

Today the mobile phone is a widely used, everyday product. It has mass appeal, offering exciting ways to keep in touch and interact.



# Engaging

## OUR APPROACH TO CORPORATE RESPONSIBILITY

A culture revolving around you | How we are seen | Governance and ethics | Ethical conduct | Compliance | Managing performance | Understanding opinion | Deciding what to report on | Managing issues in future | Our strategic objectives

### BITC AND GRI REFERENCES

#### MANAGEMENT

1.1, 2.9, 2.10, 2.12, 2.13, 2.17, 2.20, 2.21, 2.22, 3.1, 3.3, 3.4, 3.5, 3.6, 3.7, 3.9, 3.10, 3.11, 3.14, 3.16, 3.19, 3.20, HR8, HR13, PR3, PR9, PR10, SO2, SO4 and SO7

#### ABI REFERENCES

1.1, 1.2, 1.3, 1.4, 2.1, 2.2, 2.3, 2.4

Today the mobile phone is widely used as an everyday product. It has mass appeal, offering exciting ways to keep in touch and interact. This challenges us to think beyond the balance sheet and standard products and to understand the wider issues of consumer thinking.

Our response is to put our customers at the heart of our everyday activities. We want our services to be accessible to all, making life easier and more enjoyable. And we want to extend the benefits of our powerful applications to society at large.

At the same time, we know people have different attitudes to their mobile phone. For many it is vital to their work and social lives. But they may also have concerns about communications masts and mobile handsets, our effect on the environment and the way we behave as a company. Our response is to consider our customers' needs but also their concerns.

We believe we can do this by a combination of three things:

- focusing on our customers;
- managing our social, environmental and ethical effects in a careful and transparent way – in response to feedback from external dialogue;
- being a proactive member of society and contributing to its wealth and wellbeing.

### A culture revolving around you

We constantly seek to gain increased understanding of our real effect on society. We use the expression "See what you can do" to describe the O2 approach to customers, and the way we encourage people in O2 to understand our effects and to engage with the communities we serve.

We like to take account of the social, environmental and ethical effects of our business by identifying, managing and reviewing our approach to these corporate responsibility issues. It is a daily challenge requiring sound processes and published performance targets to keep us on track. We are starting to encourage our operating businesses as well as our suppliers to take into account the social, environmental and ethical impacts of their operations.

During the year, we devolved management and co-ordination of corporate responsibility from a central function to our operating businesses in the UK, Germany, Ireland and the Isle of Man. This sets us on the right path to get closer to our customers and the communities in which we operate. In addition, our ethical and environmental procurement policies, described on page 17, help our suppliers to meet our own standards.

### How we are seen

Our achievements have been widely recognised through corporate awards and by the investment community and we are represented in the main sustainability indices and funds.

In 2004, we were again selected as a member of the Dow Jones Sustainability Indexes that track the financial performance of leading sustainability-driven companies worldwide. We were top scoring in the wireless communications sector. Our many other index inclusions are shown by the logos included on the following pages.

# See what you can do.

## HOW CAN I VOICE MY CONCERNS, IDEAS AND COMMENTS?

O2 values everyone's feedback. This is how you can contact us:

### Corporate Responsibility – general enquiries:

O2 plc  
Corporate Responsibility  
Legal and Corporate Affairs  
Slough  
SL1 1YP  
UK

Email: [cr@o2.com](mailto:cr@o2.com)  
Telephone: +44 (0)113 272 2000

### Customer care

O2 UK: [www.o2.co.uk/help](http://www.o2.co.uk/help)  
O2 Germany:  
[www.o2online.de/o2/kunden/kundencenter](http://www.o2online.de/o2/kunden/kundencenter)  
O2 Ireland: [web.o2.ie/site/contact\\_o2/index.jsp](http://web.o2.ie/site/contact_o2/index.jsp)

### Masts, health & environment

O2 UK: [acquisition.developments@o2.com](mailto:acquisition.developments@o2.com)  
Telephone: 0113 3886780  
O2 Germany: [umwelt@o2.com](mailto:umwelt@o2.com)  
O2 Ireland:  
Telephone: 1909 (O2 mobile phones)

### Child protection or nuisance calls

O2 UK: [ncb@o2.com](mailto:ncb@o2.com)  
Telephone: 0870 521400  
O2 Germany: [jugendschutz@o2.com](mailto:jugendschutz@o2.com)  
O2 Ireland:  
Telephone: 1909 (O2 mobile phones)



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### Governance and ethics

Risk is inherent in our activities and it is essential to manage it well. Risk management is a powerful way to identify, measure and manage uncertain future events that could threaten our assets, revenue, brand, reputation or shareholder value. It also helps us to identify and seize opportunities to strengthen our business.

