



Integrated report Vodafone Netherlands



2012-2013

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Foreword by CEO

For Vodafone Netherlands and for me, 2012/2013 was an exciting year that featured both highs and lows. My first month as CEO was a real roller coaster following the fire at the network exchange in Rotterdam. The poor economic situation in Europe and the impact of this on the Netherlands is becoming increasingly apparent. Fortunately mobile communication remains a stable factor. Even in leaner times - or especially in such times - it is important to stay connected with and within society.

For a mobile provider such as Vodafone, having a fast and reliable network is crucial to our success. Obtaining the best frequencies for the future during the spectrum auction in January was therefore a positive milestone for us. This means we can start building a new generation (4G) mobile network that will allow us to keep serving customers in the future too. We invest continuously in our network to ensure that its capacity, speed and reliability remain guaranteed and to make sure that we are able to respond quickly to the needs of the market.

Fierce competition and changing customer behaviour as a consequence of the economic recession has had an impact on our financial performance. As a result of this Vodafone has had to make some difficult decisions over the past year. We have to be successful over the long term and, in order to achieve this, it is essential that we operate as efficiently as possible. In our endeavour to achieve greater efficiency, we have looked carefully at our human resources and, unfortunately, this has resulted in 71 employees being given notice of redundancy.

The impact of the telecommunications industry extends far beyond the world of business. Vodafone is also able to make a difference in the area of healthcare, for example. Mobile communication gives medical professionals access to patient information more quickly and easily, which also makes treatments and clinical trials cheaper. Vodafone is supporting this development by promoting innovation in the healthcare sector in the form of the Mobiles for Good Challenge.

The fact that our critical infrastructure has such a significant impact, both directly and indirectly, on the economy and social well-being in the Netherlands means that intensive contact with stakeholders is extremely important to us and we believe that we must be transparent towards them with regard to how we see our role. Only in this way can we respond to changing needs and requirements in society. As a company we choose to share our dilemmas. This is not always the easy option, but by creating an open dialogue we are able to find better solutions and gain a better understanding of each other. In this report we present our integrated business strategy and show how we create value for our stakeholders. We explain our most important activities, describe both our financial and social aims and outline our performance in these areas.

Our strategic pillars are geared towards looking after the interests of all our stakeholders and keeping them in balance, both in the long and short term. Our employees are important stakeholders and, at the same time, form the cornerstone of our success. We therefore want to offer an inspiring working environment and invest in committed and motivated employees. For this reason we pay considerable attention to the development of our staff. We do this by means of intensive training programmes for line managers, for example, and by giving our employees the opportunity to do their bit for society. Last year, between them, they clocked up 1,634 hours of voluntary work. We measure the satisfaction of our employees annually. This year it had increased by +2% in comparison with the previous year.

Another important group of stakeholders, and the reason for our existence, is, of course, our customers. We want to offer them the best possible customer experience by providing them with the best services in a simple and customer-friendly way. For this reason we have introduced new clear and simple subscriptions. We are also making it easier for customers to hand in old telephones and, with 114,279 used phones being collected,

we have far exceeded our goal.

A third pillar of our strategy is our aim of organising our company appropriately for the future, in particular with regard to the following key areas of attention: the network, IT and innovation. Investing in the latest and best technology will not only ensure that we are able to anticipate the future needs of our customers, but will also allow us to reduce our impact on the environment, as our new equipment consumes less energy and is much more efficient. Other sectors are also able to save CO₂ by using our mobile technology.

To ensure that we can respond to changing customer needs, we want to be an easily approachable partner. Our aim is to be a dynamic and daring provider that offers its customers an outstanding network, excellent customer service, innovative services and good value for money. As we realise these goals it is also important that we find a way of communicating the advantages of Vodafone to the market in a way that really makes an impact.

To increase trust in our sector and in our company, we listen carefully to our stakeholders, make sure we understand their points of view and actively tackle issues. It is a real shame that a sector like ours, which has such a positive impact on society, still struggles with its reputation. We can change this by working even harder in the future to meet our customers' demands. This is an area in which we are making progress. We are offering our customers more choice and greater transparency, for example, as demonstrated by the new RED subscriptions and our privacy promises.

Our goals are not easy to achieve and we will have to contend with numerous dilemmas and conflicts of interest along the way. We will keep pushing forward, however, knowing that we work in an excellent sector and for a very special company. I come to work every day with these thoughts in mind, determined to make our promises a reality.

Rob Shuter
CEO Vodafone Netherlands

Foreword by the Supervisory Board

Vodafone Netherlands has faced a number of challenges over the past financial year. These have included dealing with the major disruption that Vodafone experienced due to a fire at a network exchange in April 2012 and implementing cost-saving measures, which have resulted in compulsory redundancies. Despite the economic climate and the competitive market, Vodafone Netherlands has performed well. As part of the telecom sector, Vodafone has also been able to make an important contribution to the Dutch economy and to Dutch society.

Did you know that EUR 2.5 billion is invested in telecommunication infrastructure each year? This is roughly the same amount that is invested in the railways (EUR 2.6 billion) and the road network (EUR 2.5 billion)¹. Over the past 40 years, approximately 25% of economic growth in the Netherlands has been a direct or indirect consequence of the opportunities offered by the telecom sector. Of this figure, 80% can be attributed to economic activities that have been made possible by mobile technology. The remaining 20% results from the direct investments in people and technology made by the sector itself. Telecommunication can be a driver for economic growth thanks to investments and innovation and can contribute to cost savings. It also makes society flexible and more mobile.

To maintain and keep improving the quality of the network, Vodafone Netherlands is continuing to invest in its infrastructure and in the Netherlands' spectrum. In the 2012 auction, for example, Vodafone acquired a spectrum licence for EUR 1.4 billion and the company spends between EUR 200 and 250 million on the network each year. Vodafone Netherlands also provides employment, contributes to the creation of a competitive market and encourages efficiency and productivity in top sectors. The company currently employs 3,850 people in the Netherlands and it made purchases totalling more than EUR 200 million from local suppliers over the past financial year.

We are expecting the further implementation of the strategy to bear fruit in 2013, despite the economic climate, which remains tough, and the pressure on the market. Vodafone will also continue to encourage and facilitate innovation with projects such as Startupbootcamp and other partnerships.

On behalf of the Supervisory Board I would like to thank the Board of Directors and all employees for their hard work, commitment and flexibility.

E.A.J. de Rijk
Chairman of the Vodafone Netherlands Supervisory Board

The Supervisory Board comprises three members: Mr E.A.J. de Rijk, Mr R. Schellekens and Ms L. Solomon.

¹ From ICT Marktmonitor 2013

Key figures & results

A Great Place to Work

	Target for 2012/2013	2012/2013	2011/2012	2010/2011
Employee Engagement Index ¹	75	76	75	69
Employee Net Promotor Score ²	24	21	24	10
Number of employees	-	3,850	2,887	2,800
Number of women	-	34%	38%	38%
Diversity in top management ³	50% growth in the number of women in top management in 2016 compared with 2010/2011	33%	28%	26%
Ratio of men's/women's salaries according to job grade:			Not known	Not known
GMT		0.9425		
E		1.144981		
F		0.997166		
G-band		1.242479		
Absenteeism	-	3.52% excluding pregnancies and 3.62% including pregnancies	2.47% excluding pregnancies and 2.52% including pregnancies	Not known
Work-related accidents	0	0	0	Not known
Total spending on training	-	€ 2,638,666.78	€ 2,428,000	€ 1,912,000

Number of voluntary hours	-	1,634	1,703 hours by 122 employees	Not recorded
Vodafone Foundation Total invested in foundations and third parties for social projects	-	€ 1,000,255	€ 955,795	€ 860,394

¹ The Employee Engagement Index consists of three elements: commitment to Vodafone, willingness to continue working for Vodafone and the will to go the extra mile for the company. The index is calculated on the basis of the average score for seven questions (both positive and negative answers are included) and has a maximum score of 100.

² The Employee Net Promoter Score is used to measure the extent to which employees recommend Vodafone to third parties. The Employee Net Promoter Score uses a 10-point scale, where 9 and 10 mean the employees are promoters (ambassadors of Vodafone) and 0 to 6 mean they are detractors (employees who do not recommend Vodafone or are negative about it). The Employee Net Promoter Score is calculated by deducting the percentage of detractors from the percentage of promoters.

³ reference date 31 December 2012, consisting of women in board-level and senior management roles. The target of achieving 50% growth in the number of women in top management in 2016 compared with 2011 has been laid down in the 'Talent to the Top' charter.

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Key figures & results

The Easiest Place to do Business

	Target for 2012/2013	2012/2013	2011/2012	2010/2011
Net Promotor Score ¹	1st place, at least 5 points ahead of the NPS of competitors	-13 (joint 1st place)	-14	-15
Customer Effort Score ²	> 80%	77%	Not available	Not available
Number of handsets collected	100,000	114,279	69,379	68,918
Number of customers	-	5.3 miljoen	5.3 million	5.0 million
Number of shops	-	263 shops (Vodafone: 99, BelCompany: 164)	296 shops (Vodafone: 88, BelCompany: 174, Telefoonkopen.nl: 34)	88
Total number of customer contacts	-	65,392,466	48,101,457	45,580,351
% of questions via call centre	-	9.0%	11.8%	11.0%
% of questions via self-care on PC or mobile	90%	90.7%	88.1%	89.0%
% online via social media	-	0.3%	0.1%	0.0%
Total number of complaints	-	45,075	68,512	43,067
Eco-score ³	≥ 70%	68.6% of handsets	Introduction of eco-score: 70%	Not applicable

provided with an eco-score (Apple does not wish to participate)	of handsets provided with an eco-score (Apple does not wish to participate)
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² The Customer Effort Score is used to measure how much effort the customer has had to make to get a question answered or a problem solved via our customer service team, for example, or how much effort the customer has had to make to place an order in our online shop. The Customer Effort Score is measured on a 5-point scale, where 1 represents little effort and 5 represents a lot of effort. The % relates to the respondents who give a rating of 1 or 2 on the 5-point scale.

³ Sustainability label for phones, which is validated by KPMG and offers transparency in the chain. The eco-score is based on three categories: company values and principles, the life cycle analysis and sustainable design.

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Key figures & results

Building for the Future				
	Target for 2012/2013	2012/2013	2011/2012	2010/2011
Number of antennas	-	4,617	4,515	4,315
Coverage	-	2G (99.9%), 3G (95%), 4G (2600 Mhz) Eindhoven and Groningen	2G (99.9%), 3G (94%)	2G (99.9%), 3G (93%)
Speed	-	dual carrier HSDPA+ network (more than 42 Mbps on 3G)	MIMO 28.8 Mbps Functionality	MIMO 28.8 Mbps Functionality
Upgrading of network	A third of 3G sites upgraded	33% of 3G sites upgraded	20% of 3G sites upgraded	-
Dropped call rate ¹	<0.4%	Less than 0.40%	0.42%	0.47%
Direct energy consumption in GJ	-	953,827	818,820	796,582
Energy efficiency	30% more energy efficient in 2020 compared with 2005, i.e 2% per year	-0.05%	2.53%	6.04%
CO ₂ emissions in ktonnes (scope 1 and 2)	50% reduction in 2020 compared with 2006/2007	52.2	45.7	52.8
Purchase of green	100%	€ 63,000 of	€ 63,000 of	-

energy		green energy purchased in form of GroenGarant certificates from Nuon	green energy purchased in form of GroenGarant certificates from Nuon	
Paper consumption in kg	10% reduction	33,900	23,613	Not known
Transport in km	-			Not known
By air		2,010,398	769,189	
By road		1,636,663	112,968	
By public transport		2,009,679	309,785	

¹ The dropped call rate indicates the percentage of all telephone calls that were cut off for technical reasons before the parties speaking had been able to end their conversation and before either of them had hung up (i.e. dropped calls).

Key figures & results

A Playful and Connected Brand				
	Target for 2012/2013	2012/2013	2011/2012	2010/2011
Brand Equity Share ¹	15	13.9	15	Not measured
Campaign Health Tracker - Cut Through Score ²	40/50	40/50	40/50	Not measured

¹ The Brand Equity Share measures the brand perception amongst Dutch consumers in comparison with competitors and is based on five components: performance, emotion, value, distinctiveness and brand recognition (measured by research agency Millward Brown).

² For each major campaign we measure the Cut Through Score via the Campaign Health Tracker. This measures whether a consumer recognises the campaign and associates the campaign with Vodafone (measured by research agency Millward Brown).

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Key figures & results

An Improved and Leading Reputation

	Target for 2012/2013	2012/2013	2011/2012	2010/2011
Position in RepTrack ¹	Top 10	12th	22nd	Not measured
Social Media Monitor ²	Top 5	2nd	1st	29th
SocialBakers' Socially Devoted Brands ³ Response time in minutes/average response rate	Response on Facebook and Twitter within 1 hour and solution within 24 hours	34 / 98%	Not measured	Not measured
Transparency benchmark for sustainability reporting ⁴	Top 10	8th	29th	12th

¹ The Reputation Institute's RepTrak™ Framework compares companies on the basis of reputation. It measures the stakeholder perception of companies by measuring the relationship between a stakeholder's emotional connection and the perception of seven rational dimensions: (1) Products/services, (2) Innovation, (3) Workplace, (4) Citizenship, (5) Governance, (6) Leadership and (7) Performance.

² The Social Media Monitor is an annual study by Social Embassy examining the use of social media by the Netherlands' top 100 advertisers on the basis of gross media spending in the Netherlands (Source: Nielsen Research). The study consists of a survey amongst the companies which looks at their organisation of social media, their ambitions and their results, as well as an assessment by Social Embassy in terms of activity, interactivity and the building of communities. Based on this information the companies are given a score between 0 and 100.

³ SocialBakers' Socially Devoted Brands measures which brands have the lowest response times and the highest response rates on Facebook. The result indicated is from January 2013.

⁴ The Transparency benchmark is an annual study examining the content and quality of the social reporting of Dutch companies. It is an initiative of the Dutch Ministry of Economic Affairs.

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Key figures & results

Financial			
EUR million	2012/2013	2011/2012	2010/2011
Operating turnover	1,997	2,058	2,044
Gross profit	714	748 ¹	-
Operating costs	426	391 ²	-
Operating profit	287	357	370
Net profit	267	272	269
Network and IT investments	292	267	205
Assets	3,252	1,979	1,962
Payments to capital providers	3.9	2.3 (negative)	2
Employee remuneration	198	169.8	142.3
Market share	+0.5 percentage points compared with 2012	+1.5 percentage points compared with 2011	+0.7 percentage points compared with 2010
Contribution for spectrum	1.4 billion	-	-
Taxes ³	VAT: 235 Wage tax: 57	VAT: 217 Wage tax: 57	VAT: 184 Wage tax: 54

¹ + ² The Board of Directors has decided to report elements of the operating costs differently this year and include them in the turnover-related costs within gross profit. The aim is to provide a greater insight into financial performance within the company. The operating costs and gross profit for 2011/2012 in the table have been recalculated and therefore deviate from the financial statements and sustainability report for 2011/2012.

³ Tax figures for calendar year as at 31 December. Corporation tax is paid via Vodafone International Holdings B.V., the shareholder of Vodafone Libertel B.V. For more information on taxes, see the 'Taxes' section under 'Financial performance'.

The year at a glance



Disruption caused by the fire + sharing of networks

In April 2012 Vodafone was hit by a major fire that resulted in the network being down for a number of days. The sector-wide response was that providers will now share each other's networks in the event of major faults.



Network innovation

The repairs that were needed to the network as a result of the fire also presented an opportunity for investment. By upgrading the network, we will improve availability, capacity and stability.



Privacy

Our customers must be confident that we respect their privacy. We make concrete promises relating to how their privacy is handled. One of our promises is that we provide a clear and complete insight into what details we hold about our customers and what we use these for.

Connecting Children Safely

Children are not always aware of the risks to their safety when using the (mobile) internet. Vodafone supports parents and children via the Kinderen Veilig Verbinden [Connecting Children Safely] programme.



Vodafone Firestarters

Vodafone Firestarters examines how the digital world brings innovation to industries, by focusing on the trendsetters in the areas of music, fashion, film, photography, media and art.

The year at a glance



Mobiles for Good Challenge

Through the Mobiles for Good Challenge, the Vodafone Foundation promotes innovation in the area of healthcare.

Mobile internet usage

In February the Dutch consumer TV programme Kassa covered mobile data consumption and high telephone bills. Vodafone now gives customers an extra warning for data consumption abroad and telephones customers when they consume more than EUR 500 of data.



Spectrum auction

The spectrum auction of frequencies for mobile calls and internet in December was an important moment for the telecom sector. The new distribution meant changes to the market structure and new possibilities for the further roll-out of the 4G network.



Vodafone RED

In March Vodafone launched its new RED subscriptions, which offer simplified and clearer tariff information. Customers can choose any handset to go with any subscription or decide not to take a handset. It is completely up to the customer.



Mobile Request

During the 3FM Serious Request charity event, Vodafone collected more than 30,000 old handsets with its Mobile Request campaign. The total value was donated to the Red Cross.

Who we are

Vodafone Netherlands speeds up 4G roll-out

In Rob Shuter, CEO of Vodafone Netherlands, explains the recent spectrum auction and the 4G roll-out.

The biggest international telecom company in the world

Vodafone Netherlands forms part of Vodafone Group Plc, the world's biggest international mobile telecom company, with offices in more than thirty countries on five continents and 86,400 employees. We have more than 407 million customers across the globe.

Active for over 15 years in the Netherlands

In the Netherlands we provide communication solutions, consisting of mobile, fixed, integrated and TV services via the Vodafone, Sizz and hollandsnieuwe brands, to 5.3 million customers. Vodafone Netherlands builds and maintains a network on which it is possible to provide voice, data and SMS services. We outsource the construction and maintenance of the network to Ericsson to a large extent. Vodafone serves the business and consumer markets via direct and indirect sales, mobile virtual network operators (MVNOs) and other telecom providers (via roaming and interconnect).

Vodafone Netherlands employs 3,850 people (as at 31 March 2013), spread across its two head offices in Amsterdam and Maastricht, its offices in Eindhoven, Veenendaal (BelCompany) and Capelle a/d IJssel (TeleSpectrum), and its 263 shops (Vodafone: 99, BelCompany: 164) across the whole of the Netherlands. The organisation is made up of the following Business Units: Consumer Market, Enterprise Market, HR, Property and Internal Communication, Finance, Commercial Operations, Corporate Affairs & Strategy, Technology and Shops.

