mmO₂ plc

Corporate responsibility, seen differently…

We strongly believe that if you see things differently – you can do anything! That is how we approach corporate responsibility. We empower our employees to take a lead and we are proactive in stimulating debate and in demonstrating the good things mobile services can do for society. That means engaging actively with all the people we affect through our operations.

We do this because we know from experience that it works to the benefit of society and of O_2.

This report tells you how our approach to corporate responsibility is developing, the successes we have had and the challenges we still face.

mmO$_2$ plc

a brief summary on corporate responsibility

Having reported on our corporate responsibility activities for the first time last year, we have spent this year maintaining our focus particularly on three key areas:

- Listening to people, both inside and outside O$_2$, to make sure they find we are doing the things that work and are most relevant.

- Improving in the areas of weakness identified last year.

- Embedding corporate responsibility throughout our business so that it is not just about process and box-ticking but that it is actually real and effective in all our operating businesses, at all levels.

Highlights:

- We made a pre-tax profit of £95 million for the year ended 31 March 2004, our first-ever profit following our formation in November 2001.

- Our customer base exceeded 20 million for the first time, with more customers joining our network in each of our markets.

- In 2004 we were recognised by Oftel as having the best-performing network in the UK.

- O$_2$ Airwave rolled out its secure radio service to 35 police forces in mainland Britain and is on schedule to supply all 51 forces by March 2005 along with other public safety agencies.

- We published child protection leaflets on six different topics.

- Employee engagement – measured through the annual Reflect O$_2$ survey – increased by 2 percentage points to 73 per cent during the year.

- During the year we donated £1.7 million in funding and in-kind donations to charities and charitable causes.

Position in the BITC Corporate Responsibility Index:

32

Increase in phones we have recycled through the Fonebak scheme in 2003/04:

+71,000

Amount of electricity from renewable sources in the UK:

20%

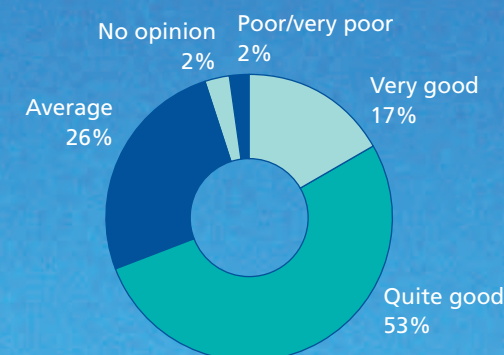Increase in full-time employees working in our call centres in the UK:

+18%

Reduction in CO$_2$ emissions:

-8%

Proportion of participants in the asthma trial who said they were satisfied with being able to manage their asthma symptoms by using the Xda by O$_2$ for monitoring:

78%

No opinion 2%

Poor/very poor 2%

Very good 17%

Average 26%

Quite good 53%

How employees rate O$_2$'s performance on corporate responsibility

mmO$_2$ plc

Looking at
the bigger picture

Contents

Mobile in society

" We firmly believe that the mobile sector is making a significant contribution to society and that mobile services enrich people's lives."

David Varney, Chairman mmO2 plc

It's only just over a decade since the first GSM mobile phones became generally available, and even fewer years since they were regarded merely as an accessory of the young and affluent.

Some 119 million people in the markets where we operate now own a mobile phone. People of all ages see the mobile phone as an essential part of their home and work lives. As an industry we have come from virtually nowhere to a position where we are contributing £22.0 billion to the UK economy alone – 2.2 per cent of gross domestic product.

We firmly believe that the mobile sector is making a significant contribution to society and that mobile services enrich people's lives.

Mobile is being used in many beneficial ways, clearly demonstrating its social value. During the year we published 'Options – mobile technology in public service' which included 100 innovative ways that mobile technology is being used in public services. The examples were varied and included a blood donor matching scheme in India and a motor breakdown system using text for drivers who are deaf or have speech impediments.

We know that many have concerns about the safety of handsets and mobile communication masts. We hope this report will help to reassure stakeholders that, in this, and many other areas, we take our responsibilities seriously. Our approach is to engage with people to explain how the technology works and tell them what we are doing to make sure we operate safely.

But it is just as important to anticipate concerns as it is to react to them, and to take an active role in identifying solutions.

That's why last year we opened the debate on child protection and mobile phones, alerting people to the risks of children making inappropriate contacts or seeing pornographic content. We have actively been promoting safe ways for children and their parents to stay in touch through their mobile phones. The debate on child protection has been taken up by the entire industry. We have continued our own efforts to reinforce the message through, for instance, a series of child protection leaflets on such issues as bullying and the safe use of mobile chat rooms.

We are pleased that our efforts are widely recognised in society. We are represented in some of the main sustainability indices and investment funds, such as the Dow Jones Sustainability Indexes and the Business in the Community Corporate Responsibility Index, and have received some encouraging feedback from opinion leaders. Seeking outside endorsement is important for us – we want help in making sure our initiatives strike a real chord with the people and communities we serve. My belief is that responsible companies are more likely to prosper and thrive.

This is my last corporate responsibility statement as Chairman of mmO2. I know that the commitment to corporate responsibility across the Company is strong and growing stronger. Our challenge, as Peter Erskine describes over the page, is to make sure it informs the way we operate as a business, every day.

David Varney,
Chairman mmO2 plc
30 June 2004

Corporate responsibility in our business
[GRI Reference: this section covers **1.2, 3.1**]

"…it is often the things which are hardest to see which make the most difference."

Peter Erskine, Chief Executive Officer mmO₂ plc

We made it our priority in 2003/04 to ensure our approach to corporate responsibility was consistent and properly understood at every level within mmO₂. I am pleased that, while we still have more to do, we have made real progress in achieving this goal.

Often companies are judged by what's most visible. I am tremendously proud of some of our high-profile activities in the last financial year. Simple and effective campaigns – like the award-winning 'Teach UR Mum 2 TXT' with Milly's Fund in the UK, the SCHOLA-21 project in Germany and our continued support for asthma trials using our Xda device – demonstrate how we can bring mobile technology and our skills together in innovative ways to enrich society.

Yet where corporate responsibility is concerned it is often the things that are hardest to see that make the most difference.

Corporate responsibility challenges conventional commercial thinking. It pushes companies to assess their impact beyond financial performance and to run themselves in a way that benefits society and protects the environment.

Our commercial success depends on how we behave as a company. Companies that win trust by being open and direct in all aspects of their business can build important links with the very people they depend on: their customers, employees, shareholders, suppliers, interest groups, local and national governments, regulators and investors.

From the outset we were determined to adopt the ethos of corporate responsibility and create a robust framework for our activities. We set ourselves the target of pursuing best-in-class corporate governance, ensuring that we weigh the social, environmental and ethical impacts of the business in managing risks to the Group.

This is not, perhaps, the most evident aspect of corporate responsibility. Yet it is vital. It enables us to mitigate risks to our reputation and brand, and identify opportunities to differentiate ourselves from our competitors based on genuine dialogue with our stakeholders.

I'd like to highlight one particular area where we have made progress on this.

For the last two years our corporate responsibility programme has been overseen by the mmO₂ Corporate Responsibility Advisory Council, under David Varney's leadership. Thanks to our progress, we decided the time was right to transfer its work to the Company's Executive Committee and to the individual business units. This is the clearest signal we can give of our determination to integrate and embed corporate responsibility into the very bones of the business.

This move should help the individual operating businesses to define goals that meet local expectations, meet customer needs and translate them into appropriate action in the UK, Germany, Ireland and the Isle of Man.

I am confident that this and other initiatives will help to promote an awareness of our

responsibility agenda across the Group. We know from research among employees this year that this is their preferred path and I am determined we will continue to take it.

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance. The report includes specific country supplements to give greater insight into our operations in different markets. We aim to improve our reporting continually and welcome your feedback, ideas and comments. Our contact details can be found on the back cover of this report, which I hope you enjoy reading.

Peter Erskine,
Chief Executive Officer mmO₂ plc
30 June 2004

Action to address key issues
[GRI Reference: this section covers **3.10, 3.11, 3.12, SO1**]

During 2003/04 we continued to engage with stakeholders, actively instigating debate about new issues and responding to real concerns. In this section of the report we describe the action we have taken in three specific areas. They are:

Mast siting
As a growing business with an expanding network, we aim to consult communities on where we site our communication masts and to give local authorities and interest groups advance information on our development plans in line with best-practice guidelines. We have signed up to the industry's codes on responsible mast siting. Our performance against the code for UK operators, called the Ten Commitments, was independently reviewed in 2003. O₂ has worked hard to address people's concerns, but we know we have more to do.

Feedback from employees
We want our employees to feel proud to work for O₂. Our success depends on their talents and skills and we are committed to treating them in a way that reflects our core values – to be bold, open, trusted and clear. Our employees have told us what makes O₂ special and also where more needs to be done to improve our business. Our employees have said what corporate responsibility means to them and how we should ensure that we abide by the high standards we set ourselves. We are taking steps to make sure managers across the Group have the right tools to deal with the many sensitive issues involved in running a modern mobile operator.

Child protection
We were among the first to alert people to concerns about pornography, inappropriate contacts on mobile phones, and the dangers of mobile-related bullying and crime. Now we are concentrating on ways to help young people use their mobiles safely, and providing information to parents to improve their knowledge of mobile technology and its capabilities. The feedback from some of our campaigns – like 'Teach UR Mum 2 TXT' – has been very encouraging.

See over for what we are doing...

Mast siting

[GRI Reference: this section covers 2.9, EN7, EN25, PR1, IO3, IO7, PA8, TA1]

Some people have expressed their concerns about where we locate our communication masts for our networks. We take these concerns seriously. We aim to develop our infrastructure responsibly and make efforts to inform people in advance of our plans. **We aim to listen, consult and respond.**

"We are building a lot less now than three years ago, but the level of community consultation is far greater today."

Jim Stevenson, Community Relations Manager, O₂ UK

30th April 2004
Subject: 02 Mast in Thorneywood

Dear Mr Varney,

I enclose a copy of the minutes to a Public Meeting we held with 02 concerning the erection of a mast in the residential area of Thorneywood.

The main points that came from the meeting are:

02 do not know the local area and in fact attachment 4 marks the mast site on the wrong side of the road.

Centac claim the council had 28 days for prior approval. The council deny they have any involvement.

Questions were asked regarding the integrity of the owner of the site because of rubbish dumping, the fact that the temporary planning permission for the car lot had expired on Year 2000, constant parking of "for sale" cars on double yellow lines and since then there has been an act of vandalism against a member of the campaign committee.

02 did not convince the public there were no health risks attached to the mast.

We are now in the process of getting a 500+ names petition against the mast (amount of names so far) and are holding a demonstration on the Porchester Road on Saturday 1st May to which local hoteliers and demonstrators will be attending.

We would urge you to reconsider the siting of this mast because the local community are very upset.

Yours sincerely,

Catherine Kiely

"We would urge you to reconsider the siting of this mast because the local community is very upset."

Catherine Kiely,
Thorneywood, Nottingham, UK

O₂ responded to this letter and we are continuing our discussions with the local community in Thorneywood.

What we are doing to reassure the public

A team of community relations managers works in each of our businesses and their job is to make sure local communities are informed of where we plan to build masts. We attend public meetings, consult through drop-in sessions, distribute information leaflets and operate a dedicated helpline for queries on O₂ UK's mast siting (see pages 21-22).

Providing early information

Every autumn we publish a list of the UK sites we plan to develop in the coming year. This helps local planners to work with our community relations teams in addressing potential problems.

Mast sharing

Wherever possible we try to work with other operators to share masts so there is less impact on the environment. We entered into groundbreaking 3G network sharing agreements with T-Mobile in the UK and Germany. Through these agreements we commit to sharing our infrastructure, which reduces the environmental impact of our 3G network roll-out.

Safety
Measurements by safety regulators in the UK and Germany have shown that our masts and base stations operate well below international safety limits, often by many hundreds or even hundreds of thousands of times. Our masts are well cordoned off with clear safety signs to warn people not to get close to antennae. The National Radiological Protection Board in the UK has issued new recommendations on safety procedures for people working on masts. We are reviewing our practices and expect to make some small changes to make sure we comply.

Environment
To minimise the visual, noise and environmental impact of our masts we work to a checklist when extending our network in sensitive areas, such as close to schools or in places of natural beauty. Where we may harm biodiversity or create an eyesore, we work to find alternative sitings or to mitigate the impacts. We have signed up to the mobile phone industry's Ten Commitments on responsible mast siting in the UK and a similar code in other countries of operation. This commits us to consulting communities on our plans openly and in good time.

O₂ Airwave
O₂ Airwave has completed over two thirds of its programme to build a secure network across mainland Britain, a process that has involved extensive consultation.

The recent completion of the network on the Gower peninsula in South Wales involved countless meetings with councillors, Welsh Assembly members, Members of Parliament and local campaigners – who were invited to help us choose appropriate mast sites. In Scotland, extensive briefings were given to planning officers, members of the Scottish Parliament and interest groups. The network building programme has gained significant community support and very few cases of local opposition.

