after their return to work are more likely to remain with the company over the longer term. Higher retention of colleagues who are working mothers offers clear business benefits in terms of continuity of skills and experience and avoidance of recruitment and induction costs to backfill leavers.

“The maternity policy made a huge difference and gave me a chance to enjoy a great time of my life without stress.”

Irina Chilia, Czech Republic

We commissioned KPMG to provide a quantitative analysis of the positive financial impact of policies designed to support mothers; KPMG estimated that businesses globally would reduce overall costs by around \$19 billion annually if more new mothers were retained rather than lost to the workforce.

Under our global minimum maternity policy, all women who are employed by Vodafone, in any role anywhere in the world, are entitled to at least 16 weeks fully paid maternity leave plus full pay for a maximum 30-hour week for the first six months after their return to work.

“The best part of the policy is that it takes care of your transition back to work and provides much more support with flexible working hours.”

Shana Virin, India

It is important to note that these are global minimum benchmarks – not an upper limit – which are of greatest relevance in countries with little or no statutory maternity rights. We continue to abide by (and often exceed) statutory requirements in countries where these exist.

This year, over 1,700 of our employees went on maternity leave and were eligible to benefit from our new global maternity policy. It has been very well received, internally and externally. Vodafone received the Company of the Year Award at the [European Diversity Awards](#) and a number of other multinational companies are now following our lead.

Gender diversity data, as well as selected supporting statements in the Women's Empowerment (Our Aspiration) section were reviewed as part of EY's assurance of Vodafone's Sustainable Business Report.

For more details see the EY

, June 2016

- ¹ [Global Monitoring Report Fact Sheet 2013](#)
- ² [The Full Participation Report, 2015](#)
- ³ [United Nations Foundation: Promoting maternal health](#)
- ⁴ [Women, work and the Economy, IMF note 2013](#)
- ⁵ [Bridging the Gender Gap Report, GSMA 2015](#)
- ⁶ [Educate girls website](#)
- ⁷ [WHO programme, 2012 data](#)
- ⁸ [World Bank Data on maternal mortality](#)



Energy Innovation

We are tackling the issues of energy security and climate change head-on by using our technology to help optimise energy efficiency in, and reduce greenhouse gas emissions from, our activities, while helping our customers to reduce their emissions.

Improving efficiency

40%

Our annual GHG emissions per petabyte of data carried by our mobile networks were 40% lower than 2015 despite a 70% increase in data carried

Reducing emissions

We enabled our customers to save 1.74 tonnes of greenhouse gas emissions for every tonne we generated through our own activities in 2015-16

Increasing data use

The amount of data carried across our networks has grown ten fold over the last five years to over 1600 petabytes in 2016

Energy Innovation

The global context

There is clear evidence that global temperatures are rising quickly and a very strong consensus among scientists and policymakers that carbon dioxide emissions from fossil fuels such as coal, oil and gas – together with other greenhouse gases – are having a direct impact on the climate.

Politicians and global business leaders met in Paris in December 2015 at the United Nations Climate Change Conference (COP21) and committed to maintain global average temperature rises to well below 2°C. Inaction would threaten some of the poorest communities in the world, many of which are already experiencing the consequences of climate change including severe droughts, flooding and rising sea levels.

The target agreed in Paris is particularly challenging in the context of continuous global population growth. At present, more than 80% of global energy needs are met from carbon-intensive fuel sources; and those needs are expected to increase by a further 37% by 2040.⁹ There is an urgent need for all nations, industries and individuals to phase out the use of fossil fuels by the end of the century, reducing greenhouse gas emissions to zero¹⁰ in order to avoid the most damaging impacts of climate change.

Security of supply is also of increasing concern. Many economies rely on energy sources imported from regions that are politically unstable; others depend on legacy indigenous

reserves which are approaching end of life and can no longer be extended or replenished. The potential for disruption to supply continuity has important implications for governments and companies alike, particularly in countries which also have poor electricity transmission infrastructure. As a result, measures to enhance resilience in the event of systemic weaknesses in on-grid power sources will become increasingly important over time.

ICT and climate change

Communications infrastructure cannot function without energy. The global information, communications and technology (ICT) industry requires significant amounts of electricity to connect billions of people and machines and transmit vast amounts of data every second.

Most of the electricity used by communications companies is currently provided by national power generation companies and supplied to the operator's base stations, switching centres, exchanges and data centres 'on-grid' via the national electricity transmission network. Communications infrastructure in more remote locations – such as a base station in a rural location far from nearby villages and towns – cannot easily be connected to the electricity grid. Instead, those installations rely on a local power source, such as diesel, to generate electricity 'off-grid'.

Many emerging market countries also have limited or poor-quality national electricity transmission networks, even in urban areas; it is estimated that 1.2 billion people worldwide do not have access to electricity including two-thirds of the populations in Sub-Saharan Africa.⁹ In those countries, off-grid power generation is widely used to ensure customers can connect to the network at all times.

37% expected rise in global energy needs by 2040

Globally, the large majority of on-grid electricity is derived from burning hydrocarbons in large power stations. The dominant fuel is coal, although renewable sources and gas are increasingly common. Hydrocarbons also have an important role off-grid; operators rely on diesel generators to power the network in remote locations or in locations with unreliable electricity transmission networks.

As a significant power user largely reliant upon hydrocarbons – indirectly in the form of on-grid electricity and directly in terms of diesel consumption off-grid – the global ICT industry therefore has a meaningful greenhouse gas emissions challenge. It is estimated that the global ICT industry will account for around 1.97% of total global greenhouse gas emissions by 2030,¹¹ comparable to the aviation industry.

Furthermore, that challenge is growing exponentially: every additional device connected to the network and every additional gigabyte of data transmitted or stored represents an increase in each operator's electricity needs.

Rapid data and mobile growth

Between 2007 and 2014:

- the number of mobile connections globally more than doubled;¹² and
- the amount of data transmitted across global communications networks increased by 700%.¹³

There is therefore a pressing need for communications companies such as Vodafone to develop innovative approaches to energy consumption to mitigate the climatic consequences of rising demand for our services. In this section of the Report, we will explain our work to date in this area and will provide some insights into our thinking about the future.

BBOXX brings power to those living off-grid

Our connections are helping to bring off-grid power to people who live in remote areas without access to electricity. BBOXX is a smart solar power generator that can be used to charge mobile phones, lights and low power TVs. We have worked with the BBOXX team to connect these innovative generators to our global 'Internet of Things' (IoT) network.

The unit can be activated anywhere in the world in five minutes and a team based in London uses our IoT technology to install updates, check for faults, track usage and monitor payments remotely. Five thousand units have already been deployed – mostly in Kenya, Rwanda and Uganda – with 6,000 in production and 8,000 more on order.

Incentives to innovate

There are two other important factors to consider when examining the ICT industry's approach to energy use: cost inflation and security of supply.

Annual energy costs are material for many communications companies, running to hundreds of millions of euros a year for a large global telecoms operator. Although international oil benchmark indices are comparatively low at present and the most common fuel source used in power generation – coal – remains abundant, the potential for future volatility in commodity prices combined with uncertainty over government fuel subsidies and the introduction of carbon pricing models in many countries represent a significant cost inflation risk. There is therefore a very strong financial incentive for communications companies to seek to optimise their energy consumption.

For communication companies, stable and secure sources of power are essential: without these, our networks cannot function. In many areas of the world, grid electricity is non-existent or erratic and diesel supplies can be a target for thieves. Backup alternative power sources are therefore an important aspect of our business continuity plans.

A solution more than a problem

There is another dimension to the role played by the global ICT industry in efforts to mitigate climate change. Many of the services that communications companies provide to their customers make a significant contribution to the reduction of emissions arising from their customers' own operations.

20%

ICT-enabled reduction in projected global CO₂e emissions

As new technologies such as the 'Internet of Things' (IoT) continue to spread through every aspect of daily life – bringing network intelligence and optimised energy use to a wide variety of machines, devices and processes – the beneficial climatic effects of the global ICT industry will increase over time. One recent estimate is that the industry could account for a 20% reduction in total global CO₂e emissions projected by 2030, in effect maintaining emissions at 2015 levels despite a further 15 years of global population growth and increasing urbanisation and industrialisation in emerging markets.¹¹ It is also estimated that by 2030 the emissions reduced or avoided as a result of the use of ICT industry technologies and services will be ten times greater than the emissions generated by the industry itself.

In Vodafone's case, the positive effects of our contribution – in terms of reduced CO₂e emissions from our customers – already exceed the greenhouse gas impact from our own operations.

Improving fleet efficiency with Microlise

Since 2007, we have been providing Microlise, one of the UK's largest providers of telematics solutions, with the connectivity their technology needs to support fuel savings in commercial fleets.

For all fleet operators, the cost of fuel is critical to the bottom line. For some fleets – where vehicles can be on the road up to 22 hours a day – any improvement in fuel efficiency, however small, can have a significantly positive effect on profits. There are therefore strong commercial incentives to reduce fuel costs – and, as a consequence, reduce overall emissions.

Microlise's telematics use our IoT connections to transmit data from vehicles to fleet managers. This enables the company to monitor driving style, safety and fuel consumption in order to identify opportunities for efficiencies and improvements. One Microlise customer – Carlsberg – achieved fuel savings of 4.8% in its UK fleet in just one year.

Microlise has now deployed more than 100,000 Vodafone IoT connections in 116 countries, enabling cost and emissions savings in fleet operations worldwide.



Vodafone, energy and climate change

As explained in the Introduction, in 2015 we identified *Energy innovation* as one of our three core global transformation goals over the ten years to 2025. We did so for five reasons.

The first reason is inherent in the growth of the global digital communications market. As our customers' needs have expanded, our consumption of energy has increased.

By way of illustration, worldwide we now operate more than:

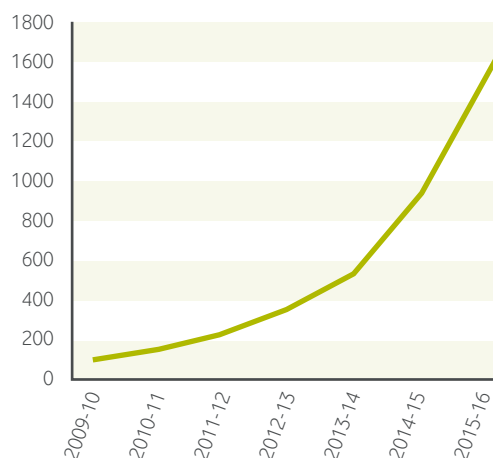
- 300,000 mobile base station sites and small cells;
- 50,000 computer servers;
- 1 million kilometres of fibre;
- 350,000 fixed access nodes; and
- 4,000 buildings used by more than 107,000 employees.

Unlike some ICT companies with a small number of very large data centres, Vodafone has a much larger number of smaller technology sites spread across different countries and locations. This means that much of the energy consumed across our businesses is disaggregated – with multiple sites consuming relatively small amounts of energy – which, in turn, means that optimising our energy consumption is a complex challenge.

We are also a leading mobile provider in IoT – with more than 38 million connections* – and we operate one of the world's largest international fixed-line data networks relied upon by many of the world's largest businesses.

The amount of data carried across our networks has grown exponentially over the last decade. The larger and busier our networks become, the more power we need; although, as we explain later in the Report, there has been significant progress in energy efficiency over the period.

Volume of mobile data carried on Vodafone's networks (petabytes)



* Includes all IoT connections activated and under customer ownership

The second reason we identified *Energy innovation* as a core 2025 goal relates to security of supply. In Europe – the region where we generate most of our revenues – around 55% of energy demand is met using imported sources, including from countries that demonstrate increasing social and political instability.

38 million IoT connections

On-grid electricity supplies in emerging markets – where we serve more than 330 million mobile customers – are often erratic and unavailable beyond built-up areas; many emerging market economies also rely on energy imported from potentially unstable producer countries. Worldwide, more than 460 million consumers and businesses depend on our networks including a range of emergency services and critical infrastructure providers in sectors such as banking, utilities and transport. We therefore need to ensure that our networks are as resilient as possible which in turn requires a strategic view of our own long-term energy requirements.

The third reason is cost. We currently spend more than £700 million a year on energy, representing around 6% of our total annual operating expenditure. To put that into context, our annual energy costs are around double the amount we spend on technology research and development. There is a significant possibility that our energy costs will continue to rise over time, for the reasons we explain above; later in this report we summarise the activities now underway to mitigate that risk.

The fourth reason relates to opportunity. As we explain later in this report, our technologies and services provide our customers with the means to make a meaningful reduction in their greenhouse gas emissions over time. Our core business – connecting people and machines – can help to accelerate global efforts to mitigate climate change.

Reducing traffic congestion

Westminster City Council in central London estimates that around 30% of all traffic passing through the area consists of drivers looking for parking spaces. The Council also estimates that around 15% of its 12,000 parking spaces remain empty at any time because drivers are unaware of them and have no means of finding them efficiently.

Vodafone is working with the Council to embed wireless sensors in the road surface – connected to our global IoT network – which supply a constant stream of real-time information to a smartphone app and web portal. Drivers use the app or portal to locate a free parking space quickly and easily while the Council uses the data feed to monitor traffic trends and enforce parking regulations.

The service – which went live in April 2015 – helps to address traffic congestion in one of the busiest metropolitan districts in Europe, reducing carbon emissions and improving local air quality.

Finally, many of our customers and employees live in parts of the world where their lives and livelihoods are directly threatened by climate change. Furthermore, extreme weather conditions linked to global warming pose a risk to our network infrastructure, our operations and our own employees.

We are a signatory to the [Paris Pledge for Action](#) which recognises that climate change threatens mankind and calls for strong action to reduce emissions and achieve a safe and stable climate in which temperature rises are limited to below 2°C. We have also stated – through our membership of the [European Round Table of Industrialists \(ERT\)](#) – that we believe global carbon pricing provides an effective route to lowering carbon emissions within and across economies. In addition, we recognise our role in helping to meet the UN's Sustainable Development Goals on energy security, climate change and sustainable consumption.

Optimising our own energy consumption

Where feasible, we seek to reduce the power needed to meet our customers' needs and, in doing so, to reduce as much as we can the greenhouse gas emissions generated by our own operations.

Our focus is on three areas:

- continuous innovation in the design and operation of our most power-intensive infrastructure – our access networks and technology centres;
- development of options to replace carbon-intensive energy sources both on-grid and off-grid; and
- measures to enhance energy efficiency and reduce emissions from our general business and administrative activities.

In this section of the Report we will focus on each area in turn before summarising the overall carbon impact of Vodafone as a whole.

Optimising our power-intensive infrastructure

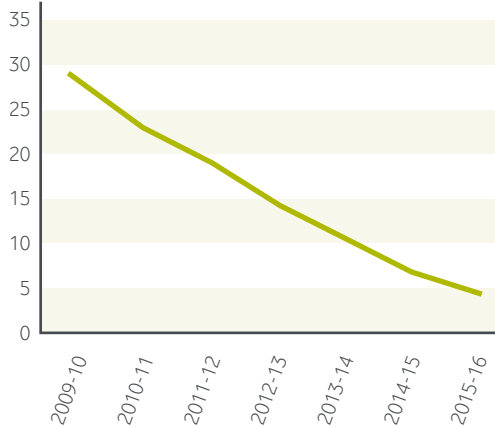
As we explained earlier in the Report, customer demand for data continues to grow at a rapid rate which in turn places ever-greater demands on our access networks and technology centres. We work very closely with our equipment vendors to ensure that a large year-on-year increase in data demand does not translate into a similar percentage increase in electricity demand. Power optimisation is an important aspect of the design specification for new infrastructure; as a result, each new generation of equipment is more energy-efficient than the equipment it replaces.

Improving public transport efficiency

Vodafone Netherlands worked with Dutch telematics company Sycada to help the Connexion transport group enhance energy efficiency across its fleet of 4,500 buses. Embedded sensors within each vehicle were connected to our IoT network to provide drivers with real-time feedback on fuel efficiency for each route and each driver's driving style. Within a year, Connexion had reduced fuel consumption across their fleet by more than 5% at a cost saving of approximately €3 million.

We have also begun to introduce a range of new smart power management technologies across our access networks, as we explain below.

Amount of energy (in GWh) used for every petabyte of traffic on Vodafone's networks



We are committed to increasing energy efficiency across our more than 300,000 base stations worldwide. Our actions include:

- installing highly efficient single radio access network (SRAN) equipment which allows multiple technologies (2G, 3G and 4G) to be run from a single piece of radio hardware within the base station. We have deployed SRAN equipment in 71% (211,800) of our base station sites, of which 46% (138,500) are fully operational with all legacy equipment at the site now being decommissioned;
- activating new energy-saving software features and Self-Organising Network (SON) technologies which optimise radio resources to reflect voice and data traffic requirements in real time;

- deploying 9,500 active antennae in 2015-16 – a technology which integrates radio equipment inside the antenna – eliminating power attenuation over cable runs that are incurred in conventional base stations and reducing power consumption at a site by up to 30%;
- installing free air cooling technology as an alternative to air conditioning at a further 11,500 base stations this year, reducing energy requirements by 2,000-3,500 kWh per year per site and bringing the total number of sites where this technology has been installed to 216,000 – nearly 75% of sites;

75%

of our base stations use free cooling to reduce energy use

- installing batteries that can withstand temperatures of up to 35°C to reduce the need for air conditioning at base stations in hot countries;
- deploying hybrid solutions – a combination of diesel generators and batteries that cut diesel use by up to 70% per site – at a further 613 sites in 2015-16. These are now in place at around 5,460 base stations; and
- connecting more than 50,000 smart meters to Vodafone's central Energy Data Management (EDM) system, optimising energy use and achieving compliance with the international energy management standard ISO 50001 in our largest market, Vodafone Germany. The EDM system is now used across 12 countries and spans our technology centres as well as our access networks.

Smart street lighting

Bright and reliable street lighting is vital for personal safety in cities and helps to reduce road accidents. However, conventional lighting – using many thousands of incandescent light bulbs – is electrically inefficient and incurs significant maintenance costs. Switching to LED lighting reduces the power load and running costs significantly; connecting each individual LED light to an intelligent network using IoT technologies offers even greater energy efficiency gains.

IoT-enabled LED lighting allows local authorities and highway agencies to illuminate streets and public areas dynamically, responding to weather events, traffic patterns and movement of large groups of people in response to real-time information.

Hampshire County Council in the UK deployed Vodafone's IoT technologies at the heart of a new smart street lighting system. The Council reduced lighting-related energy consumption by 2 million kWh within 15 months of implementation.



One of the most commonly-used metrics in assessing the energy efficiency of a data centre is power usage effectiveness (PUE). This measures the amount of electricity required to operate the centre's computer equipment and compares this with the power required for all other functions of the building, from air conditioning to lighting. The PUE is expressed as a ratio: a data centre which requires three times as much power for its non-core building functions as it requires for its computer equipment would have a PUE of 3.

In 2015-16, we continued to improve the PUE at our technology centres worldwide, reaching 1.65 as a result of energy efficiency initiatives including:

- increasing the virtualisation ratio – the number of virtual servers (secure servers hosted remotely and accessed via the internet) compared with physical servers within the technology centre – thereby reducing the physical space required and improving performance;
- integrating energy efficiency requirements within our supplier selection processes;
- implementing innovations such as adiabatic cooling, dynamic thermal management systems and eco-mode features on power conversion systems to improve overall site infrastructure efficiency;
- replacing old air conditioning units used to cool our computer rooms with new more efficient models and implementing free air cooling and retrofitting existing units at most sites;
- increasing the temperature set point in our data centre server rooms from 20°C to 28°C and from 20°C to 25°C in our switching centres;

- continuing the roll-out of smart meters to verify consumption and identify inefficiencies; and
- rationalising our portfolio of buildings and technology centres and introducing high efficiency modular sites when we need to increase capacity.

Our energy sources

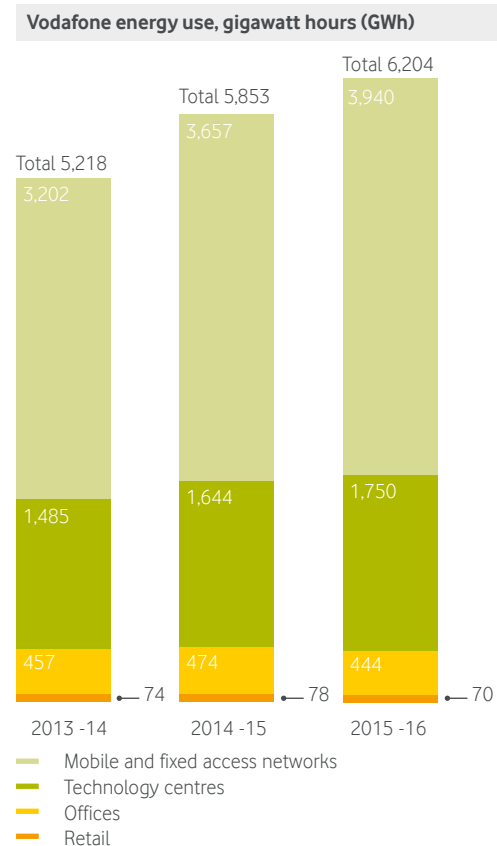
As a signatory to the Paris Pledge for Action, we continually explore options to reduce our reliance on carbon-intensive energy sources. At the same time – and as explained earlier in the Report – we are also focused on mitigating security of supply risks. Furthermore, as a public company whose shareholders include individual savers and numerous pension and savings funds, we also need to maintain good financial discipline in assessing operating cost and capital expenditure requirements.

As the bar chart overleaf sets out, we use on-grid power sources for the majority of our energy needs. The proportion of those sources that are renewable is increasing every year. At 13%, this remains comparatively low on a worldwide basis; however, beneath the headline number there are very wide variations between individual countries. Developed markets with a mature renewable or zero-carbon power generation sector (often backed by government policy commitments) offer much better alternatives than an emerging market with little on-grid renewable generation capacity.

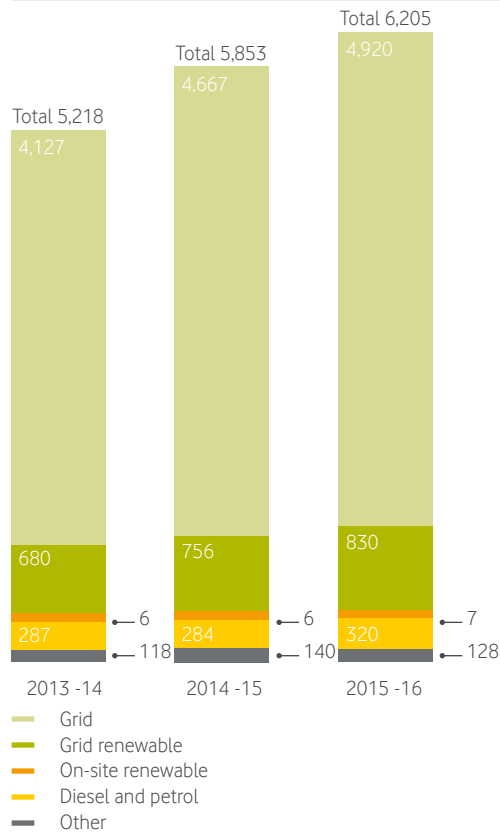
We also seek to deploy solar photovoltaic (PV) or wind power at our technology centres. We are preparing to deploy solar PV in Germany and Turkey with other local markets to follow

in the near future. However, as many of these are in urban areas – and have very significant power needs – these are generally fairly small-scale power generation deployments which supplement rather than replace on-grid power.

We have greater scope to innovate in our off-grid energy sourcing strategy. Our aim is to reduce our use of diesel to the lowest level possible. In our emerging market businesses we are deploying solar PV technologies to supplement or – where feasible – replace entirely the diesel generators used in remote base stations. We installed solar PV at an additional 329 base stations during 2015-16, bringing the total to 1,814. We are currently researching alternative types of fuel cells for use in urban areas where deployment of diesel generators is problematic due to noise or risk of theft. We are also trialling a number of new technologies such as hydrogen fuels cells and tri-generation (combined heat, cooling and power production) which may also offer scalable alternatives to off-grid diesel use in many markets. We provide an overview of our work in this area overleaf.



Vodafone energy use by source, gigawatt hours (GWh)



Development projects underway in 2015-16 included:

- solar PV upgrades for existing base stations, both on-grid and off-grid;
- hydrogen fuel cells;
- microturbines; and
- alternative energy storage technologies such as flow batteries and lithium ion batteries.

A number of SSIC innovations are now operational across our businesses including the deployment of approximately 300 hydrogen fuel cells in South Africa, the majority of which are methanol-based.

Reducing energy use in our general business and administrative activities

We have a number of programmes and initiatives in place to reduce the energy requirements for our office buildings and administrative systems and to help employees reduce their own carbon impact. Further details of our approach to environmental management can be found on page 85 of the Appendix.

Our carbon-neutral SSIC in Johannesburg generates enough renewable energy to meet more than double its own power requirements and was the first-ever building to be awarded the maximum six stars from the [Green Building Council of South Africa](#). The building incorporates an extensive range of innovative sustainable building techniques such as thermal rock stores to capture and store thermal energy, mechanical solar panels that move with the sun and technologies reusing greywater to limit freshwater consumption. The SSIC is now seen as an example to be emulated by the South African building industry as a whole.

The Prague headquarters of our Czech local operating company – opened in 2014-15 – was awarded Gold standard certification from the international green building organisation LEED (Leadership in Energy and Environmental Design) in January 2015. The construction process used recycled materials and local resources and the completed building consumes 40% less water and 27% less energy compared with conventional alternatives. The building's location adjacent to a metro stop enables our employees to travel to work via public transport rather than by car.

Three of our buildings in Delhi and Mumbai have also been awarded LEED Gold certification and a further two buildings have been awarded Platinum certification. Technologies incorporated into those buildings include energy-efficient air conditioning, LED lighting, rainwater harvesting and advanced building management systems which allow the close control of lighting, water, heat and humidity.

LEED for Commercial Interiors (LEED-CI) is an internationally renowned standard for certifying highly efficient building interiors that serve as healthy and productive workplaces. Our new offices in Padua in Italy were awarded LEED-CI Gold certification in April 2016. The offices are equipped with highly efficient air conditioning units (reducing energy consumption by 20% compared with conventional alternatives) and LED lighting (yielding a 43% reduction).

In 2015-16, more than 2,400 of our employees in Madrid moved into the energy-efficient headquarters of our Spanish local operating company. This is one of the largest business complexes in the city at 50,000 square metres and has also been awarded LEED-CI Gold certification.

We discourage our employees from flying whenever possible, encouraging them instead to use remote working and teleconferencing technologies. The cumulative distance travelled by air this year reduced by 4%, despite a 6% increase in the number of employees worldwide. We also encourage and support home working and flexible working across our global workforce, reducing the need for employees to commute to and from work in rush-hour traffic. Vodafone benefits from some of the most advanced enterprise collaboration capabilities in the world, with 3,100 videoconferencing end points and more than 100,000 laptops enabled with video conferencing, supporting 30 million minutes of effective online collaboration each month.

Innovating for a lower-carbon future

The Site Solution Innovation Centre (SSIC) in South Africa is one of our main global technology research locations focused on energy efficiency. Colleagues at the SSIC work with a number of businesses, innovators and entrepreneurs to explore alternative power generation sources which are then trialled in our local markets.

The Vodafone Village – Milan, Italy

The Vodafone Village in Italy is the world's largest LEED for Commercial Interiors (LEED-CI) certified building. Built on the site of a former factory in an unused industrial area in Milan, the 127,000 square metre building has played a major part in the environmental rehabilitation of the local area and produces more than 8,000 kWh of clean solar energy each year from its 800 square metre rooftop photovoltaic array. This highly efficient, LEED-CI Silver-certified building is designed to maximise natural light. It contains 3,000 workstations, a lecture theatre, a nursery, a learning centre with training rooms, a cafeteria and ample cycle parking and shower facilities to support more sustainable commuting by staff.

The building has achieved a 30% reduction in water use by installing low-flow mixer taps, careful landscaping and irrigation and a 25% decrease in energy consumption through new lighting controls and efficient appliances. More than 70% of electrical equipment and appliances are Energy Star qualified and more than 20% of the materials and furniture used in the building were sourced locally. An advanced 'double skin' airflow system on the external façade allows the building to maintain a constant temperature, reducing energy consumption for heating and cooling. A variety of informal meeting areas, a rooftop garden and outdoor green spaces have also been incorporated to enhance staff wellbeing.





