

Corporate responsibility report 2003

What mobile can do





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What mobile can do

“ At mmO₂ we believe in delivering results. This drives how we operate as a company, how we work with each other, how we deliver services to our customers and how we fulfil our promises to other stakeholders.”

David Varney, Chairman mmO₂ plc

Committed to delivering results

Companies say a lot of things about what they are and what they want to be. But the ultimate test of any company will always be what it actually does and the impact that its actions have on society at large.

At mmO₂ we believe in delivering results. This drives how we operate as a company, how we work with each other, how we deliver services to our customers and how we fulfil our promises to other stakeholders. And where corporate responsibility is concerned, delivery underpins our whole approach.

The people whom we affect demand action from us. They are a diverse group, each wanting and expecting different things of the Company. Yet all of them are rightfully mistrustful of fine words and gloss. We want to engage with them in active dialogue. Where we have anticipated their concerns, we are keen to tell them about the processes and policies we have put in place to make sure mmO₂ operates responsibly. Where we fail or have more to do, we believe in addressing the issues that matter to them, frankly and openly.

There are two reasons why we take this active approach. First, we must do so if we are to deliver the sort of long-term value to our shareholders that we have promised. Second, it is the surest way for us to achieve our prime goal – to make people's lives richer by offering access to mobile communications of excellent quality.

This is the first corporate responsibility report from mmO₂. We have called it 'What mobile can do' because we firmly believe that our mobile services can help to tackle real social needs. This conviction is at the heart of our approach to corporate responsibility and we are determined to understand the different needs of our stakeholders and develop appropriate services to benefit society in different ways.

We bring other things to society as well: inventiveness, an appetite for risk-taking, an ability to manage complex problems and an instinct for innovation. These can all make a big difference to people's lives and the communities in which we operate. Society around us clearly wants us to participate in projects where our services can bring real social benefits. It is a desire we share because, in the end, this is what will turn our approach to corporate responsibility away from an essentially inward-looking exercise to one that is outward-looking and genuinely useful.

But this active approach to corporate responsibility is not just about promising benefits. It also defines how we address the concerns people may have about the way in which we operate and about the services we offer.

Mobile telecommunications is an extraordinary innovation. It is seen increasingly by people of all backgrounds, circumstances and age groups as essential to modern life. As the technology advances from simple voice based systems to sophisticated data and internet solutions, the social impact of mobile telecommunications is likely to grow.

People clearly want to use our services – but they have concerns about it, too. Does the equipment they use pose a threat to their health? Will our network create wider hazards and scar the environment? Will children be able to use mobiles safely without fear of crime? Will they be protected from seeing, reading or hearing inappropriate adult content? Will our customers' privacy be respected as the state seeks emergency access to phone and email records? Are our services properly, competitively and transparently priced? Do we offer our employees healthy, safe and fair employment with real access to opportunity? Do our suppliers apply the same standards?

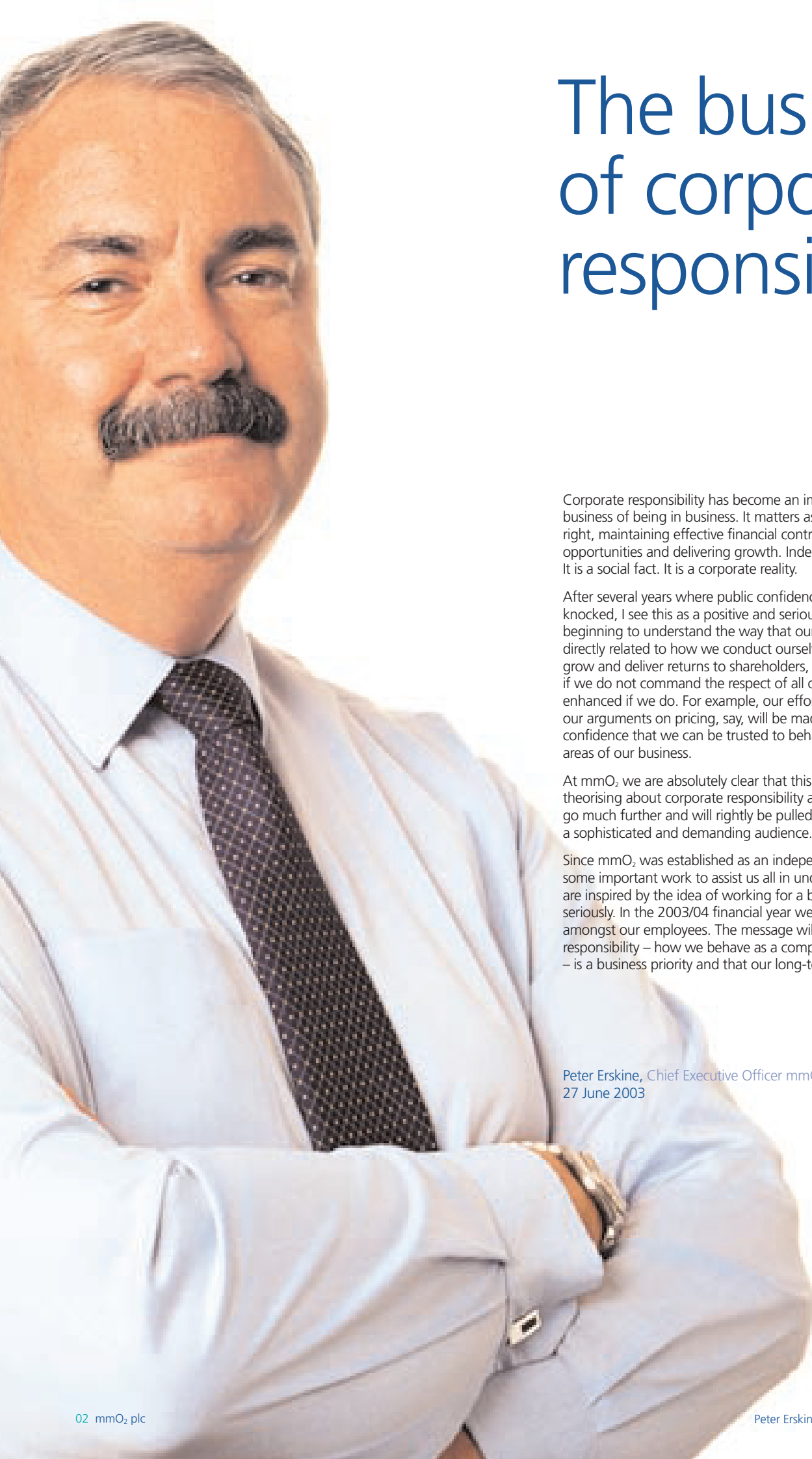
We have a duty to take these concerns seriously and address them directly. We will do so through active dialogue with every group that seeks to engage with us and to express their concerns.

I hope this report – and its associated online version at www.mmo2.com/cr – will demonstrate that mmO₂ is serious in its intentions. With some 18.2 million customers and around 12,000 employees in some of Europe's principal mobile markets, we have a significant responsibility to discharge.

But we are at an early stage in our history. We demerged from BT as an independent business in November 2001. Just over 18 months later, we have made significant progress in creating a corporate responsibility framework for the Company which we believe is challenging, meaningful, open to scrutiny and ready and able to account for itself. But we have further to go, and this report is only a marker on our journey.

Your comments matter to us, and I would encourage you to tell us about your thoughts on this report and on our performance as a company through our website, or the attached reply card.

David Varney, Chairman mmO₂ plc
27 June 2003



The business of corporate responsibility

Corporate responsibility has become an important reality of the day-to-day business of being in business. It matters as much as getting customer services right, maintaining effective financial controls, seizing the right market opportunities and delivering growth. Indeed, it underpins all of these things. It is a social fact. It is a corporate reality.

After several years where public confidence in some corporations has been knocked, I see this as a positive and serious development. We are only beginning to understand the way that our performance as a business is directly related to how we conduct ourselves as a company. Our desire to grow and deliver returns to shareholders, for instance, will be undermined if we do not command the respect of all of our stakeholders and will be enhanced if we do. For example, our efforts to convince regulators with our arguments on pricing, say, will be made easier if our stakeholders have confidence that we can be trusted to behave responsibly in this and other areas of our business.

At mmO₂, we are absolutely clear that this challenge is real. Box ticking and theorising about corporate responsibility are simply not enough. We need to go much further and will rightly be pulled up if we do not. We are addressing a sophisticated and demanding audience.

Since mmO₂ was established as an independent company we have done some important work to assist us all in understanding this fact. Our employees are inspired by the idea of working for a business that takes its responsibilities seriously. In the 2003/04 financial year we will be extending this work amongst our employees. The message will be simple: that corporate responsibility – how we behave as a company in the wider context of society – is a business priority and that our long-term success depends on it.

Peter Erskine, Chief Executive Officer mmO₂ plc
27 June 2003

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Danuta Gray, CEO O₂ Ireland

“We have made disadvantaged young people and the digital divide between urban and rural communities the focus of our corporate responsibility work. Ireland is a young country. Some 38 per cent of the population are under the age of 25 and, despite economic growth, there are still pockets of disadvantage where young people desperately need the chance to realise their own potential. We think there are things we can do that will make a real difference. We are also determined to help bridge the technology gap that exists between Ireland's cities and its rural communities. To this end, we are the only mobile operator to bring wireless broadband technology to the regions. We were recently selected by the Government to participate in a trial programme to see if we can speed access to broadband services using wireless rather than cable or other fixed links.”

Rudolf Gröger, CEO O₂ Germany

“Corporate responsibility is important for German business. Our employees, customers and other stakeholders want us to take a higher profile in wider society. We have already proved that we can react fast to assist citizens, public agencies and aid workers when critical situations arise in society and during catastrophes. Our effective intervention to help victims of the floods in Germany last summer is a good example of this. This was a situation where mobile telecommunications played a key role in saving lives in the worst hit areas.”

David McGlade, CEO O₂ UK

“In the UK we have been putting increasing effort into improving the levels of service we offer our customers. That effort starts inside the Company demonstrating to employees that, by offering outstanding service and ensuring great experiences every time customers come into contact with us, we will stand apart in a highly competitive market. This has caught people's imagination across the Company. This effort is important to the wellbeing of customers who increasingly rely on their mobile phones to stay in touch.”

“How we operate as a company translates quickly to the customer and the public at large. Employees like the idea that mmO₂ is a company that is determined to use mobile as a force for good in society and actively engages in community initiatives. To do that we also need to be sure the Company itself reflects the diversity of the communities we work in.”

Kent Thexton, Chief Marketing and Data Officer mmO₂

“The launch of our widely acclaimed xda – phone and mobile computer – and the BlackBerry™ mobile email handset were a strong signal of our determination to lead the fast growing mobile data market. As our technology advances mobile will increase its impact on people's lives, both at work and at home. It will make it easier to stay in touch while on the move, to work more flexibly and efficiently, and will bring a whole range of useful information applications and new forms of entertainment to people. We want to be sure that we understand the different needs of our customers and that we can bring real, timely benefits to customers across our markets and society at large. We also believe that mobile technology can bring real benefits to the environment, through increased opportunities for tele-working and instant wireless internet access.”

Chris Hall, CEO Manx Telecom

“Manx Telecom is extremely proud to have launched Europe's first ever operational 3G mobile phone network. We serve a relatively small community on the Isle of Man, yet as a business we are in the vanguard of one of the world's most important new technologies. We have demonstrated the innovation, power and potential of 3G mobile to over 1,500 visitors from around the world, including UK and international policy makers.”

“Just as importantly we have quickly put the technology to use in the education sector, one area where it promises so much. Connecting the personal computers on our schools telecomputer bus to broadband internet via a single 3G mobile phone was another first in Europe. The primary school children were witnesses to a significant breakthrough in modern communications. We are convinced wireless services will continue to make a major difference to their lives.”

Peter Richardson, Managing Director O₂ Airwave

“At Airwave we are introducing a new and powerful communications tool for the emergency services that promises for the first time to allow the police, fire crews and paramedics to co-operate efficiently and co-ordinate their response to tackling emergencies. The system offers users far more security, the ability to call instantly for back-up and cannot be scanned or listened into. Deploying the Airwave network to provide complete national coverage, initially for 53 police forces in the UK, is being carried out. It is a huge development and construction project that we believe will deliver big benefits to society. We are determined to carry out this important work efficiently and sensitively, responding quickly and clearly to worries and doubts stakeholders have about the roll out of the network.”



An asthma attack can come at any time and there's no easy way to predict how bad it will be. Many sufferers keep a hand-written, twice-daily record of their breathing. Once every 12 weeks they take this record to their doctor and have their treatment adjusted based on the results. It's not the best way to treat a condition that now affects some 3.4 million people in the UK and is an increasingly serious problem across Europe. But what if sufferers could be in touch with their doctor every time a bad attack seemed imminent and get immediate advice on how to prevent it? Mobile technology is making this possible for the first time. We are working on a one-year trial with 100 asthma sufferers aged between 12 and 55 in the Thames Valley, where the incidence of asthma is higher than in any other part of the UK. Each patient is given an O₂ xda combined phone and mobile computer fitted with an electronic peak flow meter and containing reporting and analysis software. When they breathe into the meter, the xda automatically records their



Breathing easy

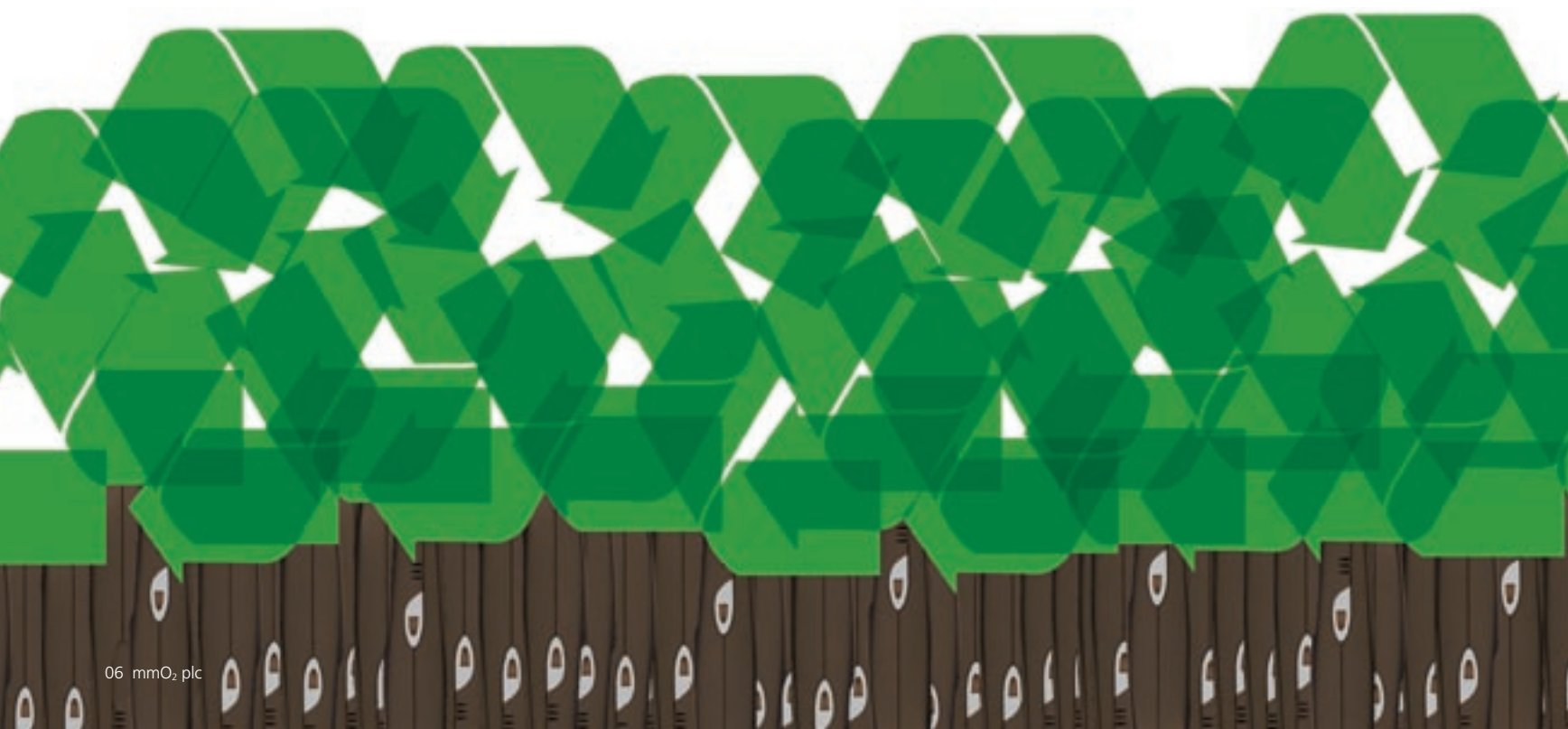
What mobile can do

condition and the results are transmitted immediately to a computer that charts them against expected trends. Should any readings cause concern their doctor can be notified and can instantly advise them on how to adjust their treatment or if a visit to the surgery is required. The project is being run with e-San Limited, a spin off company from the Department of Engineering Science at Oxford University, which is exploring how mobiles can improve the self-monitoring and self-management of chronic illnesses. Early results from the trial show that patients are recording their condition more accurately, a key step in pre-empting and preventing acute attacks. And there could well be benefits in the treatment of other ailments, like hypertension and diabetes, where patients also take care of their own treatment. This project will provide us with useful experience for developing other wireless applications to support health related services.