Jim Stevenson,
Community Relations Manager, O₂ UK
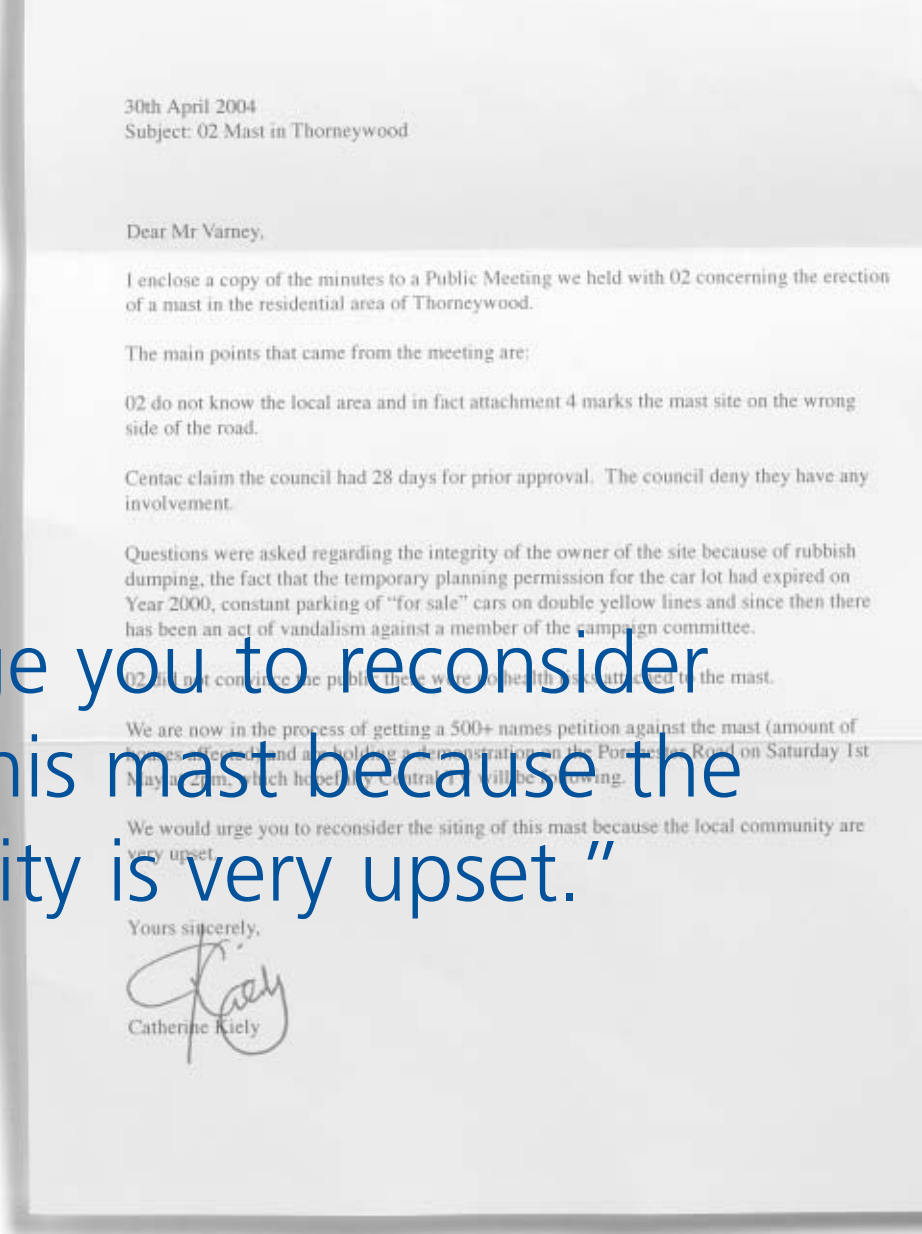
Employees

We want everyone at O₂ to feel proud of working for the Company. Last year we surveyed employees to see what they think about our approach to corporate responsibility, and they said there were things we could do better. One issue was to pick campaigns that were socially important in their own right – without any immediate commercial value to the Company.

Here are some of the actions we have taken this year:

Diversity
We created a new diversity steering group for O₂ chaired by Danuta Gray, O₂ Ireland's Chief Executive Officer, who acts as diversity champion for the whole business. One key aim is to make sure our managers really understand the many complex issues involved in creating a diverse workplace and using our intranet as a management training tool.

Corporate responsibility at every level
In 2003/04 the management and oversight of corporate responsibility was transferred from a dedicated council to the Executive Committee and the operating businesses. This was to ensure that we integrate corporate responsibility to every level of the business.

Understanding the views of our people

Between October 2003 and January 2004 we used external experts to survey employees' attitudes to corporate responsibility. In total 347 employees were canvassed across the business – 272 through an online survey and the rest through focus groups and interviews. Nearly half of the respondents to the online survey said it was important for companies to help create a better society and 89 per cent said large companies should do more than focus on profit.

Most thought O₂ was committed to corporate responsibility and that we did it well. But there were concerns that the commitment did not go right through the Company and was strongest at the very top and at grass root level. Some 43 per cent of the quantitative online survey said we were not good at communicating our policies inside the Company, and this was given as a reason why corporate responsibility has yet to be embedded within O₂.

Several respondents urged us to be bolder in our campaigns and to pick tough topics for our campaigns – like child protection, an issue we are leading the industry in addressing.

Each year in October we run our employee engagement survey, Reflect O₂. The results for each function are benchmarked against each other and senior management have performance targets linked to this survey. Each survey is followed by action plans that are published on our internal website.

How we are responding

With the restructuring of our business we have devolved day-to-day management of our corporate responsibility agenda to our individual businesses. At the same time we have transferred the responsibilities of the Corporate Responsibility Advisory Council to the Executive Committee and the individual operating businesses. We believe these two actions will strengthen our commitment to corporate responsibility at every level and improve our performance. The new strategic objectives we have set will also increase our focus and performance and will be carefully measured – just as we measure our business performance.

"I would like it if people said: That's refreshing. That's different. They've taken on something as hard or as tough as that and made a difference."

O₂ employee

Child protection

[GRI Reference: this section covers **PR2, PA7**]

We aim to be proactive in alerting parents and their children to the potential dangers of mobile phones and all the ways to use them more safely. During the year we published a series of leaflets to tell them about mobile services and launched the highly successful 'Teach UR Mum 2 TXT' campaign as a safe way for young people to stay in touch with their parents.

" O₂'s production of a range of information leaflets and co-operation with other operators to launch a UK code of practice and to classify adult content are very welcome indeed. This is tangible and practical social responsibility and it's backed by a willingness to continue working with organisations such as National Confederation of Parent Teacher Associations to promote the safe use of mobile phones to both young people and their parents."

David Butler, Chief Executive, National Confederation of Parent Teacher Associations

Teach UR Mum 2 TXT
Our campaign with Milly's Fund in the UK is designed to help parents and carers to stay in touch with young people in a safe and unobtrusive way. We have printed leaflets and run text clinics in shopping centres around the UK.

Nuisance call bureau
In the UK we run a nuisance call bureau. Employees within this operation work closely with the agencies that monitor our chatrooms to make sure they are not being used by people trying to make inappropriate contact with young people. The trained moderators also listen for children who are distressed, referring them to agencies like the Samaritans.

Code of conduct
Operators in the UK and Ireland have developed codes of practice for the responsible and secure use of mobile services. We are proposing a similar code in Germany. The UK code covers visual content, online gambling, mobile games, chatrooms and internet access. Certain commercial information will be classified as 18 and users will need to prove that they are old enough before being allowed access to this content. Parental controls will also be made available for internet content. We are developing age verification processes so we can ensure proper controls under the UK code. These controls will be relevant and useful in other future contexts such as location services, gambling, betting, lottery and e-money transactions. We aim to implement the UK code by December 2004.

WHAT TIME WILL U B HOME?

Child protection leaflets:

What your child's mobile phone can do

This leaflet aims to help parents and guardians understand mobile phone technology. It describes the full range of capabilities that modern mobile phones have and also alerts them to the harmful ways that some people try to use services, covering such issues as chatrooms and grooming by paedophiles.

Bullying on mobile phones

This leaflet on bullying tackles a very important problem some children face. Bullying is never acceptable. It can leave a child feeling frightened and alone. The leaflet tells them who to contact if they are being bullied and how the law can protect them.

Sensible use of camera phones

Camera phones are becoming more and more popular. Used appropriately they can be both useful and great fun. But used irresponsibly they can cause distress and may invade someone's privacy. This leaflet looks at how to use them safely and respectfully.

Helping children deal with nuisance calls

Children with their own mobile phones may occasionally receive unwelcome calls or texts. Sometimes these are from people they know. Sometimes they are from complete strangers. Such calls and messages can be frightening or threatening. This leaflet gives parents and carers ideas about how to counsel children on dealing with nuisance calls.

Chatrooms

This leaflet deals with how children can use chat services safely when talking to friends they may not know in the real world. All our chatrooms are carefully monitored to listen for people trying to make inappropriate contacts with young people.

Crime

Mobile phones are valuable. When they get stolen, children are often the victims. Our leaflet on phone crime gives tips on how to avoid drawing attention to themselves when using their phones, and alerting them to the dangers around them.

mmO$_2$ plc Group overview

mmO$_2$ plc is a leading provider of mobile communication services in the UK, Germany and Ireland.

We also provide secure communications for police forces and other public safety services in England, Wales and Scotland through O$_2$ Airwave and a full range of fixed and mobile communications on the Isle of Man through Manx Telecom. The mmO$_2$ Group was formed in 2001 through a demerger from British Telecom. In June 2003 we completed the sale of O$_2$ Netherlands.

In the year to 31 March 2004, mmO$_2$ recorded a pre-tax profit of £95 million. Turnover from continuing operations was £5,646 million (2003: £4,611 million). The Group employs 12,905 employees across its international operations.

In 2003/04 we saw our customer base exceed 20 million for the first time. We now offer global roaming services in 161 countries. We are a leader in mobile data services for use in business, leisure and entertainment. Last year a total of 11 billion text messages were sent and received across our networks.

The O$_2$ brand
All the operating companies trade under the O$_2$ brand name, with the exception of Manx Telecom. Today, two years into its new life, O$_2$ has achieved brand awareness levels between 51 and 72 per cent in all markets.

The operating businesses
Our customer numbers in the UK and Ireland continue to grow, with the UK reaching 13.3 million at 31 March 2004, an increase of 10 per cent, and 1.39 million in Ireland, up by 11 per cent. Both have a good share of high-value customers, and growing revenues from data services.

O$_2$ Germany's growth continued in 2003/04. It added nearly 1.2 million new customers, the majority of which were on higher value post-pay contracts, and significantly increased its EBITDA margin to almost 15 per cent.

O$_2$ Airwave has a £2.9 billion, 19-year contract from the UK Government to supply secure communications to all police forces in mainland Britain. By 31 March 2004 O$_2$ Airwave had rolled out services to 35 police forces with over 50,000 police officers.

During 2003/04 Manx Telecom was awarded a 15-year licence extension two years ahead of schedule.

Many of our customers, using our higher speed 2.5G service (GPRS), this year began to use mobile phones not only to make voice calls and send text messages, but to download games and music, watch video streams, surf the internet and send e-mails.

All our mobile businesses have also secured licences to offer a new generation of Universal Mobile Telephone Services (UMTS), or 3G, services which will offer more sophisticated data applications including high-resolution video.

Our strategy
Our main aim is to become an integral part of our customers' lives by providing relevant, highly usable services that they truly value through a range of tailored packages.

Achieving our strategic goals depends on our employees' performance and skills. We continue to concentrate on improving our capabilities in customer care and to develop our brand in dynamic ways that reflect our brand values – to be bold, open, trusted and clear.

[1] EBITDA 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.
[2] O$_2$ UK £502 million; O$_2$ Germany £391 million; O$_2$ Ireland £52 million, O$_2$ Airwave £243 million and other businesses £25 million.

Financial highlights – continuing operations
(Year ended 31 March 2004)

Group turnover
£5,646m

Service revenue
£5,030m

EBITDA[1]
£1,367m

Capital expenditure[2]
£1,213m

Year-end net debt
£366m

Customers
20.7m

Employees
12,905

Our approach to corporate responsibility

Reporting on corporate responsibility
Corporate responsibility informs how we operate as a company and how we relate to society at large. Our objectives are expressed through explicit corporate responsibility targets for the business, which are outlined on pages 34-35. Through this we aim to take full account of the social, environmental and ethical impact of our operations, within a risk management and governance system, and to make a positive contribution to our business and society.

Engaging actively with stakeholders that are affected by the business is an important part of our corporate responsibility approach.

This is our second corporate responsibility report. The online version is available at www.mmO2.com/cr/report2004. In addition, our Annual Report and Annual Review contain information on our corporate responsibility approach and on how we manage corporate governance.

Managing corporate responsibility
We want corporate responsibility to sit in the mainstream of our business. We have therefore decided to absorb the work of the former Corporate Responsibility Advisory Council into the work stream of the Executive Committee, where Directors already individually champion different aspects of corporate responsibility.

In addition, we have devolved day-to-day management of corporate responsibility to our individual operating business units, each of which now has a designated Corporate Responsibility Manager. The corporate responsibility activity across the Group is monitored through the monthly Corporate

Responsibility Forum that brings together practitioners from across the business. Starting in June 2004 our corporate responsibility activities are reported to the Executive Committee every quarter and to the main Board twice a year.

Corporate governance
When O$_2$ was first formed in November 2001, we made it a priority to establish a lead in corporate governance. The work we have done over the last two years means we now have a system of governance that is robust and among the best.

It is important to get this right. Corporate responsibility can only flourish in an environment where internal control and governance procedures are rigorous and well-managed within a wide-reaching risk management system.

Risk management is about identifying, measuring and controlling issues that could damage our revenues, assets, brand, reputation and value. It is also about identifying opportunities to enhance those things and differentiate ourselves from competitors. Companies that manage risk well are generally regarded as more likely to prosper for the good of their customers, employees, suppliers, investors and society generally.

The social disclosure guidelines of the Association of British Insurers (ABI) and the Turnbull Internal Control Guidance on the Combined Code oblige companies to state how they are managing risk. We fully support these requirements and have published the ways that we meet them in our Annual Report. An overview of how

we manage social, environmental and ethical risks in reference to the ABI guidelines is available in our Annual Report and on page 14 of this report.