Vodafone GHG emissions (million tonnes CO ₂ e) (Market-based method)	2013-14	2014-15	2015-16
Scope 1	0.34	0.37	0.41
Scope 2	2.04	2.10	2.16
Total Scope 1 and 2	2.38	2.47	2.57
Scope 3	1.66	1.68	1.65
Total (Scope 1, 2 and 3)	4.04	4.15	4.22

Our greenhouse gas emissions

In 2015-16, our total greenhouse gas (GHG) emissions increased by 4%, predominantly as a consequence of a 6% increase in our energy consumption, as we explain above. Our total global GHG emissions (including emissions over which we have direct control (Scope 1) and emissions from purchased electricity (Scope 2)) were 2.57 million tonnes of CO₂e. Emissions where we do not have direct control (Scope 3) – including those from third-party base station sites in India and Tanzania – are reported separately.

The international guidance for calculating Scope 2 GHG emissions this year has changed,¹⁴ and companies are now required to publish two different numbers:

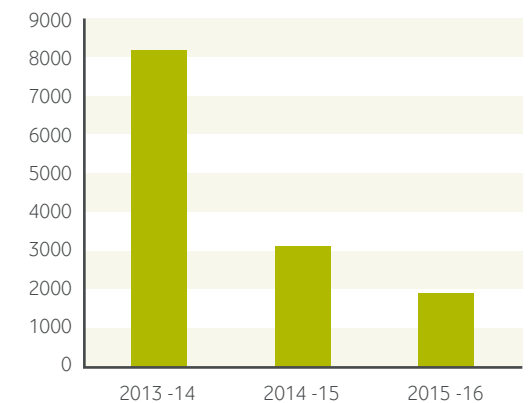
- the location-based method uses an average emission factor for the entire national grid on which energy consumption occurs; and
- the market-based method uses an emissions factor – for example, direct from the supplier providing the electricity – that is specific to the electricity which has been purchased.

The numbers quoted above use the market-based method: we have also restated our emissions for 2013-14 and 2014-15 on this

basis. Using location-based conversion factors for 2015-16, Scope 2 emissions were 2.80 million tonnes CO₂e and total Scope 1 and 2 emissions were 3.21 million tonnes CO₂e. Further details on the methodology and emissions factors are set out in the Appendix.

Although absolute emissions rose slightly, our key measure of greenhouse gas emissions intensity improved again with a drop in emissions per petabyte of traffic of nearly 40% this year.

GHG emissions (tonnes CO₂e) per petabyte of traffic on Vodafone's networks



Empowering our customers to reduce their emissions

We are helping our customers to reduce their greenhouse gas emissions through our Machine-to-Machine (M2M) technology – in which Vodafone is the world's leading mobile provider. Also known as the 'Internet of Things' (IoT), this technology has the potential to transform every industry, most public services and many aspects of consumers' daily lives. By bringing intelligent interconnection and network control to previously 'dumb' disconnected devices and services, it is possible to optimise significantly the efficiency and reliability of numerous products and processes in the workplace and in the home. Unsurprisingly, our research in 2015 found that 90% of companies surveyed believe that IoT is already relevant to their businesses today; the case studies set out below provide some examples of what this means in practice.¹⁵

Key examples of IoT applications include:

- smart metering, using IoT technology to collect and analyse data on energy use in real time. Smart meters help energy providers, businesses and municipal authorities to optimise power generation and consumption; they also help households reduce their energy needs (and their energy bills). As we explained in this section, smart metering plays an important role in our own energy efficiency strategy;
- smart cities, bringing networked intelligence to the civil infrastructure relied upon by the world's growing urban populations through applications such as road traffic management and advanced street lighting; and

- smart logistics, embedding IoT technologies within delivery vehicles to optimise route management, vehicle maintenance and driver behaviour – applications which can reduce fuel consumption by up to 30%.

Tracking vehicles with Navman

Using our Managed IoT Connectivity Platform, Navman Wireless is improving the efficiency of more than 17,000 businesses worldwide by enabling them to locate and track their vehicle fleets.

Navman is a global leader in vehicle tracking, messaging and satellite navigation solutions and has relied on Vodafone connections for 15 years since its launch. Tracking devices connected to the Vodafone network give fleet managers complete visibility of how their vehicles are being driven so they can ensure drivers are staying within legal speed limits and traveling on approved routes. The UK Canal & River Trust used this technology to reduce fuel use and avoid 206 tonnes of CO₂ emissions across its fleet of 420 vehicles.

Navman has more than 90,000 connections in the UK and plans to add 12,000 connections each year globally.

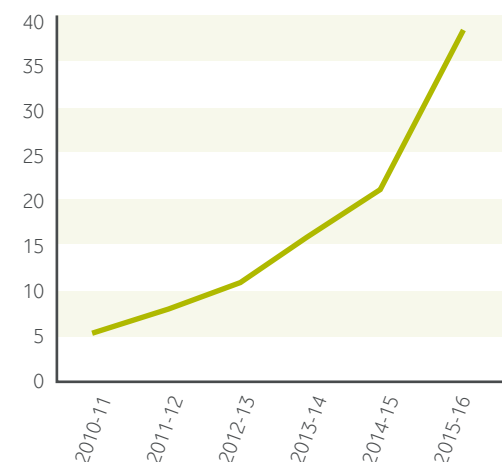
In the past, it has been difficult to assess accurately the extent to which mobile technologies such as IoT have a direct role to play in reducing greenhouse gas emissions.

We have worked with [GeSI](#) and the [Carbon Trust](#) to develop a new industry-wide methodology for quantifying emission reduction impacts enabled by mobile technology. The outcome of that work was published in December 2015.¹⁶

We estimate that more than 30% of the 38 million IoT connections operated by Vodafone directly enable our customers to reduce their emissions using the kinds of applications summarised in this Report. We expect the total number of Vodafone IoT connections to increase over time; we also expect further increases in the number of those connections that have a direct and positive emissions impact.

We estimate that the total emissions avoided as a consequence of our IoT technologies and services was 4.48 million tonnes CO₂e in 2015-16, almost double the emissions avoided in 2012-13 when we calculated customers' savings for the first time. The main areas in which the greatest CO₂e savings are enabled were in smart meters and logistics and fleet management.

Vodafone's global IoT connections (millions)



Note: the basis for reporting changed in Q3 2014-15 to include all IoT connections both activated and under customer ownership; previously only active connections had been included.

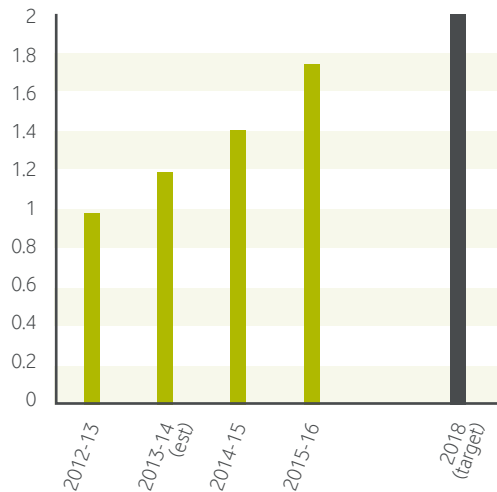
Our carbon target

In 2015, we announced a new goal under which we would seek to help our customers reduce their greenhouse gas emissions by two tonnes for every tonne of greenhouse gas we generate from our own operations. That goal includes a commitment to help more of our enterprise customers to reduce their carbon emissions; in parallel, we are also committed to reduce emissions from our own operations.

Our goal: 2 for 1 GHG emissions

We said we would hope to achieve that goal by the end of March 2018. As at the end of March 2016, we are well on track to do so, enabling our customers to avoid 1.74 tonnes of greenhouse gas emissions for every tonne we generated through our own activities during 2015-16.

Our progress: ratio of GHG emission savings for customers to our own GHG footprint



The year ahead

During 2016-17, we will conduct a full strategic review of our approach to energy consumption and efficiency. As explained earlier in the Report, we already have a wide range of programmes underway to address the climate change challenge within our own operations and to enable our customers to address their own challenges.

But we want to do more. Over the year ahead, we will explore new ways of achieving greater energy efficiency from our ongoing network modernisation projects and we will consider options for further physical infrastructure rationalisation.

Our priorities will be to:

- continue our ongoing network modernisation programme across our local markets;
- activate new energy-saving software features and introduce self-organising network (SON) technologies to drive efficiencies through automation;
- maximise deployment of initiatives such as cooling, smart meters and dynamic thermal management;
- examine how we can increase the proportion of energy we use from renewable sources;
- consider options to deploy solar energy to more of our sites in a cost-effective way; and
- reassess how we procure on-grid power across our local markets to increase security of supply over the long term and, where feasible, to accelerate our transition to low or zero-carbon energy sources.

We look forward to providing an update on our progress in next year's Report.

Promoting use of clean-burning cookstoves in India

Traditional cooking stoves are widely used for heat and light in rural areas of developing countries. These stoves burn fuel inefficiently and produce greenhouse gas emissions. They also create hazardous indoor air pollution; cooking stove fumes are believed to cause more deaths annually around the world than HIV, malaria and tuberculosis combined.¹⁷

Project Surya is an international partnership between the University of California at San Diego (UCSD), The Energy and Resources Institute (TERI) New Delhi and Nexleaf Analytics – Los Angeles. The Project Surya team promote the use of clean-burning stoves which are offered to Indian households on a subsidised and pay-per-use basis.

Project Surya uses Vodafone mobile technology to reduce the greenhouse gas impact and air quality risks of stove use while also ensuring household energy costs are correctly recorded. Sensors combined with a smartphone app track fuel usage while monitoring air quality around the stove. The Project Surya team collect and analyse the data collected through our technology. The team estimate that the initiative could reduce CO₂e emissions by up to five tonnes per household per year as well as cutting harmful air pollution by 60-70%.



Connecting smart meters in Spain

EDP HC ENERGÍA – one of Spain's leading energy providers – has installed more than 450,000 smart meters in homes across Spain to help people to reduce their energy use.

650,000

smart meters will be installed in homes across Spain to help householders reduce energy use

The meters will enable customers to see how much energy they are using in real time, adjusting their consumption as needed and, as a consequence, reducing both costs and emissions.

EDP HC ENERGÍA's smart meters rely on our IoT technology to allow meter readings to be taken remotely at any time. Estimated bills are no longer necessary nor are meter reading visits, reducing the company's operating costs and travel-related emissions. In addition, sensors in the meters connected to our IoT technology help EDP HC ENERGÍA identify faults remotely without dispatching engineers.

Energy use and greenhouse gas emissions, as well as selected supporting statements in this section were reviewed as part of EY's assurance of Vodafone's Sustainable Business Report.

For more details see the EY

, June 2016

⁹ IEA World Energy Outlook, 2014

¹⁰ IPCC Synthesis Report, 2014

¹¹ SMARTer 2030 Report, GeSI, June 2015

¹² GSMA, personal communication, 2016

¹³ Cisco® Visual Networking Index (VNI), 2015

¹⁴ GHG Protocol Scope 2 guidance

¹⁵ Vodafone M2M Adoption Barometer 2015

¹⁶ GeSI Mobile Carbon Impact, December 2015

¹⁷ Global Alliance on Health and Pollution



Youth Skills and Jobs

Globally, young people struggle to find employment. Using our technology, we aim to help them develop skills and enhance their ability to find jobs, while creating new opportunities for young people to gain experience at Vodafone.

Youth unemployment

43%

of economically active young people aged 15-24 worldwide are either unemployed or working yet living in poverty

Training and development

We offer training schemes in many markets to help young people with skills development, job seeking and entrepreneurship

Youth schemes

We offered more than 2,000 young people places on our graduate, internship and apprenticeship schemes in 2015-16

Youth Skills and Jobs

The global context

Unemployment and under-employment among younger people is a chronic challenge for rich and poor countries alike. It is estimated that almost 43% of economically active young people aged between 15 and 24 worldwide are either unemployed or are working, yet living in poverty.¹⁸

In Europe, the youth unemployment rate for 15-24 year olds is almost 20%; that percentage rises to almost 50% in countries such as Spain and Greece that were among the worst affected by the global financial crisis.¹⁹

There are also significant challenges for many people in their twenties. For example, according to Europe's largest graduate survey,²⁰ more than half of recent European undergraduates are worried about their careers, a rate that rises to more than 80% in Greece, Italy, Portugal and Spain. In India, about 30% of graduates up to the age of 29 are unemployed²¹ and a UK study by the Office of National Statistics (ONS) found that 47% of graduates employed within six months of leaving university were working in lower-skill roles which did not require a university education.²²

For young adults leaving education and entering the working world for the first time, the experience of sustained unemployment (or at best poor-quality intermittent employment) can have significant personal consequences.

50%
of 15-24 year olds are unemployed in countries such as Spain and Greece

Long-term unemployment is likely to depress their lifetime earnings (and ability to contribute to public finances through individual taxation), lead to a degradation of their skills (limiting their ability to play a productive role in the workplace in future) and can represent a material burden on the state as a consequence of welfare payments and increased public healthcare costs.²³ Widespread youth unemployment also has an impact on social stability; research by the International Labour Organization has demonstrated a link between male youth unemployment and a 10% increase in incidents of social unrest since the global financial crisis.²⁴

Over the last decade, digital technology has begun to transform every aspect of life at home and work for hundreds of millions of people. For many, the communications revolution is largely or wholly benign; few would now want to go back to a world without the convenience

of online shopping, the pleasure of social media and access to vast amounts of information and insight through the internet, nor would any company willingly forgo the significant productivity gains.

However, digital has also reduced opportunities for employment for millions of people. In developed countries, technologies such as big data, cloud computing, robotics and the 'Internet of Things' (IoT) have stripped out entire categories of semi-skilled lower and middle-management jobs – such as foremen, fitters, supervisors and clerks – from the factory floor, shipyard and warehouse to the back offices of banks.

47%
of graduates employed within six months of leaving university were working in lower-skill roles which did not require a university education

At the same time, emerging market countries with stagnant economic growth, a poorly developed service sector and limited high-value exporting capacity are struggling to cope with a growing population of under-educated young people with few options for purposeful employment. While some

emerging market countries benefit from global digital networks through the exporting of back-office and customer care roles from developed countries to lower-cost locations, the jobs created as a result are suitable for the most skilled graduates only; the benefits for the working population as a whole are limited.

The macro-economic and social consequences of the above are concerning. There are, however, grounds for optimism. As digital disrupts every sector, it will, over time, lead to significant new job creation. By the end of the decade, it is likely that almost every workplace in the world – however small and simple – will rely on information and communications technology (ICT) to function effectively. For example:

- a smallholding farmer will use IoT connected sensors to control irrigation systems and a smartphone to access big data networks to anticipate and mitigate weather events and disease outbreaks;
- a niche electronics component manufacturer will use cloud computing services for everything from inventory control and supply chain management to employee payroll and optimisation of energy use; and
- a large healthcare provider will depend on digital networks, services and devices for every aspect of patient care, from hospital to home.



As examples like these – and countless thousands of variations like them – become the norm, there will be an exponential increase in demand from every industry and in every country for the skills required to develop, deploy and maintain these myriad and increasingly complex technologies. That demand already

800,000

digital technology jobs in Europe will be unfilled by 2020

outstrips the supply of available talent – and there are signs that the digital skills gap is widening. For example, the European Commission predicts that by 2020 there could be more than 800,000 digital technology jobs

Work experience for young people in Albania

Albania has one of the youngest populations in Europe: around 25% of Albanians are aged between 15 and 29²⁵ and youth unemployment is twice as high as that of the over 30s.²⁶

We offer students from leading universities in Tirana the opportunity to participate in internship programmes that last between four weeks and six months. Vodafone Albania internships provide up to 70 students a year with the opportunity to gain practical on-the-job training and valuable work experience and all interns are considered for future roles with Vodafone.

unfilled in Europe despite high levels of youth unemployment in many Member States and the ability for young people to move easily across the EU in search of work.²⁷ The Commission also predicts that in the near future around 90% of all jobs – from nursing to engineering to accountancy – will require some form of digital skills.

While many millennials were 'born digital' and have an instinctive familiarity with communications technology, far too few are equipped with the skills required to serve the burgeoning ICT labour market. Being an accomplished consumer of digital content and user of social media does not equate to expertise in complex digital industrial systems, writing code, mitigating cybersecurity risks and designing, configuring and maintaining electronic devices and wireless and fixed-line networks.

90%

of all jobs in Europe will require digital skills in the near future

If governments, educators and companies can work together to address the mismatch between future workplace needs and the current skills of the new generation, the benefits for society as whole would be very significant.

Vodafone and young people

In the Introduction to this Report, we summarised our intention to achieve three global transformation goals over the ten years to 2025. We identified *Youth skills and jobs* as one of those three goals for two reasons.

First, we are one of the world's largest communications companies and a leading global innovator in the deployment of digital technologies for enterprises and consumers. We believe the digital communications revolution represents a profound social good: as we explain elsewhere in this Report, our networks and services play a critically important role in hundreds of millions of people's lives, empowering individuals, enhancing businesses and underpinning the functioning of modern economies. However, we also recognise the consequences of digital disruption from an employment perspective. As a long-term committed and responsible employer and major investor in many countries with relatively high levels of youth unemployment, we believe we should do what we can to help ensure prosperity, stability and equality across all parts of society.

Second, we have the opportunity to make a difference. As we explain above, the digitalisation of the workplace has led to an employment market mismatch. All companies and organisations need ever-greater ICT expertise with every year that passes; however, there are not nearly

Helping young people get started in telecoms in South Africa

South Africa's persistently high unemployment rate has a particularly negative impact on young people: 63% of under-25s are unemployed. We have developed a one-year *Vodacom Learnership* programme which consists of classroom-based learning and on-the-job training at the offices and stores of our South Africa-based subsidiary, Vodacom Group. The programme covers all aspects of our business, including business administration, marketing, finance, retail and project management. Vodacom provides a monthly stipend to students enrolled on the *Learnership* programme to enable participation by young people from all backgrounds.

In 2015-16, we recruited 112 young people aged 21-35 from across the country. On completion, learners are either offered a permanent position with Vodacom or will return to the job market with new and improved skills and capabilities.

enough young adults in the labour market with the professional skills required. As we explain in this section of the Report, we believe that we could help to resolve this disconnection

through a combination of our technology, our understanding of the needs of young entrepreneurs and businesses and our familiarity with young adults' perspectives.

Our employees have a high level of digital skills and can see for themselves – in their own communities and sometimes within their own families – the damaging consequences of youth unemployment. We also have a direct relationship with large numbers of young adults – they are an important part of our global consumer customer base – and 12 of our local market businesses operate dedicated youth brands.

89% of job seekers plan to use their phone to search for work

We are therefore well placed to interact with young adults who – while often instinctively mistrustful of large institutions – embrace digital in all its forms. For example, research conducted by the GSMA in 2012²⁸ in Ghana, India, Morocco and Uganda found that 85% of youths had access to their own mobile phone; another study found that 89% of job seekers (the majority of whom were young people) plan to use their mobile to search for work.²⁹

During 2016-17, we intend to develop a range of programmes which would build on the projects already underway in a number of our local operating companies to increase the employment chances for large numbers of young people. We provide some examples of our current programmes in this section. Additionally, as a large employer in our own right (and a significant source of indirect employment through our supply chain), we will seek to expand our existing apprenticeship, internship, graduate development, training and mentoring schemes which play a crucial role in helping young people enter the employment market for the first time (and which also provide Vodafone with a pipeline of new talent as our own businesses grow). Taken together, these activities will help to support the UN's Sustainable Development Goals to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Extending access to education in South Africa

During 2015-16, we launched the *Vodacom e-school* programme in South Africa to extend the range of teaching materials and techniques available for students from all backgrounds.

The educational online portal supports students in all major subjects from grades four to 12. Endorsed by the South African Department of Basic Education, *Vodacom e-school* supports the standard school syllabus but also adds new and engaging material which takes advantage of mobile technology.

All materials are accessible at no cost via a smartphone including free data access for Vodacom South Africa customers. Within six months of launch, *Vodacom e-school* had passed the 100,000 user milestone.

“We know that many learners in our country often do not have access to learning materials which makes excelling at school more difficult. Through this platform we can help address this challenge. Our goal is to ensure that learners throughout the country have access to some basic tools to help enhance their learning outside of the classroom.”

Mthobeli Tengimfene, Executive Head of Corporate Social Investment, Vodacom

Finding work, growing skills and new businesses

In recent years, several Vodafone local operating companies have launched programmes to help young adults find and secure jobs, develop their skills (including digital technology expertise) and turn their entrepreneurial ideas into new businesses. Some of these programmes now operate at scale. For example:

- more than 1.5 million jobseekers in Tanzania and Kenya have used our mobile marketplace service to look for work by matching their skills with opportunities posted by local businesses;
- more than 240,000 Egyptians have graduated from the adult literacy *Knowledge is Power* programme since 2011; the programme was developed by the Vodafone Egypt Foundation in partnership with the National General Authority for Literacy and Adult Education and local NGOs;
- we run programmes providing mentoring, seed capital and incubation support for young digital entrepreneurs in eight countries across Europe and Africa; and
- we have established bursaries to enable young people to study science, technology, engineering and mathematics (STEM subjects) and ICT in South Africa and Ghana.

Over the coming year, we intend to bring together the various local programmes underway to explore options to extend the most successful internationally. We look forward to reporting on our progress against that objective in next year's Report.

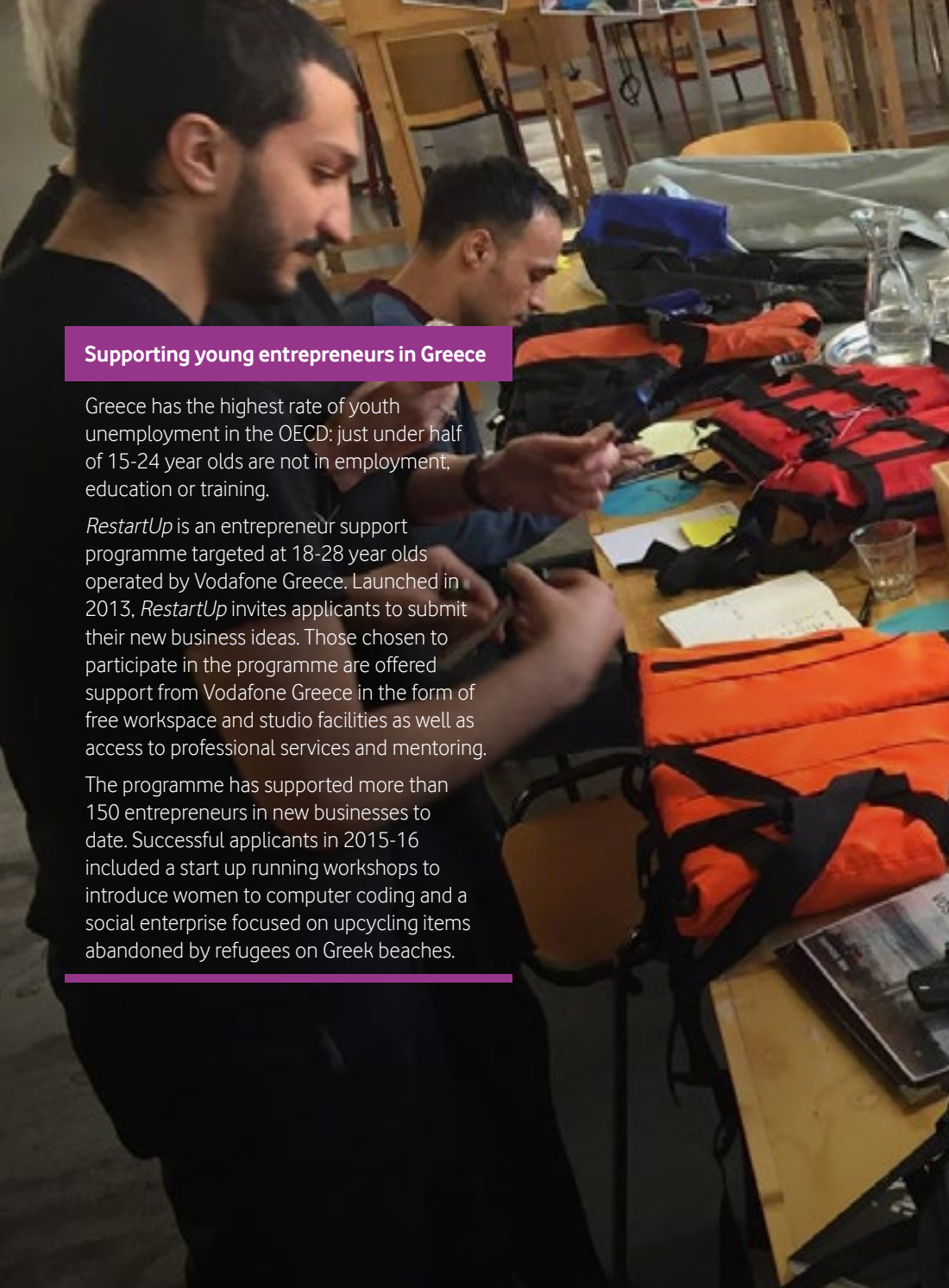
Supporting young social entrepreneurs in Egypt

There is a very high level of youth unemployment in Egypt, including among university graduates. The Vodafone Entrepreneurship Academy is a six-week training programme designed to help Egyptian graduates develop the entrepreneurial skills they need to create their own jobs on completing their studies. The Academy, supported by Vodafone Egypt Foundation, is hosted at our offices and provides participants with the training and information they need to start a business with a social, economic or environmental mission. We developed the Academy in conjunction with Enactus Egypt, a community of student, academic and business leaders that aims to use entrepreneurial action to transform lives and shape a more sustainable world.

In 2015-16, 71 young Egyptians were trained at the Academy. Modules include theoretical instruction and practical advice on team building, leadership, decision-making, conflict management, sales strategy and planning with advice and guidance from established entrepreneurs and business leaders.

A panel of Vodafone judges award seed funding to the best five projects together with a six-month incubation period with support from Enactus Egypt and Nile University.





Supporting young entrepreneurs in Greece

Greece has the highest rate of youth unemployment in the OECD: just under half of 15-24 year olds are not in employment, education or training.

RestartUp is an entrepreneur support programme targeted at 18-28 year olds operated by Vodafone Greece. Launched in 2013, *RestartUp* invites applicants to submit their new business ideas. Those chosen to participate in the programme are offered support from Vodafone Greece in the form of free workspace and studio facilities as well as access to professional services and mentoring.

The programme has supported more than 150 entrepreneurs in new businesses to date. Successful applicants in 2015-16 included a start up running workshops to introduce women to computer coding and a social enterprise focused on upcycling items abandoned by refugees on Greek beaches.

Getting girls into STEM in Ghana

Far fewer Ghanaian girls than boys attend secondary school and university for a number of cultural and economic reasons. This imbalance is even more dramatic in traditionally male-dominated STEM subjects.

The Vodafone Ghana Foundation works with the British Council to run a scholarship scheme for talented female students in STEM subjects who have limited financial resources. In 2015-16, the scheme provided funding and support for around 100 girls aged 16 years and above through senior high school level and provided scholarships for 10 women to study at the University of Education Winneba.³⁰

The scholarships cover all tuition, boarding and administrative fees, textbooks, stationery and provide a stipend for the students. This financial support enables young women to concentrate exclusively on their studies for three years, significantly increasing their potential to complete their education, achieve academic success and enhance their future careers.



Increasing opportunities through our own businesses

We are a significant employer of young people. Every year, we hire around 6,000 people aged 25 or under across our businesses worldwide. We also indirectly create employment opportunities for young people across our supply chain and retail distribution networks. We estimate that around 25,000 young people find work every year through Vodafone, either directly under contract with us or indirectly through the companies with whom we have a business relationship.

3,000

Discover graduates employed over the last five years

Within our own workforce, we operate apprenticeship and internship schemes in 26 countries with around 2,000 young people on our graduate programmes and in other apprenticeship and internship opportunities at any one time.

Our graduate programme *Discover* is also highly diverse with young people from 55 different countries and a 54% female intake. The intensive and thorough programme provides the next generation of Vodafone managers and senior leaders with a very strong start to their careers. We have hired more than 3,000 *Discover*

graduates over the last five years, including 700 across 20 countries during 2015-16. In addition, our *Columbus* leadership fast-track graduate scheme provided 144 young people with international career opportunities in 2015-16.

Partnership with Bocconi University in Italy

Every year, Vodafone Italy runs a number of programmes in collaboration with major universities, with the aim of supporting students in the development of their careers and offering students training and career planning. One important example is our partnership with Bocconi University in Milan. Around 130 students on the Marketing MSc programme at Bocconi take part in the *YOUiversity* contest every year; students compete to develop the best business plan, presenting their ideas to a selection panel of Vodafone senior managers and Bocconi professors. Every year around 25 students are offered internships with Vodafone, of whom around 80% subsequently join our graduate programme.

