A *Telefónica* company

O2

What does the future say to you?

Contents

At O$_2$, we're looking ahead by looking at the big picture.

We're O$_2$, a leading provider of mobile services, offering communication solutions to over 1.6 million customers throughout the country.

More than 1,600 employees make up our workforce, based in our headquarters in Sir John Rogerson's Quay in Dublin, our Limerick Customer Care Centre, and throughout our retail network of 58 stores nationwide.

What has the past year taught us about our future?

The answers are inside.

Celebrating our progress…

Our brand is energetic, enthusiastic and full of life. In everything we do we aim to be bold, open, clear and trusted.

Who we are

History of O_2

1997 • O2 started life as Esat Digifone, a joint venture between Esat Telecom Group and Telenor.

2000 • British Telecom (BT) acquired Esat Digifone.

2001 • BT demerged its wireless division, called mmO2 plc, which comprised of mobile operations in Ireland, UK, Germany and the Netherlands. It also owned Manx Telecom and Airwave, a secure radio network for the emergency services in the UK.
mmO2 plc was listed on the London and New York Stock Exchanges.

2002 • The company rebranded and launched O2 in Ireland, UK and Germany and the business in the Netherlands was sold.

2005 • mmO2 plc was renamed O2 plc.

2006 • Telefónica S.A. acquired O2 plc, whereupon O2 plc delisted from the London Stock Exchange.

2007 • Today, O2 in Ireland is part of Telefónica Europe, a business division of Telefónica S.A. comprising Telefónica's European operations outside Spain.

Facts

• **Customers:** 1,646 million [1]

• **Employees:** 1,617 [2]

• **Gender mix:** 52% Female, 48% Male

• **Average age:** 33

• **Charitable contributions:**
Total cash Donations   €522,575
Total hours donated   486 hours

• **Total no. of volunteers:** 229 [3]

• **Paperless billing:**
Total no. of paperless bills 34,957

• **CO_2 emissions**
For the year 2007   11,929 [4]
For the year 2006   30, 785 [5]

1. As at 31 December 2007.
2. People in post as at 31 December 2007.
3. This is based on an estimated figure.
4 & 5. Based on estimations. This figure is CO2 emissions corrected for renewables. Only includes road business travel. Calculations based on the IEA 2002 conversion factor.

About Telefónica Europe

Telefónica Europe is a business division of Telefónica S.A., comprising mobile, fixed and DSL operations in the UK, Ireland, the Isle of Man, Germany, the Czech Republic and Slovakia – all of which use 'O2' as their consumer brand. Telefónica Europe also has 50% ownership of the UK and Irish Tesco Mobile and German Tchibo Mobilfunk joint venture businesses. Telefónica Europe is headquartered in Slough, UK, and has some 43 million mobile and fixed customers.

O2 employees learn Spanish

Telefónica Operating Businesses

Telefónica's vision:

"We want to enhance peoples' lives, the performance of businesses as well as the progress of the communities where we operate, by delivering innovative services based on information and communication technologies."

Telefónica O2 Ireland is part of Telefónica, S.A., a global telecommunications company present in over 24 countries, providing a full range of mobile, fixed-line, broadband and digital TV services.

At the end of 2007, Telefónica had more than 228 million customers worldwide and employed 248,000 people throughout Europe and Latin America.

The company donated around 90 million euro* to social welfare projects during the year. By the end of 2007, the flagship Proniño programme, which helps children out of the child labour market and back into education, had directly benefited 52,000 children in Latin America.

*Figure calculated using London Benchmarking Group methodology.

(i) **For more information go online**
www.telefónica.es/rc2007

...and sharing our journey ahead.

"2007 was marked by our work to become a more responsible company and to build on relationships with many different stakeholders."

César Alierta, Executive Chairman of Telefónica, S.A

Dear Friends,

Telefónica's results in 2007 were spectacular in every sense. We won the confidence of our customers – providing more than 228 million telephony accesses during the year – and we managed our resources efficiently. As a result we increased profit by 43% on the previous year. This results in a 42% shareholder remuneration.

The year was also marked by our work to become a more responsible company and to build on relationships with many different stakeholders.

Firstly, we incorporated Corporate Responsibility (CR) into the businesses in Spain, Europe and Latin America through our Spirit of Progress vision. Our employees worked hard to support initiatives that will help to improve people's lives using telecommunications technology.

We have set ambitious targets to improve both customer satisfaction and our employees' workplace over the next few years.

Secondly, we have introduced strengthened Business Principles across the Group. Some 36,000 employees have been trained in our code of conduct and we have run initiatives and defined policies on responsible advertising, child protection, data protection, environmental management, access for the disabled, compliance with ethical standards throughout the supply chain and control of spam. We won't stop there. Our target is to have trained 80% of our employees within the next 12 months. The third development of 2007 was to encourage customers to use new technology responsibly. We are talking to our customers about child protection, handset recycling and computer viruses. We have made a start by posting messages on customer bills, our website, in brochures and in stores. The campaign will be rolled out extensively in 2008.

Telefónica also helped to bridge the digital divide by investing in infrastructure, ICT training, services for people on low incomes or with disabilities, and promoting education in the use of technology through programmes such as the Telefónica Foundation's EducaRed project.

Issues such as computer literacy, health, e-administration and the media were also covered in a range of publications and events. These included the second Latin American conference on ICT and the Millennium Goals. We also brought the world's biggest global internet event, the Campus Party, to Latin America.

César Alierta,
Executive Chairman of Telefónica, S.A

Finally, we remain committed to education and the communities we serve by investing in social welfare projects. In 2007, Telefónica donations reached nearly 90 million euro, as measured by the London Benchmarking Group. At this point I must highlight the Telefónica Foundation's Proniño programme, which doubled the number of children it helps, directly benefiting 52,000 young people. In 2008 we want more than 100,000 children to have escaped from the dire conditions of child labour and to be in school.

I also should underline our firm commitment to the United Nations Global Compact.

I would like to end by reaffirming, in this report, which is published in each of the countries where we operate, our commitment to continuous improvement. And so far, my most sincere thanks to all stakeholders, with their opinions and suggestions which have helped bring us closer to achieving our vision.

"When we talk about the future at O2, there's a real sense of excitement"

Danuta Gray, Chief Executive Officer, O2

The Mobile Communications industry in Ireland is constantly changing, and bringing new, unique opportunities with it.

At O2, we're future-proofing our business; looking ahead to doing more through new services and technologies while making sure to provide our customers with more value for money along the way.

When we look back on 2007, we're proud of what we see.

In the past year, we took great strides to create an even stronger link between our company and the communities in which we work and live. Through our ongoing partnership with Irish Autism Action (IAA), we're aiming to make the future a better place for children and families affected by autism. In March 2007, we supported the IAA in opening the Solas Centre, Ireland's first national diagnostic centre for children with autism.

Later that year we were delighted to receive recognition of our work with the IAA through Chambers Ireland's President's Awards for Best Community Project.

As new services and innovations arrived to the market over the year, we saw how protecting the safety of our younger users is crucial.

