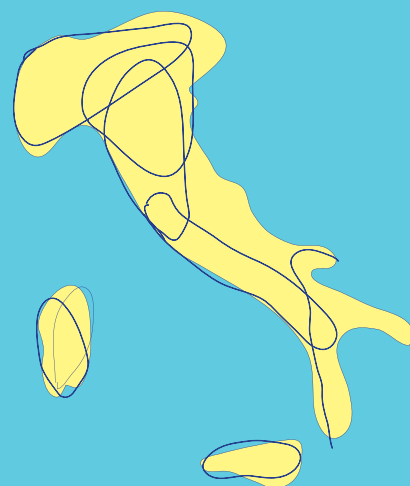
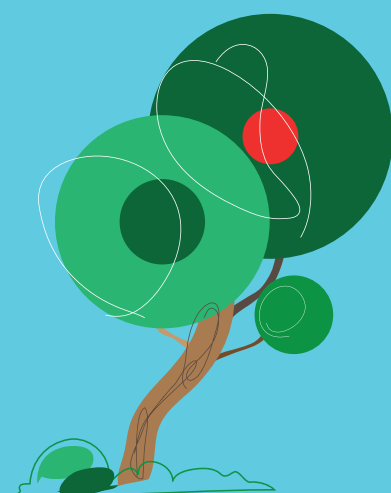
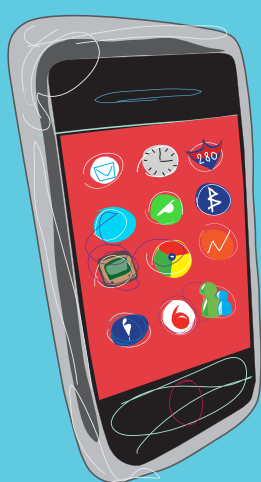


# Sustainability Report 2009 - 2010



**The company, the future, the country.**



**vodafone**

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## Letter from the Chairman and CEO

For the last nine years now we have signed the opening letter to this document, which is not just a means of communicating our results, activities and goals, but is also proof of the ongoing and consistent work that we carry out on a daily basis.

The report includes two important new features this year: a new name and new contents. "Sustainability Report" replaces "Responsibility Report". This new name confirms our interest and focus on civil society outside the company, as we firmly believe that Vodafone and the entire telecommunications industry play a key role in contributing to, and indeed driving, the creation of a sustainable society over the long term.

We continue to believe in the philosophy that guides our decision-making and which we pursue not solely with regard to our customers but also our employees, suppliers, institutions and civil society in the broadest sense – the ethical and transparent conduct that shapes our strategies and daily activities, and which is embodied in products and services of quality and value. By way of confirmation, despite the crisis we continue to explore investment opportunities that permit the development of the fast and quality infrastructures needed to build platforms and offer services for all segments of society. This is also the element that broadens the horizons of responsibility with regard to sustainability.

The spread of broadband is key factor for the future of the country and will increasingly influence the development of individuals, civil society and businesses. In Italy, 12% of the population, or approximately 7 million people, are caught in the digital divide: they do not have fast enough Internet access to use the most modern electronic communication services (Digital PA, Social Networks, e-commerce, etc.).

Specifically, it is estimated that approximately 1,800 Italian municipalities lack broadband access. The "1000 COMUNI" (1000 MUNICIPALITIES) project, beginning in January 2011, is our pledge to provide access to at least one municipality per day over the next three years, extending radio coverage to almost all Italian municipalities, in addition to continuing to invest in enhancing network quality and coverage where already present. In addition to the geographical digital divide, there is also a significant cultural and age-related digital divide. The knowledge we've gained through discussions with our stakeholders and specific research will enable us, in the coming months, to develop a series of initiatives that promote cross-generational exchange, not only providing infrastructures and platforms but also the basic and cultural information required for the efficient and responsible use of mobile and fixed technologies.

But the fundamental new feature in this document is the first chapter: "Vodafone Italia's contribution to Italy". In addition to traditional economic, social and environmental indicators, we've included new elements developed to present and describe the company in a different way with the goal of highlighting the economic benefits Vodafone Italia's activities offer three important groups: families, businesses and public administration. Here are just two numbers, which will inspire your reading rather than spoil it: the company generates over 41,000 direct and indirect jobs and over 790 million euro in total income for Italian families, in various forms. The focus is not only on employees and salaries but on offering a different way - a simple and integrated way - of describing the company, convinced as we are of the positive and long-term contribution we can make to the sustainability of civil society in the country where we live and work.

Rather than reducing it, this new front strengthens the commitment we have made, and which we have illustrated and demonstrated many times now, to: ensuring the safety and protection, development, privacy and opportunities of people, whether they be customers, employees or suppliers; to the environment, through energy efficiency and waste recovery initiatives; to the responsible use of both fixed and mobile technology. A commitment now shared at all levels of the company with responsibilities and resources allocated throughout the entire organisation.

**Pietro Guindani**  
Chairman



**Paolo Bertoluzzo**  
CEO



## The Country

over **790 million euro** in income total generated for **italian families**.

over **41.000** direct and indirect **jobs** (Supply Chain, Sales Network and Customer Care) created by the company.

Approximately **4 billion euro** contributed to **company income** throughout **Italy**.

**2.4 billion euro** contributed to **public income**.

**Foundation:** over **7.6 million euro** in funding for **initiatives**.

Since **2002** we have invested **46.5 million euro** in **Italy**.

## The Company

**8,176 employees** 3500 of which work in the **8 Call Center**.

**94.089 days** of training 47,833 of which for employees and 46,206 for non-employees.

over **15 million euro** invested in innovative **safety** systems to guarantee the **protection of customer data**.

approximately **1 billion euro** invested in the purchase of tangible and intangible assets.

## The Future

Reduce the **Geographical Digital Divide:** approximately **1 billion euro** invested in bringing **broadband** via radio to all of **Italy** starting in 2011.

**Expand** the **HSPA+** service to **up to 42 Mbps** by 2011 and **84 Mbps** in 2012, and introduce the new **"LTE"** (Long Term Evolution) technology with connection speeds of over **100 Mbps** by 2012.

Invest in the growth of **university graduates** so they account for **50%** of total new hires.

Introduce **"Single RAN"** technology in the network, which enables an **energy saving** of approximately **40%**.

Reduce the **Cultural Digital Divide** and spread the **intelligent use of technology:** **multichannel guide** for facilitating dialogue between parents, grandparents and children; **web and video platform** for encouraging contact between young people.

## Introduction to our methodology

The 2009 - 2010 Sustainability Report presents a synthesis of the social, environmental and economic results that Vodafone Italia achieved between 1 April 2009 and 31 March 2010. The data and information contained in this document were gathered by the Institutional Relations and CSR Division in co-operation with the Divisions of Vodafone Italia that handle the various procedures. A total of around 50 people and 15 departments were involved.

The performance indicators included in this document are gathered, monitored and communicated to the Group on a half-yearly and yearly basis; in some cases data is measured or calculated, and in others it is estimated. Data collection takes place through a procedure called "Collection and Monitoring of Corporate Responsibility KPIs", which was published in March 2007. The procedure outlines the timeframes, roles and specific responsibilities of each Division involved in the process of gathering and measuring the CR KPIs.

The Vodafone Italia Responsibility Report has been published annually since 2001. As of this year, this document has become the company Sustainability Report, consistent with the development and approach to sustainability undertaken by Vodafone Italia and the Group. During the course of the year no changes were made that were significant enough to influence data comparability, nor were there limitations to the scope of the report.

In drafting and editing this document, Vodafone Italia adhered to the Group's guidelines, to national and international best practice procedures on Corporate Responsibility, to the 2006 Global Reporting Initiative GRI guidelines for sustainability reporting (G3) and to the principles of the AA1000 Assurance Standard (2008).

In compliance with the 2006 GRI guidelines (G3), Vodafone Italia hereby declares that the 2009 - 2010 Sustainability Report conforms to application level B.

A table explaining the content required by the GRI Reporting Framework can be found in the 2009 - 2010 Corporate Responsibility section at [www.vodafone.it](http://www.vodafone.it).

### Methodological notes: "Vodafone Italia's contribution to Italy"

This chapter presents a synthesis of Vodafone Italia's economic and social contribution to the economic system between 1 April 2009 and 31 March 2010. The data and information contained in this chapter were gathered by the Institutional Relations and CSR Division and processed by Arthur D. Little following interviews with the managers of the following Company Divisions: Consumer, Enterprise, Human Resources & Organization, Finance, Customer Operations and Strategy & New Business. In certain cases the information refers to public data and in others to data calculated or produced by Vodafone Italia internal estimates. Specifically, the contribution to company income was determined in part by the assumption that Vodafone Italia makes around 85% of its purchases from Italian industrial companies or the local subsidiaries of multinational companies.

## NOTES

- In this document, the term "Vodafone Italia" refers to Vodafone Omnitel N.V. and its subsidiaries. The terms "Vodafone", "Vodafone Group" and "Group" are used to indicate the worldwide group headed by Vodafone Group Plc. The term "Local Operating Company" refers to the local subsidiaries in which Vodafone has a controlling interest;
- The registered office of Vodafone Omnitel N.V. is in Amsterdam (Netherlands), its administrative and operational office is in Ivrea (Turin), and its executive office is in Corsico (Milan);
- Vodafone Group Plc indirectly holds a 76.86% stake in Vodafone Omnitel N.V.; the other major shareholder of Vodafone Omnitel N.V. is the Verizon Group with 23.14%;
- The companies included within Vodafone Omnitel N.V.'s scope of consolidation and subsidiaries are: Vodafone Gestioni S.p.A., Vodafone Servizi e Tecnologie S.r.l. and Oritel S.p.A.;
- The graphs and tables show the situation at the company on 31 March 2010;
- The organizational structure reflects the situation on the date this document was published;
- Document publication: November 2010.

"2010" is defined as the fiscal year beginning on 1 April 2009 and ending on 31 March 2010.

"2009" is defined as the fiscal year beginning on 1 April 2008 and ending on 31 March 2009.

"2008" is defined as the fiscal year beginning on 1 April 2007 and ending on 31 March 2008.

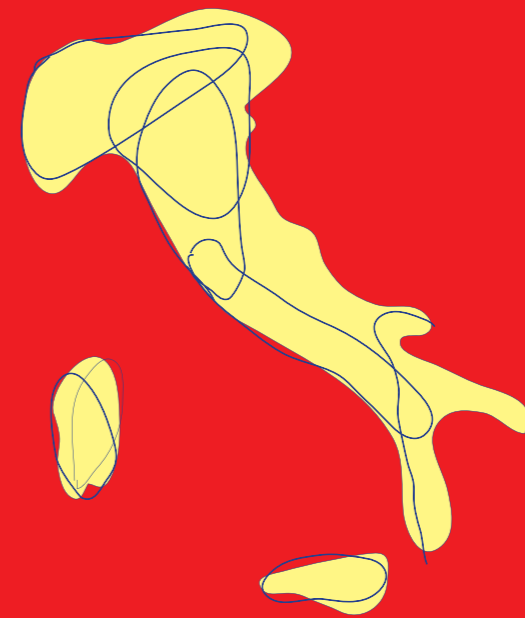
## KPMG LLP UK at Vodafone Italia during the audit process for the Vodafone Group Sustainability Report

KPMG LLP UK was appointed by Vodafone Group Plc to provide an "Assurance Opinion" on the Vodafone Group Sustainability Report ([www.vodafone.com/responsibility](http://www.vodafone.com/responsibility)); an integral part of the audit process was the visit by KPMG LLP UK to certain operating companies in the Group including Vodafone Italia.

The visit took place on 22 and 23 April 2010 at the Milan offices and included a series of interviews and analyses involving the editor-in-chief of the Sustainability Report, who is on the company's board, the CR team and the senior managers responsible for the management and development of operations, initiatives and processes related to corporate sustainability. Overall, over 50 people were interviewed from the most significant company departments with the aim of covering all of the audited areas identified by KPMG LLP UK and listed below:

- the principles of inclusivity, materiality and responsiveness in the AA1000 Assurance Standard (2008) guidelines, which are used to evaluate the degree to which sustainability is integrated into the company's operating processes.
- The accuracy of the data collection process focusing on several performance indicators, including:
  - The use of energy and climate change
  - The collection and reuse of telephones
  - The recycling and reuse of network equipment
  - Data on work-related accidents involving employees
- The development of company performance in relation to Group targets together with the development and integration of Group policies in the following areas:
  - Research on company employee wellness
  - Access to communications
  - Mobile phones, antennas and health
  - Network development
  - Focus on customers
  - Integrity of the supply chain

Once the process was complete, KPMG LLP UK drafted a report including observations and suggestions aimed at improving business processes; Vodafone Italia will take these into consideration in its plans for next year.



**1.0**

Vodafone Italia's contribution to Italy

# 1.0

## Vodafone Italia's contribution to Italy<sup>2</sup>

Vodafone Italia has always focused on technological innovation, in both its products and its services, as it is well aware that this is not only an opportunity to develop and grow its business but that it also serves as a more general driving force for economic and social development in Italy - the means for spreading a digital culture and simplifying the work and communication processes that are progressively involving individuals, other production sectors and the government.

Vodafone Italia has been focused on corporate social responsibility for quite a few years now and this path has led the company to place increasing emphasis and importance on the communication of its economic, social and environmental performance through the publication of the Sustainability Report. Consistent with this focus, the company chose to extend the traditional scope of sustainability reporting in 2010 to include information on the economic and social impacts of its corporate operations in Italy.

This idea stemmed from Vodafone Italia's desire to inform stakeholders of all the elements that increase the economic value of a business while simultaneously contributing to the development of the country. The Group views the publication of these results as an opportunity to communicate more openly and effectively with its principal stakeholders.

### Summary of economic and social indicators

8.176 employees

Over 33,000 jobs created indirectly, equal to about 20,500 FTE

Approximately 793 million euro of total income generated for Italian families

Approximately 4 billion euro contributed to company income throughout Italy

2.4 billion euro contributed to the generation of public income

# 1.1

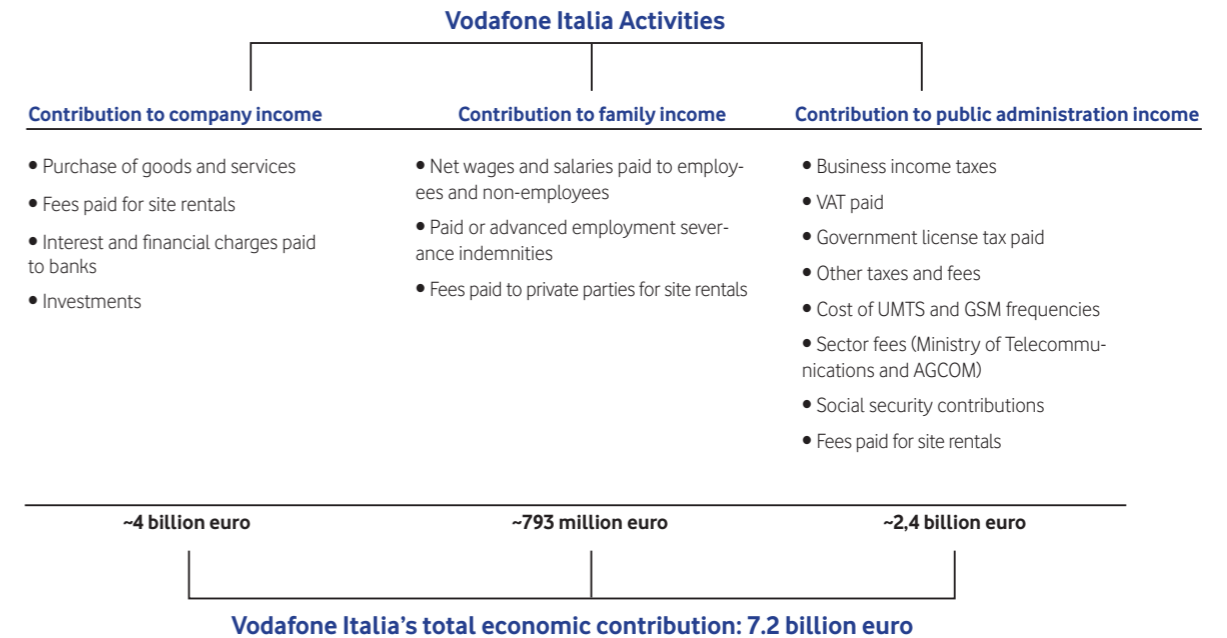
## Economic contribution

As the primary mobile telecommunications operator, Vodafone Italia plays a key role in the economic and social life of the country.

Vodafone Italia's direct economic contribution to the Italian economy consists primarily of the generation of income that the company, through the series of activities it carries out, contributes to three macro-groups of stakeholders:

- Companies;
- Families;
- Public Administration.

Over the course of the 2010 financial year, this contribution to income generation for these stakeholders amounted to a total of 7.2 billion euro, which represents the direct impact of company operations on the Italian economy.



### Contribution to company income

The principal element driving the economic subsystem that Vodafone Italia supports is the company's direct expenditure on the purchase of goods and services, which amounts to approximately 3 billion euro. Vodafone Italia's operating activities are supported by a demand for goods and services that is 85% fulfilled by Italian companies or the local subsidiaries of multinational companies. The principal economic/production sectors in which company expenditure is concentrated include industrial purchases for the network, marketing and advertising services and the purchase of electrical equipment. These are sectors with a high

concentration of capital, technology and expertise that typically reinvest significant amounts of company income in research & development. The company's suppliers offer the clearest picture of Vodafone's influence in Italy and are primarily concentrated in three regions: Lombardy, Lazio and Piedmont. Vodafone Italia has approximately 8,000 Italian suppliers in total and, according to an ISTAT reclassification of economic sectors, approximately 3,600 of these operate in the information and communication services sector, 2,000 in professional, scientific and technical fields, 1,000 in company support

services and 700 in manufacturing. In addition to direct expenditure on goods and services, Vodafone Italia also invests a total of over 1 billion euro in the purchase of tangible and intangible assets, approximately 860 million of which is invested in Italy. Another key contribution are the rental fees Vodafone Italia pays to Italian companies for the sites where it stores network boosters and transmission equipment, which amount to 133 million euro.

2. See methodological notes on p. 10.

## Contribution to family income

Approximately 793 million euro of total income is generated for Italian families, including approximately 334 million euro of direct contributions and 459 million euro of indirect contributions. Vodafone Italia has 8,176 direct employees and over 33,000 indirect employees. In 2010 the company paid wages and salaries, generated both directly and indirectly, for a total sum of around 710 million euro. In addition, it paid and advanced 3.4 million euro in severance indemnities to employees, approximately 3 million euro for the reimbursement of medical expenses from the FSIO (the Internal Solidarity Fund for employees and executives) and over 1 million euro in annual fees to the Fondo Telemaco as a supplementary pension, for a total contribution of over 717 million euro.

Another key element in Vodafone Italia's contribution to the income of Italian fami-

lies is represented by the fees it pays families and buildings for site rentals, which amount to approximately 76 million euro and serve as further proof of the company's capacity to spread wealth throughout the nation.

## Contribution to public administration income

The company's principal contribution to public income comes from payments made to tax authorities (i.e. business income tax, VAT paid, government license taxes), which have swelled the government's funds by a total of 2,064 million euro.

The cost of UMTS and GSM frequencies used during operations totals 172 million euro, which does not include the approximately

21 million euro of fees paid to the Ministry of Telecommunications and the National Competition Authority. Since 1994, Vodafone Italia has paid the Italian government 1,170 million euro for the purchase of GSM and UMTS licenses. It has also made significant contributions to social security institutions, amounting to approximately 130 million euro. Local public administration has directly benefited from the approximately 27 million euro of total fees paid for site rentals, which has helped to increase available resources in numerous municipalities and mountain villages.

# 1.2

## Job creation

### Direct job creation

Vodafone's economic contribution is only one aspect of its overall impact on Italy, which also includes significant direct and indirect job creation. The company operates in Italy with an organisation subdivided into 12 Divisions and employs a direct workforce of 8,176 people as well as the 59 people at Tele Tu. The allocation of personnel throughout the country is illustrated in paragraph 6.1 in the Human Resources section of this Report.

### Indirect job creation

The ability of a company to positively influence the employment rate is dependent on the type of activities it performs and its relations with the diverse production sectors that support its business processes, specifically upstream and downstream business. At Vodafone Italia upstream sectors primarily include the suppliers that the company purchases from for the production of the goods and services it distributes and sells on the market; downstream sectors include the distribution and sales network that the company uses to sell its products and services.

In addition to the jobs generated indirectly by these sectors, jobs are also created through services that support company operations such as Customer Care. The number of work units launched in the various production sectors that are involved in company operations is estimated at over 33,000 people (approximately 20,500 FTE), divided between the supply chain (approximately 16,400 people; 6,400 FTE), the sales network (over 9,600 people; 8,700 FTE) and Customer Care (approximately 7,000 people employed principally in the South; 5,400 FTE), and is detailed in the table below.

### Supply Chain

- Approximately 16,400 people (equal to 6,400 FTE) work in the supply chain; 387 of these work in warehouse and logistics services
- Over 90% work in the services and network equipment sector; the remainder are primarily employed in consulting and advertising

### Sales Network

- Business and Corporate: 2,850 people (2,650 FTE) with over 50% working in the North, 28% in Central Italy and the remainder in the South
- Consumer: approximately 6,800 people (6,060 FTE) working primarily in franchise stores (43%), shared stores (22%) and agencies (18%)

### Customer Care

- 7,000 non-employees of VI (5,400 FTE)
- 70% are located in Central/Southern Italy, specifically in Puglia, Campania, Calabria and Sicily
- 80% work under salaried contracts, which are primarily open-ended, and the remainder under project-based contracts

# 1.3

## The development of human capital

For Vodafone Italia human capital represents a strategic resource that contributes both to the company's innovation and economic growth and the country's social and economic progress and development. Skills development has the dual strategic value of enhancing the potential of each single person and determining the success of the company as a whole.

In 2010 Vodafone Italia organized 94,089 training days equally divided among employees (47,883) and non-employees (46,206) for a total investment of approximately 6 million euro.

Over the course of recent years, the company has provided an average of 50% more employee training days than other fixed and mobile telephone operators.

In developing the technical and professional skills of Vodafone Italia employees, the company works with external companies specialised in the sector but also its own training staff, and focuses its training courses on all business areas and all functional levels.

An example of Vodafone Italia's focus on human capital is the skills development of call centre operators, which counters the trend found in other companies that often view these structures as primarily a means to reduce employment costs.

In an economic context where many companies are working to move their call centres abroad, Vodafone Italia has chosen to continue investing in the development of its own operators in Italy.

In fact, the company is well aware that its success is connected to the professionalism of the people who work in these structures, particularly in the highly competitive telephony sector where the acquisition, retention and loss of customers can make a difference.

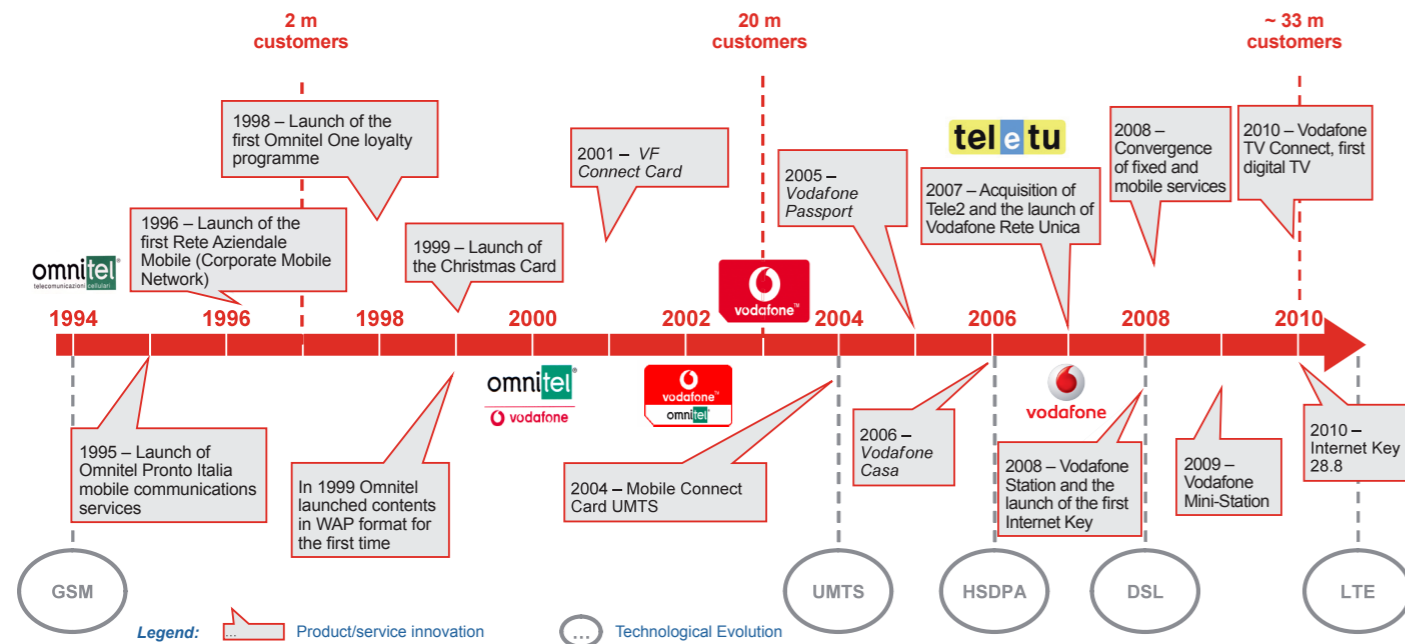
The operators working at Vodafone Italia Call Centres represent over 10% of total sector employees in Italy. Approximately 80% of these operators work under salaried contracts, which are primarily open-ended, and the remainder work under project-based contracts on specific business activities and in compliance with current legislation.

Vodafone Italia provides specialised training primarily for these operators, which in 2010 amounted to approximately 23% of the training days organized for CRM employees. The service is structured so that each call centre focuses only on one specific topic: this enables operators to provide customers with expert assistance and personalised services.

The Vodafone Italia Call Centre offers a training plan that includes regular and ongoing training and career advancement possibilities, as can be seen by the many company managers who began their careers here.

# 1.4

## Contribution to innovation and the market



Innovation is one of the most important strategic tools that companies can use to make a difference on the market. In its sixteen years on the Italian market, from the first telephone call and SMS to today, Vodafone Italia has contributed to the development of mobile communications in Italy, merging these with established fixed services when it acquired Tele2, now Tele Tu, in December 2007. This journey began in 1995 with the launch of mobile communications services that enabled the company, then Omnitel, to reach 2 million customers by 1997 and break even the following year.

As "Vodafone" the company reached 20 million customers in 2003. This success was due in part to the launch of the VF Connect Card and contents in WAP format, which Vodafone Italia used to strengthen the integration between Internet technology and digital mobile communications on the market, services that were further expanded with the Mobile Connect Card UMTS that provides access to UMTS services.

In 2005, it expanded its portfolio of products and services with the introduction of Vodafone Passport, a service for placing international calls at national rates. In 2006, the company launched Vodafone Casa, which offers fixed telephone services together with an Internet connection. In 2008, the company strengthened its range of fixed services with the Vodafone Station, an exclusive ADSL Router for Internet access. In 2010, the company launched Vodafone TV Connect, a high definition decoder that can be used to access dedicated Internet applications, making it possible to view subscription channels, record programmes on flash drives and watch videos, and also introduced the Internet Key 28.8 that enables users to connect their desktop computer or laptop to mobile broadband, without requiring a connection to a fixed network or connection cables.

Also in 2010, the company launched self-care applications ("Do it yourself" customer assistance) for the iPad, completing its strategy focused on multichannel customer service that lets customers choose their preferred method of communication.

Vodafone Italia's dedication to ongoing and constant technological innovation is reaffirmed every year in an investment plan that ultimately focuses on ensuring quality customer service and optimizing operational efficiency as the key elements for competitiveness and growth. In 2010, the company invested approximately 1 billion euro in the purchase of tangible and intangible assets, approximately 547 million euro of which went to the development of technology infrastructures.

Its contribution to innovation is not limited to the launch of new products and services on the market, but also includes the creation of conditions that can open the door to technological evolution in the country by providing access to increasingly advanced next generation networks. This probably represents Vodafone Italia's greatest economic and social contribution to the Italian economy, and this has led the company to use increasingly superior network technology beginning with GSM and evolving into UMTS, HSDPA, HSPA, DSL and, in the near future, LTE (Long Term Evolution), the fourth generation of mobile communications that will make it possible to provide services on mobile networks that are comparable to those offered by fixed networks.

The innovation of products and services and increasingly advanced next generation networks is complemented by customer service innovation, which has distinguished Vodafone Italia since 1994 when its first slogan highlighted its focus on listening to the customer: "We listen to you". From this point of view the company has contributed to the evolution of the Italian economy by promoting the creation and development of customer services, abandoning the traditional "information office and physical counter" in favour of "virtual" services that are easily accessed, free and welcoming for customers.

Finally, it should be noted that Vodafone Italia's products and services are designed according to the needs of an increasingly evolved and sophisticated customer and aim to increase the accessibility of all the new products and services that have been influencing technological evolution in recent years. The reliability of the network, good value, innovation, simplicity of services and use and widespread presence throughout Italy are the principal driving forces behind a company that whose goal is to anticipate and support the development of new technologies for the benefit of the market and country.



# 2.0

Vodafone Italia and the Vodafone Group

# 2.1

## Who we are, where we operate

Vodafone Italia belongs to the **Vodafone Group**, the largest international mobile communications group in the world, with significant presence in Europe, Africa, the Middle East and Asia Pacific where it operates subsidiaries, joint ventures, affiliated companies and equity investments. It has also drawn up market agreements with other countries throughout the world. As of 31 March 2010 the Vodafone Group had approximately 341 million customers and almost 85,000 employees.

The company is organised into two geographical regions, each of which has its own CEO:

- Europe;
- Africa, the Middle East and Asia Pacific.