Some 15 million old mobile phones are discarded each year in the UK alone. We believe it is important to reduce the waste from this growing mountain of wireless equipment and this year O₂ UK supported the foundation of Fonebak, an important new mobile recycling scheme. Fonebak was launched to provide a safe and environmentally responsible solution to mobile phone waste by recycling and refurbishing phones, reducing the hazardous materials going to landfill. Working with the environmental company, Shields Environmental, we encourage users to hand in their redundant phones, the majority of which are suitable for refurbishment and re-use. Components and precious metals are recovered from damaged phones and less than 2 per cent of all material is left as general waste which is sent for safe disposal. So far we have seen 20,000 mobile phones

Recovering

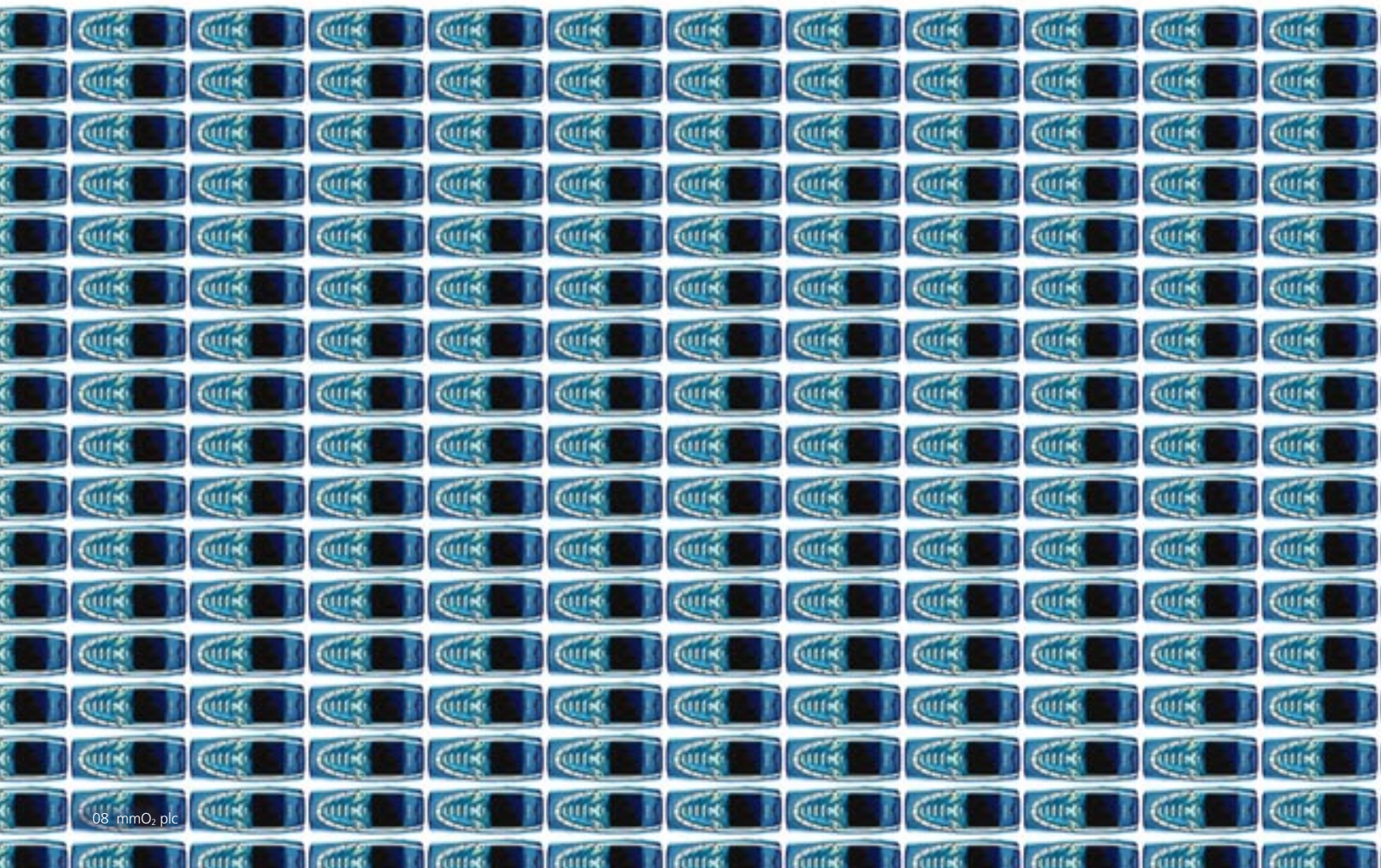
What mobile can do



refurbished and re-marketed through this new scheme. One of the additional benefits of Fonebak is that it generates resale revenues, which offer us another opportunity to donate funds to charitable causes. Funds from the initiative will be donated to charity and split between the O₂ chosen environmental charity and the charity chosen by the business unit generating the revenue. Shields Environmental is looking at the possibility of distributing some of the refurbished phones in emerging markets. To ensure that mobile waste is not simply being exported, phones will only go to countries where Shields Environmental has set up a similar end-of-life recycling scheme. During 2003 O₂ Ireland will launch its own Fonebak scheme. O₂ Germany is currently reviewing recycling opportunities in the German marketplace.



When devastating floods hit Germany last year, fixed-line phone networks were one of the pieces of the infrastructure that were damaged. With communications down, the emergency services struggled to co-ordinate disaster relief and ordinary people had no way to call for help or check on families and friends. O₂ Germany responded to the emergency by donating 1,000 pre-pay phones to aid agencies and the hardest hit flood victims each with 30 Euros call credits. We also gave more than 7,500 selected account customers in flood zones a credit of 35 Euros on their next bill. Key parts of our system were also quickly re-inforced and our network proved to be incredibly robust through the crisis. One reason for this is that antennae base stations on our German network are



connected to each other by a microwave link, rather than fixed lines. In addition mobile base stations were brought in to replace six fixed stations that were under water and 20 emergency generators were used at stations hit by power cuts. Usage of the network soared during the crisis to two and a half times the normal rate. Thanks to our efforts to shore up the system, our network performed well, with only a few hours of interruptions to the service during the entire crisis. We believe that mobile telecommunications can play a particular part in emergency situations, for example our Airwave business (page 23) in the UK is devoted to enabling emergency services to communicate securely through its unique technology and new network.

What mobile can do

Life saving

The Irish Cattle Breeding Federation (ICBF) keeps a national register of the breeds, pedigrees and individual animals in the national herd that are most productive. It is a vital piece of intelligence gathering and helps protect the efficiency and productivity of one of Ireland's most important industries. But maintaining this database has always been painstaking work, involving laborious monitoring of animals on individual farms and expensive documentation. We have now devised a way for ICBF inspectors to carry out this vital work more economically and more efficiently. Inspectors are using our xda combined phone and mobile computers, equipped with software developed by Sord Data Systems, to maintain and instantly update the database of Ireland's most productive animals as they visit individual farms. When inspectors arrive at a farm they have a list of the cattle to be inspected already stored on their xda from O₂. When tests have been

Multiplying

What mobile can do



completed, results are recorded onto the xda and then immediately relayed to the central database over our General Packet Radio Services (GPRS) network. The project promises some significant improvements in this important service, with the database set to grow from 10,000 recorded beef cattle to more than 50,000 in the next two to three years. The ICBF is also reviewing whether other areas of its operations would benefit from this new wireless data application. Wireless services applied in imaginative ways are making a real difference in diverse areas outside the agricultural sector. These include text alerts for blood transfusion services, text messaging for deaf people, and roaming services operating through the O₂ network across 146 countries that enable people to stay in touch internationally.



mmO₂ Group overview

mmO₂ is a leading provider of mobile telecommunications services in Europe. We were floated as an independent company in November 2001, comprising the wholly owned European businesses that had previously made up BT's mobile and some of its online operations.

mmO₂ has operations in the UK, Germany, Ireland and the Isle of Man, including global roaming services as well as a growing mobile data business. We serve 18.2 million customers and employ some 12,000 people. Each day an average of 30 million text messages are sent across our networks. Last year 11.6 billion text messages were sent and received Group-wide.

In the year to 31 March 2003, turnover of the Group was £4,874 million, an increase of 14 per cent. Data, a market where we have a leading position, accounted for 17.3 per cent of service revenues in the same year.

The new brand

All operating businesses with the exception of Manx Telecom on the Isle of Man, now operate under the O₂ brand, which we launched in May 2002. The brand is designed to convey a single face to all our customers and to represent the freshness, life, freedom and clarity that we hope they will increasingly come to expect and enjoy from all our services and products.

Our operations

The business that makes up O₂ UK was formed in 1984 and was previously called BT Cellnet. It is our most significant business in terms of its contribution to revenues and profitability. Our mobile businesses in Germany and the Netherlands both launched Global System for Mobile (GSM) telecommunications services in October 1998. Our German operation, O₂ Germany, has continued to grow each year in terms of subscriber base and EBITDA¹ performance. O₂ Netherlands, which also grew significantly from launch, was sold on 3 June 2003.

We acquired a controlling interest in our Irish business, O₂ Ireland, in March 2000, at a time when its GSM business was already established. With the launch of more advanced services now fully under way, the business is working to bring wireless broadband to rural areas in Ireland. O₂ Ireland was awarded a third generation (3G) or Universal Mobile Telephone Service (UMTS) licence in 2002. Manx Telecom was awarded a licence to operate the Isle of Man's fixed line telecommunications network in 1987, a licence that was extended to mobile in 1994 and to 3G services in 1999.

We have established a leading position in the provision of advanced mobile services that will allow customers to use data-rich web-based services and to send and receive multimedia messages using text, sound and moving images. BT Cellnet was the first company in the world to roll out a General Packet Radio Services (GPRS) network and Manx Telecom's 3G network, launched in December 2001, was the first of its kind in Europe to go into full operation. All our mobile businesses now have licences to offer 3G services.

O₂ Online is our mobile services website portal. Customers use our portal to access their email, send text messages, download ringtones or the latest political and sports news and even build their own mobile internet pages.

We believe these new generations of service – offering more capacity, online internet access and the transfer of sophisticated data – will become widely available and used in the next two to three years.

Our strategy

Our strategy has focused on the following key areas – improved operating performance, managing our business cohesively, and leading in mobile data services. We have made considerable progress in all areas but we recognise that our

strategy must continue to evolve to reflect the changing nature of the marketplace. During the recent period of rapid industry growth there was a core product – voice – and customers were perceived as having similar needs. But now mobile phone ownership has evolved into a mass market, and there is no longer a single product but a widening range of both voice and data services, customers' needs, and the options available for satisfying those needs, have become more diverse. Therefore our market emphasis must change. Becoming an integral part of our customers' lives by knowing what is important to them and helping them to get more out of life, is a primary aim of our strategy going forward. If we have a clear understanding of their different needs, we should be able to provide customers with a better overall experience of O₂.

To achieve our aim of providing this, we are developing a new segmentation framework to ensure that we really do understand the priorities of our customers. Using this framework we will deliver a range of service packages to different types of customer. At the same time, we are enhancing our IT systems to improve our capability in customer relationships management and help us transform our retail presence.

Such a change of emphasis requires continuous and far-reaching change in the Company. It is O₂ people who will drive the success of these initiatives. We will continue to build our skills and capabilities in customer service, marketing and brand affinity. We continuously challenge our people to live our brand values – bold, open, trusted and clear – and to keep the customer experience at the centre of our vision.

¹EBITDA is our earnings before interest, tax, depreciation, amortisation and exceptional items, excluding our share of operating profits and losses of our joint ventures and associates.

mmO₂

Year ended 31 March 2003

Group turnover

£4,874m
up 14%

Service revenue

£4,327m
up 18%

EBITDA²

£859m
up 98%

Capital expenditure

£944m
down 17%

Year-end net debt

£549m
down £68 million

Customers

£19.4m
up 11%

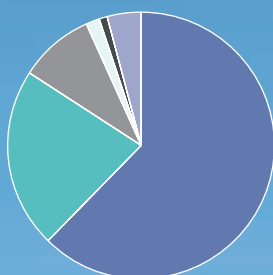
Employees

12,476
down 13%

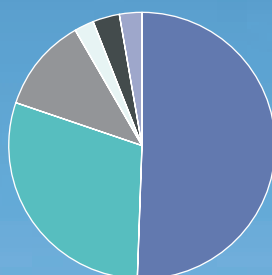
Operations (by division)¹

Year ended 31 March 2003

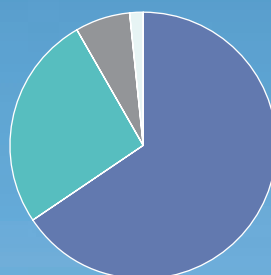
Turnover (£m)



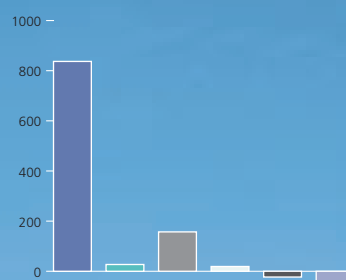
Employees



Customer numbers



EBITDA²



O₂ UK £3,025m
 O₂ Germany £1,060m
 O₂ Ireland £442m
 Manx Telecom £48m
 Airwave £16m
 O₂ Online £93m

O₂ UK 5,824
 O₂ Germany 3,416
 O₂ Ireland 1,317
 Manx Telecom 274
 Airwave 374
 O₂ Online 314

O₂ UK 12,050,000
 O₂ Germany 4,812,000
 O₂ Ireland 1,225,000
 Manx Telecom 59,000

O₂ UK £837m
 O₂ Germany £27m
 O₂ Ireland £157m
 Manx Telecom £19m
 Airwave £(23)m
 O₂ Online £(73)m

¹O₂ Netherlands was sold to Greenfield Capital Partners in June 2003; Turnover £263m; Employees 710; Customer numbers 1,200,000; EBITDA £1m.

²EBITDA is our earnings before interest, tax, depreciation, amortisation and exceptional items, excluding our share of operating profits and losses of our joint ventures and associates.



Corporate responsibility issues

Corporate responsibility is an everyday part of our operations. It touches every corner of mmO₂ in a wide variety of ways and we aim to manage all aspects of it carefully. This section describes the issues we are addressing in the different areas of the business.

Offices, buildings and call centres

As a sizeable company, employing some 12,000 people, we operate a number of offices and buildings as well as a network of call centres in the markets we serve. We aim to run these buildings efficiently, with minimal impact on the environment and to ensure we provide a safe and healthy workplace for employees.

The issues raised include: energy usage and efficiency, emissions, landscape and bio-diversity, waste management, recycling, health and safety standards, employment practices, community liaison and dialogue.

Retail outlets

Our shops are one of the places where we interface with our customers. We aim to run them efficiently, offering excellent service and clear and knowledgeable help and advice. We want our shops to be a pleasant environment for our customers and our employees.

The issues raised include: energy usage and efficiency, packaging, equipment recycling, health and safety, customer service standards, training, employment practices and openness and frankness with customers and employees alike.

Network sites and equipment

Our networks are extensive and account for the vast majority of our energy use. They have to be widespread to provide the level of coverage our customers demand. But that means base stations and antennae are sometimes sited close to people's homes and communities. We take safety concerns about the network extremely seriously and abide by strict safety guidelines set out by independent international experts.

The issues raised include: energy efficiency, use of renewable power, health and safety of our employees and of the general public, training, environmental impact, community liaison and dialogue, emissions, planning and the support of scientific research.

Transport

Many of our employees drive extensively in the course of their work. We are examining ways to use wireless technology to cut the amount of travel our employees have to do and provide clear guidance to them about safe driving.

The issues raised include: emissions, fuel and energy efficiency, health and safety, employment practices, flexible working and training.

Customers

We are determined to provide excellent service to our customers and are working hard to develop a customer-centric culture throughout mmO₂. The values we attach to the O₂ brand are to be bold, open, trusted and clear. The customer is the most important judge of those values.

The issues raised include: customer service training, employment practices, pricing policies, providing information, regulation, improving response times, listening to and acting on customer complaints and ensuring that our products are safe.

Our approach to corporate responsibility

We aim to act responsibly in all we do as a company. We want to ensure that we take full account of the social, environmental and ethical impact of our business on our customers and on the communities we serve.

Our approach to corporate responsibility is straightforward. We believe it should be part of the normal pattern of things we do as a business – as important as getting customer service right, and as fundamental as striving to operate efficiently and profitably.

Ever since our demerger in November 2001, we have striven to create a culture of responsibility throughout the Company. During the past financial year we have made considerable progress in this area.

Championing corporate responsibility

In July 2002, we established a Corporate Responsibility Advisory Council, led by our Chairman, David Varney. The Council meets every two months to review corporate responsibility policy and performance and make recommendations to the Executive Committee and the main Board. Senior management, our internal audit team, functional experts and representatives from our operating businesses are all represented on the Council.

Members of the Board and the Executive Committee act as champions for different aspects of our corporate responsibility strategy. The Group's corporate responsibility management team is supported by a 'virtual' team. The virtual team covers all main areas of corporate responsibility policy and practice across the Group, including environmental protection, human resources, health and community investment. Our UK, German and Irish operations have a specific corporate responsibility contact person.

During the past year we have published an environmental policy, launched a major study of employment diversity within the Group and completed a new ethical procurement policy. A highlight of the year was the launch in December 2002 of our 'Can Do in the Community' programme which aims to find ways we can use our mobile services and skills to bring social benefits to the communities in which we operate.