So, as part of our ongoing commitment to child protection, we created a new policy on Children and O2 Products and Services and launched a dedicated child protection section on www.o2.ie. This valuable resource provides safety tips and advice for parents and young people on the safe use of mobile phones.

With the future of the environment a key business imperative, in 2007 we focused on conducting our business in a more sustainable way. Through an internally appointed Green Champion and Green Team, as well as our partnership with green-energy supplier Energia, we're doing more to raise the environmental awareness of our employees and encourage change in our everyday working lives.

While doing more to strengthen community ties, we made sure to reach out to our own employees too. Last year we continued our award-winning Perfect Balance programme, providing employees with opportunities and resources, such as our Well Being Fairs, to maintain a better work/life balance.

Danuta Gray,
Chief Executive Officer, O2

So, what does the future say to us?

We're looking forward to further work with our community, charity and environmental partners in the year ahead. In the coming year we'll focus more on becoming Ireland's best company to work for, and to help our employees achieve a real work/life balance.

At O2, we continue to live our values of Open, Bold, Clear and Trusted, and help employees and customers connect and share their unique experiences in more exciting ways.

We see this as part of our greater message, that as the industry changes shape and adapts to new challenges, so does O2. We're growing and developing in new ways, securing the future of our business for our customers, our people, our communities and the environment around us.

We don't like
to follow the
crowd...

Building on our successes

Key business highlights

Over the past year we've worked hard to innovate at every level of our business. We introduced new services, formed new partnerships and concentrated on giving our customers great value for money.

Here are some of our business achievements from 2007:

Making a difference

In April 2007, Irish Autism Action (IAA) and O2 opened the Solas Centre, Ireland's first dedicated diagnostic and assessment centre for children and families affected by autism.

The centre will reduce the waiting time families' face for autism diagnosis from twelve months to three, with the eventual aim of removing the waiting list entirely.

Facts
- Mobile phone penetration in Ireland is 116%.*
- The EU mobile phone penetration average is 109%.*
- Over 5 million mobile subscribers in Ireland.*
- Irish mobile phone users sent a total of 7.58 billion text messages during 2007.*
- The Irish Market is serviced by 4 mobile operators and 1 MVNO, Tesco Mobile.*

All figures as at 31 December 2007
* Source: ComReg www.comreg.ie

Encouraging competition

In October 2007, we joined supermarket giant Tesco to launch Ireland's first Mobile Virtual Network Operator (MVNO), called Tesco Mobile.

A joint venture between our two companies, Tesco Mobile allows customers to roam on the O2 network. Tesco Mobile is commercially independent of O2, effectively making it a competitor. Through this move, O2 has facilitated competition in the Irish marketplace, offering customers a genuine alternative in terms of service provider.

O₂ Freedom price plan, Ireland's first mobile operator to offer free texts all weekend to any network for prepay customers.
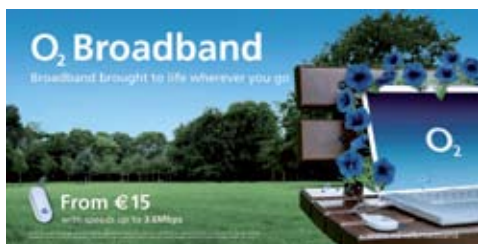
Mobile Broadband

In July 2007 we introduced O₂ Broadband, a wireless broadband solution intended to be a viable alternative to fixed broadband in the home.

Giving value for money

In October 2007, we introduced our O2 Freedom price plan, Ireland's first plan to offer free texts all weekend to any network for prepay customers. At the start of 2008 we went a step further by launching O2 Experience, the only prepay price plan in Ireland that offers customers the ability to send unlimited free texts to any other Irish mobile network at any time for life. Customers who aren't heavy text users can opt for free calls for life to their top ten friends on O2 instead.

Roaming

In August 2007, the EU Commission introduced regulation to reduce the cost of mobile roaming across Europe.

The new EU rates were €0.49 (ex VAT) to make calls while roaming and €0.24 (ex VAT) to receive calls while roaming. In advance of this, O2 had already gone some way to address this issue with our My Europe price plan which offers a flat rate of €0.49 (ex VAT) per minute to make calls while roaming in the top 20 European destinations, as well as in the USA. O2 charges €0.24c (ex VAT) to receive calls while roaming in full compliance with regulation.

Customer loyalty programmes

Our customers said they wanted to hear more from us; so, in 2007 we developed a proactive contact programme sending regular texts to our customers every month, from holiday wishes and savings reminders, to free-text offers in support of the Irish team during the Rugby World Cup. Through our Surprise and Delight programme we rewarded customer loyalty with birthday presents such as vouchers for phone upgrades, hotel getaways and more, all on top of our free text and credit offers.

For more information go online
www.o2.ie
www.o2.com/cr
www.callcosts.ie

...we prefer
to lead.

We're setting the pace…

At O₂, we aim to act responsibly and sensitively in all our dealings, locally and nationally.

As a leading Irish mobile operator, our actions are tailored to the needs of our customers as well as the concerns of our stakeholders.

Our part in the bigger picture

Managing Corporate Responsibility

As part of the Telefónica Europe Group, O2 in Ireland has responsibility for managing its own Corporate Responsibility activity and management.

The day to day co-ordination and management of Corporate Responsibility is conducted by our Corporate Affairs team, working in close collaboration with individuals across key functions of our business. The Head of Corporate Affairs reports directly to O2 Chief Executive Officer, Danuta Gray on Corporate Responsibility matters on a regular basis.

Members of our Corporate Affairs team attend Telefónica Europe Corporate Responsibility Forums to co-ordinate Corporate Responsibility across the Group.

These forums provide an opportunity for O2 practitioners from each operating company to address issues relevant to our business. Topics include our compliance with Business Principles; environmental management, diversity, stakeholder dialogue; the ethical supply chain, health and safety, child protection, community investment and reputation at risk.

Updates and recommendations are then provided to the Telefónica Europe Governance Committee, of which Danuta Gray is a member, and to the Telefónica Europe Board.

Business Principles

O2 is committed to behaving ethically in all we that we do. Our Business Principles task us with achieving and maintaining the highest standards of corporate governance, and guide us in how, as a company, we behave towards our stakeholders.

These Business Principles also link our corporate and commercial values with our day to day business policies and practices. Wherever possible we encourage that others outside the company who work with us apply the same principles.

Our Business Principles guide all O2 employees in how they should behave and how they should tackle difficult decisions they may confront in the course of their work.

More to do

To further embed the day to day management of Corporate Responsibility into our business, each O2 director has taken ownership of an aspect of Corporate Responsibility. Through this approach, we are raising greater awareness and participation in Corporate Responsibility throughout O2.

We are striving towards a goal of 75% completion rate for Business Principles training by December 2008.

They commit us, amongst other things, to:

- Behaving ethically
- Complying with all relevant laws and regulations
- Competing fairly
- Avoiding conflicts of interest and abuses of power
- Providing high quality products and services and value for money to customers
- Treating colleagues fairly and with respect
- Dealing with business partners fairly
- Managing the company with the highest standards of corporate governance and best practice

These principles underpin our approach to managing risk and protecting privacy, and encompass our determination to provide employees with fair and equal employment, a healthy, safe workplace and to safeguard the environment.

