

Vodafone Spain Annual Integrated Report

2013-14



Vodafone
Power to you



Francisco Román

Message from the Chairman

I am pleased to present Vodafone Spain's Integrated Report for financial year 2013-14, which mainly aims to give our stakeholders financial and non-financial information about our Company.

This report represents a considerable qualitative step forward with respect to the ten Sustainability Reports that have been published every year since financial year 2003-04. As a matter of fact, for the first time we have written the report in accordance with the guiding principles laid down by the International Integrated Reporting Council (IIRC), and we have also applied the new G4 version of the Global Reporting Initiative (GRI).

This Report therefore offers a broader approach than the preceding Sustainability Reports, providing information on the competitive environment, the main objectives and courses of action of our strategy and about our core activities and results during 2013-14. By taking this approach, we intend to meet the information required by our different Stakeholders, in line with the materiality analysis, and to show how our strategic objectives relate to our ability to generate value.

The telecommunications sector is still one of the Spanish economy's main driving forces. In this respect and despite the still complex environment, we want to spotlight Vodafone Spain's value-creation during 2013-14, and our contribution to the country's sustainable development, in economic, social and environmental terms:

- In economic terms, our business activities have contributed to the country's economy through the value that we generate both for people, enterprises and Public Administrations, amounting to €4.93 billion.
- From the social viewpoint, Vodafone Spain contributes both through 22,654 direct and indirect jobs, and through the development of social products and services for people with special needs, and our Foundation's activities.
- Last but not least, our environmental contribution, through our actions and the products and services that we provide, we have directly and indirectly avoided the release of 84,762 Tn of CO₂.

The last ten years have seen an extraordinary revolution, as we swapped mobile phones for smartphones and tablets; 2G technology for 3G, and in financial year 2013-14, for 4G technology; or traditional Internet access for ultra high-speed broadband. These changes are bringing countless benefits from the perspective of improving people's quality of life and organizations' productivity and competitiveness. At the same time, these changes can trigger new expectations and concerns in Stakeholders, which we must keep on managing ethically and responsibly, incorporating the principles of sustainability in each of our business processes and contributing, through our products and services, to transform society by facilitating a more sustainable model for everyone.

That is why we have the Vodafone Foundation Spain, which has spent more than €5 million on Innovation and Community Involvement Projects. Especially noteworthy are the accessible applications and ICT solutions developed to make it easier for people with disabilities and senior citizens to live independently and on their own.

We are firmly committed to the environment, one example being the energy efficiency measures currently in place that have allowed us to move closer towards our goal of achieving a 50% reduction in energy consumption per network element by 2020 (compared to 2006-07). By 31st March 2014, we had reduced consumption by 34.7% and in the coming years will keep on striving to achieve the 50% target.

A key factor for being successful in any field is the attitude and commitment of each member of the Vodafone team. Their efforts, combined with the trust of all our Stakeholders, we ensure we are well placed to successfully tackle the challenges that arise in the future.

I sincerely hope that you will find this Report interesting.

Francisco Román
Chairman



António Coimbra

Letter from the CEO

By publishing Vodafone Spain's first Integrated Report, we are moving closer to our goal of building a relationship of trust with the Stakeholders with whom we interact and, very particularly, with our Customers. This Report outlines our strategy and its goals, namely to spearhead the development of total communications, offer the best customer experience at all points of contact, be quick and efficient, and produce admiration for the results we achieve and how we do so.

There is no denying that financial year 2013-14 has been very important in our company's history, because, after having to reorganize itself the previous year, Vodafone Spain has reaffirmed its commitment to the country, significantly increasing our investments in rolling out our telecommunications network.

In May 2013 we became the first operator to offer 4G mobile communication services in seven Spanish cities, once again demonstrating our network leadership; and at the end of financial year 2013-14, Vodafone announced the agreement to take over the Ono Corporate Group. This deal is another milestone for our company, because after being a mainly mobile technology-based company, it will now be the operator best placed to offer its customers the most extensive range of total communications services, underpinned by next generation networks: the ultra high-speed broadband fixed and mobile networks with FTTH and 4G.

The intense efforts devoted to rolling out our telecom network, and to other business activities, like the distribution channel facelift plan, which will see 453 points of sale getting a facelift, resulted in Vodafone investing €608 million, 32.3% more than the previous year.

This financial year we have also made considerable headway with our business strategy, making significant progress in the three pillars on which it is based:

- **Better Connectivity.** To this end, in mobile technology we offer our 4G services in more than 220 municipalities, including all the provincial capitals and 80 Spanish cities with more than 70,000 inhabitants. We have also begun selling our Fiber To The Home (FTTH) services in areas of Madrid, Barcelona, Seville, Valencia, Malaga and Zaragoza.