How we manage risk
To ensure that our own risk-management procedures are thorough we explicitly assess the value at risk and our appetite for specific risks. A Group-wide risk register is mirrored by separate risk registers for each of the operating businesses and headquarters functions.

Individual Directors within the Group have responsibility for the different risks we face and are responsible for devising and implementing remedies where possible. They are encouraged to assess the social, environmental and ethical impact of our actions in managing risk. All new appointees to the Board take part in appropriate training for their role including those risks of social, environmental or ethical nature.

Risks are assessed by the Executive Committee every month and twice a year by the Board, which currently comprises four Executive Directors, seven Non-executive Directors and a part-time Chairman.

Business in the Community

CORPORATE RESPONSIBILITY INDEX 2003

FTSE4Good Index Series

Our internal audit team reviews the implementation of the risk management policy at all levels of the Company and reports independently to the Audit Committee of the Board. We have a fast-track risk management system which enables us to deal quickly and effectively with any risks that are material to our business.

Senior management, including Directors, have the responsibility for managing risks, which includes those of social, environmental and ethical nature. Risk management is taken into account in determining their remuneration. But with management of risk occurring at many different levels within the Group, other employees also have explicit corporate responsibility objectives to meet.

How we are seen and judged
How we are judged is very important to us. We welcome the fact that we continue to be rated highly by investors.

We are represented in some of the main sustainability indices and funds. For a second year running we were included in the Dow Jones Sustainability Indexes World – which ranks the top 10 per cent of 2,500 companies around the world – and became the leading company in the wireless communication sector. We are also included in the Dow Jones Indexes Stoxx, the FTSE4Good listing of the top 100 UK companies, the FTSE4Good Global Index and are also members of the Brussels-based Ethibel investment and sustainability registers.

In 2003/04 we improved our position in the UK-based Business in the Community Index on Corporate Responsibility which this year saw 139 companies take part, including 56 of the top 100 UK-listed companies. Overall we were ranked 32nd and were the leading mobile communications company with an improved score of 91.21 per cent against 82.49 per cent in the preceding year. We improved our score in all assessed categories and recorded above-average scores in all areas.

Areas highlighted for some improvement include increased training in corporate responsibility for all employees including Directors; inclusion of social, environmental and ethical criteria in product development; focusing our measurement and reporting on diversity within our business; enhancing our ethical supply chain work; improved reporting on waste; expansion of our certified environmental management and health and safety systems. Our actions responding to these are described in greater detail in this report.

Defining material issues
We strongly believe that non-financial aspects of a business's performance are increasingly regarded as material. We aim to address matters that people care about and that affect our business through this report. In line with the AA1000 Assurance Standard's materiality principle this report includes information about our corporate responsibility performance.

We identified issues relevant to our business by following research activities that focused on corporate responsibility matters:

– Research of O_2 opinion leaders through one-to-one interviews;

– Research of some 300 employees through interviews, focus groups and online surveys;

– Sector-wide research of the British public;

– A dedicated conference for some 30 corporate responsibility practitioners within O_2 that included stakeholder mapping; and

– Media reviews and publicly available opinion leader research.

Through our research activities we aimed to capture the opinions of stakeholders who have an interest in or affect the performance of our business. We have chosen the Five-Part Materiality Test developed by AccountAbility to help us determine the issues that are material to our business and should be disclosed in future reports. This year the exercise was exploratory and carried out as a desk review. Going forward the intention is for the mmO2 Corporate Responsibility Forum to examine the practical adoption of the Five-Part Materiality Test.

During the year the reporting process has involved detailed reports about our engagement with employees to our Executive Committee. A future target is to systematically capture other stakeholder engagement and when appropriate include this information in our regular corporate responsibility reports to the Board. The disclosure of relevant corporate responsibility objectives and targets covering material issues to our business has been subject to approval

by the Executive Committee. To ensure that we will meet our objective of creating a credible report, the process has been reviewed by our external assurance providers. We have adopted this approach to continuously improve the quality and usefulness of our annual corporate responsibility reporting.

The table on the right describes examples of areas that would be captured through the Five-Part Materiality Test.

Reporting guidelines
This report covers all of our core activities that are fully owned, excluding our joint ventures, associates, and O_2 Netherlands, which was sold in June 2003, for the year ended 31 March 2004. The report has been independently verified by our external assurance providers, Ernst & Young (see page 36).

In choosing how best to present our activities we have followed two sets of widely accepted guidelines. We use the Business in the Community (BITC) Reporting Guidelines to highlight four main areas of activity – marketplace, environment and sustainability, workplace and community. Once again we have added a section on health because we know it is an area of concern to some of our stakeholders.

In addition we report against the Global Reporting Initiative (GRI). We have included signposts in each of the sections of this report to make it easier for readers to cross-refer our performance to the GRI. A full reference to our compliance against GRI is available on our website at www.mmO2.com/cr/report2004.

Table 1 – Five-Part Materiality Test (source: AccountAbility)

Test 1: Direct short-term financial impacts	Short-term financial impacts resulting from aspects of social and environmental performance.	- E.g. Pricing regulation
Test 2: Policy-based performance	Policies that are core to our business rather than add-ons.	- E.g. Corporate governance, Customer care, Procurement, Environmental, and Employee policies
Test 3: Business peer-based norms	Issues that our peers are deeming to be important.	- E.g. Siting of communication masts and antennae - Research into potential health effects of mobile communications - Distraction driving
Test 4: Stakeholder behaviour and concerns	The practical definition of relevance to stakeholders in terms of reasonable evidence of likely impact on their decisions and behaviour.	- Ethical sourcing of Coltan for the handsets we sell - Siting of communication masts and antennae - Research into potential health effects of mobile communications - Adult content and other inappropriate material on mobile phones and contacts made via mobile phones
Test 5: Societal norms	Regulatory and non-regulatory	- Adult content and other inappropriate material on mobile phones and contacts made via mobile phones - Personal safety issues relating to mobile phones

Association of British Insurers (ABI)

Disclosure guidelines on social responsibility

Disclosure requirement	mmO$_2$ plc
The Board takes regular account of the significance of social, environmental and ethical matters to the business and the Company.	During the year, the Board of mmO$_2$ plc was briefed on eight occasions on a range of social, environmental and ethical issues facing the Company. The topics covered included community investment, health and safety, industrial relations, adult content and child protection, as well as environmental protection. A specific report on business ethics was presented to the Audit Committee.
The Board has identified and assessed the significant risks to the Company's short- and long-term value arising from social, environmental and ethical matters, as well as the opportunities to enhance value that may arise from an appropriate response.	Social, environmental and ethical issues are integral to all aspects of the business and are included in our risk-management procedures. We aim to include any social, environmental or ethical risks in our risk registers to ensure they are fully integrated in our day-to-day operations.
The Board has received adequate information to make this assessment and account is taken of social, environmental and ethical matters in the training of Directors.	All new appointees to the Board receive training on a wide range of issues including elements of corporate responsibility. Existing Directors can receive training on request. In addition, the Directors attend a two-day off-site conference covering – among other things – specific social and ethical matters. The Board is briefed at least twice a year on corporate responsibility matters.
The Board has ensured that the Company has in place effective systems for managing significant risks which, where relevant, incorporate performance management systems and appropriate remuneration incentives.	Our risk-management procedures are guided by the Combined Code developed by the Turnbull Committee. In common with other risks, we manage social, environmental and ethical risks by assessing their potential impact on the Company, measuring our appetite to manage them and by developing strategies to mitigate them. A number of Directors of Group companies and other employees have explicit corporate responsibility objectives to meet. All those charged with managing risks are remunerated on the basis of their success in meeting clearly defined targets. This has been an important step in encouraging good ethical conduct in all our dealings and in providing a framework for managing, measuring and accounting for the impact of our business. During 2004/05 we aim to align the management of corporate responsibility to the Company's performance management process.
A description of social, environmental and ethical related risks and opportunities that may significantly affect the Company's short- and long-term value, and how they may 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 communication masts. A detailed review of these and other risks are included in this report.
A description of the Company's policies and procedures for managing risks to short- and long-term value arising from social, environmental and ethical matters.	Our risk-management policy describes in detail our procedures for managing risks. All social, environmental and ethical risks are covered by this policy.
A description of the extent to which the Company has complied with its policies and procedures for managing risks arising from social, environmental and ethical matters.	Controls for risk-management are constantly scrutinised through internal audits. The Audit Committee is regularly updated about our risk registers and the progress of mitigating risks.
A description of the procedures for verifying social, environmental and ethical disclosures.	Corporate responsibility matters are included in our internal audit reviews, where appropriate, and reported to the Audit Committee. The content of this corporate responsibility report has been externally verified by our assurance providers, Ernst & Young (see page 36). In addition, our environmental and health and safety risks are subject to third-party audits through operational risk reviews, which form part of our insurance programme. Our compliance with the industry-agreed Ten Commitments on responsible mast siting in the UK is subject to third-party review.

Business Principles

Everyone who works for O$_2$ is expected to act ethically at all times in their dealings with each other, with suppliers, with customers and with the wider public.

Our statement of Business Principles – a copy of which is made available to all employees through leaflets and internal and external websites – makes it clear to everyone that no job is more important than protecting and enhancing the Company's reputation.

As well as encouraging all employees to abide by the Business Principles, we also aim to persuade suppliers to embrace them by referring to them in our UK supplier contracts.

Our Business Principles cover the ethical behaviour we expect of everyone on issues such as competing fairly; accepting gifts and hospitality; delivering good value; health and safety; and fair and equal employment. They make it clear that we will not tolerate harassment in the workplace, do not make donations to political parties and aim to protect the confidentiality of employees and customers.

We measure the appropriateness of our Business Principles by benchmarking ourselves against leading UK and US companies. Our membership of both the Institute of Business Ethics and the General Counsel Round Table have given us invaluable insight into how well we are doing compared to others.

We have also modernised our training procedures to ensure our Business Principles are understood and adhered to across the business. Our online training modules have been updated and redesigned and cover a wide range of key policy areas, for instance, compliance training on competition law, marketing, health, safety and the environment. We aim to make these courses available to all employees during 2004/05.

A network of compliance officers now works across the business to track compliance with the Business Principles and helps managers to ensure that all employees complete their training requirements.

Our statement of Business Principles is supported by a confidential helpline and e-mail facility that enables people with concerns about the way we are operating to come forward in confidence. This is a UK regulatory requirement of the revised Combined Code C.3.4/Smith Guidance 4.8 introduced in July 2003. The US Sarbanes-Oxley Act 2002 specifically requires SEC- registered companies to keep a register of complaints made by so-called 'whistle-blowers' and actions taken to investigate complaints.

Our own systems to monitor compliance with the Business Principles continue to be developed and we intend to use online tools more effectively to support this process, including a governance certificate submission tool for managers and a revised booklet of '10 top tips' to promote our training courses and alert employees to the confidential help facility.

Approaches to corporate governance are changing rapidly and we track these changes carefully. One of our main aims for 2004/05 is to make sure that compliance with our regulatory requirements and our commitments to Turnbull, Sarbanes-Oxley and our Business Principles are brought together under an overarching Internal Control framework comprising risk management, certification and internal-audit procedures.

Strategic objectives

Strategic objectives

One of our most important achievements in ensuring that corporate responsibility is rooted at all levels of O_2 is the creation of explicit strategic objectives for our corporate responsibility activity. This was endorsed by the Executive Committee in May 2004.

Our strategic objectives on corporate responsibility sit alongside the operational strategy for the business and will be similarly measured by key performance indicators to ensure that we set ourselves stretch targets and successfully meet them within established timeframes. Key performance indicators for our corporate responsibility activity for each of our businesses will be established during 2004/05. The table on pages 34-35 sets out the specific corporate responsibility targets that we are currently working towards. We have highlighted those that have been modified or are new.

Our strategic objectives on corporate responsibility are to guide our operations so that social, environmental and ethical considerations are embedded into our business.

We aim to:

Make all our employees proud to be working for O_2 and encourage them to demonstrate the highest levels of integrity, while advocating and pursuing responsible business management.

Achieve continuous improvement in our operations in all areas that affect our customers, the physical environment and society as a whole through measurement, monitoring and review of our performance and by committing ourselves to excellence.

Be proactive in developing exciting mobile services that enable people to have great experiences and that contribute to innovation, satisfaction, well-being and safety in the community.

To achieve these overriding objectives we will focus our efforts on proactive engagement with stakeholders across society, including our peers within our sector and our suppliers. Through this engagement we want to promote responsible business behaviour and advocate universal labour standards, human rights and environmental protection in our operations and our supply chain. Further, we want to enhance our stakeholder engagement through increased communications and interaction with local communities to enhance trust and acceptance. We will continue our campaigns to promote personal safety and pursue active self-regulation in emerging subject areas to ensure a positive experience for all stakeholders.

Through these newly adopted corporate responsibility objectives each of our main operating businesses are committing to:

– Integrating the management of corporate responsibility within their own organisations.

– Continuously improving the performance in social and environmental areas and enable external review of all related activities.

– Establishing a field of corporate responsibility excellence in each of our main markets.

We set stretch targets – and measure our progress

We measure our performance against guidelines drawn up by Business in the Community and the Global Reporting Initiative. We concentrate on five key areas:

Marketplace How we operate in relation to customers and wider society.

Health How we take action to ensure our products and services operate safely.

Environment and sustainability How we pursue policies that protect the environment in a sustainable way.

Workplace How we create a fair and equal workplace that our employees are proud to be a part of.

Community How we can make a real difference to society using our technology, skills and the active involvement of our employees.