We have created a framework that links governance, corporate responsibility and our own business principles – the high ethical standards expected of everyone in the Company – into one consistent approach. More information about corporate governance and related issues are included in the 2005 O2 plc Annual Report and Financial Statements.

Our internal control framework helps us to provide a good service to our customers, improve quality continuously and aim for excellence. We were placed sixth among UK companies in a Government league table of the best performers in corporate governance.

We support the Disclosure Guidelines on Social Responsibility, laid out by the Association of British Insurers, to make sure we are managing the significant social, environmental and ethical risks that may affect us. We review a Group-wide risk register every month to set out and measure the key risks we face, and we have similar registers in each operating business.

The Combined Code (Turnbull Section) guides our internal control policy and procedures. We manage social, environmental and ethical risks by assessing their potential impact, likelihood and our appetite to manage them, and develop strategies to mitigate them. Controls are scrutinised as part of a cyclical risk-based audit approach overseen by our Audit Committee.

The Board is responsible for the success of the Company and it provides leadership within this framework of internal controls.

### Ethical conduct

We have created a clear set of Business Principles. Everyone in O2 is required to live by them in their work so that we can demonstrate the highest ethical standards in working with each other and in the marketplace.

Employees are encouraged to report any potential breaches of our Business Principles in confidence and without fear, using a confidential reporting facility, and we keep a register of all such reports. A summary of the register is presented to the Audit Committee at each of its meetings.

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. The Business Principles also emphasise that we do not tolerate any harassment in the workplace, do not make donations to political parties and aim to protect the confidentiality of employees and customers.

### Compliance

It is O2's policy to be fully compliant with its Business Principles and local and regulatory requirements. During the year, the Board approved a detailed updated compliance policy. Online training and team briefing material is available to ensure that all employees are aware of our Business Principles and how they should be applied. We have increased the uptake of our mandatory training in this area and issued a new compliance leaflet for our employees. We have a network of compliance officers to monitor the progress of this activity.

Executive Committee members are required to confirm compliance with our Business Principles as part of the Corporate Governance Certification process.

In 2004/05 we received one complaint from Ofcom, the regulation and competition authority for the UK communications

industries, concerning unfair consumer terms. We agreed to clarify and amend some terms and communicated this information to our customers in April 2005.

ICSTIS, the regulatory body for UK's premium rate telecommunications industry, upheld three complaints and issued a fine against our online portal. An external information provider had breached the regulatory code whilst using O2's premium text platform. As a result O2 terminated its contract.

The UK Information Commissioner brought 11 adverse assessments against our operations in the UK with claims of failure to comply with the Data Protection Act.

We aim to comply with voluntary advertising standards and guidelines, such as the recommendation by the Stewart Report (2000) of not marketing directly to children. We also aim to withdraw any advertising that is found misleading or inaccurate. In 2004/05 advertising standards authorities brought two complaints against our operations in the UK, two in Ireland and one in Germany. We aim to ensure that every regulatory complaint we receive is investigated in accordance with our compliance procedures.

### Managing performance

O2's approach to corporate responsibility is co-ordinated by O2's Corporate Responsibility Forum (CR Forum). This monthly forum includes representatives from O2's operating businesses and headquarters. It is chaired by Richard Poston, Corporate Affairs Director, a member of the O2 plc Executive Committee.

This newly established CR Forum replaces O2's Corporate Responsibility Advisory Council. One of its most important jobs is to make sure that the active management of social, environmental and ethical matters – our corporate responsibility approach – is part of our daily operations. The CR Forum has also been overseeing the transfer of corporate responsibility management from headquarters

to our operating businesses and aims to ensure that our approach to corporate responsibility is consistent across the whole Group.

Significant issues, such as environmental protection, health and safety, and child protection are reported to and discussed by our Executive Committee and the plc Board at least every six months.

In addition, ethical procurement, employment issues and general corporate responsibility updates are reported on quarterly to the Executive Committee and every six months to the Board. An Executive Director or senior manager champions various subject areas and reports regularly to the Group Board. Their remuneration is linked to our success in meeting key performance targets in employee engagement and customer satisfaction. We developed a list of specific key performance indicators for corporate responsibility last year. A summary has been included on our website.

The Board has an annual conference to discuss the vision and strategic direction of the Company as well as receiving updates in corporate responsibility issues. Additional training for Board Directors is provided on request. During the year, the Board was briefed on a range of issues from community investment, health and safety, mast siting and environmental management, to adult content, child protection, diversity and general employment affairs.