How we are seen and judged

mmO₂ is now represented in some of the main sustainability funds and indices. During the year we were selected to join both the Dow Jones Global Sustainability Indexes World – which covers the top 10 per cent of some 2,500 companies around the globe – and the Dow Jones Indexes Stoxx – which tracks leading European companies. In addition we are now represented on the FTSE4Good index of top 50 UK companies and the FTSE4Good Global index. We are also a member of the Brussels-based Ethibel investment and sustainability registers.

Together with some 120 major companies quoted on the London Stock Exchange, we took part in Business in the Community's Index of Corporate Responsibility. We were among the top ranked companies overall for our performance in this field and the highest placed mobile telecoms company in the Index.

These are important achievements for a company that is still relatively young. But we are ambitious and we know we have a great deal more to do.

This corporate responsibility report, and the associated online report that we intend to update regularly, describes the policies and processes we have put in place – or are planning to introduce – to manage our operations responsibly. We also describe our efforts to engage fully with all of our stakeholders. It covers all of our fully owned businesses and includes relevant data for the

year under review. Data has been included for O₂ Netherlands, the business that was sold in June 2003. The scope of this report covers the year ended 31 March 2003. This report is independently verified by the external assurance providers, Ernst & Young. Their assurance statement can be found on page 48. We aim to produce annual updates of this report.

Reporting guidelines

We have looked at all the external reporting guidelines for corporate responsibility to assess which of them provides the most challenging criteria by which to judge our activities.

We have chosen an integrated approach in benchmarking and measuring our corporate responsibility performance. We have opted to use the Business in the Community (BITC) reporting guidelines as the framework for this report and for our wider reporting activities. In addition, to ensure that we have covered all the essential areas, we have also incorporated the Global Reporting Initiative (GRI) reporting guidelines to provide us with sub-categories not dealt with by the BITC guidelines. And we have added Health as a category of our own because we see it as important to the business.

The GRI reporting framework requires that we present quantitative data covering numerous subject areas. In those places where we do not measure our performance, we have tried to illustrate our performance through qualitative information and case studies.

In our determination to engage in active dialogue with all of our stakeholders, we aim to account for ourselves openly and frankly. It is important how we are seen and judged. We welcome views from all groups and individuals who want to engage with us on what we can do to improve our performance.





Disclosure requirement	mmO ₂
The Board takes regular account of the significance of social, environmental and ethical (SEE) matters to the business and the Company.	During the year, the Board was regularly briefed on a range of social, environmental and ethical issues facing the Company. These included community investment, business ethics, health, safety and environmental protection.
The Board has identified and assessed the significant risks to the Company's short and long-term value arising from SEE matters, as well as the opportunities to enhance value that may arise from an appropriate response.	The corporate responsibility programme is expertly managed across all businesses with direct responsibility for issues resting with individual Directors and ultimately with the main Board as a whole. Social, environmental and ethical issues are integral to the business and integrated within our risk management procedures.
The Board has received adequate information to make this assessment and account is taken of SEE matters in the training of Directors.	Our Directors attended a two-day off-site conference covering – among other things – specific social and ethical matters. Some of our new Directors participated in a training seminar in February 2003 which also covered elements of corporate responsibility.
The Board has ensured that the Company has in place effective systems for managing significant risks which, where relevant, incorporate performance and management systems and appropriate remuneration incentives.	Our risk management procedures are guided by the Combined Code and the Turnbull committee recommendations. In common with other risks, we manage SEE risks by assessing their potential impact on the Company, measuring our appetite to manage them and by developing strategies to mitigate them. Many members of staff have explicit social, environmental and ethical objectives to meet. All those charged with managing risks are remunerated on the basis of their success in meeting set targets.
A description of SEE related risks and opportunities that may significantly affect the Company's short and long term value, and how they might impact on the business.	Two particularly significant corporate responsibility risks confront mobile communications companies: public concerns about the safety of handsets and other portable equipment and worries about the siting of communications masts. A detailed review of these risks is included in the Health section on page 29 of this report.
A description of the Company's policies and procedures for managing risks to short and long-term value arising from SEE matters.	Our risk management policy describes in detail the procedures for management of risks.
A description of the extent to which the Company has complied with its policies and procedures for managing risks arising from SEE matters.	Our risk management programme is under regular scrutiny via internal and external audits. Our Audit Committee is regularly updated on our new and refreshed risk registers and the progress in mitigating those risks. Our compliance with the Ten Commitments for responsible mast siting has been subject to third party review and this report should be published during Summer 2003.
A description of the procedures for verification of SEE disclosures.	This table has been externally verified by our assurance providers, Ernst & Young, see page 48 of this report. In addition, our environmental and health and safety risks are subject to third party audits through our operational risk reviews, which form part of our insurance programme.

Source: Association of British Insurers: Disclosure Guidelines on Social Responsibility (2001)

Corporate governance

Ever since mmO₂ became an independent company, we have made corporate responsibility fundamental to the culture of the Company and an essential part of how we operate as a business.

One important way in which this is achieved is to create an operating environment that demonstrates good corporate governance practice; another is to manage our approach to corporate responsibility as part of a well-developed and rigorous strategy for internal control and risk management. Good corporate governance is among our highest priorities. We aim to be at the forefront of best practice.

Companies and their stakeholders increasingly see managing risk as a crucial part of operating successfully, in the widest sense. Risk management is about identifying, measuring and controlling future events that could threaten the Company's assets, its revenues, brand, reputation and value. It aims to create value, on the one hand, by having a system in place to properly assess and take advantage of potential opportunities. It also seeks to protect value by ensuring that risks that could damage the Company are identified and mitigated.

The social disclosure guidelines of the Association of British Insurers (ABI) and the Turnbull Internal Control Guidance on the Combined Code make specific demands of companies about how they manage risk. We fully support these guidelines and our procedures in this area aim to comply with, or exceed, their requirements. Our detailed response to the ABI Guidelines can be found on page 16 of this report or in the 2003 mmO₂ Annual Report and Financial Statements.

Managing risk and the role of Directors

Our own risk management procedures are designed to be thorough and expertly managed. For example, we specifically assess value at risk and articulate our appetite for specific risks. Responsibility for all risk issues rests with designated Directors who are given the task of monitoring particular risks and devising and implementing remedies, where necessary.

Directors are encouraged to take account of social, environmental and ethical issues as part of the risk management process, building on existing policies that deal with issues such as corporate governance, health, safety and the environment. We have

drawn up risk registers for each of the operating companies and these form the basis of a consolidated Group risk register. Our risk management process is under continuous review as we seek to improve further the identification of corporate responsibility risks at all levels of the business.

Risk issues are reviewed by executive management every month and by the Board every six months. Our internal audit team also promotes effective risk management in each of the operating businesses. The internal audit team reports to the Audit Committee of the Board. All Directors and those specifically charged with managing risks are remunerated on the basis of their success in meeting set targets.

The Board which currently comprises Chairman, the Chief Executive Officer, the Chief Finance Officer, three further Executive Directors and seven independent Non-executive Directors, is regularly briefed on a range of social, environmental and ethical issues and potential risks facing the Company. These issues include community investment, human resources, business ethics, health and safety and environmental protection. In addition, during the year our Board attended a two-day strategy event that included corporate responsibility issues. A number of recent Board appointees chose to take part in a training seminar, which included the discussion of social, environmental and ethical issues.

Along with training on corporate governance issues, all Directors have received information on the requirements of the ABI's social disclosure guidelines. These deal with the identification and assessment of social, environmental and ethical risks. At six monthly review meetings by the Board, Directors receive reports on all major operational risks. The integral nature of corporate responsibility in the risk management process is also highlighted to Directors.

The management of risk takes place throughout the operations of the Company. Responsibility issues affect every part of the business and a number of employees have explicit corporate responsibility objectives to meet. Our fast track risk management process allows us to address risks swiftly and effectively.

Business Principles

Enhancing the good name and reputation of the Company is one of the most important jobs that anyone working for mmO₂ has to do.

Our own Business Principles, a copy of which we aim to make available to every employee in mmO₂, sets out the standard of behaviour we demand of ourselves in our dealings with each other, with partners and suppliers, with customers and with all external agencies. A revised version of our Business Principles was approved by our Board in December 2002 (see pages 46 and 47).

We continue to promote these Principles throughout the Company to make sure that our strict standards on issues like the acceptance of gifts, the award of contracts to suppliers, confidentiality, harassment, health and safety, are widely understood and acted upon. In 2003/04 we intend to introduce further measures – including an online training programme and measurement procedures – to ensure our Business Principles are being adopted and adhered to across the Company.

Managers are responsible for making employees aware of the Principles and reporting on compliance. The Business Principles document enables employees to use a confidential help and notification system to report any behaviour that they are concerned about. They are assured that their concerns will be taken seriously and that their complaints will be dealt with privately and without fear of retribution. We are confident that we will be able to meet the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) requirements for Code updates and the logging of calls to the confidential help line.

Approaches to corporate governance are evolving. While we meet all the demands of the Combined Code, we are also actively involved in the debate about new corporate governance practice, most notably the Higgs review in the UK and Sarbanes-Oxley in the US.

Understanding your opinions

Listening to our stakeholders

A company that concentrates solely on the narrow business of business will soon lose touch with the very people it depends on for its prosperity. Successful businesses take full account of the fact that they operate within the context of wider society. We use stakeholder dialogue at mmO₂ as a way to talk, listen and learn from the groups and people who have a direct and indirect interest in the way we operate. Our aim is to promote a genuine understanding of how we operate as a company and of what we hope to offer through our products and our mobile services. By the same token, we also want to understand how we are perceived by society and what people expect of us. For that reason we are keen to stimulate dialogue with customers, employees, investors, community bodies and representatives, regulatory agencies, local and national government, international institutions and non-governmental organisations. We would like to engage in active dialogue with these groups and with any stakeholders who have a genuine desire to enter frank and open debate with us. We are determined to make this engagement useful to us and to them. It takes time to turn a desire for genuine dialogue into reality. Once established, the process must be a constant one if it is to be of real value. We have made good progress in opening the lines of communication with stakeholders but we are looking continuously for ways to further improve access and our responsiveness.

Who we are talking to

We have already established a dialogue with a wide range of groups and individuals so that we can engage in debates on social, environmental and ethical issues. We have extended our work with stakeholders by participating in a wide range of groups, including the Internet Watch Foundation, Business in the Community, the Mobile Operators Association, the Global e-Sustainability Initiative, the GSM Association, the Institute for Business Ethics, the Community Action Network (CAN), the Confederation of British Industry (CBI), the National Consumer Council (UK), the Communications Workers' Union, Connect, and many more. Through our community relations managers, we meet and hold discussions with thousands of people representing activist groups and national and local authorities. In the UK, we offer a dedicated help line for enquiries about the location of communications masts together with health related issues. The dialogue we have established guides us in trying to build our networks with the minimal amount of environmental and social intrusion.

Compiling this report has given us the opportunity to develop an additional external dialogue that specifically looks at corporate responsibility. It has allowed us to establish or broaden our existing contact with an initial group of 29 key opinion leaders representing 28 different organisations as listed below. We have canvassed their views in person, conducting telephone and face-to-face interviews. The dialogue we carried out helped shape the context of this report and the consequent sections will respond to most of the issues that were raised.

This group includes:

Campaigning and charitable organisations: Mast Action UK, Powerwatch, Childnet International, The Suzy Lamplugh Trust, The Royal Automobile Club (RAC), Deutsche Kinderschutzbund Bundesverband and Umweltinstitut, Munchen. Corporate responsibility specialists and academia: Tomorrow's Company, The Ashridge Centre, Roger Cowe (journalist), The New Economics Foundation and Warwick University. Investors: Jupiter Asset Management, HBOS and Morley Fund Management. Suppliers and industry partners: Nokia and Shields Environmental. Membership organisations: Business in the Community (BITC), The Confederation of British Industry (CBI), The Internet Watch Foundation (IWF), The GSM Association, The Irish Business and Employers Confederation (IBEC), The Mobile Operators Association (MOA), and Business in the Community, Ireland. National and Local Government agencies: The All-Party Mobile and Health Group, The Department of Health. Public sector organisations: The Police Federation and The Thames Valley Police.

As our programme of stakeholder dialogue develops, we aim to involve these groups and individuals more deeply in order to refine our policies and procedures, as well as to develop our reporting remit. But we would also like to expand the programme by bringing new groups and new people into our consultations.

How we are responding

An important first step in this dialogue was to get a clear understanding of the issues that most concern people who are affected by our operations. In the pages that follow we highlight some of the issues these stakeholders have said are most important to them and we set out the approach we are taking to deal with them. In some instances this exercise has allowed us to express more clearly than before our approach to contentious issues. Elsewhere, this exercise has revealed gaps in our approach, gaps that we now intend to fill.

We aim to extend our programme of external dialogue on corporate responsibility issues firstly in the UK, and then on the Isle of Man, in Ireland and in Germany.

Appropriate, considerate and safe use of mobile phones

What are you doing to make mobile phones safe and unobtrusive?

People are clearly worried about the anti-social effects of mobile technology. There are worries that mobile phones may, as they get more advanced, present a danger to young people by becoming a channel for adult content such as pornography or gambling. We are also aware that people worry that we are doing too little to educate our customers about using their phones in a responsible way and without causing a nuisance to others. They also ask if we are doing enough to promote the safe use of phones by car drivers.

Adult content

Mobile phones are popular with young people and can give them a sense of independence and security. For that reason parents are often keen for their children to have one. But they also worry that owning a phone will make young people vulnerable to inappropriate content, theft and bullying. Our aim is to help children use their mobile devices safely.

Consumer demand, as mobile telecommunications become more sophisticated, could mean that mobile devices increasingly become a channel for adult content such as pornography, gambling, financial services and other intensive push-marketing. Internet operators, broadcasters, regulators and governments have already wrestled with this issue with varying degrees of success. To date, this type of content has not been a significant issue in mobile communications, not least because voice and simple messaging services are poor channels for the delivery of adult content.

The emergence of data-rich services could change this situation. As the new 2.5G and 3G services, offering internet access and the transmission of sophisticated video and audio content, come to market, this issue will become ever more important.

Controls

Some commentators expect demand for adult content on mobile phones to increase significantly and they predict that it could be a source of considerable revenue for operators. At the same time, some stakeholders expect a proportion of customers to demand these services and, therefore, see it as a legitimate source of revenue and so expect us to offer adult content. This view needs to be considered alongside the view expressed by other stakeholders that to do so without adequate controls could expose vulnerable groups, particularly children, to inappropriate material. We think it is vital to balance these expectations and concerns in a responsible way.

Although we already have some billing and number barring controls in place, we are developing our policy on this important, emerging issue. But our starting point is clear. We will take all possible steps to protect children from access to inappropriate material including pornography, racism, violence and illegal gambling.

At the same time we want to give our customers the ability to make informed choices. One of the options we are exploring is the use of filtering technology, also referred to as 'enablers', similar to the filters available on family or school computers, which will block access to certain services. The technology is still at a relatively early stage of development and we will keep our customers and other stakeholders fully informed on the progress we make with it. We are also looking at the appropriate use of industry labelling and rating schemes for use in mobile content.

The UK Prison Service arranges crime and safety awareness days at schools throughout the UK. A team of O₂ employees has taken part in these events to discuss nuisance calls, hoax calls and SMS/WAP/internet chat rooms and dispelled the myths about not being caught. This activity started in January 2003 and will involve almost 70 school visits by the end of the year, where five to six workshops will take place each day addressing 25-30 youngsters aged between 11 and 15. An accompanying leaflet on this topic is available through the O₂ UK web site.

Policing illegal content

The very nature of the internet makes it difficult for any operator to control all content being accessed through its network. We do not believe we can effectively police all content transmitted through mobile devices, especially peer to peer messaging, control of which could in turn raise issues about individual privacy. Our hope is that the use of screening technology will allow customers to approach this issue carefully and will give parents and guardians the ability to help young people set up their phones safely.

As mobile phones are becoming an effective channel for internet access, mmO₂ is a member of the Internet Watch Foundation (IWF) and sits on its funding council. The IWF investigates reports from the public on internet sites that contain potentially illegal content, concentrating primarily on child pornography. It assesses content and passes information about illegal sites to the police via the National Criminal Intelligence Service.

mmO₂ text messages carried 2002/03

11.6 billion

Phone cited as the primary distraction in a car crash¹

5%

Etiquette

We encourage our customers to use their phones in a sensible, considerate and responsible way. We have dedicated a part of our web site – www.mmo2.com/cr – to this issue about mobile phones and etiquette.

The convenience of using a mobile phone does not automatically give anyone the right to be a nuisance. Interrupting films and plays, breaking other people's enjoyment of a restaurant or a journey or disrupting meetings can all be a major cause of annoyance. We advise: "if in doubt, take control and turn your mobile off!"

Modern mobile phones are set up to be both convenient and unobtrusive. It is not difficult to use a handset in a responsible way. There are obvious places where it is best to 'switch to silent' or to turn the phone off. These include cinemas, theatres, restaurants, sporting events, concerts, in hospitals, at weddings and funerals and at business and social meetings. Answer machine services mean that people can still stay conveniently in touch. For those people who can't bear to hit the off button, quiet, mute, and vibration settings can make the phone far more discreet.

We advise our customers to be careful what they say when using a phone in a public place. Speaking quietly can not only prevent annoyance it can also protect the caller's privacy. Text messaging is more private and can be more secure. This is particularly important for business calls. Our guidance advises people to be aware that the convenience of being constantly in touch can become an annoyance to others if they are busy, engaged in a meeting or on the move. We advise customers to start a call with a simple enquiry – "is this a good time to talk?"