Organisational developments at Vodafone Netherlands in 2012-2013

Integration of BelCompany

The integration of the two retail chains has been strengthened by having the director of the BelCompany shops and the director of the Vodafone shops swap roles. The decision has also been made to close a number of shops and to transform a number of BelCompany shops into Vodafone shops. BelCompany's head office in Veenendaal will close its doors in 2013. The employees will be relocating to the head office in Amsterdam.

telefoonkopen.nl formula discontinued

The majority of the telefoonkopen.nl shops were in the same areas covered by the Vodafone shops. The decision has therefore been made to discontinue the telefoonkopen.nl formula.

Vodafone ends Vodafone Franchise

In November 2012 Vodafone ended its franchise formulas, as the initial purpose - to support the growth strategy within Retail - had already been achieved through the acquisition of BelCompany. The cost savings were also lower than expected.

Acquisition of TeleSpectrum

To accelerate growth in the area of fixed and integrated telecom solutions and thereby strengthen our position on the business market, we acquired TeleSpectrum in April 2012. The company specialises in hosted telephony and IP-PBX (telephone exchanges). In 2004 TeleSpectrum was the pioneer of the hosted telephony market in the Netherlands and continues to be one of the best players in the market today. Patrick van der Spek, founder and CEO of TeleSpectrum, heads up Unified Communications within the Enterprise Market department.

Spectrum auction

In the autumn of 2012 Vodafone Netherlands acquired spectrum in the 800, 900, 1800 and 2100 MHz bands in the multi-band spectrum auction. Vodafone invested EUR 1.4 billion in frequencies and is accelerating the roll-out of 4G, the new generation of mobile internet.

Cost savings

In January 2013 Vodafone Netherlands announced that it was having to take measures to reduce operating costs. As a result the company was forced to give 71 employees notice of redundancy.

Insourcing of activities previously performed by Ericsson

To better guarantee the continuity of the business and quality of service, a number of network activities that were conducted by Ericsson have been carried out by Vodafone itself since April 2013. The 53 Ericsson employees concerned entered into the employment of Vodafone in Maastricht with effect from 1 April 2013.

External environment

At the beginning of the financial year we looked once again at the environment in which we operate.

From our analysis it emerged that the following four developments have an impact on Vodafone:

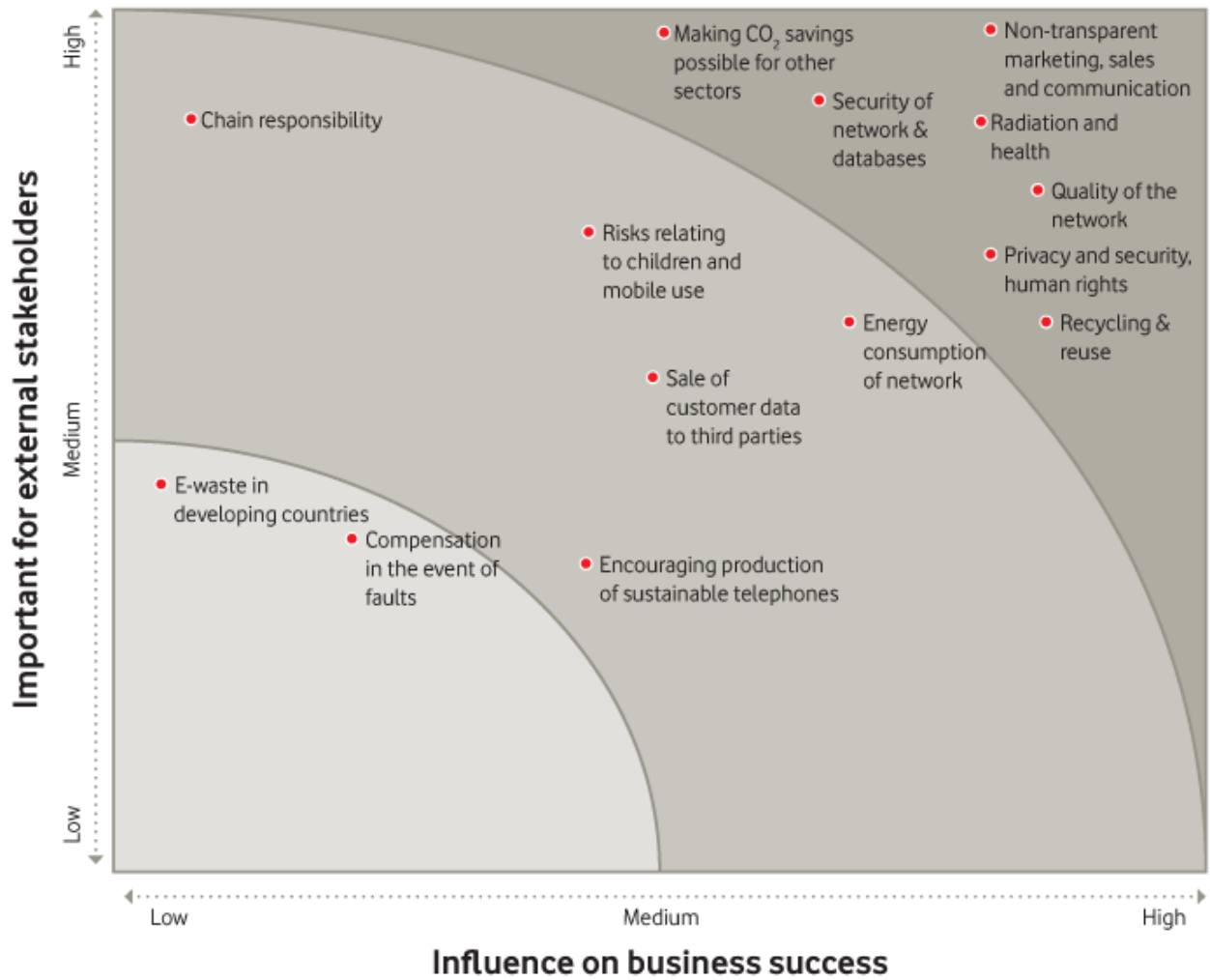
1. The economic environment: an unstable eurozone, numerous new laws and regulations in the Netherlands and uncertainties concerning legislative procedures that affect the telecom sector.
2. Increasing focus on sustainability and the reputation of the sector.
3. The competitive market: new entrants, the spectrum auction, innovations such as big data and machine-to-machine technology.
4. Changes in consumer behaviour: consumers are getting older and have less income. Developments in social media, real-time information and greater concerns about privacy mean that consumers are better informed and have high expectations.

Based on the analysis of our environment, we have selected the developments in the market and in society that have a major impact on Vodafone. The analysis was partly based on research conducted amongst our most important stakeholders. We will explain what each development means for Vodafone, what risks and opportunities it entails and how Vodafone will respond.

Stakeholder study

- Based on the , we have determined the most important issues for our internal and external stakeholders. These are non-transparent marketing, sales and communication, chain responsibility, security of the network and databases, quality of the network, privacy and security, radiation and health, and facilitating CO₂ savings for other sectors.
- For each stakeholder, the explains why it is important to engage the stakeholder, what is important for the stakeholder and how we have engaged the stakeholder.

Materiality matrix 2012/2013



Stakeholder overview

Stakeholder	Why is it important to engage the stakeholder?	What is important for the stakeholder?	How have we engaged the stakeholder?
Customers	<p>It goes without saying that our customers are essential to ensure Vodafone's continuity. By listening carefully to our customers, we develop trust and identify how we can improve the customer experience.</p>	<ul style="list-style-type: none"> ● Delivering what we promise: a good, easy-to-use and fast service ● Good value for money ● A reliable, stable and fast network 	<p>Various studies give us an insight into our image amongst customers and the public. From these we can work out whether we are on the right track or whether we need to make adjustments.</p>
Employees	<p>Our employees are the heart of our organisation. Their expertise, knowledge and drive ensure that we are able to fulfil our mission of 'enabling opportunities every day'.</p>	<ul style="list-style-type: none"> ● Good training and development opportunities ● Swift and simple business operations ● Clear and transparent communication ● Pleasure from celebrating successes 	<p>Vodafone examines the satisfaction and opinions of employees each year via the People Survey. We also ask employees annually about their awareness of our sustainability activities and how they rate them.</p>
Suppliers	<p>Suppliers and subcontractors enable us to develop our products and services. It is important that we work together to improve the sustainability of the chain.</p>	<ul style="list-style-type: none"> ● An efficient collaboration ● Being a reliable partner that pays a fair price, by means of clear agreements ● Working together on innovations 	<p>Eight of our main suppliers in the Netherlands have performed a self-assessment.</p> <p>An inventory has been drawn up of 67 of our main suppliers on the basis of sustainability risks.</p>
Government	<p>The telecom sector is a sector that is the subject of much discussion in political circles. Where possible, we explain our plans, points of view and actions so</p>	<ul style="list-style-type: none"> ● Transparent tariffs and conditions for customers ● A concrete energy-saving target ● Protection of 	<p>Regular consultation takes place with politicians and officials on various issues. In November 2012 a delegation from the Ministry of Economic Affairs was</p>

that politicians and officials understand the dilemmas that we have to deal with as a company and the impact that legislation can have on our sector.

customer privacy

familiarised with Vodafone's energy-reduction programme. By arranging visits to sites including an antenna site, Vodafone highlighted the choices it is making in the area of energy reduction.

Experts/Opinion makers/Social organisations

Experts, opinion makers and social organisations have an important voice within society and can influence our customers' preferences.

Environmental organisations:

- Use of green energy and energy saving
- Development and marketing of products and services

Social organisations:

- Chain responsibility
- Safe products and services, e.g. for children
- Privacy and digital rights

Universities:

Participation in research, e.g. on radiation and health, and on the life span of products

We endeavour to organise around three stakeholder dialogues on relevant, topical issues every year. In addition, we have regular contact with external experts on specific issues.

Sector

Within these associations we discuss how we can work together on sector-wide issues.

Various issues present risks and opportunities for the sector as a whole. We work together on improving our environmental impact, internet security, net neutrality, privacy, fraud and debts, and radiation and health.

We take part in regular consultations with other telecom companies during meetings of the organisations ICT Nederland, VNO NCW, MoNet and ECP-EPN.

Media

The media has an important influence when it comes to our

- A swift and open response to questions

Our spokespeople are in constant contact with the press

reputation. Through the media the general public hears about negative and positive developments. It is extremely important for us to develop a good relationship with various media.

- Opportunities to interview the management

with regard to developments within Vodafone and respond to questions concerning specific issues. Every year we conduct a survey of journalists to find out how they rate the information supplied by and the press policy of Vodafone

Converging technologies

Today telecommunication, media and information technology have merged to such an extent technically that they can be delivered via copper, fibre-optic, cable and mobile networks. Devices are becoming increasingly mobile. Voice and data, fixed and mobile, internet and television - everything comes together via the IP address. The competitive playing field has also shifted drastically from mobile communication towards more international telecommunication and internet companies.

What does this mean for Vodafone?

Vodafone has grown from a mobile telecommunication company to a communication company offering total solutions for mobile telephony, fixed telephony and TV. It is important that our services fit together seamlessly, securely and stably within the various technologies.

Strict regulations for the telecom sector

The telecom sector is subject to strict regulation - not only in the form of formal legislation and regulations, but also through voluntary rules of conduct and agreements.

The most important developments for Vodafone in the area of regulation are: regulation in the area of access to fixed networks, roaming, termination rates and the acquisition of spectrum licences.

Access regulation for the fixed market: On the fixed market there are de facto only two providers: KPN and cable providers. Only KPN is obliged to give other parties access to its network. This is not the case for cable providers. The barriers to entering the fixed market are high as it is not economically feasible for a company to create its own network with national coverage. Access to fixed networks at tariffs that make it possible to compete with existing players on the fixed market is the only way to make a choice between providers possible on the fixed market too.

Access regulation for the fixed market: Vodafone's ambition is to strengthen its position as a challenger on the fixed market. After all, without strong challengers consumers have little choice. Competition from alternative suppliers, such as Vodafone, is necessary to prevent prices for services over fixed networks becoming too high. Effective rules must, however, ensure there is a level and fair playing field.

Roaming: The maximum prices prescribed by the EU for calls, SMS and data are set to fall further over the coming years. In addition, from 1 July 2012, access must be given to MVNOs at regulated tariffs and, from 1 July 2014, roaming services must be offered separately from national services.

Roaming: For Vodafone this means that the income generated from roaming will drop further and further, and far-reaching and expensive changes will have to be made to systems to ensure that all requirements can be met from 1 July 2014 onwards.

Termination rates: The termination rates that telecom companies charge each other have fallen sharply over the last few years.

Spectrum licences: At the end of October 2012 licences were auctioned by Radiocommunications Agency Netherlands. A new distribution of licences was intended to promote market forces and create more freedom for innovation and opportunities for newcomers to enter the market. An important aim of the auction was to maintain effective competition over the longer term. To achieve this aim, a decision was made to lower the barriers for newcomers to enter the market and to reserve 2x10 Mhz of frequency space in the 800 MHz band and 2x5 MHz in the 900 MHz band for newcomers.

Termination rates: This means significantly less income for Vodafone for calls terminated on Vodafone's mobile network. On the other hand, it means that mobile calls terminated on fixed networks will become cheaper.

Spectrum licence: In the autumn of 2012 Vodafone acquired spectrum in the 800, 900, 1800 and 2100 MHz bands in the multi-band spectrum auction. This will enable Vodafone to further develop its position over the next seventeen years. The auction has led to major changes in the market structure. Tele2 has acquired the 800 MHz spectrum that was reserved for newcomers at, relatively speaking, a very low price.

Recession continues

The economic recession in Europe and the Netherlands is continuing. Almost 8% of people of working age in the Netherlands are unemployed. The disposable income of most Dutch people has also been falling for a number of years.

Due to the recession, Vodafone has also had to economise, resulting in jobs being lost. In contrast to many other expenses, consumers do not appear keen to dispense with telecommunication services. We are, however, seeing a shift from ordinary to SIM-only subscriptions, as customers are continuing to use their old mobile phones for longer. To help customers keep better control over their costs, we have introduced new subscriptions and are providing customers with information on how they can limit their costs. If it looks like customers will exceed their bundle, we give them an extra warning.

Competitive market

We are noticing that some consumers are shifting towards 'no frills' offerings (cheap calls with no extras) in the mobile segment. International internet services are competing fiercely with traditional telecommunication services, such as SMS, and putting

We want to stand out from our competitors by focusing on our core business and improving the service we provide to our customers. We are also investing widely in the quality of our mobile network (2G, 3G, 3G Dual Carrier and the next generation of

pressure on turnover. In 2012 total service turnover in the Dutch market fell by -6% year on year, with prepaid falling by -16% and postpaid by -4%.

KPN was one of the first in the Dutch market to introduce a so-called 'quad play offer'. This consists of internet, calls, TV and mobile. UPC recently purchased an 18% stake in Ziggo. This has opened up the possibility of creating a single, large national cable company. Tele2 acquired 4G spectrum in the auction and announced it would be making serious investments in the Netherlands.

networks such as 4G) as well as in integrated fixed and mobile solutions.

We are expanding our traditional communication services (calls, data and SMS) to include a wide range of new services to improve the customer experience and generate additional turnover.

Climate change

Our climate is changing. Extreme weather (storms and colder, warmer, wetter and dryer weather) means that the Netherlands is being confronted directly by this change. The amount of greenhouse gases in the atmosphere, primarily CO₂, has increased greatly and is the cause of this climate change. According to a report by GeSI (SMARTer 2020, 2012) the ICT industry is responsible for 2.3% of the world's total CO₂ emissions. The same study revealed that there is potential for the ICT industry to reduce CO₂ emissions by 16.5%. This can be realised if the existing solutions are implemented in 2020.

What does this mean for Vodafone?

The impact of climate change on the way that Vodafone works is limited. The extra air conditioning required on a hot day is (partly) compensated for by the cold days. This is not as yet having a direct impact on our energy consumption. We have, however, had to implement measures for our Maastricht office due to the risk of the river Meuse flooding. Vulnerable equipment has been moved from the basement to upper floors. All new technical locations must be built a number of metres above Normal Amsterdam Water Level (NAP). Thanks to machine-to-machine technology, processes are becoming more efficient, as a result of which energy can be saved in other sectors.

Shortage of raw materials and e-waste

The shortage of raw materials was also a topical issue last year. Rare minerals are used in the production of mobile telephones. Most people buy a new handset every two years. In many cases the old handset ends up in a cupboard unused. The handsets that are collected are recycled or sold on in a developing country. Once a handset is no longer used there it is unclear what happens to it. A reasonable assumption is that these handsets end up on a heap as electronic waste, without the metals being recovered to be reused in, for example, wind turbines, cars and mobile telephones.

The shortage of raw materials does not have a direct influence on Vodafone. Mobile telephones and network equipment have become more expensive, but not as a result of the shortage of materials. Vodafone has been active for many years in the area of recycling. Recovering metals from used network equipment helps reduce the demand for new raw materials. Now, 100% of Vodafone's network equipment is recycled or reused. The number of mobile telephones collected by Vodafone is 10% of the total number of handsets sold. This makes Vodafone one of the leaders in this area. Of the collected handsets, 13% are recycled and 87% are reused. The handsets are mainly reused in developing countries, making mobile communication affordable in these countries too. To promote the reuse of raw materials further, a collection system is also needed in the countries where reused handsets are sold. Vodafone is trying to encourage the collection of old handsets in these countries through various collaborations:

1. Vodafone Ghana has set up the first collection system.
2. Collaboration with Global e-Sustainability Initiative (GeSI) and other market parties in the e-waste working group to look for solutions to e-waste.
3. A circular flow has not yet been achieved, but together with Brightstar Corp, our global partner for handset reuse, we are taking initiatives to set up collection systems. For the time being these are still focusing on Europe.

Ageing population, increasing costs of healthcare

The Dutch healthcare system is amongst the best in the world when it comes to quality and accessibility. It is the Netherlands' ambition to maintain and further improve the accessibility and quality of the healthcare it provides. At the same time, we want healthcare to remain affordable. This affordability is currently coming under pressure. As a consequence of the ageing population, developments in medical technology and a changing society, expenditure on healthcare is rising. It is partly for this reason that the government has introduced market forces, which is increasing the demand for efficiency. Cutting costs and increasing the productivity of staff are two current topics. Various analyses and studies show that the rising demand for healthcare cannot be met solely by increasing staff levels.

Vodafone believes that technology can play an essential role in guaranteeing the quality, accessibility and affordability of healthcare. The company offers mobile communication solutions that enable care to be provided safely and efficiently and that make remote care possible. This means, for example, that elderly people can continue to live independently for longer and medical professionals have quicker and easier access to patient information, making treatment and clinical trials cheaper.