Our social, environmental and ethical processes and controls will be reviewed this year by a new third party as part of our risk management programme. All of O2's operating businesses have environmental management systems certified to ISO 14001. In addition, O2 UK and O2 Ireland have a health-and-safety management system certified to OHSAS18001. Our products and services are registered to ISO9001:2000 standards. We also use the European

## WHO WE TALK TO



## RECOGNITION

- O2 plc – Association of Chartered Certified Accountants: Sustainability Reporting award for 'Innovative Reporting' 2005;
- O2 plc – European Strategic Risk Awards 2005 'Best Corporate Social Responsibility Programme of the Year';
- O2 plc – Charities Aid Foundation 'Corporates and Communities Award for Online Reporting' 2004;
- Government league table of the best performers in corporate governance, O2 plc included in the top six;
- O2 plc – Ethical Consumer: Best Corporate Environmental Reporting 2005 – O2 plc included in the top 15;
- O2 Ireland – Chamber of Commerce of Ireland: CSR Awards 2004 citation for sustained success in implementing good corporate responsibility practice across all aspects of O2 Ireland's activities.

### JUDGES' QUOTE ON O2'S WINNING ENTRY AT THE EUROPEAN STRATEGIC RISK AWARDS 2005 – BEST CSR PROGRAMME OF THE YEAR

**“This entry [from O2] showed how the spirit of CSR [corporate social responsibility] filters through the whole organisation – an imaginative approach directed at the public as well as their own staff, dealing with a broad range of stakeholders and issues.”**

Foundation for Quality Management (EFQM) model to measure ourselves against the best performers in Europe.

### Understanding opinion

To be really effective, our management systems need to be responsive to a wide range of concerns. That is why we put such a high value on communication with stakeholders. It allows us to talk, listen and learn from the groups of people who have a direct or indirect interest in O2. It also helps us to shape our policies and processes so that we can safeguard our reputation and continue to operate in a sustainable way. A summary chart of our stakeholder groups is included on the previous page.

We engage regularly with a number of interest groups. Informal engagement support formal contractual arrangements or agreements, such as those with our suppliers or trade unions and works councils. We also engage proactively with employees to improve our workplace, with our customers to ensure increased understanding of their needs, and with campaigning organisations to understand the wider social and environmental implications of our operations.

During the year, a specific method was developed to track and map our engagement with stakeholders and to ensure this could in future fully support the decision-making of the Board and its sub-committees.

### Deciding what to report on

We believe a wide range of non-financial issues affect our business and we try to define clearly what these are.

Non-financial risks – including social, environmental and ethical considerations – are treated in the same manner as any other matters that may affect the sustainability of our business. Our risk management policy helps us to identify, measure, manage and mitigate as well as to prioritise any issue that can pose a potential risk or offer us an opportunity for improved performance. We disclose in our Annual Report and Financial Statements the principal business and regulatory risks faced by our operations.

This process will help us prepare for the new UK Operating and Financial Review (OFR) regime, which becomes a legal reporting requirement for us in 2006. The OFR will require all companies to publish a broad view of the risks and uncertainties facing

them so that shareholders can make informed decisions about a company's direction.

O2 engages with a wide range of communities, such as customers, employees, pressure groups and regulators. We have developed a method to track how well we identify, manage and mitigate all social, environmental and ethical issues in response to input from regular dialogue. This method will be applied starting from 2005/06.

The impact of any issue on our business is measured against how it would affect our:

- business value;
- operations;
- reputation.

At the same time our ability to manage the issue is weighed against three other factors:

- the quality of our engagement with relevant stakeholders;
- the level of control we have over any issue;
- the urgency of an issue or the time it takes to manage it.

Each issue or group of issues is then scored and plotted on a dashboard, similar to the one we use for assessing other risks. By using this new method – which recognises both the views of stakeholders and our ability to manage corporate responsibility issues – we have been able to customise AccountAbility's 5-part materiality test, which we applied as a desk-based research tool for last year's report. As a result, we now have a way of mapping corporate responsibility issues for O2 that fits within our overall risk management process and that can be applied through our recently acquired online system.

This system allows us to see how our management of key social, environmental and ethical issues is evolving. It is based on the input we receive from stakeholder engagement and is tailored to fit alongside similar systems that track all the risks we face.

The initial research findings in developing this new method and other stakeholder input, such as media reports or opinion leader research, has helped us to prioritise issues to be included in this Corporate Responsibility report. This report is aimed at anyone who has an interest in our business. We have also issued operating business reviews on the flipside of this report and on our website for those who would like to know more about local activity in their area.

O2 plc publishes corporate responsibility reports annually. The previous report was published in July 2004. This report covers our operations up to 31 March 2005. The report covers O2's fully owned operating businesses, excluding joint ventures.

The report is structured around the Global Reporting Initiative indicators as well as around the Business in the Community reporting framework. Both reporting frameworks are referred to at the beginning of each chapter and a detailed GRI reference table is available on our website. The majority of our report is reviewed by our assurance providers Ernst & Young LLP and the Involving-community section has undergone a detailed review and assessment of our community investment activity by our second assurance providers – The Corporate Citizenship Company.