Providing employment for visually impaired young people in India

Half of India's 1.2 billion people are aged under 25. Around 10% of these young people are unemployed;³¹ those who are also disabled are particularly disadvantaged in the labour market.³² We are working with the Indian National Association for the Blind to enable visually impaired people to play a full and active role within our customer service centres. The *Project Drishti* ('vision' in Hindi) initiative equips our visually impaired colleagues with specialised text-to-speech and braille applications which are used to call customers.

The 138 visually impaired young people working for us under *Project Drishti* are among our highest performers, with productivity levels as much as 25% higher than the average across our customer service centres overall. They also demonstrate a high retention rate, choosing to remain working for Vodafone for longer than other colleagues in similar roles. The skills gained by these young people through the *Project Drishti* programme greatly enhance the careers – and quality of life – for individuals who would otherwise have markedly fewer opportunities in the wider Indian labour market.

The *Explore* internship programme in the UK

Entering the job market can be a daunting prospect for students and recent graduates. Many are ill prepared for the transition from education to professional life and are often unsure of the right career path. Internships help students begin to understand the working world and – from the perspective of an employer such as Vodafone – are also an important source of new talent for the future


Our *Explore* internship programme in the UK offers students the opportunity to work with us for between 10 weeks and six months. Interns are paid more than the UK Living Wage and receive ongoing support from a dedicated team of line managers, 'buddies' on our graduate scheme and human resources professionals. They are also invited to attend career seminars, work on CV building and explore opportunities to join our *Discover* graduate programme.

The programme – which has only just launched – has already been nominated for a Best New Provider of Work Experience Award by the National Undergraduate Employability Awards. Seven interns have been fast-tracked and hired into our *Discover* graduate programme for 2016. We intend to extend *Explore* to other local markets over time.

“Working at Vodafone opened a door for me to an amazing international work culture which will be a great school for life! Vodafone is very supportive in enabling development opportunities for everyone.”

Christine Lebsack, Intern 2015-16

- ¹⁸ [Global youth employment trends, ILO, 2015](#)
- ¹⁹ [Eurostat unemployment statistics, March 2016](#)
- ²⁰ [Trendence Institute Graduate Survey, in Guardian article](#)
- ²¹ [Indian Labour Bureau Survey Report \(2013-14\)](#)
- ²² [Graduates in the Labour Market, ONS, 2013](#)
- ²³ [Blog post 2014: R McQuaid, Professor of Work and Employment at the University of Stirling](#)
- ²⁴ [World Employment and Social Outlook: Trends 2015, ILO](#)
- ²⁵ [Albania Brief, ILO and MDG-F 2011](#)
- ²⁶ [Blog post 2013, Alfred Topi: Albania: youth employment](#)
- ²⁷ [e-Skills for Jobs in Europe, EC, 2014](#)
- ²⁸ [Shaping the future, GSMA 2012](#)
- ²⁹ [State of Mobile Job Search Survey, Glassdoor, 2014](#)
- ³⁰ [British Council and Vodafone scholarship scheme](#)
- ³¹ [The World Bank Youth Unemployment figures](#)
- ³² [Persons with disability and the India labour market, ILO, 2011](#)

The background image shows two African women in red Vodacom t-shirts working at a service counter. They are smiling and looking at each other. One is holding a pen and a document. In the background, there is a red sign that says "Pay bills via M-Pesa".

Principles and Practice

Trust is essential to our reputation and our long-term success. Everyone who works for Vodafone must follow a set of rules – enshrined in our Code of Conduct – designed to ensure they perform their duties with integrity and respect at all times.

Human Rights

We recognise our responsibility to respect the rights and freedoms of every individual who works for us

Operating responsibly

Being an admired company is about more than our performance and achievements; it is also about acting in a responsible, ethical and lawful way

Employee engagement

Employee engagement levels increased by two points to 79% in 2015-16 and 80% of our employees felt they had opportunities to learn the skills they need to do their jobs well



Principles and Practice

We live in an era of public mistrust. Millions of people no longer have confidence in large businesses while scandals in some countries affecting even the most august of institutions have eroded public faith in the leadership of large parts of society.

In a world of constant communication between citizens (including more than seven billion mobile connections), judgements are formed almost instantly in response to real or perceived corporate deeds or misdeeds. Companies that have embedded responsible behaviours at every level can prosper under this perpetual scrutiny; conversely, the finest corporate commitment to responsible conduct in the world counts for little if there is a serious misalignment between organisational aspiration and operating reality.

Vodafone operates in a fiercely competitive industry in which customers – big and small – can choose to switch supplier if they lose faith in the company that they rely on to meet their digital needs. There is strong evidence of a linear connection between trust and value creation; companies that act responsibly and meet or exceed public expectations of good corporate behaviour continue to grow in value over time while those that fall short destroy value. In our view, acting responsibly is therefore absolutely integral to business performance.

Everyone who works for and with Vodafone, everywhere and at every level, must follow a set of rules designed to ensure that they perform their duties with integrity and respect at all times. In this section of the Report, we will explain what those rules are and why we think they are important. We will cover our:

- Code of Conduct;
- approach to the complex human rights challenges inherent to our business;
- work underway to counter bribery and corruption and to enhance political transparency across our businesses; and
- efforts to develop and retain our people.

We do so with the expectation that we will be held to account against these rules by everyone – customers, communities, shareholders, employees, suppliers and many other groups – with an interest in what we do. We welcome that scrutiny.

“Being an admired company is not just about our performance and achievements. It is also about acting in a responsible, ethical and lawful way.”

Vittorio Colao
Vodafone Group Chief Executive

Code of Conduct

Our Code of Conduct sets out what we expect from every person working for and with Vodafone. It also underlines our responsibilities to our people, partners and shareholders. It contains both our *Business Principles* and our high-level policies on a wide range of issues. We provide further insights into many of those issues in other sections of this Report and in other publications as part of our commitment to corporate transparency, as explained earlier.

Our Code of Conduct defines the mandatory obligations for everyone who works for and with us. From the Vodafone Group Plc Board and Executive Committee to the newest employee, every individual colleague is expected to:

- behave in an ethical manner, taking pride in their actions and decisions;
- comply with the principles and rules found in our Code of Conduct;
- fulfil their legal and regulatory obligations;
- understand *The Vodafone Way* and apply our *Business Principles* to their work, as explained below; and
- report any unethical working practices or unsafe or inappropriate behaviour which is in breach of our Code of Conduct via our *Speak Up* process (also explained later in this Report).

There can be very serious consequences for non-compliance, including disciplinary action and dismissal.

Our *Business Principles* set out our expectations with regard to an individual's behaviour when working for or on behalf of Vodafone. They include expectations regarding individual conduct, compliance with the law, health and safety, financial integrity, public policy, communications, customers, employees, communities and societies, and the environment.

Among other principles stipulated in our Code of Conduct, we will always:

- act with honesty, integrity and fairness in our dealings, both internally and externally;
- value the trust our customers place in us and safeguard the information provided to us;
- protect the health, safety and wellbeing of our customers, employees, partners and the communities in which we operate;
- comply with the provisions of all applicable domestic and international laws;
- provide the best possible return for our shareholders over the longer term;
- communicate openly and transparently with all our stakeholders within the bounds of commercial confidentiality;

- base relationships with and between employees on respect for individuals and their human rights;
- engage with local communities to help us understand and respond to any concerns they may have; and
- seek to improve the environmental performance of the products and services we provide as well as support those that offer environmental and social benefits to our customers.

Further details can be found in our Code of Conduct.



Human rights

Communications networks and services have a profoundly positive role to play in underpinning individual human rights. Companies such as Vodafone enable citizens to share information widely and simply, extending freedom of expression and enabling greater scrutiny and challenge of people in power.

Our networks and services also provide millions of people with access to life-enhancing opportunities from education and employment to finance and healthcare. For example, as we explain elsewhere in the Report, mobile has a transformative effect on a woman's ability to improve and take greater control of her own life in many emerging market countries.

However, communications technologies can also be used by people wishing to cause harm: terrorists and criminals also benefit from the freedom to associate, coordinate, learn and share information enabled by mobile and digital services. Policymakers, intelligence agencies and law enforcement bodies in many countries are increasingly concerned that public safety is being put at risk as a consequence. At the same time, a wide range of people and groups in civil society are equally concerned that state actions to address criminals' use of communications technologies are eroding the individual's right to privacy and – in many countries – are intended to suppress dissent and curtail legitimate public debate.

We address these topics fully in our [Law Enforcement Disclosure Report](#), published in July 2015. That Report will be updated later in 2016 in a new expanded edition (to be titled the *Digital Rights and Freedoms Report*) which will address a number of other privacy-related issues to complement the current Report's analysis and disclosures regarding state surveillance, freedom of expression and censorship matters.

Human rights that extend into the digital realm are important priorities for Vodafone, as can be seen in our *Law Enforcement Disclosure Report*. However, we are also fully mindful of other kinds of human rights risks in our operations, as our [Code of Conduct](#) makes clear, which are the focus of senior management scrutiny across all of our businesses. We are a very large multinational company with a complex global supply chain and must ensure we meet fully our social and environmental obligations. We have a responsibility to respect the rights and freedoms of every individual who works for us – either directly as an employee or indirectly through our supply chain – as well as the communities close to where we operate.

In our view, respect for human rights – coupled with robust systems to reduce risk and address abuses – is critical to the long-term success of our business.

Our principles

We fully acknowledge our responsibility to respect human rights as set out in the [International Bill of Human Rights](#). We are also committed to implementing the [United Nations Guiding Principles on Business and Human Rights](#) throughout our operations.

Our respect for individuals' human rights is enshrined in our Code of Conduct, which – as we explain above – underpins everything we do. The Code was updated during 2015-16 to expand the references to human rights. The relevant section states:

"We respect all internationally proclaimed human rights, including the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We strive to ensure that we are not complicit in human rights abuses. We shall, in all contexts, seek ways to honour the principles of internationally recognised human rights, even when faced with conflicting requirements. We are also committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our business operations."

When the UN Guiding Principles were first published in 2011, we analysed our approach to human rights in place at that time in order to assess the extent to which our policies and practices were aligned to those Principles. That analysis helped to sharpen our focus on the most salient human rights risks of relevance to an international communications operator including labour rights, civil and political rights (particularly privacy and freedom of expression), rights of the child and economic, social and cultural rights (in particular with regard to bribery and corruption and political lobbying). We provide a summary of our views on those areas later in this Report and – on privacy and freedom of expression matters – in our *Law Enforcement Disclosure Report*.

Governance and risk management

Our overarching commitment to human rights is overseen at Group level by our Group Executive Committee with detailed governance scrutiny from the Audit and Risk Committee and the Risk and Compliance Committee. In each of our local markets, human rights matters are overseen by the country Chief Executive with governance support from the relevant professional functions.

We summarise overleaf our approach to the most salient human rights risks. The associated policies, governance and due diligence processes are critically important and are reassessed regularly to ensure they are fit for purpose.

Managing human rights risks

Relevant risk to our business	Our approach
<p>Labour rights</p> <p>We are committed to respecting the rights and freedoms of our employees and people working in our supply chain.</p>	<p>We base relationships with and between employees on respect for individuals and their human rights. Our group employment policies are enshrined in our Code of Conduct and are in line with the UN Universal Declaration of Human Rights and the International Labour Organization's Core Conventions.</p> <p>We recognise the rights of employees to join trade unions, although we prefer to consult with our employees directly to ensure that everyone is treated fairly whether or not they are represented by a trade union.</p> <p>We have developed and implemented policies and processes to extend our human rights commitments throughout our supply chain. Our Code of Ethical Purchasing sets out the standards that we expect our suppliers to meet on health and safety, labour rights, ethics and environmental protection. This includes prohibiting child labour and requiring suppliers to avoid using any form of forced labour or slavery. We also have a policy on conflict minerals to seek to ensure that minerals entering our supply chain have not contributed to conflict in the Democratic Republic of Congo and surrounding areas. Further details are set out in the Conflict Minerals Report in the Appendix.</p>
<p>Civil & political rights</p> <p>The most salient civil and political rights for our business are privacy and freedom of expression.</p> <p>Our customers have a right to privacy which is enshrined in international human rights law and standards and enacted through national laws. Respecting that right is one of our highest priorities (and as mentioned above is integral to the Vodafone Code of Conduct which everyone who works for or with us has to follow at all times). However, in every country in which we operate, law enforcement agencies and authorities have legal powers over communications operators such as Vodafone. There can often be a tension between the use of those powers and the duty of governments to protect each individual's right to privacy and freedom of expression. Those tensions are increasing as governments consider changes to those powers to reflect the evolution of communications technology in recent years.</p>	<p>We acknowledge and respect our customers' right to privacy: as we explain earlier in this Report, this is one of our highest priorities and it is integral to our Code of Conduct.</p> <p>We consider the impact our decisions have on the privacy of our customers and employees. When we design products, launch campaigns, sign a contract with a new supplier, collect information and share such information with our partners and others, we require everyone in our company to abide by Vodafone's Privacy Commitments. We have individuals who are responsible for compliance with privacy rules in each of our local markets who seek to ensure that all employees understand fully why those Commitments are so important for Vodafone – and our customers.</p> <p>Our Global Policy Standard on Law Enforcement Assistance outlines our principles and standards for responding to demands from a state agency or authority to access our customers' private communications. The Vodafone Privacy and Law Enforcement Principles and Vodafone Freedom of Expression Principles are set out in our Law Enforcement Disclosure Report published in July 2015; this Report will be updated later in 2016 in a new and expanded edition to be titled the <i>Digital Rights and Freedoms Report</i>.</p>

Managing human rights risks

Relevant risk to our business	Our approach
<p>Rights of the child</p> <p>Many of our customers have families with young children and our global customer base also includes large numbers of young people. There is growing public concern regarding the sexualisation of young people through digital and, more broadly, the effect on young minds of access to harmful content. Communications networks are also used by paedophiles to share illegal child sexual abuse materials.</p>	<p>We support a common industry-wide approach to promoting child safety online. Vodafone is a signatory to the ICT Coalition for Children Online, which we helped to develop. The Coalition sets out a common code of conduct for the development of products and services that protect children on the internet.</p> <p>We are a founding member of the Mobile Alliance Against Child Sexual Abuse Content which aims to block the use of mobile networks and services by people who wish to view or profit from illegal child sexual abuse content. Our <i>notice and takedown</i> procedures ensure that any offending material can be removed where appropriate.</p> <p>Our work to support the rights of the child will be reported in more detail in our forthcoming <i>Digital Rights and Freedoms Report</i> to be published later in 2016.</p>
<p>Economic, social and cultural rights</p> <p>The most relevant economic, social and cultural rights for our business relate to the social and economic consequences of bribery and corruption and the impact on civil society of undue political influence (including through political lobbying).</p>	<p>We adopt a zero-tolerance approach to bribery and corruption. This is outlined in our Code of Conduct and put into effect through our global anti-bribery programme.</p> <p>Further details of our approach to political engagement are set out on page 51 in this Report</p>

Human rights and new market entry

Human rights risks are a critical factor in determining whether or not Vodafone will consider entering a new country. As a part of the standard due diligence process applied to potential acquisitions or new local partnerships, we conduct a formal assessment of key human rights issues for the country in question including:

- freedom of expression and privacy;
- internet freedom;
- freedom of association;
- political participation;
- rule of law;
- gender and minority rights; and
- labour rights.

The actions taken as a result of the assessment above would depend on the nature of the business relationship at issue. For example, we seek to develop mobile roaming relationships and international communications cable connections with as many countries as possible to ensure our customers can communicate wherever they are in the world.

We believe there is a clear social good arising from providing citizens with the ability to connect to the outside world. In some cases, this means interacting with partners in countries that have poor human rights records. However, at the other end of the commercial spectrum – where Vodafone is considering acquiring an operating business or making an equity investment – a country's human rights record is as likely to influence our decision as any commercial aspect of the proposed transaction.

It is also worth noting that the presence of multinational companies which operate to high ethical standards under international scrutiny can sometimes help to influence improvements in a country's approach to human rights over time.

Employee reporting

We require everyone who works for or with Vodafone to report any behaviour at work which they believe may be a breach of our [Code of Conduct](#) via our *Speak Up* process. That mandatory reporting obligation applies to a wide range of unlawful and unethical activities, from bribery, fraud, price-fixing, potential abuses of human rights and privacy breaches to safety risks, bullying, harassment, conflicts of interest and the potential for serious harm to the environment.

Suspected breaches may be reported via one of three methods:

- the employee's line manager;
- the local human resources team; or
- a confidential external hotline, where reports can be made in the employee or contractor's local language, either by phone or online.

Regular reports are made to the Group Risk and Compliance Committee regarding the performance of the *Speak Up* service including statistics comparing the service with the equivalents operated by other multinationals. We provide more details on our process for reporting concerns on page 49 in this Report.

Our areas of focus

Privacy and freedom of expression

As we explain above, our most salient human rights risks relate to the individual's right to privacy and freedom of expression, to the extent that in recent years we have developed a separate disclosure report focused exclusively on our approach when responding to demands for assistance from law enforcement and intelligence agencies. Our annual [Law Enforcement Disclosure Report](#) is now widely considered to be one of the most comprehensive of its kind in the world; later in the year we will update and expand this Report – to be retitled the *Digital Rights and Freedoms Report* – to provide even greater insights into our principles, practices and beliefs in an increasingly complex and fractious area of public debate.

In 2015-16, Vodafone became an observer member of the multi-stakeholder [Global Network Initiative \(GNI\)](#) which was formed in 2008 to promote and advance freedom of expression and privacy around the world. The GNI and the [Telecommunications Industry Dialogue](#) (of which Vodafone is a founding member) have worked together since 2013 to address the challenges faced by communications and technology companies whenever state authority and agency lawful demands for assistance appear to be in conflict with the citizen's right to privacy and freedom of expression. In February 2016, the GNI [announced](#) a closer alignment with members of the Industry Dialogue under which Vodafone became an observer member.

Modern slavery

During 2015-16, the UK government introduced new legislation requiring all companies which supply goods or services or have a business in the UK to make a public statement regarding the measures they take to address the risk of forced, bonded or compulsory labour, human trafficking and other kinds of slavery and servitude in their businesses and supply chains.

Our detailed disclosure under the Modern Slavery Act (2015) is set out [here](#). We will not tolerate any such activities within our own operations or within our supply chain and are committed to taking the appropriate steps to ensure that everyone who works for Vodafone – in any capacity, anywhere in the world – benefits from a working environment in which their fundamental rights and freedoms are respected.

Bribery and corruption

Corruption can undermine entire societies. It entrenches poverty, disempowers the vulnerable, undermines efforts to fight disease and reduces business productivity, resulting in greater inequality, criminality and volatility in politics and civil society.

We are one of the largest international investors in many of the countries in which we operate. We have invested tens of billions of euros of our shareholders' funds in building businesses for the long term. Those businesses in turn provide employment – directly and indirectly – to hundreds of thousands of people and deliver services upon which hundreds of millions of people rely every day. It is strongly in our commercial interest to do all we can to help to ensure the widespread prosperity, social stability and respect for the rule of law necessary for any business to thrive in every country in which we operate. We will not tolerate bribery and corruption in any form. As an organisation, we would rather walk away from a business opportunity than engage in any act of corruption – or act that could be perceived as corruption.

Our policy

Our anti-bribery and corruption policy is summarised in our [Code of Conduct](#) which is mandatory for everyone working for or on behalf of Vodafone. The policy states that employees and third parties working on our behalf must never offer or accept any form of bribe. Breaches of our Code of Conduct can lead to dismissal or the termination of their contract. Our policy towards bribery and corruption is consistent with

the UK Bribery Act and the US Foreign Corrupt Practices Act, which apply to our operations globally, as well as the local law of the markets in which we operate.

Our policy provides guidance on what constitutes a bribe and prohibits the giving or receiving of any gifts or hospitality that are excessive or improper. We also make it clear that where there is a difference between a local law in one of our markets and the requirements specified in our policy, the more stringent of the two must be applied.

Our Group Chief Executive and local market Chief Executives play an active role in emphasising the need for compliance. There are a number of mechanisms to enforce compliance, summarised here. We also monitor policy implementation and assess risks regularly.

Transparency in Corporate Reporting

Vodafone ranked third in the 2015 [Transparency in Corporate Reporting](#) analysis of the industry by the civil society NGO, [Transparency International](#) which ranked 35 of the world's largest telecommunications companies according to the strength of their anti-corruption programmes, organisational transparency and country-by-country disclosure measures. We were one of just three companies that scored over 50% in all three categories, achieving a score of 88% for our anti-corruption commitment.

Governance and risk assessment

As with human rights, our efforts to prevent bribery and corruption across our businesses are led from the top of the Group with overall governance oversight from the Group Chief Executive and the Group Executive Committee. Each of our country Chief Executives is responsible for ensuring our anti-bribery and corruption programme is applied effectively in their respective local market with the support of local specialists and a dedicated Group team focused on anti-bribery and corruption policy and compliance. Every local market must ensure compliance with our anti-bribery and corruption policy through measures including:

- an approval and registration process for gifts and hospitality, sponsorship and charitable contributions;
- mandatory employee training and awareness programmes; and
- due diligence of suppliers and business partners.

These mandatory requirements are underpinned by regular monitoring of policy implementation and effectiveness by the anti-bribery compliance officers present in each local market. Our local officers meet in person every year to share experiences, challenges and best practice.

The risks we face evolve constantly but broadly fall into the areas summarised in the table overleaf together with the measures we take in mitigation.



Governance and risk assessment

Risk identified	Our response
<p>High-risk markets</p> <p>Vodafone operates in a number of countries where there is a heightened risk of bribery and corruption.</p>	<p>We undertake annual risk assessments in our local operating companies and at Group, to understand and limit our exposure to risks in each of our markets.</p>
<p>Business acquisition and integration</p> <p>When purchasing or merging with another entity there is a risk of inheriting legacy bribery and corruption risks associated with that entity. Those risks may persist if we are unaware of them or do not take prompt action to address them.</p>	<p>An assessment of historic and current compliance with anti-bribery and corruption measures forms part of our due diligence process when considering whether or not to acquire – or merge with – another business. If a transaction does ensue, upon gaining control of the entity we then implement all of the measures mandated under the anti-bribery and corruption programme applied to Vodafone businesses worldwide.</p>
<p>Spectrum licensing</p> <p>Communications operators depend on access to sufficient radio spectrum to deliver mobile and certain fixed-line services to their customers. Spectrum is a limited sovereign resource; when unused frequencies become available they are therefore valuable and are contested between rival operators. Large sums of money can be involved whenever governments choose to allocate spectrum to operators, raising a risk of bribery.</p>	<p>We encourage governments and regulators to adopt competitive, transparent and well-managed auctions as the primary mechanism for releasing spectrum to the market. A specialist spectrum policy team within the Group oversees all spectrum negotiations and auctions in every local market to reduce the risk of attempted bribery. We also provide specialist training and guidance to employees in roles that involve interaction with government officials on spectrum matters. We provide further context on the most appropriate approach to spectrum allocation in emerging markets in our <i>Spectrum policy in emerging markets</i> report available here.</p>
<p>Building and upgrading networks</p> <p>Communications networks rely on a large amount of physical infrastructure which in turn requires access to – and leasehold arrangements on – both public and private land. Our employees and contractors constantly engage with landowners, local community leaders and municipal authorities when seeking to maintain and upgrade our more than 300,000 mobile base stations across more than 26 countries. Ensuring we are able to maintain our networks – and thereby meet our customers’ needs – requires a proactive approach to compliance with our anti-bribery and corruption rules.</p>	<p>We are clear in our anti-bribery and corruption policy that no form of inducement must ever be offered to secure a permit, lease or access to a site. This prohibition is regularly communicated to all employees and contractors working on our behalf in network management roles.</p>

Governance and risk assessment

Risk identified	Our response
<p>Working with third parties</p> <p>We have a complex supply chain spanning more than 15,000 vendors, contractors and sub-contractors. In common with all companies – and particularly those with operations in countries known to experience endemic corruption – we are at risk of improper behaviour in the manner in which third-party services are procured and delivered.</p>	<p>Our suppliers and other relevant third parties are required to comply with the Code of Conduct (which is also mandatory for everyone who works for or on behalf of Vodafone) and our Code of Ethical Purchasing.</p> <p>Suppliers are screened for anti-bribery compliance prior to appointment and are informed of our anti-bribery policy. We communicate the requirements of our anti-bribery and corruption programme to suppliers throughout the year and assess compliance on an ongoing basis through a detailed analysis of compliance activities within a sample of our higher-value or higher-risk suppliers.</p>
<p>Winning and retaining business</p> <p>Enterprise accounts for around 28% of our global revenues; we now serve the communications needs of some of the largest companies in the world. Our enterprise customers run competitive tender processes to decide which operator will win their business. The sums involved in those bids may be material, leading to the risk of improper inducements – sought or offered by representatives of either Vodafone or the prospective customer – in breach of our anti-bribery and corruption policy.</p>	<p>We provide mandatory, targeted face-to-face training for our enterprise sales teams and other employees in higher-risk roles over and above the standard (and also mandatory) anti-bribery and corruption training for all Vodafone employees. We also maintain and monitor a global register of gifts and hospitality to ensure that anything offered or received for the purpose of building business relationships is appropriate and would not improperly influence – or be perceived as influencing – the award or renewal of a contract.</p>

Engaging our employees

We seek to ensure that everyone who works for Vodafone is aware of their obligation to help tackle the risk of bribery and corruption within our businesses. We run a high-profile internal communications programme – *Doing What's Right* – to maintain a consistent level of understanding across all roles and functions. New employees are trained in the [Code of Conduct](#) as part of our induction processes and existing employees complete refresher training in the Code every two years wherever possible.

We also provide more detailed anti-bribery training – including face-to-face simulations of common bribery scenarios – for employees working in higher-risk areas such as procurement, network operations, enterprise sales and government relations.

Reporting concerns: our *Speak Up* process

As explained earlier in the Report, it is a mandatory requirement for everyone who works for Vodafone to report suspected breaches of our Code of Conduct as soon as possible: our people have the duty – as well as the right – to make their concerns known whenever they discover an activity or behaviour which they believe may be unlawful or unethical. This is known as our *Speak Up* process which is widely communicated across Vodafone and our supply chain. In the large majority of such instances, employees are able to raise their concerns freely and openly with line managers or human resources colleagues who take the appropriate action. However, sometimes it is not possible for the employee to approach a manager with their concerns, particularly in

cases where the potential breach of the Code at issue involves the employee's own manager. Our confidential external hotline also enables all employees and contractors to make a disclosure in complete confidence online or over the phone and in their local language via a specialist third-party provider contracted by Vodafone.

Every report submitted under our *Speak Up* process is examined by senior executives and reports on the programme as a whole are reviewed by the Group Risk and Compliance Committee. The *Speak Up* process operates under a non-retaliation policy: everyone who raises a concern in good faith will be treated fairly with no negative consequences for their employment with Vodafone, regardless as to whether or not the subsequent investigation reveals evidence of a breach of the Code.

Awareness of our *Speak Up* programme is high: in our latest Global People Survey, 86% of respondents said they would use the service to report unethical behaviour.

Engaging suppliers and third parties

Our suppliers, partners and other third parties are committed under contract to comply with our anti-bribery and corruption policy. Every year, we select a sample of suppliers and review their anti-bribery and corruption controls. This is designed to be a collaborative process, enabling us to support suppliers in meeting the standards expected from them and to share best practice. We also find that we often learn from our suppliers' own experiences and use that knowledge to enhance our own anti-bribery and corruption programme.

If a detailed supplier review identifies inadequacies in the supplier's control frameworks, unless there is an immediate risk of improper conduct, we will provide the supplier with advice and support on remediation and allow them time to implement the required changes.

Engaging civil society

We seek to play an active role in supporting a range of stakeholders with a mutual interest in tackling bribery and corruption. We are active members of or participants in:

- the [International Chamber of Commerce UK Corporate Responsibility and Anti-Corruption Commission](#);
- the [Transparency International Business Integrity Forum](#);
- the [Institute of Business Ethics](#); and
- the [Good Governance Forum](#).

Our anti-bribery and corruption specialists have also spoken at a number of events during the year, including the G20 Annual High-Level Anti-Corruption Conference in Istanbul (March 2015) and the C5 Anti-Corruption Conferences in London (June 2015) and Milan (November 2015).