Risks for consumers

Free access to the internet is seen as a fundamental human right. An internet that is open on a global basis is a driving force for development; it offers all people, irrespective of race, origin or belief, a shared space for self-development and the free exchange of information and ideas. The same rights that people have offline must also be protected online, such as freedom of speech and the right to privacy and data protection. When it comes to the protection of

Our customers must be confident that we respect their privacy. They are entitled to the confidentiality of their communication over our network and to the careful management of their personal data. We are aware that obtaining this trust cannot be taken for granted; we have to earn it. That is why we make our customers concrete promises relating to how their privacy is handled. One of our promises is that we provide a clear and complete insight into what details we hold about

human rights in relation to the internet, it is not only governments but also companies that have a role to play.

our customers and what we use these for. Information on Vodafone's vision of privacy and data protection is available all in one place on our [website](#), together with tips & tools to help our customers prevent and reduce risks that could affect their privacy.

Internal environment

In 2012 we also analysed our internal organisation. We looked at our employees, our customers, what is necessary for the future, our brand and our reputation.

The most important findings are listed below:

- **Employees** - Vodafone has well-trained employees who deliver high quality. Areas that require further attention are employees' commitment to the company, pride in our products and services, and working methods (making processes simpler, quicker and clearer).
- **Customers** - it is positive that we have been able to gain market share over the last few years. Our challenges are to listen more carefully to our customers and to improve the customer experience.
- **The future** - focus on major projects with long-term goals is essential if we are to be prepared for the future. This mainly concerns the network and IT infrastructure, the development of innovative products and services, better distribution and the creation of a culture that encourages and facilitates innovation.
- **The brand** - we are an award-winning brand. We have a strong position in social media, but to date have not had one clear element that sets us apart. That is our aim with 'Always Easiest'.
- **Our reputation** - we do not enjoy a good reputation even though we are part of a sector that has a huge (potential) positive impact on society. Improving the reputation of the sector as a whole via the sector organisation Nederland ICT is a major challenge.

Vision, mission and values

After analysing the external and internal environment, we not only reviewed our strategy, but also our vision and mission.

Vision: Always Easiest

Society is becoming increasingly dependent on mobile technology. People are in contact with one another all the time. This has made people's personal and business lives faster and easier but, at the same time, more complex too. Our customers must be able to rely on our products and services, and our 24/7 service, completely. That is why we want to be easy and uncomplicated as a telecom company. We strive to offer our customers a consistent and uncomplicated experience by making it easy for them to use our products and services. We have expressed this as "Always Easiest". We want to be EASY to work with and EASY to work for. 'Easiest' is about standing out and always knowing the areas where Vodafone can do things better than its competitors. 'Always' stands for continuous improvement.

Mission: Enabling opportunities every day

Creating opportunities every day with the help of communication - that is what we stand for. This is about more than simply making a profit. It is also about the way in which we can make a positive contribution to society; by making mobile working possible, for example, enabling us to give our customers a degree of flexibility and freedom that they did not have before.

Values: The Vodafone Way

The Vodafone Way forms the framework for the way in which we can realise our vision and mission. Across the world we encourage our people to work in a customer-oriented manner and to be innovative, ambitious and competitive. To achieve this, we have a comparable working method in place in all the countries in which we operate, while also observing local values. Our three shared values are speed, simplicity and trust. For us, speed means that we focus on the dynamics of the market and are quick to improve, innovate and solve problems. Results are the most important thing for us and we take quality and security, as well as the financial future and reputation of the company, into account here. For us, simplicity means that we make things easy for customers, partners and ourselves by offering simple solutions and by removing obstacles that create unnecessary complexity. At Vodafone, trust means that we are reliable, that we conduct ourselves fairly, honestly and reasonably and that we respect the trust that our customers, business partners and employees place in us.

Strategy

The vision, expressed in "Always Easiest", is central to our core activities and sets out clearly what we want to achieve.

To realise it, we focus on five points:



"We start with our people, as they are the key to our success"
- Rob Shuter, CEO.

1. First and foremost we focus on our people and their talent. The quality of the people we recruit, the way we retain them and how we invest in them is essential for our success. They are the foundations on which we build our organisation. That is why we want to increase their commitment to Vodafone and make them proud ambassadors of our products and services. We also want to work more simply.
2. In addition, we focus on the way in which we handle our customers, how we communicate with them, what products we develop for them and the experience we offer them. We want to make processes simpler for them, make an effort for them and be accessible to them online.
3. We also look towards the future. We are making considerable investments to ensure our network and IT systems are ready to cope with rapidly changing needs and we encourage and facilitate innovations through the use of mobile technology.
4. The fourth point is about how we project our brand and how we enter into dialogue with customers. We want to stand out on the basis of convenience and playfulness. We want to be warmer and more playful in the way we communicate and, in particular, to exude fun.
5. Finally, we focus on our stakeholders. They are important to each of these points of focus. We want to understand the most important concerns of every stakeholder, so that we can enter into dialogue with the right people. We want to take a clear position on important issues and communicate this proactively. In addition, we want to distinguish ourselves more in relation to the issues of sustainability, leadership, good management and involvement in society.

We have translated these five points of focus into five strategic pillars:

- A Great Place to Work
- The Easiest Place to do Business
- Building for the Future
- A Playful and Connected Brand
- A Leading and Improved Reputation

In the [Performance](#) section we will look at the aims, KPIs, results, points for improvement and dilemmas for each strategic pillar in the 2012/2013 financial year.

Value chain

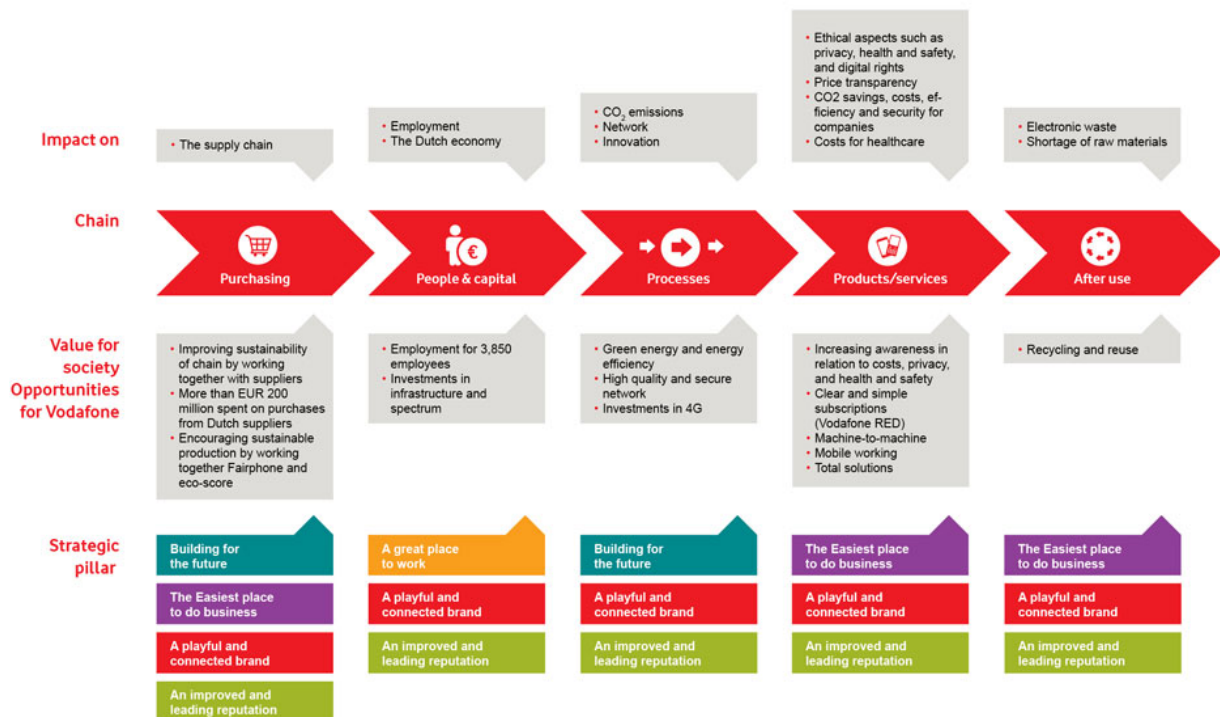
We want to create value for all our relevant stakeholders. A healthy financial basis makes it possible to play a broad role in society, for example as a driver of innovation or an investor in the Dutch economy. It also enables us to offer employment as a major employer, in the Maastricht region for example, or as a participant in public-private collaborations.

The value chain reflects the steps into which our business process is divided and where we can achieve the greatest impact in society.

These are the areas in which we can create the most value. We are talking here about reducing any negative impact as well as making a positive impact. Gradually we will transform negative issues into a positive approach and even into potential business cases. With the value chain and this report we are taking an initial step towards making our social impact and value creation clearer.

The value chain is based on our [environment analysis and stakeholder consultations](#) as well as the analysis of Vodafone's most important

provides an overview of all the issues that we and our stakeholders consider to be an important part of our policy. We are taking action in relation to each of these issues, although our role may differ in terms of content. Some issues are being tackled on a sector-wide basis, while others are being tackled by the Vodafone Group.



Risks and opportunities

Subject areas	Issues	Opportunities	Risks
Protection & service	<p>Privacy</p> <p>Network security</p> <p>Mobile phones and children</p> <p>Customer service</p> <p>Debt prevention</p> <p>Third-party text services</p> <p>Contracts concluded under pressure</p>	<p>Customers must be able to use our products and services safely and responsibly. We make every effort to make customers aware of possible risks and to inform them and offer them support in relation to how they can protect themselves against these risks.</p>	<p>Weak spots in our network, sales processes or products or services offered by us or third parties who make use of our network must be detected quickly and resolved to prevent misuse.</p>
Transparency	<p>Tariffs</p> <p>Conditions</p> <p>Net neutrality</p> <p>Responsible marketing</p>	<p>Finding the balance between offering various forms of subscription that meet the requirements of different users and, at the same time, keeping the offering manageable, transparent and affordable for everyone.</p>	<p>Regulations are increasingly putting our business models under pressure, which can ultimately lead to higher tariffs for customers as investments running into billions are necessary for licences and building networks.</p>
Environment	<p>CO₂ emissions</p>	<p>Use of our products and services can lead to CO₂ savings, through mobile working and by means of energy-efficient machine-to-machine (M2M) applications, such as smart meters and smart logistics.</p>	<p>Increasing demand for mobile data services means that the capacity of our network has to be expanded, as a result of which our electricity consumption will continue to rise.</p>
Chain management	<p>Electronic waste</p> <p>Sustainable telephones</p> <p>Working conditions</p> <p>Conflict minerals</p>	<p>Collaboration in the chain is essential to resolve complex problems, as in the case of conflict minerals.</p>	<p>Abuses in the chain can seriously damage our reputation.</p>
Health	<p>Radiation and health</p>	<p>Vodafone is supporting the COSMOS study in the Netherlands. We hope that this study will provide a greater insight into the effects of radiation and how people can best use their phones. Together</p>	<p>To date, no adverse health effects have been established as being caused by mobile phone use. As a great deal of research is still being carried out in this area, the subject can be a cause of concern within</p>

with MoNet we enter into discussion with communities if there is concern about the positioning of masts.

society. This can sometimes influence decisions on the positioning of transmitter masts.

Ready for the future

The future will remain challenging in the light of the current economic climate and government cuts. Competition in the market will continue to increase. As a result, we expect the growth in turnover for mobile services to be slightly negative in the next financial year compared with this year. The current tariff portfolio (including Vodafone RED) is, however, expected to enable us to increase our market share. We are strengthening our grip on the fixed telephony market, in both the business and consumer segments, and will continue to invest in the capacity and coverage of our network by rolling out 4G. Our current status with regard to financing and personnel is expected to remain the same in the next financial year.

Our areas of focus for the coming years are:

- **Data services:** the accessibility and development of (new) mobile data services is an important spearhead, with the constantly increasing use of mobile internet and the management of associated privacy and security aspects.
- **Network:** we need the best data network and the best IT systems for our products and services. We are therefore striving to achieve a quick roll-out of HSPA+ (for 3G) and LTE (for 4G). In addition, we are continuing to invest in energy efficiency. We are doing this by means of ISO 14001 certification in 2013, amongst other things.
- **Customer experience:** We are striving to provide an optimal service to our customers and good value for money. We are also introducing new services to buy telephones back from customers and are providing information to parents on how their children can use mobile phones safely.
- **Integrated fixed and mobile communication for the business and consumer market:** as employees are becoming more mobile and smartphones and laptops are becoming increasingly secure, convergence between fixed and wireless communication is becoming more and more important. In addition, we also offer fixed internet, voice and TV at home. To strengthen and expand our position on the market for fixed broadband services, in May 2013 Vodafone acquired Wiericke, a supplier of triple-play services (internet, television and telephony) over fibre optics.
- **New services:** innovations are geared primarily towards machine-to-machine applications, mobile commerce (making payments and cashing in discount vouchers with your mobile) and settling accounts via your mobile bill. Special attention is given to encouraging innovations in the healthcare sector.

Always a *challenger*

By constantly challenging the status quo, we have made breakthroughs to the benefit of our customers.

- 1995: Libertel was the first competitor for KPN
- 1999: Libertel was the first to introduce prepaid onto the Dutch market
- 2004: Vodafone was the first to introduce the UMTS network in the Netherlands
- 2010: Vodafone was the first and only company to offer 28.8 Mbps on the Dutch market
- 2010: Vodafone was the first to integrate data into basic subscriptions
- 2011: Vodafone entered the consumer fibre-optic market with Vodafone Thuis (internet, calls and TV)
- 2013: Vodafone was the first to introduce faster speed by offering dual carrier on the 3G network

Strategic
pillars

Our aim

KPI 2012/2013

KPI 2013/2014

A Great
Place to
Work

To create an inspiring working environment and invest in committed and effective employees.

- Score of at least 75% for the Employee Engagement Index
- Score of at least 24 for the Employee Net Promoter Score
- 2.5% growth in the number of women in top management compared with the previous financial year (2011/2012: 28%)

- Employee Engagement Index ≥ 80 (+4)
- Management Index ≥ 75 (+3)
- Employee Net Promoter Score (ENPS) >30 (+9)
- Simplicity score ≥ 50 (+5)

The Easiest
Place to do
Business

To create an optimal customer experience by offering a consistent and uncomplicated service in an accessible way.

- 1st place for the Net Promoter Score (NPS), at least 5 points ahead of the next best scoring competitor
- Score of $>80\%$ for Customer Effort Score
- 100,000 used handsets collected for recycling and reuse

- Net Promoter Score (NPS): +5
- Customer Effort Score (CES) +10pp
- Channel CES: $\geq 85\%$
- 120,000 used handsets collected for recycling and reuse

Building for
the Future

To develop a reliable and stable infrastructure that is able to cope with the huge growth in data expected in the future. At the

- Upgrade and improvement of the network in 4 phases: completion of phase 1, start of phases 2-4.
- Upgrade and improvement

- Network innovation: completion of phase 2, 100% in accordance with schedule of requirements: 40% of 3G sites upgraded in March 2014
- IT infrastructure: completion of IT

same time we want to reduce our negative impact on the environment and invest in innovative products and services that will allow us to offer solutions for social issues.

- of the IT infrastructure in 2 phases: completion of phase 1.
- 50% CO₂ reduction in 2020 compared with 2006/2007.
 - 30% more energy efficient in 2020 compared with 2005, 2% more energy efficient each year.

- project for the upgrade and improvement of the IT infrastructure, 100% in accordance with schedule of requirements
- Environment: 50% CO₂ reduction in 2020 compared with 2007
 - 30% more energy efficient in 2020 compared with 2005, 2% more energy efficient each year
 - ISO 14001 certification for the environment and security standard ISO 27001 for the management and security of valuable (customer) data
 - Innovative products and services:
 - Remain market leader in machine-to-machine (M2M)
 - Development and roll-out of new data services

A Playful and Connected Brand

To be a dynamic and daring telecom company that offers its customers an outstanding network, excellent customer service, innovative services and good value for money. We will only be able to achieve this by being accessible,

- Brand target: Brand Equity Score (BES) 15
- Campaign target: Campaign Health Tracker - Cut Through Score 40/50

- Brand target: Brand Equity Score (BES) 14.5
- Campaign target: Campaign Health Tracker - Cut Through Score 50/60

open and easily approachable for customers and entering into dialogue with them.

An Improved and Leading Reputation

To improve our reputation by analysing the needs of each stakeholder to ensure that we discuss the right subjects with the right people, anticipate these as effectively as possible, take action and communicate what we have done.

- A place in the top 10 of the Reprtrak
- A place in the top 10 of the Transparency benchmark

- Top 10 in Reprtrak
- Top 10 in Transparency benchmark

Our financial Performance

To deliver solid financial performance in terms of operating turnover, margin and cash flow, which results in a growing market share in the mobile telecom market and improved profitability.

- Focus on profit from mobile services
- Increased cost efficiency to secure EBITDA
- Increase in investments in converged business and solid capital investments in mobile.

- Focus on profit from mobile services
 - Increased cost efficiency to secure EBITDA
 - Increase in investments in converged business and solid capital investments in mobile (LTE).
-

Performance

A great place to work

The easiest place to do business

Building for the future

A playful and connected brand

An improved and leading reputation

What are our aims?

Main aim

To create an inspiring working environment and invest in committed and effective employees

KPI 2012/2013

- Score of at least 75% for the Employee Engagement Index
- Score of at least 24 for the Employee Net Promoter Score
- 2.5% growth in the number of women in top management compared with the previous financial year (2011/2012: 28%)

Sub-aims

- Good career opportunities and pay
 - An effective way of working
 - Good leadership and teamwork
 - Facilitation of mobile working
-
- Consideration for diversity amongst our employees
 - Responsible employer
 - Employees who do their bit for society

Why is this important to us?

The quality of the people we recruit, the way we retain them and how we invest in our people is essential for our future success. Despite the fact that the Dutch economy has been shrinking for a number of years and unemployment is rising, our experience is that the search for talent for niche jobs is more difficult than ever. We are also seeing the emergence of a generation that is looking for an enterprising way of working and inspirational leadership. It is important that employees know our products and services well and are prepared to recommend them to third parties. Committed and loyal employees will continue working for us and are the best ambassadors; they contribute actively to the success of our business, better productivity and higher customer satisfaction.

What are the results?

How do we achieve our results?

Good career opportunities and pay

We offer our employees the opportunity to grow and develop by formulating personal development targets and by employing a remuneration system that is clear and fair.

An effective way of working

By means of a clear and transparent appraisal process we help managers set clear and achievable targets together with employees.

Good leadership and teamwork

Our line managers develop their management skills each year via sessions that are run specifically for them. In addition, all members of the Board of Directors and senior management team have participated in an intensive three-day workshop on our values (simplicity, speed and trust) and working as a team.