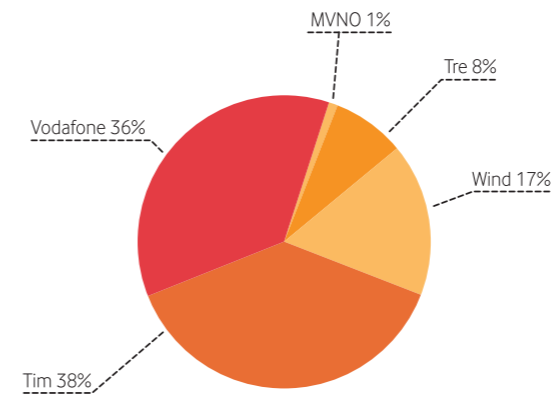
Europe	Africa, the Middle East, Asia Pacific
Albania	Ghana
Germany	Egypt
Greece	Lesotho
Ireland	India
Italy	Mozambique
Malta	New Zealand
Netherlands	Qatar
Portugal	Republic of Congo
United Kingdom	South Africa
Czech Republic	Tanzania
Spain	
Romania	
Turkey	
Ungheria	

For additional information: [www.vodafone.com/responsibility](http://www.vodafone.com/responsibility)

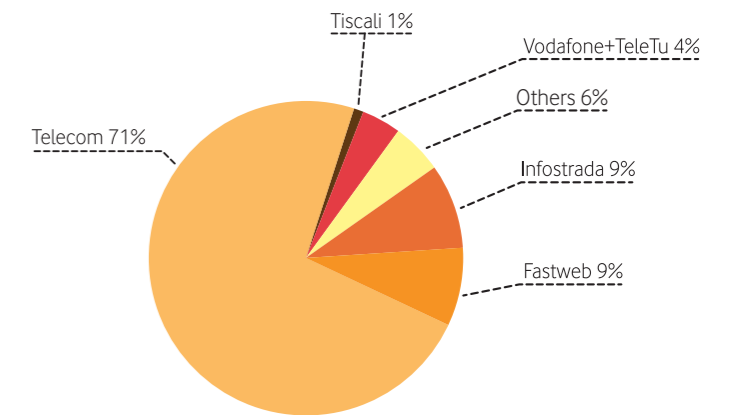
As of 31 March 2010 Vodafone Italia had 8,117 employees as well as 59 people at Opitel S.p.A. (TeleTu). Vodafone Italia operates in 55 offices, at over 7,000 stores, 900 of which are single-brand, distributed throughout Italy and 8 Call Centres in Milan, Rome, Padua, Ivrea, Naples, Pisa, Catania and Bologna that manage on average 7.4 million telephone calls per month.

The GSM network covers over 97% of the country, equal to 99.4% of the population; the UMTS/HSDPA network covers 80% of the population. Vodafone Italia has international roaming agreements with 545 operators in 241 countries and 32,815,678 million customers including Opitel S.p.A customers.

TC: mobile market shares for 2009



TC: fixed line market shares for 2009



Source: Company Reports and Deutsche Bank overview of Italian telecoms Market (May 2010). Market shares refer to revenue.

## 2.2

### The evolution of the telecommunications market

Following the global economic crisis that began in 2008 and culminated in 2009 (an "annus horribilis" for economies worldwide), during the first months of 2010 the decrease in the GDP worldwide began to slow and financial market conditions improved slightly.

Despite the severe crisis, the telecommunications sector still recorded growth in 2009, particularly in terms of volumes: global users reached 6.3 billion (a significant increase in mobile lines and considerable stability in fixed lines). The increase in volumes led to a growth in revenues (the sector grew as a whole by 1.7%, as compared to the previous year's 3.8%), margins and investments by telecommunications operators.

As for individual macro areas, considerable stability was recorded in the most mature markets (+0.8% in North America and -0.8% in Europe), while emerging economies were characterized by more significant growth rates: the Middle East and Africa +8.5%, Latin America +5.8% and Asia Pacific +2.7%.

#### The European telecommunications market

On a European level, however, the economic crisis had a significant impact on the telecommunications market and the increase in volumes was not generally compensated for by sufficient revenues and margins. Overall, there was a slight decrease in revenues (-0.8%) for the first time in a decade. The market was characterized by profound changes in terms of service provision methods and their contents. In EU-5<sup>3</sup> countries in particular the tendency toward fixed-mobile replacement became clear: from 2006 - 2009 fixed lines fell continually by 3% per year while the penetration of mobile lines reached an average of 125%.

As for fixed line telephony, in 2009 the decrease in sales for traditional services was

not compensated for by the growth of the data and Internet division (+5.2%), recording a -7.1% as compared with the previous year.

Due to competitive pressure and the progressive lowering of rates for termination services, the mobile segment instead recorded an insignificant revenue growth of 0.2% for the first time, while the number of active SIM cards grew by 2.3% reaching almost a billion. The most significant growth rates were, both for the fixed and mobile segment, in broadband services, although it is important to note that the largest European markets are still far from high saturation levels. In addition, as compared with the global context where a considerable

number of alternative infrastructures are replacing the copper networks of incumbent operators, xDSL is the largely dominant access technology in Europe (74% of broadband access at the close of 2009).

The phenomenon that has had a significant impact on Europe over last two years remains, however, an increase in the spread of mobile broadband: in EU-5 countries this constituted half of new connections for 16% of total broadband access at the close of 2009.

1.1% while data services increased by 1% and "other revenues" (e.g. the sale and rental of terminals and accessories) decreased by 18.3%.

The decline in the entire telecommunications sector inevitably led to a cut in "extraordinary" expansion plans for fixed line and mobile networks, which nevertheless maintained one of the highest levels of investment in mature markets in the EU-5 (14.5% of investments as a percent of 2009 revenues in Italy as compared, for example, to the 12.6% in France and 11.8% in Germany).

Both for fixed and mobile lines voice service prices appear competitive as compared with other EU-5 markets and have continually decreased unlike all the other regulated services

in Italy, following a trend contrary to that of the general consumer price index.

As concerns the development of broadband in Italy, despite elevated growth rates and a penetration in 67% of families at the close of 2009, the country is still lagging behind countries such as the UK, Germany and France and its increase in connections comes primarily from the mobile segment. This is principally a delay in infrastructure

(which translates into large increases in wholesale costs), and so the need for real competition among fixed line network providers and the creation of conditions that encourage the development of next generation networks is clearly necessary.

To this end, in May 2010 the principal operators (Vodafone, Wind and Fastweb) presented the "Fibre for Italy" project, whose goal is to

develop a new fibre optic network, an infrastructure that is indispensable to the social and economic development of the country.

Sources: Analysis & Mason, AGCOM Annual Reports, "Comparative International pricing 2009", Ofcom

## 2.3

### Vodafone Italia organization

The continually evolving market is increasingly focused on technology that can support new multimedia services, the increasing demands of customers and their growing differentiation, which requires flexible organizational structures that can respond to changes and guarantee a high level of service.

Over the last year, Vodafone Italia has strengthened its organizational structure with the aim of:

- continuing to support the development of multimedia services without neglecting the evolution of the core business;
- expanding into the fixed line network sector;
- ensuring the united and uniform monitoring of the customer base, organizing areas of responsibility in accordance with market objectives;
- focusing resources and skills on activities targeted at business customers;
- enhancing the fluidity and speed of interdepartmental processes both within the company and with commercial and technological partners;
- enhancing effectiveness and operational efficiency within Group mechanisms and in relations with other Group companies.

To this end, it was decided that fixed line network departments should be further integrated into the divisions, simultaneously ensuring a strong focus on fixed line network services and a simpler way of working.

Within the Enterprise Division, the Marketing and Sales departments focused on two macro segments of customers (corporate and business) so as to provide the best service and monitor our partnerships with the largest customers.

Over the course of the year the structure of the "Online Services" department was strengthened; this department is part of the Customer Operations Division and is responsible for managing the website, an important point of contact with Vodafone Italia customers. The new structure was defined in collaboration with Vodafone's parent company with the goal of developing and reorganising the strategy for the online channel, ensuring focused management of the new channel, stimulating and building stronger relations with customers and improving their experiences through the development of a best-in-class online experience.

Over the course of the year, the structure of the Technology Division was also optimized with the goal of streamlining decision-making processes, maximizing the focus on delivery and facilitating execution. This involved the definition of structures focused on the process of creating and maintaining the radio network and a quality department. Finally, "Video & TV Connected Home" was created within the Consumer Division with the goal of analysing and offering video services to customers.

The "Strategy & New Business" Division was also created, which reports directly to the CEO and includes departments dedicated to:

- analysing market strategies and economic features, defining appropriate actions to ensure competitive positioning and the creation of value in Vodafone Italia;
- defining the wholesale corporate strategy and ensuring its execution;
- overseeing the monitoring of interdepartmental processes dedicated to the fixed line network and identifying solutions for achieving operational excellence;
- identifying innovative products and services to launch.

With a view to continual improvement, numerous organizational modifications were planned, which aim to reduce hierarchical levels, facilitate and speed up decision-making processes and communication.

3. France, Germany, Italy, UK and Spain.

# 2.4

## Sustainability in Vodafone Italia and the Vodafone Group

For quite some time now Vodafone has chosen to follow the path of “corporate responsibility” that today is translated into the development of “sustainable” policies shared on a Group and local level. Vodafone operates in the belief that the long-term success of a company also depends on its ability to satisfy or even anticipate the cultural, social and economic needs of the country. Carefully listening to its various stakeholders serves as the basis for the company’s culture, internal sensibility and initiatives that embody the sustainability principle.

The Vodafone Group is responsible for centrally coordinating the sustainability strategy and shares its priorities and guidelines with local operating companies; teams dedicated to the development of sustainability, which operate and manage themselves independently, collaborate centrally and locally with other corporate departments to ensure that activities are consistent with and incorporated into the adopted principles.

### Sustainability in the Vodafone Group

Over the last year, the Vodafone Group’s sustainability strategy was reviewed and simplified with the goal of contributing more effectively to the sustainable development of the countries where the company operates by efficiently managing resources and the impact these have on the market. Building increasingly confident relationships with customers and operating in a spirit of innovation are the distinctive elements that define company operations.

To support this process, the Vodafone Group has defined a mission including three strategic goals and eight internal objectives within which the company identifies and develops its sustainability projects. Sustainability processes within the company are supported, both on a Group and local level, by a shared value system based on business principles. These define Vodafone’s methods of operation, in compliance with laws and universally recognized standards, and are an important illustration of Vodafone’s way of doing business.

The principles express the commitment of the company and its entire staff to following a correct enterprise policy as concerns all stakeholders including parties that interact with the Group and with individual countries: shareholders, employees, customers, business partners and suppliers, governments, authorities, municipalities, society and the environment. The entire Vodafone staff must learn and comply with these principles, respecting and protecting the company’s integrity and reputation.

<b>Mission</b>	To be admired as a diverse ethical company, operating responsibly and providing services that enable a more sustainable society for our customers		
<b>Goals</b>	Leading communications company for responsible, ethical & honest behaviour	Leading communications company for eco-efficiency - doing more for customers with less	Leading communications company for creating sustainable societies
<b>Objectives</b>	<ol style="list-style-type: none"> <li>1. Ensure Vodafone and our suppliers have an ethical supply chain</li> <li>2. Deliver accessible products and services</li> </ol>	<ol style="list-style-type: none"> <li>3. Reduce our CO<sub>2</sub> emissions by 50% by 2020</li> <li>4. Be recognized as having the most customer- relevant environmental sustainability initiatives in our industry</li> <li>5. Establish joint CO<sub>2</sub> reduction strategies with key suppliers</li> <li>6. Build e-waste management capacity in key emerging markets</li> </ol>	<ol style="list-style-type: none"> <li>7. Deliver innovative products/services recognized as contributing to the Millennium Development Goals</li> <li>8. Provide 10 million carbon-reducing M2M connections</li> </ol>

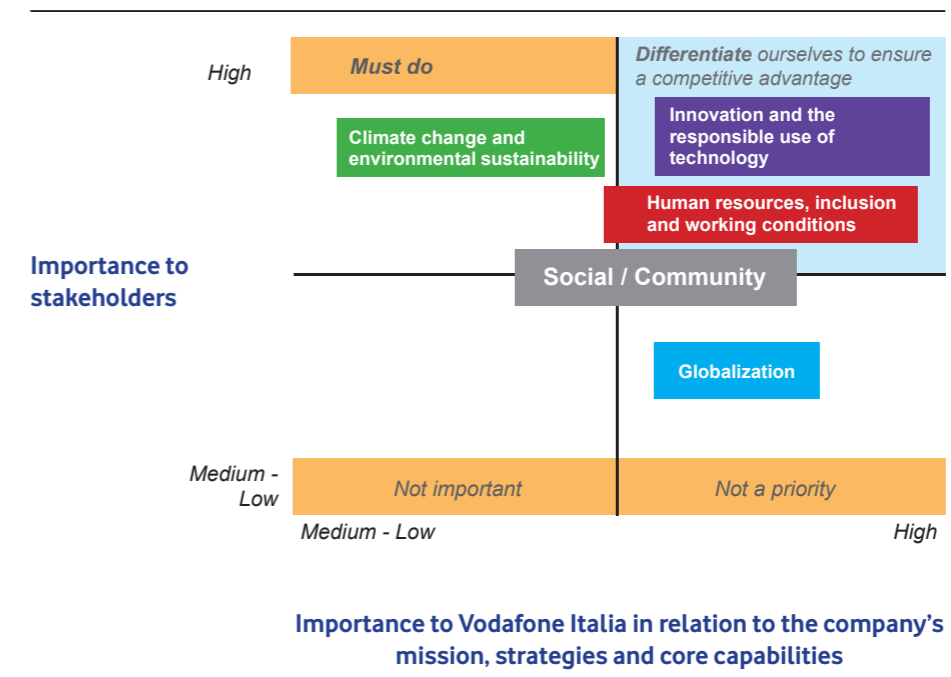
For additional information: [www.vodafone.com](http://www.vodafone.com)

### Sustainability in Vodafone Italia

Over the last year, Vodafone Italia also reviewed its sustainability strategy. This process, which involved company management, led to the identification of several areas of concern deemed to be important for the company and majority stakeholders. The importance of each area was evaluated in relation to the Vodafone Mission, the company’s strategies and core capabilities while the importance to stakeholders was evaluated through a qualitative and quantitative market analysis, benchmarking the company against other key companies committed to sustainability and performing qualitative interviews on spe-

cific stakeholder categories such as: “Opinion Leaders & Media” and “Government and Institutions”. The stakeholder involvement process that Vodafone Italia implemented included internal and external meetings, focus groups, satisfaction questionnaires, annual internal climate surveys, surveys on the perception of Corporate Responsibility activities and market research aimed at defining action priorities for the company on topics deemed to be of the greatest importance for stakeholders. The company recorded all possible critical issues that emerged during contacts and dialogue with stakeholders and transformed

these into opportunities for growth and development. For each area, specific topics were identified on which the company will work to develop projects in the near future. The results of the plan were shared with the Executive Board, and company management, based on its relative areas of expertise, worked to develop the necessary actions for each key area.



In line with the Group and Vodafone Italia, corporate sustainability is supported by a series of tools including: the Code of Ethics, the Organisational Model as per Italian Legislative Decree 231/2001, the Code of Ethics for Purchasing, policies and guidelines that ensure correct company behaviour and management during various business processes. The customer is especially important to Vodafone and is absolutely central to the definition of company strategies. This is why the company created the Vodafone Way in 2009 – the cultural motor of the company that inspires Vodafone’s approach to work and its relations with customers, focusing

on winning their approval. With the goal of gaining their respect the company is committed to:

- completely dedicating itself to satisfying customers, understanding their desires and offering solutions that are always able to surpass their expectations;
- living in the present but with a view to the future, always in search of innovative products, services and solutions that can anticipate the desires of customers;

- expressing its daily dedication to identifying and achieving new goals, both as concerns customers and the market, being ambitious and competitive and a market leader every day while always striving for excellence;
- viewing itself as a part of a large company present in numerous markets, that is also deeply rooted in its own country, exploiting to the maximum the advantages of its international dimension and placing these at the service of the community.

# 2.5

## Relations with Organizations and Institutions

As always, Vodafone Italia's activities and presence within institutions are defined by determination but also great transparency; it promotes its ideas through the most suitable outlets for a more balanced development of the communications industry and the country and instils the company with an awareness of and focus on the interests of citizens, expressed through representation in other institutions.

The company contributed to three basic areas: the industrial sector, the economic development of the country and finally through the broader contributions a large company feels it should offer the community in which it operates.

The fundamental topics that Vodafone Italia has stressed and focused on in the industrial sector are next generation fibre networks and the digital divide. In fact, following Italian Law no. 69 passed in 2009, the government made available up to a maximum of 800 million euro to bridge the digital divide in the so-called underused areas of the country. Unfortunately the funds were not approved by the CIPE, due in part to the current serious economic and financial crisis.

Vodafone Italia believes in the importance of mobile technology in reducing the digital divide and has encouraged a focus on this increasingly efficient technology on various occasions, specifically: during 'Marconi Day' ("Giornata Marconiana", 11 December 2009), by attending the "Italia in Rete" conference (20 May 2009) and participating in a study on networks together with the Chamber of Deputies Transportation, Postal and Telecommunications Commission in March 2009.

With the firm belief that the spread of broadband is a key factor for the future of the country and will increasingly influence the development of society and businesses, Vodafone Italia is launching the **"1000 COMUNI" (1000 MUNICIPALITIES)** project. Beginning in January 2011 the company will work to provide access to at least one municipality a day over the next three years, extending radio coverage to almost all Italian municipalities, in addition to continuing to invest in enhancing network quality and coverage where it is already present.

On a local level, the company has numerous technical and operating offices located from the north to the south of Italy. Each day hundreds of Vodafone Italia personnel dedicate themselves to providing quality services in both technical and commercial areas, working in the countless telecommunication infrastructures widely distributed throughout the nation. This creates very strong local institutional relations both giving credence to our daily operations and sharing methods and timeframes for developing the mobile network with municipalities.

Italy's institutional structure includes a series of administrative levels (municipalities, provinces, regions and central government) that are more complex than those in other European countries. Each of these levels has different administrative and geographical powers and it is thus essential to maintain continual relations over time with each body, monitoring the legislative and leadership activities that influence our business.

Until today broadband networks have been developed regionally and are often organized and structured differently from one another, also in terms of their physical structure and governance. This has required dialogue and highly active and proactive relations with each region in order to synchronize the development model throughout the country. The activities of local institutions have been essential to understanding how each region has worked to promote the development of broadband with the operators present on the market.

As for next generation networks, Vodafone Italia has emphasized, along with many institutional stakeholders, the need to create a company composed of private capital and operators, investors and public bodies whose purpose is to build the new fibre network, selecting an architecture that can ensure the contestability of the end customer and thus preserving the competitive dynamics between operators, which are the sole factors that can ensure healthy and profitable development.

Various parliamentary and government initiatives have been pursued with the purpose of contributing and collaborating in the development of relevant sector regulations. In particular, in addition to monitoring legislation and evaluating the drafts of regulations, Vodafone Italia has supported Confindustria, specifically work groups in Assotelecomunicazioni-ASSTEL, an association in the Confindustria system that represents companies offering telecommunications services.

The work groups focused on various topics and promoted shared positioning on issues such as M-Payments to the government and Banca d'Italia and contents and copyrights for requesting a self-regulation code from the executive.

The company also supported ASSTEL during a hearing at the Chamber of Deputies Joint Committees on Culture and Transportation on the outline of the legislative decree implementing Directive 2007/65/EC by the European Parliament and Council on 11 December 2007, which modifies Council Directive 89/552/EEC on the coordination of specific legislative, regulatory and administrative provisions for member states concerning television (22 January 2010).

Within the broader arena of Italy's economic development, one of the most significant events of the year was the initiation of the class action suit on 15 August 2009. By participating in the co-operative discussions of ASSTEL, CSIT and CONFINDUSTRIA, Vodafone helped to provide clarification, particularly on the topic of retroactivity that, as compared with the initial formulation, could cause controversial interpretations, limiting and confusing the applicability of standards, which is in itself an important stimulus for competition and correct business practices.

# 2.6

## The Vodafone Italia Foundation

### We said.

• **Launch the second phase of the World of Difference programme involving 20 people including Vodafone Italia employees and customers > MARCH 2010**

• **2nd edition of Foundation Day including the participation and involvement of Vodafone Italia customers > MARCH 2010**

In 2010 the Vodafone Italia Foundation supported **47 projects** for a total investment of **7,607,168 euro** with 31% in the south, 26% in the northwest, 25% in central Italy, 9% in the northeast and the remaining 9% spread throughout the country.

Key social areas primarily included disadvantaged children, the elderly in need and projects dedicated to city outskirts and immigrants. Since its establishment in 2002, the Foundation has invested a total of 46.5 million euro.

#### 2010 Foundation Resources (values expressed in euro)

Funds received	Vodafone Group Foundation	5.500.000
	Vodafone Italia	2.286.288
	<b>Total</b>	<b>7.786.288</b>
Funds used for operations		<b>625.537</b>
Funds destined for initiatives selected by the BoD		<b>7.607.168</b>

#### Distribution of funds by key areas in 2010

Key area	No. of Projects	Value in
Children	11	1.965.464
Outskirts	12	1.627.480
Immigrants	6	1.050.761
Other	12	969.563
Sports-Music	3	933.000
Law	2	559.416
World of Difference	1	501.484
<b>Total</b>	<b>47</b>	<b>7.607.168</b>

### We have.

**World of Difference.** During the year the second phase of the programme was completed, involving 20 people including employees and Vodafone Italia customers. The winners of this edition were given the opportunity to work at non-profit organisations supported by the Foundation for a period of time ranging from six to twelve months. The Vodafone Group decided to postpone the second edition of Foundation Day but the third edition of the area Roadshow took place. This is a training and cultural event held at the Call Centres of Vodafone's principal locations in Italy and included eight stops in Rome, Pisa, Ivrea, Bologna, Padua, Naples, Catania and Milan, which were attended by 466 people and a local association supported by the Foundation. The workshops aimed to promote ethical business values, spread culture, raise awareness and provide information on initiatives and projects completed within the community, inspire and strengthen the sense of belonging, collect opinions and discuss the Foundation's positioning concerning the company and market in general.

Last March at the Chamber of Deputies in Rome, the Vodafone Foundation organized a workshop called **"The new economy: the role of businesses and the development of non-profits"** in collaboration with Vodafone Italia and the Parliamentary Intergroup for Subsidiarity. The meeting was inspired by the latest encyclical letter "Caritas in veritate" from Pope Benedict XVI, which dealt with the relationship between corporate responsibility and social cohesion, economics and politics.

Beginning with the concept described in the latest encyclical letter – humanity has the responsibility and means to shape the world in which we live – the workshop speakers discussed ethics, the tertiary sector and new business models.

During 2010, the Vodafone Italia Foundation decided for the first time to organize a series of workshops entitled, "Business and Solidarity: comparing experiences and ideas", which also included the participation of Vodafone Italia's client companies and aimed to gather new information on activities and initiatives, launch and strengthen already existing partnerships and form new collaborations for sharing expertise, resources and experiences relative to social solidarity projects. The initiative was a success and will continue next year.

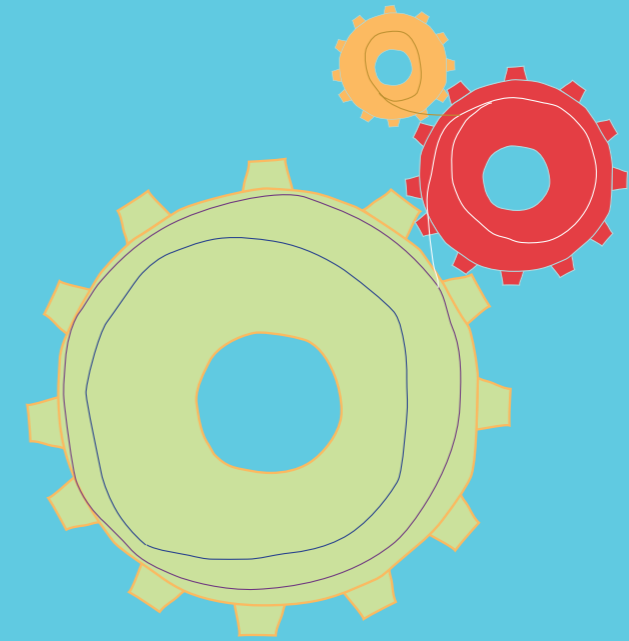
**Add a section in the library – culture as a tool for social cohesion.** The Cariplo and Vodafone Italia Foundations have launched a contest targeted at businesses operating in Lombardy and the provinces of Novara and Verbania, which is aimed at promoting libraries as places for cultural confluence and dialogue, making them accessible to both Italians and foreigners who normally do not use them.

The Vodafone Italia Foundation has also participated in the Mobicube Italia project organized by the Sodalitas Foundation. Forty managers from three businesses in the telecommunications and information technology market – the law firm DLA Piper, IBM and Vodafone Italia – freely dedicated 152 working hours to 103 students and 2 schools in Milan – the Istituto Comprensivo "Ilaria Alpi" and the Istituto di Istruzione Superiore "Piero Sraffa". This was an addition to the traditional course of study for students, who together with company managers developed an experiential programme focused on innovation in mobile phones.

Following the success of the first edition completed in 2009, the Mobicube Italia project will continue and involve a larger number of businesses and schools.

### We will.

**Launch the third phase of the World of Difference programme with the goal of involving 40 people including Vodafone Italia employees and customers who, for a period of six months will offer their services to the non-profit organizations involved in the programme and supported by the Foundation > MARCH 2011**



# 3.0

Governance at Vodafone Italia

# 3.1

## Governance and codes of conduct

The company bodies within Vodafone Italia include the Shareholder's Meeting, the Board of Directors and the Board of Statutory Auditors; audits are completed by the auditing firm in collaboration with these bodies. The Board of Directors is responsible for making the principal strategic, management and executive decisions as well as monitoring corporate performance, with the objective of carrying out the company's business plan.

The Board is elected by the Shareholder's Meeting and consists of nine members. Chairman Pietro Guindani is responsible for representing the company. The Board of Directors grants the CEO great independence in managing and decision-making, in line with the applicable regulations and provisions in the articles of association. The remaining Directors do not perform normal executive roles. The Board, in accordance with the company's governance model, relies on the support of several Committees composed of members of the Board as well as top corporate officers who are not on the Board. The Committees work alongside decision-making bodies as consultants on specific topics in business and economic/

financial performance, ensuring an effective dialogue and immediate interaction between the various company departments.

### The main Committees are:

#### The Executive Committee

composed of the senior managers at Vodafone Italia, it is responsible for monitoring Vodafone Italia's performance; it ensures an examination of the critical strategic and operational issues within the company and the communication between the various departments aimed at achieving Vodafone Italia's goals, in compliance with the Vodafone Group strategy.

#### The Public and Economic Affairs Committee

it discusses critical issues concerning regulatory, legal, institutional and public matters as well as corporate responsibility.

#### The Audit Committee

composed exclusively of non-executive directors, it verifies the adequacy and efficiency of the internal audit system and adopts, where necessary, suitable corrective measures, as better described in the paragraphs that follow.

### The internal audit system

The Board of Directors is responsible for the internal audit system and establishes the guidelines and verifies its suitability as well as effective and correct function, ensuring the accurate identification and management of corporate risks. To this end, the Board relies on the support of the Audit Committee, which operates independently (including financially) from other company departments. The CEO is responsible for defining the tools and methods for implementing the system while following the guidelines established by the Board of Directors; the CEO is also responsible for ensuring overall suitability, actual functionality and adaption to modifications in operating conditions and the legislative and regulatory system. The Audit Committee is assigned the typical tasks of verifying the suitability and efficiency of the system and, if it detects anomalies, proposing necessary corrective solutions.

The Internal Audit Department supports the Audit Committee and ensures continual monitoring of the internal audit system; the Internal Audit manager works in complete autonomy and independence and reports on activities to the Audit Committee.

In terms of compliance, since the parent company Vodafone Group Plc. is listed on the New York Stock Exchange, Vodafone Italia, like all the companies in the Vodafone Group, must adhere to the provisions of the Sarbanes Oxley Act (SOX). This law was introduced in 2002 by oversees lawmakers with the goal of improving governance in listed companies, ensuring the truthfulness and reliability of information in economic/ financial reports and promoting greater transparency in the stock market. Pursuant to the SOX, management is required to issue an annual statement certifying the effectiveness of the internal audit system as part of its financial reporting and obtain certification for this system from an external auditing firm.

This has led Vodafone Italia to precisely map the company processes that significantly impact financial reporting, the relative risks and controls and the periodical revisions of these aimed at improving the existing internal audit system.

During 2010, the criteria identified for determining which accounts and processes fall under the SOX included both their degree of importance and also the relative level of risk.

Review activities focused on 16 business processes. The company continually monitored the remaining 24 processes, updating all documentation. The final results showed no evidence of critical issues and Vodafone thus achieved SOX certification from the auditing firm Deloitte & Touche again this year.

### The Audit Committee

This committee is composed of three non-executive directors (two of which represent the majority shareholder and one of which represents the minority shareholder); decisions are adopted unanimously. Audit Committee meetings include members of the Board of Statutory Auditors, the auditing firm, the Internal Auditing manager and the Chief Financial Officer of Vodafone Italia. The Audit Committee offers consultation and proposals; in particular, as specified in the committee charter, it oversees: (I) the correct fulfilment by the management of its duties concerning the integrity of accounting and financial information, (II) the effectiveness of the internal audit system, (III) the activities performed by the Audit Department and by the auditing firm and (IV) Vodafone Italia's compliance with the requirements of the law, its articles of association and regulations.

### Organizational Model as per Italian Legislative Decree No. 231/2001

Vodafone Italia's internal audit system complies with the so-called Model for Organisation, Management and Control as per Italian Legislative Decree 231/2001, originally approved by the Board of Directors on 15 November 2005 (the "Organizational Model"), as well as the Code of Ethics, which is an integral part of the former.

In particular, the model consists of the "code of conduct concerning public administration" (divided into specific rules for relations with public administration representatives) and into "internal control schemes" that include (I) the principle phases of each process, (II) possible offences concerning the single processes and (III) preventive control activities aimed at avoiding related risks. The model has been officially updated several times by the BoD of Vodafone Italia, during meetings on 6 November 2007, 13 March 2008, 13 November 2008 and 16 March 2010, so as to adapt it to legal developments and in accordance with new applicable corporate offences. Today the model consists of 11 special parts.