'Thank you is enough' campaign in Ghana

In Ghanaian culture it is common to provide a small amount of cash as a tip or gift for good service in a number of environments beyond a restaurant (where tipping is commonplace globally), including in the retail stores operated by Vodafone. While receiving small amounts of money after good customer service would not appear at face value to be a significant bribery and corruption risk, we concluded that this small gesture of courtesy by our customers – although clearly well-intentioned – was not consistent with our policy of not offering or accepting cash gifts.

Vodafone Ghana's *Thank you is enough* campaign was designed to spread the message among employees, customers and communities that a simple expression of gratitude – not a cash gift – was all that would ever be expected by anyone working for Vodafone in order to protect both employees and customers against any perceived impropriety.



Political engagement

A lack of transparency in the interactions between governments and multinational companies – and as a consequence the suspicion that large businesses are able to secure greater advantages from policymakers than other individuals and organisations without such access – is one of the root causes of the growth of public mistrust referred to earlier in the Report.

Many of those suspicions are unfounded: whatever the sector or circumstance, representatives from both multinationals and government are typically mindful of, and respectful towards, their obligation to behave responsibly and ethically at all times. However, this is not always the case, and every instance of inappropriate conduct which emerges into the public domain strengthens further the perception that large multinationals exert undue influence through private bilateral or closed-group engagement with elected leaders and their advisors.

At Vodafone, everyone who works for and with us must follow rules designed to reduce the risk of improper behaviour – and the perception of such behaviour, even when this has not actually occurred – in our dealings with politicians, civil servants, regulators, advisors and others involved in determining policy or managing the affairs of state. For example:

- we have specific rules under our [Code of Conduct](#) regarding gifts, hospitality and sponsorship involving politicians and government officials;

- as a matter of policy we will not make political contributions to political parties, elected officials or candidates for election; and
- we will not intervene in party political matters.

While we encourage our employees to take an active interest in local and international politics, everyone must also abide by rules governing political activity conducted in a personal capacity. Employees are not allowed to use any Vodafone resources – from communications services and meeting rooms to their own working time – to provide support for any political campaign, political party, political candidate or any affiliated organisation. We also focus on political engagement under our anti-bribery and corruption programme, providing specific training to employees whose roles involve interacting with policymakers and advisors.

Why and how we engage politically

Interactions with ministers, opposition politicians, elected representatives, civil servants, independent statutory bodies such as regulators and political or sector-specialist advisors are an essential aspect of managing our businesses around the world.

Our discussions address topics including:

- the operating challenges (such as planning restrictions) which arise from obligations specified under the telecommunications licences awarded by governments and without which we cannot lawfully function;

- proposed legislation and new or amended regulations which would affect how we operate or would have an effect on our customers' experience;
- the negative effects on competition and customer choice of the remonopolisation of communications markets by European incumbent operators;
- spectrum matters, addressed earlier in this Report;
- provision of communications services by Vodafone as a major supplier to government bodies and other public sector customers;
- security matters, particularly those focused on Vodafone's role as an operator of critical national infrastructure;
- privacy and data protection matters (discussed in detail in our [Law Enforcement Disclosure Report](#));
- online child protection, referred to earlier in this Report;
- financial inclusion and mobile money services such as our M-Pesa service now used by more than 25 million people; and
- industrial policy and the growth of the Internet of Things (IoT) – the development of intelligent networking across a wide variety of devices,

services and processes in the home and workplace – a rapidly growing field in which Vodafone is the acknowledged world leader in connectivity.

The vast majority of political meetings involve senior Vodafone executives rather than external lobbyists. While we use external political consultancies for internal advisory support and back-office activity such as monitoring of parliamentary debates, whenever and wherever possible our strong preference is to ensure that Vodafone is represented in political meetings by senior individuals from within our businesses rather than third-party advocates. On the infrequent occasions when our interests are represented by a third party in a political meeting with no Vodafone executive present, the third party must comply with a number of internal political engagement processes and approval mechanisms. We also maintain an internal register of any external parties who engage in policy discussions on our behalf.

European Union transparency declaration

We actively engage with European Commission officials and EU institutions to contribute to discussions on the future of communications in Europe. As a company with significant businesses in 12 Member States, we believe we are well-positioned to comment on policy initiatives intended to drive economic growth and create better-quality services for customers across Europe. We disclose these political activities and related expenditure, as mandated, through the [EU Transparency Register](#).

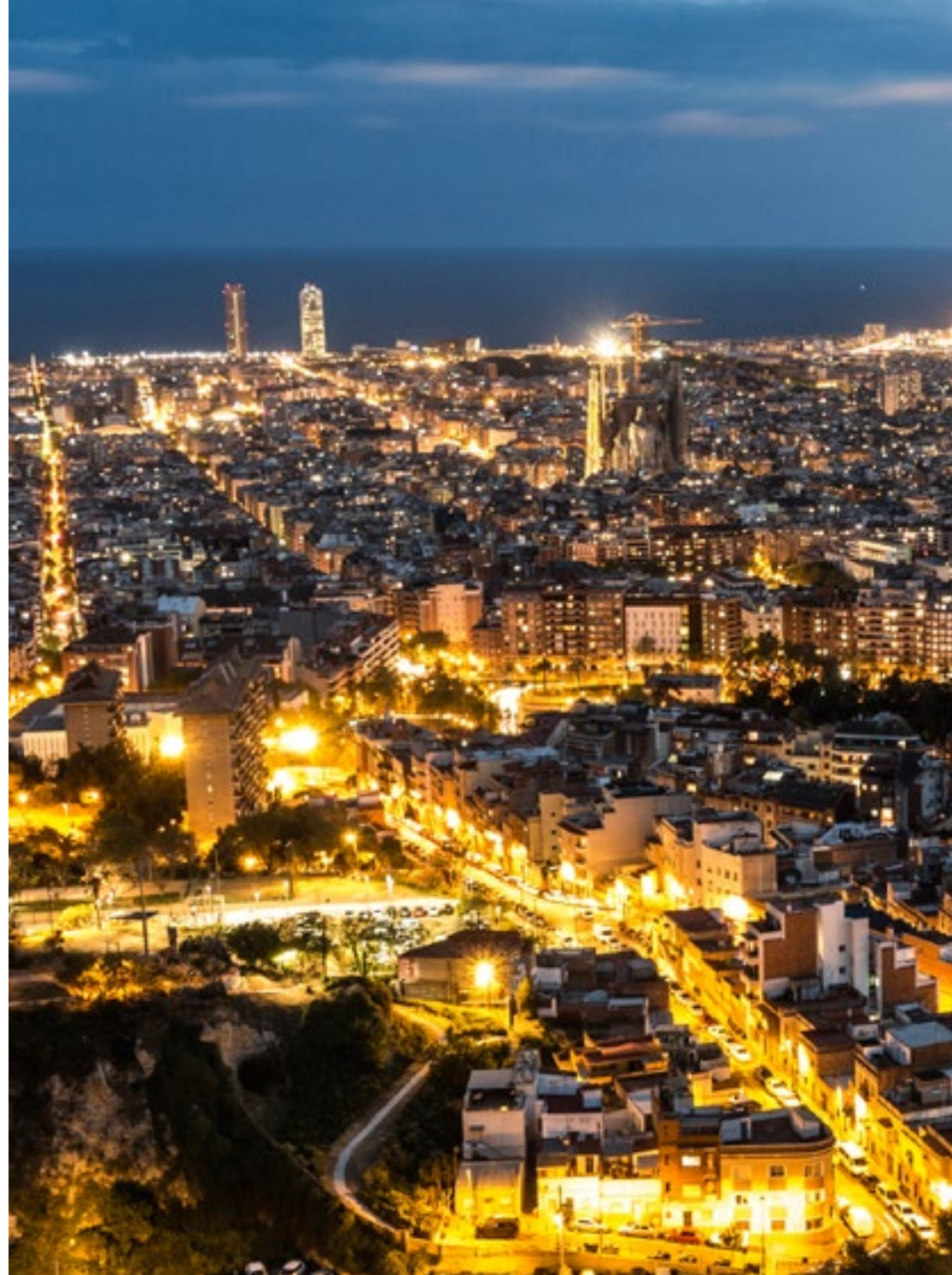
Hiring former public servants

We value the skills and experience that former public servants can bring to our organisation. However, we also recognise the risk of actual or perceived conflicts of interest. When hiring former public servants, we respect and abide by local laws regarding post-public sector employment including cooling-off periods

and any restrictions imposed on the roles and activities that can be performed by the individual in question. We also have clear rules for all employees under our [Code of Conduct](#) regarding conflicts of interest.

Next steps

During 2016-17 we intend to develop new processes to enhance transparency around our political engagement worldwide. These will go beyond the obligations already specified in law (and with which we comply in full) to provide greater insight into the measures already in place to ensure propriety in our dealings with governments and other groups and individuals in positions of authority. We look forward to providing an update on the outcomes from that work in next year's Report.





Our People

In our view, a good business is one in which all who work for it are treated honestly, fairly and with respect. Ethical conduct towards – and between – our more than 107,000 employees worldwide is a critical determinant of business success: without integrity in the workplace, no business can survive over the long term. We compete with other information, communications and technology (ICT) companies to recruit and retain some of the brightest talent globally. The skilled individuals upon whom we rely to meet our customers' increasingly complex needs expect to work for a company that acts responsibly and with propriety at all times. If we fall short of those expectations, employee demotivation – and, as a consequence, reduced performance – risks undermining everything we set out to achieve.

The behaviours we expect from everyone who works for Vodafone, at any level and in any role or location, are encapsulated in *The Vodafone Way*, which defines how all of us should go about our work. These are guided by our essential principles of speed, simplicity and trust, to gain the admiration of our customers, other stakeholders and wider society. *The Vodafone Way* is central to our [Code of Conduct](#), the mandatory rules that every employee must follow to ensure that our company operates lawfully, responsibly and ethically at all times. Further details of our commitment to responsible behaviour are set out earlier in this Report.

Continuous development

Our industry evolves constantly and at great speed. Developments such as mass-market smartphone and mobile data use in emerging markets, consumer cloud services for TV content, gigabit fibre-optic networks for businesses and consumers and the new industrial revolution of the 'Internet of Things' – a sector in which Vodafone is the world's leading mobile provider – have all gained traction within just two to three years. Simultaneously, the exponential increase in the use of digital, social and online by customers in many countries as their primary means of engaging with us has caused us to look afresh at our approach to areas such as marketing, sales and customer service.

Continuous development programmes to update and enhance our employees' skills are therefore an essential component of business performance. Those programmes take many forms, from structured learning and formal training through to coaching and mentoring. In 2015-16, we invested more than £35 million in employee training and development and 80% of employees who participated in our *Global People Survey* agreed they had opportunities to learn the skills they need to do their jobs well, a two-point increase in the proportion giving a positive answer to the same question in the 2014-15 survey. We provide more details of our *Global People Survey* overleaf.

We have established a number of bespoke professional academies – spanning customer experience, leadership, technology, sales, marketing and corporate functions – to help our employees develop their skills and enhance their careers. Our academies have been developed with support from leading business schools such as the London Business School, Harvard and Imperial College and accredited external training providers to combine the latest theoretical thinking with real-world experience and case studies.

In 2015-16, approximately 14,000 advisers and store managers completed their training in *The Vodafone Way of Retail* which focuses on the behaviours required to provide each customer with the best possible experience at each stage of the customer's interactions with Vodafone. This was complemented by our new *Customer Experience Excellence (CXX)* training programme, explained overleaf. This has led to higher average levels of customer satisfaction while increasing our employees' ability to resolve customer issues the first time these are raised with us rather than through multiple interventions.

We also provided specialist training to more than 6,000 employees supporting our enterprise business to enhance their understanding of the products, services and underlying technologies relied upon by our corporate customers.

Engaging our people to create an excellent experience for our customers

During 2015-16 we launched the global *Customer Experience Excellence (CXX)* programme to enhance every aspect of how employees engage with our customers. One of the largest programmes of its kind in Vodafone's history, it addresses customers of all kinds – from individual consumers to some of the world's largest companies – in every country in which we operate.

31,000

retail employees and third-party staff trained to enhance their customer service skills

Over the last year, more than 14,000 retail store managers and sales advisers received training in the *Vodafone Way of Retail* programme. To date, more than 31,000 retail customer service employees and third-party staff have received training to enhance the

services provided to our customers. We have standardised the recruitment process across all of our local markets to improve the quality of new recruits to our stores and have developed a new CXX assessment for all customer-facing employees. We are developing a similar approach for our customer care colleagues in our contact centres (over 60,000 employees and contractors) to ensure that everyone who works with or for Vodafone and who deals with our customers directly will share a common understanding of the skills and behaviours required to provide excellent service.

The CXX programme is led directly by the Group Chief Executive and is a core part of the Group's overall strategy. During the year, our Group and local market senior leadership teams participated in intensive two-day CXX workshops and our key customer satisfaction metric – Net Promoter Score – is reflected in employees' annual remuneration.

In recent years, Vodafone's strategy has evolved as we have acquired or built new fixed-line and TV businesses and as our enterprise business has expanded and extended the range of services offered to corporate customers.

For example, since 2012, a series of acquisitions and organic investment programmes in Germany, Greece, Italy, New Zealand, Spain and the UK have added around 12,000 employees to support our fixed-line activities and another 6,100 employees to support our expansion into new and important enterprise markets such as the Internet of Things and cloud and hosting services.

We have invested in the integration of these new employees into Vodafone, supporting their transition with a range of induction, training and personal development programmes while acknowledging and absorbing the positive aspects of the legacy cultures in place within an acquired business.

Developing leaders

Strong, effective, responsible and trusted leadership is also a prerequisite for business success; all of our leaders – from the most junior supervisor to the most senior global executive – are expected to act as positive role models for their teams and to focus continuously on the needs of our customers.

We run an annual talent review process to identify high-performing managers, match their skills to our business needs and help them achieve their development goals. Around 1,000 newly appointed line managers attended our *Leadership Essentials* programme during 2015-16. This programme helps to develop the skills required to inspire and lead others, simplify internal processes and – most importantly –

inculcate an intense focus on achieving the best possible experience for our customers.

We also operate a number of development programmes for younger employees and recent graduates, explained on page 37 in the Youth, skills and jobs section.

Diversity and inclusion

We serve a very wide range of customers across multiple countries, cultures and socio-economic groups. We need to understand those customers' many and varied priorities and concerns in order to achieve our business objectives; that means in turn that the composition of our workforce must reflect the demographic complexities of the societies around us. We therefore see a linear connection between measures to enhance employee diversity and our ability to grow our business over the long term.

30%
of our leadership and management roles to be held by women by 2020

Our commitment to diversity and inclusion begins at the top of the company – with clear leadership from the Vodafone Group Plc Board – and is embedded at every level of every business through our *Code of Conduct* and other measures which we summarise below. That commitment is acknowledged and supported by the overwhelming majority of our employees worldwide: in our annual *Global People Survey* for 2015-16, 89% of employees who responded said they felt they were treated fairly regardless of age, gender, disability, sexual orientation, cultural background or beliefs. Our commitment is also acknowledged externally: for example, in

October 2015, Vodafone won the 'Company of the Year' award at the [European Diversity Awards](#).

Our global priority is to improve gender balance across Vodafone, including an ambition to ensure at least 30% of leadership and management roles in our businesses are held by women by 2020. Details of our global commitment to women's empowerment are set out in our Women's empowerment section. In addition, we have prioritised measures across our businesses to:

- increase cultural inclusion and enhance employee understanding of other countries and cultures; and
- support greater diversity among our global workforce.

Diversity and inclusion awareness is now a core part of our *Leadership Essentials* training and our induction programmes for all senior leaders. Individual Vodafone local markets also run programmes focused on specific local priorities such as securing fair and equal treatment for all regardless of sexual orientation, age or disability, as we explain below. Additionally, during 2016-17 we will implement a number of updated training programmes for our leadership teams focused on 'unconscious bias'; this training is designed to address the range of small (and typically unintended) actions or cultural norms which can lead people in minority groups to feel excluded in the workplace.





Cultural inclusion and understanding of other countries and cultures

Vodafone is a strongly multicultural company. We employ nationals of around 138 different countries across 26 local markets and our top 200 global leaders are drawn from more than 21 different nationalities. Although Vodafone was founded in the UK and remains domiciled in that country, UK nationals account for less than a quarter of our global leadership team and our Group-level professional functions based in our London headquarters include nationals of more than 45 countries.

Wherever feasible, we encourage our managers to broaden their understanding of other cultures – and gain professional experience and enhance their careers – through assignments outside their home nation. During 2015-16, more than 190 employees were working in a local market overseas and, to date, around 45% of our senior leaders have completed an international assignment at some point during their career with Vodafone.

We also support peer-to-peer learning between managers and senior leaders from different countries, cultures and backgrounds. For example, in 2015-16 the *Global Leaders* programme in our Africa, Middle East and Asia-Pacific (AMAP) region brought together 50 of our top regional leaders to share best practice and customer and cultural insights. In addition, around 25 high-performing employees from across the AMAP region gained international experience by spending up to six months working in another AMAP local market or in the UK.

Support for greater diversity among our global workforce

We expect everyone who works with us to conduct themselves with dignity and respect in their dealings with customers, co-workers, partners, suppliers, local communities and any other stakeholders affected by, or with an interest in, Vodafone's activities. That obligation – mandated in our Code of Conduct – applies to our employees' interactions with all individuals irrespective of gender, sexual or gender orientation, disability, age or any other factor such as tribe or caste. We are committed to ensuring fair and equal treatment for everyone across all of our businesses.

How that commitment is put into practice varies from country to country. Cultural norms, local custom and legislative requirements all influence the scope and focus of the diversity and inclusion programmes implemented by our local senior management teams. A country in which discrimination against lesbian, gay, bisexual and transgender (LGBT) people is unlawful is very different from one in which a relationship between consenting adults of the same gender is a criminal offence. Equally, some cultures have a deeply embedded bias which values age over youth whereas others too often overlook the skills and experience of older people in the search for younger talent.

LGBT employees

Of all the groups experiencing marginalisation in the workplace and in wider society – from disabled people to older workers – people who identify themselves as LGBT face the most severe risk of all in a number of countries: a prison sentence as a consequence of a consensual adult relationship. Although discrimination of this kind has been proscribed in international human rights law for almost 70 years –

beginning with the [Universal Declaration of Human Rights](#) agreed at the United Nations in the immediate aftermath of the Second World War – people who identify as LGBT remain at risk. We provide details of our views on the many human rights challenges we face across our businesses earlier in this Report.

In other countries, cultural norms – even without legislative sanctions – are a source of anxiety for many people who identify as LGBT. We provide support networks (including regular confidential forums) for our LGBT employees in a number of local markets. We have also developed a comprehensive LGBT travel guide to support colleagues visiting countries where LGBT people are at risk for cultural or legal reasons. We supported [International Day against Homophobia and Transphobia](#) in May 2015, bringing together employees from 16 countries in a global conference focused on support for LGBT colleagues. During the year, we also participated in the [Stonewall global benchmark](#) on workplace equality for LGBT people for the first time. We received a 75% rating for our global policies and our work across the company. Stonewall's analysis provided us with useful insights into options to increase LGBT inclusion in specific countries: we will act on those insights during 2016-17.

People with disabilities

We are committed to ensuring that people with disabilities can compete equally for, and thrive within, a wide variety of roles across our businesses. We also recognise our obligation to understand and support the needs of customers and employees with disabilities. During 2015-16, we established new disability best-practice forums where forum members discuss their strategies to promote equality and enhance support for people with disabilities across

our operations. On International Disability Day in December 2015, employees in 18 countries watched our live webinar on disability inclusion which included a series of personal stories and examples of best practice to be implemented at local level.

Age-related exclusion

In many of the countries in which we operate, sustained macro-economic pressures as a result of the global financial crisis have led to widespread unemployment and under-employment among young adults. A chronic and enduring lack of employment opportunities for younger people has a powerfully negative effect on society as a whole. As we explain in the Youth skills and jobs section in the Report, during 2016-17 we intend to develop programmes to help address the need for greater skills – and greater access to job opportunities – among young people across our local markets.

At the same time, in many countries, older generations are generally less likely to have access to or use digital networks and services. Those groups' relative exclusion from digital also presents a challenge for wider society. Ageing populations across many countries place greater pressure on public healthcare and social care systems. That pressure could be mitigated through effective use of digital services – such as remote patient monitoring and diagnosis – if those most in need of public services had access to (and were comfortable with) the technologies involved. It is important for Vodafone to understand fully the challenges faced by young and old alike. A number of our local markets operate programmes targeting customer groups at risk of marginalisation including outreach support for older people using digital services for the first time.

Employee engagement

Every year, we carry out a *Global People Survey* across our entire workforce worldwide. The survey is conducted online using a respected third-party provider and is completely anonymous and confidential. We secure very high participation rates each year: in 2015-16, 84% of our more than 107,000 employees responded.

The *Global People Survey* helps us to assess the mood, concerns and aspirations of our employees as a whole. The global leadership team examines the findings in great detail to identify areas for action to address shortcomings identified by our people. The same scrutiny, analysis and discussion takes place for individual teams by their line manager.

86%
of employees are proud to work for Vodafone

The 2015-16 survey demonstrated that 86% of employees who responded are proud to work for Vodafone, one point higher than in 2014-15. The overall *Engagement Index* score – demonstrating employees' willingness to recommend Vodafone as an employer and their desire to continue working with us – rose by two points to 79%.

Respondents are also asked for their views on their individual line managers. The *Manager Index* score also remained very high, at 81%, consistent with the score in 2014-15.

Vodafone Global People Survey Results

	2013-14	2014-15	2015-16
Overall response rate (%)	87	84	84
Employee Engagement Index	77	77	79
Employee Net Promoter Score	43	51	59
Engagement and values			
I am proud to work for Vodafone	85	85	86
Vodafone is socially responsible	-	82	89
Training			
I have opportunities to learn the skills and knowledge I need to do my job well	77	78	80
Diversity and inclusion			
People in my team are treated fairly regardless of their age, gender, disability, sexual orientation, cultural background or beliefs	89	88	89
People have an equal opportunity to succeed at Vodafone, regardless of their age, gender, disability, sexual orientation, cultural background or beliefs	-	79	80
Health, safety and wellbeing			
The Absolute Rules for Health and Safety are taken seriously at Vodafone	89	91	92
My manager takes genuine interest in the wellbeing of his/her employees ¹	69	82	84
My manager supports me to achieve a good balance between my work and personal life	80	81	82

Note: 1. This question was updated in the 2014-15 survey from 'My local market/Group function takes a genuine interest in the wellbeing of its employees'.

Wellbeing

People perform at their best when their working lives are fulfilled and stimulating and are evenly balanced with family and home commitments. We recognise the value of helping everyone who works with us to find the appropriate work-life balance, manage stress effectively and pursue a healthy lifestyle. We offer a range of wellbeing programmes in each of our local markets and emphasise to our line managers the importance of ensuring their teams function in a manner which is healthy and sustainable. Our focus on this area is recognised and welcomed by the Vodafone workforce as a whole: in our 2015-16 *Global People Survey*, 84% of respondents said that their local manager takes a genuine interest in their wellbeing.

Our approach is set out in our [Group health, safety and wellbeing policy](#), which all of our businesses must follow. During 2016-17, we will build on our commitment to support our employees with a new *Global Framework for Wellbeing*. This will help each of our businesses to focus on the specific local wellbeing priorities of greatest relevance to our employees in that country and will support a more formalised approach to sharing best practice between local markets.

Flexible and part-time working can help employees achieve the right balance between work and home. As a communications company, Vodafone is well placed to enable our people to work remotely and when on the move. An increasing number of our employees use the technologies we supply to our customers – such as 4G data connections, ultrafast broadband

and cloud services – in order to collaborate effectively with colleagues wherever they are, at any time and on any device.

We also offer options for part-time working and job shares where possible; in 2015-16, 9% of our employees worked for Vodafone on a part-time basis.

Managing change

As we explain above, our industry is never static. New opportunities emerge with each successive development in communications technology while legacy activities become less important over time. Our businesses must therefore remain agile in response to shifts in consumer and enterprise needs and behaviours.

Our employees play a critical role in ensuring Vodafone is well placed to adapt and thrive in such a dynamic business environment. We seek to ensure that all who work for us understand our strategy and goals and we are committed to offering our employees the opportunity to enhance their skills – a commitment which is reflected in the outcomes from our *Global People Survey* mentioned earlier.

When we need to reorganise part of our business to reflect a change in customer need or other emerging business priority, we engage with employees directly for honest and open discussions about the implications of the reorganisation and the options available for those individuals potentially affected by it. Proposed changes are communicated clearly through team briefings and (where appropriate) one-to-one meetings led by line managers and human resources teams. Where the changes will

result in redundancies, we aim to help affected employees find new jobs through outplacement services, recruitment events and by offering training in interview techniques and CV-writing skills. Throughout, we are committed to treating employees fairly and with respect and will always seek to ensure that any reorganisation is carried out in compliance with local legislation and in consultation with employee representatives, works councils and local unions.

Employees in various markets were affected by organisational changes in 2015-16, driven largely by synergies arising from the acquisitions of two cable businesses, ONO in Spain and Kabel Deutschland in Germany.

When integrating a newly acquired business into Vodafone, we evaluate employees from both Vodafone and the new business on a strictly equal and impartial basis to ensure that the most appropriately skilled and experienced people fill the available roles regardless of their previous employer. As we explain above, employees of another business joining Vodafone are closely supported through the transition (including through training in *The Vodafone Way* and our [Code of Conduct](#)) and also have access to the same skills and career development opportunities as existing Vodafone employees.

Employee statistics ¹	2013-14	2014-15	2015-16
Average number of employees (FTE)	92,812	101,443	107,667
Part-time employees	8,318	9,150	9,681
Total number of voluntary leavers	9,647	13,736	15,152
Total number of involuntary leavers	4,355	3,614	5,021
Newly hired employees	21,586	21,501	21,786
Average turnover rate (%)	15	18	19

1. Data excludes contractors

Employee consultation

We recognise the rights of employees to join trade unions although we prefer to consult with our employees directly to ensure everyone is treated fairly, whether or not they are represented by a trade union. All of our local markets respect the wishes of the majority of their employees in deciding whether or not to recognise a trade union's right to negotiate terms and conditions of employment, where legislation permits. Where representation by trade unions is conferred automatically by legislation, these rights are upheld.



Supply Chain Integrity and Safety

We are working with partners and peers to drive integrity, transparency and high standards across the industry's supply chain and do our utmost to keep everyone working in our operations safe.

Our supply chain

We spend more than £18 billion a year with more than 15,000 suppliers globally

Absolute Rules

92%

of employees agreed that our mandatory Absolute Rules on safety are taken seriously

Driving improvement

We are using joint industry audits and surveys of factory workers to help us identify and act on poor practices deeper in our supply chain

Supply Chain Integrity

Our businesses rely on international supply chains that span multiple tiers and are complex to manage. We spend more than £18 billion a year with more than 15,000 direct suppliers around the world to meet our customers' needs. As we illustrate on the following page, our direct suppliers can have a very large number of their own suppliers who in turn rely on a large number of their own suppliers and so on down through several tiers in the supply chain.

The diagram on the following page is simplified: there are also middlemen (such as distributors and wholesalers) at various points in the chain, the tens of thousands of companies involved are spread across dozens of countries and supplier relationships change constantly as companies win contracts and others exit.

Conduct that is at odds with Vodafone's principles and beliefs can occur at any point in these long and complex supply chains and poor behaviour by an individual supplier in any tier can have negative consequences for a large number of businesses connected to it. Ensuring responsible and ethical behaviour across our supply chain is therefore important and highly challenging; our efforts in this area span multiple jurisdictions and cultures and encompass vast numbers of individual workplaces and supplier employees.

Globally, this is an area of concern to many people, from customers and employees to shareholders and policymakers. In this section of the Report we will explain how we seek to ensure integrity across our supply chain by managing a wide range of legal, social, ethical and environmental risks. The Report also includes our statutory statements focused on two topics of particular relevance in a supply chain context – modern slavery and conflict minerals which can be found in the Appendix. In addition, we seek to encourage those who work with us – directly or indirectly – to adopt sustainable business practices. Enhancing supplier performance improves quality, boosts productivity, stimulates innovation and helps to secure a better working environment for anyone working in our supply chain.

This section of the Report also addresses a topic of critical importance across our own operations and in our supply chain: safety. We have comprehensive measures in place in our own businesses – and which we reinforce across our supply chain – that are designed to keep everyone who works for us safe from harm. We provide details of our approach – and an outline of the challenges faced – later in this Report.



A typical electronics supply chain for Vodafone

Tier 1: direct suppliers

Vodafone buys products and services from 15,000 direct suppliers. The majority of our spend is with large multinational companies supplying finished products.

We have a direct contractual relationship and work closely with our Tier 1 suppliers to develop innovative new products and services, engage their leadership and assess how they assure compliance across their operations.