Facilitation of mobile working

We offer employees the necessary facilities to allow them to take advantage of mobile working and therefore contribute to a better work-life balance and reduced use of paper and printers. We encourage both employees and visitors to use public transport to travel to our offices. To discourage visitors from using their car when visiting our office in Amsterdam, we do not have any parking spaces available.

Consideration for diversity amongst our employees

We have committed to the target of 50% growth in the number of women in top management in 2016 compared with 2011. We are also working to employ people who are detached from the labour market, such as the long-term unemployed.

Responsible employer

The health and safety of our employees is essential. We therefore make sure a healthy lunch is provided at the offices and that precautionary measures are in place to prevent accidents and absence from work. In addition, we give employees the opportunity to exercise within office hours under the supervision of professional instructors and the office in Amsterdam has its own sports facilities. Furthermore, we integrate sustainability into the targets of all Vodafone departments and the appraisal and remuneration of the Board of Directors and senior managers.

Employees who do their bit for society

As we have made voluntary work part of the Vodafone culture, an increasing number of people are participating in social projects. In collaboration with Nederland Cares, the Vodafone Foundation has set up a new volunteer platform. Vodafone gives each employee 1 day's leave each year to take part in one of these activities.

What are the results to date?

Employee satisfaction survey:

- Employee Engagement Index: 76% (+2%)
- Employee Net Promoter Score: 21 (-3)
- Aggregated Manager Index 72 (+0)
- Diversity & Inclusion 80 (+1)

Vodafone's values:

Employees assess the values as follows:

- Speed 62 (-3)
- Simplicity 45 (-3)
- Trust 68 (+1)

Good leadership and teamwork

- 80% of managers took part in workshops to improve their performance management skills.

Mobile working

Since the introduction of mobile working in 2008, Vodafone has made the following savings up to the end of 2012:

- 40% savings on office space
- 60% savings on facility costs
- 29% savings on electricity
- 80% less paper use
- 25% less CO₂ per employee per year

Diversity

- The percentage of women across our entire organisation fell by 4 percentage points in the 2012/2013 financial year compared with the previous financial year (from 38% to 34%). The drop in the number of women at Vodafone is linked to the acquisition of BelCompany.
- The number of women in top management has increased by 7 percentage points (from 26% to 33%) since the 2010/2011 financial year.
- Last year, 60% of trainees were women.

Absenteeism

- This year sickness absence was 3.52% excluding pregnancies and 3.62% including pregnancies.

Employees who do their bit for society

- Last year our employees clocked up 1,634 hours of voluntary work.

HR figures for Vodafone (including Retail BV)

How do we measure the results?

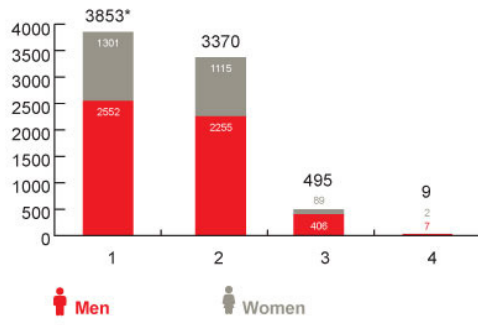
We measure the Employee Engagement Index (EEI) and the Employee Net Promoter Score (ENPS) via the People Survey, the annual employee satisfaction survey.

Using the EEI, we measure the commitment of employees to Vodafone, their willingness to continue working for Vodafone and their will always to go the extra mile for the company. The index is calculated on the basis of the average score for seven questions and has a maximum score of 100.

The ENPS is used to measure the extent to which employees recommend Vodafone to third parties. It uses a 10-point scale, where 9 and 10 mean the employees are promoters (ambassadors of Vodafone) and 0 to 6 mean they are detractors (employees who do not recommend Vodafone or are negative about it). The ENPS is calculated by deducting the percentage of detractors from the percentage of promoters.

HR figures for Vodafone (including Retail BV)

Number of employees as at 31 March 2013

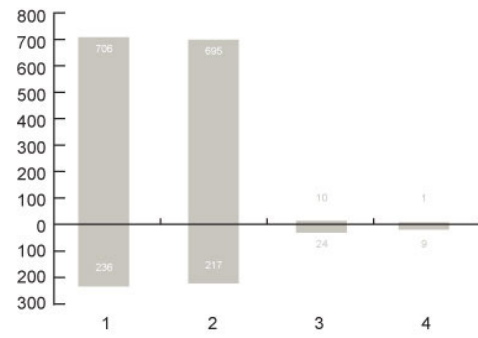


Men Women

- 1 Total
- 2 Operational Executive/
Specialist level
- 3 Management
- 4 Board of Directors

* At Retail BV agency workers are included in the diversity figures.

Total inflow in 2013 financial year



Total outflow in 2013 financial year

Evaluation

What have we done well?

- Mobile working puts 76% of our employees in a better position to achieve a balance between their work and private life.
- We have launched an initiative to actively involve interested employees from all parts and locations of the organisation in the development and improvement of our vision, strategy and customer experience. The best ideas for improving and simplifying the customer experience are implemented immediately.
- According to our employees, background and gender do not present a barrier to progressing within the company (+ 1 point).
- The number of women in top management rose once again (+5%).
- We are working together with the municipality of Nijmegen to get people who are detached from the labour market working in our shops.
- Employees believe that work is organised well in the team (+6) and that Vodafone provides high-quality products and services (+9).

What can we do better?

- We want to further improve management within the organisation by providing even better support to line managers and helping them develop even further.
- The ENPS has fallen compared with the previous financial year. To improve this score, we are providing training on our products and services, amongst other measures.
- To increase the rating of the Speed and Simplicity values, we organised 16 Simplicity sessions in which 112 employees participated. Based on the results from these sessions we have determined concrete actions for making improvements.
- Being recognised as a good and responsible employer remains a challenge.
- Vodafone is currently working on a plan to create jobs for people who are unable to get work without reintegration support.

What do our stakeholders say?

Trainee Max Kranendijk (27), Commercial Operations department:

"I came into contact with Vodafone as an employer for the first time via the TEDxRotterdam 'CEO for one day' event. This event gave me the opportunity to take a look behind the scenes for one day and share my critical insights with the business. The relaxed and informal culture, the mobile working and the speed of the business immediately appealed to me. These are qualities that you do not encounter in such a balanced way in many companies. It is also a company where you have to work together a lot rather than competing against each other in order to be successful."



Cost savings

Due to the poor economic climate in the Netherlands it was necessary for us to reduce operating costs and increase efficiency. We endeavoured to limit compulsory redundancies as far as possible, but were forced to give 71 employees notice of redundancy. The Works Council was actively involved in the entire process. It persuaded Vodafone to limit the number of redundancies and argued for an active outplacement process, which actively supported people from job to job. Our recruiters supported these people in finding a new job.

What are our aims?

Main aim

To create an optimal customer experience by offering a consistent and uncomplicated service in an accessible way.

KPI 2012/2013

- 1st place for the Net Promoter Score (NPS), at least 5 points ahead of the next best scoring competitor
- Score of >80% for Customer Effort Score
- To collect 100,000 used handsets for recycling and reuse

Sub-aims

- A consistent and uncomplicated service via a variety of channels.
- A simple and transparent offering tailored to current customer needs.
- Easy and safe for everyone:
 - Making it attractive and easy for customers to hand in old handsets. More information about privacy.
 - Eco-score on 100% of handsets.
 - Information, tools and products for parents so that their children are able to use mobile telephony safely and responsibly.

Why is this important to us?

Our customers are becoming increasingly dependent on their mobile telephones or tablets. Besides relevant products and a high-quality network, they expect an outstanding service. It is therefore important that we make our customer processes, communication and services clear and simple for our customers.

What are the results?

How do we achieve our results?

A consistent and uncomplicated service via a variety of channels

Customers can contact us via various channels (in shops, by telephone and online). Online we offer contact via the customer forum, the chat service, the 24/7 Web Crew and social media. We guarantee a high level of quality by means of an in-house customer service team and by providing training. The bonus paid to service employees depends, amongst other things, on how customers rate the service. Customers can get help with questions about their smartphone and tablet from the Smartphone crew. For business customers there is an in-house service team, Bring Your Own Device support and a portal where it is possible to see whether maintenance work is being carried out on the network close to their business.

A simple and transparent offering tailored to current customer needs

Due to the transition from calls to data, we have introduced new subscriptions (). The choice of subscriptions has been drastically reduced, making it easier for the customer to compare. Tariff information has been simplified and made more transparent thanks to the flexibility offered with regard to whether the customer pays for the smartphone in one go in advance or monthly as part of the subscription costs. Customers are now able to choose any handset to go with any subscription. Handset prices and subscription costs are clearly presented independently of one another. Customers also receive an SMS alert when they are close to exceeding their bundle. To prevent debts, we carry out credit checks. For business customers, mobile telephony in 43 countries where Vodafone has arranged preferential rates forms a standard element of the subscription.

Easy and safe for everyone

By means of various tools and information we give customers control over their own privacy and enable them to make conscious decisions that are good for the environment and for their children. Trade-in deals encourage customers to sell their used handset back to Vodafone.

What are the results to date?

- Score of -13 for the Net Promoter Score amongst consumers.
- Score of -20 for the Net Promoter Score amongst business customers.
- Customer Effort Score of 77%.
- 114,279 used handsets collected.
- 38,770 downloads of the [Safety Net app](#) for parents and children.

Easy and safe for everyone:

- [Online information](#) for parents on how their child can use a mobile telephone safely and responsibly, support via tools and the Safety Net app (to protect children against bullying and ensure safe browsing) and a special [Child Safe SIM](#).
- [Online information](#) on privacy and data protection, including tips & tools.
- The provides an insight into the level of sustainability of a handset and is provided on each telephone.

Vodafone RED

Vodafone RED subscriptions enable customers to choose a subscription without unexpected call costs more easily. With a RED subscription customers can make unlimited free calls and send unlimited free texts, are given a data allowance of 1 GB per month and receive a replacement telephone if their current one breaks. Customers can also receive extras, such as 5 GB of storage in the cloud. To ensure we can offer an optimal

The webcare service has boomed:

- The use of Facebook for the provision of services increased tenfold last year compared with 2011
- In 2012, 48,829 direct messages were sent via Twitter. This represents growth of 250% compared with 2011
- Traffic to the customer forum rose from 30,000 unique visitors in 2011 to 192,000 unique visitors per month in 2012
- Vodafone was in 2nd place in the [Social Media Monitor 2012](#)
- Research by the social media monitoring and webcare tool Coosto has revealed that Vodafone has the fastest social media customer service

Fairphone

Vodafone has been working together with Fairphone since 2012. Fairphone is a social enterprise that is aiming to bring a fair telephone onto the market. There is still plenty of room for improvement when it comes to the transparency of the production process for mobile telephones in particular. Fairphone and Vodafone have therefore concluded a contract to strengthen one another. Besides financial support it is mainly Vodafone's expertise relating to the use of mobile phones and their market that is important for Fairphone. We are also now collaborating internationally with the intention of assessing all Vodafone mobile telephones against the Fairphone standard. Fairphone is also using Vodafone's sustainability label, the eco-score, to identify, in particular, the most important environmental aspects of mobile telephones for the development of the Fairphone.

experience, the network speed has been increased for all smartphones.

How do we measure the results?

- Using the Net Promoter Score (NPS) we measure the extent to which customers recommend Vodafone to third parties. The NPS uses a 10-point scale, where 9 and 10 mean the customers are promoters (ambassadors of Vodafone) and 0 to 6 mean they are detractors (customers who do not recommend Vodafone or are negative about it). The NPS is calculated by deducting the percentage of detractors from the percentage of promoters.
- We have been measuring the Customer Effort Score (CES) since 2012. CES measures how much effort the customer has had to make to get a question answered or a problem solved via our customer service team or how much effort the customer has had to make to place an order in our online shop. CES is measured on a 5-point scale, where 1 represents little effort and 5 represents a lot of effort. The % relates to the respondents who give a rating of 1 or 2 on the 5-point scale.
- On the basis of the First Time Fix rate we measure the extent to which complaints are resolved at the first time of asking.

Eco-score for mobile telephones

The Dutch [eco-score](#) is now being used in 14 countries, including Australia and New Zealand. The aim of the eco-score is to make our suppliers and customers aware of environmental aspects relating to mobile telephones. It is now incorporated into price negotiations with suppliers. 81% of our customers say that sustainability is important to them with regard to a future purchase. 50% of our customers plan to use the eco-score. At present, however, only 5% make use of the eco-score. In 2013 we therefore want to make the eco-score even more relevant to our customers. The eco-score has been nominated for the National ICT Environment Award 2013.



Evaluation

What have we done well?

- The My Vodafone app has been updated to give customers an even better insight into their consumption.
- The Smartphone crew has been expanded (in shops, online and on the telephone).
- The NPS for customer service and in our shops has improved.
- There is a 24/7 Web Crew.
- Introduction of a new form of subscription (Vodafone RED, see [results](#))
- There is a multi-SIM which enables a single subscription to be used for both a smartphone and a tablet.
- Online information for customers on privacy and security.

What can we do better?

Improve the customer experience and increase convenience for customers in relation to:

- The use of our products and services abroad (see [box](#)).
- Insight into and control of usage and costs (see).
- Buying our products and services and having them delivered.
- House-to-house sale of fibre-optic services ()

Roaming

Last year OPTA [the Independent Post and Telecommunications Authority] investigated Vodafone's Alles-in-een op Reis bundle as there was no roaming cap, a feature that is required by law. The roaming cap was deactivated as the bundle did not work otherwise. We informed customers about this at the time, but in spite of this it was not clear to all customers. We have therefore improved our communication in relation to this, for example in the welcome message that is received when people cross a national border, and we make telephone contact with customers who run up more than EUR 100 in roaming costs within 1 day.

House-to-house sale of fibre-optic services

Vodafone has been active on the triple-play market (television, telephone and internet) via the fibre-optic network under the name Vodafone Thuis since 2011. Bart Combée, director of the Dutch consumer organisation Consumentenbond, argued that Vodafone's contracts were not legally valid. Vodafone did not share this opinion, but recognised that the registration process could have been more transparent. We have introduced a number of improvements in consultation with the Consumentenbond. We have personally approached Vodafone Thuis customers who were still waiting for their fibre-optic connection and offered them the opportunity to terminate their contract within eight days. Additional quality controls are in place for new customers. Over the past few months Vodafone has telephoned all new customers to make sure that the expectations of the buyer and seller correspond. We have also mentioned the statutory cooling-off period and cancellation option on the registration form that customers sign at the door. Finally, we are giving our

salespeople more intensive training and monitoring them more closely. With these improvements we have removed any lack of clarity for customers.

What do our stakeholders say?

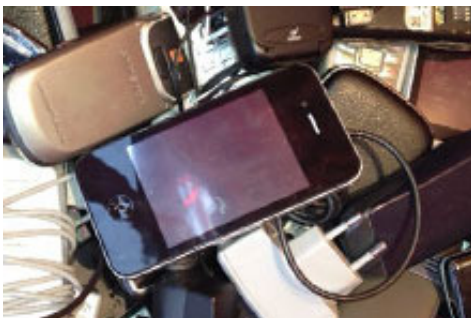
The Consumentenbond is positive about the level of transparency of the new subscriptions. It states as follows on its [website](#): *"By taking mobile internet as a basis with a large data allowance and making calls and minutes (almost) unlimited, Vodafone Red gives a transparent impression. It is clear what you are buying and the risk of being confronted with unexpected costs is small. This is a positive development. Attention is still needed with regard to the 'Extra options', such as the expensive handset insurance. This increases the monthly bill considerably."*

"Mobile safety and digital awareness are preconditions for achieving trust in and acceptance of innovation and the growth of mobile technology. The same applies, perhaps to an even greater extent, when it comes to children. Vodafone is showing that it is taking responsibility and we applaud that. The business community and government must work together to create a safer digital environment, but also to educate parents, teachers and children themselves about the digital world. Together there is still a lot we can do in this area!", Marjolijn Bonthuis – Krijger, deputy director of ECP, Platform voor de InformatieSamenleving [Platform for the Information Society]

In the Net Promoter Score, the majority of customers give us a rating of 7 or 8. Satisfaction with our customer service has increased over the past year.

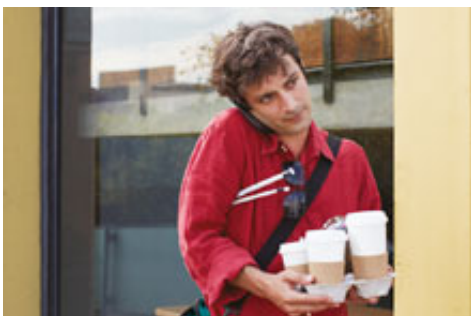
Positive customer quote: *"I was assisted quickly and competently. All my questions were answered."*

Negative customer quote: *"I'm being sent from pillar to post. No attempt is being made to find an effective and reasonable solution."*



Reuse of telephones

Most people buy a new telephone every two years. Telecom providers therefore offer free or cheap handsets with subscriptions. From the perspective of sustainability this is not a desirable situation, as raw materials are scarce and old telephones create e-waste. On average households have 3 to 5 unused mobile telephones lying around the house. The number of unused telephones on the Dutch market is estimated at more than 20 million. Excellent use can be made of old mobile telephones. Vodafone encourages customers to sell their used telephone to Vodafone. In addition, Vodafone is working on long-term solutions to extend the useful life of telephone handsets. The introduction of Vodafone RED allows customers to opt not to take a telephone with their subscription and to continue using their old telephone.



High telephone bills

People are using apps, games and social media and watching high-definition television programmes on their

tablet or telephone more and more. This has an impact on their data usage and, ultimately, their telephone bills. Vodafone's policy is geared towards letting customers choose themselves how much data they want to use. It is therefore important that customers are aware of data consumption and what this costs. Vodafone provides information on data usage. Nevertheless, this does not always prove sufficient and unfortunately customers are sometimes surprised by a high telephone bill later on. On top of the existing measures, we have therefore taken extra steps to draw customers' attention to the costs of data usage. You can read about the extra measures we are taking in the [blog](#) written by Harry Odenhoven, Director of Commercial Operations.

What are our aims?

Main aim

To develop a reliable and stable infrastructure that is able to cope with the huge growth in data expected in the future. At the same time we want to reduce our negative impact on the environment and invest in innovative products and services that will allow us to offer solutions for social issues.

KPI's 2012/2013

- Upgrade and improvement of the network in 4 phases: completion of phase 1, start of phases 2-4.
- Upgrade and improvement of the IT infrastructure in 2 phases: completion of phase 1.
- 50% CO₂ reduction in 2020 compared with 2007.
- 30% more energy efficient in 2020 compared with 2005; 2% more energy efficient each year.