Business Principles training

In 2007, we continued the expansion of our mandatory online Business Principles training course. Adherence to the Business Principles is a condition of employment for all employees which is stated in all employment contracts.

During 2007, 67% of O2 employees gained formal accreditation in our Business Principles and we aim to increase this target to 75% in 2008.

Confidential helpline

At O2 we offer our employees, suppliers and those representing us the confidential facilities to report conduct they believe to be suspect or questionable.

Our "whistleblower" helplines allow concerned parties to phone, email or post their information confidentially, without fear of reprisal.

All information is kept in confidence in our register of complaints as part of our detailed investigation procedure.

For more information go online
www.o2.ie
www.o2.com/cr

...to complete the course ahead.

An open environment for our people...

Working together, working better

Throughout the year O$_2$ has implemented initiatives to support, motivate and retain our employees. We view our employees as the most valued asset to the business and encourage our people to achieve in every facet of our company.

To us, providing recognition for the work our employees do is paramount to our continuing success.

Reward and recognition

As part of our overarching goal to create a positive, rewarding work environment, we're doing more to give our people a strong sense of ownership in O2's success. Every day we achieve this through a variety of rewards to motivate and recognise exceptional performance in our employees.

Results from our 2007 online employee survey (called Reflect) reveal that 79% of our people feel recognised and rewarded for their work.

Every year, Reflect gives our employees the opportunity to express their opinions about O2 as a business, as an employer, and in how we serve our customers.

Through the survey we gain immediate insight into our company's strengths and areas for improvement, giving us the opportunity to plan and implement improvement measures. This invaluable resource allows employees to take a bigger role in the overall success of our people and our company. In 2007, there was a response rate of 79% to the Reflect survey.

"...I cannot compliment [your employees] highly enough for their efforts and the wonderful approach they take to dealing with not only myself, as a business customer representative, but also other customers who I have witnessed using the store."

Customer quote regarding employees at the O2 retail store, Ennis

Rewarding employees

One of our primary methods of showing our appreciation for good work is through our competitve compensation structure.

Our philosophy is to link pay to performance in a fair and meaningful manner and this is achieved by awarding the highest merit increases to our outstanding performers.

However, we see bonus payments as just one element of a well-developed Reward and Recognition programme at O2.

This programme goes beyond financial reward and looks for additional ways to highlight and reward those living our values and delivering outstanding performance.

More to do

As part of our larger goal of making O2 a truly great place to work, in 2008 we're focusing on communicating our company strategy more regularly with our employees. Through developing and coaching employees in communication, employees will get a clearer vision of our strategy.

Throughout the year, we will also deliver tailored programmes encouraging a better work/life balance. We aim to introduce Telefónica employee initiatives, such as its International Employee Volunteering programme, at every opportunity.

Danuta Gray, Donna Murphy, O2 employee, and Ryan Tubridy at the Spirit of O2 awards, 2007

Spirit of O₂ awards

Part of our practice of appreciation includes the Spirit of O2 awards, designed to allow colleagues to recognise and reward their peers.

The award process calls for nominations across O2, with shortlists through cross-functional peer panels in every category. The final winners are selected through peer vote or by panel.

Our second annual Spirit of O2 award ceremony, hosted in November 2007, cemented the event as the biggest affair on our calendar.

Team awards

Other awards we present to our employees are Extra Mile, Ovation and Excellence Awards which are nominated by managers or directors and recognise employees who make a significant contribution to the business.

Our Superstar of the Month award allows O2 employees to nominate peers they feel live our values, and our Call of the Month Award rewards our Customer Care representatives who have delivered exceptional customer experience.

Letters from the boss

In our Dublin headquarters we've dedicated a wall in our training area to post the thank you letters, faxes and emails our employees receive from customers.

Additional feedback is also featured in our internal newsletter, Weekly Slice, where stories about employees who have given a great customer experience are showcased.

...creates more room for achievement.

Bright Sparks

Think Tank is an anonymous online forum where we can get feedback and suggestions from our employees. Included in Think Tank is a Bright Sparks thread aimed at capturing ideas and suggestions from our people to improve our products and/or services to our customers, as well as seeking ways to continuously improve the efficiency of our business. The Bright Sparks process rewards people whose ideas have been implemented across the business.

O2 Tag Rugby Team

With Open Forum, our people stay updated on progress against our goals and have an opportunity to share feedback on our strategies, and share their ideas.

Open Forum

Every quarter, our Internal Communications Team organises an event which brings employees together with the O2 Leadership Team for face to face discussions.

With Open Forum, our people stay updated on progress against our goals and have an opportunity to share feedback on our strategies, and share their ideas.

These events are held at both our Dublin and Limerick offices, and are hosted by Chief Executive Officer Danuta Gray along with members of the O2 Leadership Team plus visiting members of the Telefónica Europe Management Team.

O2 employees fundraise for the IAA by participating in an office cycle challenge

Perfect Balance programme

Perfect Balance stems from the belief that life is divided into four key areas: work, personal development, family and friends, and social and community.

For people to achieve their own goals and be satisfied, a balance must be achieved between work and the other aspects of life.

Throughout 2007 we continued our Perfect Balance programme, offering our employees mortgage clinics, reflexology sessions, yoga sessions and more.

Health and Well Being Fairs were also held at our Dublin and Limerick offices, bringing holistic remedies such as reiki, acupuncture and massage to our O2 teams.

Change management

As the telecoms marketplace becomes more competitive, with existing and new operators vying for market share, understanding the importance of adaptability is key to future success.

At O2, we understand that in order to thrive, we must be open to changing how we operate; focusing our efforts on increased flexibility and speed to market.

Our organisation must now focus on the future while still delivering on what we see as our business, providing a great customer experience, every time.

O2 Open Forum

Communicating with our employees

Due to wider market changes, we've had to make a number of challenging decisions resulting in headcount reduction and outsourcing programmes.

While working through these changes, O2 has remained committed to several key principals when communicating to employees:

- Act openly and transparently when communicating with our people about changes to our business by telling them first through face to face discussions

- Seek to involve and engage employees in any decision making process and establish formal channels to capture their input and the outcomes

- Approach changes affecting our employees, our working environment and culture with a spirit of consultation and collaboration

- Share information regarding the wider business environment we operate in, as well as the challenges and opportunities that the market presents

- Provide information in a timely, relevant manner with opportunities for discussion and clarification

In March 2007, the first company-wide redundancy programme within O2 in our Irish offices originally involved reducing our headcount from 1,750 to 1,600 people. However, following the process only 48 people left through redundancy and the remainder were either redeployed or left through natural attrition.

In relation to the outsourcing programme which affects our Technology Department, it has not concluded and is still ongoing.

Communicating difficult news will never be easy. However, by approaching change with openness, involvement and consultation, at O2 we're reshaping our business to face the challenges of the next ten years with the same positive spirit as the last ten years.