### The Supervisory Body (SB)

Responsible for supervising the functioning and monitoring of the model, it is composed of three permanent members: (I) Chairman of the Board of Directors, Pietro Guindani, (II) Chairman of the Board of Statutory Auditors, Tommaso Di Tanno and finally (III) the Auditing Department Manager, Andrea Giordano. The SB is responsible for suggesting to the Board of Directors necessary modifications to the Organisational Model following changes in regulatory structure, the type of the activities Vodafone Italia performs and the methods it uses. Since its establishment, no specific critical issues concerning the implementation of the Organisational Model have emerged nor have any violations to the Code of Ethics been recorded.

The Supervisory Body met regularly during the 2009 - 2010 fiscal year. In addition, as concerns reporting on the other company bodies and the Board of Statutory Auditors, the Body, as per the Organizational Model, reported to the Board of Directors, Board of Statutory Auditors and the Audit Committee.

With a focus on monitoring continual updates and the suitability of the Model and in response to new regulations that extended the application of the administrative responsibilities of bodies to other types of offences as per Italian Legislative Decree no. 231/2001, the company launched a risk and control self assessment on its own activities and certain subsidiaries so as to identify the company's operating processes that are theoretically at risk for the following offences: A) organised crime offences (including conspiracy) introduced with so-called Safety Law no. 94 dated 15 July 2009; B) counterfeiting offences, the alteration or use of brands or distinguishing features such as patents, models and designs and offences concerning the introduction and sale of products under false brands; C) offences against industry and commerce; D) offences regarding the violation of copyrights (B, C and D, introduced with so-called "Development Law" no. 99 dated 23 July 2009); and finally, E) the offence of incitement to not testify or to bear false testimony before court authorities introduced by Law no. 116 dated 3 August 2009 ratifying and executing the United Nations Convention against Corruption.

These activities, facilitated by the Internal Audit Department and supervised by the Supervisory Body, directly involved company management in the evaluation of the degree of risk and applicability of these offences to Vodafone Italia's operations, its complex structure and size.

Upon completion of these activities, new Special Sections of the Model (from 7 to 11) were prepared, which identify the activities during which offences may be committed and include all behavioural norms, principles, provisions and functional procedures for the creation and management of a control system for sensitive activities aimed at preventing the aforementioned offences.

The BoD of Vodafone Italia met during the session on 16 March 2010 and approved the new Special Sections of the Model: Special Section 7 – Organised crime offences; Special Section 8 - Counterfeiting offences concerning coins, legal tenders, the value of stamps and distinctive instruments or marks; Special Section 9 – Offences against industry and commerce; Special Section 10 – Offences regarding the violation of copyrights; Special Section 11 – Incitement to not testify or to bear false testimony before court authorities. During the year the SB continued to promote and monitor company training and communication activities as concerns the contents of the Model and Code of Ethics. In particular, an ad hoc training model dedicated to the general understanding in Vodafone Italia of the Organisational and Governance Model in Leg. Decree 231 was included in the working@vodafone initiative created by the Human Resources Department to train new hires.

During a session on 30 April 2009 the Board of Directors of the subsidiary Vodafone Servizi e Tecnologie Srl adopted an Organisational Model pursuant to Italian Legislative Decree 231, prepared following the completion of the risk assessment project and assigned an ad hoc Supervisory Body.

SOX processes by risk level during 2010	Business	IT	SOX checks for 2010	Business	IT
Processes in scope	16	2	Key controls	73	34
			Supporting controls	12	34

## Code of Ethics

The Code unites the ethical principles and values that form corporate culture and are designed to guide the conduct and behaviour of parties operating in the interests of Vodafone Italia both within and without the corporate organisation, and consequently provides a mechanism for reporting violations and a penalty system for non-compliance.

The Code of Ethics and the Organisational Model are published both on the company intranet and the corporate website [www.vodafone.it](http://www.vodafone.it), in both Italian and English. In addition, all new hires, when signing their contracts, expressly accept the obligations of the Code of Ethics.

Vodafone Italia has signed several codes of conduct and self-regulation concerning consumer protection. In particular, in 2005, it signed along with other mobile operators the **Code of Conduct for the provision of premium services and the protection of minors** aimed at ensuring, in compliance with the freedom of information and expression, the protection of consumers and minors during the provision of premium services.

In 2008 a new stricter, more precise code was developed. **The Code of Conduct for premium services offered in decade 4 numbering**, signed by telephone carriers and the main content providers, presented to AGCOM and the Antitrust Authority.

This is the tool used to establish common operating guidelines for single premium SMS/MMS subscription services, with the goal of creating a uniform level of customer protection throughout the market, particularly in terms of service transparency. The Code was reviewed and expanded in 2009.

The **Code of Conduct for Telesales** contains insurance measures for the customer, which are principally expressed through the requirements of transparency, completeness and correctness in the management of the entire telephone service, from the presentation of the offer to its activation. The Sanremo Pact is a public/private operating agreement signed by over fifty representatives including companies and organisations that have adopted the guidelines for the distribution of digital contents.

In applying sector regulations on customer protection, Vodafone Italia has adopted the Customer Account Letter for fixed line telephone services, the **Customer Account Letter for mobile services and the Account Letter for Vodafone Sky TV services**. All three documents define the fundamental principals of the services offered by Vodafone Italia, service standards and the protection of customer rights, which include the ways in which customers can protect their rights if services do not correspond to the established principles and standards.

Other local and Group codes and policies cover the various fields in which the company operates. In particular, it is helpful to note the "Group Governance Policies and Manual" and the relative "local" policies adopted by Vodafone Italia in its application. These documents aim to ensure that the business is always conducted in compliance with regulations, the management always has the information required to best manage business-related risks and that all decisions are taken in accordance with appropriate approval, delegation and notification mechanisms.

## 3.2 The regulatory context

The regulatory framework in which Vodafone Italia operates has undergone numerous significant changes over the year, with the goal of modifying the competitive structure of networks and services and protecting user rights.

As concerns the laws that regulate the position of the former monopolist Telecom it should be noted that: (I) monitoring operations focused on the fulfilment of commitments adopted by Telecom for the relative Group inter-operator created by AGCOM; (II) the establishment of the OTA, a body responsible for facilitating legal disputes concerning wholesale relations; (III) the approval of new reference offers from Telecom Italia on the prices and conditions of wholesale services; (IV) the launch of a procedure for defining a new test model for prices in Telecom offers; (V) the removal of the "price cap" mechanism for Telecom retail services; (VI) confirmation of the previous obligations on unbundling and bitstream services and confirmation of the unbundling of 2009 prices so as to apply the new cost model.

Also as concerns fixed line services, it should be noted that the NGN Italian Committee was established to support to AGCOM on issues concerning the development of next generation networks. As concerns number portability, AGCOM has regulated the processes for both mobile and fixed line users, reducing portability times in both cases. As concerns mobile technology it is important to note that: (I) the administrative justice council has confirmed the rules adopted by AGCOM for avoiding so-called retention practices; (II) since August 2009 prepaid customers with MNP can request the simultaneous transfer of residual credit. For fixed lines it should be noted that a migration/PIN code is now required to request the portability.

As concerns universal service, AGCOM defined new quality parameters for Telecom Italia and modified the determination criteria for the so-called unprofitable areas. The Council of State revoked all AGCOM provisions from 1999, 2000, 2002 and 2003 concerning cost repartition for universal service.

Moving onto the topic of the radio spectrum, in June 2009 Vodafone, Telecom and Wind were awarded, in that order, frequencies within the 2.1 GHz band, which were initially assigned to operator IPSE, no longer present on the market. In November 2009 the first phase of the reorganisation process was completed for 900 MHz spectrum, in preparation for the so-called refarming that enabled Vodafone to temporarily increase the internal frequencies available within this bandwidth to 12 Mhz.

The national numbering plan adopted in 2008 underwent several modifications last year, in particular in terms of the implementation of the new decade 4 structure and fund raising services via SMS. The possibility of assigning numbering usage rights to virtual mobile operators and the transfer and reactivation methods for mobile numbering are still being discussed.

On a European level, the EU Directives within the new "Telecom Package" were adopted, revising the European Regulatory Framework from 2002. The principal changes introduced include: the creation of a new European Regulatory Authority (BEREC), plans for greater involvement by the Commission in managing the radio spectrum, provisions for ensuring greater transparency in offers, the requirement that the fixed and mobile number portability must be completed within one working day, new measures concerning personal data protection and privacy and the introduction of functional separation (unbundling) as a last resort.

The transposition of EU Directives into the national system is expected by 25 May 2011. With Italian Legislative Decree 11/2010 the European Directive 2007/64/EC (the so-called PSD Directive) was implemented within the Italian system, which created a single market for payment services that is also open to non-financial operators, with the goal of increasing the level of internal competition. The Bank of Italy then adopted the relative supervisory regulations applicable to payment institutions.

With the so-called Romani Decree the European Directive on audio-visual media services was implemented within the Italia system, and also extended several traditional television regulations to Internet media services. As concerns customer protection, the European Union established a maximum price for roaming SMS at 11 cents VAT excluded, with a wholesale threshold at 4 cents, a per second rate requirement for roaming calls and a cut-off for Internet roaming services in the event the 50 euro/month VAT excluded threshold is passed. AGCOM requested that operators adapt domestic offers to EU principles as concerns SMS and rounding prices; operators welcomed these rules with independent commitment. The application of a cut-off mechanism for mobile domestic service is also being evaluated.

Starting on 1 January 2010 fixed telephone customers will receive the barring service for certain premium services by default, but this can be removed if requested by the customer.

As concerns service quality, AGCOM adopted a directive that imposes precise quality requirements on operators in the provision of customer assistance services and detailed certain transparency obligations in communicating the performance of fixed line Internet services (a similar regulation is being discussed for mobile Internet services). As regards termination fees, certain pronouncements by the administrative justice council, contrary to those previously supported by AGCOM, made it possible to recover promotional discounts during termination.

As for the Internet, AGCOM is currently performing a survey of VoIP and P2P mobile services aimed at analysing the implications of user protection and competition in the behaviour of network operators.

The Ministry of the Interior requested that Internet players define, using a co-regulation code, measures aimed at countering certain Internet offences. AGCOM launched a study on methods of fighting Internet piracy; along the same lines new standards in the Romani Decree focused on the same issue as did several initiatives from the Anti-Piracy Committee established by the government. As concerns copyrights, the Ministry of Culture expanded the field of application of private copying "levies"<sup>4</sup> on new products, including mobile phones and computers.

The so-called "Milleproroghe" Decree extended the use of databanks established prior to 1/8/05 in telemarketing until the end of 2009. Law 166/09 introduced the usability principle for data contained in public lists in the creation of commercial telephone contacts, save where expressly specified by customers (so-called opt out). The Ministry of Economic Development submitted a definition of the implementation mechanisms.

The Italian Data Protection Authority adopted a new measure concerning customer profiling for commercial purposes, requiring: (I) for individual profiling the collection of explicit consent by the customer; (II) for combination profiling a preliminary verification of the nature of data used and processing methods (Vodafone has already requested this verification from the Authority and received information on the solutions to adopt in this field). The Authority also granted operators extensions on the timeframes for implementing measures, on system administrators and the storage of traffic data.

The National Competition Authority continues to be assertive and strict on the topic of incorrect commercial practices. The principal operations in the electronic communications sector involved: premium services, telesales, the transparency of advertising messages and technical/financial terms of services and the return of residual telephone credit.

2. The penalty procedure launched by the Authority in February 2009 concluded with the implementation of a sanction of 1,440,000 euro on Vodafone Italia, pursuant to art. 98, paragraph 11 of the Electronic Communications Code, for not responding to 14 number portability requests to another operator without providing documentary evidence of the existence of a wish to terminate the requests by the same customers.

The Authority dismissed the penalty procedure for three additional cases in which the company managed to provide written evidence of the termination of the portability request. Vodafone Italia paid the penalty but disputed the resolution under examination before the Regional Administration Court, emphasising the freedom of form principle in termination, the lack of an order/warning by the Authority required by law and the violation of the proportionality principle. The sentence of the Regional Administration Court in Lazio is pending.

The Antitrust Authority intervened in various fields, well beyond the limits of advertising and business communication; in particular, the following penalty measures were undertaken:

- Premium SMS services from service and content providers in which the joint liability of mobile telephone operators was granted (5 operations for a total of 415,000 euro)
- selling procedures using telesales and telemarketing channels (470,000 euro) including the statement of commitments, which were informally approved by AGCOM.

Of note is AGCOM's openness to accepting commitments and a greater focus during the preliminary investigation phase on defining several cases of incorrect commercial practices (first case of accepting commitments and first cases of moral suasion): AGCOM's different approach is viewed highly favourably in order to ensure a greater focus on prevention rather than the penalty phase. The majority of penalty measures were disputed at the Regional Administration Court; the first ruling was made following the trend in providers' services, cancelling the 285,000 euro fine on Vodafone Italia, as it was excessive and disproportionate as compared with the disputed business practices.

Concerning privacy, the Italian Data Protection Authority performed an inspection of the activation process for Prepaid SIM Cards in light of that specified in the general provision dated 16 February 2006 on not requested telephone services. The process is underway and the Authority is examining the documentation provided by Vodafone Italia. The Privacy Authority information requests on customer reporting concern, in particular, the activation of fixed line services through telesales and promotional calls performed by agents using lists of prospective customers not directly provided by Vodafone Italia. With the goal of raising awareness on this topic within the agencies the company sent a special notice to its agents that focused on the rules to follow during promotional contacts, in light of current regulations. During the year no related penalties were recorded due to non-conformity with laws or rules pursuant to current personal data protection regulations.

Local governments are still paying considerable attention to installing and updating of system technology, in accordance with people's unfounded preoccupation with the effects of electromagnetic emissions as well as the media's renewed focus on the topic and environmental issues.

Consequently, there were a large number of disputes with local governments this year as well. In addition, it should be mentioned that the implementation of the new Code standard that further promotes and accelerates the development of mobile broadband could create new reasons for tensions and disputes with local governments. Furthermore, Vodafone Italia has almost always managed to achieve provisions (rulings and orders) favouring the installation of systems from Regional Administration Courts.

The executive activities of the shared sites agreement signed with Wind Telecomunicazioni S.p.A., in addition to executive agreements in the analogous agreement already in force with Telecom Italia S.p.A., could be a cause for disputes with local bodies and private proprietary lessors.

No related monetary penalties were reported due to non-compliance with environmental laws or regulations.

## 3.3 The legal context

Over the course of this year the Regulatory Authority and Antitrust Authority continued to intensify their consumer and business protection activities. If on one side this caused the launch of new procedures and the application of new sanctions (several of which were not agreed upon by Vodafone Italia and were thus contested before the Administrative Court), on the other they inevitably supported and strengthened an awareness within our company of the need for a growing commitment to a focus on the customer, also in terms of transparency and the simplification of communication and contractual documentation.

Nevertheless, there remain a considerable number of customer disputes (both conciliations before the Regional Telecommunications Committees and the legal citations before the Justices of Peace and the Courts), particularly in the field of fixed line network services; specifically the following should be noted:

1. the penalty procedure launched by the National Regulatory Authority concluded with the implementation of a 240 thousand euro

penalty, pursuant to Art. 98, paragraph 11 of the Electronic Communications Code, for the violation of Art. 4, paragraph 9 of Resolution 19/01/CIR on mobile number portability, as Vodafone used portability data in its commercial customer care services.

Vodafone Italia paid the penalty but disputed the resolution under examination before the Regional Administration Court, claiming the legitimacy of the use of internal data by an operator with the goal of providing bet-

ter offers on behalf of the donating operator and highlighting the lack of a specific order or warning that details the contents of the regulation as claimed by the Authority. The Regional Administration Court has yet to set the hearing for the appeal.

4. Fees collected by the SIAE.



# 4.0

Focus on the customer

# 4.1

## Listening to the customer

So as to give its customers a voice and enhance the quality of its services and products, Vodafone Italia has been carrying out specific research activities for years now and responds to the “new needs” of customers caused by changes imposed by an increasingly dynamic and complicated social and economic context.

One of the principal analysis tools the company uses is the **CDI – Customer Delight Index**, which enables an important objective measurement of the degree of customer satisfaction, by gathering facts on consumer (every two months) and business (every three months) customers.

The CDI is structured to satisfy the goal of displaying customer “expectations” concerning the service offered by both mobile and fixed line telephone operators by measuring the impact of each single aspect on the overall satisfaction of the customer concerning the service (Network, Customer Care, Rates Offered) and relational skills (Image, Confidence, Word of Mouth, Loyalty). The company is thus able to define and develop specific commercial operations based on the needs expressed by customers.

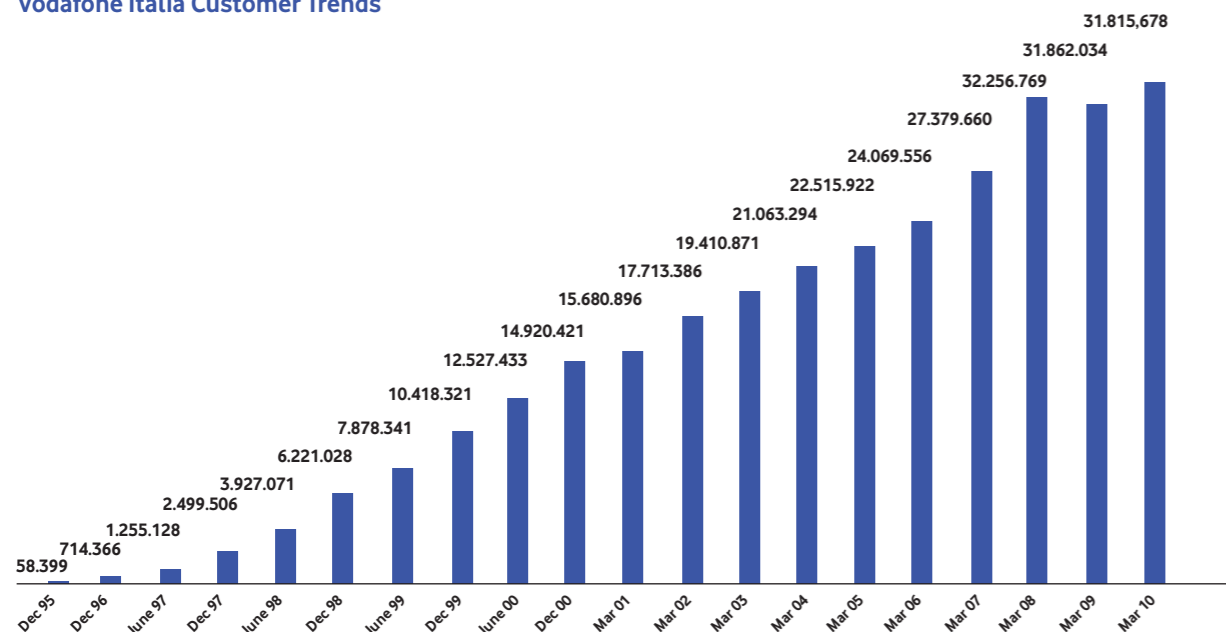
With the goal of becoming increasingly responsive and recognising signs of change, starting this year the CDI will also monitor the “tendency shown by Vodafone Italia customers to recommend the company”. It has become apparent in recent years that the expectations and attention of customers are no longer focused merely on telephone services but also on broader features such as the company’s environmental, social and economic “sustainability” and thus the impacts of its operations.

Hence the importance of monitoring the way in which the market views Vodafone Italia, including its relation to more specific topics such as energy efficiency, the role and use of social networks and social environmental awareness.

In order to continually monitor the evolution of these elements it was decided on one hand to combine several existing analyses with social and ethical indicators such as the Brand Image Tracking analysis, and on the other, to develop surveys focused for example on “Corporate Reputation” and the relationship between “children and the new media”, thus evaluating not only the influence that these features have on the brand and corporate reputation but also enabling the company to develop specific initiatives to provide information and communications on topics of collective interest related to technological innovation and the responsible development of technologies.



### Vodafone Italia Customer Trends



Note: The EOP data from March 08, March 09 and March 10 include 2,245,388, 2,056,809 and 2,083,399 Opitel customers respectively. The data from 31 March 2010 includes Vodafone Italia fixed line customers.

# 4.2

## Customer service

### We said.

• **Adoption of a new call answering service for the Customer Care Department that offers customers a faster more precise service > MARCH 2010**

In line with its strategic goal of paying the utmost attention to its customers, Vodafone Italia takes care to satisfy requests, listening to real or potential needs, evaluating the level of satisfaction and intervening on reasons for dissatisfaction, attempting to determine current trends and collect customer feedback. The principal contact between Vodafone Italia and its customers occurs through customer care services. Almost **3,500 people** work at the eight Vodafone Italia **Call Centres** in Ivrea, Milan, Padua, Bologna, Pisa, Rome, Naples and Catania. Just as many operators work at outsourced call centres with which the company has developed partnerships focused on service quality. Call centres manage requests from Vodafone Italia customers and provide information and assistance 7 days a week, 24 hours a day.

• **Adoption of a new call routing tool for faster and more efficient management of contact requests from customers > MARCH 2010**

Customer care centres manages approximately **120 thousand calls per day** with operators that respond to approximately 70% of customers within 20 min and a churn rate of 4%. Customer care offers assistance to consumer and business customers principally through the numbers 190 and 42323, also providing services designed for specific targets defined based on assistance needs. In the consumer sector, for example, the Ivrea call centre manages calls on topics concerning the fixed line network, Catania focuses on the management of subscription customers, the centres specialised in managing mobile data are located in Bologna and Naples while Pisa specialises in managing the customer base for prepaid services. As concerns business customers, however, the Rome centre covers companies, Padua Customer Care Department responds to the needs of microbusiness customers (freelance professionals with a VAT number and maximum of two active voice lines) while the centre in Milan has become the reference for managing mobile data and the fixed line network.

Among the other specialist groups, the deal support and sales support groups are dedicated to directly supporting their respective consumer and business sales channels, international customer service is targeted at customers who need roaming assistance, the claims and technical support group are instead dedicated to resolving the more complex problems that may emerge during the use of services and finally 892000 is dedicated to number research services and manages on average 10 thousand calls a day.

### We have.

This fiscal year reported growth in the outbound channel once again with approximately 2,700 workers dedicated to customer sales and support activities performed in the 8 Vodafone Italia call centres. In order to ensure an increasing focus on the customer, the Customer Operations Department has made considerable changes to management processes and dedicated special attention to the training of customer care personnel, which is considered a strategic lever.

Both technical and behavioural training were provided:

- 10 days on average for call centre operators;
- 5 days on average for the call centre staff and managerial line (trainers, process specialists, team leaders and line managers).

Customers also receive assistance by interacting with the Vodafone.it site, email and automatic systems such as the IVR.

The new type of call answering service enables the information contents at 190 to be promptly updated, ensuring the end consumer receives information as fast as possible. Thanks to this tool, urgent communications reach customers very quickly, resulting in clear positive feedback in terms of effectiveness and efficiency.

A new call routing system was also developed, which is currently used for the business segment of the customer base and will also be launched for the consumer segment during the coming year.

The system enables a faster and more efficient management of customer contact requests. Direct management by the Customer Operations Division of switching strategies for calls made to specialised operator groups will ensure maximum efficiency and high quality customer management.

During the coming year a series of initiatives will be introduced aimed at further enhancing customer care.

The multichannel customer service strategy will be further developed at various self-care contact points, thus enabling customers to choose their preferred method of interaction. The structure of the Vodafone Italia website will be revised aiming to make it clearer, more complete and easier to navigate so each customer can manage the company's products and services in complete autonomy. Innovative solutions will be adopted giving customers the power of defining contents, which will also facilitate methods of interaction between customers supported by social networks.

In addition to traditional means of accessing customer services (IVR, website, email) the company is investing in the new mobile care channel, which provides mobile assistance services for all customers through applications such as My 190 for smartphone (iPhone and 360), iPad and the SMS channel 40190190 for all terminals.

With the My 190 application for terminals customers can independently view their residual credit or traffic balance not yet billed, Vodafone One points balance and the plan associated with their SIM cards, check available offers and the awards catalogue and find the closest Vodafone One stores. Using the SMS channel customers can contact the Customer Care Department by sending a text message requesting assistance or information on such topics as terminal configuration or roaming information. Finally, a new management system for business orders will be introduced, with the goal of simplifying the activation process for complex products such as those designed for business clientele. The system will complete the integration of sales and customer service processes, leading to real innovation in relations between the company and the customer.

## We will.

- **Extend the development of new call routing systems to the consumer area > MARCH 2011**

- **Develop new functionalities and new channels for offering mobile caring and assistance services > MARCH 2011**

- **Revise the structure of the Vodafone Italia website to make it more functional, interactive and easier to navigate > MARCH 2011**

## 4.3

### The consumer market

## We have.

In order to meet the needs of customers during a year characterised by a special attention to cost-effectiveness, Vodafone Italia has adopted a strategy based on the differentiation, service and customisation of offers aimed at enabling all customers to create their own custom communication offers to fit their needs.

The company focused on the option of customising rates by choosing options and promotions that fulfil specific communication needs, in particular for the **prepaid** sector, which represents over 90% of the consumer market.

Like every year, traditional summer and Christmas promotions (Summer and Christmas Cards) lead approximately 6 million customers to choose Vodafone Italia offers for calling, sending messages and surfing the Internet with the new Internet Card promotion.

The company also focused on customisation for the **subscription** sector, expanding the "Più Facile" bundle with the launch of "Più Facile Extra Small" designed for a target market interested in all-inclusive offers but focused on low cost and the "Più Facile Top Club" instead targeted at "super users", a target market that, in addition to all-inclusive offers, demands extremely high-quality customised service.

Subdivision of consumer customers	2010		2009		2008	
	%	Number of SIMS	%	Number of SIMS	%	Number of SIMS
Prepaid users	94%	25.831.637	95%	25.941.803	97%	26.932.259
Subscribers	6%	1.613.454	5%	1.301.639	3%	888.052
<b>Total</b>	<b>100%</b>	<b>27.445.091</b>	<b>100%</b>	<b>27.243.442</b>	<b>100%</b>	<b>27.820.311</b>

"mobile market (including SIM cards on the free Internet and phone plan) EOP "Internet and telephone free" included in subscriptions and equal to 21.1 K SIM"

There was a strong focus on specific customer segments again this year, which were offered special products and specially designed communications depending on their size, value and strategic affinity with the brand. "Vodafone Zero Limits" proved to be the most successful proposal for all the communication needs of young people, expanding to include, in addition to voice and messaging services, Internet navigation by mobile phone and computer. "Ethnic" customers, another highly valuable target segment for the company, are served by the "One Nation" plan that, thanks to the launch of the new "One Nation 10", has made calling Europe even more affordable, both from Italy and the native country. Vodafone continues to focus on corporate responsibility, its corporate goal since the beginning and an element that differentiates the brand and actively involves its customers.

In addition to continuing traditional projects such as collecting and recycling used telephones (My Future pg. 95), Vodafone Italia has for the first time informed its customers of the mission and activities of the Vodafone Italia Foundation. With the "World of Difference" and "Christmas Pack" projects, customers have assumed a leading role in building the Foundation's social projects and associations.

In the **messaging** sector Vodafone Italia has consolidated its market leadership through extremely simple promotional initiatives that offer free messaging. For customers who travel abroad the company extended its "Passport" promotion including new extra-European countries and offering its roaming customers the option of using promotions that were once only available in the Italy. The roaming data package was also strengthened and completed by extending the offer for computer navigation to prepaid customers and introducing a daily rate for mobile phone navigation, thus controlling charges.

As concerns **mobile data transfer**, the "Vodafone Mobile Broadband" service now covers over 85% of the population and has been further enhanced with the launch of HSPA+ technology, available to approximately 65% of the population, which offers a maximum receiving speed of 14.4 Megabits per second. In Rome and Milan, technology is currently being developed to enable speeds up to 28.8 Mbps. Last November Vodafone Italia was the first operator to launch the "Super Internet Key" (28.8 Mega ready), the fastest Internet key available on the market. The number of customers who connect to the Internet is thus increasing each month thanks to Vodafone Italia's mobile broadband technology and offers, and there are over 2 million Internet Keys/Connect Cards/Netbooks present in the consumer segment.

2010 saw considerable growth in the use of **mobile Internet** with over 4 million customers surfing the Internet directly from their mobile phones with Vodafone Italia. The growth of mobile Internet has been spurred on particularly by an explosion in the use of mobile social networks; Vodafone Italia's partnership with Facebook has led to significant results. Mobile navigation offers cover all users so as to maximise penetration: daily and weekly plans are available for prepaid customers and monthly plans for subscribers.

So as to position itself as a key player on the Internet services market, Vodafone Italia and eight other Group companies launched "**Vodafone 360**", an offer that includes services and telephones that place the user at the centre of communications with an address book service (People) that integrates all customer contacts by importing them from multiple sources (i.e. Facebook, Google Talk, Windows Live Messenger, etc.) allowing users to choose the best method of communication at any time; "MyWeb", the new Vodafone mobile and web portal that lets customers use their computers to customise their homepage on the mobile site, optimising the mobile customer experience; and "AppShop", the Vodafone content and application store.

In 2010, Vodafone **mobile portals** – "Vodafone live!" and "My Web" – reached over 10 million unique customers, over 4.2 million of which have UMTS mobile phones; every month approximately 1.2 million transactions are completed on Vodafone Italia mobile portals. The most successful services include the sale of text message subscriptions and access to sports information.

The growth of mobile Internet access and the use of mobile applications and contents are also due to the spread of advanced telephones such as smartphones, on which Vodafone Italia has focused both in terms of sales and assistance and service. Vodafone Italia has strengthened its market presence in **fixed line network services for the home** through a series of successful business initiatives that have doubled the number of ADSL customers as compared to last year and increased the number of customers who keep their old numbers and choose a special Casa offer exclusively for voice service by 35%.

In particular, the company has focused on its growth in the world of ADSL with a distinctive positioning compared to other key players, and, with the Vodafone Station, presented during the year services, offers and promotional initiatives that had never been created for fixed line network services. Lastly, Vodafone Italia strengthened its physical distribution network this year as the principal acquisition channel for ADSL customers, thus presenting itself as the sole telecommunications operator in Italy able to successfully sell fixed line network services for the home in stores.