Marketplace

20.7m
customers

External view: "We have had a very good experience working together over the last two years. O₂ is one of the most proactive of the mobile companies. We have made one of the most proactive of all companies, in thought leadership and in stimulating public debate. It's not just a case of sponsoring research and sitting back. O₂ is really engaged in the process."

James Wilsdon, Head of Strategy at Demos

Response from O₂: For two years O₂ has been supporting Demos in looking at the future of mobile technology and what it might mean for broader social change. We sponsored the Demos pamphlet 'Mobilisation' by James Harkin which achieved wide coverage in the media. More recently we have staged a series of seminars with Demos on child protection, privacy and health.

External view: "Business in the Community Ireland is delighted to have O₂ Ireland as one of our founder members. The company is active in our Strategic Corporate Community Involvement service and our Schools' Business Partnership and Danuta Gray, CEO, O₂ Ireland, sits on our Board.

In June 2004, O₂ Ireland launched, in association with the Irish Cellular Industry Association and other operators, the first ever Irish Code of Practice for the responsible and secure use of mobile services. We commend O₂ Ireland for this initiative. It is a unique example of best practice and engagement with customers and competitors to raise standards and quality of service."

Tina Roche, chief executive, Business in the Community Ireland

Response from O₂: Together with Ireland's two other mobile operators O₂ Ireland has agreed to conduct an industry mobile content filtering trial. This trial will test content filtering software on a mobile network for the first time.

The mobile phone industry in the UK has grown, in just 20 years, from nothing to an industry employing nearly 200,000 people and combined revenues in excess of £20 billion. According to research by the Centre for Economic and Business Research in the UK, commissioned by O₂, the whole mobile sector contributed £22 billion to UK GDP in 2003, 2.2 per cent of total GDP.

The average employee in the mobile sector generated £120,000 in revenue. This is three times the national average. The analysis also reveals that the mobile industry contributes £15 billion a year to government finances, the equivalent to an additional 3 pence on the basic rate of income tax.

Mobile technology has reached the mass market and become a major contributor to the economy in the UK and in our other markets.

Our customers
We are concentrating on improving the customer experience by creating a culture of 'customer-centricity' that is supported by a Group-wide programme. We have made some good progress here. Our customer base grew in every region last year and now amounts to 20.7 million.

In Ireland we introduced the All Ireland tariff, which eliminates roaming charges between the Republic of Ireland and Northern Ireland. We introduced a new international calling tariff for post-pay customers calling African, Asian and European destinations, enabling foreign nationals in Ireland to call home at competitive rates. In Germany, the Genion

HomeZone service combines advanced technology with reduced tariffs in defined areas. In the UK we introduced new Pay & Go packages, such as O₂ Home for low-cost home-based mobile calls.

The improved performance of our UK network was recognised during the year when we were named Best Network Operator by the regulator, Oftel, now called the Office of Communications (Ofcom).

Pricing and regulation
The price of mobile phone services and the complexity of tariffs continue to be a concern in many places. In Germany there is growing concern that young people are spending too much on mobile phones, especially on new data-rich services and camera phones. In Ireland, the regulator ComReg has called for greater price transparency in the industry, and the European Commission is continuing to investigate mobile operators' international roaming charges.

We co-operate with regulators openly to deal with such issues and take action. This year, for example, we introduced a flat-rate charge for all our roaming services in Europe. We offer pre-pay packages in all our markets so users can control their mobile phone costs. Our mobile phone tariffs are freely available both online and through our shops, which enables consumers to compare prices with other operators. Simpler pricing and clear roaming tariffs across Europe are also the aims of those operators who have joined us in the Starmap Alliance of European operators.

Regulation is starting to reflect the fact that our industry is mature and subject to tough

competition. The new EU regulatory framework requires national regulators to remove regulation from markets that are competitive, and in the UK Ofcom has already reduced mobile regulation to reflect intense competition.

We would never knowingly break planning or advertising rules, hence this area of compliance is closely monitored by our compliance officers. During 2003/04 we received a notice from the local planning authority with regards to three temporary road advertisements that we had placed along the M25 motorway in the UK, the signs were removed once we had been informed about the incident. In 2003/04 we had no complaints about breaches of advertising rules.

Our products and services
Mobile communication has evolved from voice telephony to sophisticated data services that constitute some £1 billion of our revenues. We aim to be a leader in this market.

During the year our general packet radio (GPRS), or 2.5G service, became a mass-market product and take-up of internet-driven services like e-commerce, banking, online billing, and music grew rapidly. We will increasingly offer more capable third-generation (3G) services in the UK, Germany and Ireland.

Our Xda II hand-held combined computer and phone and the Blackberry™ mobile e-mail device have been taken up widely. We have also launched a new O₂ Digital Music Player to complement O₂ Music, Europe's first mobile music download service.

Protecting the vulnerable
People want to be assured that we safeguard children and young people from accessing inappropriate material or contacts via their mobiles. As mobile technology advances, it is expected to become a channel for a wide range of services including pornography, gambling, financial services and direct marketing. We respect our customers' rights to make choices about the legal material they access through our network, but equally our customers want to be sure that we protect the vulnerable, particularly children.

During 2003/04 we published a series of child-protection leaflets providing practical advice on such issues as handset theft, the safe use of camera phones and grooming by paedophiles using chatrooms. The series is now available in O₂ stores in the UK and Ireland and on our website. We do not market to children, in line with industry best practice. We address our child-protection material to adults and children's organisations. Our leaflets aim to raise awareness about personal safety amongst young people and children.

In January 2004, we helped publish a UK mobile operators' joint UK Code of Practice for the self-regulation of new forms of content on mobile phones such as visual content, online gambling, mobile games, chatrooms and internet access. A comparable initiative is under way in Ireland with an industry code published in June 2004, and we are advocating a similar approach in Germany. The UK Code commits us to providing information to parents and carers about new mobile

services and devices as well as tools so they can control the internet content their children access.

It also provides for the appointment of an independent body to define the types of content to be classified as 18. Operators will require users to prove they are old enough before they access such content.

In Ireland we are launching parental authorisation to our services which will allow parents and carers to monitor their child's account and the services they access. We do not offer adult content, text or chat services in Ireland and are testing technology to filter or block unsuitable imagery.

Operators have agreed to help the police tackle illegal activity and to combat bulk and nuisance communications. All our chatroom services are now moderated, to try to identify and stop inappropriate exchanges. This is supported by the Nuisance Call Bureau run by O₂ UK, which is equipped to advise customers on the appropriate use of mobile phones.

As new web-enabled services become more widely available, we know that the problem of virus contamination, junk marketing and hacking may become more serious. We are working to find solutions, and through the implementation of the code we will also look into tackling unsolicited communications, also called spam.

Informing the debate
We are demonstrating how mobile phones play a positive role in public life and this year published a book, 'Options – mobile technology in public service', describing 100 different areas where mobiles are being

used in socially useful ways from car-fleet services to doctors' appointment alerts. We are stimulating debate about the potential future benefits of digital technologies through our opinion-leader seminars. This year we arranged a series of seminars on subjects such as privacy, child protection and health.

Privacy and security
Customer privacy is an increasingly sensitive issue and we believe that the introduction of location-based services – which will identify a mobile phone user's position – could infringe a person's right to privacy. We are working on a code of practice with other operators in the UK.

We are committed to respecting customer confidentiality, but we are obliged by law to make customer records available to police on production of a court order. Heightened security fears have increased the pressure on us in this area and, under UK law, other emergency services can demand access to records. We try to balance individual rights and the wider national security carefully. In 2003 we set up a new Fraud and Security Helpdesk in the UK, including a 365 day, 24-hour customer contact number to respond to queries more effectively.

The O₂ Airwave network is more than two thirds through its roll-out to police forces in mainland Britain. If adopted by fire and ambulance services it will provide interoperability between the emergency services, which is currently not possible. O₂ Airwave's campaign to support road safety for children is designed to underline its wider role in making Britain safer.

External view: "We recognise O₂'s commitment to address social and environmental issues in its supply chain and to foster the development of industry standards through its contribution to initiatives such as GeSI. In our view, companies that systematically integrate these issues into procurement demonstrate a comprehensive approach to risk management. As such, O₂ would further benefit from advancing the training and incentivisation of its procurement staff. Clear policies on end-of-life management would also enhance the company's responsible approach to its business operations."

Claudia Kruse, Senior Analyst, ISIS Asset Management

Response from O₂: We are currently assessing detailed feedback from ISIS Asset Management and some of our major suppliers on how we can implement our ethical and environmental procurement policies. Our conclusions will depict which activities we will pursue going forward.

External view: "In general, for the past year the number of complaints against mmO₂ fell in relation to previous years.

We find that the problems arise when the stakeholders for consultation are not properly identified and this needs to be clarified. We would also take issue with their interpretation of community consultation from Commitment 1. We find that in certain cases consultation frequently disintegrates into dictation by the operator, driven by economic rather than community need.

Correctly trained and fully accountable site acquisition agents would help to solve many of the problems encountered."

Julie Matthew and Christine Mangat, Mast Action UK

Response from O₂: In response to the findings of the external review of the implementation of the Ten Commitments in 2003, we have improved our procedures and controls over the level of local consultation required. We are committed to fund another external review of our performance in this field in 2004.

Supply chain

We work with our suppliers to raise awareness about ethical sourcing. Our Ethical Procurement Policy, based on the Ethical Trading Initiative base code, outlines what we expect of our suppliers on key issues such as employment standards and health and safety. We have surveyed a number of our major suppliers with a self-assessment questionnaire and will be widening the scope to cover more suppliers in 2004/05.

We belong to the Global e-Sustainability Initiative (GeSI) and are part of its supply-chain working group which aims to develop common best-practice principles and tools for use in the information and communications technology (ICT) sector. We will use this to benchmark our activities and set targets. In October 2003 we helped arrange an event in Geneva, Switzerland about ethical sourcing. In 2003/04 we were involved in four important supply chain studies by independent organisations, including 'Clean up your Computer' led by the Catholic campaigning organisation CAFOD, two studies by Insight Investment and one for FTSE4Good on responsible supply chains.

The payment terms for major contracts are agreed at the same time as other terms are negotiated with individual suppliers. The Group's policy is to pay for other purchases within 30 working days of the invoice date, provided the invoice is presented in a timely fashion and is complete. We aim to pay our creditors promptly within 30 days of a valid invoice being presented. The Group had 34 (2003: 32 days) days' purchases outstanding at 31 March 2004 based on the average daily amount invoiced by suppliers during the year.

Digital divide

The majority of the West European population, of all income and age groups, subscribe to a mobile service. But access is not always equal because of cost or geography.

We try to narrow this digital divide. The Group's Chief Technology Officer, Dave Williams, has joined the UK Government's Digital Inclusion Panel to support this effort. In all our markets we offer our adult customers pre-pay packages regardless of background or credit history, allowing everyone to benefit from mobile communications. Pre-pay mobile phone services enable the users to control the associated costs of using a mobile.

Our telecommunications networks cover substantially all of the population of the UK, Ireland, the Isle of Man and Germany (in conjunction with our network sharing agreement with T-Mobile). In Ireland we are the only mobile operator to gain government funding to install wireless broadband (WLAN) hot spots to selected locations and recently installed one in the civic offices in Westport, County Mayo as part of this initiative. We are also part of an industry initiative to fund the roll-out of broadband to all 4,100 primary and secondary schools in the country. In the Isle of Man we have rolled out fixed-line broadband internet access to 98 per cent of all households and businesses at discounted rates agreed under a new licence from the Manx Government.

Services for customers with special needs

We want to examine ways to make our services more inclusive, particularly for people who require special assistance to meet their needs and for whom mobile services could make daily life easier. There is room for much greater development of services for people with disabilities. Although we have made special provisions – like invoicing in Braille, large text size and audio options for people with visual impairment and enabling special text services for the deaf – we recognise there is more we could do. We aim to be fully compliant with General Code 15 and the Code of Practice for Service Delivery for Disabled and Elderly Customers in the UK before March 2005. Outstanding measures are: free directory and relay service for visually impaired customers; lack of literature on appropriate devices; and the O₂ internet portal. We work with leading organisations in this field and belong to the Employer's Disability Forum to understand how to respond.

In Ireland we have launched a new handset in association with the National Council for the Blind of Ireland (NCBI). The device has specially tailored 'Talk' software that converts text messages to voice and tells users what the phone is doing as they use it. We have redesigned our British and Irish website to improve accessibility and navigation for visually impaired users.

During the year we supported DisabledGo, a UK-based not-for-profit, social enterprise funded by business. DisabledGo operates a website for disabled people and their carers, giving detailed information on access to services like hotels, cinemas, restaurants, solicitors' offices, pubs and train stations. We are testing whether we can offer the service through mobile phones.

The health and safety of our employees, customers and the public is very important to us and is included as one of our main risks in our consolidated risk register for the mmO₂ Group. Our approach is to adhere to best-practice guidelines on mast-siting wherever we operate and to consult communities openly where it is appropriate and provide clear information about how our technology works.

We take care to ensure that the equipment we use and supply never exceeds international safety limits. Several independent international agencies have developed safety guidelines within which we operate. These include the UK's National Radiological Protection Board (NRPB), Germany's Strahlenschutzkommission (SSK), the International Commission on Non-Ionising Radiation Protection (ICNIRP) and the European Commission.

The scientific consensus is that mobile communication masts and mobile phones do not pose a threat to human health. But studies, such as the Stewart Report, often call for further independent research into areas of uncertainty and we are committed to help fund and support it. The industry has adopted a precautionary approach to the alleged health concerns of mobile communications.

Safety levels

Our communication masts and handsets operate within safety guidelines specified 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 levels in the phone.