Distraction driving

As roads get busier and busier, it is vital for drivers to concentrate all the time they are on the road. Yet many still use their mobile phones while at the wheel. We have carried out a campaign on the use of mobile phones whilst driving in the UK, which has involved distributing leaflets and providing driving training to employees. A dedicated leaflet is also available on our website www.mmo2.com/cr. Targeted promotion was also undertaken in the Isle of Man, where using a phone while driving carries a maximum penalty of £1,000, run with the Manx Department of Transport road safety unit and the police. We include tips on safe driving on our web site.

We advise drivers never to use hand held mobile devices while driving. If they need to make or receive a call the best option is often to pull over, but drivers still need to be careful how and where they stop. We advise them to choose a safe place to stop and to be careful not to impede traffic or create a blind spot for other motorists.

Our campaigns urge drivers to make use of voicemail services while driving and to pick up messages and return calls when breaking their journey. Any calls made while driving should be kept brief and drivers should always cut short distressing calls that might disrupt their concentration.

¹ A pilot study conducted by Virginia Commonwealth University (2003) involving nearly 4,500 distracted drivers

Crime

Are you doing enough to cut mobile phone crime?

Number of mobile phones stolen in 2002 (UK)¹

470,000

Robberies in 2000/01 involved a mobile phone²

28%

A growing proportion of crimes is associated with the theft of mobile phones – in the UK alone hundreds of thousands of handsets are stolen each year. People have expressed concerns that mobile operators are doing too little to prevent a rising tide of crime that often leaves vulnerable people, particularly children, exposed to mugging and theft.

Mobile phone crime is of great concern to us and we have made good progress in this area. Our own crime prevention initiatives, and those we are working on with other operators, start by concentrating on the deterrence of phone crime.

Blocking stolen mobiles

In July 2002 O₂ UK launched a new scheme that allows it to identify stolen phones being used on its network by tracing the phone's IMEI (International Mobile Equipment Identity) number. This is a 15-digit number, unique to every phone. Previously O₂ UK had only been able to block stolen SIM cards that had their own, unique identity. But now, by checking the IMEI against an Equipment Identity Register (EIR) – a list of phones reported stolen – O₂ UK can bar a phone even if the SIM card has been changed. In October last year, O₂ UK began working with the other mobile operators on this scheme. The IMEI blocking system now works on all networks through a shared central EIR that logs all phones reported stolen. Today the combined number of barred IMEIs totals 640,000 for the UK operators.

O₂ Ireland is currently building an EIR of its own to cover its network there. The scheme, costing O₂ Ireland 1.1 million Euros, will be in place by the Summer, 2003. Discussions are also underway with other Irish operators to create a central database of the IMEI numbers of stolen phones that will work across all networks.

In the UK the mobile industry is working together through the Mobile Industry Crime Action Forum (MICAF), a body which co-operates closely on anti-theft initiatives with the Home Office and the police. O₂ UK is a founding

and active member of MICAF. In March this year, MICAF launched the £1.5 million 'Immobalise' advertising campaign to get the message across that "stolen phones don't work". A web site – www.immobalise.com – and a help line tell victims of phone crime how to report stolen phones.

O₂ UK is also working on a scheme to provide information to the police about the usage of stolen phones on the register so that they can track down phone thieves. In addition O₂ UK is providing help on the assessment of insurance claims and we have supported the Government's introduction of new legislation making it illegal to tamper with a phone's IMEI number.

Phone safety

There are a number of things mobile phone users can do to protect themselves from crime. For our UK customers we have produced a leaflet to remind people how best to use a phone safely in public places and we believe that increasingly people are taking this issue seriously.

Although these initiatives will not wipe out mobile phone theft overnight, we are sure that they will begin to make a big impact on the number of phones stolen each year and the number of phone owners subjected to crime. Our aim, essentially, is to make phone theft a waste of time.

¹ Source: Mobile Industry Action Forum (www.micaf.co.uk) ² Source: www.immobalise.com

Airwave

What is it and how does it work?

Airwave, a subsidiary of mmO₂, is creating a new state-of-the-art mobile communications network for police forces and potentially other emergency services across England, Scotland and Wales. This network will, for the first time, provide complete national coverage offering police forces much better communications and communities greater security.

As of April 2003, 10 police forces had been equipped with the new system and are benefiting from the secure and unbroken communications that the technology offers. Two fire services and one ambulance service have also begun to use this new system. All police forces should be using Airwave by the end of 2005.

Airwave is being developed under a £2.9 billion private finance initiative project – the largest of its kind – that runs for 15 years. The security of the system will allow officers to operate in the field more securely and the National Audit Office has estimated that efficiency savings associated with the introduction of Airwave could be the equivalent of up to an extra 1,200 police officers. Should more fire and ambulance crews begin to use the system too, it will offer real inter-operability between the emergency services for the first time.

These are the benefits to society of the new network. But as with other mobile phone systems, the roll out of Airwave's network has raised concerns about the environmental impact of infrastructure and worries that the technology that Airwave uses could pose a threat to the health of staff, customers and the public. We take these issues seriously and are keen to address them directly.

National coverage

Once complete, it is estimated that the network will comprise some 3,500 masts, transmitting over relatively small areas. Masts will be necessary in all parts of the country, including some remote areas where there may not currently be any other radio infrastructure, to enable us to provide complete unbroken coverage everywhere. Understandably, some fear that the need for masts in areas of particular sensitivity as well as elsewhere will scar the environment.

We aim to develop the network with care and sensitivity by making masts as unobtrusive as possible and, wherever possible, co-locating transmitters on existing sites. Our network construction programme is designed to comply with the Ten Commitments on responsible mast siting drawn up by the UK Mobile Operators Association. These commit us to additional consultation with local communities at an early stage where a site may cause concern in

the community and to aim to minimise the environmental impact of the network. Full details of the Ten Commitments are included in the Environment and sustainability section of this report (page 32). In the roll out of the network we are seeking comments from communities and continue to consult widely and more deeply than normal planning procedures demand.

Masts and handsets

In common with other mobile communications systems, there are concerns about the safety of the Airwave transmitters and radio handsets.

It is commonly accepted that radio frequencies can be harmful to human health above a certain level of exposure. International exposure guidelines – laid down by the independent International Commission on Non-Ionizing Radiation Protection (ICNIRP) – are set at well below risk levels. Our masts and handsets are designed to comply with these guidelines. Currently, the masts operate at many hundreds and even thousands of times below the agreed safety limits where the general public have access.

But there are further concerns about the Airwave network because it uses a technology called Terrestrial Trunked Radio (TETRA). These have focused specifically on the 17.65Hz component of the kind of radio signal it uses. Airwave handsets pulse at this frequency, although its transmitters do not.

Concerns about this frequency originated in a reference in the Stewart report¹ into mobile telephony in 2000, which advised precaution in relation to frequencies that were amplitude modulated at around 16Hz. The concern was that these frequencies were close to those in the human brain and that some studies carried out in the 1970s had suggested there might be an effect on brain function.

However, the most recent research has shown no effects on cognitive brain function, and the consensus within the scientific community gives us great reassurance that employees, customers and the public's health is not at risk. We continue to support research in this area and we have fully supported further work by the UK's National Radiological Protection Board and other independent experts as part of the Mobile Telecommunications and Health research programme in the UK.

¹ Independent Expert Group on Mobile Phones: Mobile Phones and Health – Chairman Sir William Stewart (2000)



“All these different tariffs on the mobile market are confusing me. I would like to see things made simpler and more transparent.”

Eva Winkler, customer of O₂ Germany

Marketplace

Our mobile services deliver clear social benefits. The mobile communications industry has created many thousands of jobs and widespread opportunities for training and development in what is a fast growing, high-tech sector of the economy. Our services are highly sought after by people of all different age groups, backgrounds and circumstances. As new services develop they will transform many of the established ways we live and interact, both at work and at home. Mobile telecommunications is already allowing people to work more flexibly with less need to travel extensively and enabling them to create a structure to their working lives which can be better balanced between work and home-life commitments. It is also one of the most inclusive technologies, with more than 50 million users in the UK alone. The wireless device is also increasingly becoming a powerful medium for information and entertainment, a trend that will accelerate as new, more sophisticated data services become widely available. We work hard to share our enthusiasm with customers and to understand what they would most like wireless applications to deliver.

Mobile services also pose some important social challenges and we are clear about these. While in the developed world mobile telecommunications is broadly available to people, pricing and poor infrastructure mean that it is not equally available to all. Even in our markets where this service is well established, like Ireland, the availability of access to broadband network outside the main cities is a priority for the Irish Government. In Ireland, O₂ is the only mobile operator to receive Government funding to conduct pilot trials to investigate if wireless is the best and least disruptive way to spread broadband access in more rural areas to bridge this digital divide. We are assessing the feasibility of installing wireless broadband services into civic offices in the West of Ireland to explore the role that mobile can play in the national broadband roll out programme.

The digital divide between the developed and developing world is most stark. In many countries, mobile is being adopted from scratch, avoiding the traditional first step of fixed line services. But the fact remains that as mobile markets develop at incredible pace in the developed world the gap between them and most developing countries is widening.

Competition and regulation

mmO₂ operates across a footprint of four mobile communications markets in Western Europe: Ireland, the Isle of Man, Germany and the UK. Most of these markets are highly competitive and subject to strict regulation.

In three of our markets we face competition from between two and four other mobile operators. Yet the mobile telecommunications industry remains one of the most regulated sectors of the economy against a lingering perception that call charges are too high and that pricing is not transparent enough.

The mobile industry is still relatively new but is no longer in its infancy. The explosive rates of growth in mobile phone ownership have now slowed as penetration reaches saturation point. Independent estimates suggest that there are now more mobile phone subscribers around the world than fixed line phones – 1.4 billion against 1.1 billion.

But slowing growth does not mean we are facing less competition. If anything the reverse is true. Where operators once engaged in a fierce battle for subscribers, they are now competing strongly to offer the best customer service, the best solutions, and the best prices. The introduction of 3G services will only intensify this competition further. As mobile technology becomes more data-intensive, we will inevitably face competition from other sources as a whole range of technologies using internet-protocol-based systems, like messaging direct from personal computers to mobile phones, vie with each other for the attention of customers.

Customers not only want to be sure that we operate in a responsible way, but that the companies that supply us are responsible too.



We seek a constructive relationship with regulatory authorities. But our belief is that regulation needs to evolve to meet the changing nature of the industry. We have argued strongly that too much emphasis is put on the micro-regulation of the industry, particularly by European agencies, and that this threatens to stifle inventiveness and investment in what is still a highly capital intensive industry. We believe regulators should look more at the overall competitiveness of the mobile market rather than at specific pricing issues. Regulation should be lighter and be about promoting competition, investment and innovation in the industry so that efficiencies can be realised and passed quickly on to the customer in the form of better services and lower prices. We believe that regulators should only intervene where it is clear that competition and consumer protection laws are too weak to offer safeguards for the consumer.

The industry is currently facing a range of regulatory investigations. The price of calling mobiles has been investigated in the UK and other EU member states. The European Commission is investigating roaming charges – the price callers pay when they are abroad and using another network, where they find themselves paying both to make and receive calls.

The UK Competition Commission has recently ruled that cuts proposed by the regulator, Oftel, to the cost of incoming calls onto all mobile networks – so-called termination charges – should be deeper. The Competition Commission proposed that O₂ UK's termination charges should fall by an initial amount of 15 per cent and a further 15 per cent per year for the next three years.

Our reaction to this determination reflects our generally pragmatic approach to regulation.

We decided not to follow our competitors in seeking a legal challenge to the decision. We believed it was more important for mmO₂ to move forward and remove further uncertainty over our future. However, we also made it clear that we needed to recoup lost revenues. We will do this by delaying other planned tariff reductions, reducing subsidies on new phones and by delaying the introduction of our 3G service until the second half of 2004.

Pricing our products clearly

Concern about the pricing of our services often stems from the complexity and profusion of mobile phone tariffs in the market as a whole, a factor that is at times beyond our control. We are aware that many customers find it difficult to distinguish between different service offerings and we are working on improving the information and advice we give to customers. Each of our operating businesses has been developing a new approach to segmenting our customers according to their pattern of usage. By understanding when and how much they use their phones, we are better able to offer them services that meet their needs and their budgets.

Customer service training at all of our call centres has been intensified to ensure that when a customer calls to seek advice or complain, our advisors will answer their calls promptly, have access to the right information or support from colleagues with more detailed knowledge. Call centre employees work in teams, led by a team leader and often also supported by a team coach to provide regular training and support. This is important work and we are seeking to improve our performance here. In a highly competitive market, we want excellent customer service to be one of the main things that sets us apart from other operators.

Customer service

We measure customer satisfaction in a number of ways. In the UK these include use of the Claes Fornell International (CFI) measure, which refers to an external benchmarking study covering the complete understanding of customer satisfaction; and the Event Driven Customer Satisfaction Measure (EDCSM).

Our call centre operations in Germany were commended during the year. O₂ Germany was voted top call centre operator in Germany in a poll by the consumer technology magazine, Tomorrow. By contrast our UK call centres became stretched early in the year after a period of employee reductions. Levels of service have since been restored and we are working on a number of initiatives, including IT solutions, to boost our performance and to ensure it improves continuously.

Catering for customers with special needs

The launch of the O₂ brand during 2002 involved intense advertising and promotion. We believe that successful companies are those that reflect the diversity of wider society. This drives our approach to diversity within the Company and is carefully reflected in the services we offer. The response to the launch of our brand has been extremely positive both from our employees and our customers. We believe this reflects a genuine view that the Company is seen as fresh and vital and has modern and inclusive values.

O₂ UK has made special provision for customers with special needs and disabilities. These include invoicing in braille, large text size and audio for people with visual impairments. Our network is used for numerous services supporting people with special needs, like text services for the deaf. A new accessibility UK web site 'O₂ Access for All' is being prepared to provide a guide to the services

02 03



04



05



01 Customer service staff in Germany are becoming confident in selling to customers, as part of the Care and Sell campaign. The aim is to actively offer products and services to the right customers at the right time, which improves customers' satisfaction and increases revenue.

02 03 Siemens S55 and Nokia 7210 have huge colour screens that enable you to view colour images on your mobile.

04 Nokia 7650 has a built in camera so you can take, send and share your pictures.

05 xda from O₂. It's a phone, a pda, web browser, and hand held PC all in one slim-line package.

and support we can offer customers with disabilities and special needs. The web site also makes clear our commitment to offer opportunities for disabled employees. However, we recognise that this is an area that we need to look at more closely as we develop new products and services. Our membership in the UK of the Employers Forum on Disability will assist us in learning more about the needs of the disabled.

Privacy and adult content

Customer privacy is an increasingly vexed issue. Although we are committed to respect and safeguard customer confidentiality, we are obliged by law to make customer records available to the police under certain circumstances. Heightened security fears in recent months have led the UK Government to rule that other emergency services should have access on demand to these records. We handle this issue with great care balancing individual rights to privacy and wider national security issues.

Camera phones are now becoming widely available and are already proving very popular. But we recognise that, in some circumstances, these pose a separate threat to individual privacy, particularly the privacy of vulnerable groups like children. We already publish advice on the safe and responsible use of phones on our web site www.mmo2.com/cr.

Another issue of growing importance to customers and other stakeholders is adult content. They want to know what safeguards we are putting in place to ensure that children and young people do not get access to inappropriate material. As mobile phone technology advances it is expected to become a channel for services demanded by the public including pornography, gambling, financial services and other types of

push-marketing. We aim to protect vulnerable people, particularly children, from seeing or hearing unsuitable content. We are exploring the use of content filtration technology that will block access to certain types of content (page 20).

Supply chain

Customers not only want to be sure that we operate in a responsible way, but that the companies that supply us are responsible too. During the current year we have developed an ethical procurement policy which was adopted by the Executive Committee in February 2003. It has now been endorsed by the Board and plans for the implementation of the policy are currently under development. This policy spells out the standards we apply as a company and the standards we expect our suppliers to adopt. Our aim is to encourage suppliers to make similar demands of companies further along the supply chain. In implementing the policy, which is based on the Ethical Trading Initiative Base Code, we will work collaboratively with our suppliers and use the principle of continuous improvement to guide our relationships. We aim to do this directly with our suppliers as well as through industry bodies, such as the Global e-Sustainability Initiative that we have recently become members of. Our aim is to ensure that suppliers comply with all national and other applicable law and regulations relating to the standards, including health and safety, payment of living wages, and the use of child labour.

Among the issues that the newly created Corporate Responsibility Advisory Council has debated this year is the sourcing of mobile phones and equipment. The Council has concluded that we need to ensure that the products we sell are manufactured appropriately with consideration

to both the social and the physical environment. As a result we have entered into discussions with some of our suppliers to better understand this manufacturing process.

mmo₂ aims to pay all of its creditors promptly. The payment terms for major contracts are agreed at the same time as other terms are negotiated with individual suppliers. It is the Group's policy to make payments for other purchases within 30 working days of the invoice date, provided that the relevant invoice is presented in a timely fashion and is complete. The Group had 39 days' purchases outstanding as at 31 March 2003 based on the average daily amount invoiced by suppliers during the year.



“It’s an uncomfortable issue, but the mobile companies are going to have to tackle the way phones are used while driving.”

Nicola Thunhurst, External Affairs Manager, RAC, United Kingdom

Health

Fears about the safety of our transmission masts and handsets and the radio frequencies that they emit are undoubtedly among the chief concerns people have about our operations.