For more information go online
www.o2.ie
www.o2.com/cr

Letting our children explore…

Making mobiles safer for our children

> "Parents, schools, and industry all have a key role to play in ensuring that our children capitalise on the opportunities afforded to them by educating them in the responsible use of new technologies. In this context, O2's child protection website is an excellent comprehensive resource that provides useful advice and tools for parents to help them engage in their children's mobile use."
>
> **Simon Grehan**
> - Internet Safety Co-Ordinator, National Centre for Technology in Education (NCTE)

It's easy to see why young people view their mobiles as more than just a phone. With it they connect with friends, surf the web, listen to music and take pictures.

To their parents, a mobile can mean peace of mind, knowing their child is within reach wherever they go.

With the freedom a mobile offers come understandable concerns, especially now that many handsets can access the Internet.

We're working on ways to help protect children when using mobile phones. It's all part of our plan to make mobiles a worry-free zone for parents, teachers and anyone else who looks after children.

New policy

In June 2007, we introduced a new policy on Children and O2 Products and Services committing us to create an environment in which children can use information and communications technology safely.

This policy commits us to providing parents and children with the necessary tools and guidance to use our products and services safely.

Facts

- One in seven secondary school students have been targeted by bullies via the internet or their mobile phone

- One in eight boys admitted to being cyber bullied in recent months

- Girls are more likely to fall victim to online bullies than boys

Source: Trinity College Anti-Bullying Centre Research for the Irish Independent and Prime Time Investigates, Irish Independent 19th May 2008.

New Child Protection website

In line with our policy commitment, we launched a dedicated child protection area on our website www.O2.ie. Geared towards parents as well as young people, the site offers relevant, practical information on mobile phone safety and the issues surrounding it.

Through it we offer advice on how to control web access, prevent bullying and manage unwanted texts. For parents the site includes a useful checklist of questions to ask when buying their child a mobile phone.

Bebo Mobile

In November 2007, we partnered with the popular social networking website Bebo to launch Bebo on the mobile phone. The new service helps young customers stay in touch, connect with friends, share photos and discover new interests all on their mobile phones.

More to do

In 2008, we will engage and educate key stakeholders on child protection and mobile technology issues. We'll also reach out to parents to further drive awareness of the safe use of mobile phones by children.

The O2 Corporate Responsibility Team worked closely with the O2 Product Development and Bebo teams to implement stringent safety controls and make comprehensive safety advice readily available in advance of the launch of Bebo mobile.

We also took the opportunity to discuss the new service with parents, through focus groups, and based on their feedback, added a number of additional technical safety features to the service, including:

- Users can report abuse, block unwanted contact and delete comments direct from their phone

- Parents are able to remove Bebo from their child's phone

- Easily accessed safety tips are available at the end of each profile page on Bebo Mobile and on www.o2.ie

Child Protection affiliations

In addition to our own internal programme in child safety, we work closely with agencies and groups to promote safety initiatives.

- The Irish mobile operators have devised the Irish Cellular Industry Association (ICIA) Code of Practice for the responsible and secure use of mobile services. The Industry worked with the then Department of Communications, Marine and Natural Resources to define suitable levels of control for the Irish market

- We are a sponsor of the Irish Government's MakeITSecure initiative, a public information campaign raising awareness of the safe use of communications technology

- As a member of the Internet Service Providers Association of Ireland (ISPAI), we assist in the promotion of Hotline.ie, an online specialist reporting service combating illegal child pornography online

Under the Telefónica umbrella, O2 has signed up to the European Framework or Safer Mobile Use by Younger Teenagers and Children that commits us to provide advice, raise awareness and ensure proper controls are in place regarding access to inappropriate content.

We are also members of the GSMA Mobile Alliance Against Child Sexual Abuse. This is a group of mobile operators committed to creating significant barriers to the misuse of mobile networks and creating a safer mobile environment for our customers.

For more information go online
www.o2.ie/childprotection
www.o2.com/cr

...knowing they're safe.

Looking out for our customers...

Protecting you

Safer driving with O₂ mobile phones

In 2007, as a reaction to the rising rate of mobile user related road accidents, the Irish Government enacted legislation making driving a vehicle while holding a mobile a punishable offence (Road Traffic Act 2006 – Section 3). Drivers found holding a mobile phone incur two penalty points on their licence, and pay a fine from €60 to €90. If convicted in court, drivers face four penalty points and a maximum fine of €2,000.

At the end of 2006, to make our customers aware and to educate them on safer mobile phone use, O2 distributed safe driving leaflets in-store and by mail to our post pay customers. The single page guide gave mobile phone users tips on safe driving, plus details on the new legislation.

Facts
- To stop unwanted Premium Rate Texts – simply text STOP back to the sender.
- To report unwanted spam, forward the message to 50455.
- To contact O2 customer care dial 1909 for post pay and 1747 for prepay customers or 1850 601 747 from a landline.

Data protection

At O2 we know that the security of personal data is a concern for our customers. As a mobile operator with responsibilities for ensuring the security of personal data such as call patterns and customer details, we take our obligations very seriously and have policies and processes to reflect this.

In Ireland, we aim to comply with the data protection legislative framework, which seeks to balance collective security with the privacy of the individual.

This legislation includes:

- Data Protection Acts 1988 and 2003
- Privacy and Electronic Communications Directive 2002/58
- Criminal Justice (Terrorist Offences) Act 2005, of which section 63 imposes a three year retention period on traffic data

At O2, we maintain a pro-active relationship with the Data Protection Commissioner and this allows for continuous engagement on various topics and issues as they arise, ensuring the protection of our customer data to the highest standards.

Security services

We co-operate with law enforcement agencies wherever possible through our Government Liaison Unit (GLU), which provides a single point of contact for information requests.

This unit provides the Gardai and defence forces with call trace requests and location searches, in accordance with the law. GLU also offers a 24-hour emergency call service to An Garda Siochana, often to help in the location of a missing person.

Signal blocking and prisons

In the last year the Irish Prisons Service began a limited trial of a mobile phone signal blocking system in Portlaoise Prison.

An inquiry into mobile phone use in prisons recovered 2,000 mobiles from prisons in the first seven months of 2007. Under the Prisons Act it is an offence for inmates to possess or use a mobile phone without the permission of the governor.

We have discussed the trial with the Prisons Service and are monitoring its effects on our network; a review will be conducted when the trial is completed in 2008.

Ethical and environmental procurement

For O2, an ethical supply chain is paramount to the success of our business. Through fair and ethical interaction with our vendors, and the industry at large, we aim to promote corporate responsibility deep into our supply chain.

We award business entirely on merit, without favouritism, and seek to secure products and services which offer the best overall value to O2.

O2 in Ireland has stringent ethical and environmental policies which are an integral part of the tenders and contracts with vendors. Once contracts are in place, Vendor and Partner Management work with vendors to ensure the requirements of the contract are fulfilled and no breaches are made to these policies. Where we do not have a formal contract with vendors, the ethical and environmental polices are communicated via the purchasing terms and conditions on our vendor portal. The vendor portal is an online database where vendors update their details online, and is an obligatory requirement from O2. These policies are also communicated via the terms and conditions of each purchase order and can be easily accessed via our company website.