End of period (EOP) for DSL customers*	2010	2009
Number of SIMs		Number of SIMs
<b>EOP Wireline</b>	<b>368.184</b>	<b>180.174</b>

\*EOP SIMs reported

N.B. The table displays the "Voice + Data" DSL offer that uses fixed line technology and also offers the option of mobile navigation to Vodafone Italia customers by using the Vik inserted in the Vodafone Station. Between March 2009 and March 2010 the DSL customer base doubled and continues to grow.

End of period (EOP) for Casa single play customers*	2010	2009	2008
Number of SIMs		Number of SIMs	Number of SIMs
<b>Single play total</b>	<b>517.836</b>	<b>500.188</b>	<b>726.722</b>

\*EOP SIMs reported (SIMs included in the customer care request)

N.B. The table displays the Vodafone Casa offer exclusively for "Voice". Attention is focused on those customers who request the activation of their telephone number for use as a "fixed line" telephone. Between March '09 and March '10, the company recorded a 40% increase in customers who transferred their already existing Vodafone Italia fixed line number as part of this offer.

## 4.4 The business market

### We have.

Over the year Vodafone Italia strengthened its strategic position focusing on a convergent offer segmented according to the needs of different target markets as well as an assistance service and sales force that are increasingly widespread throughout the country.

So as to best understand the needs of customers, the company focused on reorganising its sales and marketing with a strong basis on market segments: VAT number holders, small and medium businesses and large businesses.

During the year the company reported excellent results in terms of market quota in the segment including **VAT number holders and small businesses**, thanks to the following levers:

- new package solutions that connect mobile voice services with mobile broadband connectivity and also providing ADSL. This

ensured greater savings and better service for customers and enhanced simplicity for the sales force;

- a call centre dedicated to "VAT number" customers, which can ensure immediate responses to their requests in line with the great demand for rapid and reliable service expressed by this target segment;
- the strengthening of acquisition channels through the development of new sales structures based on professionals, retailers and artisans.

In the world of ADSL, opening the market to operators other than Telecom Italia together with a continual investment in national coverage by Vodafone networks, have enabled an increase in the volume of sales and simultaneously improved the profitability of services and quality offered to customers. On the **medium and large company**

market, which has seen particularly intense price competition, Vodafone Italia has launched a new development strategy both for new and already established customers.

During the year, new "custom" offers were launched for fixed line and mobile communications, including both voice and data plans, characterised by:

- a complete and customisable solution for every employee from the most stationary to the most mobile both in Italy and abroad;
- a strong competitive advantage for customers who chose Vodafone Italia as their sole operator, as was offered for the "VAT number" segment with package offers;
- a new consistent management model that aligns offers and price levels between newly acquired customers and those already included in the customer base.

Subdivision of corporate customers by size:	2010		2009		2008	
	No. of companies	%	No. of companies	%	No. of companies	%
Small companies	343.251	74%	284.129	70%	223.225	67%
Medium companies	117.873	25%	118.410	29%	107.505	32%
Large companies	3.862	1%	3.588	1%	3.262	1%
<b>Total</b>	<b>464.986</b>	<b>100%</b>	<b>406.127</b>	<b>100%</b>	<b>333.992</b>	<b>100%</b>

During the year, activities were defined with the goal of enhancing the level of customer service through:

- the creation of organisational structures dedicated to managing all life phases for customers who use fixed line networks, from activation to post sales;
- investments in the quality of both mobile and fixed line networks, thus ensuring a level of coverage and, particularly as concerns data, an average speed at the maximum levels available on the market.

Vodafone Italia has focused on **technological innovations** across all market segments, based on customer needs; those of note included:

- the launch of the new "Vodafone Internet Key" 28.8 Mega Ready, which can also be

used to store up to 8 GB of data;

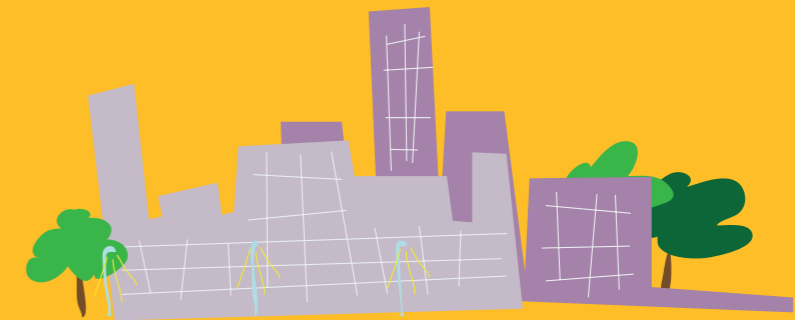
- the new Samsung and Acer mini computers that enable extremely easy Internet navigation at the speed of the UMTS network;
- the catalogue of available telephones for business customers was expanded with new models such as smartphones that make Internet navigation and email access from mobile phones quick and easy;

There are many levers for growth in the business market over the next year:

- investments in customer assistance services aimed at decreasing response times for problems and ensuring suitable service and training levels for call centre personnel;
- strengthening the business sales structure through research into new distribution chan-

nels and the development of traditional channels;

- the provision of integrated fixed-mobile services, which guarantee commercial advantages for customers who choose Vodafone as the sole supplier for corporate communications services;
- new, simple, cost-effective offers for the professional and retail segment, designed expressly for the specific needs of the target;
- increased usage of mobile services including the launch of innovative products;
- investments in the quality of both mobile and fixed line networks, ensuring a reliably high level of service for customers.



# 5.0

Responsible use of technology

# 5.0

## Responsible use of technology

### We said.

• **Revision and update the guide to the Responsible Use of Technology > MARCH 2011**

• **Promotion of a new offer designed for hearing-impaired persons who use BlackBerries, which enables them to communicate through traditional messaging, instant messenger and social networking applications as well as web browsing > MARCH 2011**

During 2010 Vodafone Italia continued to work on corporate responsibility as the fundamental element distinguishing the company's choices and strategies in regards to customers and protecting society. The environment was the primary key area on which the company focused with the My Future project.

Various initiatives were launched aimed at generating clean energy through the installation of photovoltaic systems in Italian schools, Ecoricarica, the collection and recycling of old mobile phones and Ecobag (My Future pg. 95).

The evolution of technology, the spread of new mediums, new frontiers in digital communications and an increased interest by stakeholders in the "Responsible use of technology" lead the company to focus on this topic in the coming years and in particular on the geographical and cultural digital divide. This means helping the parents in new digital families to understand their children and educate young people on the intelligent use of Internet and mobile phones. This area is relevant to the company's "mission" and essential to Vodafone Italia's "core capabilities". It is also relevant and of interest to the diverse stakeholders with whom the company works daily.

### We have.

#### Guide to the safe and intelligent use of technology

As part of the new path leading the company to help parents understand how to guide their children in the safe and intelligent use of technology, a new guide on the intelligent use of technology is being developed. This guide will have updated contents, be made available in various formats (not only paper) and its distribution will be maximised through the use of the company's distribution network. Vodafone Italia aspires to become the operator that offers its customers the best of the Internet (at home and away) in a safe and intelligent manner.

#### BlackBerry promotion for the hearing-impaired

In February 2010 the BlackBerry mobile Internet offer for hearing-impaired customers was launched, expanding the existing offers for SMS, MMS and video call services. With free activation of the offer valid for 12 months, customers can:

- easily surf the Internet from their BlackBerry displays;
- always stay connected to their favourite social networks;
- keep the main instant messaging applications within hands reach;
- manage email in real time and configure up to 10 email addresses.

# 5.1

## Corporate security, data and customer protection

Our customers' personal data and information processed by Vodafone Italia form an important part of the company's strategic equity. This is why the Corporate Security Department works constantly to ensuring adequate security standards using prevention systems aimed at identifying threats that could damage the availability, continuity and integrity of communications and customers' sensitive and personal data.

Over the year, Corporate Security worked hard to ensure the compliance of company systems and processes with the requirements of the Privacy Authority as concerns the processing of customer data, court data and network traffic data.

In consideration of the importance of information equity, Vodafone Italia has transformed its legal obligations into opportunities by investing over **15 million euros in innovative technological solutions**, introducing security solutions and systems, such as biometric access for all traffic databases, aimed at ensuring maximum security during authentication processes, confidentiality and the integrity of customer data, and thus helping to keep the brand's reputation strong.

Vodafone Italia collaborated again this year with government bodies in charge of security and public order.

Of particular importance was the agreement signed with the Centro Nazionale Anticrimine Informatico per la Protezione delle Infrastrutture Critiche della Polizia di Stato (CNAIPIC).

The agreement includes a closer collaboration with the State Police concerning the reporting of direct threats to Vodafone Italia's technology infrastructures, which could impair the correct functioning of the telecommunications services deemed to be strategic for the country.

As concerns training, Vodafone Italia, in collaboration with the State Police academies in Alessandria, Piacenza and Peschiera del Garda, provided approximately 450 student agents with training modules on Vodafone Italia's role in ensuring obligatory services pursuant to Art. 96 of the Electronic Communications Code and the continuity of communications in the event of natural disasters or large-scale events.

In order to ensure timely support in the event of a public emergency Vodafone Italia has formed a central operating unit called the **Security Operations Centre** which, in addition to ensuring the protection of the company's physical assets has become the privileged intermediary for the Department of Civil Protection and the Crisis Unit of the Ministry of Foreign Affairs in managing emergencies and disasters both in Italy and abroad.

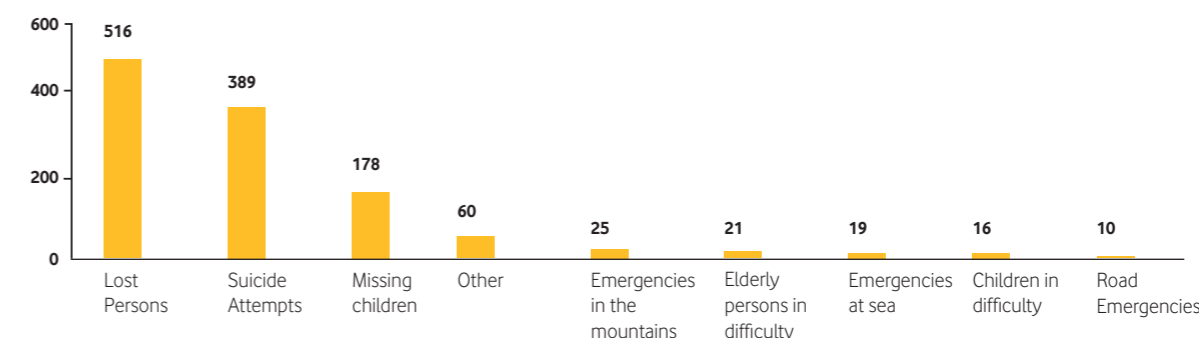
Following the earthquake in Abruzzo, Vodafone Italia, in coordination with the Department of Civil Protection, worked to support disaster recovery activities in the areas affected by the earthquake, strengthening network coverage in the areas hit by the quake and those where emergency facilities were set up.

These activities were paired with other initiatives such as:

- the establishment, together with other mobile telephone operators, of a telephone number for raising funds to help affected people;
- the supply of 200,000 5-euro top-ups for Vodafone customers in the affected areas;
- the installation of mobile stations in the principal fund-raising areas with operators dedicated to offering direct support to customers;
- the creation of a call centre with a team dedicated to managing calls from Abruzzo;
- the postponement of bill deadlines and the suspension of credit recovery activities for customers living in Abruzzo;
- the distribution of 1,500 mini computers with free Internet access for three months to university students and high school seniors, so as to help them quickly return to their studies.

As concerns support provided to the police force, the Corporate Security Department, following requests by the **Emergency Services Department** and working at dedicated facilities operating 24 hours a day, oversaw 1,234 localisation operations (+6% as compared with 2008) aimed at determining and providing the Judiciary Police with the geographical coordinates of customers in difficulty. The table below reports the types of operations completed.

2010 - Emergency Services (1,234)



## Protecting minors, access to sensitive contents

The Vodafone Group and Vodafone Italia, together with their partners and selected outsourcers, guarantee monitoring for the contents they provide their customers as concerns the protection of sensitive individuals, specifically in regard to underage customers, and in compliance with the Self-Regulation Code for premium services and the protection of minors signed by operators in 2005.

The protection of minors during the use of mobile phone services with sensitive contents is guaranteed by a Parental Control system called Family Filter, developed in compliance with AGCOM resolution no. 661/06/CONS.

Family Filter can be activated by calling 190 and enables the blocking of access to chats, discussion forums and services with sensitive contents. Vodafone Italia ensures that chat services are moderated by responsible personnel who can perform the necessary protective actions in the event of improper use, including reporting actions to authorities in the most serious cases.

Accessing sensitive content categories, properly marked as such within the various channels, is subject to a "Age Verification" process and requires the use of a personal identification code (PIN) provided when requested by an adult who must insert a tax code.

The Vodafone Group and Vodafone Italia have long been committed to improving and simplifying our customers' use of Internet contents, with the goal of ensuring an increasing level of security when using new technologies and offering the option of protecting sensitive individuals even during navigation.

With this spirit Vodafone Italia equipped its service portfolio with an application that customers can install on their computers and that enables a greater degree of security in navigation; specifically it:

- protects customer computers from possible infections from viruses and more generally from all "malware";
- protects privacy preventing identity theft;
- prevents navigation to potentially dangerous sites where malware downloads are highly probable;
- enables the protection of minors; the degree of protection can be customised by the customer who can decide on the level of protection in accordance with the sensitivity of the individual.

## 5.2

### Technology at the service of the people

Vodafone Italia is developing a series of mobile health care services, health care and services for people, several of which are currently in use and others still under developed and testing.

The key services include:

#### Post-booking at Gemelli Hospital in Rome

This service enables the hospital to send daily SMS messages requesting confirmation or modifications to appointments with doctors and specialists. Patients can respond to the SMS confirming appointments with a YES or NO. The hospital can also send a reminder the day prior to an appointment to remind patients of any preparations or documentation.

#### L. Sacco Hospital in Milan

The mobile angioedema service created for L. Sacco hospital in Milan lets patients suffering from the rare disease, hereditary angioedema, to receive information via mobile phone on medicines, treatments and other notes on individual situations connected to problems caused by the disease.

#### VampTV (Vodafone mobile advanced personal TV)

This is an integrated mobile healthcare solution that is currently under development. VampTV could be helpful for people with diverse medical backgrounds or in the world of healthcare for cases such as: diabetes, diets for heart patients, obese individuals as well as simplifying the process of making appointment through the local health authority websites, enabling the monitoring of skin conditions at risk of melanoma via mobile phone and the check up self-test aimed at preventing cardiovascular risks, obesity, diabetes etc.

Customers have access to tools that provide integrated and shared access to external medical devices (e.g. coagulation metres, glucose metres, etc.) via Bluetooth, SMS, MMS and all application menus in a simplified form with "text to speech" functionality useful for non-seeing persons or the elderly, with the option of displaying information on the TV when used with mobile phones equipped with this function.

A series of additional services for post-booking via SMS are currently in use at S. Raffaele Hospital in Milan and Gemelli Hospital in Rome. A nursing service for local health authorities was tested at the local health authority in Aosta; it is designed for local nurses and includes an electronic agenda viewed on handheld devices that displays nursing services (sampling, medications, service times, etc.) and activities. The goal is to automate and optimise the present manual and paper management, adding new flows of information between patients, operators and onsite services. In addition a series of services were offered to citizens, several of which were created in collaboration with public administration:

#### Indoor multimedia Bluetooth guides

This service, which was created for the "Peggy Guggenheim Museum" in Venice on the anniversary of the IV centenary of the telescope organised together with the exhibition "The Future of Galileo" in Padua, enables the wider tourist/cultural use of artistic heritage using promotions and products distributed through mobile technology. Individuals can request, via Bluetooth or by sending an SMS, the VodartGuide on their mobile phones, which includes a modern audio guide that can provide information in audio, text and image formats based on pre-selected points of interest.

VodartGuide allows for the free uploading of additional data directly from Bluetooth access points in the museum, as well as the option of selecting certain contents from those uploaded to save locally for later viewing. Furthermore, users can optionally request downloads with addition details on works in text, audio or image formats (for example an image of a painting, textual/audio comments from critics or sector experts, etc.) via GSM.

The Bluetooth points in the exhibition are extremely small and easy to install (they only require one electrical outlet) and can be updated or used locally using USB keys or GSM (in future versions).

#### Città Informa

This is a multichannel "web based" messaging system that provides public administration and healthcare providers (Città Informa Sanità) the independent, dynamic and simplified management of a multitude of services based on basic Vodafone technologies (e.g. SMS, MMS), aimed at exchanging information between the IT networks (intranet/Internet) of the body/management, internal operators and external users (citizens and patients).

Vodafone Italia has also provided a series of services including:

- SMS voting services that lets public bodies or private companies use an entertaining and constructive voting service via SMS, which can be used during any conference, presentation, forum etc;
- a multimedia guide system via SMS or MMS was activated, in collaboration with the Valle d'Aosta region, which enables users to receive information on places, find out about events, excursions, trails, snow conditions for skiers, etc;
- booking via SMS for the renewal of permits of stay for immigrants (Naples and Ivrea);
- the Bibliowireless service lets users search for books via SMS and WAP by author and title, ask librarians questions via SMS and receive SMS notifications when books are due and with library information (Bologna and Rome).

A series of smartphone applications are also under development for V360, iPhones and other devices that will be created based on the specific needs of customers.

## SMS Fund Raising

As it has done for many years now, Vodafone Italia continues to support the non-profit world through SMS Solidale, a donation tool that uses SMSs sent in a value of 1, 2, 3 or 5 euro to finance the social and environmental projects and scientific research of non-profit organisations.

In 2010, a total of 112 fund raising initiatives took place through **SMS Solidale** and **16,483,292 euro** were collected in donations.

Beneficiary	Project	Number of SMSs	Contributions raised
Civil protection-mob + fixed	Abruzzo earthquake	<b>4.248.726</b>	<b>4.249.513</b>
AGIRE*	Haiti earthquake	<b>2.695.763</b>	<b>5.391.526</b>
Telethon*	Genetic disease research	<b>651.313</b>	<b>1.302.626</b>
Mediafriends*	La Fabbrica del Sorriso	<b>533.269</b>	<b>1.066.538</b>
AIRC*	Cancer research	<b>370.763</b>	<b>741.526</b>
Save the Children*	Every One	<b>176.189</b>	<b>352.378</b>
Soleterre*	Un sorriso in corsia	<b>117.974</b>	<b>235.948</b>
AIL*	Home assistance for haematology patients	<b>87.033</b>	<b>174.066</b>
Partita del cuore*	The reorganisation of the paediatric oncology outpatient clinic at the Infantile Regina Margherita Hospital in Turin. Creation of the Social Theatre at the CENTROL POLIFUNZIONALE DELLA MISTICA in Rome	<b>85.270</b>	<b>170.540</b>
AIL*	Leukaemia, lymphoma and myeloma research	<b>74.198</b>	<b>148.396</b>
30 ore per la vita*	Nutritional support for mothers and babies	<b>74.049</b>	<b>148.098</b>

\*SMSs for two euro

## 5.3 Research and Development

The adoption of responsible solutions and technology also involves the preliminary phases of research, analysis and testing. Vodafone Italia dedicates some of its best people to research and development with the goal of developing innovative ideas and solutions, which the company often decides to integrate into its services or use in the management of corporate processes and systems.

Below is an outline of the most significant initiatives that contribute to the cultural formation of Vodafone Italia in the responsible use of technology. Vodafone Italia is working on three projects funded by the European Community.

The **Persona** project launched in 2007, aims to advance "Ambient Assisted Living" activities through the creation of a service platform and a series of integrated applications developed to promote a better quality of life for the elderly and disabled, ensuring greater security, independence and social involvement. "Ambient assisted Living" uses a series of sensors placed on the clothing of customers or in the spaces where they live, which collect information useful in optimising and personalising services in line with actual conditions of use.

Several applications have already been installed at the Bucaneve community for disabled people in Bardi (PR); the available services include:

- security services for community environments that use a series of sensors and actuators to identify and adequately manage potentially risky situations;
- geolocalisation services able to monitor the movements of disabled persons within the building, community or region that automatically set off alarms in the event of dangerous situations;
- socialisation services that enable guests in the community to take part in videoconference and chat sessions or access an agenda of planned activities.

The **Oasis** project, launched in 2008, is a service platform on which new services created by third parties can be automatically integrated using the Plug & Play method. This approach will be confirmed through the creation of an extensive and diversified collection of services aimed at improving the quality of life for the elderly using assistance technology in the following areas: e-health, personal mobility, domotics and work environments.

Finally the **Open** project aims to offer an infrastructure that can support the use of a service ensuring the continuity of activities and multimedia applications in changing settings. The project provides solutions able to address three principal elements: device change, content adaptation and state persistence.

Basically the platform enables the transfer of information between one device and another (e.g. computer/telephone) with no interruption in service and enables the adaptation of the application according to the user's setting.

With an increasingly wider distribution of Wireless Personal Area Networks (WPAN) and a growing variety of connected devices (from classic computers to the new iPad and the interactive displays of the future) the new concept of migrating an application between different devices has been highly successful with users during test phases and could offer new interesting service possibilities.

The development of Persona and Open will be completed during the coming year, once they fully achieve the pre-established objectives and their prototypes are developed according to plan.

The company is also working to develop initiatives and services that will promote virtuous behaviour toward the environment and the quality of life of individuals.

### Dematerialisation

During the year a technical evaluation was performed on various solutions for the dematerialisation of the sales process, focusing on initiatives that enable a reduction in the use of paper through the use of scanner images. The case study in point concerns the collection of documents (identification cards, tax codes, etc.), customer signatures and service forms during the completion of subscription contracts and aims to avoid the production of paper photocopies, transportation and warehouse storage.

### Webinar

Starting during last fiscal year, the company began using webinars in the technology department as a tool to support internal training sessions on innovative topics. A schedule of events held online during lunchtime was created. Called the "Hungry for Innovation" project, topics discussed range from the use of the Open source software to the impact of Cloud Computing, e-health, LTE (the next generation of mobile communications), Green Technology and similar subjects.

The use of the webinars enables the company to provide access to these types of training sessions to a large number of people, possibly even the entire corporate population, without requiring special organisational commitments.

Sessions and registration are communicated via email and individuals participate in the sessions they are interested in accessing them directly from their own computers at their normal workstations, which clearly results in time and cost savings and lowers impact in terms of consumption and the carbon footprint since the physical movement of personnel is not required. A continual and sustainable learning process is thus created.

### New network site architecture

Aware of the impact that the network has on the environment in terms of CO<sub>2</sub> emissions, a joint study was planned together with suppliers on the development of new site architecture that enables increased energy efficiency for devices and reduces environmental impact during their life cycle, by using alternative or renewable energy sources and recyclable materials as well. The study aims to verify the applicability of energy saving solutions and the use of renewable energy sources (solar and wind), both for radio sites and core sites. The chosen radio sites include several base stations in Calabria, while the core site selected is in Bologna. (For more information on network initiatives see pg. 87).

### New call centre site architecture

One of the innovation initiatives undertaken involved the evaluation of a technological solution called the "virtual desktop". This is part of a wider framework of services offered using "cloud computing". This technology provides a centralisation and virtualisation architecture in the physical desktop server at the desk of the CRM operator, which will be substituted with a Thin Client, or a "light" device that guarantees connectivity with the network and peripheral devices of the desktop computer but does not house specific applications, which are instead used directly from the server. This solution would enable high performance, reduced CO<sub>2</sub> emissions and possibly facilitate telecommuting in the future.

### Accessibility and usability of information

A final theme in current research is focused on identifying technologies and solutions that can be used to monitor, measure and thus improve the ease of use of web tools so that the largest possible number of people could enjoy their benefits. This work has led Vodafone Italia to draft collaborative agreements with the University of Pavia and associations of protected persons on the use of eye tracking methods in the company aimed at improving the usability of applications by impaired persons. In particular a prototype is under development for a new switchboard for the Vodafone Rete Unica service, which aims to maximise its usability by low vision persons and the visually impaired.

## We will.

- **Reduce the cultural and generational divide in new digital families by creating initiatives targeted at parents and young people, in particular through Edutainment activities and initiatives that ensure the intelligent use of the Internet and mobile phones by young people > MARCH 2012**

- **Activate a periodical donation service with which Vodafone Italia customers can choose to donate 1, 2, 3 or 5 euro every month for twelve months that will benefit the non-profit organisations and associations with which the company has signed special agreements > MARCH 2011**



# 6.0

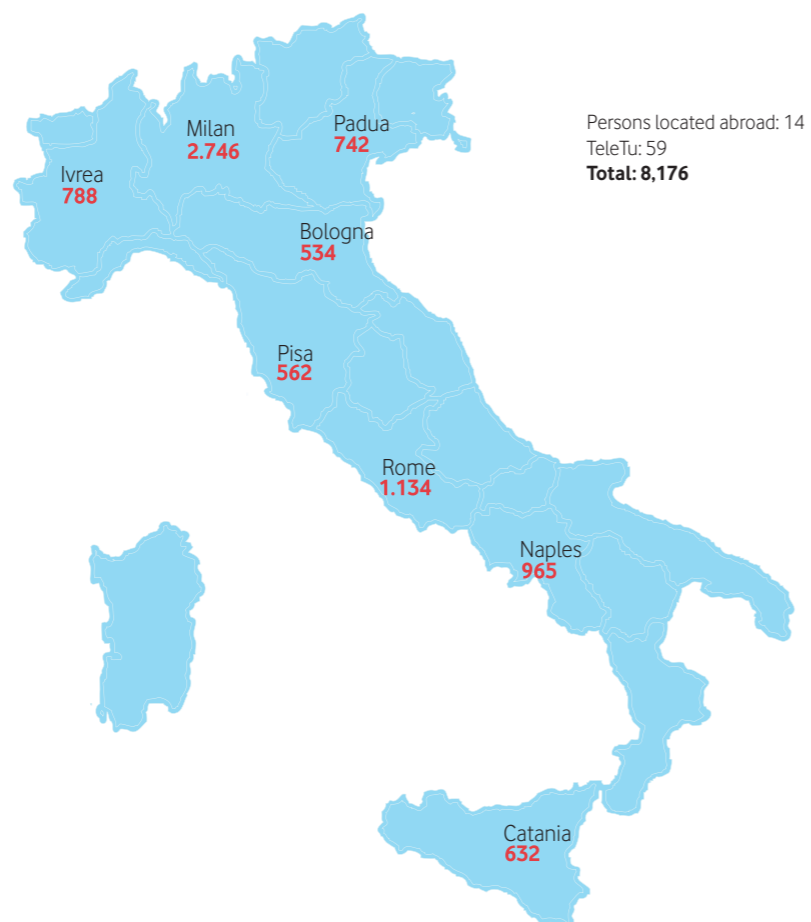
Focus on human resources

# 6.1

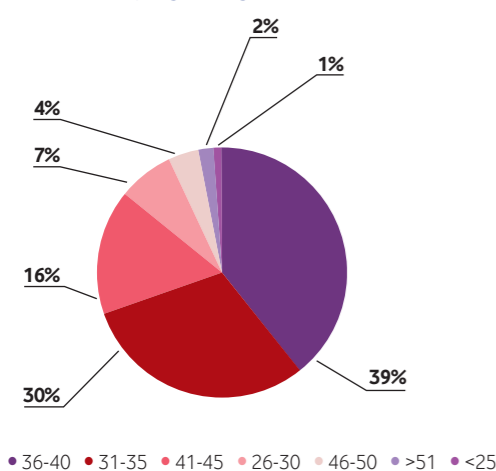
## The people in Vodafone Italia

As of 31 March 2010 Vodafone Italia included 8,176 people including 59 from Opitel S.p.A. (TeleTu), distributed throughout the country in eight principal locations and the peripheries of Milan, Rome, Naples, Ivrea, Catania, Padua, Bologna and Pisa; 14 people were located abroad.

### Distribution of personnel in Italy in 2010



### Subdivision by age range



Average age of Vodafone Italia personnel is 37 years old, 98.2% of employees have an unlimited term contract and 25.7% of the total population have a part-time contract, slightly down since last year. The minimum level of education is a high school degree and 32% of personnel are university graduates.

Subdivision of personnel by contract type	2010	2009	2008
Entry contract	5	16	14
Temporary	146	103	111
Unlimited term	8,025	8,045	8,145
<b>Total</b>	<b>8,176</b>	<b>8,164</b>	<b>8,270</b>

of which:	2010	2009	2008
full-time	6,076	6,011	5,998
part-time	2,100	2,153	2,272

% of unlimited term contracts, turnover and persons on Group projects	2010	2009	2008
% unlimited term contracts of total	98,2%	98,5%	98,5%
% turnover	2,3%	6,1%	4,9%
no. persons involved with Group projects	124	120	104

Turnover recorded during the year dropped by 2.3% as compared with the previous two years. It should be noted that in 2009 and 2008 two company branch transfers influenced the turnover rate, while the market situation produced a slowdown in turnover in the just-ended fiscal year.

During the year 268 people were hired, 93 under an unlimited term contract, and 16 contracts were promoted from a temporary to an unlimited term contract.

Hiring subdivided by macro-department	2010		2009		2008	
	%	Number	%	Number	%	Number
Staff	10%	28	13%	51	16%	86
Technology	10%	28	23%	90	28%	156
Sales	33%	88	40%	159	45%	251
Customer Care	44%	119	19%	75	11%	61
Group Resources <sup>5</sup>	2%	5	6%	22	-	-
<b>Total</b>	<b>100%</b>	<b>268</b>	<b>100%</b>	<b>397</b>	<b>100%</b>	<b>554</b>

5. Group Resources: (Terminals, Vodafone SCM HUB, Vodafone Gestioni Spa, Vodafone Servizi e Tecnologie S.r.l.).

# 6.2

## Training and development

### We said.

• Create a new training architecture developed in 4 priority areas: Customer Experience, Collaboration For Results, Business Management and Web 2.0 > MARCH 2010

• Development of training programmes supporting new company hires (NEO project) and role changes (New Manager and New Executives programme) > MARCH 2010

### We have.

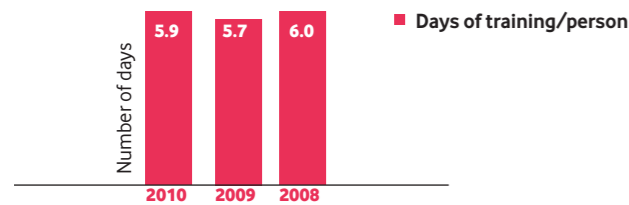
#### Training architecture and the development of training programmes

Training in Vodafone Italia continues to be considered a genuine strategic lever for the development of human resources and business strategies. In 2010 **94,089 training days** were organised, 47,833 of these provided for nearly 100% of employees and 46,206 for non-employees (temporary workers, retailers, agents) with the goal of enhancing the specific skills required to achieve corporate objectives.