The health and safety of our staff, our customers and members of the public is of paramount concern to us. We take precautions to ensure that the equipment we use and supply does not exceed international safety limits. But while such fears exist, we take them extremely seriously. We are determined to provide clear information about how our technology, which operates well within current internationally accepted safety standards, works.

A considerable amount of research is being done in this field and a range of independent international agencies devise the safety guidelines that we operate within based on this scientific research. These include the UK’s National Radiological Protection Board, the International Commission on Non-Ionizing Radiation Protection (ICNIRP) and the European Commission. The World Health Organisation (WHO) maintains a database of research into electromagnetic fields which currently includes 764 studies on radio frequency, of which nearly half are directly concerned with exposure to signals from mobile phones. The European Commission uses this database to direct its own research through a variety of EU programmes.

Independent research

The consensus of opinion among independent scientists is that mobile communications masts and mobile phones do not pose a threat to human health. But many studies have concluded that more research needs to be done. The WHO has itself said: “None of the recent reviews have concluded that exposure to RF fields from mobile phones or their base stations causes any adverse health consequences. However, there are gaps in knowledge that have been identified for further research to better assess health risks.”¹

We fully support calls for further research, believing it is vital that this issue is subject to rigorous and up-to-date research and analysis. We are co-operating with and, in some cases, helping to fund a number of important studies.

Amongst these is the £7 million Mobile Telecommunications and Health research programme jointly funded by the UK Government and industry and set up on the recommendation of the Stewart enquiry in 2000. Apart from receiving this funding, the programme is being run entirely independently of the industry. It is looking into a range of issues including biology, epidemiology and dosimetry as they apply to both current and future mobile systems. It is also studying risk perception and communication. We are participating in a number of research initiatives in Germany including the Forschungsgemeinschaft Funk project involving industry, universities, manufacturers and government. We have committed with other operators to contribute to a separate government research initiative managed by the Federal Agency for Radiation Protection.

We do not carry out any research ourselves but we continually monitor international research and other issues in this field. We have set strict criteria for supporting research in this field. It must be:

- Unique, unless its stated objective is replication
- Subject to peer review
- Judged as being of good quality by an expert panel
- Intended to be published in reputable journals
- Independent of industry

Research must also address the research agenda drawn up by the WHO.

¹ WHO briefing fact sheet 193: Electromagnetic fields and public health, mobile telephones and their base stations.

Measurements carried out by the NRPB and the Radiocommunications Agency have confirmed that our base stations transmit at levels many hundreds and even thousands of times below safety limits.

How it works

It is just 17 years since mobile phones first became generally available. Use of them has grown rapidly to the point that, in many developed markets, a high percentage of people now have a mobile phone. In Western Europe there are around 311 million users¹, including more than 50 million in the UK¹, almost 60 million in Germany¹ and 3 million in Ireland¹. Increasingly mobile telecommunications is transforming the way we communicate at home and in the workplace and new more advanced applications are making it possible to send and receive faxes and emails and to gain access to a whole range of internet services.

Mobile phones work by converting voice, text or multi-media messages into radio waves or radio frequencies (RF). Mobile base stations – often but not always distinguished by tall masts fitted with antennae – enable these calls to be transmitted to mobile phones and for callers to be connected to other phones and other networks.

These networks are divided into thousands of so called cells. Each cell has its own base station. The area covered and the number of calls and callers within it determines the size of each cell. When a caller is on the move, the call is handed from one cell to the next. If there are not enough base stations in a particular area or if the signal is interrupted, a call will be 'dropped'. Antennae have to be positioned high up on masts because radio waves travel in an approximate straight line and can be interrupted or deflected by buildings and terrain. It is only the antenna that transmits the radio frequencies. The masts themselves do not. Antennae vary in size and may not always be mounted on masts. Lower powered 'microcells' may be fixed to the side of buildings in urban areas. Very low power 'picocells' are often positioned in busy and crowded areas.

Radio waves are an every day part of modern life. They are what TV and radio stations emit as well as mobile phones. RF is a form of non-ionising

radiation and is not radioactive. It is not the same as the sort of radiation associated with X-rays or gamma-rays and its effect on humans is entirely different. Unlike these forms of radiation, RF is too weak to break the bonds that hold the molecules in cells together. But at high powers, RF can cause heating so their strength is strictly controlled. Current mobile systems operate in a range around 900MHz and 1800MHz but in the future more advanced equipment will operate up to frequencies of 2100MHz.

Safety limits

Our transmitters and handsets operate well within safety guidelines set by ICNIRP. Mobile phone networks are designed so that the phone is, in most cases, operating at less than its maximum power. The closer a caller is to a base station, the lower the power a phone will operate at. The safety limit for mobile phones is called the Specific Absorption Rate (SAR), which is the unit of measurement for the amount of RF energy absorbed by the body when using a mobile phone. While operating, the actual SAR level of the phone can be well below the highest power. All handsets sold by O₂ operate well below safety guidelines and we now make a policy of including clear information on the SAR in the instructions for all new phones coming on to the market. Although few people enquire about the SAR of the phone they are buying, we have worked closely with manufacturers to make this information clearer and more widely available.

Measurements carried out by the NRPB and the Radiocommunications Agency have confirmed that exposure levels from our base stations are many hundreds and even thousands of times below safety limits where the general public has access. We strive to operate our network at low power levels where practical, something that key stakeholders, including the independent action group, Powerwatch, has commended us for in consultations carried out for this report.

¹ Source: Gartner (2003)

Useful health information sources

The World Health Organisation
www.who.int/peh-emf

National Radiological Protection Board
www.nrpb.org.uk

Independent Expert Group on Mobile Phones
www.iegmp.org.uk

Department of Health
www.doh.gov.uk/mobile.htm

Radiocommunications Agency
www.radio.gov.uk

International Commission on Non-Ionizing
Radiation Protection (ICNIRP)
www.icnirp.de

European Union
[http://europa.eu.int/comm/health/ph_determinants/
environment/EMF/emf_en.htm](http://europa.eu.int/comm/health/ph_determinants/environment/EMF/emf_en.htm)

Powerwatch
www.powerwatch.org.uk

Mast Action UK
www.mastaction.co.uk

In the field, our masts are carefully cordoned off to protect the equipment and clear safety signs are posted to warn members of the public not to get close to the antennae. These signs have recently been reviewed through an industry initiative and are being updated for use on all new base stations and cell sites. On rooftops antennae will, wherever possible, be positioned carefully, often on the edge of the building or cordoned off and sign-posted so that no one can inadvertently stand or walk in front of the antenna. When maintenance work is carried out at any of our sites, strict safety procedures should be followed. This will often involve turning the antenna off while the work is done.

We are involved in a number of industry groups all of which aim to improve the level of information available to the public on the safety of phones and masts or that are looking at ways to make our approach to the siting of masts more responsible and accountable. Details of the Ten Commitments on responsible mast siting – a code drawn up by the UK Mobile Operators Association that we endorse and abide by – is included in the Environment and sustainability section of this report (page 32).

Information sources

For all mmO₂ mobile technologies there are a number of places where independent information on the effects of radio frequency radiation can be obtained. These include:

The World Health Organisation.
The National Radiological Protection Board.
The Independent Expert Group on Mobile Phones.
The Department of Health.
The International Commission on Non-Ionizing
Radiation Protection (ICNIRP).
The European Union.
Powerwatch.
Mast Action UK.
The Radiocommunications Agency.

Detailed information on the location of base stations in the UK can be found on www.radio.gov.uk (base stations, site finder).

Distraction driving

Another health related issue that worries many stakeholders is the use of mobile phones while driving, particularly the use of hand held devices. We have carried out external campaigns in the Isle of Man to advise drivers on the safe use of their phones. We have also produced leaflets on the topic, which are available through www.mmO2.com/cr. The issue of distraction driving is covered in an earlier section of this report (page 21). Our web site includes tips on distraction driving as well as other aspects of phone etiquette.

Repetitive strain injury

The popularity of text messaging has continued to grow with around 1.7 billion¹ text messages being sent each month in the UK (March 2003). However there has been some concern that too much texting or game playing on mobile phones may have possible health impacts such as repetitive strain injuries (RSI) or similar conditions and may affect the eyesight. mmO₂ takes these concerns seriously and is therefore developing advice for users.

There are already special features in handsets, such as message templates and predictive text, which minimise the number of buttons that have to be pressed and can help to reduce any possible health impacts. Information on these features, where they are available on a particular phone, can be found in the user guide that comes with every new phone.

¹ Source: Mobile Data Association (www.text.it)

“Business is now moving towards balancing its aspirations for growth with care for the environment, by providing a responsible solution for the goods that it sells. The Fonebak scheme is a good step towards that goal in the mobile telecoms sector.”

Gordon Shields, Chief Executive, Shields Environmental, United Kingdom

Environment and sustainability

We aim to operate in a sustainable way across mmO₂, meeting the needs of the present without compromising those of the future. A programme of continual improvement underpins our Group-wide environment strategy. We aim to reduce the impact of our operations on the environment and to prevent pollution.

Ultimate responsibility for our environmental performance rests with Peter Erskine, our CEO. Dave McGlade, CEO of O₂ UK, has recently been appointed environmental champion for the business as a whole and it is his responsibility to see that each of the operating companies implements the environmental strategy effectively whilst complying with relevant national legislation. An environmental forum is held every six months where the environmental champions for each of the operating businesses meet to review progress and performance. The forum also reports twice a year to the Executive Committee and the Board.

Our environmental commitment is spelt out on our website, www.mmo2.com/cr. It commits us publicly to:

- meeting all relevant environmental legislation and to set our own high standards where no regulations exist.
- developing our environmental management system in line with business needs and with best practice.
- understanding relevant environmental science and supporting appropriate research.
- improving consumption of materials by promoting recycling and re-use.
- conserving energy and reducing harmful emissions.
- planning for the full life cycle of the equipment we use on our network.
- working with suppliers to reduce the impact of their operations.

- minimising the visual and noise impacts of our operations.
- working with communities, other industry bodies and our employees to promote environmental awareness.
- reporting annually on our performance.

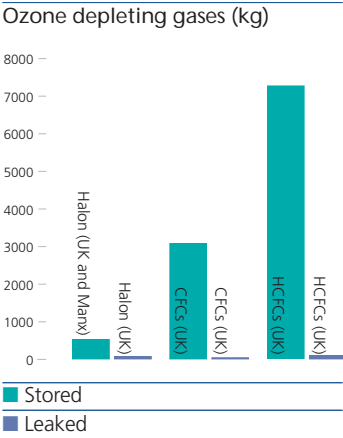
We have made good progress in implementing our strategy but have further to go.

A main focus for our work is certification to the international environmental management standard ISO14001:1996. We have won Group corporate and O₂ UK certification to this standard, which provides the elements to establish an effective and systematic approach to environmental management. We have set December 2004 as the target for all our other businesses across Europe to gain registration. The environmental management of our operating businesses is reviewed annually through third party audits that form part of the operational risk reviews conducted within our insurance programme.

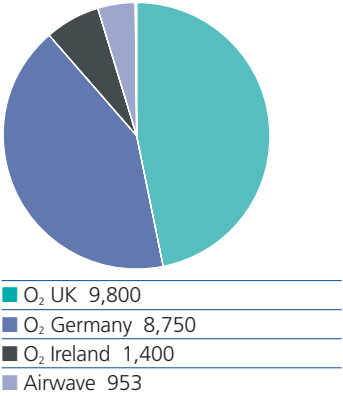
Measuring our impact

During the year we developed a set of metrics to measure our environmental performance. This is the first major exercise we have undertaken across the entire Group to assess our performance in key areas like the reduction of emissions, water and energy consumption and the usage of renewable forms of power. The process of gathering data is at different stages in different parts of the Group but this initial exercise has been completed and provides us with a baseline from which to measure our future performance in reducing our environmental impact.

Our network accounts for more than 80 per cent of our energy consumption, with the remaining consumption associated with our offices, call centres and shops. We aim to manage our energy consumption efficiently and look to use increasing



O₂ Base stations in service (estimate)





Gordon Shields, Chief Executive,
Shields Environmental, United Kingdom

CO ₂ Emissions from energy and transport		Consumption	Estimated consumption	Total	Mwh	CO ₂ Conversion factor	kg CO ₂ per unit	Tonnes CO ₂
Buildings								
Electricity	Kwh	47,104,213	2,670,001	49,774,213	50	0.43	21,402,912	21,403
Natural gas	Kwh	15,836,157		15,836,157	16	0.19	3,008,870	3,009
Network (switching centres and cell sites)								
Electricity	Kwh	257,896,239	31,851,248	289,747,487	290	0.43	124,591,419	124,591
Road transport fuel use								
					Litres 1000's			
Unleaded petrol	litre	666,110	1,516,744	2,182,854	2,183	2.31	5,042,393	5,042
Diesel	litre	2,379,290	5,174,837	7,554,127	7,554	2.68	20,245,062	20,245
Total distance travelled on O ₂ business	km	217,888,201	12,350,522	230,238,723				
					km 1000's			
Total distance travelled by rail (UK, Ireland)	km	622,406		622,406	622	0.06	37,344	37
Total							174,328,00	174,328
Water consumption								
Buildings (office and retail space)								
Water	m ³	118,307	22,209	140,516				
Waste		Waste generation	Estimated waste generation		Tonnes			
Total general waste	kg	1,844,290	560,716	2,405,006	2,405			

amounts of renewable energy. In the UK energy from renewable sources stands at 5 per cent while in Germany the figure is 7 per cent. We have a target to increase these levels in the UK by 1.5 per cent a year. The proportion of renewable energy used by O₂ Ireland is much higher thanks to a supply agreement with Eirtricity, which specialises in supplying power from renewable sources. Here 23 per cent of the power we use across our operations is renewable, while the proportion used by our remote base stations is even higher at 40 per cent. For the Group as a whole we have set ourselves the target of achieving 10 per cent renewable energy use by 2008.

This and greater energy efficiency will allow us to reduce our emissions of greenhouse gases in line with government commitments on global warming made in response to the Kyoto protocols. We will also look at the use of alternative gases as we work to achieve this objective and have also set ourselves a separate target of reducing refrigerant and CFC gases by 10 per cent per unit of turnover by March 2010.

We have introduced a waste recycling scheme at all of our major UK sites to include paper, cans and plastic cups and are aiming to increase the amount of material recycled by 10 per cent within the next two years. We also encourage our customers to recycle their handsets and accessories. Following our involvement in Fonebak, at least 20,000 phones have been refurbished for re-use with the remainder recycled for materials recovery, leaving only a very small amount destined for waste disposal via landfill. We are aiming to double the number of phones recycled under this scheme in the current financial year.

During the year we recorded no significant spills of chemicals, oils and fuels in our operations. There are no reports to mmO₂ of fines or enforcement actions imposed on the Company in relation to environmental performance.

We have set ourselves the target of ensuring all stored fuel has suitable secondary protection to reduce the risk of leaks and spills. We aim to have no spills of diesel from oil tanks by the end of this year and to continue to meet the requirements of environmental agencies.

One way we can improve our environmental performance is to cut down the amount of travelling our employees do in the course of their work. This will help us to cut fuel use, reduce emissions and lower any safety risks to employees. We plan to carry out a feasibility study on a variety of green travel options and to monitor high mileage employees to see if we can use other forms of communications to reduce their dependence on travel. In line with this effort we have set ourselves a target of increasing the amount of audio, video and web conferencing we do by 10 per cent by 2005 and to monitor the resultant reduction in mileage against figures for 2002/03.

Protecting bio-diversity

We take account of the impact the development of our network may have on sensitive flora and fauna. Work to develop our network in remote and wild areas of the Highlands and Islands, for instance, has involved a long process of consultation and negotiation with communities and key stakeholders, including Scottish National Heritage. Development was also preceded by a checklist used to provide a tool for considering environmental aspects of developments. This work illustrates the balance we have to strike between meeting people's desire for connection to our service and their equal desire to protect sensitive spaces.

The launch of the O₂ brand during the year provided us with a way to celebrate the Company's new identity, our values and the environment. Employees came up with a scheme to create six new forests across Europe to mark the launch of the brand. Working with Future Forests, we have pledged to plant 15,000 trees in these new forests

providing new green spaces for some of the communities we work in to enjoy. The forests have been developed using native species to preserve local bio-diversity. More than half our employees are founding members of the forests and many have made personal dedications in an online register to mark their involvement in the project. At Christmas 2002 we invited UK customers to become involved in the scheme, adding a further 2,000 trees to our forests.

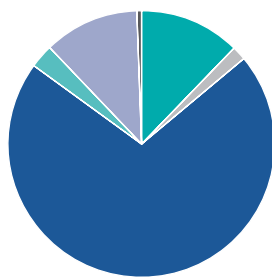
In Ireland, we worked with Future Forests again as part of our sponsorship of O₂ in the Park (2002), a free concert in Dublin's Phoenix Park that drew an audience of 80,000 pop fans. We wanted to make sure this event was carbon neutral and we will be planting a further 3,000 trees across Ireland to compensate for the concert's carbon impact. O₂ will continue to support this event in 2003.

Consulting with communities

The roll out of our network is a sensitive issue that we aim to handle with care and through early and detailed consultations with local authorities and communities. In the UK we adhere to the Ten Commitments drawn up by the Mobile Operators Association. These commit us to:

- develop with stakeholders clear standards and procedures to deliver significantly improved consultation with local communities.
- participate in obligatory pre-roll out and pre-application consultation with local planning authorities.
- publish clear, transparent and accountable criteria and cross-industry agreement on site sharing and publish regular results.
- establish professional development workshops on technological developments within telecommunications for local authority officers and elected members.