Tier 2: such as electronics manufacturers and sub-assemblers

Electronics manufacturers and suppliers of electronic equipment have many suppliers of their own.

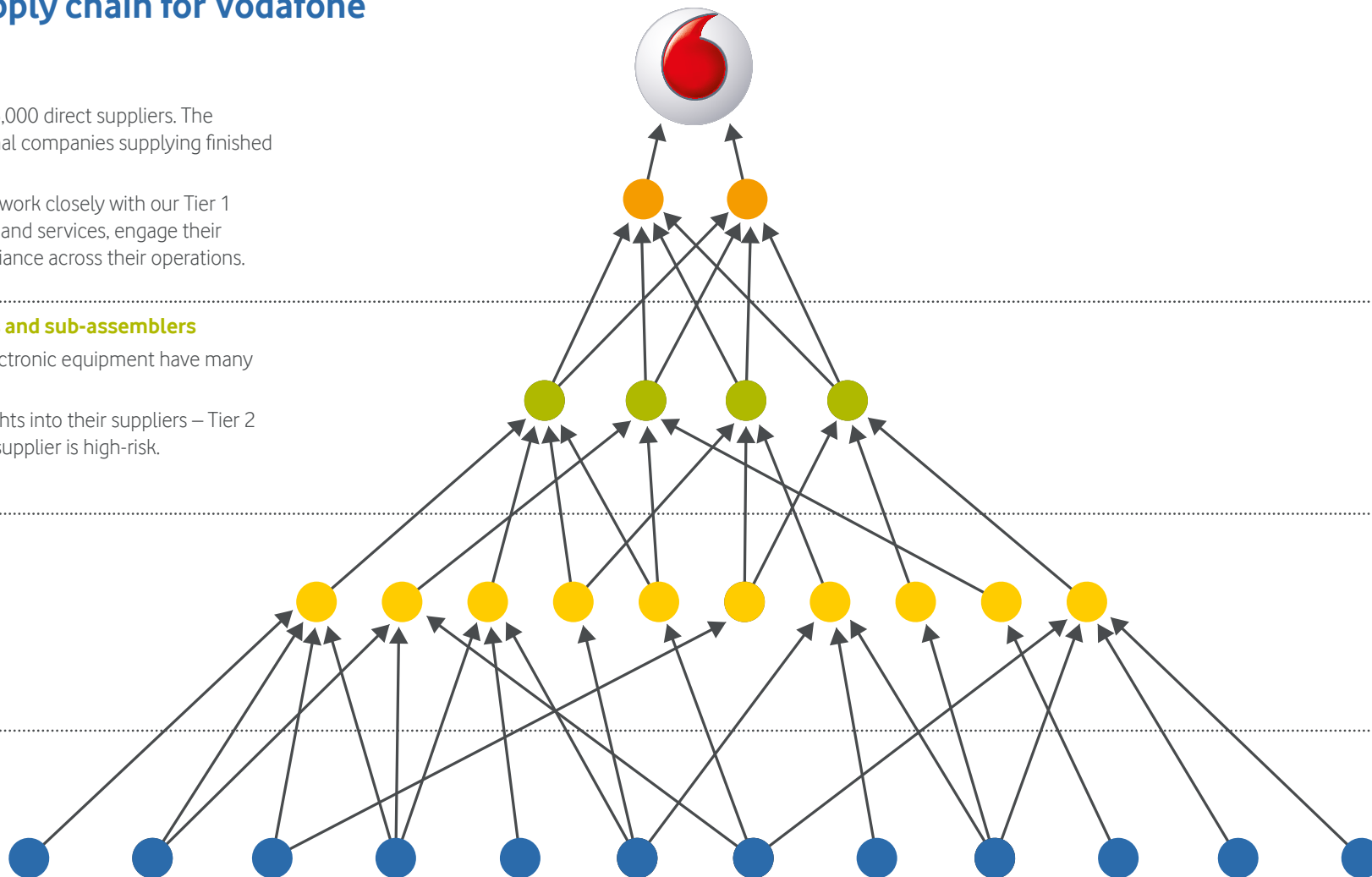
We work with our Tier 1 suppliers to gain insights into their suppliers – Tier 2 companies – particularly where we believe a supplier is high-risk.

Tier 3: such as component suppliers

Components are sourced from a significant number of suppliers to form parts of the products being manufactured.

Tier 4+:

These products are made from materials sourced from many different commodity and raw material suppliers who can be found many layers further down the supply chain



Our supplier base is dynamic with the network of suppliers and sub-suppliers changing continually. We work through industry initiatives to enhance transparency throughout the supply chain. Where we have influence on the design or manufacture of products, we trace metals back to the smelter to check whether minerals may have been sourced from conflict regions in the Democratic Republic of Congo where the risk of human rights abuses is high (see our [Conflict Minerals Report](#)).

Our Supply Chain

Risks in the information and communications technology (ICT) industry's supply chain range from injury to people working in field operations and long working hours in electronics factories, to human rights abuses in the mining of minerals.

These are serious risks linked to some of the gravest forms of unethical behaviour and maltreatment. We have developed robust systems to ensure that companies supplying Vodafone with products or services share our values and strive to meet the same ethical, labour and environmental standards that we mandate across our own business. We expect our suppliers to adhere to our [Code of Ethical Purchasing](#) and to uphold our [Business Principles](#) that are integral to our [Code of Conduct](#). Our suppliers also understand that we will hold them to account for the management of risk in their operations and that we expect them, in turn, to hold their own suppliers to account against similar standards.

When choosing a new supplier or continuing a relationship with an existing supplier, we assess each company's compliance with our rules on health, safety and responsible behaviour in conjunction with our assessment of commercial factors such as quality, cost and ability to deliver on time.

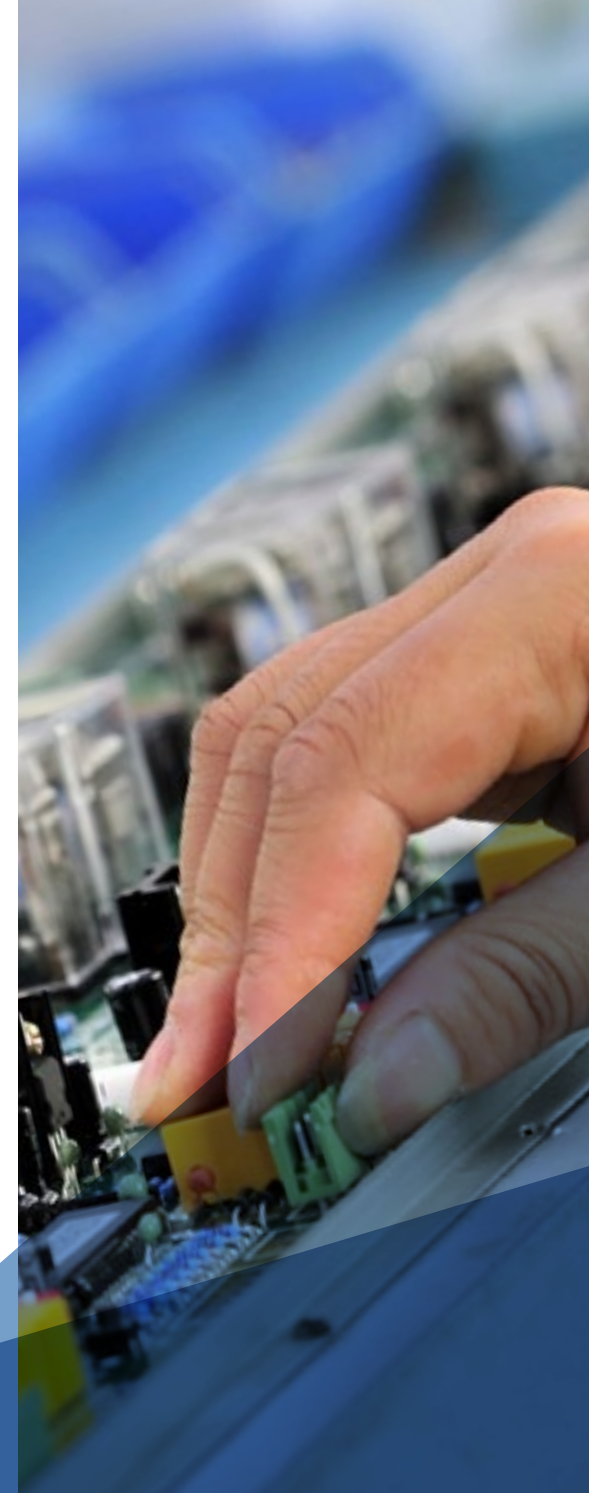
Ensuring integrity in our supply chain is an important priority for us. Our focus extends beyond effective risk management: we believe that adopting and promoting robust policies and processes on sustainable sourcing provides Vodafone with a competitive advantage as our customers and partners seek to minimise the reputation risks in their own supply chains and seek out products and services from businesses with a strong track record in responsible behaviour. For example, we are working closely with a number of our suppliers to develop our approach to greater energy efficiency, as we explain in the [Energy innovation](#) section of this Report.

15,000
direct suppliers around the world

Network infrastructure and related services account for the majority of our procurement expenditure. The products we sell to customers (such as mobile devices, SIM cards, routers and set-top boxes for cable TV) to connect to our network also account for a significant proportion of our procurement spending. As a large multinational with more than 107,000 employees in 26 countries, we are also a significant purchaser of goods and services to support our general business and administrative functions, from professional advisory support to catering and cleaning.

We are not a manufacturer and do not directly own or operate factories or other production plants with the exception of a technology operation that is part of our Vodafone Automotive 'Internet of Things' (IoT) business. We offer our customers a range of smartphones and tablets that carry the Vodafone logo; however, those devices are designed and manufactured on our behalf by suppliers – known as Original Design Manufacturers – who are contracted to make products according to our specifications. We do not own, operate or control the manufacturing plants that make those Vodafone-branded devices.

Our suppliers range in size from small and medium enterprises to large multinationals, every one of which has its own supply chain, as detailed earlier. The majority of our procurement is managed centrally, including terminals (i.e. mobiles, tablets, set-top boxes, etc.), through our main global procurement organisation, the Vodafone Procurement Company (VPC). The VPC manages most of our spending with suppliers worldwide, helping to ensure that we maintain a consistent approach to supplier management across Vodafone and making it easier to monitor and improve supplier performance.





Supporting local employment in South Africa

We are working in partnership with international promotional merchandise company, Mace Promotions, to source products that are made locally for our South Africa-based subsidiary, Vodacom Group. Three sewing co-operatives in Germiston have been contracted to manufacture Vodacom-branded promotional merchandise such as T-shirts and golf shirts. This has created new and sustainable employment opportunities in the textile value chain (an industry which has experienced a significant decline in the last 10-15 years) to support the local community. Other large companies in the area are now following our lead.

Co-operative members have been offered training through the partnership and now have sufficient business expertise to sustain a long-lasting relationship with Mace Promotions. For every 6,000 Vodacom T-shirts procured by Mace Promotions, one full-time job in Germiston is created; each job in turn has a positive economic impact on up to five other people.

We also have relationships with local suppliers working on behalf of our local country businesses, particularly in services-related procurement such as merchandising or field operations. Our support for these local businesses has a positive impact on the communities around our local operating companies.

Level of influence

As we explain above, monitoring the compliance of a company's suppliers can be challenging, given the multiple tiers, related subsidiaries, operating locations and employees involved (together with constant changes in all of the above). Assessing the extent to which a Tier 1 direct supplier is successfully enforcing compliance with rules on responsible behaviour across the companies that in turn supply it with goods and services – our Tier 2 sub-suppliers – can be even more difficult.

The level of influence we have over the companies in our supply chain varies significantly. We have the greatest influence over our Tier 1 direct suppliers with whom we have a contractual agreement and where there is significant competition in the supply base. Many of these direct suppliers are major companies in their own right, with well-established processes in place to ensure high standards in sustainable business practices. We work particularly closely with a small number of strategic suppliers that account for a large proportion of our total procurement spend.

We have less influence over our sub-suppliers (Tier 2 and below) who operate further down the supply chain and where risks of non-compliance with our requirements are higher. To target improvements among sub-suppliers, we work with our direct suppliers to check that they have suitable policies, processes and verification in place to manage risks and ensure compliance in their own supply chains. We also collaborate with some of our Tier 1 suppliers to monitor their supply base directly and work with them to improve standards.

We have greater influence over the network suppliers that help us with the supply, installation and maintenance of our networks or design and manufacture the Vodafone-branded devices that we sell to our customers. Safety is a critical priority at all points of the supply chain and particularly so in the management of our mobile and fixed-line networks where our employees, suppliers (and in particular their contractors and sub-contractors) can be at risk from field operations-related activities such as driving to, from or between work locations, working at height on base station masts and dealing with high-voltage equipment. We explain more about our approach to safety management later in this section of the Report.

Our policy

Our [Code of Conduct](#) rules that are mandatory for all employees include a commitment to require our suppliers to promote, and encourage support for, our *Business Principles* throughout each supplier's own operations. The obligations we impose on our suppliers are specified within the [Vodafone Code of Ethical Purchasing](#). The Code was developed in consultation with employees, suppliers, investors and a number of NGOs.

Our intention is to promote safe and fair working conditions and the responsible management of environmental and social issues in every part of our supply chain through a commitment to continuous improvement from every supplier that works with us.

As a condition of their contract with Vodafone, our suppliers must:

- comply with all relevant laws, regulations and standards in all of the countries in which they operate;
- provide a healthy and safe working environment for their employees, contractors, partners or others who may be affected by their activities;
- have mechanisms in place to ensure that all employees are competent to carry out the health and safety aspects of their responsibilities and duties;
- have systems and training to prepare for and respond to accidents, health problems and foreseeable emergency situations, including a means for recording, investigating and implementing learning points from accidents and emergency situations;
- treat employees with respect and dignity;

- respect the rights of employees to join (or not to join) trade unions or similar representative bodies and to respect employees' rights to collective bargaining in accordance with local laws;
- ensure employees' working hours do not exceed the maximum set by local law, ensure that a working week does not exceed 60 hours including overtime and allow workers at least one day off per seven-day week;
- provide fair and reasonable pay and ensure employees understand their employment terms and conditions; and
- comply with relevant legislation and international standards for managing environmental impacts and have the appropriate processes in place actively to optimise the use of finite resources (such as energy, water and raw materials) and the controls required to minimise the release of emissions that are harmful to the environment.

Our suppliers must not:

- tolerate any form of bribery, including improper offers for payments to or from employees, customers, suppliers, organisations or individuals;
- engage in or support discrimination of any kind in hiring, employment terms, remuneration, access to training, promotion, termination or retirement procedures or decisions;
- tolerate physical or verbal abuse or other harassment or any threats or other forms of intimidation;
- employ anyone below the minimum legal age for employment; or
- use forced, bonded or compulsory labour: employees must be free to leave their employment after reasonable notice and must not be required to lodge deposits of money or identity papers with their employer.

Further details of our approach to tackling bribery and corruption are set out in the Anti-Bribery section of Principles and Practice and we provide details of measures to address modern slavery in our statutory statement in the Appendix.

All of our policies and requirements for suppliers are included in our supplier contracts and are also published on our website. We expect suppliers to implement the standards set out in our Code of Ethical Purchasing across all of their operations. We also encourage suppliers to impose similar standards within their own supply chain. Over time, this cascade effect should support improvements to working conditions (and ultimately, quality of life) for hundreds of thousands of people involved in Vodafone's businesses who we do not know and whose workplaces we cannot see – and upon whom we rely.

Tackling conflict minerals further down our supply chain

We require relevant suppliers to have a policy in place for the responsible sourcing of minerals and – most importantly – to maintain clear procedures to avoid knowingly purchasing so-called 'conflict minerals'.

Metals such as tin, tantalum, tungsten and gold (often referred to collectively as 3TG) are widely used throughout the global electronics industry including in the components used in mobile phones, SIM cards and other products sold by Vodafone and other operators.

Some of the minerals that these metals are refined from may originate from mines that directly or indirectly finance or benefit armed groups in conflict regions such as the eastern provinces of the Democratic Republic of Congo. There is widespread concern that the proceeds from these conflict minerals are fuelling armed conflict and human rights abuses, further entrenching corruption and poverty in those regions.

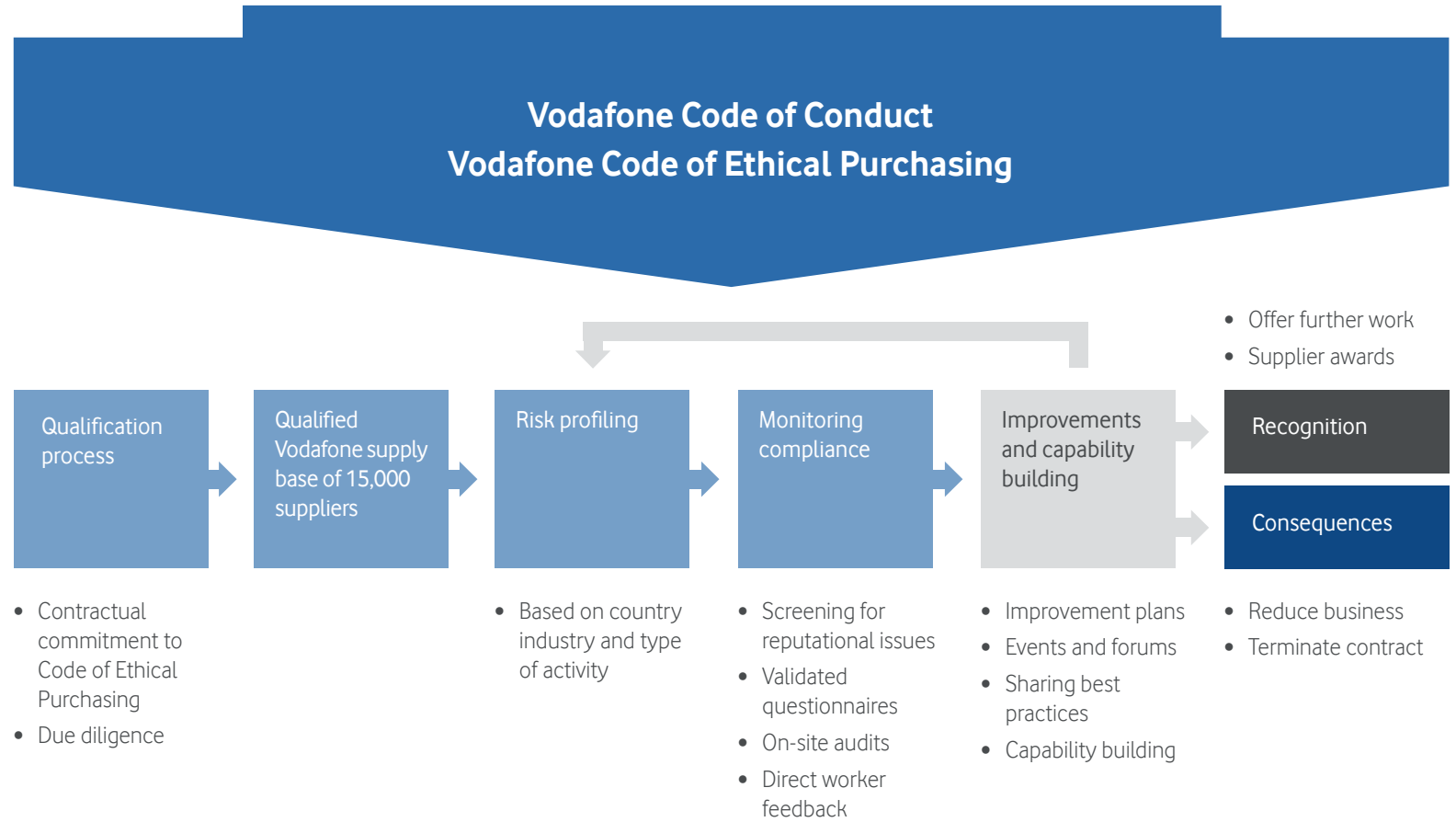
We believe mining activities that fuel conflict are unacceptable. Our global [Conflict Minerals Policy](#) sets out our position on this issue. As we do not purchase 3TG metals directly, where we have influence on the design and manufacture of products, we have to work with the suppliers that manufacture our products to determine the sources of the minerals used: often, these are several tiers down the supply chain and extremely difficult to ascertain. We are working through industry partnerships such as the [Conflict-Free Sourcing Initiative](#) to address this challenge, conducting due diligence to seek to ensure that materials originating in conflict areas do not end up in our products. More details are set out in our statutory Conflict Minerals Report in the Appendix.

Qualifying as a Vodafone supplier

To become a Vodafone supplier, a company must clearly acknowledge its understanding and acceptance of our standards – as outlined in the [Code of Ethical Purchasing](#) – and confirm that it will comply with those requirements. That confirmation is part of the standard terms and conditions included in all of our contracts with every supplier, whatever its size.

We conduct due diligence on all new suppliers to check that they meet our requirements. In 2015-16, 3,130 companies qualified as Vodafone suppliers. Our due diligence and qualification process identified that 1,223 (39%) were operating in locations, working environments or areas of business activity with potential ethical, social or environmental risks. We adopt a prudent approach to qualification: for example, a new supplier involved in handling customer data will be assessed to be high risk on the basis that the protection of our customer's privacy is a critical priority at Vodafone and therefore – regardless of the individual supplier's merits – stringent due diligence is required. Companies that we deem to be high risk are assessed by individuals within Vodafone with expertise in the specific risks identified. There is a clear separation of duty between the specialists involved in risk assessment and other colleagues involved in defining the commercial relationship with the supplier in question to ensure the outcome of the due diligence process is as objective as possible. We received sufficient assurance of compliance on completion of our due diligence processes in the very large majority of cases, with six suppliers rejected during the year.

Mechanisms for ensuring our suppliers operate responsibly to our standards



Monitoring compliance

Once suppliers begin to work with us, they are expected to monitor compliance continuously within their own operations and to identify and correct promptly any aspect of their work that falls below the standards set out in our [Code of Ethical Purchasing](#). They are also required to report any serious breaches to Vodafone immediately to enable our teams and the supplier in question to work together on a schedule for corrective action.

Engaging with our supply chain

Our supply chain teams have the most contact with our suppliers. They often have specialist knowledge of relevance to a particular supplier's business and they are trained in our Code of Ethical Purchasing to help them identify any related issues during site visits and interactions with suppliers and their employees. This training is repeated at regular intervals to ensure our supply chain teams are updated on any new risks or policy changes. Supplier safety is a constant focus at all points of a site visit including during interactions with managers and executives: meetings hosted by our supply chain managers will typically begin with a 'safety moment' to reinforce Vodafone's commitment to keeping people from harm.

We use a number of techniques and processes to monitor compliance with the Code of Ethical Purchasing. High-risk suppliers – including those whose industry, country of operation or type of business has a history of poor standards – are required to cooperate in a detailed evaluation process, the key elements of which are summarised here. The approach we take to monitor compliance is determined by the nature of the risks and the kind of activity involved.

Supplier questionnaires

We use a mandatory questionnaire to gather information from suppliers related to a range of ethical, labour and environmental risks. We also require evidence to support the validation of questionnaire responses.

In April 2016, we introduced a new questionnaire designed to enhance transparency and performance in the priority areas which form the focus of this Report and which are summarised earlier. The new questionnaire also provides suppliers with the opportunity to highlight any particularly beneficial initiatives they have undertaken in order to support best practice sharing across the supply chain and within our own businesses.

On-site audits

On-site audits provide a detailed insight into how a suppliers' policies translate into action in the workplace. These audits are intensive and detailed. They involve examination of written policies and procedures, inspections of site facilities and discussions with factory management and employees and can last over a period of several days.

Our industry peers face many of the same supply chain risks – and use many of the same suppliers – as Vodafone; they also deploy similar compliance assurance processes. An on-site audit that is thorough and challenging from Vodafone's perspective can often be intrusive and disruptive from the supplier's perspective. If multiple operators such as Vodafone chose to visit the same supplier to assess the same risks in a series of separate audits, there is a risk of a significant administrative burden for the suppliers involved. To reduce that burden and avoid duplication of effort by Vodafone and our peers, we collaborate with 11 other telecoms operators through the

Joint Audit Cooperation (JAC) initiative. Under the JAC process, each supplier undergoes a single audit. The results are then shared between JAC member companies and one member leads the follow-up with the supplier and provides regular updates to the other JAC companies.

From January to December 2015, there were 61 JAC audits of Vodafone suppliers. In total, 11 of our Tier 1 direct suppliers were audited and 50 of our Tier 2 or lower sub-suppliers. In parallel, we also conduct our own on-site assessments for specific Tier 1 and Tier 2 suppliers that we have identified as high risk but are not covered by the JAC initiative assessments. During 2015-16, we conducted 24 on-site assessments, 11 of which were with Tier 1 direct suppliers and 13 with Tier 2 sub-suppliers.

Direct employee feedback

Working hours and working conditions are an important part of our supplier assessments but are often hard to assess, not least if supervisors and managers try to falsify timesheets and other workplace records. We therefore increasingly seek feedback directly from our suppliers' employees to help us and our suppliers identify areas for improvement.

We are the first telecoms operator in the world to collaborate with the international non-profit social enterprise [Good World Solutions](#), using their Labor Link service to gather confidential and unbiased feedback directly from suppliers' employees. Labor Link is a simple mobile phone-based survey which enables employees to reply to pre-recorded questions in their local language at any time and from any location, providing us with important insights into working hours and working conditions.

We require participating suppliers to allow their employees to respond to the Labor Link questions freely and privately. In-person training is provided on the supplier site and all responses received are fully anonymised. As we explain overleaf, on the basis of our use of Labor Link to date, we believe the service will make a meaningful contribution to compliance monitoring across our supply chain in future. During 2015-16, we also deployed Labor Link with contractors supporting our network deployment and maintenance operations to gain their insights into driving safety, as we explain later in this section of the Report.

Number of site assessments conducted	2013-14	2014-15	2015-16
Number of site assessments conducted by JAC*	38	35	61
Number of supplier site assessments conducted by Vodafone	30	21	24
Number of sites assessed using a mobile survey of workers	–	5	8
Total	68	61	92**
Number of factory workers surveyed using mobile survey	–	157	2607

* JAC assessments are reported on a calendar year basis

** One supplier assessment and mobile survey were conducted on the same site

Gaining feedback directly from employees in our supply chain

In 2014, we began to use Labor Link to survey people working in our Tier 2 sub-suppliers' factories in China where labour standards – and particularly working hours – in electronics factories have been heavily criticised and remain the subject of intense scrutiny.

We have initially focused on working hours and enforced overtime as these are often a proxy indicator for a broad range of other labour rights issues.

During 2015-16, more than 2,500 employees across eight Tier 2 supplier factories were provided with access to Labor Link to tell us about their working conditions. A total of 2,161 responded to questions related to excessive working hours, including.

“How many times a week does your working day extend beyond 10 hours?”

- 64% said never;
- 25% said one to three days;
- 8% said four to six days; and
- 4% said seven days a week.

“Is overtime at your factory voluntary?”

- 87% said yes; and
- 13% said no.

“How do you feel about working overtime?”

- 43% said they wanted to work as many hours as possible;
- 50% said they were sometimes willing to work overtime; and
- 7% said they did not want overtime.

These are important insights which enabled us to focus directly on specific areas of poor management – in this example, excessive hours reported by respondents – and highlight the changes required to bring the workplace in question back into line with the requirements set out in our Code of Ethical Purchasing.



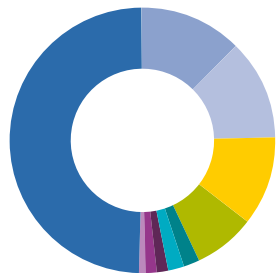
Improving performance and building capability

One of the most effective ways we can improve performance in our supply chain is by engaging directly with suppliers through our monitoring processes and follow-up discussions and briefings with supplier managers and executives. Where we identify evidence of non-compliance through JAC audits, our own on-site assessments or worker surveys, we work with suppliers to develop corrective actions, usually by helping management teams to improve their own policies or strengthen the processes used to manage key risks.

In 2015-16, the large majority of recommendations for improvement identified by Vodafone and JAC audits related to health and safety, as summarised below.

Recommendations for improvement from combined JAC* and Vodafone audits in 2015-16

Number of cases



Health and safety	377
Environment	94
Business ethics	94
Working hours	83
Payment	57
Young workers	15
Forced labour	15
Discrimination	11
Disciplinary practices	9
Freedom of association	8

*JAC audits are reported on a calendar year basis.

The key factors relevant to each category are listed below in order of frequency.