[www.o2.com/cr/report2005/gri](http://www.o2.com/cr/report2005/gri)

Our Corporate Responsibility website, which will include our detailed approach as well as the full text of this Report, is available at [www.o2.com/cr/report2005](http://www.o2.com/cr/report2005).

### Managing issues in future

Chart 1 on this page interprets how we manage some current issues we face.

It was developed as part of the research that preceded the development of our new method for dealing with stakeholder input and corporate responsibility risks. The background material used for the chart was based on a detailed review of stakeholder documentation that we had generated through media reviews, research of British public opinion, international feedback reports, and dialogue with customers, MPs and O2 employees.

The research concluded that O2 has an "enormous amount of expertise in stakeholder engagement and has evolved a wide-ranging approach in the relatively short time that the Company has been operating... that has ensured that it has been alert and responsive to a rapidly evolving environment".

The report highlighted the fact that when it comes to high-profile risks – such as the perceived health risk of mobile phones and communications networks/masts – we manage these well, supported by dedicated teams. But it suggested that stakeholder engagement on 'fringe' issues tended to be more ad hoc and managed by a handful of people in the

Company. It said we may not, therefore, be benefiting as a business in these areas.

The research recommended that we should:

- be more active in shaping the stakeholder agenda;
- put more resources into dealing with 'fringe issues';
- set up engagement strategies for specific issues;
- establish stakeholder advisory panels for contentious matters.

The research also suggested this approach would help us to get input from stakeholders that would help us develop future products and services.

In response, we are hoping to start collecting information generated through stakeholder dialogue using our online risk management tool. This system would potentially allow us to automatically track the issues – that most concern stakeholders – so that we stay up to speed with their worries as they evolve.

This first step should allow us to address the other recommendations arising from our stakeholder engagement research.

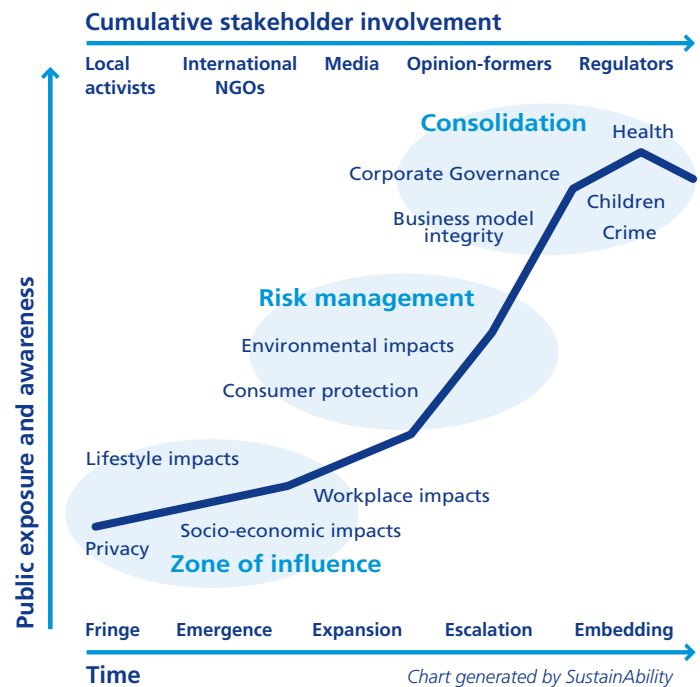
### Our strategic objectives

In May 2004 our Board approved a set of key corporate responsibility objectives for O2. In brief, they were:

- to make employees proud to be working for O2 – whilst observing the highest levels of ethical business conduct;
- to achieve continuous, measurable improvements in our operations in all areas that affect our customers, the physical environment and society;
- to be proactive in developing exciting mobile services that contribute to wellbeing and safety in society.

One year on, we believe our decision to devolve responsibility for the day-to-day management of corporate responsibility to our operating businesses has paid off. Each business has taken on the challenge of these objectives and achieved a number of milestones, as can be seen from the examples included in the Summary of key events section of this report. These three objectives continue to direct our activities under the umbrella of corporate responsibility.

CHART 1: O2's management of stakeholder issues



To help us map the evolution of how we are dealing with various social, environmental and ethical issues we have grouped them under a number of headings. As an example we have included the definitions of three of the areas here:

- **Business Model Integrity:** Anti-competitive behaviour; Corporate tax; Subsidies; UK/EU Regulation; Universal service obligations
- **Lifestyle impacts:** Adult content; Gambling; Responsible use of mobile technology
- **Socio-economic Impacts:** Digital inclusion (inter-generational, disability, diversity); Real estate price impacts due to masts; Sponsorship; Labour issues in the supply chain.