Employee and external personnel training (days)	2010	2009	2008
Employees	47.883	46.608	49.461
External personnel (temporary, agents, retailers...)	46.206	74.300	29.506
<b>Total</b>	<b>94.089</b>	<b>120.908</b>	<b>78.967</b>

In 2010 there were 5.9 training days per capita for employees.

#### Per capita training



The exponential growth of investments in training days dedicated to external personnel in 2009 was primarily due to the launch of many new products and services for the consumer and business markets, and a balance was achieved in 2010 in the distribution of training days between internal and external personnel.

Training programmes were concentrated on 4 priority areas, in line with business strategies and company values:

- Customer Experience: to understand and quickly respond to customer needs;
- Collaboration on Results: to develop behaviour that promotes trust, collaboration and teamwork;

• Business management: to understand and act as leaders in new market scenarios;

• Web 2.0: to acquire new skills, in line with the company strategies, on topics concerning Internet technologies and their influence on the purchasing behaviours of customers.

The company continued to invest in new hire and new manager programmes and language and behaviour training, specifically:

• 7,351 training days were offered in behavioural and managerial training for managers, new managers, professionals and new hires provided through active educational

methods such as experiential workshops, role playing, case study discussions, outdoor events, business games, Web 2.0 and virtual classrooms;

• 2,866 language training days were held, a fundamental resource for working within an international context, and provided through small group, one-to-one, full immersion and online courses;

• 37,666 functional training days were held, enhancing the professionalism of our staff and constituting 78.66% of the total training days for employees.

Type of training for employees (days)	2010	2009	2008
Functional training	37.666	38.422	36.412
Managerial training	1.650	1.788	1.600
Behavioural training	5.701	4.171	7.598
Language training	2.866	2.227	3.851
<b>Total</b>	<b>47.883</b>	<b>46.608</b>	<b>49.461</b>

Along with functional training aimed at enhancing skills in certain professional roles, training courses were also held during the year on interdepartmental security & safety topics, such as the right of competition, safety in the workplace, compliance with privacy laws and the Organisational Model as per Italian Legislative Decree 231/2001 for a total of 1,741 training days.

Call centre personnel were prepared to oversee the customer experience through behavioural courses while the sales department lead projects on advanced negotiation skills focusing on Vodafone Italia personnel, dealers and agencies.

Functional training for employees (days)	2010	2009	2008
CRM (Customer Relationship Management) training	21.743	18.363	19.158
Network training	6.417	7.993	9.978
Sales training	7.819	9.498	5.563
Workplace safety training	1.687	2.568	1.713
<b>Total</b>	<b>37.666</b>	<b>38.422</b>	<b>36.412</b>

In the coming year we will continue to invest in training with the goal of improving the skills needed to encourage the development of new offers for the consumer and business markets. Focus will be placed on training in environmental topics, workplace safety and the development of language skills through different courses based on acquired levels.

Network training will focus on the evolution of the IP (Internet Protocol) and the development of IT (Information Technology) systems with the goal of increasing technology-related expertise with particular attention on topics related to the fixed line network.

### We will.

• Revise the training architecture based on the new corporate values in the Vodafone Way with particular attention to the topics of speed, simplicity & trust, both in behavioural and managerial courses > MARCH 2011

• Add the Employee Net Promoter Score to the Vodafone People Survey so as to measure how inclined employees are to recommend Vodafone Italia products and services to customers and friends > OCTOBER 2010

• Strengthen investments in induction training courses to support the insertion of new hires as well as personnel changing their professional roles (e.g. new managers) > MARCH 2011

# 6.3

## Hiring and equal opportunities

### We said.

- Continue to invest in hiring and the growth of university graduates, so they account for 50% of total new hires > MARCH 2010
- Increase recruiting days at universities by 20% through the participation in formal and informal events > MARCH 2010
- The Women's Initiatives: part of the employer branding campaign, these are days organised for women who've recently graduated from the university or are in their final year and aim to incorporate them into the various company departments > MARCH 2010

- Increase the number of women hired, ensuring at least one female candidate for each open position > MARCH 2010
- Join Valore D as an organising member; this group is the first Italian association of large businesses whose goal is to support female leadership > MARCH 2010

### We have.

In 2010 we continued our strong focus on the external market with the goal of bringing in high-potential persons for junior and senior positions.

#### Hiring and growth of young recent graduates

The "Vodafone Graduate Program" was created to bring in graduating and recently graduated young people under unlimited term contracts. This development and training programme lasts a total of twelve months and offers interdepartmental experience. The first two months are spent in contact with customers at call centres, stores and in sales enabling young new hires to acquire greater knowledge of Vodafone products and offers. During this phase new hires have the possibility of absorbing company culture and enhancing their customer relations skills. Two projects/experiences of at least 5 months each are planned in two functional departments, in addition to a final term in a different area.

The hiring of recent graduates is also planned for the coming fiscal year. Recruiting activities are focused on researching specific skills connected to innovation and the world of new technology and the Internet.

With the goal of meeting and developing relations with bright, young people, a survey was performed by partner universities focused on understanding what the best students expect from the world of work and from Vodafone Italia in particular. This survey collected useful suggestions for building a new selection strategy and promoting the company's image summarised in the claim "Your Job, Yourself". This job offer was thus set apart among students, graduating students and recent graduates. The former for the internship and the latter two for the Graduate Program. Vodafone Italia's collaboration also focuses on supporting students during their graduate thesis, involving them in international projects or "project works" and organising social opportunities aimed at continually developing direct contacts with young people. Recruiting days at universities increased by 40%.

#### Women's initiatives

In 2010 Vodafone Italia proved itself to be a company with a significant female component, with 52.4% of all employees being women. There was also a considerable female presence within higher hierarchical levels: women executives 23.7% and middle management 34.9% increased as compared to the previous year; 32 women were hired during the year.

In line with the equal opportunity policies adopted by the company, Vodafone Italia joined Valore D as an organising member; this group is the first Italian association of large businesses whose goal is to support female leadership through a programme dedicated to women managers and a monitoring plan for female leadership focusing on specific studies and research. The Valore D association aims to support companies in defining career plans for talented female personnel and support women in their rise to positions in top management, while creating awareness, acceptance and promoting cultural change on topics of equality.

Subdivision of personnel by contract classification	2010		2009		2008	
	Men	Women	Men	Women	Men	Women
Executives	151	47	148	42	141	38
Middle Management	482	258	461	239	452	221
Office workers	3.260	3.978	3.250	4.024	3.288	4.130
Total by gender	3.893	4.283	3.859	4.305	3.881	4.389
<b>Total</b>	<b>8.176</b>			<b>8.164</b>		<b>8.270</b>

#### Equal opportunities

Vodafone Italia guarantees non-discrimination on the basis of race, sex, nationality, sexual orientation, social status, physical appearance, religion and political orientation during the entire selection process, following and respecting at all times the criteria of ability, professionalism and suitability for the open position using appropriate selection tools and techniques. Vodafone Italia views diversity as a value that enriches methods of operating for both individuals and the company itself. No episodes of discrimination were reported.

The company guarantees the same treatment for both female and male personnel, in terms of contract classification and development opportunities; specifically, in order to promote female employees Vodafone Italia has adopted policies, tools and financial resources that assist women along their professional paths. During maternity leave the company provides a 100% salary even during the first 4 months and half during optional maternity leave from work. In addition, the return to work is facilitated with a "Come back training" course that, consistent with the company's culture, is offered to anyone who returns after a long absence.

Vodafone Italia's focus on its people is also apparent in the healthcare activities and programmes it provides its employees and their families, which include: reimbursement for medical assistance to children, formula, nurseries, shift flexibility, reversible part-time, washing service, permanent doctor's office and more.

Composition of personnel by macro-department	2010		2009		2008	
	Men	Women	Men	Women	Men	Women
Staff	268	363	254	365	320	514
Technology	1.932	423	1.892	423	2.103	475
Sales	682	743	666	734	639	680
Customer Care	818	2.631	781	2.648	819	2.720
Group Resources	193	123	266	135	-	-
<b>Total</b>	<b>3.893</b>	<b>4.283</b>	<b>3.859</b>	<b>4.305</b>	<b>3.881</b>	<b>4.389</b>

### We will.

- Continue to invest in hiring and the growth of university graduates, so they account for 50% of total new hires > MARCH 2011
- Increase the number of women hired, ensuring at least one female candidate for each open position > MARCH 2011

- Increase recruiting days at universities by 20% categorising the profiles of graduates in terms of academic experience and specialisation > MARCH 2011
- Use employer branding activities to increase the female and international population within the company > MARCH 2011

- Design new innovative and interactive communication tools to facilitate interactions between students and recent graduates hired by the company > MARCH 2011

# 6.4

## Industrial and trade union relations

### We said.

• **Actively contribute within the ASS-TEL delegation to negotiations on the renewal of the National Collective Labour Agreement for Telecommunications Service Providers > MARCH 2010**

• **Promote the development of National and Local Trade Union Agreements that encourage businesses to continually improve the quality of processes and services for Vodafone Italia customers and favour a healthy balance between the professional and private lives of personnel > MARCH 2010**

### We have.

On 23 October 2009 Vodafone Italia's contribution to renewing the National Collective Agreement on Telecommunications lead to the quick renewal of the contract introducing innovative elements for organising work such as a new classification level defined as "super fifth".

During the year good relations with trade unions lead to the signing of important agreements led by several company departments, specifically the Technology and Customer Operations Divisions.

On 17 September 2009, in collaboration with national trade unions and with the coordination of the Amalgamated Union, a network reorganisation agreement was signed, which enabled a reduction in the number of on-call personnel and affected approximately 140 workers.

Together with the WHR (Working Hours Reduction) Committee, established by the previous trade union agreement, an important result was achieved in terms of balancing family and work life, and the percentage of approved requests from call centre operators for reducing working hours increased, raising accessibility from 7 to 8%.

In 2009 a bilateral system was established with trade unions called the "quality committee" whose goal was to develop the bases for a trade union agreement aimed at identifying systems for improving the quality of the services and processes provided by the Customer Operations Divisions. Finally the Joint Committee on Continuing Education, in collaboration with the trade union, signed additional important agreements concerning the professional training of personnel, which enabled in an increase in investments in training the entire population of Vodafone Italia.

Approximately 21.13% percent of personnel were members of the trade union in 2010, a slight increase over the 18.7% in 2009. The absenteeism rate remained constant: 3.28% in 2008, 3.32% in 2009 and 2.99 in 2010.

The relative organisational changes are communicated using designated company tools within the timeframes and methods pursuant to the law and normal industrial relations. All Vodafone Italia employees and managers are covered by the first (National Collective Labour Agreement for Telecommunication Services Providers) and second (Complementary Company Contract) level national collective agreements. Executives are covered by the National Collective Agreement for Executives and Goods and Service Providers. These agreements also regulate topics concerning the health and safety of workers, pursuant to current regulations and legislation, including the involvement of worker security representatives.

### We will.

• **Introduce, including through trade union agreements, systems for monitoring the processes and services provided to customers by the Customer Operations Division > MARCH 2011**

Participation in trade union activities	2010	%	2009	%	2008	%
Theoretical hours of work	14.830.168	100%	14.830.168	100%	15.558.240	100%
Hours absent due to trade union meetings and permissions	49.539	0,33%	46.599	0,31%	39.441	0,25%
Hours absent due to strikes	2.136	0,01%	4.634	0,03%	40.502	0,26%

# 6.5

## Evaluation and incentive systems

### We said.

- **Identify concrete actions that can contribute to improving the internal corporate climate as concerns key areas identified by Vodafone Italia personnel in the People Survey > MARCH 2010**

### We have.

#### Performance Dialogue

As happened during the previous fiscal year, the "Performance Dialogue", an evaluation and personnel development system, once again involved the entire population of Vodafone Italia this year. The importance of the clarity and transparency provided by a continual dialogue between managers and employees remained the key elements in the entire process, which involved approximately 7700 employees with unlimited term or entry contracts in 2010. Each of these people received a performance evaluation for the year and discussed objectives and development plans for the next twelve months of work with their managers.

#### Vodafone People Survey

The assessment of the corporate climate and level of engagement this year was also based on listening to personnel through the "Vodafone People Survey", the climate survey conducted annually on the entire Vodafone Group. All employees working in the company under unlimited term or entry contracts since September 2009 were asked to participate.

Almost all questions, included last year as well, displayed improvements in this new edition. The principal indicators: the Engagement Index and the Manager Index both displayed growth confirming the elevated loyalty of Vodafone Italia personnel and were consistent with the average results reported by Vodafone branches present in the principal European countries.

The Engagement Index is measured by 7 questions on the questionnaire and evaluates general satisfaction with Vodafone, the company as a workplace, pride in working for the Vodafone Group and Vodafone Italia, the intention of recommending Vodafone as a workplace to friends and acquaintances, the intention of continuing to work for Vodafone in the future (sense of belonging) and the desire to exceed expectations in daily work (Discretionary Effort). The Manager Index is measured by 21 questions on the questionnaire and evaluates the experience of Vodafone personnel by analysing elements in the work environment that managers can directly influence including through the way they lead groups and help their subordinates.

This year 716 managers were able to use this indicator as a source of inspiration for improving their managerial skills. During the year the company worked with dedication and determination to strengthen the areas identified as the weakest by the survey. In particular, the company focused on the topic of simplicity, the ability to enhance different professional skills and performance management.

The company is also working on customer orientation, or the ability of its personnel to increasingly focus on the customer, by developing a series of projects including the "Yes I can", "Communication Lab", "Customer Experience Program" and "Member gets member". Special attention was also dedicated to the internal climate, with the goal of improving collaboration and fostering relations between personnel through the development of new initiatives such as: "Nei Panni Dell'Altro" (Walking in Their Shoes), "NoiLab" and "Condivisione di obiettivi individuali" (Sharing individual objectives).

#### Total Reward

Vodafone Italia has adopted diverse incentives, supplementary services and tools designed to acknowledge the dedication and contributions of its personnel to the success of the company, which are collectively known as the Total Rewards programme. The plan involves a series of awards, including both monetary and non-monetary, for the contribution of each employee to the success of the company, designed with the goal of offering a real response to the daily needs of personnel. Vodafone Italia's remuneration policy treats men and women equally; monthly remuneration constitutes the fixed part of the Total Rewards programme and is provided based on contractual provisions and merit-based awards. The degree of compensation differs depending on the position, assigned responsibilities, skills acquired, performance and individual objectives achieved. The salaries of new hires are also consistent with the national standard for specific positions.

Each year a salary review process is completed with the goal of rewarding the best personnel through monetary awards (bonuses and salary increases). The selection criteria, within the limits of the assigned budget, are based on a merit system and a comparison with the external market. Special attention was paid during the year to young people with little company seniority, including the launch of projects aimed at promoting the growth of remuneration levels. In addition to monthly remuneration, variable elements are planned that can supplement the monetary part of the Total Rewards programme, including the PRB and the STIP:

- the **PRB** or Performance-Related Bonus consists of a variable amount depending on annual economic/financial performance goals (EBITDA and Total Communication Revenues) and service quality (CDI – Customer Delight Index). It is regulated in accordance with trade unions;
- the **STIP** or Short Term Incentive Plan is a variable remuneration formula that is assigned depending on the position and tasks performed within the company; it can be yearly or half-yearly.
  - the annual STIP is designed for the managerial population. It awards the achievement of company and/or departmental objectives and, through a direct correlation with the Performance Dialogue evaluation, also awards individual contributions to their achievement. It takes into consideration both financial and economic objectives as well as customer satisfaction indices.
  - the half-yearly STIP is designed for the sales force and customer care coordinators. It principally awards the achievement of individual and/or team objectives, while also maintaining a focus on principal company indicators;
- the **Grand Prix** is designed for call centre operators; this is team incentive programme and awards performance in terms of contributions to business and the quality of customer service. The economic value of the prize, awarded quarterly, depends on the achievement of objectives;

• **shareholding plans** are also included in the Total Rewards programme; these are remuneration opportunities based on the value of Vodafone Group Plc. shares and are offered with the goal of helping individuals feel involved and that their dedication contributes to the increasing value of the Group, benefiting from the results;

• **AllShares** is a plan dedicated to all Vodafone Group employees. During the year employees were awarded 340 shares in addition to those that have been assigned annually since 2004;

• **GLTR plans** constitute a remuneration retention tool dedicated primarily to managers. Our "key" employees receive an allotment based on criteria connected to performance potential, critical business issues, skills and assigned projects. The Total Reward also includes non-monetary elements that serve to protect individuals and improve quality of life, favouring a balance between work and family;

• **Medical expense reimbursement plans:** internal solidarity funds for employees and managers (FSIO – the association between Vodafone Italia and trade unions) and FASI (the association between Confindustria and Federmanager) for executives;

• **Supplemental insurance coverage** in addition to obligatory coverage (INAIL) that provides significant compensation in the event of serious events;

• **Supplemental maternity leave (ALO):** during optional maternity leave employees can stay away from work for a maximum of four and half months and receive a full salary;

• **Meal Tickets:** Meal tickets with a face value of 7 euro each are assigned monthly to employees and can be used at all partnered businesses;

• **Supplemental Pension Plans:** Vodafone Italia employees have the possibility of participating voluntarily in a company or union complementary pension plan, Telemaco (for managers and employees) and Previd System (for executives); these involve a contribution paid by both the employee and the company or an individual complementary pension plan;

• **Services and agreements:** low cost insurance coverage and collateral options are also available, as well as special deals for car rentals, hotels, travel agencies and beauty centres, books, magazines, performances, theatres, restaurants and nurseries and discounts on company products.

The "Global Heroes" programme was launched this year, which recognises and awards employees whose behaviour is inspired by the principles of the Vodafone Way, the new cultural motor for the company that guides the work philosophy in Vodafone Italia. These are people who put into practice the key principles of the Vodafone Way every day: quickly finding solutions, proposing simple solutions and developing loyalty both with colleagues and in customer relations. Candidates are freely recommended by other colleagues and selected by a group of senior managers; winners receive a non-monetary award.

### We will.

- **Enhance and improve the relationship between incentives and individual contributions. The objective is to offer managers the possibility of influencing the individual contributions of employees in a more direct way, using remuneration tools that value and reward the selected individuals > MARCH 2011**

# 6.6

## Internal communication

The Internal Communications Department once again encouraged change within the company this year, contributing significantly to giving employees an increasingly strategic role, viewing them as the principal "spokespersons" with the outside world on the values, strategies, brand and the Vodafone Way.

The Internal Communications Department used numerous tools in achieving these objectives, including: **Noilab** (company social network), the **Internet, NetTV** (internal television channel), **Noimagazine** (company paper published on the intranet) and the Internal Communications mailbox. For Internal Communications, the year was spent strengthening the new features introduced with the launch of the Noilab, one of the first examples of a social network dedicated exclusively to employees and a tool that has revolutionised the company's internal web 2.0 communications. One year since its launch over 90% of employees have registered on Noilab, actively contributing to overcoming the traditional obstacles of unidirectional internal communications, which are today transformed into a true dialogue.

Noilab is subdivided into 6 topic areas: Ideas Forum, Passions Forum, Blog, Group & Projects Space, Surveys and Us.

- The Ideas Forum is dedicated to anyone who wants to suggest business ideas, ideas for improving company life and ideas concerning corporate responsibility;
- The Passions Forum is dedicated to personal passions and interests shared with the community;
- In the Blog Area the Noilab editorial staff collects projects and initiatives from various company departments;
- The Group & Projects Space is dedicated to the exchange of ideas between people in same work group and the launch of employee initiatives.;
- In the Surveys area members can express their opinions on the various topics proposed;
- In the Us area all registered Noilab users can describe themselves and their work.

The tool was an immediate success in terms of the number of members, frequency of access and ideas proposed.

### Employee donation

A project proposed and supported by Vodafone Italia personnel, it involves a marathon designed to raise funds to support non-profit associations and socially beneficial projects. Recommendations are provided directly by employees are evaluated by an internal committee that is responsible for verifying that the association and project proposed satisfy a series of requirements, thus ensuring the seriousness of the initiative. The Internal Communications Department records the initiative, researches the project, goals and means of participation; in 2009 the tool was used to raise funds following the earthquake in Abruzzo.

### Children's Day

Vodafone Italia once again opened its doors to the children of employees in 2009. Over 3,000 people including parents, grandparents and children, participated in the ninth edition of the initiative, which included a party that toured the company's offices, exploring the workplace of family members.

# 6.7

## The health and safety of workers

Continual improvements in the health and safety of workplace conditions are fundamental for the company. In order to protect the health and safety of its workers, Vodafone Italia pursues its primary goal of inserting and integrating workplace health and safety strategies into the company's policies and daily operations so as to make these an integral part of every day business processes.

## We said.

- **Organise an Audit of the Workplace Health and Safety Management System > MARCH 2010**
- **Verify the activities of the third parties involved in the Contractor Control Project by creating 100 specific controls for activities performed by contractors > MARCH 2010**
- **Define and share an internal development plan for the application of the PO.07 Product Safety & Assurance Policy dedicated to the safety of products sold and purchased by Vodafone Italia > MARCH 2010**
- **Extend activities concerning:**
  - **H & S Controls on procedures used to evaluate radio base station risks**
  - **Line Manager training in the Management System for Workplace Health and Safety**
  - **training targeted at COPS Team Leaders on the management and prevention of work related stress > MARCH 2010**

## We have.

Audit of the Workplace Health and Safety Management System. An audit was performed this year with the purpose of evaluating implementation and verifying that all aspects concerning health and safety in the workplace were managed correctly. The audit involved the following company departments: Property & Facilities, Technology, HR, Medical Coordinator and Safety pursuant to the OHSAS 18001/2007 standard.

As part of the Contractor Control project, 129 specific controls were performed by the Safety Department on activities managed by third parties; the project also underwent a revision

process that focused on positions, responsibilities, the definition of new audit tools and new methods for classifying non-conformities for the implementation of planned sanctions. The application of PO.07 Product Safety & Assurance Policy, which was dedicated to the safety of products sold and purchased by Vodafone Italia, involved:

1. the definition of the "Terminal Failure Procedure for Vodafone Italia v1.0" which established an interdepartmental workgroup for evaluating possible accidents.
2. the definition of a product recall procedure for withdrawing any products that display irregular functioning from the market.

Vodafone Italia recently designated and elected 39 worker safety representatives who, in compliance with Italian regulations, can access worksites and serve as consultants in evaluating risks, the nomination of persons responsible for prevention and protection services, fire prevention activities, emergency services, evacuation and the organisation of training. In addition to the above, the Safety Department performed 347 tests on topics connected to Workplace Health and Safety, specifically on the procedures used to evaluate radio base station risk.

## Evaluation of principal professional risks

Accident Index	2010	2009	2008
Frequency index (per 1000 Full Time Equivalent employees)	4,1	3,46	3
Severity index (per 1000 Full Time Equivalent employees)	138,4	68,18	41,38

Note: the following Group standard was used to calculate frequency and severity indexes:  
 Frequency index: number of events/full time equivalent x 1000  
 Severity index: number of days of absence from work/full time equivalent x 1000

During the year 31 accidents were reported; 80% of these cases did not require corrective actions as they were classified as accidental events. Road accidents during working hours and flat falls were the most frequent causes of injury.

The remaining 20% of cases required corrective actions; an analysis of the data displays a significant increase in accidents at technical sites on the fixed line network (there were three events of this type). Accidents at technical sites were caused by the improper positioning of tiles or ventilation grilles or the structural failure of frames supporting tiles; a series of sample tests were thus performed on raised floors at various sites so as to determine the condition and resistance of supporting frames and ventilation grilles, with special attention paid to the most crowded areas. Following the maintenance operations, systemic tests will be performed. During the year two accidents involving employees from contracted firms were recorded; these cases required no corrective actions.

### Workplace Health and Safety Training

1,517 student days were held throughout the year, involving 2,075 people in WHS training focused on risk prevention (522 student days), tasks performed and roles and responsibilities in the WHS Management System (995 student days). Fewer student days were completed than planned (1,845) and than those completed the previous year (2,077); this is due to the fact that training activities are organised in order to provide for current training needs and were updated following the reorganisation of the Technology Department.

Workplace Health and Safety Training (no. of people)	2010	2009	2008
Roles and responsibilities in the Workplace Health and Safety Management System	856	919	671
Prevention of risks related to tasks performed	1,219	2,033	1,522
<b>Total</b>	<b>2,075</b>	<b>2,952</b>	<b>2,193</b>

The principal WHS training activities conducted during 2010 included:

- managerial training on the roles and responsibilities in the Workplace Health and Safety Management System in relation to updating the system of delegations, created in collaboration with the Legal Affairs Department;
- managerial training on the roles and responsibilities within the Workplace Health and Safety Management System for line managers within the Technology Department;

- safe driving courses for personnel who frequently use a car for work reasons;
- supplemental training on Organisational Wellness targeted at Customer Care Team Leaders, in collaboration with the Customer Operations Division and the Occupational Medicine Service;

- training on the "Correct use of the voice and the principles of vocal hygiene" dedicated to Customer Care Department (e-learning and vocal hygiene workshop with speech therapy exercises for persons with difficulties related to the use of the voice).

H&S training by course type - 2010	Departments involved	No. of persons trained
Customer Care	Customer Operations	490
Emergency Personnel and Emergency Services	Entire company	76
Refresher Training for Emergency Services Personnel	Entire company	288
Emergency Personnel and Emergency Services Briefing	Entire company	7
Use of breathing apparatus	Central zone network	16
Contractor Control- Preparatory seminar on the compilation of the audit/test checklist	Network, Facilities, Procurement	110
Internal Safety Auditor	Network, Facilities, Procurement	35
4x4 Safety Drive	Network	19
Electromagnetic Fields	VO Flagship Store	17
Health and safety during highway work	Network	372
Delegations system	Senior management/responsible parties	70
The role of management in the WHS management system	Line Managers in all departments	115
WHS management in contracted operations art. 26	Senior management/responsible parties	11
Organisational Wellness	Customer Care managers	104
Workshop on the correct use of voice and the principles of vocal hygiene	Customer Care representatives	33
Check Drive	Individual or shared cars	288
WHSR (basic course)	WHSR	9
WHSR (refresher)	WHSR	1
HSS	Safety	14
<b>Total</b>		<b>2,075</b>

## We will.

- Training in the roles and responsibilities of executives and managers in compliance with WHS in relation to updates to the delegation system and the reorganisation of the Technology Department > MARCH 2011

- Training on the prevention of risks related to tasks performed > MARCH 2001

- Refinement of the operating procedures and instructions that constitute an integral part of the Health and Safety Management System ensuring clearer compliance with the requirements of the OHSAS 18001/2007 standard > MARCH 2011

- Audit of the Workplace Health and Safety Management System > March 2011



# 7.0

Integrity of supplier relationships

# 7.0

## Integrity of supplier relationships

Vodafone Italia's Supplier Performance Management (SPM) programme has the purpose of defining a global network for supplier management that ensures continual improvements in quality while reducing risk factors connected to the management of supplier relations. All suppliers undergo a qualification process and are evaluated with the goal of increasing the quality of products and services offered through an analysis process and the development of specific improvements.

### We said.

• As part of the Supplier Performance Management project, increase the level of supplier quality by an additional 2% using evaluation and development processes performed in collaboration with suppliers > MARCH 2010

• Extension of the qualification process to all suppliers in the Commercial & SCM Services Group > MARCH 2010

• During the 2009 - 2010 fiscal year purchase 100% of energy used for the network from renewable sources with 1/3 produced by hydroelectric sources > MARCH 2010

# 7.1

## The qualification process

The Supplier Performance Management programme involves the following steps:

### 1) Supplier qualification

Vodafone Italia suppliers must demonstrate a series of requisites in order to be included on the "list of qualified vendors"; the process is regulated by an internal procedure. All new suppliers must complete a registration phase, a self-evolution and a buyer evaluation completing questionnaires and providing supporting documentation.

The verification of compliance with the standards established by the company also involves a risk assessment; in the event of unsatisfactory results follow-ups and audits are completed and specific recommendations are drawn up.

During registration the company requests that suppliers adhere to the Code of Ethics for Purchases and international human rights standards such as: the Universal Declaration of Human Rights by the United Nations (UN), the International Labour Organisation Convention (IOL-UN) and the United Nations Convention on the Rights of the Child (UNICEF).

### 2) Supplier evaluation

Supplier performance levels are monitored on a half-yearly basis and the company can thus encourage suppliers to maintain and improve the quality of their services as well as promote their level of competitiveness. This phase also includes the compilation of a series of questionnaires, categorised based on different product categories, which are evaluated not only by the procurement department but also customers within the company.

### 3) Supplier Organisation

The procurement department, in collaboration with internal customers, completes an analysis of the supply of services; if critical issues are detected the causes are identified and improvement operations established so as to ensure efficiency and reduce possible risks. Monitoring operations are continued through subsequent evaluations.

## We have.

### Increased the level of supplier quality

Thanks to the Supplier Optimisation process, created in collaboration with suppliers, 25% of evaluated suppliers exceeded the target level established by the Vodafone Group. The self-evaluation questionnaires used to trace corporate responsibility actions were also modified during the year and relative support documentation was requested.

### Qualification process extended

Based on last year's goals, the Supply Chain Management Division extended the qualification process to local suppliers in the Commercial & Services Group as well, specifically for temporary work. The workgroup developed personalised questionnaires aimed at evaluating supplier performance over time as well as providing a comparison of possible areas for development, thus strengthening collaborative relationships.

In order to ensure increasing transparency in supplier selection processes, Vodafone Italia developed a management tool for online contests on a Vodafone Internet eSourcing platform, which also requests that suppliers accept the Code of Ethics for Purchases during the approval phase for participation in online contests.

During the year the SCM Enablers group organised training sessions to expand the use of this tool to everyone in the SCM group. With a view to greater control over supplier qualification and evaluation processes, a new "SCM Operations" team was established including special professional figures responsible for controlling procurement procedures through the issue of purchase orders. The buyer is thus entirely focused on managing supplier relations, ensuring greater control over the integrity of relationships.