Sub-aims

- To guarantee the stability, quality and security of the network.
- To contribute to customers' core processes with machine-to-machine solutions so that they can innovate, be more efficient and save costs and CO₂.
- To encourage and facilitate innovation.
- To purchase sustainably: self-assessment of top 30 suppliers.

Why is this important to us?

Mobile networks have become indispensable for society. The rapid development of technology and new services brings many advantages. At the same time, the network accounts for 83% of our energy consumption. We are therefore constantly on the lookout for opportunities to save energy. The machine-to-machine market is seeing annual growth of approximately 20% in the number of SIM cards. Vodafone is keen to be the global market leader in this area. We want to grow further in the Netherlands by not only focusing on the connection but also on total solutions.

What are the results?

How do we achieve our results?

Infrastructure

Upgrading and improving our network

Vodafone is carrying out a thorough upgrade of its network, consisting of four phases that will run in parallel. First of all the basic facilities have been adapted to make the network upgrade possible. In phase 2 almost 4,500 antenna sites will be upgraded. This will involve Vodafone replacing antennas, base stations and cabling with more powerful equipment. The number of network exchanges will also be reduced, making it easier to secure the sites. The ultimate aim is the transformation into a network that will deal with all services (fixed and mobile telephony, data, audio and video) in the same way and via the same infrastructure, also known as an 'all IP' network. Vodafone has been developing the 4G network since 2012. Mobile broadband is already being offered in the Eindhoven and Groningen regions with the 2600 MHz frequency.

- To prepare our IT infrastructure for the future, we are implementing an IT programme to upgrade and improve the infrastructure for our ordering, support, billing and customer processes.

Disasters, faults and repair

If a section of the network gets too busy or fails, a back-up system takes over. To guarantee the continuity of mobile services, redundancy is built into telephone exchanges so that another telephone exchange can take over provision of the service in the event of a disaster.

Security

We are taking to guarantee the confidentiality, integrity and availability of the network and network data.

We have started organising our business operations in accordance with the international security standard ISO 27001 for managing and securing valuable (customer) data. Our network is secured using the highest possible level of 2G encryption (A5/3) and we are striving to equip all sites with A5/3.

Environment

In September 2009, Vodafone signed the Long-Term Agreement on Energy Efficiency 3 (MJA3), an agreement between ICT companies and the government to make joint efforts to increase energy efficiency by 2% each year until 2020. We explain what we are taking in periodic long-term plans.

Innovative products and services

- Machine-to-machine: Vodafone provides connectivity for applications. In addition, we have expanded our portfolio to include hardware (incl. M2M modems) and software. As a result we are able to offer our customers complete solutions for reading out data from devices remotely and to help them achieve their objectives.
- Mobile payments: Together with Visa we are developing a mobile wallet service that will enable customers to buy products and services in shops and petrol stations using their smartphone. We are also developing simple solutions that will allow customers to pay for apps and games via their monthly telephone bill.
- Encouraging and facilitating innovation: Vodafone is actively seeking to with the government, educational institutions and companies to encourage and facilitate innovation. Many collaborations with universities and other organisations have been started over the past year. One striking example

is Startupbootcamp.

- With our products and services we want to make a contribution to innovations in the area of healthcare. Examples include the , and the collaboration with .

Chain management

Vodafone endeavours to increase the sustainability of its chain by, amongst other things:

- having its top 30 suppliers perform a self-assessment.
- participating in MVO Nederland's [CSR Netherlands] social conditions for tenders pilot.

What are the results to date?

Infrastructure

- Phase 1 of the network upgrade has been completed: Vodafone has completely recovered from the effects of the fire at a network exchange in Rotterdam in April 2012. Phases 2, 3 and 4 have been started to improve availability, capacity and stability. Almost a third of 3G sites have been upgraded.
- Accessibility of mobile calls is 99.6%, high speed data is 99.6% and we have a dropped call rate of less than 0.4%.
- Vodafone has made agreements with KPN and T-Mobile on regional roaming in the event of faults.
- Phase 1 of the IT upgrade has been completed.

Environment

- Energy efficiency of -0.05%.
- CO₂ emissions have increased by 15% compared with the previous year. .

Innovative products and services

- Machine-to-machine technology: Vodafone is the market leader with a market share of 51%. Turnover has grown by >10%. This is in line with the growth of the market as a whole.

Chain management

- Self-assessment by eight of our top 30 suppliers.
- An award established for the most sustainable supplier.
- Vodafone falls into Regime 3 (risk) for risks related to social conditions for the supply of network connectivity and SIM cards.

“To achieve a sustainable purchasing process, you need transparency in and an insight into the chain of suppliers. Although suppliers are keen to work with us on creating a sustainable chain, they regard some information as confidential and competitively sensitive. It therefore remains a challenge to clarify where products come from and how they are produced.”

Jos Doensen, Chief Procurement Officer Vodafone Netherlands

Sustainability award for suppliers

Vodafone presented an award to its most sustainable supplier for the first time in 2012. .

How do we measure the results?

- The quality of the network is

measured, amongst other things, by means of:

- Network benchmarks via (third) parties and methodologies.
- ‘Live drive testing’: measurement units have been installed in 65 taxis across the Netherlands.
- A speed test, which we use to measure network performance via the results of app users.
- CO₂ emissions are calculated via the CO₂ footprint in accordance with the scope classification, a calculation model of the Greenhouse Gas Protocol (GrHG-protocol)
 - Scope 1 Direct CO₂ emissions due, for example, to Vodafone's lease cars and the heating

- of buildings using natural gas.
 - o Scope 2 Indirect CO₂ emissions due, for example, to the electricity consumed by our network or district heating for our buildings.
 - o Scope 3 Other indirect CO₂ emissions related to Vodafone's activities, such as claimed kilometres or air travel.
- Vodafone is investing in Startupbootcamp. This is an initiative in which start-ups are offered an accelerator programme lasting a number of months. Vodafone is not only a sponsor and shareholder of the initiative, but also accommodates Startupbootcamp on the 6th floor of its head office. The 10 start-ups that took part in Startupbootcamp in 2012 have since created 120 new jobs.
- Vodafone is also investing in Startup Network (SUN) Amsterdam, a collaboration between the government, education and the business community that aims to support innovative companies.
- Vodafone is participating in THNK, The Amsterdam School of Creative Leadership, where leaders of the future are trained.
- Together with a number of other leading companies, Vodafone is working together with TU Delft and Agentschap NL on the 'Products that last' programme, which aims to extend the life span of products in a commercial manner.
- Last year Vodafone also supported 3rd year Entrepreneurship & Innovation students at TU Eindhoven with feasibility studies in the area of m-health and innovative 4G applications.
- In Maastricht Vodafone has sponsored the Museum aan 't Vrijthof for the development of an augmented reality app for children.

What is machine-to-machine technology?

Machine-to-machine communication, better known as M2M or telemetry, connects machines or devices remotely and exchanges important information between machines or devices, without human intervention. A device (e.g. a sensor) is connected to a SIM card. If the device detects an event, the SIM card passes on the information about it, such as temperature, location, consumption, heart rate, stress, light, movement, height or speed, to a central server. The server then translates the data into meaningful information, so that a response can be triggered. Examples include the temperature being lowered remotely if it is too warm, the remote monitoring of a patient's heart rate by a doctor and a signal to indicate that a rubbish bin is full or a soft drinks machine is empty. M2M communication can also be applied to people. It can help protect employees working on their own or vulnerable children, help find missing people and ensure that people who are on medication take the right medicines at the right time.

Mobiles for Good challenge

Mobiles for Good Challenge The Mobiles for Good Challenge is a competition to find innovative mobile applications that contribute to the health and well-being of people. Last year we financed three projects:

1. The malaria tester by the start-up Amplino is a mobile malaria tester that enables doctors to make a diagnosis within 40 minutes. With the resources currently available, such a diagnosis takes two to three weeks. This app can significantly reduce the number of victims of malaria.
2. The Hospitality App has been developed by the Academic Medical Center, Amsterdam [Academisch Medisch Centrum, Amsterdam]. This app ensures that older patients are accompanied to their consultation by a student, who can also attend the consultation. As a result the patients find making their way through the hospital less stressful, are able to follow the consultation better and can also ask questions about the information they have been given afterwards.
3. Speech assistant: this app has been designed by the company A-Soft to make communication possible for people who have difficulty speaking, but who can read. Using the app it is possible to define a set of words, which then become visible directly as buttons on the screen. Sentences can be formed quickly and simply by touching the words on the screen. With the help of 'text to speech' the sentences created can be converted into spoken language. The app has now been downloaded 10,000 times in various languages.

World of Difference

World of Difference World of Difference is a programme by the Vodafone Foundation in which young professionals are given the opportunity to work as a team on a social project. Since February 2013 the 4 winners from 2012 have been working in Ghana on a mobile application intended to inform young people about sex, HIV and AIDS. The project is supported by IICD and dance4life.

Collaboration with dance4life

Stichting dance4life [the dance4life Foundation] has been a partner of the Vodafone Foundation for many years. This foundation inspires young people to stop the spread of HIV and AIDS. Last year the Vodafone Foundation supported dance4life with the development of an app that would provide clear answers to any questions young people may have about safe sex. The Vodafone Foundation also supports dance4life's schools4life programme in which young people are made aware of the problem of HIV and AIDS by means of school tours and campaigns.

CO ₂ footprint*		2009	2010	2011	2012
Scope 1	Buildings	51	71	44	251
	Network	238	254	1180	1267
	Shops	456	604	517	2259
	Transport	1881	1619	2105	2051
	Refrigerants	356	496	531	394
Scope 1 total		2982	3044	4377	6223
Scope 2	Buildings	6285	7714	1765	3085
	Network	32426	33503	38028	39262
	Shops	1047	1225	1549	3632
Scope 2 total		39758	42442	41342	45979
Scope 3	Paper	66	38	67	6712
	Air travel	190	156	362	41
Scope 3 total		256	194	429	6753
General total		42997	45678	46148	58954
Green energy		29077	36460	41379	47752
Total CO₂ emissions in tonnes including green energy		13920	9218	4769	11202

* Emissions are indicated in tonnes of CO₂

Sustainability award for suppliers

Vodafone presented an award to its most sustainable supplier for the first time in 2012. With this initiative Vodafone's intention is to promote the importance of sustainability in the chain. Three companies were selected

from more than 3,000 different suppliers to Vodafone Netherlands on the basis of their sustainability score: Shields Environmental, Sogeti and Deutsche Post-DHL. These three suppliers were assessed by the jury in terms of their relevance, transparency, credibility, innovation, collaboration in the chain and ambition. The jury, consisting of Arjan de Draaijer, Director of Sustainability at KPMG, Michiel van Yperen, Chain Specialist at MVO Nederland, Jos Doensen, Chief Procurement Officer at Vodafone Netherlands, and Klaske de Jonge, Director of Corporate Affairs & Strategy at Vodafone Netherlands, chose Shields Environmental as the winner. The life cycle analysis reveals that the environmental impact of network equipment is greatest during manufacturing. Shields' primary service is the extension of the life span of network equipment. As a small company Shields is able to embed sustainability in the chain quickly. It received an award and a cheque for EUR 5,000, which is to be spent on a relevant sustainability project.

We are taking a variety of measures to save energy in our network. Some examples:

- The air conditioning that is needed to keep the transmitting equipment cool has been replaced by environmentally friendly cooling systems at a number of transmitter masts.
- New transmitting equipment is able to handle heat better. This means that less energy is required for cooling purposes.
- A number of GSM masts are put on stand-by automatically at night. During this sleep mode a mast uses much less energy.
- The cabinets for the transmitting equipment are close to the mast. As a result much less energy is required to bridge the distance between a mast and the transmitting equipment.
- If there is a power failure, a battery supplies electricity temporarily. Such a battery consumes a large amount of energy. By means of smart planning, it has been possible to substantially reduce the number of batteries required.

To guarantee confidentiality, integrity and availability, we ensure, amongst other things, that:

- only authorised persons have access to certain data.
- information cannot be changed without detection.
- the network is monitored and scanned 24/7.
- vulnerabilities, threats and risks are managed in a structured way.
- our security processes are checked periodically by independent parties.

Evaluation

What have we done well?

- The network and IT upgrades are on schedule.
- Strong growth in the machine-to-machine market; we have strengthened our position and expanded our portfolio.
- Three successful innovations for peoples' health made possible by the Mobiles for Good Challenge.

What can we do better?

- Following a major fault in April 2012 we have worked hard on the repairs. Unfortunately these did not progress as quickly as expected. The insights we gained during this disruption have led to a plan for improvement that is now being implemented.
- Our energy efficiency fell over the past year (-0.05%), due, amongst other things, to an increase in energy consumption (3%) as a result of the antenna network, which is being prepared for 4G services.
- CO₂ emissions increased by 15%. The main reasons for this are the acquisitions of BelCompany and Telespectrum and the construction of the 4G network. In order to achieve our CO₂ targets, we have amended the CO₂ reduction programme.
- We need to make the social relevance of machine-to-machine technology clearer.
- The response of our top 30 suppliers to our request to perform a self-assessment with the help of a questionnaire was very low. We are considering other possible ways to gain an insight into the supply chain.
- We worked together with the municipality of Eindhoven and MVO Nederland on the identification of risks related to social conditions in the supply of network connectivity and SIM cards. By providing these services, Vodafone falls into Regime 3: risk. A plan of approach has been submitted to the municipality of Eindhoven.

What do our stakeholders say?

Vodafone uses 100% green energy. In previous years this was achieved via hydropower from Norway, but on 1 April 2013 we switched over to Dutch wind energy. This was done in consultation with Greenpeace.

"It is good to see Vodafone turning words into deeds and opting for green energy from wind parks. This proves there are companies that are committed to ensuring an increasingly sustainable energy supply in the Netherlands."

- Sanne van Keulen, Greenpeace spokesperson



Local opposition to antennas

A dilemma for telecom companies is that everyone wants the best coverage, both inside and outside, but people oppose having antennas close to where they live. External factors mean, however, that there is not always good coverage in people's homes or in the office. As a solution to this dilemma Vodafone has introduced SignalPlus onto the market, an internal antenna that improves coverage indoors.



Vodafone disagreed with the structure of the auction

Vodafone did not agree with the structure of the auction. A third of the available 800 MHz spectrum was reserved for newcomers. In our opinion, this was not justified from a legal or economic point of view. The effect of reserving this portion of the spectrum was an artificial shortage in the 800 MHz band, resulting in huge differences in the prices paid for the reserved and unreserved spectrum. These substantial differences in the prices paid lead to an uneven playing field. Vodafone is therefore pushing for a quick evaluation. The lessons that can be drawn from this evaluation must be taken into account in the structure of any subsequent auction. The Ministry of Economic Affairs is already preparing for the redistribution of the current UMTS licences, which expire at the end of 2016. Vodafone raised its objections to the structure of the auction when the Ministry of Economic Affairs published the auction regulations (beginning of 2012) and other associated regulations. These objections were rejected by the ministry. Vodafone has appealed to the courts against this decision. The interests involved in the last auction were considerable, as is evident from the huge amounts that were paid, totalling EUR 3.8 billion. Vodafone paid EUR 1.4 billion. What was difficult about the auction was that Vodafone was put on the spot: we had to take part because our most important licences, those for the 900 and 1800 MHz bands, were due to expire at the end of February 2013. We are seeking a court judgement stating that the structure of the auction was unlawful and careless and resulted in an uneven playing field.



Research into radiation from mobile telephones

The damaging effects of mobile telephones on health have been a subject of discussion for many years. Some scientific studies have demonstrated an impact on health, while others refute that there is any effect. Vodafone informs its customers about developments in this area via its website. We are also the first and only telecom

company in the Netherlands to offer its services to COSMOS, a large-scale international study in which 100,000 people are participating (Vodafone is not profiting in any way from its participation). In the Netherlands this study is being conducted by the IRAS institute of the University of Utrecht.

To maintain scientific validity, it is important that several telecom companies get involved in the future. Vodafone has now taken the initiative to consult with the other telecom companies as a sector.

Our dilemma is whether we should or could be doing more at this stage. More information from Vodafone could lead (perhaps unnecessarily) to an increase in concern and to the association of the Vodafone brand with this issue, while the World Health Organization and the Netherlands Health Council have concluded that with the knowledge we have today there is no reason to assume there are any effects on health. Although it is possible that there are effects, more scientific research is needed on the subject.



Energy savings with increasing data consumption

Vodafone's energy consumption is rising due to the increase in data consumption. Forecasts by Vodafone show that energy consumption will continue to rise. The challenge is to achieve our targets in the area of energy efficiency despite this increase in energy consumption. Upgrading our network should help to improve our energy efficiency, but we will also have to keep looking for other ways of saving energy.

What are our aims?

Main aim

To be a dynamic and daring telecom company that offers its customers an outstanding network, excellent customer service, innovative services and good value for money. We will only be able to achieve this by being accessible, open and easily approachable for customers and entering into dialogue with them.

KPI 2012/2013

- Brand target: Brand Equity Score (BES) 15
- Campaign target: Campaign Health Tracker - Cut Through Score 40/50

Sub-aims

- To build a consistent brand based on our company's brand values: *Playful, Professional, Passionate & Personable*.
- To ensure that we become a '*connected brand*' - a brand that is in touch with its customers.

Why is this important to us?

Our customers are the reason for our existence and we want to help them, inspire them and offer them new possibilities. By entering into dialogue with our customers and other stakeholders on an ongoing basis, we are able to gain an insight into their requirements and needs. We can then take these as the basis for our campaigns and proactively improve our processes, products and services.

What are the results?

How do we achieve our results?

- The growing number of smartphones in the Netherlands is making security an increasingly important issue. Research shows that one in four people lose their telephone at some point. Our customers do not appear to be that well informed about the possible unpleasant consequences of this. Last year we therefore ran the 'Your phone is your everything' campaign to make people aware of what happens if you lose your telephone. Vodafone offers various solutions to minimise the consequences of such an event, such as keeping a and specific insurance policies.
- In our collaboration with the TV programme The Voice of Holland we were once again able to bring something extra to the target group. In previous seasons we enabled viewers - via a second screen - to contribute to the discussion and - using the Thuiscoach app - to participate in the decision making. This year viewers were really able to join in. Via the extra Sunday broadcast of The Voice of Holland and the Singing Sunday app, viewers could sing along with the same songs that the contestants had sung on Friday in the live show. This gave our customers a new TV experience using their mobile phones.
- With our own Vodafone Firestarters programme we are showing how the digital world is changing industries. Firestarters focuses on the trendsetters in the areas of music, fashion, film, photography, media and art. We offer masterclasses, live interviews, online documentaries and workshops in the Firestarters Forum and at events such as Amsterdam Fashion Week, IDFA, PICNIC, TEDx, Museumnacht [Museum Night] and the Amsterdam Dance event.