CO₂ Emissions (Tonnes)



Buildings

Electricity	21,403
Natural gas	3,009

Network

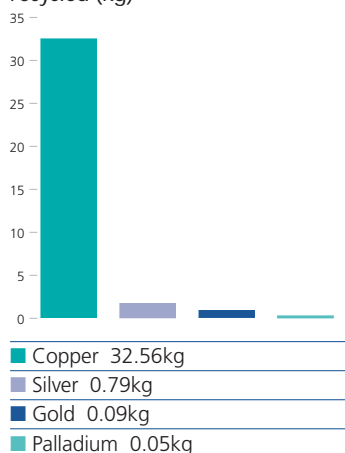
Electricity	124,591
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Road transport fuel

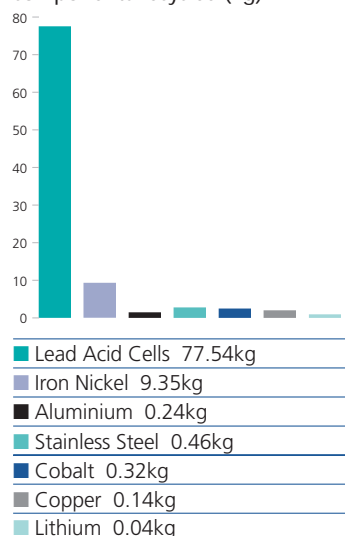
Unleaded petrol	5,042
Diesel	20,245
Rail (UK, Ireland)	37

Total CO₂ 174,328

Mobile handset components recycled (kg)



Mobile handset battery components recycled (kg)



01



01 Ireland's biggest ever free music gig won plaudits for entertainment and minimising its environmental impact. More than 80,000 rock and pop fans attended O₂ in the Park at Phoenix Park in Dublin.

02



02 Shields Environmental operate the Fonebak recycling programme which is an end-to-end, fully managed recycling solution for handsets and accessories.

- deliver, with the UK Government, a database of information available to the public on radio base stations.
- assess all radio base stations for international (ICNIRP) compliance for public exposure, and produce a programme for ICNIRP compliance for all radio base stations as recommended by the Independent Expert Group on Mobile Phones.
- provide, as part of planning applications for radio base stations, a certification of compliance with ICNIRP public exposure guidelines.
- provide specific staff resources to respond to complaints and enquiries about radio base stations, within ten working days.
- begin financially supporting the UK Government's independent scientific research programme on mobile communications health issues.
- develop standard supporting documentation for all planning submissions whether full planning or prior approval.

Each autumn we publish a schedule of our current network and the sites we hope to develop during the following 12 months in the UK, encouraging local planners and representatives to work with our community relations managers on our plans. We are required to work within local planning requirements and have been involved in the UK with the Government and the Scottish Executive, the Northern Ireland Assembly and the Welsh Assembly on the drafting of codes of practice for the industry.

We plan the life cycle of our network equipment carefully and where possible try to re-use equipment when we develop new infrastructure. Increasingly communities are keen, as we are, to see us re-use existing sites rather than build new ones and to

share sites with other mobile operators. While site sharing means less infrastructure and cost savings, the environmental impact can sometimes be increased. For example sharing a mast with another operator working on a different frequency requires us to put a 5m separation between antennae which means masts must be taller. The arrival of third generation (3G) mobile phone systems, where all operators will be in the same frequency band for the first time, means this may be less of a problem and could lead to greater site sharing. We are actively engaged in pursuing this whenever it presents a viable option. In particular, we have sought to maximise 3G site sharing in the UK and Germany by entering into a 3G infrastructure sharing deal with T-Mobile.

We have developed a range of ways to help blend our transmitters and masts into the natural and built environment, to minimise their visual impact. In an urban setting, antennae will often be sited on the top or sides of buildings. We have developed a range of masts operating at different power levels including microcells and picocells, the latter used in busy and crowded places. In rural locations, we attempt to work in partnership with local communities to minimise the impact of our masts. A novel design by a bursary student for our mast on the M42 at Tamworth, in the UK, has won a Royal Society of Arts award for industrial design innovation.

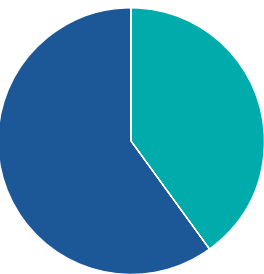


“The effort put into the quality of the working environment in our call centre led to our operations in Ireland winning ‘Call Centre of the year 2001’.”

Sheila King, Team Leader, O₂ Ireland Customer Services

Workplace

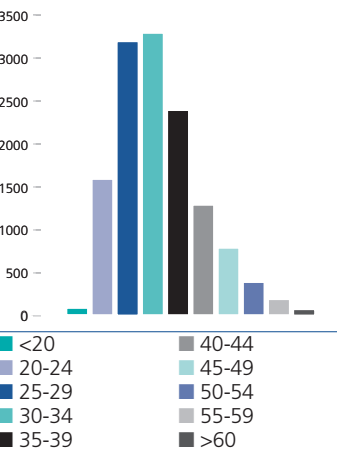
Gender (Group)



Women 40%
Men 60%

Figures are for permanent employees only,
People In Place (PIP)

Age profile (Group)



Figures are for permanent employees only,
People In Place (PIP)

The success of mmO₂ depends, above all, on the people who work for the Company and we aim to create a working environment for them that matches our core values: to be bold, open, trusted and clear.

Our employment policies are designed to achieve this goal. mmO₂ is a relatively new company and the businesses that make up our operations are from diverse traditions and national cultures. We aim to offer genuine equality of opportunity to employees wherever they work.

The Breathe O₂ programme was launched across the Group during the year. In the first phase, Breathe used training sessions and specially created brainstorming workshops, leaflets and internal communications, plus an interactive CD-Rom, to help our employees understand and embrace our new brand and the values it evokes. The programme guided them through the market position and the commercial goals of the mmO₂ Group as a whole and emphasised the importance of employees addressing problems proactively.

The second phase of the programme – Breathe 2 – was launched in March 2003 and is focused on making all parts of mmO₂ customer centric. We believe this work is of vital importance and will distinguish us from all other operators in a highly competitive market. The second phase of the programme is being led by Danuta Gray, CEO O₂ Ireland, and a lead coach for the programme has been appointed in each of the operating businesses.

Breathe O₂ is supported by ‘Reflect O₂’, our channel for regular feedback from employees on their thoughts about the Company and the way they are led. The vast majority of employees have engaged enthusiastically in both of these initiatives and we regard them as highly successful. It is clear that employees are excited by the O₂ brand and energised by the values we are trying to instill in the business. We expect both programmes to remain important tools in promoting those values.

Human rights

One of the most important tests of our commitment to our employees lies in the sort of environment we have created in the Company. Our employment policies respect the UN Universal Declaration of Human Rights and the International Labour Organisation declarations. We aim to treat all employees fairly, impartially and without prejudice, regardless of their gender, age, ethnic origin, religion, sexual orientation or physical ability. We do not tolerate harassment of any sort. We support flexible working arrangements and family friendly policies for our employees.

We have recently carried out a human rights audit across the entire Group to ensure that all the operating companies and our headquarters conform to the relevant declarations and accepted standards. The audit showed that all parts of the Group were fully compliant in areas such as wage setting, redundancy and dismissal procedures, health and safety, freedom of association and general industrial relations policy. Some of the areas that were highlighted for improvement through the audit will be included in the next phase of our work. We will commence by increasing the breadth of data we collect and monitor.

Diversity

Diversity is a focus for concerted action. We believe that a company is most likely to serve its employees, its customers and stakeholders effectively if it reflects society at large. We are determined to ensure that everyone who works for mmO₂ benefits from real equality of opportunity. During the year we launched an increased focus on diversity across the Group. Kent Thexton, a member of the Executive Committee and the Board, has been appointed diversity champion for the Group supported by a steering group of senior directors and managers. He is responsible for driving the diversity work through the Group, identifying risks in our current provision and recommending remedies to the Board. The steering group held its first meeting in April 2003.



O₂ is committed to learning and development for all employees.

We plan to create structures to manage the diversity project in all the operating businesses and local managers are being made responsible for spreading best practice in their own teams. The project involves detailed analytical work. A diversity diagnosis for each of the operating businesses and for the UK headquarters is being carried out using face-to-face interviews, focus groups and surveys to find out how people in each of the businesses feel about diversity issues. O₂ UK has also joined the Race for Opportunity and Opportunity Now initiatives, which are external diversity benchmarks for companies.

In common with the human rights work, the results of the diversity initiative are showing that there are some important weaknesses that we must address in different parts of the Group. For example, women are poorly represented in senior management positions (24.3 per cent) even though they make up 40 per cent of the total workforce and are fairly well represented at junior and middle management levels. We recognise this needs to improve. People from ethnic minorities in the UK represent 10 per cent of our workforce. We want to encourage further development here as well.

We are a member of the Employers' Forum on Disability, the UK organisation set up to help companies employ and offer genuine opportunity to disabled employees. We also make every effort to help an employee who becomes disabled to stay in employment. In the UK, we are also a member of the Two Ticks Disability Symbol scheme. This means we honour commitments such as interviewing all candidates with disabilities who meet the minimum criteria for a job vacancy and consider them on their abilities. We recognise that there is more we can do to ensure we optimise the skills and abilities of our disabled employees.

A key challenge in the current year is to establish our vision for diversity and inclusion, translate this

into effective policies and make a genuine impact on the day-to-day behaviours of our people. This is a business imperative and our aim is to encourage employees at every level to see this as an important operational issue.

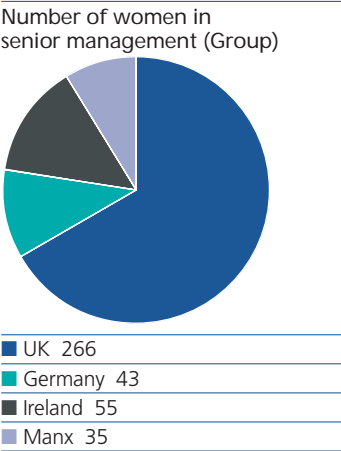
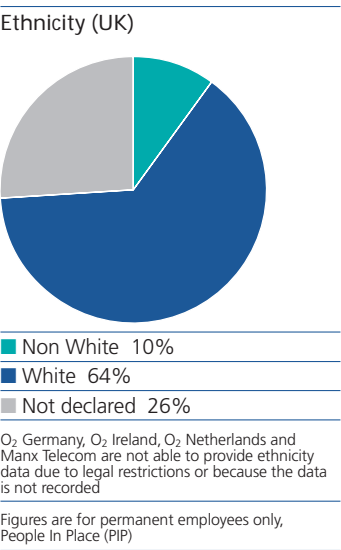
Training

mmO₂ is committed to learning and development for all employees. Our focus is on promoting a culture of continuous learning and knowledge sharing, which maximises personal performance and growth within the context of our business.

Employees are required to agree a development plan with their line manager as part of their annual performance review, and progress with development is regularly reviewed during the year. We expect our people to constantly update and extend their skills and knowledge. While the key focus is experiential 'on-the-job' development, a range of training options is available including e-learning and, throughout our operating businesses, traditional classroom training for skills development. Employees are given time away from their normal work to complete training.

Communications

We communicate with employees regularly through a number of channels, not least the company-wide intranet, Vital O₂, and our employee magazines. We encourage them to engage with the work they do, the people they work with and with the customers we serve. The Breathe and 'Reflect O₂' programmes play a vital role in encouraging greater involvement as well as facilitating regular feedback from employees. Employees are also consulted through trade unions, works councils and elected employee representatives. Approximately 67 per cent of our permanent employees are covered by collective bargaining agreements. These agreements are kept under review, with changes being made through discussion with the relevant representative body as required.





01 O₂ UK employees and their families had a chance to relax and have fun on the O₂ UK fun day at Stanford Hall in Lutterworth, Leicestershire.

02 Irish O₂ employees have set up a sports and social club to encourage interaction outside work. The club has been set up as a stand-alone company. Committee members from across the business give up some time to make sure the fun factor is maintained.



03 O₂ Breathe is an initiative to get employees to learn more about customer experience and attracting new customers. More than 300 employees received the latest handsets as a reward for taking part in customer challenges as part of the next phase of O₂ Breathe. Pictured is Germany's first prize winner, Klaus Kuntze with Rudolf Gröger and lead coach Nicholas Georghiou.

Our employee grievance procedure spells out the informal and formal procedures in place for employees who want to escalate a complaint against the Company.

We have a code of Business Principles (detailed on pages 46 and 47 of this report) and demand that all employees act ethically in all their dealings with each other and with people and organisations outside the Company at all times.

Health and Safety

The health and wellbeing of our employees and all those that work for the Company are of paramount concern. We have an established, Group-wide health and safety strategy agreed at Board level that is kept under constant review and commits us to seeking continuous improvement. Ultimate responsibility for health and safety rests with Peter Erskine, CEO mmO₂. Dave McGlade, CEO O₂ UK, has been appointed health and safety champion for the business as a whole. As an absolute minimum we aim to comply with all EU and UK safety legislation and relevant industry standards. Our stance is uncompromising. We expect zero-tolerance of injury and ill health arising from work activities.

Our accident reporting arrangements are in line with the ILO Reporting Code of Practice 1995. We have systems in place to report and record the details of all accidents occurring within the Company. These systems will allow us to report any notifiable incident to the relevant national authority, to their stated time scales. The data from these systems allow us to analyse our accidents, identify trends and issues and develop robust solutions.

A formal consultation process exists across each of our Business Units engaging Trade Union representatives and other employee representatives in dialogue with managers about our occupational health and safety arrangements. In addition the Company is represented at the European

Commission Social Dialogue Committee (Telecommunications Sector) Health and Safety Working Group where discussions between the employers and European Telecommunications Trade Unions (UNI Europa) address opportunities for pan-European solutions to sector specific health and safety issues.

Our health and safety arrangements have all of the key elements contained in the ILO Safety and Health Management System 2001, the UK's HSG65 and the guidelines documented in OHSAS18001, in terms of policy, organisation, planning and implementing, evaluation and action for improvement. Our main UK based operation, O₂ UK, is accredited to the OHSAS18001 Standard by the British Standards Institute and O₂ Ireland is currently engaged in achieving accreditation to the same system. The management of the health and safety procedures of every operating business is annually reviewed through external audits, which are carried out as part of our insurance programme.

In the year to March 2003 mmO₂ had 210 accidents resulting in 575 days lost in subsequent sick absence. Based on a population of 12,476 full-time equivalent (FTE) employees this represents 16.8 accidents per 1,000 FTE and 46 days sick absence resulting from sick absence per 1,000 FTE. We have set ourselves a target of reducing the number of sick absences arising from work-related injury or illness by 10 per cent by March 2005. We also have a target of zero enforcement actions by health and safety enforcement agencies.

Responding to changing market conditions

The re-organisation of the businesses that make up mmO₂ into one company has inevitably involved restructuring and, in the last year, there was a reduction in the number of people we employ as we worked to eradicate duplication and sought to boost efficiency. During the year the total number employed in the Group fell from 14,300 to 12,476. Where possible we make

reductions in the workforce through voluntary redundancies. When compulsory redundancies are necessary, efforts are made to help people find alternative employment.

The management of our call centres in the UK is undergoing considerable change as we seek to make them more efficient and effective in dealing with calls from our customers. There are some considerable challenges to overcome in this area, including improving the support and training our advisors receive in dealing with customers. We are beginning to manage our call centres by work streams rather than as separate geographic units. Many of our call centres in the UK, where we employ up to 1,400 on our biggest sites, have a high proportion of temporary employees and higher levels of staff turnover, although this is below industry norms for our employees. We are seeking to increase the number of permanent employees in call centres progressively. Pay and conditions for our permanent employees are above industry norms.

We work hard to take account of the diversity of people working in these relatively large units and to provide ways for employees to become involved in the local community. Details on our employee volunteering can be found in the community section of this report (page 40). In the UK we employ a number of people from a diverse range of cultures. We make provision for the different religious beliefs of our employees by allowing them to book meeting rooms should they wish to pray during their working day.

“O₂'s funding of the internet café has shown they are keen to listen to the local community and local police in order to help young people.”

Mike Mullins, Centre Manager, The Haymill Centre, United Kingdom

Community

Community involvement and investment is a vital part of our approach to corporate responsibility. We believe we have a positive role to play in the development of communities and can help to tackle real social needs. At the same time we know that such projects, if developed carefully and carried through with real energy and commitment, can bring benefits to mmO₂. These include protecting and enhancing our reputation with key stakeholders, helping to motivate and retain good employees, improving community relations where we work and making mmO₂ a more secure and successful business for the long-term.

Community investment activity is going on throughout the Group and in each of the markets we operate in. Our approach is guided by a Group-wide strategic framework and a set of objectives, but the individual business units have the necessary freedom to decide the projects they support and the level of investment they want to make.

The main focus of our community investment work is the 'Can Do in the Community' programme launched in December 2002 and which is funded to the tune of over £1 million a year. The objective is to support sustainable projects that bring tangible and enduring benefits to the communities we serve. We particularly look to support initiatives where mobile or other advanced technologies can be used to tackle social needs and where our own employees can become directly involved.