As concerns the management of workplace health and safety in compliance with the "Unified Law" in Italian Legislative Decree No. 81 dated 09/04/2008, the procedures, operating instructions and internal delegation system for managing activities that impact workplace health and safety had to be revised. In order to ensure full compliance with essential requirements the SCM Contractors Qualification & Control (CQ&C) department was established, which includes figures assigned to exclusive and specific responsibilities.

The CQ&C organises an interdepartmental workgroup (Contractors Control), thus ensuring a continual improvements consistent with the law and company processes. Today all suppliers that perform device installations and operate at building sites have been involved; upon completion of the evaluation each supplier is assigned a rating that serves as a reference parameter for both buyers and internal customers.

### Almost 100% of energy purchased from renewable sources for the network

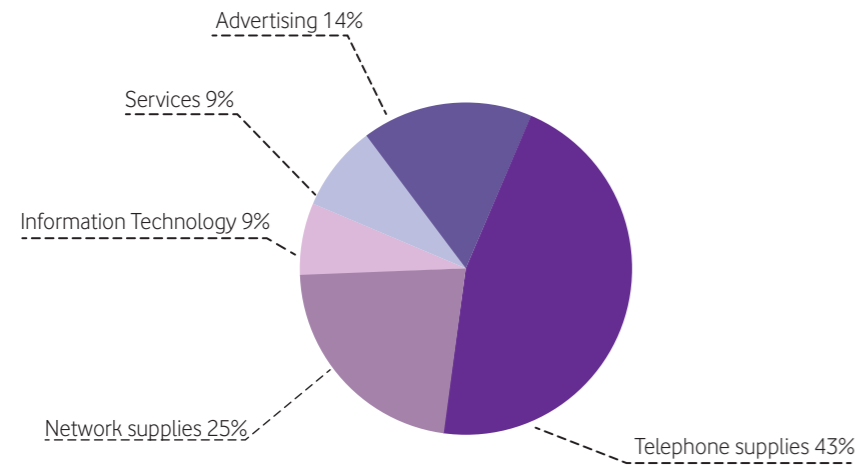
Approximately 35% of electricity purchased by Vodafone Italia during the year came from hydroelectric sources (the company is partnered with the Consorzio Idroenergia [Hydro energy Consortium] established for the self-production of energy from renewable sources) and the remaining energy needed to power the network was certified as produced by renewable sources.

# 7.2

## Vodafone Italia purchases

Vodafone Italia's **first 20 suppliers** represent 70% of its orders, equal to an expense of 1,463 million euro, and are subdivided as indicated in the graph. In addition to the types indicated in the table a considerable expense is constituted by electricity used to power radio base stations, building and stores owned by Vodafone, approximately 90 million euro. During 2010, approximately 85% of purchase volumes by Vodafone Italia were ordered from Italian industrial companies or the local subsidiaries of multinational companies.

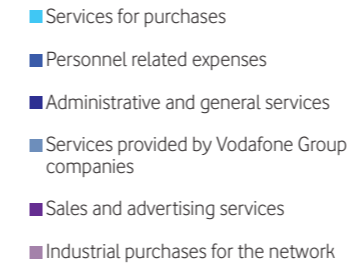
### First 20 suppliers - Supplier types



During 2010 Vodafone Italia's total purchases amounted to approximately **4,212 million euro**, of which approximately 3,841 million euro were spent on the supply of services (primarily industrial purchases for the network - 63.89% and commercial and advertising services - 24.20%) and approximately 371 million euro were spent on the supply of raw materials (principally telephones and accessories - 94.04% and telephone cards 3.17%).

Service supply (euro)	2010	2009	2008
Industrial purchases for the network	2,453,938,351	2,427,633,606	2,000,400,867
Sales and advertising services	929,335,384	911,229,052	849,378,131
Administrative and general services	159,119,120	171,206,206	258,407,555
Personnel related expenses	39,248,180	41,860,254	45,567,217
Services for purchases	78,838	71,116	99,254
Services provided by Vodafone Group companies	259,132,857	344,265,082	308,038,687
<b>Total</b>	<b>3,840,852,730</b>	<b>3,896,265,316</b>	<b>3,461,891,711</b>

### Supply of services



The majority of expenses on goods and raw materials (approximately 94%) involved the purchase of telephones and accessories.

### Supply of raw materials, consumables and goods for resale

	2010	2009	2008
<b>(Euro)</b>			
Telephones, accessories	348,531,609	323,394,370	317,086,629
Telephone cards	11,761,022	22,251,435	21,324,905
Dealer stations and store furnishing	2,207,941	2,107,207	2,678,356
Other purchases of consumables and goods for resale	8,119,697	9,122,679	9,367,030
<b>Total</b>	<b>370,620,269</b>	<b>356,875,691</b>	<b>350,456,920</b>

### Supply of assets



## We will.

- As part of the Supplier Performance Management programme, we will achieve a qualification rating over 75% for all active suppliers in the Group > MARCH 2011

- Revision of the qualification procedure for international suppliers > MARCH 2011

- Launch of the EVO project: reorganise all supply processes within the One Supply Chain Management in line with new Group processes, with the objective of increasing the integrity of supplier relationships > MARCH 2011



8.0

Environmental sustainability

# 8.0

## Environmental sustainability

**Environmental conservation** has assumed a role of primary importance and the success of a company is also dependent on the protection of this shared asset. Vodafone Italia displays great sensitivity to environmental topics adopting and developing wide ranging environmental policies.

Vodafone Italia identifies the environmental aspects of its activities, products and services that can influence in a direct or indirect manner. The evaluation of associated risks enables the correct, dependable and transparent definition of actions aimed at:

- preventing and reducing pollution;
- ensuring full compliance with current legislative requirements;
- promoting energy savings;
- preventing and managing environmental emergencies;
- communicating organisational, technical and economic commitments, set goals and objectives achieved both within and without the company;
- continually verifying and monitoring environmental objectives and goals;
- promoting and checking the use of environmental procedures by the suppliers and contractors on which the company relies.

# 8.1

## Development of the network and electromagnetic fields

### We said.

• As part of the site sharing agreement with Telecom Italia, share over 1700 existing and newly constructed network infrastructures > DECEMBER 2009

• Draft a site sharing agreement with Wind including 1000 network infrastructures > MARCH 2011

Vodafone Italia continues to develop its network in full compliance with Italian regulations on electromagnetic fields (the strictest in the world), communicating with local governments and simultaneously attempting to minimise the visual and environmental impact of systems, in compliance with the guidelines on "Responsible Network Deployment" defined on a Group level.

All Vodafone Italia systems are designed and built to comply with the exposure limits for electromagnetic field established by Italian regulations (Framework Law no. 36 dated 2001 and the Decree on 8 July 2003).

Complying with such low limits (up to 100 lower in terms of power density than those established by the European Union) introduces highly stringent constraints making it necessary to perform a case-by-case evaluation of the electromagnetic impact of each system, which is subject to approval by the Regional Environmental Protection Agency during the rigorous authorisation procedures required by the Electronic Communications Code (Italian Legislative Decree no. 259 dated 2003).

In 2010, the Vodafone Group hired an external company once again to complete a survey aimed at evaluating to what degree the company is perceived as responsible as regards electromagnetic fields and health. The quantitative results provided by Italian stakeholders, which were consistent with those for the Group, confirmed a very positive outlook on Vodafone Italia's operations.

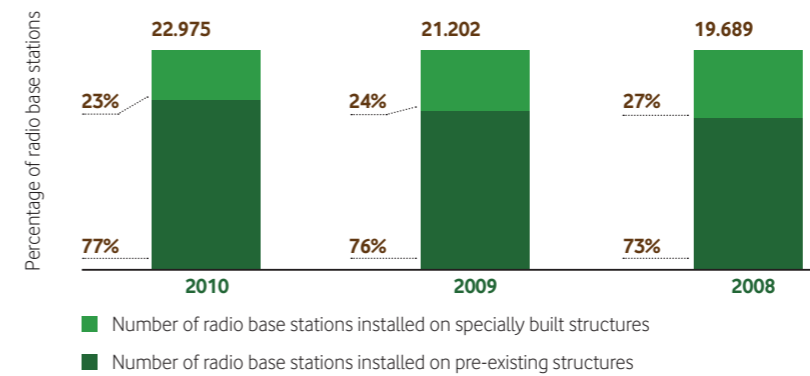
### We have.

As of 31 March 2010, the Vodafone network in Italy included **14,114 physical sites** including radio base stations installed with GSM (11,833 systems, primarily dedicated to voice, SMS and MMS services) and UMTS technology (11,142 systems, primarily for third generation data services). The most innovative and functional technologies are used in network development so as to ensure customers the best connection quality for both voice and data services.

Radio Base Stations - RBS	GSM	UMTS	GSM	UMTS	GSM	UMTS
	31/03/2010		31/03/2009		31/03/2008	
Number of radio base stations installed on specially built structures	2.973	2.290	3.165	2.004	3.738	1.618
Number of radio base stations installed on pre-existing structures	8.860	8.852	8.016	8.017	7.168	7.165
<b>Total</b>	<b>11.833</b>	<b>11.142</b>	<b>11.181</b>	<b>10.021</b>	<b>10.906</b>	<b>8.783</b>

The graph displays an increase in the percentage of RBS installed on pre-existing structures, which has grown by 4% over the last three years.

#### Radio base stations - GSM and UMTS RBS



## Site sharing

As part of the framework agreement signed with Telecom Italia, as of 31 March 2010 3,304 sites were already being shared, surpassing the goal of 2,920 sites. The applicable technical specifications and operating guidelines for the technical and organisational elements needed to define reciprocal contractual commitments had already been defined.

The framework agreement states that, beginning on 1 January 2008 and within the next six years, approximately 8,000 existing sites and 1,800 newly constructed sites will be shared. This is a concrete implementation of the guidelines within the Electronic Communications Code that recommend site sharing for a more efficient use of resources, consistent with environmental awareness, and enables a minimisation of the visual and environmental impact of the two networks while preserving the quality of services provided to customers.

The initiative enabled the development of synergies in construction and maintenance procedures for already existing as well as newly built sites, and offered clear advantages by reusing and reducing operating costs for infrastructures and the use of air conditioning and electrical equipment.

Furthermore, in compliance with last year's goals, a sharing agreement with Wind Telecomunicazioni S.p.A. was signed in July 2009 for the sharing of 1,000 sites by March 2011 and includes the option of extending the agreement to another 1,000 shared sites over the next four years. As of March 2010 93 sites had already been shared with Wind.

## Digital Divide

In collaboration with local governments and based on the precise needs of the country Vodafone Italia launched the **"1000 COMUNI"** project with the goal of bringing broadband to municipalities that have not yet been reached by the service. In March of 2010 the company brought broadband to 18 municipalities and 13 different regions: Campania (Olevano sul Tusciano), Sardinia (Nurri), Abruzzo (Cellino Attanasio, Scerni, Casacanditella), Piedmont (Virle), Puglia (Roseto Valfortore), Calabria (Versino), Lombardy (Trigolo, Albuzzano), Lazio (Carbognano), Veneto (Melara), Basilicata (Castelgrande), the Marches (Montappone and Esanatoglia), Molise (Frosolone and Cercemaggiore) and Umbria (Sigillo).

Since the launch of the initiative, tens of thousands of people have been given the possibility of accessing the Internet with a wireless 7.2 Mbps connection thus making connections to Internet services finally possible for inhabitants, companies and public administrations, which can then offer online services to their citizens. The initiative has been extremely well received by the inhabitants of the municipalities and local authorities.

Vodafone Italia is ready to do its part in offering the country an infrastructure for accessing modern broadband and thus providing access to everyone, as it firmly believes that mobile radio technology, HSPA today and LTE tomorrow, is the best solution in terms of cost and speed to bring Internet where the fixed network cannot reach.

## Mobile Broadband

Over the course of the year the company has completed important network development and optimisation operations with the goal of increasing the capacity and connectivity of radio base stations with UMTS technology and ensuring the best mobile data service throughout the national network at a speed of 7.2 Mbps (HSPA).

In addition, radio base sites have been upgraded to launch HSPA service at speeds up to 14.4 Mbps in 16 of the principal Italian cities: Rome, Milan, Naples, Turin, Palermo, Genoa, Bologna, Florence, Bari, Catania, Venice, Verona, Padua, Brescia, Cagliari and Perugia.

The mobile broadband network will continue to be developed over the coming year so as to ensure an increasingly fast and efficient mobile data service consistent with technological developments.

## 8.1.1 Product health and safety

All Vodafone products (mobile phones and smartphones, Internet keys, fixed network devices, etc.) are placed on the market only once their compliance with the safety standards required by the European Union has been verified, as well as the clarity and contents of the health and safety information in their instruction manuals.

As for electromagnetic fields, these standards are based on field exposure limits defined by the ICNIRP (International Commission on Non-ionizing Radiation Protection) and implemented in European Union product standards.

These limits are expressed in terms of the SAR (Specific Absorption Rate), which measures the energy absorbed by the body when exposed to electromagnetic fields in the form of heat: the limit set by the ICNIRP is 2 W/kg.

For mobile phones, European standards require the measurement of maximum SAR levels in the head when the telephone is used close to the ear, in various positions and always for maximum power transmitted.

The maximum SAR values for each telephone, always less than 2 W/kg, are reported in instruction manuals, on the websites of manufacturers and in the shop section (technical data sheet) on the website [www.vodafone.it](http://www.vodafone.it).

Vodafone Italia also verifies compliance with ICNIRP limits for products with different usage conditions, when the device comes into contact with the body ("body-worn" measure, typically applicable to the Internet Key, but also mobile telephones that can be carried in pockets and used with earpieces).

These measurements have no European standard and thus the American standard issued by the FCC (Federal Communications Commission) is followed. The company also worked together with the IEC (International Electrotechnical Commission) on the definition of a new standard for body-worn measurements. The IEC standard was definitively approved in April 2010, and starting this year Vodafone Italia will use this new international reference (IEC 62209-2) to verify the conformity of all products when they are held close to the body during the usage conditions specified in instruction manuals.

## 8.1.2 Scientific research on electromagnetic fields

Between 2009 and 2010 several important scientific developments were made concerning electromagnetism and its possible health effects.

In August 2009 the ICNIRP reviewed the validity of its limits on radio frequency fields, established in 1998 and implemented by the European Union in 1999, in light of the studies and results published by the international community over the last 10 years, subsequently concluding:

"It is the opinion of ICNIRP that the scientific literature published since the 1998 guidelines has provided no evidence of any adverse effects below the basic restrictions", that is under the current limits in Europe.

In May 2010 the results were published from the Interphone epidemiological study conducted in 13 countries including Italy and coordinated by the IARC, the International Agency for research on Cancer. The study revealed no increase in the risk of brain tumours (gliomas and meningiomas) associated with the use of mobile phones over a period of 10-12 years.

Following the publication of the Interphone study, the World Health Organisation updated its position on mobile phones concluding that "to date, no harmful effects from the use of mobile phones have been confirmed", and that in any case additional epidemiological studies, which are already underway, are needed in order to further analyse any long term effects.

For radio base stations, the conclusion reached by the WHO in 2006 remains valid: "Considering the very low exposure levels and research results collected to date, there is no convincing scientific evidence that the weak RF signals from base stations and wireless networks cause adverse health effects" (World Health Organisation, Fact sheet no. 304, Radio base stations and wireless technology).

### N.B. For additional information:

ICNIRP: Declaration on the "Guidelines for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 GHz)". [www.icnirp.org/documents/StatementEMFita.pdf](http://www.icnirp.org/documents/StatementEMFita.pdf)

Istituto Superiore di Sanità (Superior Health Institute): the use of mobile phones does not increase the risk of brain tumours [www.iss.it/pres/prim/cont.php?id=1072&lang=1&tipo=6](http://www.iss.it/pres/prim/cont.php?id=1072&lang=1&tipo=6)

The World Health Organisation: Fact Sheet no 193, Mobile phones, May 2010 [www.who.int/media-centre/factsheets/fs193/en/index.html](http://www.who.int/media-centre/factsheets/fs193/en/index.html) [www.iss.it/binary/elet/cont/Promemoria\\_193bis.pdf](http://www.iss.it/binary/elet/cont/Promemoria_193bis.pdf)

## Group surveys on electromagnetic fields

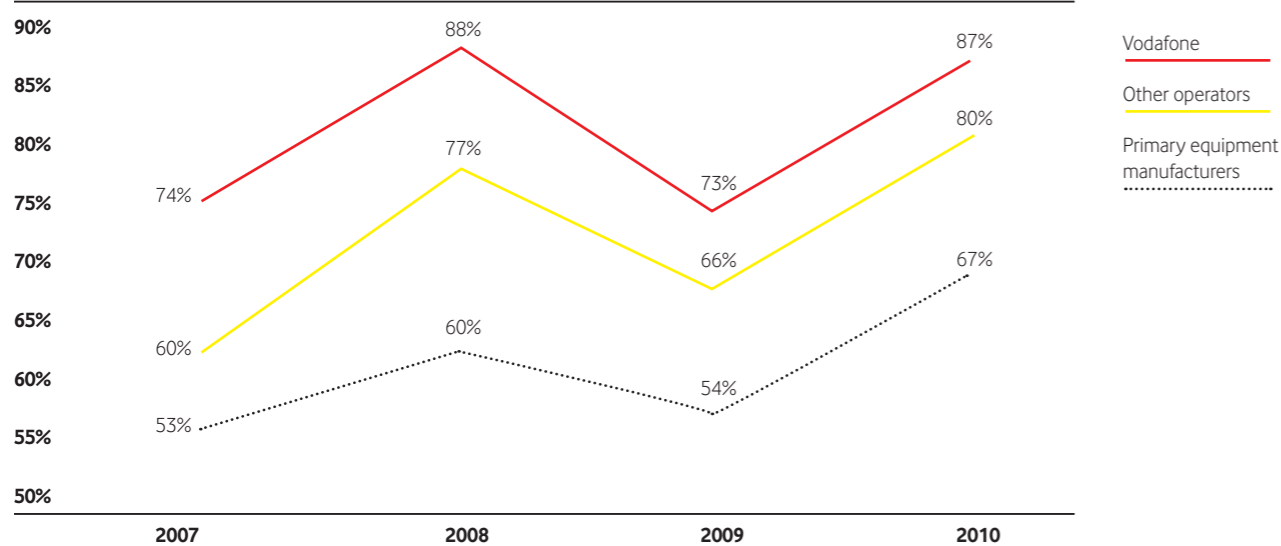
The Vodafone Group hired an external company, Nunwood, again this year to randomly interview institutional stakeholders (governments, universities, etc.), who have had contact with Vodafone during the past year, on the topic of electromagnetic fields and health.

The purpose of the survey was, as in previous years, to determine to what degree sector experts and institutional stakeholders view Vodafone as a responsible company in its management of electromagnetic fields and their effect on health.

This year Nunwood interviewed 101 stakeholders, drawn from a list of stakeholders reported by various Vodafone Group companies. Vodafone Italia contributed to the research naming 60 institutional stakeholders including university lecturers and researchers, representatives from Regional Environmental Protection Agencies, regional representatives and sales directors for mobile phone manufacturers. Of these Nunwood selected and interviewed 16 Italian stakeholders this year.

Overall, the results confirm Vodafone as the "most responsible" the other national operators used as benchmarks (even if, due to the relatively small sample size these results must obviously be viewed as relative to Vodafone Group companies as a whole, and cannot be extrapolated for single countries). With this year's results the Group to achieve its objective, which was to ensure that over 80% (on average over the last 3 years) of its global stakeholders believe Vodafone is acting responsibly.

### To what degree do you believe Vodafone is taking its responsibilities concerning mobile phones, antennas and health seriously?



## We will.

• Sign a Site Sharing Framework Agreement with H3G S.p.A. for sharing network infrastructures (spaces, poles, air conditioning and electrical systems, etc.) for radio base stations distributed throughout the country > MARCH 2011

• As part of the site sharing agreement with Telecom Italia, share an additional 1,250 existing and next generation network infrastructures. > DECEMBER 2010

# 8.2

## Energy efficiency

### 8.2.1. Network initiatives

Continue the Vodafone Group's commitment in terms of energy efficiency and climate change by reducing CO<sub>2</sub> emission by 50% by 2020, starting with the 2006-2007 fiscal year.

## We said.

• Expand the monitoring of electricity use to include over 1000 radio base stations, thus increasing the number of sites monitored through the AMR system up to 4500 (approximately 1/3 of all radio network sites) > MARCH 2010

• Energy savings and set up temperatures: adopt new temperature parameters for all newly created radio sites > MARCH 2010

• TRX shutdown: complete testing on the powering down of the DCS1800 network during low-traffic nighttime hours and quantify possible savings > MARCH 2010

• Extend the free-cooling system to older radio network sites with limited capacity ventilators > MARCH 2010

• Internal sharing and approval of the Energy Efficiency 2009 - 2012 plan > DECEMBER 2009

During 2010, Vodafone Italia once again worked to reach its goals by developing a series of energy efficiency initiatives and also focusing on its purchases by favouring green energy. In fact, in 2010 almost 100% of electricity purchased for the network came from renewable sources, 1/3 of which were hydroelectric sources with the consequential reductions in CO<sub>2</sub> emissions, which were already apparent at the start of this fiscal year. The updates to the energy efficiency plan are currently being evaluated in relation to goals shared with the Group and new initiatives under development on a local level.

## We have.

### Monitoring radio network use

Monitoring the electricity used by the radio network has made it easier to identify possibilities for optimising consumption and better use through targeted interventions. Over the year, the project was expanded to cover approximately 4200 sites on the mobile radio network. In addition the AMR (Automatic Meter Reading) system was developed in 37 BSCs and in 13 MSC<sup>6</sup> centres, thus increasingly the accuracy of the usage recordings across the entire Vodafone Italia network.

### Set-up operating temperatures and free-cooling

The optimisation of air conditioning systems at base radio stations, achieved by increasing operating temperatures, has now become a standard used at all new facilities. In addition to being progressively extended to all types of existing sites where free-cooling is not present, various tests on enhancing free-cooling have been performed: a auxiliary ventilation system for the air conditioning system enables, particularly in winter, the use of low external air temperatures to cool equipment rooms, thus reducing the hours of operation for climate control systems and decreasing energy consumption.

Thanks to the air conditioning and ventilation projects an annual savings of 18 GWh was achieved.

Next year, the company will evaluate the combination of various free-cooling solutions at radio network sites, integrating ventilators that operate on direct currents and with speed regulators. This solution will enable greater adaptation of the ventilation system to varying heat loads in addition to decreasing sound emissions.

6. MSC: Mobile Switching Centre, element in the mobile GSM phone network that interfaces the controller, Base Station Controller (BSC), with the fixed telephone network.

## TRX Power shutdown

This is a system that enables the controlled shutdown of DCS 1800 radio stations when traffic is low, primarily during the nighttime hours, with consequential electricity savings. Tests were performed during the year focused on refining energy saving techniques while ensuring the same level of quality in network performance. When fully operational a yearly energy savings of 2.7 GWh is expected.

UMTS carrier shutdown will also be tested with the goal of progressively extending the use of the controlled shutdown technique to the third generation system (3G) throughout the entire Vodafone Italia network.

## Technology upgrades

The VINCI project was of particular importance; present in the company for quite some years now, it is focused on the evolution of fixed network architecture through innovations that lead to a reduction in energy use. Over the year equipment designed for voice traffic switching was replaced with more technologically advanced equipment that offers greater capacities and increased energy efficiency as well reducing the space occupied in technical sites. During the coming year, certain pieces of equipment will be replaced with other more recent designs including data transfer, Internet traffic and SMS management services.

## We will.

- **Introduce "Single RAN" technology into the radio network enabling greater efficiency and reduced consumption > MARCH 2011**

- **Extend the AMR project to about 1000 additional sites on the mobile network and in all MSC and BSC locations not yet equipped with the device > MARCH 2011**

## Next generation extinguishers

The expansion plans for the BSC and MSC centres included new operations enabling the use of Novec<sup>7</sup> as a next generation extinguisher.

Automatic shutdown systems built in this way offer excellent extinguishing power and environmental friendly operation thanks to an extremely low GWP (global warming potential) and ODP (ozone depletion potential) and a very short average atmospheric lifetime.

## Air conditioning systems

Testing on the use of inverter equipment in the radio network is planned for this year; the goal is to evaluate the energy savings possible with this technology, which modulates the necessary power according to the cooling required, using the minimum power to maintain a set temperature. Vodafone Italia will also begin the gradual conversion of systems that use R22 gas, according to a plan over several years that combines both planned replacements and those following initial failure, for both mobile network and fixed network systems with a dual result: energy efficiency and the lowered environmental impact of the coolers used.

- **Use, both for replacement and in new systems, conversion modules for alternating and direct electric currents so as to enable greater energy efficiency > MARCH 2011**

7. Novec is a "clean agent" that can replace extinguishing gases, such as HFC23, and thus contributes to reducing Vodafone Italia's environmental impact.

## 8.2.2

### Office and mobile initiatives

## We said.

- **Create automatic high-efficiency lighting systems in office environments > MARCH 2010**

- **Develop the first photovoltaic system at the Rome office in Grande Muraglia, which will contribute to the energy needs of the office > MARCH 2010**

## We have.

The new sustainability policies adopted by the company during the year included the integration of new building management systems, specifically for facilities under renovation. These systems have made it possible to more efficiently manage the shutdown of lighting as well as all climate systems.

### High-efficiency automatic lighting systems

New systems were developed at the Rome Boccabelli and Rome Torrino locations where lighting can be controlled either on site or by a central administrator that verifies external environmental conditions, ensures the best level of lighting for the workspace and optimises consumption.

Using these control systems and accurate system maintenance, the efficiency of all systems has improved, ensuring high performance and lower consumption.

- **Vodafone Village: construction of a new high-efficiency building complex in Milan equipped with low environmental impact trigeneration systems for producing electricity and heat (heating and air conditioning) > MARCH 2012**

### Photovoltaic system in Rome

In early June 2010 the first photovoltaic system went into operation, installed over the Torrino, Rome offices. The system was developed within a broader project involving the redevelopment of the entire premises and includes 70 photovoltaic panels of 220 W each, for a peak power of 15.4 kWh. An annual production of approximately 22,000 kWh is expected. The company has estimated that the energy produced by this system will prevent the emission of approximately 10 tons of CO<sub>2</sub> into the atmosphere per year. The authorisation process for the system is currently under way at the GSE – Gestore dei Servizi Elettrici – awaiting approval of the incentive rate as per the so-called "Energy Account" Legislative Decree.

### Vodafone Village

A new office complex is being built in Milan: it includes three connected buildings that will eventually form the future Vodafone Village. The building block was constructed using advanced technology with a low environmental impact.

- **Introduction of vehicles powered by alternative fuels (bi-fuel-natural gas or GPL) > MARCH 2010**

For example, the buildings will be covered with a special photocatalytic material that provides protection from pollution and rain water will be collected and used for irrigation and cleaning. A photovoltaic system is planned for one of the three towers, which will power the auxiliary services in the building. Authorisation is currently being obtained from the relative authorities for the construction of the trigeneration system that will power the building. This system will enable the production of electricity, heat and cooling using a primary energy source with a low environmental impact, such as gas. Thanks to this process the energy performance for the entire building will be very high.

The company is also working, where possible, to improve the energy performance of the enclosures of other office buildings by replacing normal doors and windows with insulated structures and using high energy performance glass that enables better insulation of the enclosure. In some locations thermal units were replaced by new high-performance condensation boilers with low atmospheric emissions. The combination of these operations enabled an increase in the energy performance of these buildings.

## Mobility

For some years now, Vodafone Italia has worked on **Mobility Management** with the goal of optimising employee travel between home and work, launching a project focused on developing and strengthening a culture of sustainable mobility and identifying cost-effective solutions for eco-sustainable transport.

In order to promote mass and innovative transportation for employees traveling between home and work, help to limit the use of private cars and limit the level of environmental pollution, the company has focused on a series of initiatives aimed at improving the accessibility of the workplace and further evaluating the regular mobility needs of personnel.

Emerging proposals that have already been implemented include:

- a special rate for annual subscription services;
- availability of a company bus;
- online shopping;
- development of incentives for GPL systems;
- development of car and travel policies;
- planning parking spaces for cars and motorcycles at offices;
- organisation of a nursery service within corporate structures.

As of 31 March 2010 the Vodafone Italia fleet included **2,057 vehicles**, which are almost exclusively diesel. One third of these are shared and the remaining vehicles are assigned individually. Each vehicle travels an average of 30 thousand km per year.

Vodafone Italia's car policy aims to minimise the impact of the corporate fleet in terms of CO<sub>2</sub> emissions. In 2009 a series of actions were developed with this goal in mind – the engine capacity of available cars was lowered, excluding vehicles with emissions over a pre-established threshold, and incentives were provided for employees who choose low-emission cars. Activities continued in 2010 with the introduction of vehicles powered by alternative fuels, electric hybrids and bi-fuel cars (gas/natural gas or GPL). The company continued to focus on adding new car models to the list that offer elevated performance and low emissions, thanks the technological innovations of the market.

As in previous years, the safety developments included safe driving courses that involved about 300 personnel who frequently use cars for work, principally in the sales and network departments.

The 2010 **Travel Policy** enabled the company to achieve good results in terms of decreasing travel and overnight stays, emphasising Vodafone Italia's focus on sustainability topics.

The company's Travel Policy has resulted in decreased business travel, with a resulting drop in flights and overnight stays; wherever possible train travel and video conferencing were used to replace flights.

The year brought encouraging results – the number of purchased airplane tickets decreased by 6% (international flights by 10.5%) and hotel stays by 14%. In line with the policy's recommendations a 15% increase in train travel was also recorded.

The travel booking system can display the amount of CO<sub>2</sub> emitted during a selected flight, which is another way to raise awareness among personnel on the environmental impact of their travels. The hotels partnered with the company were also reviewed, favouring those close to worksites.

During 2010, CO<sub>2</sub> emissions due to flights taken by company personnel for work reasons were also calculated; these emissions were estimated to be about 1,500 tonnes of CO<sub>2</sub>.