Progress is tracked internally through regular audits, and vendors are measured against the requirements of our policies and contracts.

Premium Rate services

Last year, over two thousand complaints were lodged with the Irish Premium Rate regulator RegTel over Premium Rate services. Many came from consumers facing large phone bills after unwittingly signing up for these services.

Premium Rate services, provided through third party operators called 'Content', or 'Information' providers, send messages to customers via mobile networks. Mobile operators are obliged to open their networks to these providers when relevant regulatory authorisation is provided.

We continue to work closely with sector regulator RegTel to address issues that cause concern to our customers.

In addition to fully supporting measures such as the 'Stop' command, and assisting our customers to unsubscribe from unwanted third party services, we also plan to introduce a system to take action against those causing concern to consumers.

Our Red/Yellow card process will let us determine instances in which we will take action, what measures can be taken, and how to notify the relevant authorities.

For more information go online
www.o2.ie
www.o2.com/cr
http://www.o2.com/cr/
ethical_environmental_practices.asp

...is our focus.

We celebrate difference...

Encouraging diversity in our communities

South Docks Festival 2007

Diversity and digital inclusion

At O2 we appreciate and value our diverse customer base, and aim to achieve a workforce which reflects and celebrates this diversity.

Our diversity programme, championed by O2 Chief Executive Officer Danuta Gray, focuses on making our customers, community and employees feel valued, respected and included.

Through this programme we have the opportunity to share the benefits of mobile communications, reaching out to under-represented groups in our local community, and the community at large.

Facts
- 9.4% of our workforce are from abroad
- 74% of organisations that participated in the O2 Ability Awards in 2005 and 2006 have actually positively changed their policies regarding disability*
- 80% of organisations that participated in the O2 Ability Awards programme recognise dyslexia as a disability, while 74% recognise depression as a disability*

- 54% of organisations that have entered the O2 Ability Awards have introduced new products or services or made changes to existing products or services aimed at winning new custom from people with a disability*

* These figures are based on a 66% response rate to research commissioned by O2 Ireland and carried out by TNS mrbi among organisations that received an O2 Ability Award in 2005 and 2006.

O₂ Ability Awards

Since 2004 the O2 Ability Awards have rewarded Irish businesses for best practice in the employment and inclusion of people with disabilities. The awards were designed by the Aisling Foundation in association with strategic partners Access Ability, and celebrate the contribution that people with disabilities – employees and customers – make to business, with the aim of changing business mindset through positive example.

The Awards honour professional excellence and provide an environment for learning and continuous improvement.

In 2007, the number of applicants was up 10% from the previous year, with 65% of entries coming from the private sector, and 35% from the non-private sector.

Oliver Coughlan, Technology Director O2, Caroline Casey, Chief Executive Officer, The Aisling Foundation, Gar Holohan, Chief Executive Officer, Aura Sports and Leisure Group and Minister Micheál Martin TD at the O2 Ability awards 2007
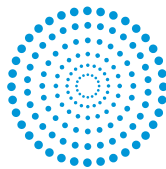
Entrants underwent an in-depth four month assessment conducted by disability management consultants, Access Ability.

The winners of the June 2007 ceremony, held in Dublin Castle, included Aura Sports & Leisure Management Ltd. and Mayo County Council as overall winners in the private and public sectors.

Deaf Awareness course

In September 2007, O2 employees in Dublin and Limerick participated in a Deaf Awareness course. Organised by the Irish Deaf Society, the course educated employees about deaf culture and sign language. We also piloted a programme of five Blackberry and XDA devices with the Irish Deaf Society and their members to test the suitability of the products for people with hearing difficulties.

...and encourage
everyone to
reach higher.

Schools Broadband Access programme

Through 2007 we continued to support the Schools Broadband Access programme, a joint telecoms industry and government initiative to bring broadband to all schools in Ireland.

Launched in 2004, the programme delivers broadband access to every primary and secondary school in the country. O2 has committed to donating €3 million to the project as part of a joint commitment with other members of the Telecommunications and Internet Federation (TIF) and the Irish Government. To date O2 has donated over €2 million to this project.

Danuta Gray with Winners of the Women Mean Business Awards 2007

Local children from the docklands enjoying a river cruise

Digital community

As a leading communications company, our role in the local community as educators and facilitators in IT literacy is one we take seriously.

Partnering with St Andrew's Resource Centre in Dublin, we've funded The Digital Community, a professional IT training centre developed to provide training and access for all ages.

With IT literacy key to better employment opportunities for our community, O2 is working to eliminate the digital divide, helping local residents take active part in the modern digital world.

Women Mean Business Awards

2007 was an outstanding year for women in business, as Women Mean Business (WMB) magazine, in partnership with O2, held the first annual O2 Women Mean Business Conference and Awards.

Held in Dublin's Shelbourne Hotel in October, this event recognised the achievements of Ireland's businesswomen. The day long function included five prestigious awards, as well as addresses from entrepreneurs and executives, including Danuta Gray, Chief Executive Officer of O2.

Our successful
Perfect Balance
programme is
our way of
making a more
positive contribution
to the lives of
our employees.

Accessibility guide

ComReg and the National Disability Authority, in conjunction with all operators from the telecommunications industry, launched a consumer guide in October of 2007 titled 'Phones and Broadband – a guide for people with disabilities and older people'.

The guide is a valuable reference for people with disabilities and older people, offering straightforward, useful information on appropriate and suitable services available throughout the country.

O2 hosts a downloadable version of this guide on www.o2.ie in addition to distributing it to our offices and retail stores nationwide.

Encouraging a better work/life balance

Our successful Perfect Balance programme is our way of making a more positive contribution to the lives of our employees.

Throughout 2007 we provided employees in all O2 locations with resources and events to help them better balance their personal and working lives.

O2 employees paint the Sandyford Red Door School for Autism

Noel Butler, O2 and Martin Keegan

For more information go online
www.comreg.ie
www.o2.ie
www.o2.com/cr

You care
about the
environment...

Protecting our environment

Our environment is changing, and at O2 we've taken a more active role in ensuring the future of the world around us. We aim to reduce and recycle our waste, purchase power from renewable resources, and provide customers with more opportunities to be environmentally friendly. Through internal as well as customer focused environmental programmes our goal is to build awareness of our environmental responsibility among our employees and customers.

Our location

Our headquarters in Sir John Rogerson's Quay, Dublin, has eco-efficient air conditioning and lighting and a biodegradable food waste management system.

One of the main criteria for choosing our Docklands location was its proximity to public transport, which reduced reliance on car travel for many of our employees. In addition, we provide high visibility safety jackets for people who want to cycle to and from work along with bicycle storage and showering facilities.