Health and safety

- Emergency preparedness (for example, poorly signposted or blocked fire exits).
- Lack of safety management policies and processes.
- Inadequate safeguards to prevent injury from machinery.
- Inadequate safeguards to prevent exposure to hazardous substances.
- Poor sanitation.
- Unsatisfactory food preparation.

Environment

- Lack of environmental management systems.
- Lack of environmental performance targets.
- Missing environmental permits to conduct certain activities.

Business ethics

- Lack of effective ethics policies.
- Lack of effective anti-corruption measures.
- Issues related to intellectual property rights.

Working hours

- Employees working hours in excess of the maximum stated in our requirements.

Forced labour

- Further details are provided in our statutory statement under the Modern Slavery Act 2015, available in the Appendix.

Payment

- Delayed or miscalculated wages.
- Improper overtime payments.
- Failure to comply with minimum wage requirements.

Young workers

- Inadequate young worker protection policies.
- Instances of young workers found to be doing overtime or night shifts in breach of our Code of Ethical Purchasing requirements.

Discrimination

- Inadequate policies to ensure equality.
- Poor equality practices.

Disciplinary practices

- Lack of fair rules for disciplining employees.
- Wage deductions used as a disciplinary measure.

Freedom of association

- Employees denied the opportunity to join representative bodies for collective bargaining where those bodies are permitted by law.

Raising standards through our audit process

In November 2015, we undertook an audit of one of our suppliers in China. The audit revealed that although the supplier could supply evidence to demonstrate that it did not use underage or forced labour and had good procedures in place for health and safety, its policies on working hours, overtime and pay were inadequate.

We made a series of recommendations to help the supplier improve its performance and meet our requirements. Based on these recommendations, the supplier has revised its pay scheme, introducing a new policy to formalise the payment of the legal minimum wage, taking overtime and holiday pay into account. The policy is accompanied by a system of verification and review to ensure that the payments made are adequate, fair and in line with individual performance.

Once corrective actions have been agreed, we then follow up to check that these actions have been completed within the designated timeframe. Documentary evidence is often sufficient, particularly in cases where areas identified for improvement are policy-related. However, where necessary, we will re-audit a site in order to verify that the agreed actions have been completed. In 2015-16, three of our on-site audits were follow-up audits.

We believe this approach is more likely to benefit supplier employees over the long term (as demonstrated by the example of our supplier audit in China, above) than if we simply terminated our contract, walked away from the company in question and, in effect, allowed the poor workplace conditions or unethical conduct we had identified to persist without the prospect of a supportive intervention in future. We will terminate a contract if a supplier proves to be persistently unable to resolve a compliance failure or in the event of an act of gross misbehaviour; however, those instances are rare and a last resort. Our preference wherever feasible is to help a supplier willing to improve how it operates – and most importantly, how it treats its people – for the benefit of all involved.

We work with our peers and our suppliers to share best practice and to help to build greater compliance capabilities at the top of our supply chain. For example, we collaborate with our most important network suppliers to ensure that their design specifications for network infrastructure minimise health and safety risks and we bring our top 10 highest-risk network suppliers together four times a year to discuss best practice in safety. Further details of our approach to safety are set out later in this Report.



Supporting improvements in our supply chain

During 2015-16, we collaborated with Ericsson – one of our key suppliers of network equipment – to gather feedback on working conditions directly and transparently from employees at one of Ericsson’s suppliers, Faist – a Tier 2 sub-supplier to Vodafone.

Faist operate a die-casting factory in China where metal casings for electronic equipment are made. Ericsson took part in our ongoing Labor Link programme designed to verify supplier employee working conditions using mobile phone-based surveys, as explained earlier in this Report.

The Labor Link deployment was conducted transparently with support from all involved and provided Faist with new insights into employee satisfaction. As a result of the survey, Faist has embarked on a programme to improve working hours by managing shift working and tracking employee satisfaction.

“This survey methodology is a valuable complement to Ericsson’s supplier audit programme, as it provides the direct perception and opinion of an employee beyond auditing.”

Eva Andrén, Head of Group Sourcing, Ericsson

Safety

Keeping the people who work for us safe from harm is one of our most fundamental responsibilities as individuals, as an employer and as a large business. We take this responsibility extremely seriously in our own operations and aim to promote safety excellence throughout our industry by demonstrating leading safety practices, insisting on high standards from our suppliers and engaging with customers and peers.

In this section of the Report, we will explain how we seek to embed a safety culture within Vodafone and throughout our supply chain. We will summarise the key risks faced by our employees and contractors, we will set out the policies and rules that everyone must follow – and we will explain what happens when those rules are not followed.

Our commitment to safety does not differentiate between our own employees and our suppliers' employees – the contractors or sub-contractors who may be working on, or moving between, our sites. We want everyone working at Vodafone to return home safely every day. Any injury is one too many, and any loss of life related to our operations is unacceptable.

In that respect, it is with great regret that we must report that 12 people lost their lives in 2015-16. We provide context for those deaths in this section and do so fully conscious of the burden of each loss for the families, friends and colleagues affected.

Policy

We expect everyone working at Vodafone to behave in a safe and responsible manner at all times. This requirement is spelt out in our [Code of Conduct](#) which applies to everyone working for and on behalf of Vodafone.

The Code of Conduct sets out our high-level commitment on health and safety. Our [Group Health, Safety and Wellbeing Policy](#) expands on this by setting out our commitments to:

- display leadership behaviours that visibly demonstrate that health, safety and wellbeing is a priority issue and integral to our business;
- establish a robust and durable health, safety and wellbeing culture;
- empower our people by providing information, instruction, training and supervision to enable them to perform their roles safely and to help drive our performance on health, safety and wellbeing;
- involve employees, customers, contractors and suppliers in health, safety and wellbeing matters and consult with them on ways to reduce workplace hazards and improve health, safety and wellbeing management systems;
- develop, maintain and communicate health, safety and wellbeing programmes, objectives and targets; and
- deliver consistent and effective communications, including reporting on our performance.

The policy is accompanied by detailed standards

on specific steps which must be taken to manage our top five risks. These are:

- road safety;
- working with electricity;
- working at height;
- laying cables in the ground; and
- control of contractors.

We explain these risks (and our approach to mitigate them) later in this Report.

The Vodafone *Absolute Rules* on safety focus on the risks, above, that present the greatest potential for harm for anyone working for or on behalf of Vodafone. The *Absolute Rules* are clear and unambiguous and are underpinned by a zero-tolerance approach to unsafe behaviours in all of our businesses.

Our Code of Conduct emphasises the need for full compliance with the systems and processes designed to keep everyone who works for us safe at all times. Every employee and contractor must:

- abide by the *Absolute Rules* at all times;
- intervene quickly if they see someone behaving unsafely;
- consider how their decisions and actions will affect the health and safety of others; and
- never compromise health and safety.

Our Absolute Rules on safety

The *Absolute Rules* are complemented by a policy specifically designed for our suppliers, setting out additional safety requirements at operating level, particularly in high-risk activities. Our [Supplier Policy on Health, Safety and Wellbeing](#)

emphasises the need for our suppliers to monitor compliance with our policy on a continuous basis, report on their safety performance to Vodafone and to have robust mechanisms in place to manage sub-contractors in their own supply chain. The Policy also requires suppliers to put a safety plan in place before commencing certain high-risk activities, each of which is clearly identified.

Our Absolute Rules on safety

Vodafone employees and contractors must:

- always wear seatbelts when travelling in or operating vehicles;
- always use suitable personal protective equipment, a safety harness and fall protection when working at height;
- never carry out electrical work on electrical equipment, circuits and gear if they are not qualified;
- never work under the influence of substances (alcohol or drugs) that are illegal or in excess of legal levels or where this impairs the individual's ability to perform tasks;
- never exceed speed limits or travel at speeds that are dangerous for the type of vehicle or conditions;
- never use a hand-held phone while driving and only make calls by pulling over or using hands-free devices, when it is safe to do so; and
- never undertake any street or underground work activities unless competent to do so.

Managing key safety risks

Our safety strategy focuses on the four most significant risks for employees and contractors working in a variety of operational roles in our businesses:

- occupational road risk;
- working with electricity;
- working at height; and
- laying cables in the ground.

Over the years, these four risks have accounted for the majority of serious incidents and fatalities in Vodafone, in our supply chain and across the global telecommunications industry in general. Of these risks, the first – traffic-related incidents, particularly in emerging market countries – presents by far the greatest threat of harm on a daily basis.

As much of the work in the risk areas listed above is undertaken by our Tier 1 contractors or Tier 2 sub-contractors, we consider that control of contractors amounts to fifth significant risk in its own right and reflect this within our safety strategy accordingly.

We require everyone who works for us to understand the safety risks inherent to their role and to understand exactly what they need to do – and not do – to identify and mitigate those risks and to protect themselves, their colleagues and the wider public.

Our policy states that anyone working at height, with electricity or with cables underground must demonstrate that they have completed appropriate training before they begin work on these high-risk activities. We also run regular training and awareness campaigns for employees and contractors on locally relevant safety issues in each of our markets, with road safety, our biggest risk, being a shared priority across all markets. For example, our global campaign on World Safety

Day in April 2015 focused on our *Absolute Rules* and safe driving in particular.

Road safety

Road traffic accidents consistently account for the highest proportion of major incidents in Vodafone and across our supply chain and are responsible for the majority of fatalities related to our operations. This risk is particularly prevalent in emerging markets where driving conditions are often hazardous, average vehicle conditions and driver standards are poor and accident rates on public roads are very high.

The African countries in which we operate have some of the highest rates of road deaths on public roads in the world, ranging from 25 to 33 per 100,000 population. In one of our largest markets by geographic area and customer base, India, traffic accidents on public roads account for 16.6 deaths per 100,000 population. The comparable UK statistic is 2.9.³⁵

Training in safe driving techniques is mandatory for anyone driving while working on behalf of Vodafone. However, risk mitigation remains challenging because – unlike the management of safety risks within a building or installation that we operate and control – we have no ability to control the actions of third parties on public roads.

Our *Absolute Rules* are designed to minimise the likelihood and severity of driving-related incidents; we have also introduced additional rules in some countries to address specific local road risks. For example, in India – where motorcycle and moped use is widespread – we require everyone to wear a helmet securely fastened with a chinstrap while riding a motorcycle and in South Africa we prohibit drivers from allowing passengers to travel in the back of pick-up trucks.

Promoting motorcycle safety in India

In India, traffic accidents on busy roads are commonplace. Motorcyclists are always much more vulnerable than car drivers in an accident and particularly so in country with more than five times the number of road fatalities per capita than the UK and where few motorcyclists wear helmets. In 2015-16, we launched a series of campaigns across Vodafone India and our local market supply chain to emphasise the importance of wearing a helmet and to promote safer motorbike riding.

The 'No Helmet, No Ride' campaign targeted pillion passengers as well as motorcyclists and focused on travel at any time for any purpose – not just travel for work. We set out to reinforce key compliance checks relating to motorcycle use, distributed reflective stickers and jackets to encourage riders to make themselves more visible to other road users and offered training in defensive driving that encourages motorcyclists to expect the unexpected. The training highlighted the importance of anticipating and reacting to abnormal road conditions and the behaviour and actions of other road users, pedestrians and animals.





Safe driving behaviour

We are putting our technology into practice in our own operations to reinforce safe driving behaviours by employees and contractors and deter the speeding violations that are a major cause of accidents.

We are introducing telematics solutions which use mobile and GPS technology to monitor location, speed and driving behaviour (such as harsh braking or swerving) for employees and contractors across our markets.

Additionally, in South Africa we are introducing dashboard cameras in 300 vehicles used by our employees to provide real-time imagery as incidents occur.

We operate road risk reduction programmes in all our markets, each of which is tailored to local needs. For example, in addition to our work to reduce motorcycle accidents in India, during 2015-16 we:

- launched the *Road Reach* programme in South Africa in which our senior executives each call around 160 employees and contractors who drive for us to ascertain their level of knowledge about our driving safety standards;
- launched the *W8_2send* media campaign to discourage texting while driving among employees, contractors, customers and the wider public in the Democratic Republic of Congo, Lesotho, Mozambique, South Africa and Tanzania; and
- maintained our road traffic safety management standard certification, BS ISO 39001, in Turkey.

We have also revised our standard on occupational road risk to incorporate advances in technology by including minimum requirements for future installation of telematics.

We have used the Labor Link mobile survey explained earlier in this Report to gain feedback on road safety and compliance with our *Absolute Rules* from 92 contractors working on behalf of our network suppliers in the UK. The survey – which focused on individual contractors with field operations roles and who drove a company vehicle – demonstrated very strong awareness of our *Absolute Rules*: 98% of respondents said they were familiar with them. However, some drivers said they felt pressured into driving when tired or had behaved in other ways which were unsafe. We are using the insights from the survey to help the suppliers involved plan work rosters which allow sufficient time for safe driving.

Working with electricity

Our *Absolute Rules* stipulate that anyone working on electrical equipment must be qualified and authorised to do so. Our working with electricity training module includes guidance for employees on how to recognise risks and implement appropriate safety controls. We also work with contractors to ensure that:

- they have a documented risk management process for working with electricity;
- those working on electrical equipment are authorised, competent and medically fit;
- electrical equipment is fit for its intended purpose; and
- appropriate safety controls, such as 'lock out-tag out', are in place before work starts.

In 2015-16, we are reinforcing our procedures further after a fatal incident in Turkey. The new requirement is for photographic evidence to be taken every time an employee or contractor is working with medium or high voltages and needs to isolate the power – the point at which the risk of a potentially fatal electric shock is at its highest. In each instance, a photo must be taken of the isolation and sent to the manager in charge who will check that the correct standards have been met before authorising the worker to continue to the next stage of work.

This new procedure is being written into our global electrical standard and will be adopted during 2016-17.

Working at height

Mobile services rely on radio access network equipment on towers, masts and rooftops. We seek to ensure that employees and contractors working at height are trained to understand and control the risks involved. Our *Absolute Rules* mandate the use of suitable personal protective equipment (PPE) whenever working at height, which includes a safety harness and fall-arrest system as well as other standard site PPE such as a helmet, safety boots and appropriate gloves.

Our network site design principles stipulate the need for safe access for height work and our policy on working at height includes guidance on the control measures required to manage risk effectively. This includes fall-arrest systems on all ladders over four metres high and the development and implementation of programmes to ensure those ladders are properly maintained. Fall-arrest systems have now been installed on 95% of all ladders over four metres at our sites across all of the countries in which we operate; additionally, during 2015-16 we ran a programme to assess fall-arrest systems across our operations worldwide and correct any shortcomings identified.

In Turkey, we worked with a leading third-party training provider to assess and improve training in working at height for contractors (who account for most such activity in Vodafone). The training covered rescue plans and use of ropes to access difficult locations; it is now being replicated in other local markets.

Laying cables in the ground

As we explain earlier in the Report, we continue to expand our fixed-line, cable and TV services in a number of countries. At the operating level, that expansion has led to an increase in the number of worksite activities that involve

laying or maintaining cables at street level or underground. Streetworks of this kind are inherently hazardous. Risks include injury or death arising from penetrating electricity or gas lines, excavation and confined space hazards and the dangers associated with road traffic.

Our *Absolute Rules* make it clear that nobody should undertake any kind of street or underground work unless competent to do so. All of our employees and contractors must comply with our global safety standard and guidance documents governing laying cables in the ground. During 2015-16, we conducted in-depth reviews to assess compliance with that standard – and to assess the safety controls in place – in countries with major cable-laying projects underway: Albania, Germany, India, New Zealand, South Africa, Turkey and the UK. We also conducted risk assessments at all sites where work involved cables in the ground and reviewed our control measures to confirm adequate processes were in place.

Control of contractors

Most of the highest-risk activities involved in the deployment and maintenance of our networks are conducted by contractors or sub-contractors who work on our base station masts and towers and other network equipment. Ensuring the safety of those contractors is therefore critical and forms a fundamental part of our approach to the management of contractors.

Our consequence management system makes it clear that we will terminate contracts if our suppliers or their contractors persistently fail to meet our standards and, in doing so, allow people to be put in harm's way without sufficient mitigation of the associated risks. Further details of our approach to ensuring compliance among our suppliers are set out earlier in this Report.

Effective management of risk begins at the top of every company. In our meetings at senior level with the Chief Executives and senior leadership teams of our suppliers, we regularly emphasise our safety expectations, reinforcing the focus on specific operational challenges identified by our own safety experts. In addition, four times a year we host a Supplier Safety Forum for our major network suppliers focused on best-practice sharing in areas of critical risk. Our focus in 2015-16 was on road safety – in line with the points explained earlier in this Report – and included video materials for use with our suppliers' employees and sub-contractors which emphasised the emotional impact on families of bereavement as a consequence of unsafe driving.

Compliance

Rules have no meaning without monitoring and enforcement. We seek to ensure that everyone who works for us understands that the mandatory rules cannot be ignored or overlooked.

92%

of employees said they believe the *Absolute Rules* are taken seriously at Vodafone

Employees who fail to comply with our *Absolute Rules* face disciplinary action which can lead to dismissal. Our focus on compliance – and on the consequences of non-compliance – is widely acknowledged across our businesses: 92% of employees responding to our *Global People Survey* in 2015-16 said they believed the *Absolute Rules* are taken seriously at Vodafone, one point higher than the response to the same question in the our 2014-15 survey.

We operate a formal consequence management process across all of our markets to address compliance issues, although – as we explain above – we prefer to help non-compliant suppliers improve their performance rather than terminate their contracts. If a supplier persistently fails to meet our safety standards we will no longer work with them and we will ban them from bidding for future work with Vodafone.

We operate two levels of formal warnings to suppliers: red cards for the most serious examples of non-compliance and yellow cards for less serious breaches. We conduct a full investigation into every major or high-potential incident: as a result of those investigations, we issued three red cards and 16 yellow cards to suppliers during 2015-16.

A supplier given a red card warning may be excluded from participating in future bids or tender opportunities with Vodafone for a period of 12 months. This can then be extended if a second red card is received. A third red card may result in termination of the supplier's contract. The supplier would need to repeat our full qualification process in order to be considered for a contract in the future: we provide an overview of how that process operates earlier in this section.

During 2015-16, we strengthened our supplier consequence management process by introducing an automatic red card if a supplier fails to report a serious incident and increasing the period that a red card remains in place from 24 to 36 months. Additionally, if a global supplier with contracts across different Vodafone local markets receives a total of three red cards – even if those red cards were issued in different local markets – the global supplier is now required to complete an

improvement plan with clear evidence of senior management leadership and commitment to rectify the shortcomings identified. Failure to do this within three months would result in the supplier being banned from bidding for any further work with Vodafone up to 12 months.

While the nature of the risks we face in our business remain relatively constant, approaches to mitigate those risks – including emerging best practice shared with Vodafone by our industry peers, suppliers and others – evolve constantly. Additionally, there may be new local factors relevant to a specific *Absolute Rules* risk which we need to take into account when setting out guidance on the appropriate controls. For those reasons, every year we carry out a formal Group-level review of our most critical global Policy Standards to ensure these properly reflect the sources of potential harm for people who work for Vodafone and incorporate the latest thinking on how to keep everyone safe.

Governance

The Group Health, Safety and Wellbeing team oversees health and safety management across Vodafone. The team reports to the Group Human Resources Director who is a member of the Executive Committee and reports directly to the Group Chief Executive.

The Group Health, Safety and Wellbeing team provides specialist support for safety leaders in our local market businesses, all of whom operate in a mutually supportive network in which best-practice and knowledge sharing is actively encouraged. The team also works closely with a number of other professional functions at Group level.

We intend to build a culture within Vodafone and throughout our supply chain in which safety

Demonstrating why our *Absolute Rules* matter

Rules and processes alone do not keep people safe: attitude and emotional engagement are equally important. In our training materials, we use real-life experiences to help reinforce the importance of following our *Absolute Rules* at all times.

Whenever an employee or contractor has been involved in a high-potential incident, we ask them to share their story of how following the *Absolute Rules* saved their life, often using photos to emphasise just how severe the incident could have been. These stories are featured in our regular Group-wide internal safety newsletters and create an emotional connection to complement our focus on compliance. In India, two contractors travelling on a motorbike (both of whom were wearing helmets with chinstraps buckled) were hit from the side by another bike. The contractors fell into the road and were saved from serious injury by their helmets.

“I don’t know what would have happened if I didn’t have my helmet on my head. I’m glad that I was wearing it. Please wear a helmet, even for short distances, you never know when it will save your life!”

considerations are integral to decision-making at every level. We use a matrix system to assess the maturity of our safety culture in each of our local markets: this assesses each country’s progress based on factors such as safety leadership, safety learning, employee engagement, supply chain management, governance and assurance. Our maturity matrix integrates elements of the International Safety Rating System used to audit safety performance by many companies worldwide; it also focuses on the most significant risks in our business with an emphasis on improving performance rather than simply compliance with standards.

We assess each local market’s progress against the maturity matrix annually and plan to conduct internal audits every three to five years to validate those assessments. The findings help us to identify priorities for improvement that are then integrated into annual plans and objectives on health, safety and wellbeing in each local market. Subsequent progress against those objectives is then reviewed quarterly by the local market senior leadership team and by our Group Health, Safety and Wellbeing team.

Leadership

We expect our senior leaders to demonstrate personal leadership on safety: the ‘tone from the top’ is a critical factor determining the extent to which an organisation as a whole embeds safety within its working behaviours. It is also important for leaders to show – through their actions as well as words – that a focus on safety is a prerequisite for a senior role and is therefore a characteristic that more junior managers would do well to emulate.

Safety forms part of all our leadership training programmes. We also hold workshops for

executives and senior managers to reinforce leadership behaviours that contribute to building a strong health and safety culture. We set annual personal objectives on health, safety and wellbeing for Group-level executives, supply chain leaders, technology directors, human resources directors and other senior leadership roles in every local market.

1,000

senior management safety tours completed this year

In each local market, senior leaders, technology directors and supply chain managers are required to conduct at least four management safety tours a year to reinforce the message that safety is critically important to our business. In 2015-16, our senior leaders conducted more than 1,000 management safety tours in total. We record and analyse details of all such inspections to enable local safety teams to follow up on the findings.

Whenever a fatality is recorded anywhere in our business – regardless as to whether the individuals involved were employees, contractors or members of the public – the key background points are shared with the Group Executive Committee chaired by our Group Chief Executive and are discussed at the Committee’s next meeting. Materials presented to the Group Executive Committee include photographs of the deceased and details of his or her family circumstances (where known and available), images from the scene of the incident, initial views from our safety experts of root causes – including any identified breaches of our *Absolute Rules* and control failures – and a summary of salient factors for further analysis.

Performance

Monitoring and reporting our safety performance is an important part of our commitment to ensuring the safety of everyone working for us – employees and contractors – and helps to increase focus on the risks that are inherent to our industry.

Transparency and honesty are important. We want other companies, stakeholders and interested parties – as well as our own teams and suppliers – to learn from our experiences. For example, we report all fatal incidents related to our operations whenever – after investigation and review – we conclude our controls were not operating as effectively as required (or our controls could have reasonably been enhanced) in order to prevent the incident. We therefore report accidents on public roads and we report every life lost irrespective of the individual's status – whether an employee, contractor or a member of the public.

External research indicates that few major companies adopt this transparent approach: most limit their disclosures to incidents on sites under their full control only or exclude fatalities in their supply chain or the public as a whole.

Fatalities

In 2015-16, we deeply regret to report that 12 people lost their lives in incidents related to our operations. One contractor suffered a fatal injury while working with electricity in Turkey and 11 people died in road traffic incidents:

- one employee was struck by a third-party vehicle whilst walking on a footpath along a public road;
- seven contractors died while travelling between sites, delivering materials or driving in sales-related roles; and
- three members of the public died in incidents involving people driving on behalf of Vodafone.

All of these vehicle-related deaths occurred in countries with high rates of fatal accidents on public roads: six were in India, three in South Africa, one in Lesotho and one in Turkey.

A further fatal incident in Spain is currently under investigation by national authorities. We are unable to gain access to the authorities' findings to ascertain the cause or report on their findings until this investigation is complete. That incident is therefore not included in our figures below.

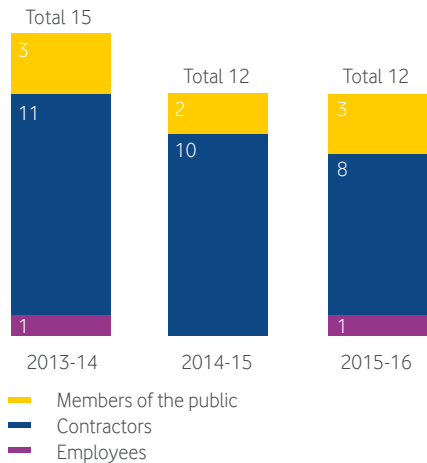
We have undertaken a thorough investigation into the causes of each fatal incident and defined actions to help prevent a recurrence. These investigations were personally overseen by the respective local market Chief Executive to ensure that the organisation as a whole worked together to understand what happened, why it happened and what needed to be done to prevent it from happening again. Our local market Chief

Executives are also responsible for ensuring any necessary corrective actions are implemented.

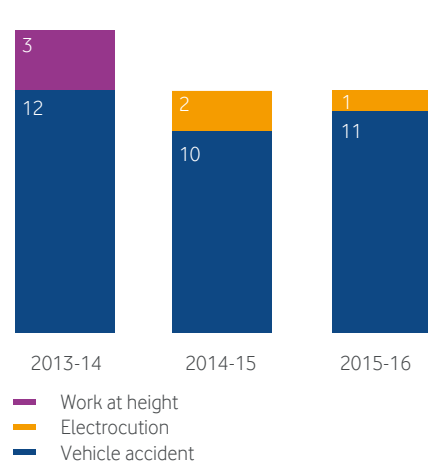
Lessons learned from each fatality have been shared across the Group to help to prevent similar incidents happening in other markets. As explained above, the circumstances surrounding each fatality are formally discussed at the most senior levels of the Group; the relevant points are also discussed in detail in our Group-wide safety conferences four times a year and in other communications to employees.

We continue to tackle the root causes of the incidents that occurred in 2015-16 through our road safety programmes in each market, strengthened consequence management processes for contractors and reinforced safety procedures for working with high and medium voltage electricity.

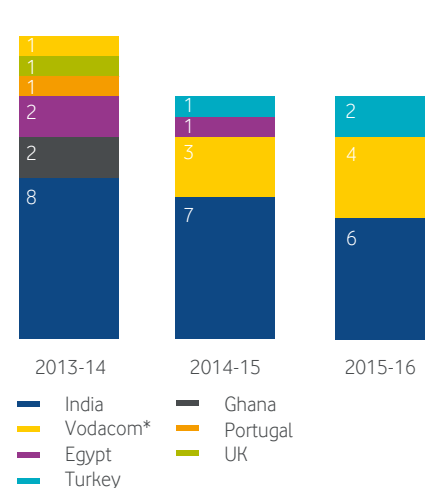
Total fatalities
(employees, contractors and members of the public)



Fatalities by cause
(employees, contractors and members of the public)



Fatalities by country
(employees, contractors and members of the public)



* Vodacom markets include South Africa, Democratic Republic of Congo, Lesotho, Mozambique and Tanzania.

Lost-time incidents and high-potential incidents

Lost-time incident (LTI) is the term used to describe an incident in which an employee is sufficiently hurt to need time away from the workplace for medical intervention or recovery – even if only for a few hours – thereby leading to a loss of workplace productivity. A high-potential incident (HPI) is an incident which has the potential to cause death or serious injury but was averted through luck or some form of safety intervention.

Under-reporting of LTIs and HPIs is a challenge for any company seeking to embed a safety culture in all of its operations. There are a number of factors which influence the volume of LTI and HPI reporting, such as company culture, level of focus and volume of activity undertaken over the period. Encouraging people to report every incident – however small – is an important step in developing a company's safety maturity.

Although we have consistently emphasised the need for accurate LTI reporting across all of our operations, in recent years we have stepped up our efforts to capture and analyse all incidents of potential or actual harm to our employees. These efforts have had a considerable impact in two of our markets, with significantly higher numbers of LTIs reported compared with 2014-15. Greater compliance with mandatory rules on LTI and HPI reporting enables us to identify emerging

Lost-time incidents (employees only)	2013-14	2014-15	2015-16
Number of lost-time incidents	101	64	97
Lost-time incident rate per 1,000 employees	1.03	0.63	0.90

trends in operating risks before these lead to a fatality, increasing our scope to intervene and put the necessary controls in place before a life is lost. As a consequence – and as the table above shows – in 2015-16, our overall reported LTI rate increased by 43% to 0.9 per 1,000 employees.