What are the results to date?

- The Campaign Health Tracker studies reveal that there is an upwards trend in the cut through scores of our campaigns. Our most recent campaign 'Your phone is your everything' had a cut through score of 55. This means that 55% of the respondents have seen the campaign and associated it with Vodafone.
- We are currently in second place in the Brand Equity Score with a score of 13.9.

Customers involved in campaign

As a starting point for the 'Your phone is your everything' campaign we entered into dialogue with our customers on social media. We asked users about their experiences of losing their telephone and the consequences of this. The most compelling examples were incorporated into TV commercials. To emphasise the fact that these were true stories, the customers concerned appeared on screen themselves to tell their story. We also conducted an experiment under the name " in which we 'lost' 100 telephones in various locations in the Netherlands, such as in a bar or on the train. This experiment showed that the place where you lose a telephone influences how likely you are to get it back. We reached 90% of our target group with this campaign. Our customers valued the campaign and found it particularly helpful. We also witnessed a significant increase in demand for our apps and propositions for protecting your telephone and data.

How do we measure the results?

- The Brand Equity Share measures the brand perception amongst Dutch consumers in comparison

with competitors and is based on five components: performance, emotion, value, distinctiveness and brand recognition (measured by research agency Millward Brown).

- For each major campaign we measure the Cut Through Score via the Campaign Health Tracker. This measures campaign recognition and whether the consumer associates the campaign with Vodafone (measured by research agency Millward Brown).
- We also measure the number of followers on our social media.

Evaluation

What have we done well?

Last year we won the following awards, amongst others, with our campaigns:

- Two SAN accent awards for our Vast-op-mobiel service and The Voice of Holland
- AMMA award for The Voice of Holland
- Spin Award for the Thuiscoach app for The Voice of Holland
- Two Esprix awards for Grand Prix van Roggel and The Voice of Holland
- Four SponsorRing awards for Firestarters (x2), The Voice of Holland and for the Sponsor of the Year
- Mobile Media award for our roaming campaign
- Eurobest Award for The Voice of Holland
- Dutch Interactive Award for Ondernemers Jackpot

What can we do better?

- We have already started a dialogue with our customers in a variety of ways: via our social media channels (Vodafone Forum, Twitter, Facebook, Hyves), but also via customer surveys and our Smartphone Crew. We want to expand this to help us respond even more effectively to the requirements and needs of our customers.
- We want to make our campaigns more consistent so that it is always clear what Vodafone stands for.

What do our stakeholders say?

From the jury report for the SponsorRing 2012 awards: *"With its overarching brand promise 'Power to You' Vodafone dares to take risks and the company approaches sponsorship projects in a fully integrated way, including special business propositions. This year Vodafone got more than the maximum from its sponsorships. That means that this year the promise can justifiably become: Power to Vodafone."*



Security vs privacy

When our personal information unintentionally falls into the hands of third parties, it can result in unpleasant situations. Receiving spam is one common example. Less common problems, albeit very serious ones, are

instances of identity fraud or theft and the misuse of data. In these cases it is possible for tweets to be posted in another person's name, for example, for money to be withdrawn from a bank account or for orders to be placed in online shops - all without permission. Many consumers are not properly informed about the potential risks and the steps they can take themselves to protect their personal data, such as using antivirus apps. Last year Vodafone launched a campaign to make customers aware of the importance of better protecting personal data on their mobile phones, for example by using the or the .



Price vs service

Our customers perceive Vodafone as being a relatively expensive telecom provider. In the current economic climate we are seeing more people switching over to other, less service-oriented telecom providers. Over the coming year we want to demonstrate even more clearly the value of quality.

What are our aims?

Main aim

To improve our reputation by analysing the needs of each stakeholder to ensure that we discuss the right subjects with the right people, anticipate these as effectively as possible, take action and communicate what we have done.

KPI 2012/2013

- A place in the top 10 of the RepTrak
- A place in the top 10 of the Transparency benchmark

Sub-aims

- Structured and proactive stakeholder engagement
- Promotion of transparency by means of open communication and dialogue through various channels
- Greater communication about the positive contribution telecommunications make to society
- Effective issue and crisis management

Why is this important to us?

In our opinion a good reputation is important as it creates a positive force of attraction. We believe that a good reputation puts us in a better position to attract and retain customers and employees and to increase our competitive advantage. For various reasons our sector has suffered from a poor reputation for many years. We want to improve this by working together with the sector organisation Nederland ICT, amongst other things. Due to the importance of our infrastructure for society and our reputation, politicians pay a great deal of attention to the telecom sector, resulting in a strictly regulated market. If we show that we are able to tackle issues positively ourselves, politicians will be less inclined to intervene. Self-regulation makes it possible to take sector-specific circumstances into consideration. The result that politicians have in mind for the end user can therefore often be achieved better by means of a sectoral approach. We have to deal with many different stakeholders with various interests. These interests must be weighed up carefully. It is important to listen attentively so that we are able to gain a good understanding of wishes and concerns and can address these effectively and anticipate them. We also want to cultivate understanding for the choices we make and work actively with stakeholders to achieve better solutions.

What are the results?

How do we achieve our results?

Structured and proactive stakeholder engagement

As the impact of our products and services is high, stakeholders are understandably often demanding. By entering into dialogue with stakeholders, we are able to find out what is important to them, we can identify and tackle issues promptly and can build up relationships and find ways to improve our activities. Besides improving our own reputation we are also working together as a sector (Nederland ICT) to improve the reputation of the telecom sector as a whole. Within this collaboration work is being carried out to make improvements in three areas: the continuity of telecommunications as a critical infrastructure (e.g. regional roaming), the security of telecom services (e.g. the reporting of security problems) and insight into the telecom sector's contribution to Dutch society and the Dutch economy. (see [Management](#) for the stakeholder process and [How we create value](#) for the stakeholder overview)

Promotion of transparency by means of open communication and dialogue through various channels

Our communication with stakeholders has changed over the last two years. Social media are making it easier to enter into dialogue directly. Since 2011 we have been keeping a [corporate blog](#) where the members of our Board of Directors write blog posts on subjects that are occupying them, our customers or other stakeholders. Our Director of Commercial Operations, for example, has written several blog posts about the steps Vodafone is taking to give customers more control over the costs of their mobile phone. Stakeholders can respond to this directly and receive a response back. We are also active on Twitter. In 2012 we sent 100,000 public tweets. Images often say more than words and we therefore use YouTube videos to convey certain messages, such as updates from our CEO concerning the disruption that resulted from the fire or communications about internet speeds from our Consumer Market Director. In addition to an annual report, each quarter we also send a [newsletter](#) to more than 400 stakeholders concerning the most important activities and developments in the area of sustainability.

What are the results to date?

- RepTrak: no. 12
- 2nd in the annual Social Media Monitor
- 8th place in the Transparency benchmark for the 2011-2012 Sustainability Report

Want to find out more about sustainability@Vodafone?

Read our quarterly newsletter detailing the latest developments.

- [Register](#)
- [Archive](#)

Contribution to society

Many people are unaware that there are now 609,375 devices in the Netherlands containing Vodafone SIM cards that are connected with one another, the internet or an exchange and what benefits this brings to society. Examples include

security cameras, cars, medical equipment and smart meters, as well as the possibility of calling for immediate assistance in the event of an emergency using a HELP! app.

How do we measure the results?

- Using the RepTrak the Reputation Institute measures our reputation on the basis of various reputation

drivers compared with our key competitors.

- The Transparency benchmark gives us an insight into the level of transparency of our reporting compared with other companies. This benchmark is an annual study examining the content and quality of the social reporting of Dutch companies. It is an initiative of the Dutch Ministry of Economic Affairs.
- The Social Media Monitor is an annual study by Social Embassy which examines the use of social media by the Netherlands' top 100 advertisers based on gross media spending in the Netherlands (Source: Nielsen Research). The study consists of a survey amongst the companies which looks at their organisation of social media, their ambitions and their results, as well as an assessment by Social Embassy in terms of activity, interactivity and the building of communities. Based on this information the companies are given a score between 0 and 100.

Evaluation

What have we done well?

- The [blog](#) written by our Director of Commercial Operations on the discontinuation of mobile internet for customers without a data bundle to protect them against unexpected and inadvertent out-of-bundle costs (as part of a series on measures against unexpected data costs) was very well received by the press. There was positive public feedback from the Dutch consumer organisation Consumentenbond and positive responses from the general public, e.g. on NU.nl.
- Positive review in national Dutch newspaper de Volkskrant (in addition to several positive test results from other media) concerning SignaalPlus for indoor coverage.
- In April 2012 our Consumer Market Director Bart Hofker posted a [blog](#) on internet speeds, calling for ideas on how we can best communicate data speeds, as there was a substantial lack of clarity in this area. Numerous responses were received via social media. The ideas were subsequently discussed with the Ministry of Economic Affairs and the Consumentenbond, so that they also had the opportunity to give their point of view. In response to this we will place less emphasis on theoretical maximum speeds and will be the only provider to refine these to indicate as accurately as possible the speeds that customers can expect in practice.

What can we do better?

- The general public is not aware of what mobile communication does and is capable of doing for society. Mobile applications help achieve efficiency, cost savings and cost reductions in sectors including healthcare, waste processing and logistics. Providing an insight into the social impact of our products and services and bringing this to the attention of a wide audience is our next challenge.
- We want to provide our customers with good, prompt and accessible information about our products, services and policy choices. The information we provide online about privacy, our corporate blogs and simplified general terms and conditions are examples of this. Over the coming year we will be taking further steps by providing our customers with information on important issues more proactively.

What do our stakeholders say?

"Vodafone's reputation has improved compared with 2011 and people are now more positive about Vodafone's performance in relation to the reputation dimensions, in particular with regard to management (7.8) and citizenship (6.7). Support from respondents for Vodafone has also increased."

Reputation Institute, November 2012

"The fact that Vodafone is taking the initiative and inviting stakeholders across the board demonstrates that Vodafone is a 'thought leader' in the area of sustainability."

Participant in stakeholder dialogue, 9 April 2013



Innovation vs privacy (big data)

Network data can be used for useful purposes and lead to innovative solutions. This data can be used, for example, to make better predictions about how many people will use a new road, public transport connection or other public facilities. So-called Big Data can also violate privacy, however, if it is not used carefully. Vodafone Netherlands has started a pilot together with Mezuro focusing on applications within the public sector. Anonymised and aggregated mobile network data is used exclusively in this pilot.



Affordable and accessible network vs privacy

Packet Inspection is an umbrella term for techniques which can be used to analyse data traffic that is transmitted over networks. These data analysis techniques are necessary to be able to guarantee the capacity and security of the network and the services offered, and to be able to offer customers quality, protection and user-friendliness. In May 2011 various media reported that a number of mobile network providers, such as KPN and Vodafone, make use of Packet Inspection. For external stakeholders, however, such as Dutch MPs, the media and regulators, it was unclear at what level packet inspection was being applied, what the precise purposes are for which these techniques are employed and whether there was a threat to user privacy. The impression was created that mobile network providers were looking at more than is necessary and were using Packet Inspection to restrict access to the open internet (by charging extra for using WhatsApp, for example). Vodafone only looks at the content of the data traffic if it receives a request to this effect from the public prosecutor; Vodafone only makes use of Packet Inspection techniques for the purposes of security, for billing and to manage traffic across the network. For the most far-reaching form of Packet Inspection, Deep Packet Inspection (DPI), Vodafone has clear guidelines and careful procedures in place. These are checked each year by an internal department (compliance office) and by an external agency. In July 2011 the Dutch Data Protection Authority (CBP) launched an investigation into the use of data analysis techniques by Vodafone and a number of other telecom companies in the Netherlands. This was continued in 2012/2013 and is expected to be completed in June 2013. Vodafone has cooperated fully with the investigation. Furthermore, Vodafone has added to the information it provides on the use of Packet Inspection online within the privacy section.

Financial performance

The 2012/2013 financial year, which ended on 31 March 2013, was a relatively good year. In spite of the challenges associated with the current economic situation, Vodafone Netherlands managed to consolidate its market share. The Netherlands was faced with a continuing economic crisis, which made itself felt in the form of a decline in Gross National Product (GNP) and a drop in employment. This is having direct consequences for the purchasing power of both consumers and companies.

In addition to these macroeconomic trends, the telecom industry is increasingly having to contend with regulation and is also seeing a change in customer behaviour, with traditional voice and SMS traffic being replaced by data traffic. This is having a direct impact on the results of the telecom companies. Vodafone Netherlands' results are also being affected by this and our profit fell compared with last year. This decline in profit is also a consequence of one-off events, such as the disruption to our network caused by a fire at a network exchange in April 2012.

Market development

Consumer market

In 2013 the global economic crisis had an impact on the consumer market; Dutch consumers are cutting back their spending on telecommunications, resulting in increasing demand for lower tariffs with no additional service (the 'no-frills' concept).

An increasing number of customers are also favouring SIM-only subscriptions over regular subscriptions, as they want to use their old mobile phones for longer. Turnover from mobile data continued to increase, although this rise did not compensate entirely for the drop in call and SMS turnover.

In 2012 almost 60% of consumers had a smartphone (12 to 80 years of age). On the prepaid market a third of customers own a smartphone. The increase in the number of smartphone users means that the way in which our mobile services are used is also changing. Although texting is still the most frequently used mobile service, the use of online applications is on the rise. More than a third of all consumers use their mobile phone to send and receive e-mails and 22% mainly use instant messaging. Amongst postpaid customers this percentage is even higher: 43% of postpaid customers use their phone to send and receive e-mails and more than a quarter use instant messaging.

Enterprise market

A negative development can also be seen on the enterprise market. Companies are constantly seeking out better deals and are rapidly moving towards integrated solutions, e.g. by means of cable. Smartphone penetration is lower within the enterprise market than amongst consumers, although there are few no-frills providers, given that these providers are not yet able to offer the (technical) solutions that business customers want.

Financial performance in 2012/2013 financial year

Vodafone's total turnover fell from EUR 2,058 million to EUR 1,997 million, a drop of 3%. This decline was mainly due to the impact of the lowering of mobile termination rates (MTRs), increased competition (fixed-line telecom companies entering the mobile market), lower turnover from bundles being exceeded, the aftermath of the fire in April last year, the difficult economic conditions and the change in consumer behaviour. The number of customers, on the other hand, rose slightly by 0.3% to 5.3 million (rounded) as at 31 March 2013.

Gross profit fell from EUR 748 million in 2012 to EUR 714 million in 2013, a drop of 4.8%, although the gross profit margin improved from 36.3% in 2012 to 35.7% in 2013. Operating profit declined from EUR 357 million in 2012 to EUR 287 million in 2013, falling by 19.6%. This drop in operating profit was due to the disruption to the network caused by the fire, a rise in operating costs that can mainly be attributed to the acquisition of BelCompany and Telespectrum, reorganisational costs (redundancies and the closure of locations) and higher costs for outsourcing operations. The operating profit margin fell from 17.3% in 2012 to 14.4% in 2013.

Net profit declined from EUR 272 million to EUR 267 million. Free cash flow (net cash flow after investing activities and adjusted for dividend payments to Vodafone International Holding B.V.) was EUR -2 million (EUR 5 million in 2012). During the year Vodafone paid out EUR 800 million in dividends to Vodafone International Holding B.V.

Remuneration

Remuneration of Board of Directors

Remuneration and pension payments for current and former members of the Board of Directors came to EUR 4 million (in 2011/2012: EUR 5.2 million), of which EUR 1.1 million was intended for the directors under the Articles of Association (in 2011/2012: EUR 2.2 million).

The overall remuneration of the Board of Directors (in EUR thousand) can be broken down as follows:

The overall remuneration of the Board of Directors (in EUR thousand)

	Salary	Bonuses*	Social Security & Pension	Total
Directors under the Articles of Association	487	586	19	1,092
Other members of Board of Directors	1,341	1,277	310	2,928
Total for Board of Directors	1,828	1,863	329	4,020

* Bonuses of members of the Board of Directors are divided into bonuses, exercised option plans and relocation allowances

Not included in the remuneration of the Board of Directors in 2012/2013 is the crisis tax in the amount of EUR 0.3 million, of which EUR 0.1 million relates to the directors under the Articles of Association.

Option rights to shares in Vodafone Group Plc

In the 2012/2013 financial year no option rights to shares in Vodafone Group Plc were granted to members of the Board of Directors. Option rights had been granted in previous years. These option rights had been granted on the basis of the "Vodafone Group 1998 Sharesave Scheme" and the "Vodafone Group Plc 1999 Long Term Stock Incentive Plan". The latter includes the Global Employee Option Plan.

In the "Vodafone Group Plc 1999 Long Term Stock Incentive Plan" options are granted at a price equal to the market value of the shares on the day preceding the date on which the options are granted. The exercising of these options is dependent on a certain level of performance being achieved. These options have a term of ten years and after three years it will be possible, unconditionally, to remeasure performance at the end of the fourth and fifth years, starting from a fixed base year. If the performance conditions have not been met at the end of the five-year period, the options will expire.

On 31 March 2013 the members of the Board of Directors had 18,049 option rights to shares in Vodafone Group Plc at an average weighted price of GBP 1.34 (31 March 2012: 1,227,537 option rights to shares in Vodafone Group Plc at an average weighted price of GBP 1.34).

Participation of current and former members of the Board of Directors (in GBP)

	Directors under the Articles of Association		Other members of the Board of Directors		Total for Board of Directors	
	Number of options	Average exercise price (in GBP)	Number of options	Average exercise price (in GBP)		Average exercise price (in GBP)
Number of share options as at 1 April 2012	1,227,537	1.34	-	-	1,227,537	1.34
Share options exercised	-		-		-	
Expired share options	-		-		-	
Transfer for former/newly appointed members*	(1,227,537)		18,049		(1,209,488)	
Number of share options as at 31 March 2013			18,049	1.34	18,049	1.34

* Transfer for former/newly appointed directors under the Articles of Association includes transferred options for Mr J. Schulte-Bockum and Ms A. Nelson. These members of the Board of Directors retired on 1 April 2012 and 1 May 2012 respectively.