Tips for saving energy at work:

- Switch off lights and heating in the office when they're not in use, and particularly in unoccupied service areas.*

- Switch off computers at night. This will save on average 25% of its annual energy bill.*

- Configure computers to "energy saving" mode. Switch off the screen and save even more than just letting the screensaver or "sleep" mode run.*

- Car pool with colleagues if possible – one round trip a month would save approximately 5% energy; one round trip a week saves approximately 20%.*

* Source: Power of One website: **www.powerofone.ie**

Environment

Energia contract

We currently recycle over 65% of our waste and in March 2007 we signed a deal with energy supplier Energia that will see us use green energy for all our electricity needs. It is estimated this will reduce our CO_2 emissions by 24,000 tonnes per year, the equivalent of removing 6,000 cars from our roads.

Tony Hanway, Director of O2 Direct, O2 and Gary Ryan, Sales and Marketing Director, Energia

A dedicated cross-company Green Team was also recruited to help drive our campaign.

Internal awareness

O2 continuously strives to be a greener and more environmentally friendly company; in June 2007 O2 Director Tony Hanway was appointed as our Green Champion.

A dedicated cross-company Green Team was also recruited to help drive our campaign. Our Green Team raised awareness among employees of the company's environmental footprint, encouraging changes in our everyday working lives.

In August, we held a Green Day which encouraged employees to down tools and dispose of local office waste into recycling bins. Another Green Team initiative removed the thousands of paper cups used by our 1,600 employees from our offices.

O2's Green Team

Employees were also encouraged to conserve paper in the office by setting printers to automatic double-sided printing, and by receiving payslips online.

The team also distributed power saving tips such as unplugging phone chargers and switching PCs off at night to reduce energy waste in the office.

Finally, special viewings of Al Gore's 'An Inconvenient Truth' were held to further educate employees on their role in environmental protection.

...we do too.

Over 300 free public events took place across the country during National Tree Week, including forest walks, seminars and talks, workshops, tree planting ceremonies and exhibitions.

Launch of National Tree Week

Launch of National Tree Week

National Tree Week

For the past three years O2 has sponsored National Tree Week organised by the Tree Council of Ireland in association with Coillte. The theme of this year's week was 'Trees for Energy', highlighting the important contribution trees make as a natural source of renewable energy in Ireland.

Over 300 free public events took place across the country during National Tree Week, including forest walks, seminars and talks, workshops, tree planting ceremonies and exhibitions. In addition, over 15,000 trees were distributed to schools and community groups by every local authority in the country.

This year O2 went a step further and planted approximately 8,500 trees in Mullaghmeen Forest, Co. Westmeath for every purchase made in an O2 store during the course of National Tree Week. We also planted a tree for each of our employees.

We are asking customers to choose online billing to reduce the 260 tonnes of paper we currently use to send printed bills to our customers.

Handset recycling

We continue to collect phones for recycling throughout our stores. In 2008, we aim to change our handset recycling company and supporting charity in a bid to collect greater numbers of phones in our offices and retail outlets.

More to do

We continued in our goal of helping the environment in the past year by reducing landfill waste and maintaining recycling at a rate of 65%. An estimated 3% reduction in electricity use was achieved in our offices, call centres and retail stores.

Outside of the office, our plan for 2008 includes increasing paperless billing among our customers, printing our customer magazine on recycled paper, plus introducing a new handset recycling scheme in our offices and retail outlets.

Paperless billing

We are asking customers to choose online billing to reduce the 260 tonnes of paper we currently use to send printed bills to our customers. Getting your bill online makes life easier and greener. To date around 35,000 customers have signed up to receive paperless bills.

Make the switch from paper bill to an online bill by following these steps.

Step 1:
log onto www.o2.ie and Register for My O2

Step 2:
Login to My Account

Step 3:
Click on Change bill options

Step 4:
Select Bill notification method & save changes

For more information go online
www.o2.ie

In 2007 representatives of the EMF sub-group met with members of the Clare and Kerry County Councils to discuss the Ten Commitments as well as network roll-out activity.

Health and mobile safety

For years much debate has centred around the safety of mobile phones, base stations and masts, how they affect the world around us, and whether the use of mobile phones is appropriate for children. At O2, we take these concerns seriously; the health and well being of every O2 customer, employee and stakeholder is of the utmost importance to us.

To date, scientific research has found no conclusive evidence to suggest mobile phones or phone antennae post any health risk. At Group level, Telefónica Europe continues to examine the facts, publish them and persevere in funding independent research into the matter.

Telefónica Europe has co-funded the Mobile Telecommunications Health Research (MTHR) programme, and have reconfirmed our next funding commitment to the MTHR 2 programme.

In 2007 the INTERPHONE Project, a research programme investigating the potential cancer risks of mobile phones, released its findings of some of the national studies.

Co-ordinated by the International Agency for Research on Cancer (IARC), these national studies reported no increased risk of glioma and meningioma tumours over a term of mobile use, which was less than ten years.

For longer term usage further research was recommended. Furthermore, reports showed no substantial risk of acoustic neuroma in the first decade of mobile phone use, although the possibility of some effect after longer periods remains open.

The pooled analysis of data from all 13 countries taking part in the INTERPHONE project is still to be published.

In 2006 the Irish Government appointed an expert group to consider all relevant research on the health effects of electromagnetic fields. The group concluded that:

"No adverse short or long term health effects have been found from exposure to the radiofrequency (RF) signals produced by mobile phones and base station transmitters."

Conclusion of Government Expert Report of the Health Effects of Electromagnetic Fields

Industry EMF sub-group

O2 Ireland holds the vice-chair of the mobile industry EMF sub-group. Convened under the Irish Cellular Industry Association (ICIA), the group tackles industry issues on EMF including community relations, liaison with stakeholders, research and planning.

The EMF sub-group developed the Ten Commitments, a voluntary code that guides Irish operators in best practice. The code ensures transparency in building mobile phone networks and the provision of information to local planners as well as to the public.

In line with current regulation, O2 operates enough masts to provide our customers with wide coverage and reduce the number of dropped calls they may experience.

These masts are safely operated within the strict International Frequency Exposure guidelines as set out by the International Commission on Non-Ionizing Radiation Protection (ICNIRP) and the European Commission.

O2 aims to pursue a policy of openness regarding information on the operation of our network. On request, we meet with community groups to discuss their concerns.

EMF

Responsibility for the EMF remit is currently in transition from the Government Department of Communications to the Department of the Environment. The ICIA EMF sub-group is currently engaging with the Department of the Environment on the issue during the transition phase.

For more information go online
www.o2.ie
www.o2.com/cr
www.icia.ie

Every small effort makes a difference…

Playing an active part in our community

Danuta Gray, Cormac Rennick, Chairman of the IAA and Keith Duffy, Patron of the IAA at the opening of the Solas Centre.

At O2, we aim to engage with and improve the communities in which we operate, through active involvement and open dialogue.

As part of our ongoing investment in our own local communities, we asked employees through focus groups to select a charity we could partner and work closely with.

Based on our theme of Community Investment, which focuses on Youth and Disability in the area of communication, O2 employees selected Irish Autism Action (IAA) as our charity of choice.

Founded in 2001 by parents of children with autism, the IAA is an umbrella organisation representing autism support groups and parent groups across Ireland.