The safety limit for mobile phones is called the Specific Absorption Rate (SAR), which measures the amount of radio frequency energy absorbed by the body during mobile phone use. All handsets sold by O₂ conform to relevant SAR safety limits. Details of SAR levels for specific models of mobile phones are available from the Mobile Manufacturer's Forum's website on www.mmfai.org, as well as on the German websites www.izmf.de, www.o2online.de and www.de.o2.com.

Measurements by the UK's NRPB and Ofcom (formerly Radiocommunications Agency) and Germany's Regulation Office for Telecommunications and Post have confirmed that exposure levels from our base stations are always below safety limits, in most cases by many hundreds or even hundreds of thousands of times. Our masts are carefully cordoned off and clear safety signs are posted to warn members of the public not to get close to antennae. When maintenance work is carried out at any of our sites strict safety procedures should be followed in line with local regulation.

Research commitment

We do not carry out any research ourselves but continually monitor international studies and are co-operating with and helping to fund a number of initiatives. We only support studies that meet clear criteria: research must be subject to peer review, of good quality, expertly conducted, published in reputable journals and be independent of industry. We consult with the Department of Health and the Department of Trade and Industry in the UK, a range of world trade bodies, governments and health organisations to ensure that research addresses appropriate public health concerns.

The Mobile Telecommunications and Health Research (MTHR) programme, jointly funded by the UK Government and the industry and set up in direct response to the Stewart Report, is the main focus for our support in the UK. We are contributing to the overall research budget which exceeds £7 million over a six-year period. The MTHR programme currently covers 23 studies, including exposure, dosimetry, epidemiology, and the psychological and social effects of mobile telephony.

Separately, the MTHR management committee manages additional programmes, including the £10 million Home Office study on Terrestrial Trunked Radio (TETRA) – the technology provided by O₂ Airwave, our secure network for emergency services. Under the MTHR programme an assessment of Specific Absorption Rates (SAR) to the head from TETRA handsets has already been published.

O₂ Germany supports Deutsches Mobilfunk Forschungsprogramm, a €17 million project, which is also jointly funded by the German Government and the industry. O₂ will eventually contribute 11 per cent of the total cost of the four-year research programme of 18 studies – including biology, dosimetry and risk communication.

During 2003/04 we also helped to fund new and continuous research in this subject.

Working with other operators

We participate in and fund a number of industry groups, including the Mobile Operators Association (MOA) in the UK, the Informationszentrum Mobilfunk e.V. (IZMF)

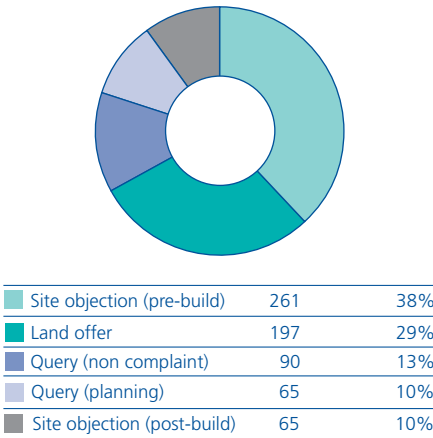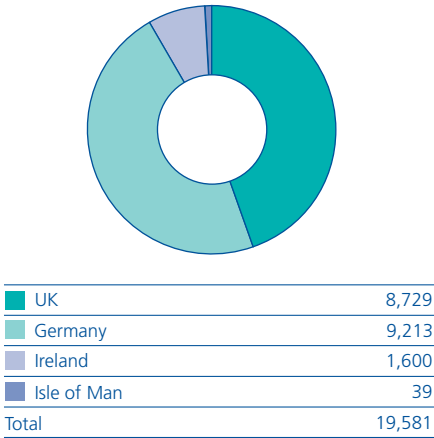**Chart 1**: O₂ UK queries on the siting of communication masts 2003/04

Site objection (pre-build)	261	38%
Land offer	197	29%
Query (non complaint)	90	13%
Query (planning)	65	10%
Site objection (post-build)	65	10%

Chart 2: O₂ base stations in service (estimate)

UK	8,729
Germany	9,213
Ireland	1,600
Isle of Man	39
Total	19,581

in Germany and GSM Europe. The MOA champions the UK industry's Ten Commitments on the siting of mobile communication masts, which can be viewed on our website at www.mmO2.com/cr/report2004.

They address community concerns about mast development by ensuring transparency in building mobile phone networks, providing more information to the public and local planners and boosting the community's role in the siting of communication masts. We are committed to complying with the Ten Commitments for our operations in the UK while our other operating businesses have committed to similar recommendations developed by the industry association GSM Europe.

Voluntary self-regulation helps us to be transparent in our dealings with local communities and to generate trust among residents affected by our operations. In each of our markets we employ community relations managers to consult the public and local agencies to explain our mast development strategy.

Last year the industry commissioned an external review of UK operators' compliance with the Ten Commitments. The review concluded that operators had made progress in implementing them, but also identified areas for improvement. One recommendation suggested that we improve record keeping because the information kept by acquisition agents did not adequately prove that operators were conforming to best practice. In response to the review's findings we have improved our procedures and controls over the level of local consultation required. The

review was followed by a series of five half-day industry seminars with almost 600 agents, planning consultants and operators to ensure they follow site selection, planning models and record keeping procedures properly. UK operators have agreed to fund another external review in 2004.

We have a formal agreement to share 3G networks with T-Mobile in Germany and a general policy to share masts with all other operators and use existing infrastructure wherever feasible.

Supporting informed debate
The dissemination of clear and accurate information is an important part of the industry's work and we try to influence it at several levels.

We work through consultation and dialogue. O₂ chairs the GSM Europe working group on environment and health issues and regularly engages with public health agencies. We have recently called for improved information on health and mobile telecommunications from the European Commission. During the year, we took an active part in both planning and participating in a health conference jointly organised by GSM Europe, the Mobile Manufacturers Forum and the European Commission to share evidence and opinion on the contribution of mobile communications to safety, the environment and European society. Around 200 government representatives and stakeholders attended and a second conference is planned for September 2004.

We talk to local communities, advertise our activities and employ customer service staff trained in responding to health and mast siting complaints to run our dedicated

helpline for these issues. Our leaflets were reviewed during the year and we have recently published two new ones outlining the health issues of mobile networks and our research policies. The IZMF co-operated with partners and published leaflets for doctors, parents and teachers. We have also issued a new video, that explains the health and safety issues around O₂ Airwave's TETRA technology.

O₂ often takes a lead in producing industry-wide information material. For example, our technology department was responsible for drafting advice for the MOA on Repetitive Strain Injury, an important issue in light of the huge growth in text messaging and games played on mobile phones.

Technology
With the arrival of third generation or 3G services, we will work to reassure the public that more sophisticated services will not mean more health risks. We believe that the perceived risk from these multimedia technologies will, if anything, be reduced because devices tend to be used away from the head. Importantly, TETRA and 3G base stations will not overall require higher levels of power than existing GSM base stations.

Distraction driving
Last year we reported on distraction driving and how we had been involved in consulting the UK Government on the proposed legislation to ban the use of hand-held mobile devices whilst driving. This legislation has been introduced in all of our markets and we continue to make available information leaflets on this topic for our customers as well as our employees.

Environment and sustainability

Table 1

CO₂ emissions from energy		Total consumption	MWh	CO₂ conversion factor	kg CO₂	Tonnes CO₂
Buildings (Group-wide offices and UK retail premises)						
Electricity	Kwh	55,927,506	55,928	0.43	24,048,828	24,049
Natural gas	Kwh	32,310,347	32,310	0.19	6,138,966	6,139
Network (switching and cell sites)						
Electricity (excludes O₂ Airwave)	Kwh	213,090,130	213,090	0.43	91,628,756	91,629
Natural gas	Kwh	5,364,905	5,365	0.19	1,019,332	1,019
Total					122,835,881	122,836
Water consumption						
Buildings (offices)		**Total**				
Water (excludes O₂ Ireland, Manx Telecom and O₂ Airwave)	m³	3,184,252				
Waste & recycling						
		Total	Tonnes			
General waste generation (excludes O₂ Airwave)	kg	2,707,065	2,707			
Goods recycled (excludes O₂ Airwave and O₂ Germany)	kg	388,490	389			

At O₂ we want to manage our business in a sustainable way, providing exciting and profitable mobile services without compromising the environment. We aim to minimise any negative impact we have through efficient environmental management and by promoting sustainable development.

Within each of our operating businesses a senior manager champions our Group environmental strategy and reports to the environmental forum, chaired by our Environment Champion, David McGlade, Chief Executive Officer of O₂ UK. The forum meets twice a year to set targets and reports regularly to the Executive Committee and the Board.

Our strengths in managing environmental risks were recognised publicly during the year when we were again included in the Dow Jones Sustainability Indexes. In response to the Index assessment, we are improving our monitoring systems and are refining our environmental data. We are working with some of our main contractors to capture some of their environmental impacts in our figures for the coming year.

We continue to make progress in most areas where we have set specific improvement targets. We have surpassed, for example, our target to recover mobile phones for re-use and recycling by over 71,000 phones.

A greener supply chain
In 2003/04 we launched our Group-wide Environmental Procurement policy to help us source products in the most environmentally responsible way and spread best practice in our supply chain.

O₂'s local and international suppliers provide goods and services that include network infrastructure, mobile devices, distribution transport, IT hardware and software and branded clothing and merchandise. We will work closely with them to help them minimise any shortfall in their operations.

Our target last year was to engage with key suppliers to satisfy ourselves of their environmental performance. To raise awareness about ethical sourcing, we distributed a self-assessment questionnaire to our main suppliers. During 2004/05 we will continue to work closely with them to help us implement our environmental procurement policy. This will include supply chains that have been identified as having greatest potential risk. Details of how our ethical procurement policy deals with human rights and working conditions are on page 20 of this report.

Coltan, a mineral used in the circuit boards of mobile phones, has been subject to widespread concerns due to its illegal mining in the Democratic Republic of Congo. This mining activity has allegedly fuelled ongoing civil unrest in the country and at the same time threatened the habitats of highland gorillas. We have engaged with our suppliers of mobile phones and required them to investigate and inform us about their sourcing of Coltan. Our Chairman David Varney raised further awareness about this topic in his speech to the Institute of Directors in April 2003.

Energy consumption
We seek to reduce our overall energy use, while buying more electricity from renewable sources. As a growing business with an expanding network, we try to balance our business aspirations with a policy of due care for the environment.

Environment and sustainability

20% use of electricity from renewable sources in the UK

8% improvement – decreased energy consumption[1]

For the purpose of this report we will cover the energy and water consumption as well as waste generation by our offices and networks. These figures do not cover our transport data or our retail operations outside the UK, as energy consumption is relatively small by comparison and accurate data is difficult to get. We do not currently measure materials or waste used, or discharges to water. The figures also omit emission conversions to NOx and SOx, emissions from the operations of subcontractors who maintain our networks and distribute our products. In future we aim to capture and report on these too.

Our network accounts for more than 70 per cent of our reported energy consumption, with the rest associated with offices and call centres. For the Group overall we set a target of achieving a 10 per cent use of electricity from renewable sources by 2008; this target will be reviewed during 2004/05. We have made progress on this target in all countries where we operate except the Isle of Man.

Our operations in the UK have achieved 20 per cent use of electricity from renewable sources (excludes the O_2 Airwave network). In Ireland the figure is 32 per cent and in Germany 12 per cent. We are currently renewing our energy supply contract in Ireland, which should significantly raise the proportion of renewable energy we use.

We aim to improve our data for water consumption, so that we can express it as a total and per employee, incorporating figures from key contractors.

Waste management and recycling
We have established schemes at all of our major sites to separately collect and recycle paper, cans and plastic cups. Our target is to increase the proportion of office waste recycled by 10 per cent by March 2005.

Besides the office waste referred to above, we have identified a number of other waste streams which are capable of being recycled – overall we believe that we currently achieve a recycling rate of wastes of around 10 per cent in the UK. In 2003/04 we recycled 389 tons of waste Group-wide, which includes handset and battery component recycling as well as materials recovered from network sites. We recognise that we need to establish better systems to audit and manage our waste systems and to track our recycling performance. This is one of our planned activities for 2004/05.

Recycling and re-use of mobile handsets and equipment
Fonebak, the fully managed recycling solution for mobile handsets and accessories, operated across O_2 – with the exception of Germany – by Shields Environmental, has exceeded our expectations. We encourage customers and employees to hand in phones for re-use or recycling, either by depositing them in boxes in our shops and offices or by freepost.
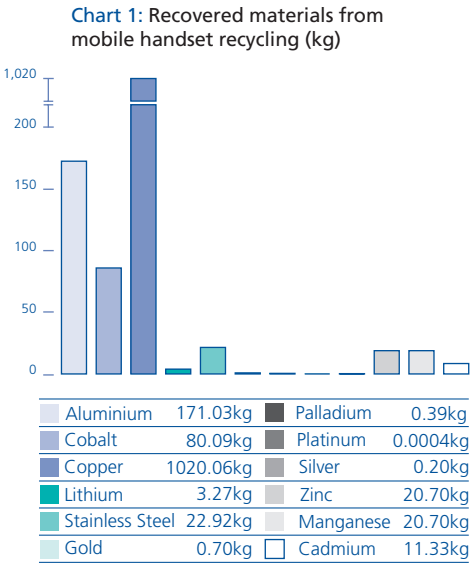
In the first year of Fonebak we recovered 20,000 handsets and set a target to double this in 2003/04. We actually recovered 111,262 phones and these have been refurbished for re-use or recycled, leaving only a small amount of inert plastics from the batteries being sent for controlled landfill. Shields Environmental have set up a recycling facility in Romania to ensure the responsible disposal of mobiles where these are sold for re-use. Details about the material recovered through recycling are included in chart 1 on page 24.