A prime example of our new Can Do in the Community programme is the trial of a new asthma monitoring solution in the Thames Valley region of the UK, details of which are included in the 'What mobile can do' section of this report (pages 4 and 5). This important project for which we are providing funding, technical support, xda

devices – combined mobile phones and computers – and network capacity, is already showing some exciting benefits in the treatment and care of asthma sufferers. Most notably, children are now recording their breathing more accurately using the electronic peak flow meter attached to the xda.

While Can Do in the Community is the main focus of our community investment our overall community efforts take several different forms including targeted charitable donations, sponsorship of community projects, direct involvement by O₂ employees, fundraising and community volunteering. In the UK and Ireland we operate Give as You Earn schemes and we have launched a Match Funding scheme across the Group to help support employees in their fundraising for charitable and voluntary organisations.

Charitable donations

Each year we select an area to target for charitable donations. The Group selects a specific charity it wants to support each year and some of the operating businesses do the same based on their overall operating circumstances.

In 2003/04 our chosen Group theme is helping young people overcome disadvantage, escape crime and gain access to better educational opportunities. Following voting across the Group, employees selected as its Charity of the Year for 2003/04 the International Youth Foundation, a charity working to improve the conditions and prospects for children and young people, often through educational programmes aimed at giving them a better chance in life. Projects addressing this area are being delivered this year across the countries we operate in.



Mike Mullins, Centre Manager,
The Haymill Centre, United Kingdom

In Ireland our community work is particularly focused on working with disadvantaged young people.

During the year ended 31 March 2003, the Group made donations to charitable and community organisations totalling £444,000. It is estimated that donations through our community sponsorship schemes and in-kind contributions totalled almost £1.8 million. Education and employment related projects accounted for 27 per cent and 22 per cent respectively of this amount. We are currently reviewing the way we measure the in-kind contributions we make and will be reporting in the current year on our progress with this.

Last year's donations included contributions to charities across Europe selected through a Group-wide competition. The competition took the form of a corporate responsibility quiz and was designed to mark our first anniversary and to raise awareness among employees about corporate responsibility and our community investment programme. The winners in each business nominated a charity to receive £5,000 (7,800 Euros). Chosen charities were Aktion Mensch, a German charity supporting people with disabilities and chronic illness; Crossroads Isle of Man, which supports the carers of people who are disabled, elderly or chronically ill; Stichting Weeskinderen, a Dutch organisation supporting three orphanages in Kenya; the NSPCC's full stop campaign; and two small animal welfare charities in the North East of England and in Ireland.

Sponsorship schemes

We sponsor both charitable and non-charitable schemes focusing on projects that offer sustainable improvements to people's lives and that enhance learning, education and self-development. We are particularly keen to participate in projects where our mobile services can be used to address social need and that offer a chance for our employees to become involved in the communities we work in.

Slough, the home of the mmO₂ headquarters and O₂ UK, is currently the focus of a number of exciting projects. Following our donation of specially equipped bicycles to the local police to help improve community policing, we have now extended our involvement in work to tackle youth crime.

Following a spate of attacks on our employees as they travelled to and from work, we consulted with the local authority and voluntary organisations and decided to focus on the prevention of crime among young people excluded or at risk from exclusion from school. We have equipped an internet café in a local community centre close to O₂ offices. The café – which includes 12 broadband internet PCs, printers, a plasma screen and a video/DVD recorder – is open to young people enrolled in the local authority's pupil referral unit or involved in the local Youth and Play Team. Many have an involvement in crime and the idea is to discourage criminal behaviour, offer them access to digital technology to support their education and eventually to provide training and employment opportunities. The facility was handed over by our Chairman, David Varney, on March 17, 2003, and we hope in future to involve employees in mentoring and supporting young people using the centre.

In Ireland our community work is particularly focused on working with disadvantaged young people, reflecting the fact that 38 per cent of the Irish population is under the age of 25 and that many are growing up in areas of social deprivation. We aim to offer young people access to wider education opportunities and self-development projects. We are active supporters of Common Purpose, a not-for-profit organisation which runs a variety of leadership programmes to raise

awareness of the responsibility each of us has to society. A number of employees in Ireland have participated in Junior Achievement Ireland programmes that aim to build partnerships between the business community and education sector. O₂ Ireland has embraced community investment enthusiastically and plans are in place to increase our activities in this area.

O₂ Germany is concentrating its sponsorship work on education and culture. The business is a sponsor of the new Pinakothek der Moderne art museum in Munich. It also sponsors a professorship at Munich's Technology University and intends to partake in a number of technology studies there. Manx Telecom has also devoted much of its community investment in the education sector with projects like the telecomputer bus, a travelling communications suite which tours local primary schools to support technology classes and special topic work. In a recent first in Europe, the 20 computers on the bus were linked to the internet via one 3G mobile phone giving children access to wireless broadband internet rather than the slower ISDN connection they normally use.

Community volunteering

Not all of our community projects are based in local markets. In early 2003 our recently sold business, O₂ Netherlands led a project to help build houses for needy families in the Konongo region of Ghana. The project involved 42 volunteers from across the Group travelling to Ghana for a week to work with Habitat for Humanity, a charity providing housing in some of the world's most deprived regions. The team worked on a block of seven houses over the course of the week and also got involved in other community activities while there.



01 School children on the Manx Telecomputer Bus recently saw a routine lesson turn into a first in Europe. All 20 computers on the bus were connected to the internet through one 3G mobile phone.



02 Ghana. An international group of O2 employees went to Ghana with Habitat for Humanity to build houses for poor families.

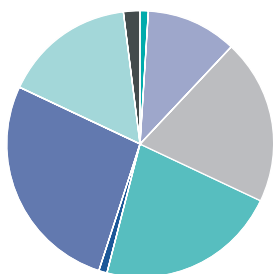


03 O2 UK sponsored Nordoff Robbins Music Therapy's annual Silver Clef awards for the second time this year. The charity uses the power of music to bring hope and healing into the lives of disabled and traumatised children and adults.

Community investment categories

Contributions

estimated monetary and in-kind contributions



Children and Youth	11%
Culture and the Arts	20%
Employment and Entrepreneurship	22%
Sports	1%
Education and Science	27%
Emergency relief	16%
Environment and Health	2%
Other	1%

Volunteering by mmO₂ employees

estimated hours during office hours

5,464

Estimated number of individuals that benefited directly from mmO₂'s community investment

145,768

Ahead of the trip, we debated whether it would be a better use of resources to provide only funding for the project. We decided it was important to give O2 employees the chance to volunteer as well as this would help to create a culture of volunteering within the Company. The project gave us a unique opportunity to demonstrate at Group level our determination to be actively involved on the ground in community investment projects.

The Leeds Cares scheme – part of a Business in the Community UK initiative to broker co-operation between companies and local voluntary organisations and projects – is now well established and provides a range of opportunities for our employees to do volunteering work, for instance in schools and old people's homes. Thanks to the success and popularity of this scheme, we have recently become involved in Manchester Cares. Employees are also actively involved in schools that we support in Slough and Bury.

Employees at the Limerick call centre in Ireland have been actively involved for many years in supporting children who are suffering due to the Chernobyl nuclear power plant catastrophe. Numerous other community activities take place at the call centre every year.

Research and measuring success

We are determined to make our community investment programme effective and genuinely useful. We are at an early stage in the majority of our projects and intend to put in place ways of measuring outcomes to ensure these are carefully assessed. During the year we were informed through, among other things, research carried

out by MORI that surveyed people's attitudes towards corporate responsibility and mobile phone operators. This study helped us to define the scope and direction of our Can Do in the Community programme. To follow this up we plan to carry out some research on whether our community investments have improved the perception of the Company as a good community neighbour.

We are determined to set ourselves ambitious and achievable objectives and targets to help us improve our performance across the broad field of corporate responsibility. We believe it is important to publish these targets so that our success in meeting them can more easily be judged both internally and externally.

The following is a selection of some of the objectives and targets we have set out in the pages of this report.

Targets and objectives

Category	Objective	Target	Timeline
Strategy	Raise awareness amongst employees throughout mmO ₂ that corporate responsibility is fundamental to our success as a company.	Internal information campaign.	July 03
Customers	Continue to strengthen the high performance culture we have created in the Company so that we can meet the needs of our customers and deliver excellent service to them, wherever they are.	Implementation of customer centricity strategy.	March 04
External verification	Continue to open ourselves up to external scrutiny so that our performance can be properly judged and benchmarked and areas for improvement clearly highlighted.	Broaden the scope of our internal and external audits to cover a wider range of corporate responsibility issues.	March 04
Risk Management	Continue to develop our approach to managing social, environmental and ethical risks and remain actively involved in the development of good corporate governance.	Develop a wider corporate responsibility scope for our operational risk reviews that form part of our insurance programme.	March 04
External dialogue	Extend our programme of external dialogue firstly in the UK, and then on the Isle of Man, in Ireland and in Germany.	Research current stakeholder engagement and develop procedures for increased consultation.	March 04
Supply chain	Continue to work collaboratively with industry to implement our ethical purchasing policy.	Ongoing	Ongoing
Health research	Continue to apply strict criteria to the research we support into the safety of mobile phones, insisting it is rigorous and independent.	Ongoing	Ongoing
Workplace	We will address weaknesses identified in recent assessments of our approach to diversity and human rights.	Develop a detailed action plan.	August 03
Community	Measure the impact of our work in the community to ensure our investment is delivering benefits to society and to the Company.	Instigate specific research to cover all of our major community investment projects.	March 04
Business Principles	Continue to encourage confidential reporting by staff of breaches of our code of business ethics and monitor actions taken to investigate such reports.	Further enhance our reporting system and include compliance monitoring in internal audit plans.	November 03
Environmental Management	To ensure that we have a consistent approach to managing environmental aspects across all of the O ₂ operating businesses. This will be verified by external evaluation.	All O ₂ operating businesses will have achieved assessment and certification to the international environmental standard ISO14001.	December 04
Fuel storage	Ensure that all of our stored fuel has suitable secondary protection to ensure that there is no danger of environmental pollution.	Achieve zero litres spillage/leakage of diesel oil from oil tanks for our fixed installations. Achieve zero enforcement actions by the environmental agencies.	March 04

Category	Objective	Target	Timeline
Waste	Carry out a review of the waste management arrangements in each operating business to ensure that resources are not wasted and wherever reasonably practicable identify ways in which we can minimise waste or increase the amount of waste re-used and/or recycled. All remaining waste will be disposed of in a responsible manner.	To increase the amount of our office waste that is recycled by 10%.	March 05
Recycling	Roll out the Fonebak scheme for redundant mobile handset equipment in each of our operating businesses and instigate initiatives to encourage the different stakeholders to hand in their redundant kit.	To increase the number of redundant handsets recovered for recycling by 100% over the first year's stated figure.	March 04
Re-use	Explore opportunities for end-of-life base station equipment.	Instigate a project to look at how we will deal with the end of re-usable life for base station equipment.	March 04
Supply chain (environment)	Explore opportunities for managing of our computing waste, in terms of hardware.	Research various opportunities for the handling of computing waste.	March 04
	To ensure that our suppliers where appropriate have good environmental credentials supported by a robust environmental management system.	We will develop an environmental questionnaire targeted at our suppliers on a risk-based approach and we will have sent the questionnaire to at least 20 of our suppliers and have analysed the responses.	March 04
Energy	To consider ways in which we can substantially reduce the amount of energy used in our buildings, switching centres and on our network, through focused initiatives and campaigns. We will also increase the proportion of energy we use from renewable and sustainable sources.	To increase the proportion of the total energy that we use supplied from renewable sources (green energy) to at least 10%.	March 08
Integrated environment and health and safety	To reduce the number of business miles travelled by car by our employees, thereby reducing the fuel consumption and CO ₂ emissions and reducing the health and safety risk of driving for our employees. We will analyse the data on our high mileage drivers and assess their needs in terms of the objectives of their job, introducing communications solutions as an alternative to travel wherever feasible. We will carry out a feasibility study on options for green travel and develop an implementation plan.	To increase the overall number of audio/video/web conferences by 10%, with evidence of a proportionate reduction in mileage against the 2002/03 data.	March 05
Health and safety	To ensure that we have a consistent approach to managing health and safety across all of the O ₂ operating businesses and that the significant hazards associated with our undertakings are identified, assessed and wherever possible eliminated, reduced or the subject of management controls.	To reduce the number of days of sick absence arising from work-related injury or illness by 10%.	March 05
	To engender a culture within the Company that demonstrates a zero tolerance of injury or ill health arising from the work activity.	Achieve zero enforcement actions by the health and safety enforcement agencies.	March 05

Everyone that works at mmO₂ is expected to behave ethically at all times in their dealings with each other, with suppliers, with customers and with the wider public.

Business Principles

The standards of conduct we expect of everyone working for the Company are laid out in a Business Principles document. Both our Chairman, David Varney, and our Chief Executive Officer, Peter Erskine, have led efforts this year to underline to employees the importance of the document and the standards of ethical behaviour it demands.

In November 2002 we carried out an employee survey in all of our English-speaking business units to measure awareness of the Business Principles and to benchmark that awareness. This research will be used to measure future progress. Employees were invited to comment on how the Principles measured up to their own experience of the Company. During the year we have also joined the Institute for Business Ethics, which has given us a further opportunity to benchmark our standards against peers and to extend our knowledge in this field.

The Business Principles document is prefaced with our vision – to be the essential mobile brand by enriching people's lives, whatever they are doing, wherever they are. It spells out our values: to be bold, open, trusted and clear. And it makes clear that behaving ethically is the key to building trust with our customers that we are delivering an excellent service at a fair price, with colleagues and with the communities, civic groups and charities we work with. The document makes it clear that we have a policy of making no contributions to political parties.

It also gives staff information about how to raise matters of concern in strictest confidence where they think the Business Principles are being contravened. Under the new Sarbanes-Oxley Act of 2002 in the US companies are required to keep a register of complaints made and actions taken to investigate them. We intend to meet this requirement.

Our Business Principles

These Principles apply to all employees. We aim to encourage others who work with us to embrace these Principles. In complying with these Principles we will maximise long term value for our shareholders and society at large.

We will always follow these Principles.

Ethical conduct

- We will comply with all laws, rules and regulatory obligations.
- We compete fairly in our markets, being honest and trustworthy in all our dealings and keep the commitments we make.
- We will not offer or accept gifts, hospitality, bribes or other inducements, which encourage or reward a decision. We will report and record any gifts.
- We will avoid or declare conflicts of interest that may lead (or be seen to lead) to divided personal loyalties.
- We will not seek gain for others or ourselves through misuse of our position within O₂.
- We respect the principles of the UN Universal Declaration of Human Rights and the International Labour Organisation declarations.

Customers

- We will understand the needs of our customers.
- We will deliver good value for money.
- We will be truthful, helpful and accurate in our communications.
- We will ensure that our products comply with safety and manufacturing standards.

Employees

- We aim to treat everyone fairly, and impartially, without prejudice regardless of race, colour, nationality, ethnic or national origins, religion or religious affiliation, gender, gender status, sexual orientation, marital status, age, disability or caring responsibilities.
- We will not tolerate harassment in any form.
- We will not use any form of forced or child labour.
- We will engender a zero tolerance culture to injury and ill health arising from, or associated with, the work activity.

Environment

We will support and follow operational policies that minimise our impact on the environment.

Communities and society

We will seek to contribute to the development of the communities where we operate.

Political contributions

We do not make donations, whether in cash or in-kind, in support of political parties.

However, due to the broad nature of the legislation, some activities may be deemed to be donations and in this instance we will act in the best interests of the Company and its shareholders.

Business partners and suppliers

- We will award business solely on merit, without favouritism, by securing products and services available at the best available terms.
- We expect our business partners and suppliers to meet the same standards of business conduct as ourselves.

We aim to treat everyone fairly, and impartially, without prejudice regardless of race, colour, nationality, ethnic or national origins, religion or religious affiliation, gender, gender status, sexual orientation, marital status, age, disability or caring responsibilities.

Shareholders

- We will manage the mmO₂ Group in accordance with the highest standards of corporate governance and best practice.
- We will provide opportunities for shareholders to assess our objectives, strategy and performance.

Internal control and risks

- We will regularly assess the risks to our business and our people and ensure that appropriate controls are in place to manage them.
- We will ensure that business records are prepared accurately and reliably and that expenditure is suitably authorised and approved.
- We will always strive for excellence.

Information

- We protect the confidentiality of Company, employee and customer information.
- We ensure privacy of communications – it is basic to our business, from a legal stance and because the public trusts our integrity.

Assets

- We will protect our physical, financial and intellectual assets.
- We will ensure Company assets are not used for personal benefit and will not allow them to be sold, loaned, or given away without proper authorisation.

Health and safety

- We will care for the health and safety of each other, our customers and the communities in which we operate.
- We will disclose any information about our products and services that demonstrates they breach the required safety standards.

Help and confidential advice

Resolving conflicts

Deciding how to act in the face of conflicting demands can be difficult.

The following questions may help reaching the right decision.

- Is this action legal?
- Are you authorised?
- Have you taken account of any Company policies?
- How would this look in tomorrow morning's newspaper?
- How would you explain your decision to your family?
- Does it conflict with your own or O₂'s commitments to integrity?

Every employee has the responsibility to ask questions, seek guidance, report suspected violations and express concerns regarding compliance with these Principles and related policies.

Reporting

Those wishing to seek advice or report an incident can be reassured that they will be treated with dignity and respect and will:

- be taken seriously.
- not suffer retribution.
- be treated with the utmost confidentiality.