## We will.

• Analyse technical/economic feasibility to verify the possible installation of new photovoltaic systems at Vodafone Italia sites > MARCH 2011

• Vodafone Village: construction of a new high-efficiency building complex in Milan equipped with a low environmental impact trigeneration systems for producing electricity and heat (heating and air conditioning) > MARCH 2012

• Development of pilot projects aimed at testing the use of electric cars > MARCH 2011

## 8.2.3 Environmental indicators

### Energy consumption and CO<sub>2</sub> emissions

Vodafone Italia constantly monitors its consumption by energy source type and end use. The principal energy sources it uses include electricity for network operations, offices and stores, natural gas for heating offices and diesel for operating network generators and offices and the use of the corporate fleet. In 2010, as in previous years, over 90% of electricity was used for network operations and about 67% came from renewable sources.

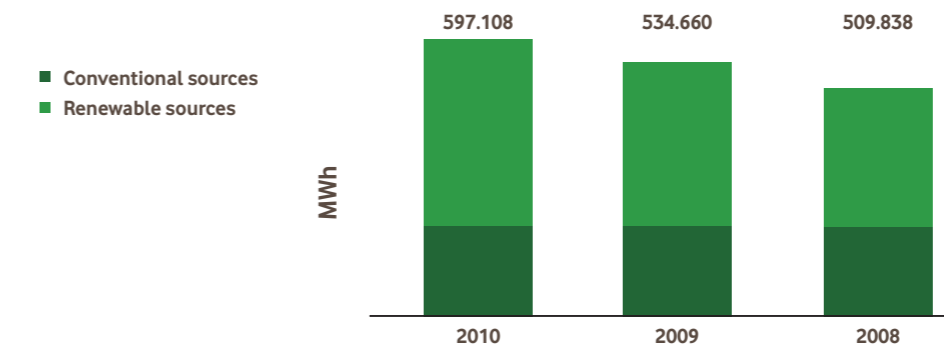
Electricity use (MWh per year)	2010	2009	2008
<b>Network</b>	<b>554.771</b>	<b>491.501</b>	<b>465.651</b>
Conventional sources	166.596	159.034	165.282
Renewable sources	388.175	332.467	300.369
<b>Offices and stores</b>	<b>42.338</b>	<b>43.159</b>	<b>44.187</b>
Conventional sources	30.832	43.159	44.187
Renewable sources	11.506	-	-
<b>Total</b>	<b>597.108</b>	<b>534.660</b>	<b>509.838</b>
Conventional sources	197.427	202.193	209.469
Renewable sources	399.681	332.467	300.369

The increase in consumption is correlated with network use, which increased in 2010 along with the growth of business in terms of traffic volumes handled. The use of electricity by the DPC (Data Processing Centre), ascribable to the subsidiary VST (Vodafone Servizi e Tecnologie), also increased.

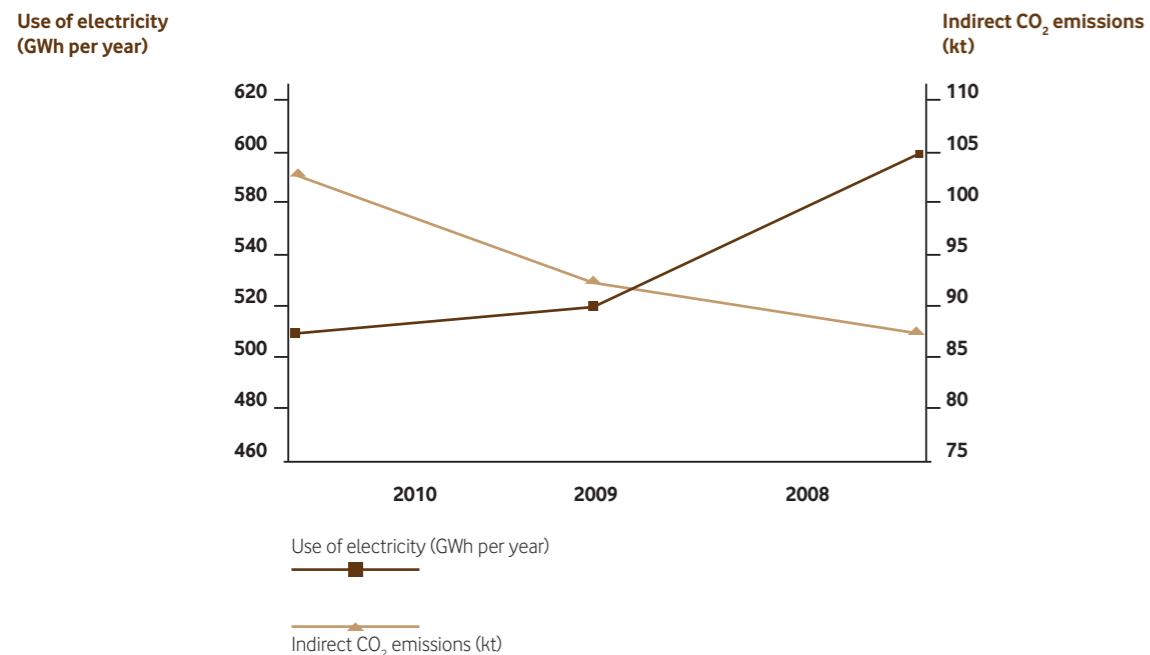
Use of electricity (MWh per year)	2010	2009	2008
<b>DPC</b>	<b>78.589</b>	<b>71.177</b>	<b>77.767</b>
Conventional sources	78.589	71.177	77.767
Renewable sources	-	-	-

In recent years the amount of electricity Vodafone Italia obtained from renewable sources increased significantly.

### Use of electricity



The increase in the use of renewable energy ensured that the increased consumption had no effect on indirect CO<sub>2</sub> emissions, which consistently diminished and have decreased by approximately 16% over the last three years.



Indirect CO <sub>2</sub> emissions <sup>8</sup> (t)	2010	2009	2008
Network	73.802	73.474	81.980
Offices	13.659	19.940	21.917
<b>Total</b>	<b>87.461</b>	<b>93.414</b>	<b>103.897</b>

Emissions indirectly connected to the consumption of the DPC showed a trend directly correlated to the variation in consumption.

Indirect CO <sub>2</sub> emissions <sup>8</sup> (t)	2010	2009	2008
DPC	34.815	32.884	38.573

Vodafone Italia produces a minimum amount of its electricity.

Use of self-produced electricity (MWh per year)	2010	2009	2008
Generators - network	2.052	2.460	2.458
Generators - offices	85	145	142
Renewable sources (sun))	29	21	17
<b>Total</b>	<b>2.166</b>	<b>2.626</b>	<b>2.617</b>

Generators ensure continuous electricity in the event of an interruption in supply and when waiting for connection to the power grid. Though not extremely significant from a quantitative point of view, a continual increase in production by photovoltaic systems has been recorded, today present in two radio network sites.

The use of other energy sources (in addition to electricity) is due to the company fleet and office heating.

Use of other energy sources (TEP)	2010	2009	2008
Automotive diesel	3.888	3.316	3.186
Automotive gas	11	23	24
Diesel fuel for energy production for generators + offices	632	722	720
Natural gas for boilers and heating offices	621	565	585
<b>Total</b>	<b>5.152</b>	<b>4.626</b>	<b>4.515</b>

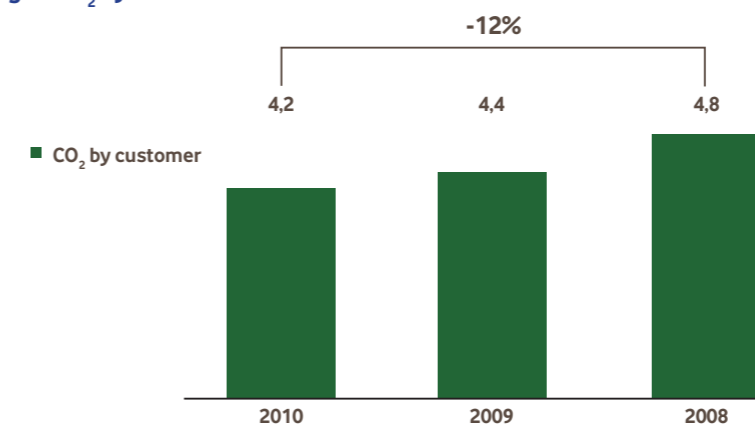
The consumption of diesel during electricity production by generators (see Consumption Table for self-produced electricity)

2010 showed a slight increase in consumption, primarily due to an increase in the use of natural gas for heating. The increase in electricity use was also caused by an increase in CO<sub>2</sub> emissions from combustion.

Direct <sup>9</sup> CO <sub>2</sub> emissions (t)	2010	2009	2008
CO <sub>2</sub> from heating	1.419	1.291	1.441
CO <sub>2</sub> from transportation (fleet)	11.705	10.019	9.883
CO <sub>2</sub> from energy production (generators)	1.898	2.168	2.220
<b>Total</b>	<b>15.022</b>	<b>13.478</b>	<b>13.544</b>

The indicator for total emissions (direct and indirect carbon dioxide) measured in relation to the number of Vodafone customers decreased by 12% over the last three years.

#### Kg of CO<sub>2</sub> by customer



8. Calculated using the kg CO<sub>2</sub>/kWh emission factor published annually by Enel.

9. "GHG Protocol" emissions factors are used to calculate CO<sub>2</sub>.

## Refrigerant and extinguishing gas

Certain refrigerant and extinguishing gases (HFCs and their blends) are subject to regulation<sup>10</sup> as they are green house gases; other gases (HCFCs) are, instead, harmful to the ozone layer<sup>11</sup>. In both cases the gases are harmful if emitted into the atmosphere and thus their leakage from circuits and equipment must be monitored.

The use of products with a low environmental impact is another choice the company has made managing a business that focuses on climate change. In particular, Vodafone Italia introduced automatic shutdown at certain sites using next generation extinguishers that are not subject to the restrictions of the F-Gas Regulation.

### Greenhouse gases

Use	State	Gas (Kg)	2010		2009		2008	
			Network	Offices	Network	Uffici	Network <sup>12</sup>	Offices
Refrigerant	Contained	HFC (R407-R134-R417-R410)	23.258	10.757	22.199	10.644	21.313	10.643
Extinguishing	Contained	HFC23	69.231	21.934	69.279	21.934	69.917	21.934
Extinguishing	Contained	CO <sub>2</sub>	21.606	1.567	21.740	1.560	20.542	1.554
Refrigerant	Replenished	HFC (R407-R134-- R417-R410)	2.274	1.278	2.550	649	2.200	519
Extinguishing	Replenished	HFC23	2.177	230	2.226	1.474	825	0
Extinguishing	Replenished	CO <sub>2</sub>	649	0	556	70	1.744	25

The quantity of contained refrigerant gases has been basically stable over the past three years. The use of extinguishers is primarily due to resupply and testing operations for containers.

Vodafone Italia has developed a programme for replacing HFC23, in new protected network sites with automatic shutdown systems, with a **"clean agent"** such as **Novec**, whose use in 2010 was over 3 tonnes with a very large increase over the last three years. At the same time, the use of powder extinguishing systems increased significantly, by approximately 40% as compared with 2009.

### Ozone-damaging gases

Use	State	Gas (Kg)	2010		2009		2008	
			Network	Offices	Network	Offices	Network	Offices
Refrigerante	Detenuto	HCFC (R22)	27.586	4.844	28.302	5.291	29.129	5.291
Refrigerante	Reintegrato	HCFC (R22)	2.686	240	2.241	328	2.687	211

The overall data on HCFC refrigerant gases at radio network sites, displays a progressive decrease in systems containing HCFC as these are being replaced with coolants that have a lower environmental impact (HFCs).

HCFC gases, both in the network and offices, are only used to recharge existing circuits and their lower use in the network is due to the progressive reduction of systems that use this type of coolant. A plan has also been developed to gradually replace all the cooling systems that use HCFC gases in offices by 2015, in full compliance with current regulations. The increase in consumption recorded for offices is due to the fact that these systems, which are now rather old, are more exposed to possible failure or leakage and the replenishment of gas is thus required. Gas use is monitored including gas emissions into the atmosphere.

# 8.3

## Recycling and reuse

### 8.3.1 My Future

## We said.

- Fund the installation of 20 photovoltaic systems in Italian schools, one in each region > DECEMBER 2010

## We have.

In 2008 Vodafone Italia launched My Future, a large initiative that collects responsible business and environmental conservation projects. The goal of My Future is to generate clean energy by installing photovoltaic systems in Italian schools. Following the installation of the first 6 systems in 2009, work was begun on the construction of another 5 systems in Ancona, Treviso, Trieste, Cuneo and Turin, which were completed in September 2010. The possibility is currently being discussed of reducing the number of systems in line with financial investments and installed power.

To support My Future, Vodafone Italia launched Ecoricarica in 2010, a 60-euro top up that lets Vodafone Italia customers top up their telephones while also contributing to the environment. For each Ecoricarica purchased the company donates 1 euro to the My Future project. Over 400 thousand euro of funds have been collected by Vodafone Italia thanks to Ecoricarica, which will be used to install photovoltaic systems in 14 Italian schools.

Another initiative supporting the project is the exclusive Ecobag, created by recycling the postings from past advertising campaigns; each Ecobag is a unique, limited edition item. Ecobags were sold at Vodafone Italia's online shop and during several events organised by the company (e.g. the Turin Book Fair, Economics Festival in Trento, Cortina Incontra).

The campaign, "Il tuo telefonino ha ancora tanta energia" (Your mobile phone is still full of power), continued in 2010 collecting over 42,000 mobile phones from customers. This significant increase over last year (+92%) is due in part to the launch of the "Vodafone One Points" promotion that awards 50 Vodafone One points for each old mobile phone donated by customers, awarding approximately 1,500,000 Vodafone One points. This promotion was combined with an awareness campaign for the sales network including a contest that awarded the dealer who collected the largest number of mobile phones.

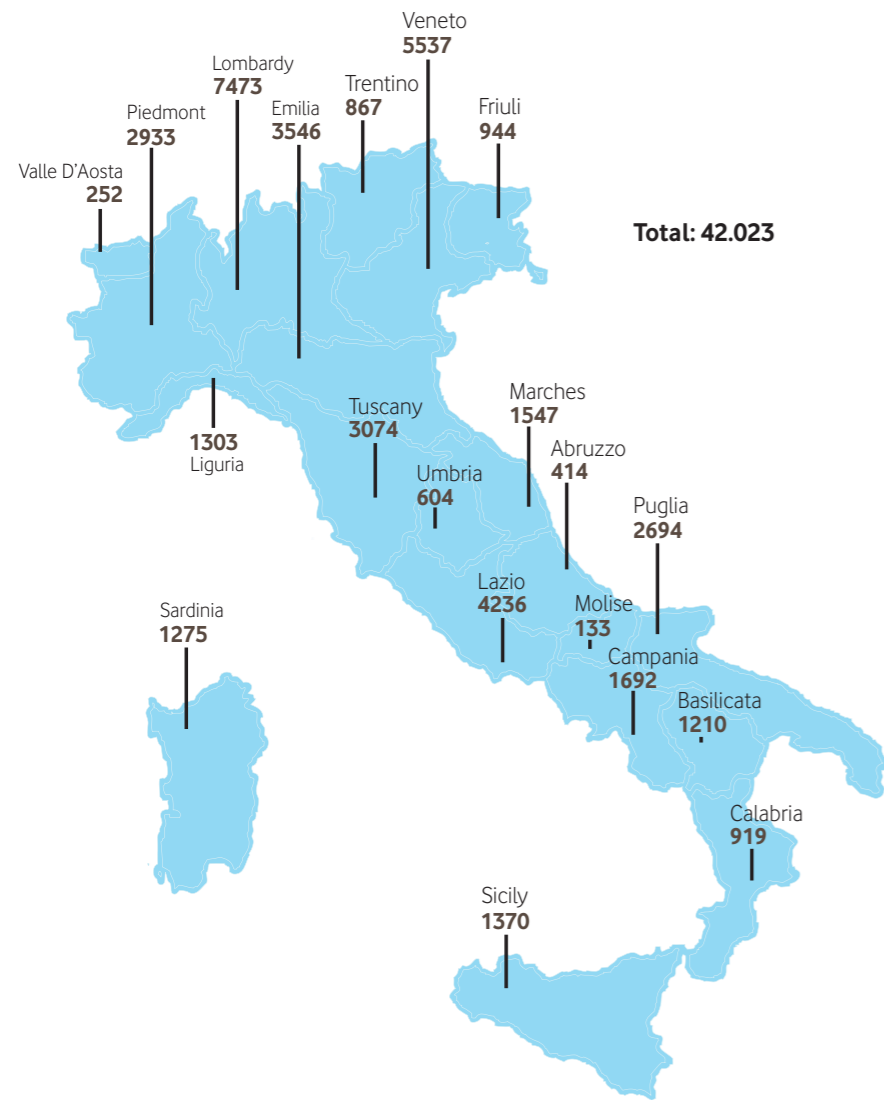
10. HFC gases are among the six greenhouse gases include in the Kyoto Protocol and under Regulation 846/2006 on fluorinated greenhouse gases.

11. Subject to Regulation 2037/2000.

12. The data on contained refrigerant gases in the network for 2008 were modified as compared with that published in the 2008 - 2009 Corporate Responsibility Report as certain equipment was not included because it is no longer in service at RBSs, even though they are the property of Vodafone.

Mobile phone collection was organised throughout the country and took place at over 800 Vodafone One stores. The company Prima Tech Service was hired to refurbish and recycle the collected materials in compliance with current regulations.

**Mobile phones collected at Vodafone One Stores (no. of items)**



Vodafone Italia has always paid close attention to environmental issues concerning the correct management of electronic waste and has for quite some time implemented a mobile phone collection campaign at its Vodafone One stores. It thus approves of the introduction of the standard that ensures the "1 against 1" collection pursuant to Italian Ministerial Decree 65/2010. The decree regulates the simplified method for managing waste from electrical and electronic equipment (WEEE) by the distributors and installers of electrical and electronic equipment (EEE), as well as the managers of technical assistance centres for this equipment.

Distributors must ensure customers that purchase a new device, the free withdrawal of the used device, in the amount of "1 against 1", and must inform consumers that the withdrawal is free.

Since 2003 Vodafone Italia has collected over 2,000,000 telephones and accessories which means about **46 tonnes of material to be recycled**; reused and recycled telephones include:

- mobile phones managed by the Vodafone Italia's Technical Assistance service (not included in the Vodafone Group report);

- new mobile phones with irreparable functional defects;
- mobile phones not sold by dealers or no longer sold in Italy (commercial returns);
- mobile phones from collection services at Vodafone One stores.

<b>The reuse and recycling of mobile phones and accessories (kg)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Reused	24.356	18.615	8.174
Recycled - including batteries	4.348	6.858	6.180
<b>Total</b>	<b>28.704</b>	<b>25.473</b>	<b>14.354</b>

In November 2009 Vodafone Italia expanded its range of products and services with **Samsung Blue Earth**, the first eco-friendly touch screen mobile phone created in recycled plastic (PCM) and powered by solar energy. Both the telephone and charger are free of harmful substances such as brominated flame-retardants, beryllium and phthalate; the rear solar panel on the phone enables it to generate enough energy to place a call or send messages in the event of an emergency.

The most innovative functions include the "Eco walk", software that lets you count your steps with a built in pedometer, calculating the reduction in CO<sub>2</sub> emissions based on travel by foot instead of in a motorised vehicle. This exclusive function also lets users calculate the value of their ecological imprint and the number of trees saved.

## 8.3.2 Use and management of resources

### We said.

- In collaboration with the Safety Department define an internal procedure for the developing periodical controls along the waste chain > MARCH 2010

- Paperless billing: reach 60% of the consumer customers and 30% of business customers through online billing > MARCH 2011

- Replace "white" paper in all company locations with the low environmental impact ecological paper > MARCH 2011

### We have.

#### Controls along the waste chain

Italian Ministerial Decree 17/12/2009 established the Integrated Waste Traceability Control System, better known as SISTRI. The system was created in order to digitalise the entire waste chain on a national level and urban waste for the Campania Region. The decree imposes a series of obligations, simplifies procedures and manages the movement of waste along the chain in an innovative and efficient manner, using electronic systems that guarantee greater transparency, control and prevent illegal activities.

In complying with the obligations required by regulations, Vodafone Italia has completed a series of steps including:

- registering at the Ministry of the Environment as a waste producer;
- mapping locations that produce dangerous waste;

- registering these locations at the Chamber of Commerce;

- the selection and appointment of internal SISTRI delegates, responsible for safeguarding and using the USB flash keys necessary for the electronic management of scrapping.

These activities were developed under the guidance of the Department of Health & Safety in collaboration with the Department of Technology, as it is the principal producer of waste within Vodafone Italia. The definition of the internal control procedure for the waste chain will be completed by 2011 in line with that established by the SISTRI Ministerial Decree.

#### Expanded internal retesting process for network equipment

The retesting process for network equipment now includes all reused equipment and both radio (BTS, Node-b, antennas, radio bridges, etc.) and electrical power (control panels, energy stations, etc.) equipment enabling the company to maximise internal reuse of materials uninstalled from other sites. The significant increase in recycling network equipment was primarily due to the dismantling operations at numerous sites, a direct result of the site sharing agreement signed the previous year with Telecom Italia and Wind.

100% of disconnected and unusable network equipment is recycled by authorised companies.

Recycling of network equipment (t)	2010	2009	2008
Dangerous recycled materials	735	522	452
Safe recycled materials	707	261	226
<b>Total</b>	<b>1.442</b>	<b>783</b>	<b>678</b>

#### Paperless billing

In March 2010 approximately 750 thousand customers were billed electronically; this process enabled a savings of 45 tonnes of virgin cellulose paper (11.6 m sheets), which equals approximately 58.2 tonnes of CO<sub>2</sub> and 2.7 million litres of water.

In order to achieve this objective the company developed promotion and support activities during the activation of the e-billing service using all available channels (call centre, web and sales force) and created an automatic activation procedure to make use simple and fast for customers.

The penetration percentage is calculated based on the customer base that signed an automatic payment method (direct debit or credit card) and equals approximately 80% of the customer base.

Electronic billing per thousands of customers	2010	2009
Consumer Customer Base	671	278
Business Customer Base	80	41
<b>Total</b>	<b>751</b>	<b>319</b>

Penetration of electronic billing	2010	2009
Consumer Customer Base	50,7%	23%
Business Customer Base	19,7%	13%
<b>Total</b>	<b>70,4%</b>	<b>36%</b>

#### Purchase and use of paper

Purchase of paper (kg)	2010	%	2009	%	2008	%
White	41.908	27%	98.420	63%	120.000	70%
Recycled	112.133	73%	58.990	37%	51.000	30%
<b>Total</b>	<b>154.041</b>	<b>100%</b>	<b>157.410</b>	<b>100%</b>	<b>171.000</b>	<b>100%</b>
<b>Kg of paper purchased/ no. of employees</b>	<b>18,84</b>		<b>19,28</b>		<b>20,68</b>	

After the experimental of the introduction of recycled paper in recent years, the company conducted a campaign in 2009 aimed at raising awareness among the various departments so as to promote the purchase of ecological paper. As a result of this awareness campaign, 2010 recorded a considerable increase in the purchase of ecological paper as compared to 2009, while total purchases are similar to previous years. 90% of paper purchased was used during the same year.

Starting in 2010, exclusively ecological paper could be purchased throughout the entire company (100% recycled and certified). With the goal of simplifying processes and, where possible, reducing and replacing the use of paper, a series of "no paper" initiatives were developed over the year involving various company departments. The project led to the definition of new processes using information flows or electronic documents to replace the use of paper documentation.

Within the Human Resources Department the "No paper" project enabled the simplification and automation of diverse processes that saved thousands of sheets of paper. Some examples included:

- sending the CUD electronically to the entire corporate population;
- electronic management of salary-related letters;
- booking external training courses through online forms.

## Water

Vodafone Italia's principal water supply are aqueducts from which it obtains the water needed for its services and systems in the various company locations; the water is purchased in part through municipalisations and in part through private companies. The company also purchases potable water that it makes available to its personnel in dispensers present on all floors at its various offices.

In 2010 it recorded a 23% increase in water consumption as compared to 2009 for services in its facilities. The increase was principally due to renovations at several locations and several failures recorded in the fire hydrant circuit of the fire protection system in the northeast. Potable water provided to employees, including that in dispensers, recorded a 7% decrease.

Water consumption (litres)	2010	2009	2008
Water for services in facilities	82.605.540	67.129.647	67.527.080
Potable water distributed in bottles	377.423	407.668	555.273
<b>Total water consumption</b>	<b>82.982.963</b>	<b>67.537.315</b>	<b>68.082.353</b>
<b>Specific consumption (litres/no. of employees)</b>	<b>10.150</b>	<b>8.273</b>	<b>8.232</b>

## New life for our computers

This project was established in 2003 with the goal of reusing computers abandoned by the company which are still suitable for use in other settings, and has thus far seen the donation of approximately 700 computers to over one hundred thirty organisations including non-profits and schools. All computers that are no longer usable are cor-

rectly recycled by specialised companies. Starting in 2003 Vodafone Italia joined the HP Planet Partners programme aimed at the correct recycling of all cartridges used in fax machines, photocopiers and printers. Special containers used to collect empty cartridges were placed in the copier areas at all company offices.

## We will.

- **Replace all current 2G and 3G equipment in Sardinia and Sicily with new technology that will enable an average annual energy savings of approximately 33% for 2G and 66% for 3G > MARCH 2011**
- **Introduce a mini-catalogue for recycled stationary products along with already purchasable products and launch an internal communications and awareness campaign targeted at all employees to promote the selection of these products > MARCH 2011**
- **Create "below the line" materials from 100% recycled materials and displays with FSC (Forest Stewardship Council) materials for all Vodafone Italia sales channels > MARCH 2011**



9.0

Statement of financial position and income statement

# 9.0

## Statement of financial position and income statement

“Despite the delicate state of the economy, Vodafone Italia once again focused on its investment strategy this year, investing at a rate of almost a billion euro per year in services, technology and people. Thanks to these investments in development and a continuing dedication to efficiency our revenues have grown and maintained margins that have enabled us to offer customers even greater quality, value and innovation. We are determined to continue on this path paying special attention to the broadband sector, which we believe represents a new need for customers, an opportunity for growth for us and a key factor in the development of the country.

At this point we believe that a modernisation project should be launched for fixed line network infrastructure with the gradual migration away from copper fibres, thus equipping Italy with a strategic infrastructure for the future. We have proposed a concrete plan that begins with the establishment of a fibre company in collaboration with other operators and public and private investors, including the Cassa Depositi e Prestiti and local governments. We believe this could be a vital tool in promoting cooperation, creating passive infrastructure and enabling increasingly modern competition in innovation and customer service. If the government and its institutions are willing to join us in this goal and take the lead, Vodafone is ready to make its contribution.”

### Paolo Bertoluzzo - CEO of Vodafone Italia

Summary of results for Vodafone Italia	31 March 2010
Fixed customer network	2,569,000
Fixed broadband customers (ADSL)	1,300,000
Market share	33% (no. of mobile customers)
Employees as of 31 March 2009	8,176
Vodafone Italia customers	32,815,678
“Churn” (rate at which customers cancel a service)	26.17%
Value of production	9,468 m euro
Revenues from sales and services (telephone services, sales of telephones and accessories, other revenues)	9,085 m euro
Revenues from data and messaging traffic	2,071 m euro
Voice traffic revenues	5,374 m euro
Fixed line telephone revenues	793 m euro
Real estate investments	1,010 m euro
Investments in the assignment of UMTS Spectrum frequencies	91 m euro
EBIDTA	4,246 m euro (including Vodafone Servizi e Tecnologie Srl)

Vodafone Italia continues to operate in a high penetration market characterised by increasing pressure from competitors and extreme competition in purchasing market shares. The importance of Mobile Virtual Network Operators (MVNO) is also increasing; Vodafone Italia is a network partner with five virtual mobile operators (PosteMobile, Carrefour, British Telecom, Daily Telecom and ErgMobile) which together have surpassed 1 million 900 thousand customers. The market is focused on consolidating traditional services, the penetration of mobile Internet and computer connectivity services and fixed-mobile integration and is characterised by the constant intervention of the Italian National Regulatory Authority (AGCOM – Autorità per le garanzie nelle comunicazioni) and a strong reduction in termination and roaming rates. Consistent with the Group’s policies, Vodafone Italia continues to concentrate on:

- the growth of traffic making its sales package more competitive by focusing on the value and customisation of services;
- investments in the quality of customer service, technology and innovation;
- improving the cost structure and selectivity of investments, aiming to optimise operating efficiency as the essential element in competitiveness and growth.

Vodafone Italia’s consolidated results as of 31 March 2010 confirm the company’s good performance with an improvement in the principal economic/financial indicators, taking into account the effects of non-recurrent events.

During 2010, the value of production was calculated to be 9,468 million euro (+2.58%). Sales revenues and services, equal to 9,085 million euro, increased by approximately 2.38% and included 8,626 million euro in telephone services, 328 million euro in the sales of telephones and accessories and 131 million euro in other revenues.

Production costs increased by approximately 0.73% as compared with 2008 - 2009 amounting to 7,301 million euro, of which operating costs were 4,864 million euro, personnel costs were 512 million euro and amortisation, depreciation and write downs of assets were 1,925 million euro.

The difference between production value and production costs increased from 1,982 to 2,167 million euro (+9.33%).

Net financial charges decreased to 16 million euro. These primarily included interest expenses on financing from Vodafone Luxembourg, subscribed at market rates, to cover the financial needs of the company. Income before taxes amounted to 2,154 million euro (+12.25%). Investments in assets, approximately 1,010 million euro, referred to the purchase of material and immaterial assets.

Furthermore, from 2009 - 2010 Vodafone Italia demonstrated its focus on the quality of its technology infrastructures by investing 547 million euro. Investments primarily went toward the construction and start up of UMTS base stations, 2G, control base stations, UMTS control base stations, communication stations and DSL centres. Investments also included the purchase of industrial and sales equipment, increases on other assets (including buildings connected to network structures), assets currently being used to expand the GSM and UMTS network and the largest in radio bridges, circuits and amplification and electronic centres and systems.