Through our three year partnership with the IAA, lasting through 2008, we aspire to make a tangible difference to the lives and families of those affected by autism.

O$_2$ joins the IAA in opening the Solas Centre

In March 2007, as part of our three year community partnership with the IAA, O2 supported their launch of the Solas Centre, Ireland's first national diagnostic centre for children with autism. The Solas Centre facilitates the exchange of information and research, providing diagnosis and assessment on an all-island basis, with over 200 children already diagnosed since opening. As the first centre of its kind in Ireland, the centre will reduce the waiting time families' face for diagnosis from twelve months to three, with the aim of eventually removing the waiting list entirely.

Facts

- Autism is a disability that affects the normal development of the brain in areas of social interaction and communication. The first signs of autism usually appear as developmental delays before the age of 3.*
- In a recent briefing the National Autistic Society in the UK confirmed that the condition now affects 1 in 166 children in the UK and there is no reason to believe that incidence in Ireland is any different.*
- Autism is 4-5 times more prevalent in males than in females.*

* Source: www.autismireland.ie
              www.nhautism.org

"It seems that any solution to the autism epidemic has to be parent-led. We are a tiny group in comparison to the HSE [Health Service Executive] but we are going to turn waiting times around and aim to have a diagnosis time of three months. Ultimately we aim to remove the time for diagnosis altogether."
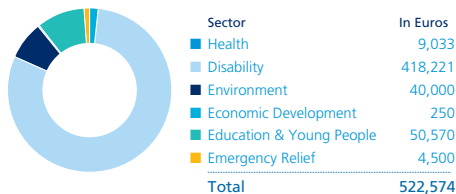
Kevin Whelan Chief Executive Officer, IAA, Laois Nationalist 11th May 2007

Going further for autism

In addition to providing funding, we are committed to assisting Irish Autism Action (IAA) through a range of measures including building awareness and understanding of autism; scoping the possibility of using our technology and services to facilitate those affected by autism; enabling our employees to provide expertise and time to volunteer for the IAA.

Every O2 employee receives one and a half paid days leave to volunteer his or her time and expertise for the IAA. In 2007, our partnership with the IAA raised over €150,000 and over 250 of our own O2 employees provided hands on support in fund raising and volunteer work.

O2 charitable donations 2007

Sector	In Euros
Health	9,033
Disability	418,221
Environment	40,000
Economic Development	250
Education & Young People	50,570
Emergency Relief	4,500
Total	522,574

Dublin Docklands Run

On a warm Tuesday evening in May over thirty O2 employees joined forces to run the annual Dublin Docklands Fun Run. Starting at Mayer Square in the IFSC, the 7.75 km race route took them past O2 Headquarters on Sir John Rogerson's Quay. The team raised approximately €650 for their efforts.

"Thoroughly enjoyed by everyone I think. The school is amazing and really opened my eyes to the difficulties these children and parents go through on a daily basis."

Cormac Craig
Senior Analyst Developer, O2

O2 employees take part in the Docklands Fun Run in aid of the IAA

O2 employees paint the Abacus School for Autism in Drogheda

Painting parties go to schools

During 2007, over twenty employees helped the IAA paint classrooms and play areas of three schools for children with autism.

These schools were the Red Door School in Sandyford, Drogheda's ABACUS School and the Sapling's School for Autism in Kill, Co. Kildare.

O₂ Life Cycle

Carrying on a great tradition for the second year in a row, 2007 saw O2 employees take to their (exercise) bikes at our offices in Limerick and Dublin to raise money for the IAA.

With bikes set up in common areas at both locations, employees took 15 minute turns cycling a total of 1,500 km for families and individuals affected by autism. The event was a huge success, and great fun for all involved, raising over €5,000 for the IAA.

...for the whole community.

O₂ won an award for our innovative partnership with Irish Autism Action (IAA), and our assistance in developing an overall communications strategy for the charity.

Telefónica Europe Global Community Awards

In August 2007 O2 hosted its fourth annual Community Awards, celebrating the outstanding community and charitable contributions of our employees. Categories included the Chief Executive Officer Award for employees' contributions to the IAA, plus Volunteer and Fundraiser of the Year which recognised our employees' time and fundraising efforts for their charity of choice or local community.

In October, our Volunteer and Fundraiser of the Year winners went on to compete against finalists from across Telefónica Europe at the Global Community Awards event in London.

Sinead Smith, Senior Corporate Responsibility Executive, Danuta Gray receive award at the Chambers Ireland CSR Awards

CSR Award for O₂

In September 2007, O2 scooped the Best Community Project Award at The Chambers Ireland Presidents Awards for Corporate Social Responsibility.

We won the Award for our innovative partnership with the IAA, and our assistance in developing an overall communications strategy for the charity.

More to do

In the coming year we aim to raise €50,000 for the IAA through internal fund raising events. O2 will continue to investigate ways of using our technology, products and services to improve the lives of children with autism.

We will also work within our local communities – particularly those who are disadvantaged – to bridge the digital divide through participation and education using our technologies.

Matching funding

Our Can Do Matching scheme creates an opportunity to help our employees make the most of the money they raise for charity. Through this plan, O2 matches the amount raised by an employee, helping them to give more to their charity of choice.

Payroll giving

We also offer two payroll giving schemes to encourage our employees to charitably donate part of their salary.

These include the Cents from Heaven programme which allows O2 people to donate spare change from their pay packets and we also give our employees the opportunity to donate a portion of their salary each month to Irish Autism Action, AWARE or Children's Chernobyl Project.

Employees choose the amount they wish to donate every month, and O2 adds an additional 20% to that amount.

"Since the establishment of the Youth Project in 1994 we have witnessed thousands of young people successfully challenging themselves to develop new skills and make positive contributions to their community, and we felt the time was right to celebrate their achievements."

Dermot McCarthy, Chairman of St Andrew's Resource Centre.

Youth and education

As members of Business in the Community's programme Schools' Business Partnership, which aims to develop mutually beneficial links between schools and local businesses, we've linked with St Joseph's Secondary School, Fairview.

During 2007, five O2 volunteers organised educational programmes through the school; including a site-visit, 'A Day In The Life of an O2 Employee', a CV workshop and mock interview sessions for 30 students.

For the last two years, our Customer Care Centre has also been involved in the School's Business Partnership. They have partnered with the Salesians Secondary School in Limerick City to encourage senior students to stay in school, develop their awareness of the workplace and consider career options they might otherwise have overlooked.

Local children enjoy the South Docks Festival 2007

"We are very proud to be able to support such a dedicated and dynamic organisation, and look forward to working together for the benefit of the local community for many years to come."

Tony Hanway
Director of O2 Direct, O2.

Supporting St Andrew's Resource Centre

After moving into our new Dublin Docklands offices in 2005, O2 reached out to the local community, engaging with St Andrews Resource Centre, a community resource providing services to improve the quality of life for the local area.

In November 2007, we teamed with St Andrews to host the inaugural O2 Young People Awards. Organised by the Centre in partnership with O2, the awards recognise the achievements of young people from our neighbourhood.