People with authority within the Company themselves risk disciplinary action including dismissal if they try to stop you and/or impose penalties of any form on you for contacting one of the departments to report or enquire about any behaviour which might be concerning you.

Assurance statement

To the management of mmO₂

We have been asked to review mmO₂'s first corporate responsibility report (the Report) in order to provide assurance on its contents. mmO₂'s management has prepared the Report in response to stakeholder interests in its management of corporate responsibility issues. mmO₂ is responsible for the collection and presentation of information within the Report. The scope of our work did not include a review of the data in the Report or the underlying data reporting processes. This statement provides assurance on the content of the Report and should not in itself be taken as a basis for interpreting mmO₂'s performance in relation to corporate responsibility.

Our review

There are currently no statutory requirements in the UK relating to the preparation, publication or independent review of corporate responsibility reports. The AA1000 Assurance Standard that was published by AccountAbility in March 2003 sets out principles for social and environmental report assurance. We have set out our conclusions by reference to the assurance principles described in the AA1000 Assurance Standard.

Our review process involves the main steps outlined below:

1. **Interviews with a selection of mmO₂ executives** and senior managers, to discuss the aspects of performance which underpin corporate responsibility in order to understand the objectives and means to accomplishing those objectives, and the degree to which those objectives have been met.
2. **Review of selected documents** which provide guidance and briefings to mmO₂'s management on corporate responsibility. Documents reviewed included Board minutes and associated Board papers and the minutes of the Corporate Responsibility Advisory Council meetings. The purpose of this review was to assess the Report's content against those issues considered significant by mmO₂'s management.
3. **Review of transcripts from independent stakeholder engagement activities** to understand the issues raised in these discussions and assess the coverage of these issues within the Report.
4. **Review of a selection of international, national and local media** sources and trade press covering mmO₂'s management of corporate responsibility issues and risks, as a further check on the balance of the information contained in the Report.
5. **Visits to selected mmO₂ businesses and sites** to review evidence in support of the Report's statements and assertions presented in the Report.
 - O₂ Germany in Munich
 - O₂ UK in Slough and UK Customer Services in Preston Brook
 - O₂ Ireland in Dublin

6. **Obtain and consider evidence** in support of assertions and claims made in the Report regarding mmO₂'s corporate responsibility activities in order to substantiate them.

Our conclusions

Based on the work our conclusions and observations are outlined below:

Completeness and responsiveness

- The objectives and business processes described in the Report are consistent with those observed through the course of our work.
- The Report addresses the key issues highlighted in our media review and the independent stakeholder research with the exception of how mmO₂ is addressing specific corporate responsibility issues in its supply chains (such as materials sourcing and labour standards). As described in the Report, mmO₂ has established an ethical procurement policy and is engaging suppliers on a wide range of issues. We understand that mmO₂ will be reporting progress in these areas in future years.
- The mmO₂ businesses visited by us undertook routine and planned interactions with local communities to understand their concerns and needs. In addition, we have seen evidence of ongoing discussions with relevant media and non governmental organisations. We have observed that feedback from these activities is documented and discussed in management fora such as the Corporate Responsibility Advisory Council and the Board.
- mmO₂ has signed up to the 10 Commitments of the Stewart Report, which require evaluation of potential mast sites and planned levels of engagement with stakeholders. A review by an independent organisation on the implementation of the 10 Commitments across the industry is currently underway and we understand that results should be available during Summer, 2003.

Materiality

- The Board has received regular briefings on corporate responsibility issues considered by the Executive Committee to be material to mmO₂. Those issues considered material by senior managers interviewed during our work are included in the content of the Report.

Evidence and commentary

- **Claims and statements.** We have obtained evidence to support claims and statements made in the report.
- **Data.** Our scope of work did not include the processes for gathering or reporting the various data presented in the Report and therefore we provide no assurance on the quality and accuracy of it.

Main observations from the visits to sites and businesses:

- Corporate responsibility has been integrated within the risk management and governance processes for each business area with oversight from regional management teams. mmO₂

recognises that further work is required to ensure consistent coverage of corporate responsibility risks within these processes.

- The Business Principles have been distributed widely. The majority of employees interviewed through our activities were aware of the Business Principles, however, our visit to Preston Brook in May 2003 indicated that awareness needed to be improved further. We understand that mmO₂ plans to continue to raise employee awareness and to survey the result of this activity in the future.
- Networks were being established to report on corporate responsibility issues across the business. The Corporate Responsibility Advisory Council has attendance from representatives covering the significant areas of the business. Attendance at the Council is reviewed periodically and will continue to be so as to ensure appropriate coverage of issues and business entities.
- Objectives and targets relating to corporate responsibility have been developed further as part of the Reporting process. This should increase the focus from all parts of the business going forward.
- The Corporate Responsibility Advisory Council provides a vehicle for reviewing performance across the broad range of corporate responsibility issues. mmO₂ recognises the need to establish further assurance processes in relation to this area and has extended the scope of the independent operational risk reviews to cover corporate responsibility risks. In addition, we understand the intention to further integrate corporate responsibility assurance into mainstream assurance processes such as governance certificates, quality management audits and internal audit activities.

Our independence

Ernst & Young has not previously advised mmO₂ on any aspects relating to the organisation's approach to corporate responsibility or any business processes relating to the management of the issues discussed in the report.

Our assurance team

Our team has been drawn from the UK social and environmental reporting team, part of the business risk services practice at Ernst & Young. All members of the team are experienced in social and environmental assurance, having worked on similar engagements for a number of significant UK and international businesses.

Ernst & Young LLP

London, 27th June 2003

 **ERNST & YOUNG**

Cautionary statement regarding forward-looking statements

This document contains certain forward-looking statements. We may also make written or oral forward-looking statements in:

- our periodic reports to the US Securities and Exchange Commission, also known as the SEC, on Forms 20-F and 6-K;
- our annual report and accounts and half-yearly reports;
- our press releases and other written materials; and
- oral statements made by our officers, directors or employees to third parties.

We have based these forward-looking statements on our current plans, expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us. Forward-looking statements speak only as of the date they are made.

Statements that are not historical facts, including statements about our beliefs and expectations are forward-looking statements. Words like 'believe,' 'anticipate,' 'expect,' 'intend,' 'seek,' 'will,' 'plan,' 'could,' 'may,'

'might,' 'project,' 'goal,' 'target' and similar expressions often identify forward-looking statements but are not the only ways we identify these statements.

These statements may be found in this document generally. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including all the risks discussed in the above-mentioned reports, releases and statements.

If any one or more of the foregoing assumptions are ultimately incorrect, our actual results may differ from our expectations based on these assumptions. Also, the sector and markets in which we operate may not grow over the next several years as expected, or at all. The failure of these markets to grow as expected may have a material adverse effect on our business, operating results and financial condition and the market price of our ordinary shares and American Depositary Shares.

The information on our web site, any web site mentioned in this document or any web site directly or indirectly linked to our or any other web site mentioned in this document is not incorporated by reference into this document and you should not rely on it.



Corporate responsibility online

www.mmO2.com/cr

Notes to GRI content reference

* We have set-up a data monitoring tool, which is accessible across our operations. The tool will enable us to expand our data monitoring over the current year to include more indicators and more accurate measurement of our environmental impact. Data that we have not been able to measure for this report has been estimated, see page 34. We have used units/turnover for our estimated figures. Conversions are completed automatically by the data monitoring tool.

** The following quality standards have been met: ISO 9001:2000 (O₂ Airwave, O₂ Germany, O₂ UK and Manx Telecom), ISO 14001 (mmO₂ corporate registration and O₂ UK), OHSAS1800 (mmO₂ corporate registration and O₂ UK), Total Meter and Billing System by the British Approvals Board for Telecommunications (BABT), Adherence to universal standards, see: pages 24-27 (Marketplace) and pages 36-39 (Workplace).

*** We are currently reviewing measures on how to capture in-kind contributions effectively, and aim to report on these in 2004.

**** Our key focus is raising performance via on the job development, plus any appropriate training required. The relevant level of training will vary depending on job level and function, and a target number of training days per person is for us not an effective way of measuring our Company's effectiveness in developing people.

Design and Production: salterbaxter

Copywriting: Simon Beavis

Photography: Portraits and cattle, George Brooks. Balloons, Jason Tozer

The print production of this report is Carbon Neutral®.

Printed by The Beacon Press using their **pureprint** environmental print technology that uses no water or industrial alcohol in the process. The paper is endorsed by the Forest Stewardship Council and is made up of 25% FSC endorsed pulp and 75% post consumer waste. The printer holds FSC Chain of Custody (Certificate number SGS-COC-0620) FSC Trademark® 1996 Forest Stewardship Council A.C. No film or film processing chemicals were used and 95% of the cleaning solvent was recycled. CO₂ emissions are only 2.8 tonnes per million sheets printed.

The electricity was generated from renewable sources and vegetable based inks were used throughout. The printer is registered to environmental management system ISO 14001 (Certificate number E9586 and EMAS, the Eco Management and Audit Scheme (Registration number UK-S-00011). On average over 84% of any waste associated with this product will be recycled.

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25%
Minimum

GRI Index

Category	Status	GRI Reference	Page and commentary
Vision and strategy			
Profile	✓	1.1. Statement of the organisation's vision and strategy regarding its contribution to sustainable development.	1, 2-3, 14-15, 18-19, 20-23, 44-45, 46-47
	✓	1.2. Statement from the CEO (or equivalent senior manager) describing key elements of the report.	1, 2-3, 14-15, 18-19
	✓	2.1. Name of reporting organisation.	12-13
	✓	2.2. Major products and services.	12-13
	✓	2.3. Operational structure of the organisation.	12-13
	✓	2.4. Description of major divisions, operating companies, subsidiaries, and joint ventures.	12-13, mmO ₂ Annual Report 2003
Report scope	✓	2.5. Countries in which the organisation's operations are located.	12-13
	✓	2.6. Nature of ownership; legal form.	mmO ₂ Annual Report 2003
	✓	2.7. Nature of markets served.	12-13
	✓	2.8. Scale of the reporting organisation.	12-13, mmO ₂ Annual Report 2003
	•	2.9. List of stakeholders, key attributes of each, and relationship to the reporting organisation.	18-19
	✓	2.10. Contact person(s) for the report, including email and web addresses.	Back cover
Report profile	✓	2.11. Reporting period (e.g., fiscal/calendar year) for information provided.	15
	X	2.12. Date of most recent previous report (if any).	N/A
	✓	2.13. Boundaries of report.	15
	✓	2.14. Significant changes in size, structure, ownership, or products/services that have occurred since the previous report.	12-13, 15
	X	2.15. Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organisations.	N/A
	X	2.16. Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	N/A
Report profile	✓	2.17. Decisions not to apply GRI principles or protocols in the preparation of the report.	15*
	✓	2.18. Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits.	15*
	X	2.19. Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information.	N/A
	✓	2.20. Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability reporting.	14-15, 32-35, 36-39, 48
	✓	2.21. Policy and current practice with regard to providing independent assurance for the full report.	48
	•	2.22. Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organisation's activities, including facility-specific information (if available).	Back cover
Governance structure and management systems			
	✓	3.1. Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation.	14-15, 16-17, mmO ₂ Annual Report 2003
	✓	3.2. Percentage of the board of directors that are independent, non-executive directors.	16-17
	✓	3.3. Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities.	15
	✓	3.4. Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities.	15
	✓	3.5. Linkage between executive compensation and achievement of the organisation's financial and non-financial goals.	15
	✓	3.6. Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	15, 32-35, 36-39
	✓	3.7. Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	46-47
	✓	3.8. Mechanisms for shareholders to provide recommendations or direction to the board of directors.	16-17
	•	3.9. Basis for identification and selection of major stakeholders.	18-19
	•	3.10. Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	18-19
	✓	3.11. Type of information generated by stakeholder consultations.	18-19, 20-23
	✓	3.12. Use of information resulting from stakeholder engagements.	28-31, 32-35, 36-39
	•	3.13. Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	14-15
	✓	3.14. Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses.	18-19
	✓	3.15. Principal memberships in industry and business associations, and/or national/international advocacy organisations.	19
	✓	3.16. Policies and/or systems for managing upstream and downstream impacts.	24-27, 32-35
	•	3.17. Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	40-43
	✓	3.18. Major decisions during the reporting period regarding the location of, or changes in, operations.	12-13, 36-39
	✓	3.19. Programmes and procedures pertaining to economic, environmental, and social performance.	14-15, 32-35, 36-39, 48
	✓	3.20. Status of certification pertaining to economic, environmental, and social management systems.	24-27, 36-39 **
Economic performance indicators			
Customers	✓	Monetary flow indicator:	
	✓	EC1. Net sales.	12-13, mmO ₂ Annual Report 2003
	✓	EC2. Geographic breakdown of markets.	12-13
Suppliers	✓	EC3. Cost of all goods, material, and services purchased.	mmO ₂ Annual Report 2003
	✓	EC4. Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.	24-27
Employees	X	EC5. Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.	
Providers of capital	✓	EC6. Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed.	mmO ₂ Annual Report 2003
Public sector	✓	EC7. Increase/decrease in retained earnings at end of period.	mmO ₂ Annual Report 2003
	✓	EC8. Total sum of taxes of all types paid broken down by country.	mmO ₂ Annual Report 2003
	X	EC9. Subsidies received broken down by country or region.	
	•	E10. Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group.	40-43 ***
Environmental performance indicators			
Energy	X	EN1. Total materials use other than water, by type.	
	X	EN2. Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organisation.	
	✓	EN3. Direct energy use segmented by primary source.	32-35
	X	EN4. Indirect energy use. Report on all energy used to produce and deliver energy products purchased by the reporting organisation (e.g. electricity or heat).	
	✓	EN17. Initiatives to use renewable energy sources and to increase energy efficiency.	32-35

✓ This indicator has been covered in the report. • This indicator is partly covered in the report. X This indicator is not covered in the report.

¹ Source: Global Reporting Initiative (GRI): Sustainability Reporting Guidelines (2002)

Category	Status	GRI Reference	Page and commentary
Water	✓	EN5. Total water use.	32-35
Biodiversity	X	EN6. Location and size of land owned, leased, or managed in biodiversity-rich habitats.	
	•	EN7. Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments.	32-35 (Biodiversity)
	•	EN25. Impacts of activities and operations on protected and sensitive areas.	32-35 (Biodiversity)
Emissions, effluents, and waste	•	EN8. Greenhouse gas emissions.	32-35
	✓	EN9. Use and emissions of ozone-depleting substances.	32-35
	X	EN10. NOx, SOx, and other significant air emissions by type.	
	•	EN11. Total amount of waste by type and destination.	32-35
	X	EN12. Significant discharges to water by type.	N/A
	✓	EN13. Significant spills of chemicals, oils, and fuels in terms of total number and total volume.	32-35
Suppliers	•	EN33. Performance of suppliers relative to environmental components of programmes and procedures described in response to Governance Structure and Management Systems section.	32-35
Products and services	✓	EN14. Significant environmental impacts of principal products and services.	32-35
	•	EN15. Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed.	6-7, 32-35
Compliance	✓	EN16. Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.	32-35
Social performance indicators, Labour practices and decent work			
	✓	LA1. Breakdown of workforce.	12-13
	•	LA2. Net employment creation and average turnover segmented by region/country.	12-13, 36-39
Labour management relations	✓	LA3. Percentage of employees represented by independent trade union organisations or other bona fide employee representatives.	36-39
	✓	LA4. Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations (e.g. restructuring).	36-39
Health and safety	✓	LA5. Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.	36-39
	✓	LA6. Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.	36-39
	✓	LA7. Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers).	36-39
	X	LA8. Description of policies or programmes (for the workplace and beyond) on HIV/AIDS. Additional:	
	✓	LA14. Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems.	36-39
	•	LA15. Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements.	36-39
	X	LA9. Average hours of training per year per employee by category of employee. Additional:	****
	•	LA16. Description of programmes to support the continued employability of employees and to manage career endings.	36-39
	•	LA17. Specific policies and programmes for skills management or for lifelong learning.	36-39
Diversity and opportunity	•	LA10. Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.	36-39
	•	LA11. Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate.	36-39, mmO ₂ Annual Report 2003
Human Rights			
Strategy and management	•	HR1. Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	27, 36-39
	✓	HR2. Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.	27 (Supply chain)
	•	HR3. Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	24-27
Non-discrimination	•	HR4. Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	36-39
Freedom of association and collective bargaining	✓	HR5. Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.	36-39
Forced and compulsory labour	•	HR6. Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	27 (Supply chain)
	•	HR7. Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	27 (Supply chain)
Disciplinary practices	•	HR9. Description of appeal practices, including, but not limited to, human rights issues.	36-39
	•	HR10. Description of non-retaliation policy and effective, confidential employee grievance system.	46-47
Society			
Bribery and corruption	✓	SO1. Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	18-19
Political contributions	✓	SO2. Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption.	46-47
	✓	SO3. Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions. Additional:	46-47
	✓	SO5. Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.	46-47
Competition and pricing	✓	SO6. Court decisions regarding cases pertaining to anti-trust and monopoly regulations.	24-27
	✓	SO7. Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour.	24-27, 46-47
Product responsibility			
Customer health and safety	✓	PR1. Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	28-31
Products and services	✓	PR2. Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling.	30
Respect for privacy	•	PR3. Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy. Identify geographic areas covered by policy.	24-27

Website: www.mmO2.com/cr/report2003

Email: cr@O2.com

Telephone: +44(0) 1753 628000

mmO₂ plc

Legal and Corporate Affairs

Corporate Responsibility

Wellington Street

Slough, Berkshire

SL1 1YP

United Kingdom

Registered No. 4190833