In Germany we have recently launched a similar initiative with Greener Solution, which has included an internal campaign to raise awareness about mobile recycling among employees.

A proportion of the revenue from the sale of refurbished phones is donated to chosen charities, which also acts as an incentive for customers to hand in their redundant phones. To build on our previous experience of tree planting projects with Future Forest we decided through Fonebak to support Rainforest Concern, an international charity working to combat global warming by conserving forests and their biodiversity. In Ireland we have also partnered with The National Tree Council of Ireland to support a tree-planting initiative of 15,000 trees.

In accordance with our commitment to reduce the environmental impact of our supply chain we have extended Fonebak to corporate customers, among them the Co-op Group and AT&T.

Base station equipment throughout our networks is upgradeable. In March 2004 we signed a contract with one of our suppliers to ensure our third generation (3G) mobile systems will be processed for re-use or recycling.

We are currently rolling out our new Airwave network and are not expecting to refurbish or recycle any of the network materials within the next few years. The Airwave handsets have a five-year manufacturer's guarantee. We will address the responsible recovery of the handsets once the guarantee period has run out, starting from 2008.
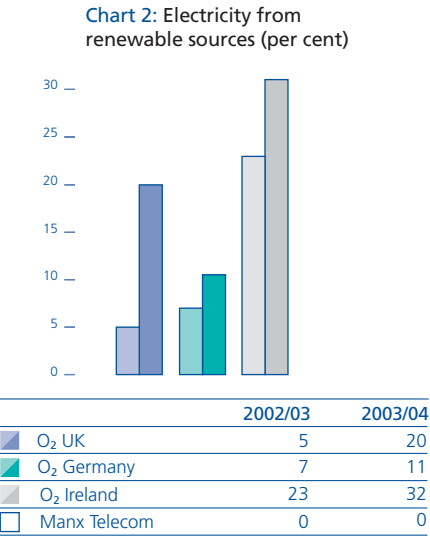
Producer responsibility is an increasingly important issue within the European Union and we are affected by two directives. The first obliges us to gather accurate data on the packaging we use and evidence that our recovery and recycling targets have been met. This is carried out on our behalf by the Valpak Compliance Scheme. The second – the European Commission Directive on Waste Electrical and Electronic Equipment (WEEE) – obliges operators and retailers to provide ways to recover and recycle electrical and electronic equipment. By participating in a takeback scheme we should meet our collection obligations under the current draft regulations.

Greenhouse gases and pollution
We aim to reduce emissions of the greenhouse gases associated with our consumption of energy, in line with UK Government commitments on global warming. We will also reduce our use of other materials such as refrigerant gases, which may further contribute to global warming and also to ozone depletion.

Chart 1: Recovered materials from mobile handset recycling (kg)

Aluminium	171.03kg	Palladium	0.39kg
Cobalt	80.09kg	Platinum	0.0004kg
Copper	1020.06kg	Silver	0.20kg
Lithium	3.27kg	Zinc	20.70kg
Stainless Steel	22.92kg	Manganese	20.70kg
Gold	0.70kg	Cadmium	11.33kg

Chart 2: Electricity from renewable sources (per cent)

	2002/03	2003/04
O_2 UK	5	20
O_2 Germany	7	11
O_2 Ireland	23	32
Manx Telecom	0	0

Environment and sustainability (cont)

We have a target to reduce refrigerants and HCFC gases by 10 per cent per unit of total volume by March 2008. A programme to replace R22 coolants in air conditioning with HFC R407c is under way in the UK. We are also considering the feasibility of replacing air conditioning altogether with forced air systems, as our long-term goal is to significantly reduce the amount of stored refrigerants relative to the number of active cell sites.

Diesel tanks at our fixed installations store large quantities of fuel and our goal is for 100 per cent to be secondary protected against spills and leakage by March 2005. This has already been achieved throughout the Group, except on the Isle of Man where we aim to secure 12 installations before March 2005.

There were no significant spills of chemicals, oils or fuels in our operations during 2003/04 and there were no environmental fines or enforcement actions against any of the operating companies.

Consulting with communities
The environmental impact of our network – visually and in terms of noise and landscaping – continues to cause some concerns, which we try to handle through early consultation with local authorities and communities. Our dedicated O_2 UK response team recorded 999 queries on new sites or site objections during the year, see chart 2 on page 22.

For more information about our strategy for the siting of mobile communication masts, please see pages 21-22 of this report.

An environmental checklist helps minimise the impact of our mast siting and base station building programme on local communities, for example where schools or places of natural beauty are concerned. We work to find alternative sitings or to mitigate the impacts when issues of biodiversity or visual impact occur.

To reduce our impact, we have a policy to share masts with other operators where feasible. Currently we operate a total of 19,581 base stations.

Greener ways to work
Another way we can improve our performance is to reduce the amount of travelling by our employees. This cuts fuel use and emissions and is safer. As planned, during 2003/04 we tested various green travel options for our employees in the UK and in Ireland.

A travel survey by external consultants was also undertaken to establish existing travel patterns to and from O_2 offices. As a result

we are now implementing car sharing for employees across our UK sites. This supplements the online, inter-company car-share scheme run by Leeds County Council, in which 134 of our employees participate. During the year we also increased the frequency of company buses between our Slough buildings to cut the use of cars and taxis.

We are committed to using more audio, video and web conferencing to reduce road mileage. Leading by example, our environmental forum to be held in September 2004 will be conducted entirely through video link.

External certification and verification
Our environmental management systems are reviewed internally and externally. The international environmental management standard ISO 14001:1996 is now being integrated into most parts of our business. Operations in the UK have been externally verified to ISO 14001 for four years and mmO2 Group headquarters achieved certification during 2003. All other businesses in the Group are on track to achieve certification by December 2004, in line with our stated Group-wide target. Our environmental impact is also subject to external audits as part of our insurance programme.

Workplace

We want O_2 to be a business where people are proud to work, motivated, knowledgeable, included and well rewarded. Our success depends on the skills and talents of our 12,905-strong workforce, their well-being and job satisfaction.

The United Nations Universal Declaration of Human Rights and the International Labour Organisation's principles underpin our practices. We always aim to treat everyone fairly, impartially and without prejudice, regardless of race, colour, nationality, ethnicity, religious affiliation, gender, sexual orientation, marital status, age, disability or caring responsibilities. We exercise zero tolerance to all forms of harassment, and take steps to prevent injury or ill health in the workplace.

Our emphasis is on communicating with employees through regular business updates, team briefings, works councils and good relationships with recognised trade unions in the UK. By 31 March 2004 70 per cent of our UK workforce was represented by trade unions. In mid-2004 we will hold the inaugural meeting of our European Works Council where representatives from across the business will discuss Group performance with senior executives.

Our culture
We promote diversity and individual fulfilment in work by offering competitive rewards, opportunities for personal development and a supportive, flexible and modern working environment. We also encourage employees to take a positive role in the communities they serve.

We have continued to assess employee engagement and offer a channel for feedback through Reflect O_2. In October 2003 we saw our employee engagement scores rise by 2.2 per cent to reach 72.7 per cent across the Group.

In August 2003, in response to Reflect O_2 findings, we began to introduce extra product training, better information for employees and opportunities for non-retail employees to spend time in our shops.

We are also taking steps to ensure that our culture matches our commitment to corporate responsibility. During the year we gauged our employees' attitudes to it through a Group-wide research programme. The exercise generated a range of new ideas for our business and especially for the 'Can Do in the Community' programme.

As part of our drive to improve the Group's performance and to support our focus on people development we are implementing a new online human resources system. The new system will provide real-time accurate data and automate many currently manual processes, such as recruitment and management reporting. It will enable managers to make fully informed commercial decisions about their team and increase the amount of time they can spend developing their people.

Diversity and human rights
We believe that a company is most likely to serve its employees, customers and stakeholders well if it reflects the diversity of society at large. We want all our employees to benefit from equality of opportunity and reward.

An audit by an external agency in 2003 revealed that, as a Group, we exceed accepted standards on human rights as laid out by the UN Universal Declaration of Human Rights. A study of our employees showed we could do more on diversity hence it became a Group-wide initiative. Danuta Gray, Chief Executive Officer of O_2 Ireland, was appointed diversity champion for a new steering group in 2004. This has generated O_2's vision for diversity and set out to address specific areas, as well as generated a human rights policy which is available on our website www.mmO2.com/cr/report2004. The assessment of human rights also asked for improved reporting and measurement which has been followed-up by the introduction of a new database system for our human resources function. We have not devised
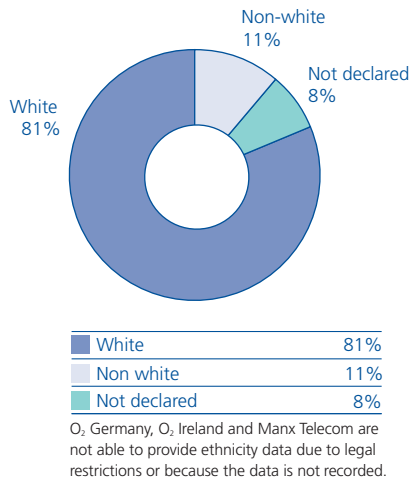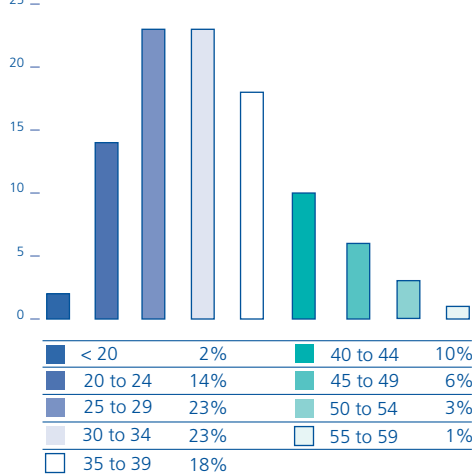
Chart 1: Ethnicity (UK)

Non-white 11%

Not declared 8%

White 81%

White	81%
Non white	11%
Not declared	8%

O₂ Germany, O₂ Ireland and Manx Telecom are not able to provide ethnicity data due to legal restrictions or because the data is not recorded.

Chart 2: Age profile (Group)

< 20	2%	40 to 44	10%
20 to 24	14%	45 to 49	6%
25 to 29	23%	50 to 54	3%
30 to 34	23%	55 to 59	1%
35 to 39	18%		

Chart 3: Gender (Group)

Male 53%

Female 47%

Male	53%
Female	47%
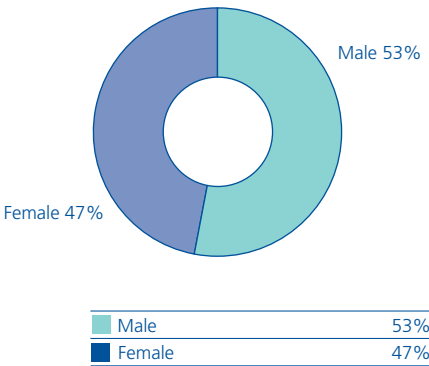
Chart 4: Women in senior management (Group)

O₂ Ireland	48%
O₂ UK (including Airwave)	23%
O₂ Germany	8%
Manx Telecom	17%
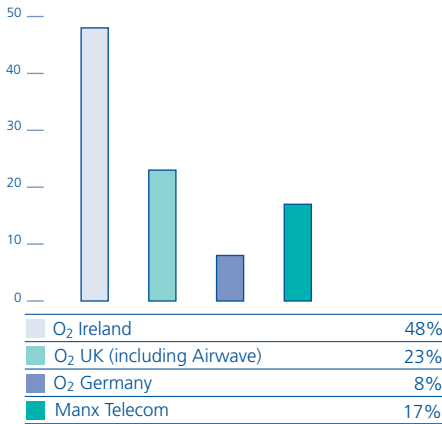
25% of senior managers are women

a separate approach for AIDS and HIV programmes as this matter has not been identified through our operations or through stakeholder engagement.

At O₂ we believe that diversity and equality has many facets. We want our managers to be knowledgeable and flexible in dealing with issues as wide-ranging as religious affiliation, dyslexia and the needs of mothers returning to work part-time. We want to instil good practice into managing diversity in our day-to-day activities, such as recruitment, opportunities for job changes and personal development. Details about the ethnic composition of our UK workforce are described in chart 1.

Through a renewed voluntary census check we managed to encourage 85 per cent of our UK employees to declare their ethnic origin, and the proportion of undeclared individuals who participated in the survey has dropped from 26 per cent to 8 per cent. The proportion of white employees rose to 81 per cent and that of non-white to 11 per cent.

We are increasing our support for events within different ethnic communities to enforce the importance of tolerance and diversity. This year O₂ UK sponsored an interactive photographic exhibition celebrating British Asian Youth and we sponsored Asian Mela festivals across Britain. In Ireland we were involved in the Chinese New Year festival.

We noted last year that 24.3 per cent of senior management posts were filled by women, even though they made up 40 per cent of the total workforce. In 2003/04

the figure increased slightly to 25 per cent. Group-wide, 102 out of 408 senior managers are women. We are continuing to monitor and challenge our performance here. See chart 4 for more details.

We used our annual management pay review to address disparities between the pay and grading levels for men and women in the UK. In consultation with our management union, Connect, we set aside a part of the total remuneration bill to help rectify imbalances.

We are a member of the Employers' Forum on Disability in the UK and aim to offer genuine opportunity for employees with disabilities. To raise our awareness about the topic O₂ Ireland is sponsoring the O₂ Ability Best Practice Awards, an annual business event to establish the first award system for best practice in employment of people with disabilities.

To continue this work, we have been admitted to the Two Ticks scheme in the UK, guaranteeing that we will interview people with disabilities who apply for jobs with us and meet our criteria for qualifications. Two Ticks will be integrated into our new human resources online recruitment system to ensure managers demonstrate compliance.