Vodafone Group Plc shares granted

In the 2012/2013 financial year the members of the Board of Directors were granted 809,995 shares in Vodafone Group Plc (in the 2011/2012 financial year 1,609,973 shares in Vodafone Group Plc were granted). Under the Vodafone Group Long Term Incentive Plan the shares granted represent a conditional right to receive Vodafone Group shares after a period of three years. The table below indicates the shares granted under the Vodafone Group Long Term Stock Incentive Plan relating to shares in Vodafone Group Plc:

Shares granted under the Vodafone Group Long Term Stock Incentive Plan (in EUR)

	Directors under the Articles of Association	Other members of the Board of Directors	Total for Board of Directors
Number of share options as at 1 April 2012	2,055,010	1,567,288	3,622,298
Share options granted	429,622	405,407	835,029
Share options exercised	(107,039)	(215,573)	(322,612)
Expired share options	(15,915)	(149,810)	(165,725)
Transfer for former/newly appointed members*	(1,638,833)	(470,690)	(2,109,523)
Number of share options as at 31 March 2013	722,845	1,136,622	1,859,467

* Transfer of shares granted includes the transfer of shares for Mr J. Schulte-Bockum and Ms A. Nelson. These members of the Board of Directors retired on 1 April 2012 and 1 May 2012 respectively. The shares granted also include transferred shares for Mr R. Shuter and Ms C. de Geyseler, who joined the Board of Directors on 1 April 2012 and 1 May 2012 respectively.

Remuneration of Supervisory Board

The members of the Supervisory Board received no remuneration (2011/2012 financial year: ditto). As at 31 March 2013 none of the members of the Supervisory Board held shares in Vodafone Libertel B.V. (31 March 2012: ditto). Within the Vodafone Group no expenses were charged on to Vodafone Libertel B.V. for the members of the Supervisory Board.

Taxes

Vodafone Libertel B.V. forms part of a tax entity with Vodafone International Holdings B.V, the shareholder of Vodafone Libertel B.V. A debate has arisen within society concerning the tax contributions paid by multinationals. For Vodafone's position in relation to the payment of tax we refer you to the Vodafone Group Sustainability Report 2012/2013. This also contains an overview of the tax that Vodafone paid in each country in 2011.

Governance

Vodafone Libertel B.V. is a Dutch private limited company, based in Maastricht. The shareholder of Vodafone Libertel B.V. is Vodafone International Holdings B.V. Vodafone is wholly owned (indirectly) by Vodafone Group Plc, a listed fund. As at 31 March 2013 Vodafone Netherlands had two subsidiaries: Vodafone Retail BV and Telespectrum. Telespectrum merged with Vodafone on 1 April 2013.

Vodafone Netherlands has a layered management model: a Board of Directors, consisting of the CEO and CFO (both of whom are directors under the Articles of Association) and seven members with the title of director, and a Supervisory Board comprising three members.

“Good management is essential to create value for all stakeholders. It is an ongoing process with an unchanging goal: to guarantee ethical and responsible management that keeps the interests of stakeholders in balance and enables us to fulfil our obligations.”

- Klaske de Jonge, Director of Corporate Affairs & Strategy

Get to know our management:



Rob Shuter

Chief Executive Officer

Bio

Rob Shuter has been CEO of Vodafone Netherlands since April 2012.

Rob started his career as an accountant with Deloitte in Johannesburg. He then moved into the banking sector, where he worked as head of investment banking at Standard Bank and head of retail banking at Nedbank, amongst other roles.

In 2008 Rob was presented with the ‘South Africa’s leading manager’ award by CRF. One year later, in 2009, he joined the Vodacom Group as financial director. In this role he was responsible for the areas of finance, risk management, business development, treasury, tax and internal auditing.

Rob lives in Johannesburg with his wife and three children. He is 44 years old. His hobbies include reading, travelling, poetry, the history of South Africa and Johannesburg, and music. Rob is a fanatical sportsman who enjoys running, canoeing and cycling. He has also participated in five ironman triathlons.



Alexander Saul

Director of Enterprise Business Unit

Bio

Alexander Saul has been Director of the Enterprise Business Unit at Vodafone Netherlands since 1 April 2013. Before this, from 2007, he was responsible for the national direct and indirect business distribution of Vodafone GmbH. From 1999 onwards, he worked in various management roles at Vodafone and between 2004 and 2007 headed up Vodafone Germany's Western region in Ratingen. Prior to taking up this position he was responsible for Vodafone shops and specialist retailers in his role as Director of Sales Control and Support. Alexander is a marathon and motor sport fan and has been employed in the telecommunications industry since 1997, initially for Deutsche Telekom. He studied at RWTH Aachen (Germany), the University of Limburg (the Netherlands) and Wharton University, Philadelphia (United States).



Bart Hofker

Director of Consumer Business Unit

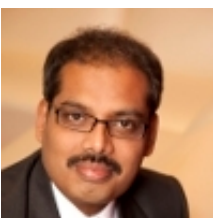
Bio

Bart Hofker has been Director of the Consumer Business Unit at Vodafone Netherlands since March 2008. He is responsible for all sales, marketing and marketing communication activities for the consumer market.

Before joining Vodafone, Bart worked for energy company Nuon and in his last role was Commercial Director for the retail segment. Prior to this he was employed by KPN, where he took up various senior marketing management roles in the Netherlands and the Czech Republic. Bart studied Business Economics at the Erasmus University in Rotterdam.

Other positions:

- Member of the Advertising Code Committee
- Lecturer/examiner for the Advertising and Marketing Training Foundation



Mallik Rao

Chief Technology Officer

Bio

Mallik Rao has been Chief Technology Officer at Vodafone Netherlands since April 2012. Before taking up this role he was employed as CTO of Aircel in India, where he successfully set up a 2G & 3G network with 60 million users.

Mallik subsequently moved with his family to the Netherlands. He is currently working on a number of initiatives within Vodafone Netherlands, ranging from the IT landscape through to Long Term Evolution plans. His focus is on achieving speed, convenience and cost optimisation in response to the competitive Dutch market.

Mallik is an engineer with 18 years of experience in the area of technology at providers such as Ericsson, Nortel and multi-service providers. He has a degree in Electronics and Communication.



Carla De Geyseleer

Chief Financial Officer

Bio

Carla de Geyseleer has been Chief Financial Officer (CFO) at Vodafone Netherlands since May 2012. She is responsible for all the financial strategy, controlling, planning, reporting and operational processes within the company. From April 2010 Carla was employed as Director of Financial Controlling at Vodafone Germany.

Before joining Vodafone, she could already look back on a long international career with logistics services provider DHL Express, where she spent her last three years in the role of CFO.

Carla started her career as an auditor with Ernst & Young in Brussels. She has a solid academic background, including a university degree in economic and financial sciences and an EMBA from the IMD Business School in Switzerland.

Other positions:

- Member of the Supervisory Board of the Macintosh Retail Group



Harry Odenhoven

Director of Commercial Operations

Bio

Harry has been Director of Commercial Operations at Vodafone Netherlands since April 2012. In this new role he is responsible for providing the best possible service to our customers via all channels (call centre, bills, digital, mobile and social) and taking care of innovation and product delivery.

Harry (born in 1962) has a Master's in industrial design from Delft Technical University and has enjoyed an international career that has seen him work in a variety of roles on the mobile technology and internet market. He has extensive international experience in the areas of marketing, sales and business development at a senior management level at KPN Mobiel in the Netherlands, Telkomsel Indonesia, Peoples Phone in Hong Kong, Spotcast in Asia and London, Vizzavi, Vodafone in the Netherlands and the Vodafone Group in the United Kingdom.

In the three years prior to taking up his current post Harry held the position of Group Director Online and in this role was responsible for rolling out a global Online Acceleration programme.



Paul Vreeburg

Director of Vodafone Retail

Bio

As Director of Vodafone Retail, Paul Vreeburg has been responsible for all of Vodafone's Retail activities in the Netherlands, including BelCompany and Vodafone shops, since January 2012.

He previously spent four years as managing director of BelCompany, before it became part of Vodafone. Prior to this Paul was employed at KPN, where he held roles including marketing director of KPN Mobiel and marketing director of Residential.

He started his career at Philips. Paul is a Registered Marketer, holds the Nima-C diploma and studied Commercial Economics at the Higher School of Economics in The Hague.

Other positions:

- Lecturer/examiner for the Advertising and Marketing Training Foundation



Adam Parsons

Director of Human Resources, Property & Internal Communications

Bio

Adam Parsons has been Director of Human Resources, Property & Internal Communication at Vodafone Netherlands since September 2012. He joined the Vodafone Group in 2007 as the Head of Global Reward Strategy. In this role Adam was responsible for remuneration policy and operations.

Adam's passion has always been within the field of HR. He started out as an HR consultant with Mercer Human Resourcing, before moving to KPMG in 2003. There he advised various FTSE and public sector companies on HR matters.

Adam now lives in Amsterdam with his wife and two daughters. He is 35 years old. His hobbies include running, reading, cooking and travelling. Adam has a law degree from the University of Birmingham and a Master's in Personnel and Development from Westminster Business School.



Klaske de Jonge

Director of Corporate Affairs & Strategy

Bio

Klaske de Jonge became Director of Corporate Affairs at Vodafone Netherlands in January 2010. This role changed to Director of Corporate Affairs & Strategy in April 2012.

Before joining Vodafone, Klaske was employed in the role of Vice President Corporate Affairs Europe at Mars. Prior to this she spent eight years as director at the Dutch consumer organisation Consumentenbond and four years as a marketing manager at TNT/TPG Post, amongst other roles, following an international career at Numico in the US and UK.

Klaske has completed various university courses, including a Master's in Business Administration in Rotterdam, a Master's in Political Sciences in Leiden, a postgraduate qualification in Communication and Media Strategy in Groningen and also holds a postgraduate qualification from the Anderson School of Management at the University of California.

Other positions:

- Member of the Supervisory Board of the Maag Lever Darm Stichting [Foundation for Stomach, Liver and Intestinal Diseases]
- Member of the Supervisory Board of the Netherlands Heart Foundation

Changes to the Board of Directors of Vodafone Netherlands in the 2012/2013 financial year:

- **Members leaving the Board of Directors:**
 - Philip Lacor, Enterprise Market Director, was appointed as Enterprise Business Unit Director of Vodafone Germany with effect from 1 April 2013
 - Francesco Bianco, HR Director, was appointed as HR Director of Cable&Wireless Worldwide, which was acquired by the Vodafone Group
 - Amanda Nelson, CFO, was appointed as Head of Postpaid Marketing with effect from 1 May 2013
- **Members appointed to the Board of Directors:**
 - Rob Shuter has been CEO since 1 April 2012
 - Carla de Geuseleer has been CFO since 1 May 2012
 - Adam Parsons has been Director of HR, Property & Internal Communication since 1 October 2012
 - Mallik Rao has been Chief Technology Officer (CTO) since 1 April 2012
 - Harry Odenhoven has been Director of Commercial Operations since 1 April 2012
 - Paul Vreeburg has been Retail Director since 1 April 2012
 - Alexander Saul has been Enterprise Market Director since 1 April 2013

The Supervisory Board

The Supervisory Board offers advice to and supervises the Board of Directors. The Board of Directors informs the Supervisory Board about strategic policy, finances and relevant developments twice a year. Before any major changes are undertaken that affect the company's identity the Board of Directors must obtain the Supervisory Board's approval. The financial statements have to be approved by all members of the Supervisory Board.

The Supervisory Board meets at least twice a year. During the 2012/2013 financial year the meetings of the Supervisory Board were held on 2 November 2012 and 30 January 2013. The Supervisory Board assessed various aspects relating to the results, strategies and management of Vodafone Netherlands, such as the claim submitted by Vodafone for reimbursement of the damage resulting from the disruption caused by the fire in Rotterdam on 4 April 2012. The aspects assessed also included the six-monthly financial performance, the Vodafone Netherlands strategy and the reorganisation of Vodafone Libertel BV and Vodafone Retail BV. Two resolutions were passed outside meetings.

Vodafone Netherlands is keen to ensure that the composition of the Supervisory Board is in keeping with Vodafone's profile and strategy and is a good reflection of the society and market in which Vodafone

Netherlands operates. Since 2013 one of the three members of the Vodafone Netherlands Supervisory Board has been a woman. Mr T.J. Harrabin left the Supervisory Board on 1 November 2012 and was succeeded by Ms L. Solomon on 12 March 2013.

Get to know our Supervisory Board

Erik de Rijk

Managing Director of Vodafone International Holdings B.V. and Chairman of the Supervisory Board of Vodafone Netherlands since 22 March 2007. Before joining Vodafone Erik worked at AirTouch Communications, Tetra Laval, Loeff Claeys Verbeke and Deloitte. Erik studied Dutch and Tax Law in Leiden and also studied at the Baylor University School of Law.

Ronald Schellekens

Vodafone Group HR Director, has been a member of the Supervisory Board of Vodafone Netherlands since 15 January 2010. He was nominated on the recommendation of the Vodafone Netherlands Works Council. Before joining Vodafone Ronald worked at Shell, PepsiCo and AT&T. Ronald Schellekens studied at the TiasNimbas Business School and Harvard Business School.

Liliana Solomon

CFO of the Northern and Central/Eastern Europe region at Vodafone Plc, has been a member of the Supervisory Board of Vodafone Netherlands since 12 March 2013. She replaced Tim Harrabin. Liliana has been working for Vodafone since 2005, initially as CEO of Vodafone Romania and since 2010 as regional director of operations at Vodafone Plc. Before joining Vodafone Liliana worked at Cable & Wireless Plc, T-Mobile UK and Deutsche Telekom AG. She has a degree in physics (University of Cluj-Napoca, Romania) and also studied at INSEAD in Fontainebleau, France.

Organisation

Power to you: employee co-determination

The works council (WC) is involved in various matters that affect employees. These vary from small and large-scale reorganisations through to the outsourcing of business units of Vodafone Netherlands to other companies. Important issues in the area of health and safety and labour matters are also permanently on the agenda. The WC advises, takes the initiative and gives its approval before certain regulations are introduced. It is made up of 15 members with an executive committee consisting of a chairman and two vice-chairmen, an administrative secretariat and permanent and temporary committees.

Embedding sustainability within the organisation

Klaske de Jonge, Director of Corporate Affairs & Strategy at Vodafone Netherlands, has primary responsibility for strategy and implementation in the area of sustainability. She reports directly to the CEO. The Privacy & Sustainability team, which is made up of five employees (as at 31 March 2013), forms part of the Corporate Affairs & Strategy Business Unit and has primary responsibility for integrating sustainability into the organisation. The Head of Privacy & Sustainability reports to the Director of Corporate Affairs & Strategy.

Every month the Privacy & Sustainability team gives a presentation on progress in the area of sustainability results to the CEO, CFO and other members of the Board of Directors. Within the context of issue, reputation and stakeholder management a working group has been set up in which all business units are represented at senior management level, as well as a steering group comprising the CEO, CFO, Director of Corporate Affairs & Strategy and the Public Affairs and Public Relations managers, supplemented by other members of the Board of Directors depending on the agenda. The working group identifies, analyses and addresses stakeholders' concerns and wishes and (potential) issues, risks and opportunities in relation to economic, social and environmental matters. Every six to eight weeks the working group reports and gives a presentation to the steering group on the analysis and status of agreed action items. In addition, Vodafone Netherlands reports twice a year to Vodafone Group Plc on its performance in the area of sustainability. Sustainability targets are agreed with every department within Vodafone Netherlands and the departments are accountable for these. All members of the Board of Directors have joint and individual KPIs in the area of sustainability, e.g. KPIs based on employee satisfaction, customer satisfaction and reputation benchmark scores. As part of the fixed assessment cycle, which takes place throughout the financial year, the results of the Board of Directors and its individual members are evaluated, assessed and rewarded.

The basis for our management and policy

The **Vodafone** code of conduct was developed to ensure that Vodafone's employees always make well-considered decisions. The code of conduct is our central policy document and sets out what we expect from everyone who works for and with Vodafone. It also underlines our responsibilities towards our people, partners and shareholders. The code of conduct helps us all to make informed decisions and tells us where we can find more information. Our Business Principles form the basis for the way we do business, wherever we are working, and form the core of our code of conduct. An overview of relevant policy documents can be found in the GRI index under indicator 4.8.

Management

Stakeholder management

A working group identifies, analyses and addresses stakeholders' concerns and wishes and (potential) issues, risks and opportunities. The most important stakeholders have been identified and grouped (see [Stakeholder overview](#)). For each stakeholder group we have worked out the key themes in relation to which they have expectations of us and the points they regard as issues. We examine internally for each theme the extent to which these issues apply to us and where there is a discrepancy between what stakeholders expect and what we are supplying or doing. By analysing and tackling this as systematically as possible, we prioritise our activities based on what is relevant for the environment in which we operate. We then inform our stakeholders of developments and improvements using various channels, including the website, press releases, individual discussions, the corporate blog, this integrated report and the sustainability newsletter, which is published four times a year. Once every six to eight weeks relevant developments in relation to stakeholders and the themes relevant for them are discussed in a steering group comprising the CEO, CFO and the Director of Corporate Affairs & Strategy, supplemented by other members of the Board of Directors depending on the agenda.

Effective issue, risk and crisis management

Issue management is a natural extension of stakeholder management. It is mainly about identifying issues in good time and ensuring that they are resolved. Effective risk management enables us to identify hidden risks that are not self-evident in our day-to-day operations and to mitigate these risks by taking action. In 2010 we started employing a structured approach to risk management. Our approach is based on the COSO Enterprise Risk Management system. This supports us with risk evaluation, risk monitoring for risks that regularly arise within the company, and the monitoring of and reporting on procedures and systems. A steering group advises the risk management committee, which is made up of members of the Board of Directors, on the key risks and the measures that need to be taken to mitigate or eliminate these risks. In addition to Risk Management, Vodafone also introduced Business Continuity Management in September 2012. This involves organising processes in such a way that disasters and setbacks, such as fires, flooding and major power failures, are identified quickly and managed to allow the situation to be rectified quickly. Everything revolves around making sure that we can continue to provide our services, even in the most difficult of circumstances. Vodafone has a strategy for dealing with unforeseen, far-reaching events. Senior and middle management receive annual training in the area of crisis management. The communication department conducts crisis communication exercises on a regular basis. See the [risk analysis in the How we create value section](#).

Security

At Vodafone Netherlands two departments are responsible for managing information security: Corporate Security and Technical Security. Corporate Security is headed by the Director of the Corporate Affairs & Strategy business unit. This department is responsible for physical security, the lawful interception of telecommunications traffic, compliance with our retention obligation, the combating and prevention of fraud, and examination of and compliance with our security policy. Technical Security is part of the Technology business unit and is headed by the Chief Technology Security Officer, who reports to the Chief Technical Officer. This department is responsible for the technical controls relating to the mobile and fixed network, the systems supporting the IT infrastructure and the associated processes. We participate in various consultation structures aimed at improving digital security, including Telecom ISAC, the National Cyber Security Centre (NCSC), the National Coordinator for Counterterrorism and Security (NCTV) and the Platform Internetveiligheid [Internet Security Platform] of ECP.