- **Customer Experience.** Our many customer experience-related initiatives have included the aforementioned store facelift plan, in order to create more open and interactive spaces for customers; opening specific customer service centres ("Vodafone de Tú a Tú") (Face to Face); removing the tie-in commitment from all price plans when customers do not buy a handset, or launching services like "Vodafone Wallet".
- **Competitive Offering:** This year we have revamped our price plans, making them far simpler, transparent (we were the first operator to state final prices including VAT in our advertisements) and convergent, with new value propositions for customers.

Another of the year's major events was that all our Madrid offices moved to a new, single head office called "Vodafone Plaza". This move is undoubtedly a catalyst for change, as it allows us to use space to improve how we relate with one another, boosting inter-departmental cooperation, reducing the distance between buildings and getting our employees to be "ambassadors" of new working methods.

One of our main challenges next year will be to successfully integrate Vodafone and Ono, a process focused on sharing synergies, talent and know-how. We complement one another and will leverage on the best of both companies to bring our customers the best possible experience, working transparently, ethically and responsibly.

We feel responsible to our Customers and the other Stakeholders with whom we interact, which is why we have addressed these and other issues in this report. I would like to share it with you and, after you have read it, I invite you to give us your opinion on all of our actions. Doing so will let us do better every day.

António Coimbra
Chief Executive Officer

Scope of the Report

This Report addresses the Strategic, Management and Corporate Governance aspects of Vodafone Spain during financial year 2013-14 (from 1st April 2013 to 31st March 2014), and summarizes the company's most significant financial and non-financial information.

The information and data given in this Report refer to activities carried out by Vodafone Spain at its headquarters and regional offices, on its communications network and at its retail outlets.

For further non-financial information, visit our web www.vodafone.es/sostenibilidad

Report Criteria

The following criteria have been taken into account in drafting the Report, both in terms of the scope of its content and in terms of the definition and quality of the information:

- The general guidelines laid down by the International Integrated Reporting Council (IIRC).
- Conformity with the G4 Sustainability Reporting Guidelines published by the Global Reporting Initiative (GRI) in 2013.
- Compliance with the AccountAbility Principles Standard AA1000APS.
- Compliance and progress achieved in the implementation of the Ten Principles established in the United Nations Global Compact.

The disclosures and indicators regarding conformity with the GRI G4 and AA1000 APS guidelines have been assured by an independent auditing firm (EY), and the GRI has checked the Material Aspects.

The Independent Assurance Report, the GRI disclosures and the table of progress in compliance with the United Nations Global Compact's ten principles, are available for consultation in the Appendices of this report, under the section: "Report Preparation and Review".



Vodafone Spain has chosen to prepare its Annual Report in accordance with the "Comprehensive Option" of the GRI G4 guidelines. This option has been subsequently submitted to external assurance by EY. Therefore it discloses information about the Company's Strategy, Governance, Ethics and Integrity issues, as well as including the Material Aspect-related indicators.

This Annual Report has been approved by the Vodafone Spain Steering Committee.

How to make the most of our Report:



This icon shows you where to find related information inside our Report.



This icon shows you where to find further information on our web vodafone.es



This icon shows you where to find further information on the Internet.

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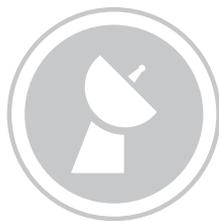
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Vodafone Spain in 2013-14





Main Indicators

| | 2013-14 | 2012-13 | ▲ |
|--|---------|---------|------------|
| Economic Contribution | | | |
| Total turnover (€ million) | 4,169 | 4,793 | -13% |
| Revenue from services (€ million) | 3,828 | 4,456 | -14.1% |
| Revenue from data services (€ million) | 979 | 874 | +12% |
| EBITDA Margin (%) | 22.35 | 26.16 | -3.81 p.p. |
| Investments (€ million) | 608 | 460 | +32.3% |
| Nº of mobile telephony customers (million) | 13.5 | 14.4 | -6.5% |
| Nº of ADSL customers (thousands) | 1,026 | 810 | +26.7% |
| Purchases of Products and Services (€ million) | 3,770 | 3,877 | -2.8% |
| Local supplier procurement (%) | 88 | 85 | +3 p.p. |
| Economic Contribution to People (€ million) | 758 | 822 | -7.8% |
| Economic Contribution to Enterprises (€ million) | 3,652 | 3,603 | +1.4% |
| Economic Contribution to P.A. (€ million) | 522 | 764 | -31.7% |
| Social Contribution | | | |
| Direct and indirect jobs (FTE's) | 22,654 | 26,010 | -12.9% |
| Employees (Nº) | 3,711 | 3,761 | -1.3% |
| Open-ended contracts (%) | 99.3 | 99.8 | -0.5 p.p. |
| Female employees (%) | 43.4 | 43.3 | +0.1 p.p. |
| Women in managerial posts (%) | 29.7 | 31.5 | -1.8 p.p. |
| Hours' training/employee (Nº) | 34.6 | 28.8 | +20.1% |
| Employee Satisfaction Level | 78 | 79 | -1 p.p. |
| Absenteeism Rate | 1.63 | 1.68 | -3% |
| Invested by the Vodafone Foundation Spain (€ million) | 5.0 | 5.1 | -2% |
| Senior Citizens trained to use ICT | 18,300 | 10,313 | +77.4% |
| Raised for NGOs through Solidarity SMS (€000's) | 925 | 800 | +15.6% |
| Environmental Contribution | | | |
| M2M-enabled SIM cards (million) | 0.6 | 0.5 | +20% |
| Energy consumed by our operations (MWh) | 342,194 | 333,281 | +2.7% |
| Change in energy consumption per network element with respect to 2006-07 (%) | -34.7 | -23.4 | -11.3 p.p. |
| Handsets collected for reutilization and recycling (000's) | 150 | 276 | -45.7% |