Almost half of our permanent workforce is between 25 and 34 years of age. In addition to the information presented in chart 2 we employ 29 individuals above 60 years of age.

Training, development, reward and recognition

Across the Group we promote continuous learning, through on-the-job training, knowledge sharing, projects, e-learning, workshops and development programmes. Employees are required to agree personal development plans with their managers to get the right support and to track and record progress.

Development activities last year focused on deepening customer and market awareness and on leadership. For example, within the Isle of Man 99 per cent of all employees have attended 'Customer Excellence' events to share experience and identify issues that prevent us from delighting the customer.

In March 2004 we began to enhance our performance review processes to ensure everyone is clear about expectations, and to enable managers to evaluate performance consistently and fairly. We have also created the Executive Development Programme, a leadership forum for around 100 of our most senior managers. This is backed by three further tiers of leadership and management development, supporting those from team leader upwards.

We want our people to know they are valued through our pay and remuneration policies and in our conduct day to day. Share-save schemes are offered to eligible employees across the Group. Each of our businesses runs its own recognition and reward schemes and in July 2003 our top achievers across the Group were informally entertained for a day by the Board. O₂ UK ran a summer fun day, with some 4,000 employees and family members attending.

Our pay negotiations with the UK trade unions, the CWU and Connect, were concluded constructively during the year, including the introduction of an adjustment to take account of performance, equal pay and market rates.

Reorganisation

We reorganised the Group last year. The main aims of the exercise, started in October 2003, were to get closer to our customers and devolve operational responsibility more fully to the individual businesses. It involved closing our UK-based products and online business and integrating its role within local operations. The move led to 170 job losses.

We approached this challenge openly, explaining to employees why we needed to strengthen our position for future growth and profitability. This was supported by an internal communications programme, CEO and team briefings, including audio calls, and question and answer sessions.

We consulted employee representative groups and our trade unions. Those who left the Group did so on redundancy terms that exceeded statutory redundancy compensation and additional support was also offered through CV surgeries and job-seeking workshops.

Call centres

Converting employees from temporary employment to full-time status is an important part of improving call centre performance.

The proportion of full-time workers in our UK call centres is 74 per cent, compared to 66 per cent a year ago. During the year we recruited 786 new staff to our call centres and increased the number of people we employ in O₂ UK's call centres. This measurement helped us retain the activity in the UK without out-sourcing it overseas.

Health and safety

We have a Group-wide health and safety strategy, agreed at main Board level, which is championed by David McGlade, CEO of O₂ UK and an mmO₂ plc Board Director. The key health and safety issues for O₂ employees are car driving, repetitive strain injury, fire and ensuring a level of general awareness of health and safety at work.

We run a number of mandatory training programmes in all our operating businesses covering our policies and arrangements for ensuring health and safety. In addition, O₂ Germany and O₂ Ireland have introduced programmes on well-being, which cover such things as social activities, sports and health screening.

During the financial year O₂ UK introduced a drivers' risk assessment and training programme, a web-based package to assess driver knowledge, skill and risk avoidance techniques among employees, and gave 'on road' skills training for 132 employees.

Management of health and safety in the operating businesses is externally audited each year as part of our insurance programme. O₂ UK and O₂ Ireland have achieved certification to the international health and safety system OHSAS 18001. The management of health and safety procedures of every operating business is reviewed regularly through external audits, which are carried out as part of our insurance programme.

Managers regularly consult with trade unions and other representative bodies on occupational health and safety standards. We are represented at the European Commission Social Dialogue Committee Health and Safety Working Group and we comply with the key elements of the ILO Safety and Health Management System 2001, the UK's HSG65 and the guidelines documented in OHSAS 18001. Our accident reporting arrangements are in line with the ILO Reporting Code of Practice 1995.

During 2003/04, there were 169 accidents resulting in 557 days lost in sick absences. Based on our total workforce, this is equivalent to 13 accidents and 43 days lost in sick absences per 1,000 FTE. We are making good progress towards our target of reducing work injuries by 10 per cent by March 2005. In 2003/04 we received two health and safety enforcement notices in the UK.

Community

External view: "The Telecomputer bus project, for which Manx Telecom is the biggest sponsor, offers whole classes of children and their teachers an important way to build their ICT skills. On arrival the bus connects to the school's network to offer a really integrated approach where work created on board is saved directly back on the school's server. Since being launched in 1998, it has helped introduce many exciting projects and it has made a significant contribution to ICT skills across the Island."

John Thornely, Information & Communications Technology Adviser, Dept of Education, Isle of Man

£1.7 million
contributed through
community involvement

Chart 1: Total community contributions

Management costs 24%
Time 1%
In-kind 13%
Cash 62%

Chart 2: Geographical breakdown

O₂ UK 67%
O₂ Germany 13%
O₂ Ireland 18%
Manx Telecom 2%

Chart 3: Main areas of involvement

Environment 7%
Education 35%
Health 42%
Other 14%
Sports by community group 2%

We believe that companies that respond to the needs of the communities in which they operate are more likely to succeed.

We believe that we can also play an important role in tackling social needs by providing innovative products and services that our customers want, and by giving back knowledge, experience and resources in ways that benefit many more.

Community involvement is important, demonstrating that we look beyond narrow self-interest and that our brand and technology have lasting relevance to society. In turn, a commitment to the community helps to protect and enhance our reputation and to motivate and retain our employees. Our local communities constitute local residents where we have communication masts, towns and cities that host our offices and where we recruit employees, our customers and other individuals and organisations who can benefit from mobile communications wider afield.

We particularly look to support initiatives where mobile services can be used to tackle social needs and where our employees can become involved. Our efforts focus on the 'Can Do in the Community' programme we launched in 2002.

Our approach
In each of our markets we have identified key community issues that we want to address through our community involvement. Before the launch of our 'Can Do in the Community' programme employees were asked to identify key issues they thought important and also to vote for the charity of choice. This process was supported by a MORI survey that canvassed the opinion of the British public to community involvement. In consequence each of our operating businesses has adopted its own approach to community involvement, however, the overriding theme is focused around youth. We continue to monitor our approach through regular internal and external surveys, which will be discussed at Group-wide Corporate Responsibility Forum meetings.

In 2003/04 we made £427,000 charitable donations in cash to community initiatives, of which £192,000 was spent in the UK. In total we contributed £1.7 million in

charitable sponsorships and in-kind contributions across the Group. Through our recent membership of the London Benchmarking Group (LBG) we continue to improve our initiatives and learn from our peers. In 2004/05 we aim to improve our measurement and reporting on community involvement through the LBG benchmarking model. A detailed breakdown of our community involvement according to the LBG methodology can be reviewed through chart 4 on page 32.

Focusing on youth
Last year, as a Group, we chose to help young people overcome disadvantage, escape crime and gain access to better opportunities. Our employees voted the International Youth Foundation (IYF) as the Group's Charity of the Year and we set up projects supporting IYF in each of our operating countries. This year we will measure the short-term effects of these.
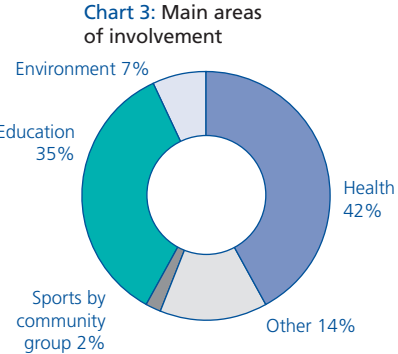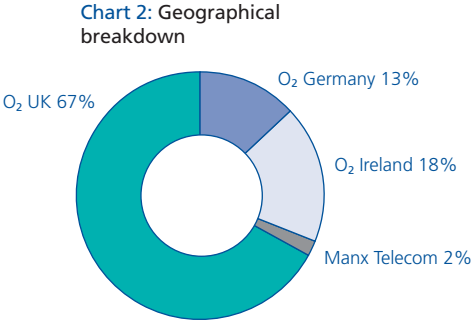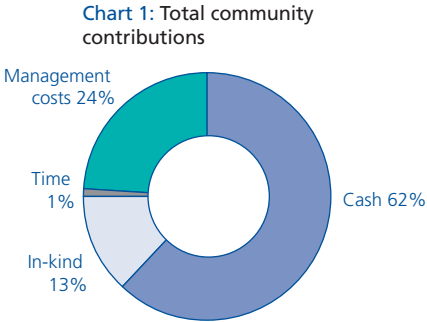
O₂ Germany sponsored SCHOLA-21, an interactive learning and information system providing a technological network for students, schools and their teachers to improve project work. SCHOLA-21 is part of the German Children and Youth Foundation's work to strengthen self-confidence in young people. It particularly focuses on building civic responsibility and entrepreneurship, and on combating intolerance and violence.

In Ireland the charity of choice is the Irish Youth Foundation, which aims to make a lasting difference to the lives of disadvantaged children. O₂ Ireland sponsored the Communications and Information Technology for Youth (CITY) project to upgrade an internet café in Dublin's Ballymun area with new computers, supervised e-mail and internet surfing, and help in funding an IT trainer for 10-19 year-olds.

Ireland also supported Children's Hour in association with the Irish Youth Foundation. This scheme invites employees to donate one hour's pay to support educational and social projects for disadvantaged young people. 202 employees from our Irish business supported the scheme.

The UK project is Safe Moves. This pilot programme organised by The Foyer Federation and the UK Government's Connexions service aims to reduce homelessness in young people by improving life skills, independence and employability. Launched in September 2003, O₂ UK is providing funds and volunteering support from our call centre in Leeds.

Employee involvement
Our employees continued to give their time and imagination to a range of fundraising schemes. Group-wide, we launched our 'Can Do Matching' programme in April 2003, matching each employee's fundraising by up to £350. Funds for charitable causes were raised in various ways including trekking in Nepal and custard pie throwing on the Isle of Man. Take-up has gained momentum and, to date, we have had 112 applications from individuals and teams, supported 91 charities and together contributed £110,000 to charitable causes.

We also enhanced our UK-only 'Can Do Giving' Scheme. This promises 20 per cent extra funding for every £1 donated by employees through payroll. During the year it raised almost £95,000 for a wide range of charities. We have set a target to increase the employee contribution through 'Can Do Giving' by 25 per cent.

Mobile services benefiting the community
Last year we reported a groundbreaking trial of a new asthma monitoring solution in the Thames Valley region of the UK. We provided funding, technical support, Xda combined mobile phones and computers and network capacity to record the breathing of asthma sufferers accurately, using and an electronic peak flow meter attached to the Xda from O₂. Our partner in this project was e-San.

This solution helped the 94 participants, aged between 12 and 55, to monitor their own breathing and alert their doctors when an asthma attack threatened.

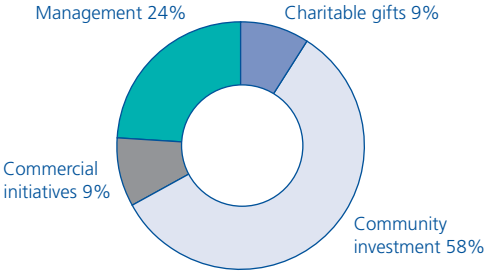# Community (cont)

The London Benchmarking Group Model

Intermittent support to a wide range of good causes in response to the needs and appeals of charitable and community organisations, increasingly through partnerships between the company, its employees, customers and suppliers.

Long-term strategic involvement in community partnerships to address a limited range of social issues chosen by the company in order to protect its long-term corporate interests and to enhance its reputation.

Activities in the community, usually by commercial departments, to support directly the success of the company promoting its corporate brand identities and other policies, in partnership with charities and community-based organisations.

The core business activities in meeting society's needs for cost-effective goods and services in a manner which is ethically, socially and environmentally responsible.

Pyramid labels (top to bottom): Charitable gifts / Community investment / Commercial initiatives in the community / Business basics

Graph 4: LBG categories

Management 24%
Charitable gifts 9%
Commercial initiatives 9%
Community investment 58%

We were particularly aiming to encourage regular self-monitoring and are pleased to report that 65 per cent of people in the trial did comply, compared with less than 50 per cent of sufferers monitoring themselves in normal ways. With 100 per cent electronic accuracy, the trial aimed to alert doctors to adverse readings, so that they could intervene quickly and warn patients of the need to treat themselves.

Overall, 78 per cent of trial participants said they were satisfied or very satisfied with the system, while the same proportion agreed that the solution improved their monitoring abilities. Nearly 60 per cent said their symptoms improved as a result. We are now awaiting analysis from doctors, covering nearly 11,000 readings, and we expect scientific appraisal to be published in medical journals.

We have now launched a second project with e-San Ltd to help cystic fibrosis sufferers. This illness is different because it involves primary care. Our trial is with the Bristol Royal Infirmary and will run across England and South Wales to help reduce the need for hospital admission and to significantly decrease the cost of the illness to the National Health Service.

The LBG model helps businesses to improve the management, measurement and reporting of their corporate community involvement programmes. It moves beyond charitable donations to include the full range of contributions (in time, in kind and in cash) made to community causes, and assesses the actual results for the community and for the business. (See www.lbg-online.net for more information)

As managers of the Group, we have worked with mmO2 plc [O2] to review its understanding of the LBG model and its application to the wide range of community programmes. Our aim has been to ensure that the evaluation principles are correctly and consistently applied. Having conducted an assessment, we are satisfied this has been achieved. Our work has not extended to an independent audit of the data.

This is the first year that O2 has applied the model. The company has made commendable progress in accurately calculating the costs of its community contribution (inputs) and in starting to assess what the programme is achieving, in terms of additional resources attracted (leverage), community benefits and the business case (outputs and impacts). Going forward, one challenge is to extend this evaluation to include the full range of employee involvement options.