We know that we have more work to do to capture and report all LTIs across all markets. During 2016-17, we will continue to urge everyone who works with us to record all relevant incidents, investigate the root causes identified as a consequence of that scrutiny and use the insights gained to improve further the rules and processes we have developed to ensure everyone who works for us remains safe from harm.

Fatalities and LTI data, as well as selected supporting statements in this section, were reviewed as part of EY's assurance of Vodafone's Sustainable Business Report.

For more details see the EY

, June 2016

³⁵ World Health Organization's latest data on road traffic deaths (2013)



Mobiles, Masts and Health

The health and safety of our customers and the wider public remains an absolute priority for Vodafone and everyone who works for us. We recognise that some people remain concerned about mobiles, masts and health and are committed to responding openly and transparently to address those concerns.

Latest science

New research supports the current consensus that there is no evidence of health risks from the use of mobile phones and masts

Operating guidelines

Our mobiles and masts operate well within internationally recognised guidelines based on recommendations by the World Health Organization (WHO)

Monitoring research

We monitor the latest research and anticipate updated guidance from WHO's International Commission during 2017

Mobiles, Masts and Health

How the technology works

The health and safety of our customers and the wider public was then, and remains now, an absolute priority for Vodafone and everyone who works with us.

Mobile devices use radio frequency (RF) fields, a type of electromagnetic field (EMF), to send and receive calls and data. EMF fields surround us all the time, occurring naturally as well as from artificial sources. They are produced whenever an electrical appliance is connected to the mains supply, from refrigerators and hairdryers to computers.

EMF fields are non-ionising and create very low levels of energy. Most experts agree there is no evidence that mobiles or base stations have adverse health effects when operated within guideline safety limits. The World Health Organization's (WHO's) factsheet on EMF and public health, last updated in October 2014, is based on an in-depth review of thousands of scientific studies. It concludes that "to date, no adverse health effects have been established as being caused by mobile phone use". WHO continues to monitor this area and is conducting a risk assessment of RF EMF fields based on an extensive review of scientific studies, the conclusions from which are expected to be published in 2017 (see overleaf for ongoing studies).

Vodafone's mobiles and masts operate well within the guidelines set by the International Commission for Non-Ionizing Radiation

Protection (ICNIRP), an independent advisory body which is part of WHO. Those guidelines already incorporate substantial safety margins. As part of a routine review, ICNIRP are revising their guidelines and will conduct a public consultation on the draft. The revised guidelines are expected to be published during 2017.

Despite all of the above, we recognise that some people remain concerned about mobiles, masts and health. We are committed to responding openly and transparently to address those concerns.

Goals and Commitments

Our vision is to lead within the industry in responding to public concerns about mobile phones, masts and health by demonstrating leading-edge practices and encouraging others to follow. We are committed to:

- openness and transparency;
- the health and safety of our customers, employees and the communities in which we operate;
- open debate on the body of published scientific evidence;
- communicating significant scientific developments; and
- complying with applicable laws in the jurisdictions where we operate.



Monitoring scientific research

Mobile has transformed how hundreds of millions of people manage their daily lives and run their businesses. Global adoption has been rapid compared with other technological developments in previous eras and scientific reviews have made a vital contribution to establishing industry guidelines and standards.

Latest studies

The latest research supports the current scientific consensus that there is no evidence of health risks from the use of mobile phones. The most notable new research published in 2015-16 is set out below.

- Sweden's Scientific Council's annual report on EMF and health, published in May 2015, concluded that: "The scientific support for mobile phones causing cancer is weak. However, it is too early to draw completely definitive conclusions for those who have used mobile phones for over 15 years. In line with previous studies, new studies on adult and childhood cancer with improved exposure assessment do not indicate any health risks for the general public related to exposure from [RF EMF] from far-field sources, such as base stations and radio and TV transmitters. There is no new evidence indicating a causal link to exposure from far-field sources such as mobile phone base stations or wireless local data networks in schools or at home."

- Research by scientists in New Zealand analysed trends in brain cancer incidence in the country from 1995 (when there was a marked increase in mobile phone use) to 2010. It concluded that there has been no consistent increase in brain cancer incidence: "If there were a substantial causal relationship between mobile phone usage and primary brain cancer, increasing trends in incidence of glioma [a form of brain tumour] in both males and females should be observed, but were not," the authors said in May 2015.

Ongoing studies

While WHO sets priority areas for research, it does not undertake any research itself. National, regional and international research programmes are undertaken in response to the priorities set by WHO.

We think a well-funded research programme is essential to ensure any potential risks are properly understood: we therefore contribute funds to some of these independent studies indirectly but have absolutely no involvement in, or influence over, any aspect of the methodology, outcomes, analysis or publication. While a number of new studies have contributed to ongoing dialogue and research, there are still some gaps in scientific knowledge and more research is underway, including studies prioritised by WHO that monitor the health effects of the long-term use of mobiles and the use of mobiles by children.

Ongoing research includes:

- an international cohort study (COSMOS) looking at the long-term use of phones over a period of up to 25 years. Five European countries (including the UK) are taking part in the study whose findings will be reported every five years; and
- the Study of Cognition, Adolescents and Mobile Phones (SCAMP), funded jointly by the UK government and industry. Around 5,500 children aged 11 to 12 years have been recruited to take part in this three-year study looking at a potential association between RF EMF exposure and cognitive or behavioural development in youth.





Governance and Compliance

Our Group EMF Leadership Team sets Vodafone's strategy on matters related to mobiles, masts and health and has oversight of compliance across all of our businesses. The team meets four times a year and reports twice a year to the Group Executive Committee and the Vodafone Group Plc Board on developments in science, policy and compliance.

EMF leaders in each country in which we operate enforce compliance with our Group EMF policy at local level. We bring our EMF Leaders together annually to highlight key international developments and share best practice. In 2015-16, we also invited contractors deploying and maintaining our base station sites to join the conference for the first time to promote high standards of compliance and communication with local communities. The event focused on raising awareness and ensuring all EMF leaders are prepared for the publication, during 2017, of the ICNIRP guidelines.

Every year we conduct a formal Group review of compliance of our Group EMF policy across all local markets. This involves identifying and implementing remedial actions to address areas of partial or non-compliance. In addition, two markets (one from Europe and one from the Africa, Middle East and Asia Pacific region) are selected each year for an in-depth on-site

assessment of compliance. This is carried out by the Group EMF Manager. In 2015-16, the markets assessed were Romania and Tanzania.

The review of the EMF programme in Romania demonstrated that control objectives were fully met on a consistent basis. In Tanzania, while we found that a good programme is being developed using best-practice examples from across the Group, we identified the need to improve compliance by the contractor deploying and maintaining our base station sites. We agreed a number of remedial actions which will be monitored as they are implemented.

Find out more on our website

We publish extensive information about mobiles, masts and health on our website, including links to independent scientific research.

www.vodafone.com/mpmh

A photograph of two women in a market stall. The woman on the left is wearing a light blue headscarf and a pink patterned dress, holding a yellow fruit. The woman on the right is wearing a yellow and purple patterned headscarf and a yellow dress, holding a smartphone. They are both smiling and looking at the phone. In the background, there are bunches of green and yellow bananas hanging from a wooden structure.

Appendix

Find out more about our governance process, the scope of our reporting, environmental management, materiality, our conformance with the GRI G4 Guidelines and EY's Assurance Statement, as well as our Slavery and Human Trafficking Statement and Conflict Minerals Report.



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Managing and reporting on sustainable business

Vodafone's sustainable business management and reporting systems focus on activities and risks that are both potentially material to our business and are also of greatest interest to our many and diverse stakeholders. In this Appendix to the Report, we provide an overview of the governance processes that underpin our approach and summarise the methodology used to identify the most important business and socio-economic themes that are now at the centre of our sustainable business strategy.

We report on progress against our sustainable business strategy annually in parallel with the Vodafone Group Plc [Annual Report](#). During the year, we also publish separate transparency reports on two areas of significant public debate: [corporate taxation](#) and [law enforcement and freedom of expression matters](#). Additionally, we provide detailed information in a dedicated area of our website in response to public concerns regarding electromagnetic frequency emissions from [mobile phones and base stations](#).

This Appendix includes our annual statutory [Conflict Minerals Report](#) (in line with US regulatory requirements) and our first statutory [Statement](#) under the new UK Modern Slavery Act 2015. Both statutory reports have also been published separately on our website but are also included as an appendix to our annual Sustainable Business Report for completeness.

We also provide in this Appendix an overview of the scope of our reporting together with a list of key performance indicators, an Assurance Statement from EY and a link to our [index of conformance](#) with the Global Reporting Initiative (GRI) G4 Guidelines.



Governance

As our Group Chief Executive explains on page 4 of the Report, our new sustainable business strategy has been designed to ensure an even closer alignment between our business goals and the maximum possible socio-economic benefit achievable as a consequence of those goals. Realising that ambition requires strong corporate governance at multiple levels of our businesses. Leadership vision is critically important; so too is ensuring a commitment to effective operational implementation.

The Group Sustainable Business team defines and leads Vodafone's activity in this area. The strategy summarised in the Report was created with input and advice from a wide range of stakeholders – as we explain below – and was formally approved by the Group Executive Committee in November 2015.

The Sustainable Business team is now working with Vodafone's local market and professional function teams to advance the various programmes, projects and initiatives discussed in this Report. Implementation of the sustainable business strategy relies on leadership within the relevant business areas. The team provides expert advice and guidance to these core business owners within Vodafone Group, while supporting operational activation in conjunction with sustainable business specialists in each of our local markets.

The Group Executive Committee – chaired by the Group Chief Executive – has overall accountability to the Board for the Group's sustainable business performance.

Sustainable business governance structure



Core accountabilities and responsibilities

- Ultimate accountability for Vodafone's sustainable business strategy
- Sets overarching sustainable business direction
- Responsible for sustainable business strategy and performance
- Implements strategy
- Engages with and supports the business through Group and local market teams
- Engages with key external stakeholders



Environmental Management

All of our local markets operate environmental management systems encompassing factors such as energy consumption, waste and water. Those systems are certified to international standard ISO 14001 in the Czech Republic, Greece, the Netherlands, Portugal, Romania, South Africa, Spain and the UK.

Compliance with environmental regulations

Our environmental management systems are designed to ensure compliance with relevant legislation in each local market as well as with European regulations, including:

- the EU's Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive;
- the Waste Electrical and Electronic Equipment (WEEE) Directive in EU countries, which requires companies to take back and recycle used electrical and electronic equipment at the end of that equipment's useful life; and
- the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Directive, which restricts the use of certain substances of high concern in any of the products we sell.

We were not prosecuted for any environmental offences in 2015-16.

Managing our energy use

We set out details of our approach to energy innovation and carbon emission reduction in the Energy Innovation section of this Report.

Managing waste and water

As we explain earlier in the Report, upgrading our networks with new equipment enables us to enhance the services we provide to our customers while also reducing our energy consumption and, therefore, the associated greenhouse gas emissions. As we continue to improve and expand our networks, older and less-efficient equipment that is no longer required must be removed and disposed of.

Our Group policy on waste management has been designed to address the need to reuse or recycle outdated and end-of-life equipment safely and responsibly. In developed markets, we use specialist e-waste contractors compliant with international regulations. However, in emerging markets there is often limited access to appropriate facilities and few legal safeguards to ensure that potentially hazardous substances are handled responsibly. All of our local markets are required to keep records of e-waste equipment and to use only recycling suppliers that are regulated, licensed or have been assessed as suitably qualified through our supplier qualification processes. In 2015-16, 96% of the e-waste leaving Vodafone was sent for reuse or recycling.

We are not an intensive user of water compared with other industries. In 2015-16, we used just over 1,600 million litres, a decrease of 15% from the previous year, partially driven by the move to greener buildings in a number of our markets.

Materiality

During 2015-16, we conducted a materiality assessment to identify the most important social, economic, environmental and ethical factors of greatest relevance to our businesses and to society as a whole. That assessment was informed by the views of a wide range of stakeholders and, in turn, led to the creation of our new sustainable business strategy, as explained [earlier](#) in this Report.

Understanding stakeholder views

Many people and organisations have an interest in what we do and how we work. Our stakeholders include:

- consumer and enterprise customers;
- [shareholders](#);
- employees;
- suppliers and partners;
- governments and regulators;
- local communities;
- non-governmental organisations and civil society activists; and
- industry peers.

We worked with Accenture Strategy to identify the most material themes, opportunities and risks to be taken into account in designing our new sustainable business strategy. Relevant factors included:

- insights from our engagement with peers, NGOs and civil society activists and sustainable business specialists;
- a review of existing and emerging issues that are the focus of ongoing public debate in multiple countries;
- global socio-economic trends, such as climate change and youth unemployment;
- a review of the issues covered in the Global Reporting Initiative (GRI) G4 guidelines; and
- an evaluation of how the Principles of the [Blueprint Framework for Better Business](#) would apply to Vodafone.

We used the Global e-Sustainability Initiative's materiality tool (specifically designed for use within the communications industry) to analyse these factors and then rank them in a materiality matrix. That analysis resulted in the identification

of 24 issues that we considered to be the most material, both for Vodafone and for society as a whole. We then mapped those 24 issues against the five Principles of the Better Business Blueprint Framework to identify 10 overarching priorities of equal impact and importance:

Our 10 priorities

- Customer relationships 
- Digital rights including privacy, data protection and security 
- Socio-economic benefits arising from our products and services 
- Management of supply chain risks 
- Health and safety 
- Business conduct and ethics 
- Corporate taxation and total economic contribution 
- Public concerns regarding electromagnetic frequency emissions 
- Employee equality and diversity 
- Energy consumption and carbon emissions 

How and what we report

Our sustainable business reporting covers the most material social, economic, environmental and ethical risk factors – and potential benefits – inherent to our operations. We have benchmarked our 2015-16 reporting against the Global Reporting Initiative (GRI) G4 reporting guidelines. Certain sections of this Report were also the focus of an independent limited assurance review by EY to provide an objective, balanced and accurate view on our performance, see the EY Assurance Statement in this section.

Scope of reporting

The data in this Report covers the financial year ended 31 March 2016.

Vodafone has mobile operations in 26 countries, partners with mobile networks in a further 57 countries and has fixed broadband operations in 17 local markets. The scope of local markets included in this Report is aligned with that of the Vodafone Group [Annual Report](#).

Included in the scope of this report:

- our mobile and fixed broadband operations in 26 countries: Australia (our joint venture), Albania, Czech Republic, Egypt, Germany, Ghana, Greece, Hungary, India, Ireland, Italy, Kenya (our associate Safaricom), Malta, the Netherlands, New Zealand, Portugal, Qatar, Romania, Spain, Turkey, the UK, Vodacom in South Africa and Vodacom Group's subsidiaries in the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania.

Excluded from the scope of this report:

- Partner Market networks, where Vodafone is neither the owner nor operator; and

- countries in which we have operating licenses to support our multinational Enterprise customers, but do not operate wide area consumer networks; and
- retail stores that are Vodafone-branded by way of franchise and exclusive dealer arrangements but are not owned by Vodafone.

Exception:

- our environmental reporting and employee reporting does not include data from our associate Safaricom in Kenya and our joint venture in Australia.

Any other specific exceptions are noted next to the relevant data.

Trade mark notice

Vodafone, the Vodafone Rhombus and Vodacom are trade marks of the Vodafone Group. M-PESA, M-Shwari and M-Pawa are trade marks of the Vodafone Group and Safaricom. The Vodafone Rhombus is a registered design of the Vodafone Group. Other product and company names mentioned in this document may be the trade marks of their respective owners.

GRI Index

Our 2015-16 Sustainable Business Report is benchmarked against the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines. The GRI standards on sustainability reporting and disclosure ensure that businesses report on critical and material sustainability issues. The index is available [here](#).

Energy data and emissions reporting

Overview

We report energy and emissions data for the following indicators:

- total greenhouse gas (GHG) emissions (in tonnes carbon dioxide equivalents (CO₂e));
- Scope 1 GHG emissions (in tonnes CO₂e);
- Scope 2 GHG emissions (in tonnes CO₂e);
- Scope 3 GHG emissions – from outsourced networks in India and Tanzania and emissions from business flights (in tonnes CO₂e);
- total GHG emissions per unit of data (in tonnes CO₂e/petabyte data);
- energy consumption by fuel source (in GWh);
- energy consumption by asset type (in GWh); and
- renewable energy consumption.

Standards and guidance

Our methodology for the reporting of GHG emissions has been developed using the following standards:

- Greenhouse Gas Protocol standards and guidance, including the [Corporate Standard](#), [Scope 2 Guidance](#) and [Scope 3 Calculation Guidance](#);
- CDP guidance including the 2016 [Climate Change Responders Pack](#) and the Technical Note on [Accounting of Scope 2 Emissions](#); and
- the Climate Disclosure Standards Board [Climate Change Reporting Framework](#).

Data gathering process and methods

We use an electronic data collection process to gather our data. In the majority of the countries where we operate, energy usage data is based on invoices from our energy suppliers. In some countries, those bills are based on the supplier's estimated readings. Where data does not match our reporting period exactly – for example, where we only have 11 months of data – we forecast this information by extrapolation. For sites where energy invoices are unavailable, we estimate this information based on typical site consumption.

Increasingly, we measure our energy efficiency through smart metering, a technology which uses mobile communications to collect real-time consumption data from energy meters. Further details are set out earlier in the Energy Innovation section of this report.

Calculation of Scope 2 GHG emissions

In January 2015, the guidance on the reporting of Scope 2 GHG emissions under the Greenhouse Gas Protocol was updated. The guidance provides a methodology for how emissions from electricity, heat, cooling and steam should be accounted for. We are now required to report two different Scope 2 emission values: one using a 'location-based' method and one using a 'market-based' method.

The location-based method involves using an average emission factor that relates to the grid on which energy consumption occurs. This usually relates to a country-level electricity emissions factor. The market-based method applies if the company has operations in any markets where

energy certificates or supplier-specific information are available. The method involves using an emissions factor that is specific to the electricity purchased.

For 2016, we have reported Scope 2 figures using both the location-based and market-based methodologies. We have also restated our GHG emissions for 2015 using the same approach.

Location-based emissions

Emissions are calculated using a kWh to CO₂e conversion factor based on one of the following sources (in order of priority):

- conversion factors provided by [DEFRA](#);
- conversion factors provided by the [Institute for Global Environmental Studies](#) (IGES); and
- conversion factors provided by [IEA](#).

Market-based emissions

Emissions are calculated using a kWh to CO₂e conversion factor based on one of the following sources (in order of priority):

- supplier conversion factors specific to our contract; these include some markets where suppliers are 100% renewable and where this is the case we have sought evidence of singularity of supply;
- residual mix figures – where the conversion factor reflects the removal of certificates, contracts and supplier-specific factors claimed by other organisations; and
- location-based conversion factors as described above.

Other GHG conversion factors

Conversion factors from DEFRA have been used to calculate GHG emissions from other fuel sources such as diesel, petrol, natural gas and

fuel oil as well as from emissions from vehicles and as a consequence of aviation. A conversion efficiency of 30% has been used for diesel generators.

Renewable energy definition

Our figures for renewable energy include all renewables generated by Vodafone on-site (for example, through solar or wind power where we use all of the energy generated) as well as electricity from third-party renewable suppliers which is traceable to Vodafone. The figures exclude any renewables for which Renewable Energy Certificates have been passed on and retired by a third party.

GHG savings for customers enabled by our products and services

Calculations for GHG savings enabled by our products and services have been undertaken following the methodology laid out in the [GeSI Mobile Carbon Impact report](#).

The following external factors have been used to calculate our location-based and market-based emissions:

Local market	Location-based method		Market-based method	
	Source	Conversion factor (kg CO ₂ /kWh)	Source	Conversion factor (kg CO ₂ /kWh)
Albania	IGES (2016)	0.393	IGES (2016)	0.393
Czech Republic	DEFRA (2015)	0.592	Supplier factors (2016)	Various
DRC	IEA (2011)	0.003	IEA (2011)	0.003
Egypt	DEFRA (2015)	0.454	DEFRA (2015)	0.454
Germany	DEFRA (2015)	0.472	Supplier factors (2016)	Various
Ghana	IGES (2016)	0.479	IGES (2016)	0.479
Greece	DEFRA (2015)	0.718	Supplier factor (2016)	0.768
Hungary	DEFRA (2015)	0.318	Residual mix (2015)	0.376
India	DEFRA (2015)	0.829	DEFRA (2015)	0.829
Ireland	DEFRA (2015)	0.419	Supplier factor (2016) (part) and residual mix (2015) (part)	Various
Italy	DEFRA (2015)	0.399	Supplier factor (2016) (part) and residual mix (2015) (part)	Various
Lesotho	IEA (2011)	0.477	IEA (2011)	0.477
Malta	DEFRA (2015)	0.866	Residual mix (2015)	0.818
Mozambique	IEA (2011)	0.001	IEA (2011)	0.001
Netherlands	DEFRA (2015)	0.399	Supplier factor (2016)	0.000
New Zealand	DEFRA (2015)	0.134	DEFRA (2015)	0.134
Portugal	DEFRA (2015)	0.283	Supplier factor (2016)	0.440
Qatar	DEFRA (2015)	0.494	DEFRA (2015)	0.494
Romania	DEFRA (2015)	0.508	Supplier factors (2015)	Various
South Africa	DEFRA (2015)	0.857	DEFRA (2015)	0.857
Spain	DEFRA (2015)	0.289	Supplier factor (2016)	0.210
Tanzania	IGES (2016)	0.529	IGES (2016)	0.529
Turkey	DEFRA (2015)	0.464	DEFRA (2015)	0.464
UK	DEFRA (2015)	0.459	Supplier factor (2016)	0.214

Independent Assurance Statement to Vodafone Group Plc Management

We have performed a limited assurance engagement on selected performance data and selected statements presented in the Sustainable Business Report 2015-16.

Respective responsibilities

Vodafone Group Plc (Vodafone) management is responsible for the collection and presentation of the information within the Report. Vodafone management is also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with management's instructions, is to carry out a 'limited level' assurance engagement on performance claims and selected statements in the Report ("the subject matter information"). We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at their own risk.

Subject matter

The collection, consolidation and presentation of sustainability data relating to:

Safety

- Fatalities
- Lost time incidents (LTIs)

Energy use and Greenhouse gas (GHG) emissions

- Energy use (GWh)
- GHG emissions (CO₂e)

Gender diversity

- Percentage of women in senior management

The balance and accuracy of claims made in the following sections of the Report, marked with an EY footnote:

- Safety
- Energy Innovation
- Women's Empowerment (Our Aspiration)

What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with the ISAE 3000 (Revised)¹ Standard. Specifically, the subject matter in the Report has been evaluated against the following criteria:

- Coverage of the key sustainability issues relevant to Vodafone in 2015-16 which were raised in the media, Vodafone's own review of material sustainability issues and selected internal documentation.
- Consistency of the health and safety, diversity and environment data presented in the Report against Vodafone's reporting methodology described in the relevant sections of the report; and the standards, guidance documents and descriptions referred to in the 'About Our Reporting' section of the Report.

- Consistency of the claims made in the Report against the explanation and evidence provided by relevant Vodafone managers.

Summary of work performed

The procedures we performed were based on our professional judgement and included the steps outlined below:

1. Interviewed a selection of Vodafone's management to understand the current status of social, environmental and safety issues, and to understand the progress made during the reporting period.
2. Reviewed Vodafone's representation of material issues included in the sections of the Report identified above. We re-assessed prior year conclusions on the coverage of material issues and conducted media analysis across the reporting period to enable us to test the coverage of topics within this year's Report.
3. Reviewed information or explanations supporting Vodafone's reporting of progress for the identified sections of the Report. Supporting documentation was sought and reviewed for a sample of relevant performance claims.
4. Reviewed the collection, consolidation and presentation of data relating to CO₂e emissions; fatalities; LTIs; and gender diversity. This included:
 - a. Interviewing staff responsible for managing, collating and reviewing data at Group for internal and public reporting purposes.

- b. Testing evidence provided by Group to support the reported figures, for example, reviewing energy and CO₂e emissions calculation spreadsheets, incident reports for a sample of safety incidents and HR dashboards for diversity data.
- c. Testing whether CO₂e emissions; fatalities; LTIs; and gender diversity data has been collected, consolidated and reported appropriately by Group.
- d. Reviewing the Report for the appropriate presentation of the data including the discussion of limitations and assumptions relating to the data presented.

The limitations of our review

- Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE 3000 Revised) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.
- Our work was limited to headquarters based activities and understanding how Vodafone Group consolidates and reconciles data provided by local markets.
- Our review was limited to the sections of the Report outlined above. Our review covered a limited number of claims and data points selected on a risk basis and only the pages marked with an EY verification footnote in the 'pdf document' formed part of our assurance.

- Completion of our testing activities has involved placing reliance on Vodafone's controls for managing and reporting sustainable business information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at Vodafone beyond those used for sustainable business data (as presented in the table above).
- We have only sought evidence to support the 2015-2016 performance data. We do not provide conclusions on any other data from prior years.

Our conclusions

Based on the scope of our review our conclusions are outlined below:

Materiality

Has Vodafone provided a balanced representation of material issues concerning its performance of the topics under review?

- We are not aware of any material aspects concerning Vodafone's performance from the topics under review which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that Vodafone's management has not applied its processes for determining material issues to be included in the Report.

Completeness and accuracy of Performance Information

How complete and accurate is the health and safety, diversity and environment data in the Report?

- With the exception of the limitations highlighted by Vodafone in the Safety section of the report, in relation to its continued

efforts to improve completeness and accuracy of LTI reporting, we are not aware of any issues in relation to the completeness and accuracy of the environmental, safety and diversity data presented in the Report.

- Nothing has come to our attention that causes us to believe that the health and safety, diversity and environment data has not been collated properly from Group-wide systems.
- We are not aware of any errors that would materially affect the data as presented in the Report.

Observations from our work

Our detailed observations and areas for improvement will be raised in a report to Vodafone management. The following observations do not affect our conclusions on the Report as set out above.

Safety Performance

- Fatalities are reported from across Vodafone's operations including affected third parties where Vodafone's controls have not worked or could have been improved. This level of disclosure is broader than many comparable peer companies. Continued focus is needed to reduce the total number of fatalities associated with Vodafone's operations.
- Vodafone's focus on improving the accuracy and completeness of its health and safety reporting has resulted in a significant increase in reported LTI's in some key markets. However, in other markets LTI reporting remains low. Vodafone should continue to work towards more complete and accurate reporting of LTI's across all its markets, by sharing good practice and lessons learned on reporting between markets.

Environmental Data

- In 2015-16, in line with the revised GHG Protocol standards for Scope 2 reporting, Vodafone has reported its CO₂e emissions using location and market-based methods, and has provided an explanation of its methodology. Companies such as Vodafone will need to consider how annual variations in market-based emission factors, which are outside of their control, could impact the monitoring and achievement of CO₂e emissions targets.

Gender Diversity

- Vodafone's aspiration to become 'the world's best employer for women' by 2025 is a positive ambition. However, Vodafone will need to articulate how this will be measured and monitored so that progress and success will be clear.

Our independence and competence

With the exception of an independent health and safety peer benchmarking review, we have provided no other services relating to Vodafone's approach to sustainability reporting.

We have implemented measures to ensure that we are in compliance with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC¹. Our assurance team has been drawn from our UK Climate Change and Sustainability Services team, which undertakes engagements similar to this with a number of significant UK and international businesses.



Ernst & Young LLP
London
June 2016

¹ International Federation of the Accountants' International Standard for Assurance Engagements (ISAE 3000) Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

² Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1)

Data Summary

Energy use and greenhouse gas (GHG) emissions	2013-14	2014-15	2015-16
Energy use (GWh)	5,218	5,853	6,204
Energy sourced from renewables (%)	13	13	13
GHG emissions (Scope 1 and 2) ¹ (million tonnes CO ₂ e)	2.38	2.47	2.57
GHG savings for customers (million tonnes CO ₂ e)	2.9	3.5	4.5
GHG emissions (tonnes CO ₂ e) per petabyte of traffic on Vodafone's networks	8,210	3,090	1,890
Ratio of GHG emission savings for customers to our own footprint	1.19 ²	1.41	1.74
Our people			
Average number of employees (full-time equivalent)	92,812	101,443	107,667
Employee Engagement Index (%)	77	77	79
Average turnover rate (%)	15	18	19
Female employees			
Women in top senior leadership roles (top 200–250 employees) (%)	22	22	24
Women in senior management (top 1,100–1,600 employees) (%)	24	23	24
Women in middle management (top 4,500–6,400 employees) (%)	25	26	27
Women (all non-management employees) (%)	38	37	37
Health and safety			
Fatalities	15	12	12
Employees	1	0	1
Contractors	11	10	8
Members of the public	3	2	3
Lost-time incident rate (per 1,000 employees)	1.03	0.63	0.90
Supply chain integrity			
Number of supplier site assessments	68	61	92 ³
Number of supplier site assessments conducted by the Joint Audit Committee ⁴	38	35	61
Number of supplier site assessments conducted by Vodafone	30	21	24
Number of sites assessed using a mobile survey of workers	-	5	8

¹ Calculated based on market-based method for Scope 2 emissions

² Estimated

³ One supplier assessment and mobile survey were conducted on the same site

⁴ JAC assessments are reported on a calendar year basis

Vodafone Group

Slavery and Human Trafficking Statement

Forced, bonded or compulsory labour, human trafficking and other kinds of slavery and servitude represent some of the gravest forms of human rights abuse in any society.