# 9.1

## Statement of financial position and income statement

### Assets

(in millions of euro)

	31 March 2010	31 March 2009	31 March 2008
<b>Fixed assets</b>	<b>8.881</b>	<b>9.804</b>	<b>10.901</b>
Intangible fixed assets	4.294	5.131	6.052
Tangible fixed assets	1.684	1.770	1.945
Financial fixed assets (*)	2.903	2.903	2.904
<b>Current Assets</b>	<b>2.072</b>	<b>2.379</b>	<b>2.182</b>
Inventories	92	124	100
Trade receivables	1.688	1.598	1.847
Receivables due from parent companies	-	-	-
Receivables from tax authorities	217	557	4
Receivables from others (*)	53	70	188
Own shares	-	-	-
Cash and cash equivalents	22	30	43
<b>Accrued income and prepaid expenses</b>	<b>112</b>	<b>114</b>	<b>110</b>
<b>Total assets</b>	<b>11.065</b>	<b>12.297</b>	<b>13.193</b>

(\*) The provisional tax determined on the severance indemnity was restated from financial fixed assets to receivables from others (both for FY 2009 - 2010 and FY 2008 - 2009).

### Liabilities and shareholders' equity

(in millions of euro)

	31 March 2010	31 March 2009	31 March 2008
<b>Shareholders' equity</b>	<b>7.087</b>	<b>8.429</b>	<b>6.979</b>
Capital and reserves	5.715	5.651	5.580
Profit for the previous year	9	1.329	171
Profit (loss) for the year	1.363	1.449	1.228
<b>Provisions for risks and charges</b>	<b>297</b>	<b>303</b>	<b>628</b>
Staff severance indemnity	103	105	110
Payables	3.091	2.980	4.998
Payables due to banks	2	-	1
Trade payables	2.365	2.352	2.283
Tax payables	527	442	491
Other payables	197	186	2.223
Accrued expenses and deferred income	487	480	478
<b>Total liabilities</b>	<b>11.065</b>	<b>12.297</b>	<b>13.193</b>

### Income statement

(in millions of euro)

	31 March 2010	31 March 2009	31 March 2008
<b>a) Value of production</b>	<b>9.468</b>	<b>9.230</b>	<b>8.865</b>
<b>b) Cost of production</b>	<b>-7.301</b>	<b>-7.248</b>	<b>-6.749</b>
Operating costs	-4.709	-4.752	-4.300
Payroll costs	-512	-489	-482
Amortisation, depreciation and write-downs	-1.925	-1.937	-1.933
Write-downs of receivables	-122	-95	-61
Variations in stock of raw materials, consumables and goods for resale	-33	25	27
<b>Difference between value and cost of production (a-b)</b>	<b>2.167</b>	<b>1.982</b>	<b>2.116</b>
<b>c) Financial income and expenses</b>	<b>-16</b>	<b>-66</b>	<b>175</b>
<b>d) Write-downs on financial assets</b>	<b>0</b>	<b>0</b>	<b>-156</b>
<b>e) Extraordinary income and expenses</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Income before taxes (a-b+c+d+e)</b>	<b>2.154</b>	<b>1.919</b>	<b>2.138</b>
Income tax	-791	-470	-910
<b>Net profit (loss) for the year</b>	<b>1.363</b>	<b>1.449</b>	<b>1.228</b>

### Statement of consolidated cash flow

(in millions of euro)

Cash-flow statement	2010	2009	2008
	12 months	12 months	12 months
<b>Profit for the year</b>	<b>1.363</b>	<b>1.449</b>	<b>1.228</b>
Amortisation	1.925	1.937	1.933
Divestures	9	9	8
Transfer of company branch	0	0	1
Provisions	315	-141	208
<b>Cash flow generated by operations</b>	<b>3.612</b>	<b>3.254</b>	<b>3.378</b>
(Increase)/Decrease in receivables	179	-435	-460
Increase/(Decrease) in payables	-101	-518	-331
<b>Variation in net working capital</b>	<b>78</b>	<b>-953</b>	<b>-791</b>
Investments in tangible fixed assets	-547	-495	-499
Investments in intangible fixed assets (*)	-463	-356	-704
Purchase of Tele2 Italia S.p.A. (now Oritel S.p.A.)	0	0	-102
<b>Investments in fixed assets</b>	<b>-1.010</b>	<b>-851</b>	<b>-1.305</b>
<b>Net cash flow generated by Operations</b>	<b>2.680</b>	<b>1.450</b>	<b>1.282</b>
Payables due to banks and other financing bodies (**)	17	-1.591	2.465
Distribution of declared dividends	-2.704	0	-8.940
<b>Net cash flow from financing activities</b>	<b>-2.687</b>	<b>-1.591</b>	<b>-6.475</b>
<b>Net variation in the cash and bank balance</b>	<b>-7</b>	<b>-141</b>	<b>-5.194</b>
Opening cash and bank balance	30	171	5.365
<b>Closing cash and bank balance</b>	<b>23</b>	<b>30</b>	<b>171</b>

(\*) In March 2008 this included 359 million "consolidation differences" relative to the purchase of Tele2 Italia S.p.A.

(\*\*) The variation in payables to banks and loans includes in March 2008 the payable toward stakeholders for dividends of 2,029 million euro, which were paid during the year.

Allocation of the cost of work	2010	2009	2008
Wages and salaries	375.265.180	357.922.889	348.747.296
Social security costs	109.918.155	104.217.744	104.222.727
Staff severance indemnity provision	27.244.673	26.967.875	29.339.404
<b>Total euro</b>	<b>512.428.008</b>	<b>489.108.508</b>	<b>482.309.427</b>

#### Calculation of Value Added (in millions of euro)

	2010	2009	2008
	12 months	12 months	12 months
<b>A) Value of production</b>	<b>9.462</b>	<b>9.230</b>	<b>8.862,9</b>
<b>1. Revenues from sales and services</b>	<b>9.085</b>	<b>8.874</b>	<b>8.386,5</b>
- revenue adjustments	-	-	-
2. Changes in inventories of work in progress, semi-finished and finished products (goods), increases in fixed assets due to internal improvements	67	63	61
3. Changes in contracts in progress	-	-	-
4. Other revenues and income	310	293	415,4
<b>Revenues from core business</b>	<b>9.462</b>	<b>9.230</b>	<b>8.862,9</b>
5. Revenues from non-core business (production on a time-and-material basis)	-	-	-
<b>B) Intermediate production costs</b>	<b>-4.771</b>	<b>-4.704</b>	<b>-4.218,6</b>
6. Raw material costs (*)	-403	-332	-322,6
Consumption of supplementary materials	-	-	-
Consumption of consumables	-	-	-
Costs for purchase of goods for resale (or cost of goods sold)	-	-	-
7. Costs for services (**)	-3.780	-3.814	-3.384,4
8. Costs of the use of third party assets	-282	-265	-243,5
9. Provisions for risks	-141	-156	-175,5
10. Other provisions	-122	-95	-61,4
11. Other operating costs	-43	-42	-31,2
<b>GROSS CONSOLIDATED VALUE ADDED (A-B)</b>	<b>4.691</b>	<b>4.526</b>	<b>4.644,3</b>
<b>C) Accessory and extraordinary items</b>	<b>4</b>	<b>5</b>	<b>28,7</b>
12. +/- Balance of accessory operations	4	3	184,5
Accessory revenues	4	3	184,5
Accessory costs	-	-	-
13. +/- Balance of extraordinary operations	-	2	-155,8
Extraordinary revenues	-	2	0,5
Extraordinary costs	-	-	-156,3
<b>TOTAL GROSS VALUE ADDED</b>	<b>4.695</b>	<b>4.531</b>	<b>4.673</b>
Amortisation of operations for similar groups of assets	-1.925	-1.937	-1.933,1
<b>NET VALUE ADDED</b>	<b>2.770</b>	<b>2.594</b>	<b>2.739,9</b>

(\*) Values differ from those indicated in the chapter "Integrity of supplier relationships" due to inventory variations.  
(\*\*) Values differ from those indicated in the chapter "Integrity of supplier relationships" minus the costs of temporary workers and related personnel or non-employees.

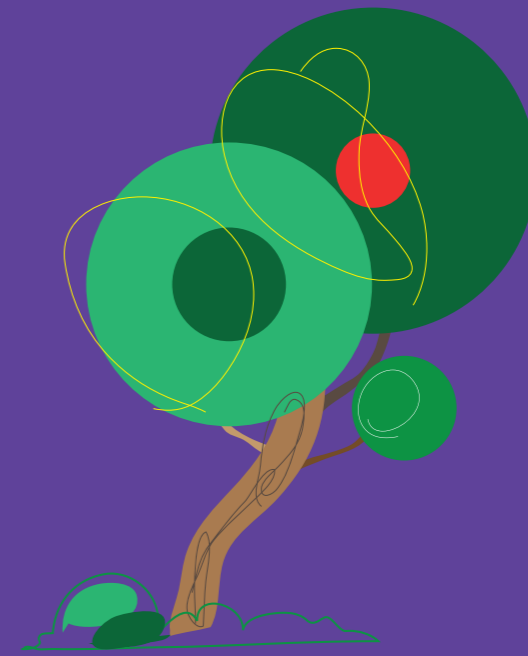
#### Distribution of Value Added (in millions of euros)

	2010	2009	2008
	12 months	12 months	12 months
<b>A) Human resources</b>	<b>571,0</b>	<b>572,0</b>	<b>555,0</b>
Non-employees	22,0	42,0	32,0
Employees			
- direct remuneration	375,0	358,0	348,7
- indirect remuneration	174,0	172,0	174,3
- allocations of portions of income	-	-	-
<b>B) The government and institutions</b>	<b>813,0</b>	<b>503,0</b>	<b>945,7</b>
Direct taxation	791,0	471,0	912,8
Indirect taxation	28	34,0	35,0
- subsidies transferred to profit and loss account	-6,0	-2,0	-2,1
<b>C) Financial backers</b>	<b>21,0</b>	<b>68,0</b>	<b>8,9</b>
Charges for short-term capital	21,0	68,0	8,9
Charges for long-term capital	-	-	-
<b>D) Shareholders</b>			
Dividends (Profit distributed to owners)	-	-	-
<b>E) Vodafone Omnitel</b>	<b>1.363,0</b>	<b>1.449,0</b>	<b>1.227,9</b>
+/- Changes in reserves	1.363,0	1.449,0	1.227,9
<b>F) Community</b>	<b>2,0</b>	<b>2,0</b>	<b>2,4</b>
<b>TOTAL VALUE ADDED</b>	<b>2.770,0</b>	<b>2.594,0</b>	<b>2.739,9</b>

Income taxes (current, prepaid and deferred) grew from 470 million euro last year to 791 million euro (+68,3%) and primarily include 655 million euro for IRES, 118 million euro for IRAP and 5 million euro for substitute taxes for realigning fiscal values with statutory values pursuant to article 1 paragraph 48 of Italian Law 244 dated 24 December 2007, which was performed during last year. Prepaid net taxes were also calculated at 13 million euro.

#### Transfers to tax authorities (in millions of euros)

Transfers	2010	2009	2008
Income taxes	791	473	913
VAT paid	919	861	872
Government concession tax paid	342	315	268
Other taxes and fees	12	17	19
<b>Total</b>	<b>2.064</b>	<b>1.666</b>	<b>2.072</b>



# 10.0

Commitments for the future

# 10.0

## Commitments for the future

We Said	We Have	Progress	We Will	Deadline
<b>Vodafone Italia and the Vodafone Group: The Foundation</b>				
Launch the second phase of the World of Difference programme involving 20 people including Vodafone Italia employees and customers. March 2010.	The second phase of the programme was completed this year. The winners of this edition were able to work at the non-profit organisations supported by the Foundation for a period from six to twelve months.	100%	Launch the third phase of the World of Difference programme with the goal of involving 40 people including Vodafone Italia employees and customers, who for a period of six months will provide their services to the non-profits involved in the programme and supported by the Foundation.	March 2011 Vodafone Italia Foundation.
2 <sup>nd</sup> edition of Foundation Day including the participation and involvement of Vodafone Italia customers. March 2010.	The second edition of Foundation Day was postponed by the Group.			

Focus on the customer: customer service	Progress	Deadline
Adoption of a new call answering service for the Customer Care Department that offers customers a faster more precise service. March 2010.	Adoption of a new call routing tool for the faster and more efficient management of contact requests from customers. March 2010	100%
A new type of call answering service enabling the information contents at 190 to be promptly updated, ensuring the end consumer receives information as fast as possible.	A new call routing system was developed, which is currently used for the business segment of the customer base.	100%
	Expand the development of the new call routing system to include calls in the consumer area.	March 2011 Customer Operations Division.
	Develop new functionality and new channels for offering mobile caring and assistance services.	March 2011 Customer Operations Division.
	Revise the structure of the Vodafone Italia website, making it more functional and interactive and easier to navigate.	March 2011 Customer Operations Division.

We Said	We Have	Progress	We Will	Deadline
<b>Responsible use of technology</b>				
Revision and updating of the guide to the Responsible Use of Technology.		On going		March 2011 Consumer Division.
Promotion of a new offer designed for hearing-impaired persons who use BlackBerries, which enables them to communicate through traditional messaging, instant messenger and social networking applications as well as web browsing.	In February 2010 the BlackBerry mobile Internet offer for hearing-impaired customers was launched, expanding the existing offers for SMS, MMS and video call services.	100%		
		100%	Reduce the cultural and generational divide in new digital families by creating initiatives targeted at parents and young people, in particular through Edutainment activities and initiatives that ensure the intelligent use of the Internet and mobile phones by young people.	March 2012 Consumer Division.
			Activate a periodical donation service with which Vodafone Italia customers can choose to donate 1, 2, 3 or 5 euro every month for twelve months that will benefit the non-profit organisations and associations with which the company has signed special agreements.	March 2011 Public & Legal Affairs Division
<b>Focus on human resources: Training and development</b>				
Create a new training architecture developed in 4 priority areas: Customer Experience, Collaboration For Results, Business Management and Web 2.0. March 2010.	In 2010 94,089 training days were organised, 47,883 of these were provided for employees and 46,206 for non-employees, concentrating on training in 4 pre-established priority areas.	100%	Revise the training architecture based on the new corporate values in the Vodafone Way with particular attention to the topics of speed, simplicity & trust, both in behavioural and managerial courses.	March 2011 Human Resources & Organisation Division.
Development of training programmes supporting new company hires (NEO project) and role changes (New Manager and New Executives programme). March 2010.	The company continued to invest in new hire and new manager programmes and language and behavioural training, offering a total of 47,883 days including functional, managerial, behavioural and language training.	100%	Strengthen investments in induction training courses to support the insertion of new hires as well as personnel changing their professional roles (e.g. new managers).	March 2011 Human Resources & Organisation Division.
			Add the Employee Net Promoter Score to the Vodafone People Survey so as to measure how inclined employees are to recommend Vodafone Italia products and services to customers and friends.	October 2010 Human Resources & Organisation Division.

We Said	We Have	Progress	We Will	Deadline
<b>Focus on human resources: Hiring and equal opportunities</b>				
Continue to invest in hiring and the growth of university graduates, so they account for 50% of total new hires. March 2010.	The hiring of recent graduates is also planned for the coming fiscal year. Recruiting activities are also focused on researching specific skills connected to innovation and the world of new technology and the Internet.	100%	Continue to invest in hiring and the growth of university graduates, so they account for 50% of total new hires.	March 2011 Human Resources & Organisation Division.
Increase recruiting days at universities by 20% through the participation in formal and informal events. March 2010.	Recruiting days at universities increased by 40%.	100%	Increase recruiting days at universities by 20% categorising the profiles of graduates in terms of academic experience and specialization.	March 2011 Human Resources & Organisation Division.
The Women's Initiatives: part of the employer branding campaign, these are days organised for women who've recently graduated from the university or are in their final year and aim to incorporate them into the various company departments. March 2010.		100%	Use employer branding activities to increase the female and international population within the company.	March 2011 Human Resources & Organisation Division.
Increase the number of women hired, ensuring at least one female candidate for each open position. March 2010.	In 2010 Vodafone Italia reported 52.4% of its employees were women. 32 women were hired during the year.	100%	Increase the number of women hired, ensuring at least one female candidate for each open position.	March 2011 Human Resources & Organisation Division.
Join Valore D as an organising member; this group is the first Italian association of large businesses whose goal is to support female leadership. March 2010.	In line with the equal opportunity policies adopted by the company, Vodafone Italia joined Valore D as an organising member.	100%		
			Design new innovative and interactive communication tools to facilitate interactions between students and recent graduates hired by the company.	March 2011 Human Resources & Organisation Division.

<b>Focus on human resources: Industrial and trade union relations</b>		Progress	Deadline
Actively contribute within the ASSTEL delegation to negotiations on the renewal of the National Collective Labour Agreement for Telecommunications Service Providers. March 2010.	On 23 October 2009 Vodafone Italia's contribution to renewing the National Collective Agreement on Telecommunications lead to the quick renewal of the contract.	100%	
Promote the development of National and Local Trade Union Agreements that encourage businesses to continually improve the quality of processes and services for Vodafone Italia customers and favour a healthy balance between the professional and private lives of personnel. March 2010.	On 17 September 2009 a network reorganisation agreement was signed, which enabled a reduction in the number of on-call personnel and affected approximately 140 workers. Together with the WHR (Working Hours Reduction) Committee, an important agreement was achieved leading to an increase in accessibility from 7 to 8%, reducing working hours for call centre operators.		

We Said	We Have	Progress	We Will	Deadline
<b>Focus on human resources: Evaluation and incentive systems</b>				
Identify concrete actions that can contribute to improving the internal corporate climate as concerns key areas identified by Vodafone Italia personnel in the People Survey. March 2010.	During the year the company worked with dedication and determination to strengthen the areas identified as the weakest by the survey. In particular, the company focused on the topic of simplicity, the ability to enhance different professional skills and performance management.	100%		

			Enhance and improve the relationship between incentives and individual contributions. The objective is to offer managers the possibility of influencing the individual contributions of employees in a more direct way, using remuneration tools that value and reward the selected individuals.	March 2011 Human Resources & Organisation.
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<b>Focus on human resources: The health and safety of workers</b>		Progress	Deadline
Organise an Audit of the Workplace Health and Safety Management System. March 2010.	An audit was performed this year with the purpose of evaluating implementation and verifying that all aspects concerning health and safety in the workplace were managed correctly. The audit involved the following company departments: Property & Facilities, Technology, HR, Medical Coordinator and Safety pursuant to the OHSAS 18001/2007 standard.	100%	Audit of the Workplace Health and Safety Management System. March 2011 Safety, Security & Facilities Division.
Verify the activities of the third parties involved in the Contractor Control Project by creating 100 specific controls for activities performed by contractors. March 2010.	As part of the Contractor Control project, 129 specific controls were performed by the Safety Department on activities managed by third parties.	100%	
Define and share an internal development plan for the application of the PO.07 Product Safety & Assurance Policy dedicated to the safety of products sold and purchased by Vodafone Italia. March 2010.	The application of the PO.07 involved the definition of the "Terminal Failure Procedure for Vodafone Italia v1.0" for evaluating possible accidents and then the definition of a product recall procedure for withdrawing any products that display irregular functioning from the market.	100%	

We Said	We Have	Progress	We Will	Deadline
Extend activities concerning: <ul style="list-style-type: none"> <li>• H &amp; S Controls on procedures used to evaluate radio base station risks</li> <li>• Line Manager training in the Management System for Workplace Health and Safety</li> <li>• training targeted at COPS Team Leaders on the management and prevention of work related stress. March 2010.</li> </ul>	347 tests were performed on topics connected to Workplace Health and Safety. Managerial training courses were provided on the roles and responsibilities in the Workplace Health and Safety Management System. A training programme was also completed for Team Leaders in the Customer Operations Division.	100%	Training in the roles and responsibilities of executives and managers in compliance with WHS in relation to updates to the delegation system and the reorganisation of the Technology Department.	March 2011 Safety, Security & Facilities Division.
			Training on the prevention of risks related to tasks performed.	March 2011 Safety, Security & Facilities Division.
			Refinement of the operating procedures and instructions that constitute an integral part of the Health and Safety Management System ensuring clearer compliance with requirements.	March 2011 Safety, Security & Facilities Division.

Integrity of supplier relationships		Progress	We Will	Deadline
As part of the Supplier Performance Management project, increase the level of supplier quality by an additional 2% using evaluation and development processes performed in collaboration with suppliers. March 2010.	Thanks to the Supplier Optimisation process, created in collaboration with suppliers, 25% of evaluated suppliers exceeded the target level established by the Vodafone Group. March 2010.	25%	As part of the Supplier Performance Management programme, we will achieve a qualification rating over 75% for all active suppliers in the Group.	March 2011 Finance- SCM Division.
Extension of the qualification process to all suppliers in the Commercial & SCM Services Group. March 2010.	The Supply Chain Management Division extended the qualification process to local suppliers in the Commercial & Services Group as well, specifically for temporary work.	100%		

We Said	We Have	Progress	We Will	Deadline
For the FY 2009 - 2010 purchase 100% of energy used for the network from renewable sources with 1/3 produced by hydroelectric sources. March 2010.	Approximately 100% of energy purchased from renewable sources for the network. Approximately 35% of electricity purchased by Vodafone Italia during the year came from hydroelectric sources while the remaining energy needed to power the network was certified as produced by renewable sources.	100%		
			Revision of the qualification procedure for international suppliers.	March 2011 Finance- SCM Division.
			Launch of the EVO project: reorganise all supply processes within the One Supply Chain Management in line with new Group processes, with the objective of increasing the integrity of supplier relationships.	March 2011 Finance- SCM Division.

Environmental sustainability: Development of the network and electromagnetic fields	Progress	Deadline
As part of the site sharing agreement with Telecom Italia, share over 1700 existing and newly constructed network infrastructures. December 2009.	As of 31 March 2010 3,304 sites had been shared, surpassing the goal of 2,920 sites.	100% December 2010. Technology Division.
Draft a site sharing agreement with Wind including 1000 network infrastructures. March 2011.	A sharing agreement with Wind was signed in July 2009. As of March 2010 93 sites had been shared and the project will continue in the coming fiscal year in accordance with stated commitments.	On going March 2011. Technology Division.
		Sign a Site Sharing Framework Agreement with H3G S.p.A. for sharing network infrastructures (spaces, poles, pylons, air conditioning and electrical systems, etc.) for radio base stations distributed throughout the country.

Environmental sustainability: Energy efficiency	Progress	Deadline
Expand the monitoring of electricity use to include over 1000 radio base stations, thus increasing the number of sites monitored through the AMR system up to 4500 (approximately 1/3 of all radio network sites). March 2010.	During the year the project was extended to cover approximately 4200 sites on the mobile radio network not included in site sharing.	100% March 2011 Technology Division.
Energy savings and set up temperatures: adopt new temperature parameters for all newly created radio sites. March 2010.	The optimisation of air conditioning systems at base radio stations has now become a standard used at all new facilities.	100%

We Said	We Have	We Will
TRX shutdown: complete testing on the powering down of the DCS1800 network during low-traffic nighttime hours and quantify possible savings. March 2010.	Tests were performed during the year focused on refining energy saving techniques, predicting a yearly energy savings of 2.7 GWh.	100%
Extend the free-cooling system to older radio network sites with limited capacity ventilators. March 2010.	Free-cooling was extended to all types of existing sites where they were not previously present.	100%
	Introduce "Single RAN" technology enabling greater efficiency and reduced consumption.	March 2011 Technology Division.
	Use, both for replacements and in new systems, of conversion modules for alternating and direct electric currents so as to enable greater energy efficiency.	March 2011 Technology Division.

Environmental sustainability: Office and mobile initiatives.	Progress	Deadline
Create automatic high-efficiency lighting systems in office environments. March 2010.	New systems were installed in the Rome Boccabelli and Roma Torrino locations	
Develop the first photovoltaic system at the Rome office in Grande Muraglia, which will contribute to the energy needs of the office. March 2010.	In 2010 the first photovoltaic system went into operation, installed over the Torrino, Rome offices.	100%
	Analyse technical/economic feasibility to verify the possible installation of new photovoltaic systems at Vodafone Italia sites.	March 2011 Safety, Security & Facilities Division.
Vodafone Village: construction of a new high-efficiency building complex in Milan equipped with low environmental impact trigeneration systems for producing electricity and heat (heating and air conditioning). March 2012.		On going
		March 2012 Safety, Security & Facilities Division.
Introduction of vehicles powered by alternative fuels (bi-fuel-natural gas or GPL). March 2010.	2010 saw the introduction of vehicles powered by alternative fuels, electric hybrids and bi-fuel cars (gas/natural gas or GPL).	100%
	Development of pilot projects aimed at testing the use of electric cars.	March 2011 Finance- SCM Division.

We Said	We Have	Progress	We Will	Deadline
<b>Environmental sustainability: Recycling and reuse</b>				
Fund the installation of 20 photovoltaic systems in Italian schools, one in each region. December 2010.	As of 31 March 2010 6 photovoltaic systems were installed and agreements with local governments have been signed for the installation of an additional 5 systems for a total of 11 schools in various cities.	55%	The possibility is currently being discussed of reducing the number of systems in line with financial investments and installed power.	March 2011 Public & Legal Affairs Division.

Environmental sustainability: Use and management of resources	Progress	Deadline
In collaboration with the Safety Department define an internal procedure for the developing periodical controls along the waste chain. March 2010.	The definition of the internal control procedure for the chain will be completed by 2011 in line with that established by the SISTRI Ministerial Decree.	On going
		March 2011 Technology Division.
Replace "white" paper in all company locations with the low environmental impact ecological paper. March 2011.		100%
Paperless billing: reach 60% of the consumer customers and 30% of business customers through online billing. March 2011.	Reaching 51% of the consumer customer base and 20% of the business customer base.	On going
		March 2011 Customer Operations Division.
	Replace all current 2G and 3G equipment in Sardinia and Sicily with new technology that will enable an average annual energy savings of approximately 33% for 2G and 66% for 3G.	
		March 2011 Technology Division.
	Introduce a mini-catalogue for recycled stationary products along with already purchasable products and launch an internal communications and awareness campaign targeted at all employees to promote the selection of these products.	
		March 2011 Finance- SCM Division.
	Create "below the line" materials from 100% recycled materials and displays with FSC (Forest Stewardship Council) materials for all Vodafone Italia sales channels.	
		March 2011 Consumer Division.

# 11.0

Glossary and acronyms

# 11.0

## Glossary and acronyms

**ADSL:** Asymmetric Digital Subscriber Line (digital communications protocol used for high-speed Internet connections)

**AGCOM:** Autorità per le garanzie nelle comunicazioni (Italian National Regulatory Authority)

**AMR:** Automatic Meter Reading

**BEREC:** Body of European Regulators for Electronic Communications

**BoD:** Board of Directors

**Broadband:** high-speed Internet service

**BSC:** Base Station Controller

**CDI:** Customer Delight Index (customer satisfaction index)

**CHURN Rate:** Rate at which customers cancel a service

**CR or CSR:** Corporate Responsibility or Corporate Social Responsibility

**CRM:** Customer Relationship Management

**CSIT:** Confindustria Servizi Innovativi e Tecnologici

**DSL:** Digital Subscriber Line technology that uses normal telephone lines to transmit digital data

**DPC:** Data Processing Centre

**EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortisation (Gross Operating Margin)

**EOP:** End of period

**FCC:** Federal Communication Commission

**FSIO:** Association between Vodafone Italia and Trade Unions

**GHG Protocol:** Global Reporting Initiative standard for reporting on greenhouse gas emissions

**GRI:** Global Reporting Initiative

**GSM:** Global System for Mobile Communications

**GWP:** Global Warming Potential

**HSDPA:** High Speed Downlink Packet Access (technology superior to UMTS that enables the expansion of the bandwidth of current networks so that higher speeds can be achieved)

**HSPA+:** Evolved High-Speed Packet Access

**HSS:** Health and Safety Service

**KPI:** Key Performance Indicator

**IARC:** International Agency for Research on Cancer

**ICNIRP:** International Commission on Non-Ionizing Radiation Protection

**IEC:** International Electrotechnical Commission

**IFRS:** International Financial Reporting Standards

**INAIL:** Istituto Nazionale per l'assicurazione contro gli infortuni sul lavoro (National institute for insurance against accidents)

**IP:** Internet Protocol

**IVR:** Interactive Voice Response (automatic call answering service with an interactive menu)

**MMS:** Multimedia Messaging Service

**MVNO:** Mobile Virtual Network Operator

**MNP:** Mobile Number Portability

**MSC:** Mobile Switching Centre, an element on the mobile GSM network that interfaces the mobile controller, the Base Station Controller (BSC), with the fixed line network

**NYSE:** New York Stock Exchange

**NGN Committee:** The Next Generation Network Committee was established by AGCOM with the goal of developing, as requested by authorities, proposals and solutions for issues concerning the technical, organisational and economic aspects related to the transition to NGN networks.

**ODP:** Ozone Depleting Potential (value relative to the depletion of the ozone layer caused by a gas)

**OTA:** Office of the Telecoms Adjudicator, part of AGCOM, whose objective is to decrease legal disputes between the former monopolist and its competitors

**P2P:** Peer to Peer, a computer or IT network that does not possess hierarchized nodes such as fixed clients or servers but a number of equivalent nodes that serve both as the client and server for other nodes on the network

**RBS:** Radio Base Station

**SB:** Supervisory Body

**SAR:** Specific Absorption Rate (indicator used to measure the power absorbed by a body in the form of heat)

**SCENIHR:** Scientific Committee on Emerging and Newly Identified Health Risks (Scientific Committee for the European Commission)

**SIM:** Subscriber Identity Module

**SISTRI:** Waste traceability control system

**SMS:** Short Message Service

**SOX:** Sarbanes Oxley Act (American Federal Law from 2002)

**Stakeholder:** a party that holds a vested interest in the company

**Telesales:** telemarketing

**TPE:** Tons of petroleum equivalent

**UMTS:** Universal Mobile Telecommunication System

**USSD Channel:** Unstructured Supplementary Service Data (channel for the unidirectional transfer of data and information from a terminal to the network)

**Vik:** Internet flash drive

**VoIP:** Voice over Internet Protocol (technology that makes it possible to have a telephone conversation using an Internet connection or another dedicated network that uses the IP protocol)

**VST:** Vodafone Servizi e Tecnologie

**WAP:** Wireless Application Protocol, protocol for Internet connection for equipped mobile phones

**WPAN:** Wireless Personal Area Network

**WHSR:** Workers' Health and Safety Representative

**Vodafone Omnitel N.V.**

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