The management of information security is structured by means of three processes:

- The incident management process ensures structured incident reports are produced and adequate follow-up takes place.
- The service level management process ensures that security requirements are recorded in all service level agreements (SLAs) that underlie contracts, in accordance with legislation and internal or external policy.
- The change management process ensures that the security requirements are taken into account when changes are made to the infrastructure and that the basic security level is not adversely affected by changes.

The policy covers, amongst other things, security incident management and reporting, access and changes to the production system standard, physical transport of information and assets, network security, remote access, measures to combat malware, information security of third parties, the data deletion standard, encryption implementation, identification, authentication and authorisation. Vodafone Netherlands is assessed annually in relation to this policy by internal and external organisations. In the event of non-compliance or of gaps being identified, a mitigation plan is drawn up and implemented.

Chain management

Purchasing for all Vodafone subsidiaries, including Vodafone Netherlands, is largely carried out by Vodafone Group Plc. Vodafone Group Plc has 45,000 suppliers, while Vodafone Netherlands has over 3,000. Vodafone employs the same ethical purchasing code globally, which includes requirements relating to people and the environment. This code states that suppliers must also encourage their own suppliers and subcontractors to work in accordance with the code. The code forms part of the purchasing contract. shows the three categories of suppliers which supply products and services to us.

The Vodafone Group is an active member of the Global e-Sustainability Initiative (GeSI), a multi-stakeholder organisation that promotes international collaboration in the area of sustainable development. In addition, Vodafone Netherlands endeavours to promote responsible chain management via VNO-NCW and Nederland ICT. More information on the Vodafone Group's reporting can be found at the [Vodafone website](#).

The three categories of suppliers which supply products and services to us

Category	Telecom providers	Handset suppliers	Other
Place of origin	International	China, South-East Asia	Mainly the Netherlands
Products/services	Services in the form of network connections for roaming and interconnect	Mobile phones and tablets	Services, hardware, software
Suppliers	Dutch telecom providers: KPN and T-mobile, Vodafone Group, international telecom providers	12 producers of mobile phones and tablets	Network development: Ericsson Facility services: Facilicom ICT: Amdocs, HP Employment agency: Randstad Marketing and communication: various offices

About this report

This year Vodafone Netherlands is publishing an integrated annual report for the first time. In this we report on our strategy and the performance of the company as a whole. Our aim is to show our stakeholders how we create value in the environment in which we operate. In addition to our own activities we therefore also focus on developments in society in the broadest sense (social, economic and environmental) and outline the dilemmas with which we have been faced over the past year. The reporting period runs from 1 April 2012 to 31 March 2013.

Determining the content

The focus of our activities and reporting is on developments that are most relevant for our sector, our company and our stakeholders, as well as on the impact these have on our core processes and activities (see “How we create value” section). Achieving a balance between social, environmental, economic and financial issues was also an important factor when deciding on the content.

This report is based on the third generation of guidelines of the Global Reporting Initiative (G3.0) and has GRI application level B+. The guidelines of the Transparency benchmark of the Dutch Ministry of Economic Affairs also served as a guide during the production of the report. Our reporting is based on the performance indicators that are relevant for our business operations in the Netherlands. As far as possible we used the GRI indicator protocols as a basis for the performance indicator definitions. We deviated from these if quantities/percentages per region were asked for. Due to the size of the Netherlands and the organisation, reporting on a regional basis is not relevant. We also deviate from LA10, because we work with training budgets instead of an average number of hours.

The scope

The scope of the report covers Vodafone Netherlands, comprising the activities of Vodafone Libertel BV, Vodafone Retail BV and Telespectrum, unless indicated otherwise. The data in this report relates to the performance of Vodafone and not to that of our subcontractors and suppliers and/or to other indirect effects, as we do not have access to this information. Vodafone Group Plc reports on international performance in the area of sustainability, see www.vodafone.com. For more information on our activities please visit our website www.vodafone.nl.

Measurement methods and data collection

The following systems were consulted for data collection:

- The quantitative data relating to personnel information was collected via the SAP data management system.
- The financial data was collected via SAP and the figures were then consolidated via Hyperion Financial Management software.
- The quantitative data relating to environmental information was collected via the Envoy data management system.
- The qualitative data was collected via questionnaires based on the GRI indicators, which were sent to the persons concerned by e-mail.

The captions accompanying the tables and graphs indicate what the figures are based on. In the materiality matrix we plot the issues about which our stakeholders are most concerned against the issues that have the

greatest impact on our company's success. The matrix is based on an electronic survey of relevant social themes for Vodafone conducted amongst internal and external stakeholders and on insights that have been acquired from stakeholder dialogues. This year fewer people participated in the electronic survey than in other years.

Changes in relation to previous reporting years

Vodafone Netherlands has been reporting annually on its performance in the area of sustainability. This is the first time the company has published an integrated report. As we are publishing more data this year, it is not always easy to make comparisons with the data from previous years' reports. There are also deviations in the figures compared with previous years due to the acquisition of BelCompany and Telespectrum.

Assurance policy

This report has been reviewed by Ernst & Young and an assurance report with limited assurance has been issued. Vodafone has its integrated report reviewed to increase the reliability of the reporting for stakeholders. Vodafone Netherlands and Ernst & Young have an independent relationship in the sense that Ernst & Young does not carry out any activities for Vodafone Netherlands other than reviewing this integrated report. The financial data (Key figures and results: Financial table and the Financial performance section) are based on the annual account of Vodafone Libertel B.V. 2012/2013. Vodafone has assigned Deloitte Accountants B.V. to audit the annual account of Vodafone Libertel B.V. 2012/2013.

Glossary

2G

The second generation of mobile telecommunications standards, also known as GSM. See definition of GSM.

2G encryption (A5/3)

Networks are secured using encryption, the encoding of data on the basis of a specific algorithm. A5/3 is the highest level of encryption used in GSM systems.

3G

The third generation of mobile telecommunications standards, also known as UMTS, is a worldwide standard for mobile communication. See definition of UMTS.

4G

The fourth generation of mobile telecommunications standards. It is the successor to the 3G standard. See definition of LTE.

800, 900, 1800 and 2100 MHz bands/spectrum

The usable frequencies within the radio frequency spectrum are relatively scarce. If different technologies were to use the same frequencies, there would be a strong possibility of interference. That is why the radio frequency spectrum has been divided up into frequency bands. For many frequency bands the technology that must be used in the band has been determined. The 800, 900, 1800 and 2100 MHz bands are used for mobile telephony and mobile internet.

App/application

Software programs for mobile phones and tablets.

Brand Equity Share / BES

Measures the brand perception amongst Dutch consumers in comparison with competitors and is based on five components: performance, emotion, value, distinctiveness and brand recognition (measured by research agency Millward Brown).

Call termination rates

See definition of Termination rates.

Campaign Health Tracker

Measures various aspects of campaigns, including campaign recognition and association with the company. See definition of Cut Through Score.

Customer Effort Score / CES

This is used to measure how much effort the customer has had to make to get a question answered or a problem solved via our customer service team, for example, or how much effort the customer has had to make to place an order in our online shop. CES is measured on a 5-point scale, where 1 represents little effort and 5 represents a lot of effort. The % relates to the respondents who give a rating of 1 or 2 on the 5-point scale.

Cut Through Score

This measures campaign recognition via the Campaign Health Tracker. Whether the consumer associates the campaign with Vodafone is also measured.

Data consumption/services

Data space needed to save information such as photos and e-mails, indicated in megabytes (MB) or gigabytes (GB). Data services use mobile internet.

Deep Packet Inspection

See definition of Packet Inspection.

Dropped call rate

Indicates the percentage of all telephone calls that are cut off for technical reasons before the parties speaking had been able to end their conversation and before either of them had hung up (i.e. dropped calls).

Dual Carrier

In anticipation of their 4G networks, telecom companies rolled out Dual Carrier 3G, or DC-HSPA, on their networks. This offers speeds between those possible with 3G and 4G of up to 42 Mbps (theoretical). With Dual Carrier 3G two 5 MHz bands are used. See also definition of HSPA+.

E-waste

Electronic waste describes faulty, obsolete or unsold electrical or electronic devices.

Eco-score

Sustainability label for phones, which is validated by KPMG and offers transparency in the chain. The eco-score is based on three categories: company values and principles, the life cycle analysis and sustainable design.

Employee Engagement Index / EEI

Consists of three elements: commitment to the company, willingness to continue working for the company and the will to go the extra mile for the company. The index is calculated on the basis of the average score for seven questions (both positive and negative answers are included) and has a maximum score of 100.

Employee Net Promotor Score / eNPS

This makes it possible to measure the extent to which employees recommend their company to third parties. The Employee Net Promoter Score uses a 10-point scale, where 9 and 10 mean the employees are promoters (ambassadors) and 0 to 6 mean they are detractors (employees who do not recommend the company or are negative about it). The Employee Net Promoter Score is calculated by deducting the percentage of detractors from the percentage of promoters.

Frequency space

See definition of Spectrum (auction).

GeSI

The Global e-Sustainability Initiative is an international alliance of ICT companies and NGOs that aims to identify how innovative technologies can contribute to sustainable development.

GSM

Global System for Mobile Communications is a standard for mobile communication. GSM is regarded as the second generation of mobile telephony (2G).

Hosted telephony

This refers to the use of telephony services without having your own telephone exchange (or own IP telephony server).

HSPA+

High-Speed Packet Access is a technical standard for wireless broadband telecommunications. HSPA+ increases the speeds for the end user on UMTS/3G networks, making them comparable with those of newer LTE networks. See also definition of Dual Carrier.

Integrated fixed and mobile solutions

See definition of Unified communication.

Interconnect(ion)

Interconnection makes it possible for customers of two different telecom providers to communicate with each other. It refers to the linking of one telecom provider to the infrastructure facilities of another provider.

IP PBX

An IP PBX or VOIP telephone exchange replaces a traditional PBX or telephone exchange. Calls are sent in the form of data packets over a data network instead of the traditional telephone network.

LTE (for 4G)

Long Term Evolution, the fourth generation of mobile telecommunications standards and the successor to UMTS. Using LTE it is possible to transmit a higher capacity of data over the network at high speed.

Machine-to-machine (M2M)

Machine-to-machine communication, better known as M2M or telemetry, connects machines or devices remotely and exchanges information between these machines or devices, without human intervention.

A device (e.g. a sensor) is connected to a SIM card. If the device detects an event, the SIM card passes on the information about it to a central server.

Malware

Abbreviation for malicious software.

Multi-band spectrum auction

Auction of licences for the frequency bands 800 MHz, 900 MHz, 1800 MHz, 1900 MHz, 2100 MHz and 2.6 GHz for mobile telephony and mobile internet. See also definition of Spectrum (auction).

MVNO

A mobile virtual network operator is a company that does not hold a licence, but sells mobile telephony under its own brand name over the network of another telecom provider.

Net Promoter Score / NPS

The Net Promoter Score provides an indication of how highly a service is rated and is determined by asking customers about the extent to which they would recommend Vodafone to third parties. The Net Promoter Score uses a 10-point scale, where 9 and 10 mean the customers are promoters (ambassadors of Vodafone) and 0 to 6 mean they are detractors (customers who do not recommend Vodafone or are negative about it). The Net Promoter Score is calculated by deducting the percentage of detractors from the percentage of promoters.

Network

A mobile telecommunications network is made up of base stations, also referred to as masts or antennas, which are connected to an exchange.

OPTA

The Onafhankelijke Post en Telecommunicatie Autoriteit [Independent Post and Telecommunications Authority] is an independent body that monitors compliance with legislation and regulations in the area of telecommunications in the Netherlands.

Packet Inspection and Deep Packet Inspection

Packet Inspection is an umbrella term for techniques which can be used to analyse data traffic that is transmitted over networks. Packet Inspection consists of different levels: 1) it can analyse the connection information of individual data packets, such as the sender's or receiver's IP address, 2) it can analyse the type of traffic and 3) it can analyse the content of packets. This last form is also referred to as Deep Packet Inspection (DPI).

Regional roaming

Regional or national roaming involves telecom companies taking over each other's connections in the event of faults. In 2012 the Dutch mobile telecom companies reached agreement on the use of each other's networks during faults.

RepTrack

The Reputation Institute's RepTrak™ Framework compares companies on the basis of reputation. It measures the stakeholder perception of companies by measuring the relationship between a stakeholder's emotional connection and the perception of seven rational dimensions: (1) Products/services, (2) Innovation, (3) Workplace, (4) Citizenship, (5) Governance, (6) Leadership and (7) Performance.

Roaming

Using the network of another mobile telecom company. This makes it possible to make calls or use mobile internet abroad.

Sim Only

SIM-only subscriptions are subscriptions that do not include a handset. The customer receives a SIM card only. These subscriptions are intended for people who do not need a new mobile phone.

Smartphone

A smartphone is a mini-computer that can be used to make calls and surf the internet.

Social Media Monitor

An annual study by Social Embassy examining the use of social media by the Netherlands' top 100 advertisers on the basis of gross media spending in the Netherlands (Source: Nielsen Research). The study consists of a survey amongst the companies which looks at their organisation of social media, their ambitions and their results, as well as an assessment by Social Embassy in terms of activity, interactivity and the building of communities. Based on this information the companies are given a score

between 0 and 100.

SocialBakers' Socially Devoted Brands

SocialBakers' Socially Devoted Facebook Brands measures which brands have the lowest response times and the highest response rates on Facebook. The result indicated is from January 2013.

Spectrum (auction)

Also known as radio frequency spectrum or radio waves. Used to transmit information wirelessly from a transmitter to one or more receivers. The transmitter uses an antenna to generate and transmit the radio waves. The radio waves carry the information, which is subsequently picked up by another antenna. A portion of the frequencies is freely available, although registration or a licence is required to use another portion. These licences are issued by Radiocommunications Agency Netherlands, which is also the Dutch government's supervisory body for the radio frequency spectrum and allocates and manages the radio frequency space. The frequency band licences for mobile telephony and mobile internet are auctioned.

Spectrum licences

See definition of Multi-band spectrum auction.

Stakeholders

Stakeholders are the people or organisations that have an interest in an organisation, such as employees, customers, shareholders, suppliers, governments and media.

Termination rates

The costs that telecom providers charge each other for terminating calls on their network. Also known as interconnection rates.

Transparency benchmark

An annual study examining the content and quality of the social reporting of Dutch companies. It is an initiative of the Dutch Ministry of Economic Affairs.

Triple-play services

Services that offer internet access, television and telephony in combination.

UMTS

UMTS stands for Universal Mobile Telecommunications System. For a definition see 3G.

Unified Communications

Also known as integrated (fixed and mobile) solutions. Refers to the process of integrating all means of communication, communication equipment and media to enable users to contact anyone, wherever they may be, in real time.

Voice

Voice refers to telephone calls.

Assurance report

To: The management of Vodafone Libertel B.V.

Engagement

The management of Vodafone Libertel B.V. (hereinafter: Vodafone) instructed us to perform an assurance engagement relating to Vodafone's 2012/2013 Integrated Report (hereinafter: Report). Our assurance engagement was aimed to obtain limited assurance that the information in the 2012/2013 Integrated Report is, in all material respects, a reliable and sufficient representation of the policy, business operations, performance and events during the 2012/2013 reporting year, which runs from 1 April 2012 to 31 March 2013.

The financial figures ("Key figures and results: Financial table" and the "Financial performance" section) included in the Report do not form part of our engagement. Our engagement also does not cover the comparative figures and the references in the Report (to vodafone.nl, external websites and other documents).

Inherent limitations

The Report contains forward-looking information in the form of ambitions, strategy, plans, expectations and estimates. The fulfilment of such information is inherently uncertain. For that reason, we do not provide assurance relating to forward-looking information.

Responsibilities

The management is responsible for preparing the Report in accordance with the applied criteria. Choices made by the management relating to the scope of the Report and the reporting policy are explained in the "About this report" section and the GRI index section of the Report. The management is also responsible for such internal control as it determines is necessary to enable the preparation of the company Report that are free from material misstatement, whether due to fraud or error.

Our responsibility is to provide limited assurance that the Report has been prepared on the basis of the applied criteria.

Applied criteria

As criteria for the preparation of the Report Vodafone employs the Sustainability Reporting Guidelines of the Global Reporting Initiative, the Guide to Sustainability Reporting of the Dutch Accounting Standards Board and Vodafone's reporting policy, including the identification of stakeholders and the determination of material issues. It is important to consider Vodafone's performance in the context of these criteria. We believe that these criteria are suitable in the view of the purposes of our engagement.

Procedures

We conducted our engagement in accordance with Dutch law, including the Dutch Standards 3410N, "Assurance Engagements with respect to Sustainability Reports". This requires that we comply with ethical requirements and plan and perform procedures to obtain sufficient and appropriate evidence to substantiate our conclusion.

The procedures performed in order to obtain limited assurance aim to verify the plausibility of information and are less extensive than those performed for assurance engagements aimed at obtaining reasonable assurance and therefore less assurance is provided.

Our review comprised the following main procedures:

- assessing the acceptability of the reporting principles used and their consistent application, as well as reviewing significant estimates and calculations made in preparing the Report;
- obtaining an understanding of the industry, the organisation and its most relevant sustainability issues;
- obtaining an understanding of the design and operation of the systems and methods used to collect and process the reported information;
- performing procedures related to substantiating the information contained in the Report through a combination of analytical procedures and gathering information. These included interviewing responsible company officers, requesting relevant company documents and consulting external sources;
- evaluating the sufficiency of the Report and its overall presentation against the criteria mentioned above.

We believe that the assurance evidence we obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our procedures performed, nothing has come to our attention that would cause us to believe that the information contained in Vodafone's 2012/2013 Integrated Report is not, in all material respects, an reliable and sufficient representation of the policy, business operations, performance and events during 2012/2013 (1 April 2012 to 31 March 2013), in accordance with the guidelines of the Global Reporting Initiative, the Guide to Sustainability Reporting of the Dutch Accounting Standards Board and the documented reporting policy of Vodafone.

Rotterdam, 12 July 2013

Ernst & Young Accountants LLP

Signed A.E.M. Kamp-Roelands RA

Credits

Vodafone Netherlands

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Feedback

This year we are publishing an integrated report for the first time. In this we shed light on our main strategic business activities. The reason for taking this new approach is that we are keen to present our integrated business strategy and demonstrate how we create value for various stakeholders.

Would you like to find out more about our financial, economic, social and environmental targets and performance? Or do you have any questions, comments or feedback?

If so, please e-mail us at: samenleving.nl@vodafone.com