We will not tolerate any such activities within our own operations or within our supply chain and are committed to taking appropriate steps to ensure that everyone who works for Vodafone – in any capacity, anywhere in the world – benefits from a working environment in which their fundamental rights and freedoms are respected.

While this is our first public statement addressing these issues in line with the requirements of the new UK Modern Slavery Act (2015), we have been focused on the rights and well-being of the people who work for Vodafone – and for our suppliers – for many years. We have also published an overview of our guiding principles, policies and compliance processes in these areas in successive public documents, the most salient of which we refer to below.

Vodafone Group is one of the world's largest communications companies. We provide mobile services in 26 countries and fixed services in 17 local markets and we partner with mobile networks in a further 57 countries. As of 31 March 2016, we have 462 million mobile customers, 13.4 million fixed customers and 9 million TV customers. We have more than 107,000 direct employees worldwide and are an important source of indirect employment – through our supply chain and through franchising and affiliate relationships – in every

country in which we have an operating business.

The Group is domiciled in the UK with headquarters in London. Our UK operating company has over 18 million consumer and enterprise customers as of 31 March 2016; it also directly employs around 12,500 people and has a retail presence on most High Streets in the country.

The information in this Statement relates to the financial year ended 31 March 2016 and the scope of markets included in this Statement covers our mobile and fixed broadband operations in 26 countries: Australia (our joint venture), Albania, Czech Republic, Egypt, Germany, Ghana, Greece, Hungary, India, Ireland, Italy, Kenya (our associate Safaricom), Malta, the Netherlands, New Zealand, Portugal, Qatar, Romania, Spain, Turkey, the UK, Vodacom in South Africa and Vodacom's subsidiaries in the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania. It does not include our partner networks, where we hold no equity interest.

Our business is connectivity: we build and operate mobile and fixed networks which our customers rely on to manage their daily lives and businesses. While we are neither a manufacturer (so do not own or operate factories or other production plant beyond a small and specialised automotive technology facility in Italy¹) nor a handler of raw materials or commodities (and therefore do not own or operate processing facilities), our business is nevertheless complex, with a wide range of suppliers and other commercial third-party relationships.

Beliefs and principles

We fully acknowledge our responsibility to respect human rights as set out in the [International Bill of Human Rights](#). The IBHR informs all of our policies related to the rights and freedoms of every individual who works for us, either as a direct Vodafone employee or indirectly through our supply chain. We are also committed to implementing the [United Nations Guiding Principles on Business and Human Rights](#) throughout our operations.

Respect for the dignity of the individual – and the importance of each individual's human rights – form the basis of the behaviours we expect in every workplace worldwide. We will not accept any form of discrimination, harassment or bullying and we require all of our managers to implement policies designed to increase equality of opportunity and inclusion for all Vodafone employees.

We have also developed and implemented policies and processes which are intended to extend these commitments through our supply chain. These include requiring suppliers to take measures to avoid any form of forced, bonded or compulsory labour (or any other kind of slavery or human trafficking) within their own operations.

Codes and policies

Vodafone's [Code of Conduct](#) underpins everything we do. The Code is mandatory and extends to every individual working for or on behalf of Vodafone. The Code requires all of us to act ethically and comply with legal requirements at all times, putting our principles into practice in everything we do.

We require everyone who works for Vodafone to report suspected breaches of the Code, including via our anonymous confidential hotline [Speak Up](#) reporting service – a local-language, online and phone reporting hotline which is prominently communicated to all employees and contractors on a regular basis. [Speak Up](#) is overseen by our Group Risk and Compliance Committee and every report submitted is assessed and investigated. Further details of [Speak Up](#) are set out in our [Sustainable Business Report](#).

The Code of Conduct was updated during the 2015-16 financial year to expand the references to human rights:

We respect all internationally proclaimed human rights, including the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We strive to ensure that we are not complicit in human rights abuses. We shall, in all contexts, seek ways to honour the principles of internationally recognised human rights, even when faced with conflicting requirements. We are also committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our business operations.

Every supplier who works for us is required to sign up to – and then abide by – our [Code of Ethical Purchasing](#). These commitments extend down through the supply chain, so that a

¹ During the financial year 2015-16, Vodafone Automotive also owned a small assembly facility (approximately 50 employees) in Beijing. This was outsourced to a third party in February 2016.

supplier with whom we have a direct contractual relationship (a Tier 1 supplier) in turn bears the responsibility for ensuring compliance across their own direct supply chain (a Tier 2 supplier from Vodafone's perspective) and so on. The Code was established more than 10 years ago and is based on international standards including the [Universal Declaration of Human Rights](#) and the [International Labour Organization's Core Conventions on Labour Standards](#). It stipulates a range of ethical, labour and environmental standards that we expect to be followed across our supply chain including areas such as child labour, health and safety, working hours, discrimination and disciplinary processes. Those requirements are backed up by a risk assessment, audit and operational improvement process, which we summarise below and which are also underpinned by binding contractual commitments.

The Code of Ethical Purchasing directly addresses the labour rights issues associated with modern slavery. The specific requirements regarding forced labour risks were updated in 2014 to make explicit reference to slavery and human trafficking:

- the Supplier shall not use any form of forced, bonded, compulsory labour, slavery or human trafficking;
- the Supplier's employees shall be entitled to leave work or terminate their employment with reasonable notice. Employees shall be free to leave work after such reasonable notice period expires. All employment shall be voluntary;
- the Supplier shall provide each of its employees with an employment contract which contains such a reasonable notice period; and

- the Supplier shall not require employees to lodge deposits of money or withhold payment or place debt upon employees or require employees to surrender any government-issued identification, passports, or work permits as a condition of employment.

Risk assessment

When the UN Guiding Principles of Business and Human Rights were first published in 2011, we analysed the approach to human rights then in place across the Group, to assess the extent to which our policies and practices were aligned to those Principles.

That analysis helped to sharpen our focus on the most salient human rights risks of relevance to an international communications operator, including matters related to labour rights among our employees and in our supply chain.

We continue to review and enhance how we manage these issues. During 2015-16, we established a steering group – chaired by the Vodafone Group Head of Sustainable Business and with senior expertise from the legal, supply chain and compliance functions in Vodafone Group and Vodafone UK – focused on developing and implementing programmes to address modern slavery risks within our operations and supplier base.

During 2016-17, the modern slavery steering group will continue to lead an ongoing assessment of the Group's potential exposure across our operating business and our global supply chain. That analysis is informed by:

- the risk profile of individual countries based on the [Global Slavery Index](#);

- the extent to which specific demographic groups or types of employees or contractors may be more vulnerable than others for cultural, economic or operational reasons;
- the disclosures of peer companies and vendors; and
- the insights of labour and human rights groups and other stakeholders with specialist expertise in this area.

This analysis will in turn determine whether or not there are any changes required to the programme and associated compliance mechanisms.

Supply chain leadership

The Code of Ethical Purchasing is overseen by the Vodafone Group Board through the Group's Chief Financial Officer, who is an Executive Director of the Group and also sits on the Group Executive Committee. Development and implementation of the Code is led by the Group Supply Chain Management Director, who is a member of Vodafone's Global Senior Leadership team.

The majority of Vodafone's procurement activity is centralised; the Group Supply Chain Management team directly control over £18 billion per year of spending at both Group and local market level, including for example in our UK local operating company. We are therefore able to ensure a good degree of consistency and cohesion in the management of our relationships with our suppliers worldwide, which in turn underpins our ability to monitor performance and evaluate compliance with a reasonably high degree of confidence.

Labour rights are a key aspect of the due diligence process applied to new suppliers and a core factor evaluated on an ongoing basis with existing suppliers. We use a risk-based

approach to determine the extent of scrutiny and challenge required when considering whether or not to appoint a new supplier and in response to an existing supplier's declaration of conformity with our Code, prioritising locations, industries or activities with a history of poor labour standards for more detailed evaluation.

Conflict minerals

There are specific human rights risks associated with so-called conflict minerals – the term used to describe some of the raw materials (tin, tantalum, tungsten and gold) used throughout the global electronics industry. There are significant mineral deposits in certain areas affected by conflict, particularly in Africa, leading to widespread concern that the electronics industry's constant demand for those raw materials has the effect of fuelling conflict and entrenching further the corruption and risk of poor labour conditions, including forced labour, endemic to those countries. Those concerns are also reflected in legislation; our views on this issue are set out in our separate statutory [disclosure](#).

Monitoring and compliance

Potential new suppliers rated as higher risk are required to provide evidence that they operate ethically and responsibly in line with our Code requirements; this may include a third-party audit by a credible independent source. The supporting data provided is then reviewed by the relevant policy and operational experts within Vodafone who will reject a supplier from being on-boarded if they do not meet our requirements and, in the Group's view, have no prospect of doing so even with support and

remediation. If the information provided is found to be unsatisfactory, further on-site assessment may be required to verify compliance with the standards set out in the Code. If a new supplier is found to be non-compliant, where feasible we try to work with them to help enhance their capabilities and address the issues of concern.

Where we have identified that a particular supplier is high risk and requires monitoring, we evaluate that vendor's compliance with our Code through a detailed assessment which may involve on-site audit. Some of these we conduct ourselves, sending the appropriately qualified and experienced Vodafone supply chain manager into the supplier's operations to examine working conditions on the ground and speak directly to employees on the factory floor or relevant worksite. Other on-site audits are conducted under the [Joint Audit Cooperation](#) (JAC) initiative as explained to the right.

In 2015-16, our on-site audits (together with those conducted through the JAC) identified 15 issues related to forced labour activities prohibited under our Code of Ethical Purchasing. Those issues arose within a range of suppliers from Tier 1 to Tier 3 and involved:

- employees requiring approval from factory management in order to resign;
- camera surveillance being in use without appropriate signage and usage policies in place;
- supervisors unreasonably limiting the time that employees could leave their work stations during a shift; and
- employees not receiving copies of their employment contract or not being aware of their leave entitlements.

Actions to address 13 of these issues have now been completed; two remain open with ongoing monitoring of the suppliers involved until fully remediated.

Training

The Vodafone *Doing What's Right* mandatory training course is designed to help employees across the organisation understand the underlying principles, objectives and practical implications of Vodafone's Code of Conduct and, in turn, reflect upon their personal responsibilities and behaviours. Training is delivered through e-learning courses, face-to-face line manager events, webinars and induction programmes for new employees.

We also require everyone in our global supply chain organisation – as well as other people who work closely with suppliers – to complete training in our Code of Ethical Purchasing on an annual basis. The programme includes specific guidance on how to identify and report non-compliance issues when visiting supplier sites and on how to communicate expectations to suppliers effectively.

Evaluating our progress

During 2015-16:

- we carried out 24 on-site audits of the highest-risk suppliers;
- JAC conducted 61² on-site audits;
- we received 374 reports to our external *Speak Up* hotline, none of which concerned matters related to modern slavery issues; and
- 100% of Vodafone employees in global supply chain roles completed their annual refresher training (or new joiner induction training) on the Code of Ethical Purchasing.



Vittorio Colao
Group Chief Executive
Vodafone Group Plc

Joint Audit Cooperation: improving standards in the supply chain

Vodafone is a member of the Joint Audit Cooperation ([JAC](#)), an association of 12 telecommunications operators established with a shared desire to improve ethical, labour and environmental standards in the ICT supply chain. Other members are Deutsche Telekom, KPN, Orange, Proximus, Rogers, Swisscom, Telecom Italia, Telefonica, Telenor, Telia Company and Verizon.

The JAC guidelines incorporate the same elements designed to address modern slavery risks that are included in Vodafone's own Code of Ethical Purchasing.

JAC members collaborate closely, sharing resources to develop the appropriate supply chain standards and best practice and working together to assess and verify operational compliance. Audits are conducted by independent specialists based on internationally recognised social and environmental standards, such as the SA 8000 social accountability standard, with results shared between JAC member companies.

The JAC approach ensures suppliers are audited once rather than multiple times by different vendors and are assessed for compliance with a single set of rules under a standardised methodology.

² This data is for the calendar year 2015.

Labor Link: voices from the workplace

Monitoring the compliance of a company's direct suppliers can be challenging given the number of vendors, related subsidiaries, operating locations and employees involved. Assessing the extent to which a Tier 1 supplier is mandating compliance across the companies that in turn supply it with goods and services – the Tier 2 suppliers, from Vodafone's perspective – can be even more difficult.

We now use the core service we provide to our customers – mobile – to gain insights into the views and experience of Tier 2 suppliers' employees. We are the first telecoms operator in the world to work with the not-for-profit social enterprise *Good World Solutions* to enable employees to use their personal mobile phones to provide anonymous feedback on key aspects of their working conditions.

The *Labor Link* service provides employees with a simple, local-language questionnaire delivered via an interactive voice response (IVR) menu with pre-recorded questions which is accessed by dialling a local phone number, with a call-back facility, at any time. We require participating suppliers to allow their employees to respond to the *Labor Link* questions freely and all responses received are fully anonymised. We began using *Labor Link* during 2014 and, on the basis of the initial phase, believe it will make a meaningful contribution to ensuring compliance across the supply chain.

During 2015-16, over 2,500 employees across eight Tier 2 suppliers have used the service. We have initially focused on working hours and enforced overtime as these are often a proxy indicator for a broad range of other labour rights issues. The *Labor Link* survey asked employees how many times a week their working day extended beyond 10 hours.

Of the 2,161 who responded:

- 64% said never;
- 25% said one to three days;
- 8% said four to six days; and
- 4% said seven days a week.

We also asked if overtime was voluntary: 87% responded yes, and 13% no. When we asked how the respondents felt about overtime, 43% said they wanted to work as many hours as possible, 50% said they were sometimes willing to work overtime and 7% said they did not want to work overtime.

These are important insights which enabled us to focus directly on specific areas of poor management performance – in this example, excessive hours reported by respondents – and highlight the changes required to bring the workplace in question back in line with the requirements set out in our Code. If a supplier is found to be non-compliant, where feasible we try to work with them to help enhance their capabilities and address the issues of concern.

Vodafone Conflict Minerals Report 2015

This Conflict Minerals Report for the year ended 31 December 2015 is presented by Vodafone Group Plc ('Vodafone' or 'the Company') in accordance with Rule 13p-1 (the 'Rule') under the U.S. Securities Exchange Act of 1934 (the 'Exchange Act').

The Rule applies to companies required to file reports with the U.S. Securities and Exchange Commission (the 'SEC') under Section 13(a) or 15(d) of the Exchange Act if any of the products they manufacture or contract to manufacture contain conflict minerals necessary to the functionality or production of the product ('in-scope products').

As defined by the content requirements of SEC Form SD, 'conflict minerals' include cassiterite, columbite-tantalite (coltan), wolframite and/or gold, and the metals derived from these minerals – tin, tantalum, tungsten and gold respectively (each a '3TG' metal). Please refer to the requirements of [SEC Form SD](#) for definitions of many of the terms used in this report, including 'covered countries' (Democratic Republic of the Congo ('DRC') or an adjoining country).

Company overview

Vodafone is one of the world's largest communications companies, providing a wide range of services including voice, messaging, data and fixed communications. The Company has mobile operations in 26 countries, partners with mobile networks in 57 more and fixed broadband operations in 17 markets. As of

31 March 2016, Vodafone had 462 million mobile customers, 13.4 million fixed broadband customers and 9 million TV customers. Vodafone generated revenues of £41.0 billion in the financial year ended 31 March 2016.

Vodafone's American Depositary Shares are listed on the NASDAQ Stock Market LLC ('NASDAQ'). The Company is subject to the NASDAQ listing rules and files reports with the SEC under Section 13(a) of the Exchange Act.

Vodafone uses electronic equipment in its operations and sells products, such as mobile phones, tablets and other devices, to customers. Vodafone does not manufacture these products itself, but does purchase them from suppliers and, in some cases, contracts to manufacture products that it sells to customers.¹

A product that Vodafone contracts to manufacture is one where Vodafone specifies terms that give the Company a limited degree of influence over the manufacturing of the product, such as certain aspects of the materials, parts or components to be included in the product. Products that Vodafone contracts to manufacture are made by Original Design Manufacturers. Of the billions of euros Vodafone spends each year with thousands of suppliers, products identified as in-scope products according to the Rule (see Applicability below) only account for a small proportion of the Company's total expenditure on electronic equipment.

Electronic products contain numerous components that may contain one or more of the 3TG metals. These metals come from many different smelters and refiners. Both the smelters and refiners, and the mines from which minerals are originally sourced, are several steps away from Vodafone in the supply chain.

Applicability

Vodafone conducted an analysis of procurement activity to identify (i) product-related spend categories likely to include products that contain 3TG metals and (ii) whether such products were likely to be ones that Vodafone contracts to manufacture and are therefore in-scope products.

Vodafone identified four types of product-related spend categories which it considered likely to include in-scope products: (i) selected handsets purchased from Original Design Manufacturers; (ii) connected home devices (i.e. routers, modems, set-top boxes and femtocells); (iii) datacards (i.e. mobile broadband dongles); and (iv) machine-to-machine ('M2M') tracker devices.

Through this applicability assessment, Vodafone identified 60 in-scope products that were purchased or technically accepted (the point at which Vodafone operating companies can begin ordering products from suppliers and selling them on to customers) by the Company during the year ended 31 December 2015.

The number of in-scope products has doubled from 30 in the year ended 31 December 2014 to 60 in the year ended 31 December 2015 as Vodafone contracted to manufacture more types of products. The 60 in-scope products identified in the year ended 31 December 2015 were sourced from 12 suppliers. Vodafone sourced in-scope products from 10 of these 12 suppliers in the year ended 31 December 2014.

Due diligence framework

In accordance with the Rule, Vodafone carried out a 'reasonable country of origin inquiry' ('RCOI') and due diligence process to determine the origin of 3TG metals used in its in-scope products.

The due diligence process was designed to conform with the internationally recognised framework set out in the [Organisation for Economic Co-operation and Development \('OECD'\) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#) ('OECD Framework').

Consistent with the OECD Framework, Vodafone's due diligence process included the five steps outlined below.

In 2014, Vodafone acquired Cobra Automotive Technologies which includes a small technology operation. Renamed Vodafone Automotive, this will be included in Vodafone's conflict minerals due diligence and reporting activities for the 2016 calendar year.

Step 1: Establish Company management systems

Vodafone has taken the following steps to establish Company management systems in line with Step 1 of the OECD Framework:

- **adopted a policy** – Vodafone has established a policy related to the sourcing of conflict minerals;
- **structured internal management to support supply chain due diligence** – overall accountability for implementation of the policy lies with our Group Chief Commercial Operations and Strategy Officer, who sits on Vodafone's Group Executive Committee. The policy is championed by Vodafone's Group Director of Terminals, the function responsible for sourcing mobile phones and other devices. Implementation of due diligence activities is supported by representatives from corporate functions that provide legal and subject matter expertise, as well as the procurement team that manages relationships with suppliers of in-scope products;
- **established a system of controls and transparency over the mineral supply chain** – Vodafone has established a process to identify suppliers of in-scope products. The Company has inserted a clause on conflict minerals in new contracts with suppliers of in-scope products, as well as revising existing contracts with suppliers of in-scope products to include the clause. The clause requires each supplier to use its best endeavours to determine the origin of conflict minerals by using an internationally recognised due diligence framework (the OECD Framework). In addition, identified suppliers of in-scope

products are required to complete the Conflict-Free Sourcing Initiative ('CFSI') Conflict Minerals Reporting Template (the 'CMRT') on an annual basis. The CFSI is an industry initiative that Vodafone participates in to support the collection of information, increase transparency and establish a chain of custody over the mineral supply chain (see next page). The CMRT is designed to identify the smelter/refiner(s) from which any 3TG in each in-scope product is sourced;

- **strengthened engagement with suppliers** – Vodafone has communicated its Conflict Minerals Policy to suppliers of in-scope products and included this in the Company's established processes for qualification of new suppliers and on-going supplier performance management.

Vodafone has engaged with all 12 suppliers of products identified as in-scope in the year ended 31 December 2015 by:
 - raising awareness of its processes and requirements through regular communications and one-to-one engagement;
 - confirming that each supplier has signed Vodafone's contract clause related to conflict minerals;
 - helping suppliers understand how to meet the requirements of this contract clause;
 - sharing best practices on how to complete the CMRT, including learnings from the previous year's disclosure process; and
 - responding to suppliers' questions on conflict minerals reporting through a dedicated email helpline; and

- **provided a Company-level grievance mechanism** – Vodafone's established Speak Up process (as outlined in the Company's Code of Conduct) can be used by employees, contractors, suppliers or business partners to anonymously report any allegations of illegal or unethical practices or breaches of Vodafone's Code of Conduct and policies.

Step 2: Identify and assess risks in the supply chain

Vodafone undertook the following measures to identify and assess conflict mineral risk in its supply chain:

- requested that all 12 suppliers of in-scope products (identified through the applicability assessment outlined above) complete the CMRT;
- analysed supplier responses to the CMRT and followed up with suppliers to assess risk where any 'red flags' were raised; and
- compared smelters and refiners identified in supplier responses with the CFSI list of certified Conflict-Free Smelter Program ('CFSP') compliant smelters.

Step 3: Design and implement a strategy to respond to identified risks

Measures taken by Vodafone to design and implement a strategy to respond to identified risks as part of the Company's due diligence process include:

- reviewing supplier responses to the CMRT and following up with suppliers to request clarification or more complete responses where necessary;

- engaging with suppliers where any 'red flags' were raised to discuss the risks identified and request suppliers' commitment to corrective actions to manage these risks, including a commitment to improve data quality;
- commissioning a third-party adviser on conflict minerals to review Vodafone's due diligence framework and analyse supplier responses, and to identify opportunities to improve the Company's management systems and follow up on suppliers' responses related to identified risks; and
- participating in industry efforts to support the responsible sourcing of minerals through the CFSI, which works to validate smelters and refiners as conflict free and assists companies in making informed decisions about conflict minerals in their supply chain. Vodafone's unique CFSI membership identity code is VODA.

Step 4: Carry out independent third-party audits of smelter and refiner due diligence practices

Vodafone does not directly purchase raw minerals, ores or 3TG, and is several tiers removed from the mines, smelters and refiners that supply the minerals, ores and 3TG contained in the Company's products. Vodafone's due diligence efforts therefore rely on cross-industry initiatives, such as the CFSI, to conduct audits of smelters' and refiners' due diligence practices.

Step 5: Report annually on supply chain due diligence

In accordance with the Rule and the OECD Framework, this report is publicly available online [here](#).

Determination

As Vodafone does not directly purchase raw minerals, ores or 3TG, the Company must rely on its direct ('Tier 1') suppliers to gather information about smelters and refiners in its supply chain.

Vodafone received CMRT responses for the year ended 31 December 2015 from all 12 suppliers of products identified as in-scope (100%), compared with the year ended 31 December 2014 when 10 out of 12 (83%) of in-scope suppliers provided a response.

In the third year of reporting, there have been improvements in the completeness and accuracy of data provided by the suppliers of in-scope products (see below).

However, the responses showed that there are still significant challenges relating to information about the smelters and refiners from which 3TG was sourced, as this information is often unavailable, incomplete or potentially erroneous.

All suppliers submitted data on a product level, reporting on the 3TG smelters and refiners used specifically for the products that Vodafone contracted each supplier to manufacture.

The CMRT responses received by Vodafone covered all in-scope products (100%). However, although the data provided by suppliers continues to improve, there are still gaps in the information provided where sub-tier suppliers have failed to provide details for all components. On the basis of the responses received from suppliers, Vodafone has ascertained that for the year ended 31 December 2015:

- ten suppliers (83%) of in-scope products have their own conflict minerals policy in place (up from 75% in the year ended 31 December 2014);

- 58% of suppliers of in-scope products have not identified all smelters supplying 3TG in their supply chain;
- of the smelters and refiners identified in supplier responses to date, approximately 90% (up from 75% in the year ended 31 December 2014) are on the CFSP list of known smelters (i.e. smelters that have been identified by the CFSP, but may or may not have been certified as conflict free as yet);
- approximately 73% of the 'known' smelters and refiners identified by the supplier responses are certified as CFSP-compliant (up from 60% in the year ended 31 December 2014); and
- all four of the smelters and refiners that have been identified as operating in covered countries are certified as CFSP-compliant.

Based on the RCOI enquiry and due diligence efforts described above, Vodafone has determined that some conflict minerals contained in in-scope products originated in covered countries, but all of these were sourced from smelters certified as CFSP-compliant.

Based on supplier responses, the Company determined that 3TG metals in 19 of the 60 in-scope products (32%) are sourced from smelters that are either certified as CFSP-compliant or are on the list of CFSP-active smelters which have committed to undergo a CFSP audit or are participating in a recognised certification programme.

However, as a result of the incompleteness of suppliers' responses received so far through the Company's on-going due diligence programme, Vodafone is unable to determine the origin of all conflict minerals contained in all



As outlined in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the internationally recognised standard on which Vodafone's system is based, we support an industry initiative that audits smelters' and refiners' due diligence activities. That industry initiative is the Conflict-Free Sourcing Initiative ('CFSI'). The data on which Vodafone relied for certain statements in this declaration was obtained through the Company's membership in the CFSI, using the Reasonable Country of Origin Inquiry report for member VODA.

of its in-scope products. Nonetheless, Vodafone has made a reasonable good faith effort to collect and evaluate the information concerning 3TG smelters and refiners on the basis of the information provided by its suppliers.

Continuous improvement efforts to mitigate risk

To enhance the due diligence process and further mitigate any risk that conflict minerals used in the Company's products may benefit armed groups, Vodafone is taking the following steps:

- engaging with suppliers with the aim of continuously improving the completeness and quality of information provided, particularly in relation to the identification of smelters and refiners and the country of origin of 3TG;

- seeking commitments from suppliers to implement further improvements in relation to due diligence processes;
- analysing the applicability of the Rule to new suppliers joining Vodafone's supply chain through the Company's acquisitions, and including them in due diligence and reporting in accordance with the timeline set out by the Rule; and
- participating in industry efforts to address issues related to conflict minerals in supply chains, including increasing the number of smelters certified as conflict free through the CFSP.

Independent audit

As Vodafone has not been able to determine the status of all its in-scope products pursuant to the Rule, an independent private sector audit is not required.



Sustainable Business Report 2015-16

Our Sustainable Business Report 2015-16 introduces our new strategy to maximise the social and economic benefits our business can bring, while maintaining our strong commitment to corporate transparency.

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Introduction



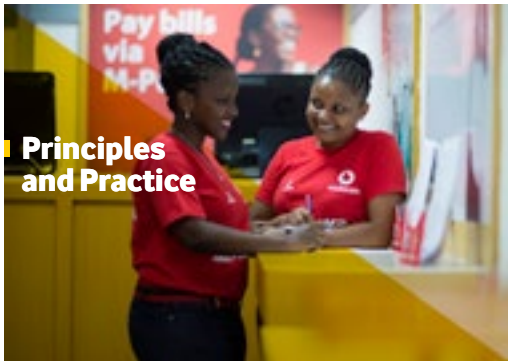
Women's Empowerment



Energy Innovation



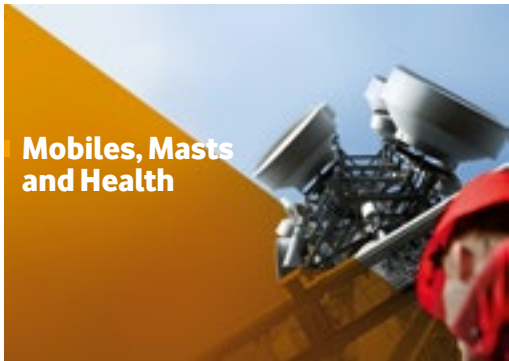
Youth Skills and Jobs



Principles and Practice



Supply Chain Integrity and Safety



Mobiles, Masts and Health



Appendix