We also support St Andrew's Resource Centre's Digital Community project; a professional IT training centre providing training and access for all ages.

With IT literacy seen as a key factor in employment, we're enabling our local community through IT education resources.

Every summer since 2005, O2 has sponsored the South Docks Festival – a St Andrews community celebration. A week of street parties, parades and fun, the festival is a great opportunity for O2 employees to get to know their neighbours.

For more information go online
www.o2.ie
www.o2.com/cr

Corporate Responsibility Targets

Progress against previously set targets

2007 targets

Subject	Target	Date	Status
Values – Business principles	Achieve 75% completion rate for Business Principles training by December 2007.	December '07	○
Marketplace – Protecting the vulnerable	Develop an O2 Ireland policy on Children and O2 Products and Services with appropriate measures and deadlines by July 2007.	July '07	●
Marketplace – Ethical supply chain	Introduce ethical procurement risk assessment and management as part of standard procurement processes. To build in standard language into our contracts that addresses any ethical procurement concerns in the business.	December '07	◗ ●
Environment & sustainability – Carbon emissions	Continue to reduce landfill waste and maintain recycling rate at 70%. Achieve at least a 5% reduction in electricity used in our offices and call centres (per FTE) based on 2006 baseline. Ensure that all O2 procured electricity is sourced from verifiable green energy supplier by mid 2007. Relaunch mobile phone recycling scheme by December 2007.	December '07	○ ○ ● ○
Workplace – Employee engagement	Achieve 75 points in the Reflect O2 overall index. Maintain position of being among top ten companies to work for in Ireland.	December '07 December '09	○ 74 points ◗
Community – Employee engagement	Develop volunteering programme between O2 Ireland employees and Irish Autism. Action to include opportunities to assist people and families affected by autism.	December '08	●

2008 targets

Subject	Target	Date
Business principles	Achieve 75% completion rate for Business Principles training by December 2008.	December '08
Marketplace	Meet GSM Mobile Alliance URL Filtering Commitment.	August '09
	Partner with a stakeholder group in the area of child protection to conduct a campaign which ensures safe use of mobile phones by children.	December '08
	Update the Customer facing accessibility information available on the O2 Ireland's customer portal.	December '08
	Continue to introduce ethical procurement risk assessment and management as part of standard procurement processes.	December '08
Environment	Increase paperless billing: • Customer Paperless billing by 51,750 • Business Summary billing by 51,150	December '08
	Decrease electricity consumption by 5% in offices, call centre and retail stores against the 2007 baseline.	December '08
	Review waste management contract and increase our recycling rate from 70% – 75%.	December '08
	Initiate a 'green project' that will help our employees and our target audience become more environmentally friendly.	December '08
	Handset recycling – collect 10,000 handsets with new recycling initiative.	December '08
Workplace	Be in the Top 10 companies to work for by December 2008.	December '08
	Achieve 75 points in the Reflect O2 overall index.	December '08
Community	Raise €50,000 for our charity of choice through internal fundraising events.	December '08
	Strive to help our local communities bridge the digital divide particularly in disadvantaged communities.	December '08

Statements

Independent Assurance Statement

To the Management of Telefónica O2 Ireland

We have been asked to review Telefónica O2 Ireland's (O2) Corporate Responsibility Report 2007 (the Report) in order to provide assurance on its contents. O2 is responsible for the collection and presentation of information within the Report.

Our responsibility in performing this work is to the management of O2 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 a third party may place on the Report is entirely at its own risk.

What we did to form our conclusions:

Our assurance engagement has been planned and performed in accordance with the Institute of Social and Ethical Accountability's AA1000 Assurance Standard and the International Federation of Accountants' ISAE3000[1]. The AA1000 Assurance Principles of Materiality, Completeness and Responsiveness have been used as criteria against which to evaluate the content of the Report.

Our review consisted of the activities outlined below:

1. Visit to O2's Dublin Offices to review the systems and processes in place for managing corporate responsibility issues and to review evidence in support of selected claims made in the O2 Corporate Responsibility Report.

2. Reviewing the data processes used to collect and report Safety, Environmental, Social Investment and Human Resources data and testing supporting documentation for selected data points.

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

• Internal documents such as Telefónica Europe Board papers, Governance Committee papers, Risk and Reputation minutes, Corporate Responsibility Forum minutes and issues raised through Telefónica Europe stakeholder dialogue process

4. Test the consistency of selected claims made in the Report regarding O2's CR performance against the evidence obtained through our work.

Level of Assurance

Our evidence gathering procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

The limitations of our review

Our review did not include:
• Conducting external stakeholder dialogue activities. Therefore, our conclusions on materiality and responsiveness are based on the stakeholder issues raised through Telefónica Europe's stakeholder dialogue and media commentary provided to us by O2

• Testing the scope of the Report against issues reported on by O2's peers

• Assessment the application of GRI G3 Guidelines

Our conclusions

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

Materiality
• We are not aware of any material aspects concerning O2's corporate responsibility performance which have been excluded from the report

Completeness
• We are not aware of any material issues excluded or misstatements made in relation to the risk and reputation information provided to the Corporate Responsibility Forum on which judgements on the content of the Report are made

• We have reviewed a sample of the statements on O2's corporate responsibility activities presented in the Report and we are not aware of any misstatements in the assertions made

• With the exception of the gaps and assumptions noted against the data which affect data quality, we are not aware of any other issues that would materially affect the aggregated data of O2

Responsiveness
• We are not aware of any issues highlighted in the review of stakeholder concerns provided to us by O2 that are not currently included in the Report's scope and content

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[1] International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

Our independence

As auditors to Telefónica Group, Ernst & Young are required to comply with the independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW) Guide to Professional Ethics. Ernst & Young's independence policies, which address and in certain places exceed the requirements of the ICAEW, apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to Telefónica whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2007.

Our assurance team

Our assurance team has been drawn from the UK corporate responsibility services team. All members of the team are experienced in social, ethical and environmental assurance having worked on similar engagements for a number of significant UK and international businesses.

Ernst & Young LLP

London, 1st July 2008

Endorsement statement by Business in the Community Ireland

Business in the Community Ireland commends O2 for another innovative and comprehensive corporate responsibility report. The report presents a good balance of data in all areas of company performance in the workplace, marketplace, community and environment as well as CR management. The report highlights innovations in product development, employee engagement and environmental protection. Key issues that relate to the mobile communications industry such as child protection, roaming and pricing, data protection and health are presented, which allows for a critical examination of what the issues are and what the company is doing to address them.

The reference to change management and the steps taken by the company to address downsizing is indeed excellent and we congratulate O2 for its open and transparent approach to communicating this sensitive issue and hope many more companies will adopt a similar attitude.

Looking towards future communications on corporate responsibility by O2, we would recommend more data is incorporated on the impact of some of its practices in the areas of customer engagement & satisfaction and flexible working practices.

Corporate responsibility reporting is no longer an issue of whether to report but of what and how to report. This communication by O2 continues to show leadership and inspiration on non-financial reporting in Ireland.

Tina Roche
Chief Executive Officer,
Business in the Community Ireland