In reviewing the programme this year, we were also impressed by the way the company has formed charity partnerships to explore new ways of applying its technology to benefit people in need, notably on cystic fibrosis and asthma. By engaging the business in this way, the concept of 'community contribution' moves away from narrow cash donations and the ability of the company to make a real difference is enhanced.

The Corporate Citizenship Company
www.corporate-citizenship.co.uk
30 June 2004

LBG

Manx Telecom

"As a fully integrated telecom company, providing mobile, fixed and internet communications for the Isle of Man, we have the opportunity to make a difference to our community in a number of ways. As the major supplier of telecommunications we have a special responsibility to local society which we exercise with care."

"Manx Telecom has been a leader in technology. We were the first in Europe to set up and operate a 3G network, and the trials we carried out are informing the sort of services O2 will progressively be offering to 3G customers in other regions. The early renewal of our 15 year licence with the Manx Government includes a requirement for us to pass on cost savings to customers in terms of lower prices for phone and broadband services. We are delighted that our work to upgrade every exchange to support ADSL technology is complete, allowing some 98 per cent of premises in the Isle of Man to have access to broadband technology. We believe we have a major role in e-enabling our community and attracting new inward investment to the island."

Community investment
Our community investment activities are primarily designed to help people make better use of communications technology. The Telecomputer bus continues to be a useful resource for schools across the island, enabling children and their teachers to access broadband internet.

Much of our investment is geared towards youth, education and health. We provide work placements for young people with special needs at our offices and support several youth sports teams. We are currently extending O2 UK's successful asthma trial to the Isle of Man, working with e-San Ltd and the Isle of Man Department of Health and Social Security to implement a trial local service designed to improve the quality of treatment for young asthma patients. We are also supporting the Mighty Oaks Appeal, which aims to raise £3 million over two years for a new 12 bed hospice. Our employees staged a custard pie event last year which raised £3,500 for this appeal.

We support the Crimestoppers initiative on the island and are represented on its board. We are also promoting internet usage through support for the Help the Aged drop-in internet centres.

Mast siting
Manx Telecom aims to adopt and adapt best practice from within the Group to meet the needs of the Isle of Man and, for example, within the Ten Commitments drawn up by the Mobile Operators' Association in the UK, the Isle of Man has an additional requirement for planning permission for all mast sites, which provides additional independent vetting.

Environment
We continue to try to limit the environmental impact of our operations and have now introduced the Fonebak scheme supported by Shields Environmental. Our first donation to charity from recycled mobile phones will be used to support local environmental causes. In partnership with the Department of Local Government and the Environment we also recycle telephone directories and some of our network equipment, for example telegraph poles. We are working towards sourcing renewable energy in line with O2 strategy. We are on our way to achieving registration to the international environmental standard ISO 14001 by December 2004.

Chris Hall,
Managing Director, Manx Telecom

Group targets

Legend: ● Achieved ○ Failed ⊙ On target ↻ On-going ☆ New

Category	Objective	Target	Status	Timeline
Management				
Strategy	Embed the management of social, environmental and ethical issues into the mainstream of our business.	Establish key performance indicators for each operating business to be included in the performance management structure of O_2.	New	Sept 04
External dialogue	Continue our engagement with stakeholders to ensure continuous responsible management of our business.	Establish a system for capturing and sharing the information we acquire through stakeholder dialogue.	New	March 05
Marketplace				
Protecting the vulnerable	We aim to implement the Code of Practice on adult content, to ensure that we can protect children and other vulnerable people from accessing inappropriate content.	Implement the UK Code of Practice. / Launch of the Irish Code of Practice.	New	Dec 04 / June 04
Supply chain	We aim to continue our efforts of implementing our ethical and environmental procurement policies.	Continue our engagement with our main suppliers and commence procedures for engagement, including the distribution of self-assessment questionnaires to our smaller suppliers that have a medium to high ethical risk profile.	On-going	On-going
Health				
Health research	We are committed to help fund and support further independent research into alleged health risks of mobile communications.	Fund independent and peer reviewed research into the alleged health effects of mobile communications.	On-going	On-going
Environment and health	We aim to act responsibly in all matters of health and safety, we aim to provide clear information about how our technology works, we try to manage public concern through risk communication.	Improving our means of informing the public and employees about health issues, using the intranet, our external website, and by reviewing the contents of our leaflets to cover future technology applications and by ensuring that clear health and safety information is available with the products we sell.	New	March 05
Environment and sustainability				
Environmental management	Consistent approach to environmental management across the business.	All businesses certified to ISO 14001 by end of 2004.	On target	Dec 04
Fuel storage	All stored fuel has secondary protection.	100 per cent of all tanks to be double layered and achieve zero enforcement actions by the environmental agencies. Double skinned tanks not achieved, new target March 05. No enforcement actions.	Failed	March 05
Waste	To work towards a more integrated and better monitored approach to waste management with the aim of minimising waste.	To increase the proportion of office waste recycled by 10 per cent.	On target	March 05
Supply chain (environment)	Explore opportunities for managing computing waste, in terms of hardware.	Research various opportunities for handling computing waste. Target not achieved within timeline.	Failed	New target March 05
Ozone depleting gases	Minimising our negative environmental impact.	Reduce refrigerants and CFC gases by 10 per cent per unit turnover by March 2010 – aspiration to be 100 per cent refrigerant-free in the long term.	On target	March 10
Integrated environment and health & safety	Reduce fuel consumption, CO_2 emissions and the health and safety risk of our employees when driving.	Increase the use of audio, video and web conferencing this year by 10 per cent, with evidence of proportionate reduction in mileage against 2002/03 data. Target not progressed due to difficulties in obtaining transport data.	Failed	March 05
Workplace				
Equal opportunities & diversity management	Addressing our recruitment policies, pay reviews and equal pay monitoring to reflect an integrated approach and to establish a drive for inclusiveness for our business.	Develop an action plan to reflect the aspiration of the diversity steering group.	New	March 05
Health & safety	Ensure a consistent approach to managing health and safety across the Group 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 from work-related injury or illness by 10 per cent.	On target	March 05

Category	Objective	Target	Status	Timeline
Health & safety	To engender a culture within the Company that demonstrates a zero tolerance of injury or ill health arising from work activity.	Achieve zero enforcement actions by the health and safety enforcement agencies. Two enforcement notices received in the UK.	Failed	On-going
Community				
Community investment	The objective of our community investment work is to use our main assets appropriately to demonstrate that mobile technology can have far-reaching and positive effects.	Measure the short-term effects of our current major community involvement projects.	On-going	On-going
		Increase the participation and contribution of employees through 'Can Do Giving' by 25 per cent.	New	March 05

Targets achieved during 2003/04

Category	Objective	Target	Status	Timeline
Management				
Communications	Raise awareness about corporate responsibility amongst employees.	Internal information campaign.	Achieved	July 03
External verification	Continue to open ourselves up to 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.	Achieved	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.	Achieved	March 04
External dialogue	Extend our programme of external dialogue firstly in the UK, and then on the Isle of Man, in Ireland and Germany.	Research current stakeholder engagement.	Achieved	March 04
		Develop procedures for increased consultation.	On-going	On-going
Business principles	Continue to encourage confidential reporting by employees 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.	Achieved	Nov 03
Business principles	Encouraging all employees to abide by our Business Principles, we also aim to persuade others working with us to embrace them as well.	Compliance with Turnbull, Sarbanes-Oxley (this is a specific reference only to the whistleblowing requirements) and the Business Principles is brought together in terms of risk management, certification and internal audit procedures.	On-going / Achieved	March 04
Marketplace				
Customers	Ensure we can meet the needs of our customers and deliver excellent service to them, wherever they are.	Implementation of customer-centricity strategy.	On-going	March 04
Environment				
Recycling	Roll out handset recycling schemes across the business and instigate initiatives that encourage stakeholders to hand in their redundant kit.	Increase the number of redundant handsets recovered by 100 per cent.	Achieved	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.	Achieved	March 04
Supply chain (environment)	To ensure that our suppliers where appropriate have good environmental credentials supported by a robust environmental management system.	Develop an environmental questionnaire, and send this to at least 20 of our suppliers.	Achieved	March 04
Energy	We seek to lower our levels of energy use.	Aim to increase the proportion of electricity we source from renewable sources to at least 10 per cent.	On target	March 08
Workplace				
Human rights	We will address weaknesses identified in recent assessments of our approach to diversity and human rights.	Develop a detailed action plan.	Achieved	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.	Achieved	August 03

Assurance statement

To the Management of mmO$_2$ plc

We have been asked to review mmO$_2$ plc's (O$_2$) 2004 corporate responsibility report (the Report) in order to provide assurance on its contents. O$_2$ is responsible for the collection and presentation of information within the Report.

Our responsibility in performing this work is to the management of O$_2$ only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

What we did to form our conclusions

There are currently no statutory requirements in the UK in relation to the independent review of corporate responsibility reports. The AA1000 Assurance Standard sets out principles for social and environmental report assurance. We have been asked by O$_2$ to set out our conclusions by reference to the assurance principles described in the AA1000 Assurance Standard.

Our review consisted of the activities outlined below:

1. **Interviews with a selection of O$_2$ management and functional staff** at mmO$_2$ plc headquarters in Slough to understand the current status of corporate responsibility activities and progress made during the reporting period.

2. **Visits to selected O$_2$ operating businesses** to review the systems and processes in place for managing and reporting corporate responsibility issues at the operating businesses and to review evidence in support of claims made in the Report regarding O$_2$'s corporate responsibility performance. The operating businesses visited were:

   – O$_2$ Airwave
   – O$_2$ Germany in Munich
   – O$_2$ Ireland in Dublin and the customer care centre in Limerick.

3. **Testing the scope and balance of the information contained in the Report** against:

   – **Internal documents** such as Board minutes and papers, Executive Committee minutes and papers and Corporate Responsibility Advisory Council minutes.
   – **A selection of external media sources** relating to O$_2$'s management of corporate responsibility issues.
   – **Outputs of employee engagement** commissioned by O$_2$ and conducted by an external agency on its corporate responsibility performance.
   – **External feedback provided to O$_2$ on the 2003 Report.**
   – **Outputs of the 2003 stakeholder engagement** conducted by an external agency.

4. **Testing claims made in the Report regarding O$_2$'s corporate responsibility performance** by reviewing evidence provided by O$_2$.

Level of Assurance

There are currently no final guidelines for levels of assurance when using the AA1000 Assurance Standard. We planned and performed our review to obtain information and explanations that we considered necessary to form our conclusions on the Report within the terms of reference agreed with O$_2$ management.

The limitations of our review

Our review did not include:

– Testing the processes for gathering or reporting the various data presented in the Report. Therefore, we provide no assurance on the completeness, quality and accuracy of it.
– Observing or conducting stakeholder engagement activities. Therefore, our conclusions on materiality and responsiveness are based on the review of outputs of stakeholder engagement provided to us by O$_2$.
– Testing whether the Report had been prepared in accordance with the Global Reporting Initiative Guidelines.
– Testing the scope of the Report against issues reported on by O$_2$'s peers.

Our conclusions

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

Materiality

Has O$_2$ provided a balanced representation of material issues concerning O$_2$'s corporate responsibility performance?

– The Report provides a balanced representation of material aspects concerning O$_2$'s corporate responsibility performance.
– O$_2$ has undertaken a series of research activities described in the 'our approach to corporate responsibility' section which have informed the selection of issues to be reported.

Completeness

Does O$_2$ have complete information on which to base a judgement of what is material for inclusion in the Report?

– We are not aware of any material issues excluded or misstatements made in relation to the information provided to the Corporate Responsibility Advisory Council on which judgements are made in respect of progress against corporate responsibility and the content of the Report.
– The processes for reporting progress in corporate responsibility activities are being revised. Corporate responsibility reports will be provided to the O$_2$ Executive Committee each quarter for review along with progress against relevant key performance indicators that are being developed for each operating business.

Responsiveness

Has O$_2$ responded to stakeholder concerns?

– We consider that the Report's scope and content addresses issues expressed in the stakeholder engagement outputs provided to us by O$_2$.
– We have observed policies, programmes and discrete activities aimed at addressing a range of issues raised through stakeholder engagement. It is recognised that the response taken is O$_2$'s judgement and may not always be consistent with the expectations of all stakeholders.
– The Report, which is published annually, is available in English, which is the first language for a large proportion of O$_2$ employees and stakeholders. The O$_2$ Germany section of the Report will be available in German for the first time this year.

Evidence

Claims and statements:

– We have tested claims and statements made in the Report regarding O$_2$'s corporate responsibility performance by obtaining supporting evidence from O$_2$. Where O$_2$ could not provide sufficient supporting evidence the text has been revised or removed.

Our independence

Ernst & Young has not previously advised O$_2$ 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 assurance team has been drawn from our UK corporate responsibility team. 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.

ΞJ ERNST & YOUNG

Ernst & Young LLP
London, 30 June 2004

Global Reporting Initiative

mmO$_2$ plc has elected to present this Corporate Responsibility report by following the guidelines of the Global Reporting Initiative (GRI) (www.globalreporting.org). GRI has produced Sustainability Reporting Guidelines (2002) using a set of 'core' and industry-specific indicators. The latter include those for the Telecommunications sector. In addition the GRI has defined five conditions that an organisation's report must meet to be 'in accordance' with the guidelines. This report has been independently assessed by Dr. Malcolm A. Shaw – it clearly follows the 2002 guidelines and is in accordance with them. This analysis, cross-referenced to the report's content, can be found within each section of this report and in greater detail on the website at www.mmO2.com/cr/report2004.

The mmO$_2$ plc Group report has been edited and approved by Plain Language Commission.

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

25% Minimum