Key Milestones and Launches

Vodafone Spain is part of the Vodafone Group, one of the world's largest telecommunications companies, with presence in 30 countries of the 5 continents, and agreements with another 50 worldwide.

April 2013

Vodafone Spain extends its convergent offerings (mobile + fixed + ADSL) by launching "Vodafone Integral".



Vodafone Spain and the Madrid Regional Government sign a three-year deal, under which line 2 of Madrid Metro will now be called "Vodafone Line 2" and the Sol station will be called "Vodafone Sol Station".



May 2013

On 27th May, Vodafone Spain announces the availability of 4G services in seven Spanish cities, once more proving its network leadership by becoming the first operator to launch these services in Spain.



June 2013

Vodafone Spain removes the tie-in commitment from all its rates when the customer does not buy a handset.

Vodafone Spain and all the other telecommunications operators tighten the Telesales Code of Practice, extending the range of activities subject to further control and establishing a commitment to reducing calling times.

September 2013

Vodafone Spain unveils the "Vodafone Smart Pass" service, a Visa-enabled mobile payment platform.



Vodafone Spain announces its plan to revamp 453 points of sale of its distribution channel before March 2017, at a cost of more than €105 million.



October 2013

Vodafone Spain launches the "New each year" scheme, which lets customers trade in their smartphone for a new one every 12 months.



November 2013

Vodafone Spain overhauls all its contract price plans and makes transparency a priority by becoming the first operator to include VAT in all publicity regarding its new price plans.

As part of the "Top up with Gifts" scheme, Vodafone Spain earmarks €10,000 every two months for donation to the Aladina Foundation, WWF Spain and the Spanish Red Cross, in line with our customers' preferences.



Vodafone Spain announces the launch of Vodafone Wallet, an app that allows users to keep their credit and debit cards, access cards and loyalty cards in their smartphones.



December 2013

Vodafone Spain announces the winners of the 2nd “Vodafone Start-up” Programme.

Vodafone Spain launches “Vodafone Kids”, a 100% safe app that lets children aged 2-6 years learn and have fun with mobile technology.

**February 2014**

Vodafone’s Foundation unveils “Instant Network Mini”, a very lightweight mobile network in a backpack that can be deployed very fast, enabling humanitarian aid organizations to carry out life-saving work in emergency situations.



Vodafone Spain presents “Vodafone Office on 4G with VoIP” as a substitute product for fixed line environments or convergent offerings.

Vodafone Spain tops the one million ADSL customer mark.

March 2014

Vodafone reaches an agreement to acquire the Ono corporate group, in a deal that will bring together the largest next generation fixed broadband network and Spain’s best mobile data network.



Vodafone Spain announces a deal with Barcelona City Hall to sponsor the “BiCiNg” service and help to develop mobile apps that enhance users’ experience of the service.



Vodafone Spain starts selling its Fiber to the Home (FTTH) services in areas of Madrid, Barcelona, Seville, Valencia, Malaga and Zaragoza.

Vodafone Spain launches “Vodafone Fácil (Vodafone Easy)”, the simplest and cheapest prepaid scheme.

Vodafone Spain announces that it has five “Vodafone de Tú a Tú” stores in Barcelona, Bilbao, Madrid, Seville and Valencia. The stores specialize in giving personalized customer service, which is a brand new concept in Spain.



Vodafone announces that its 4G service will be available in all the provincial capitals and in the cities of Ceuta and Melilla, from 1st April. 4G services will be available in more than 220 municipalities, including the 80 Spanish cities with more than 70,000 inhabitants.



Our Business



Communications for Enterprises and Local Authorities

Our Enterprise Business Unit offers a comprehensive range of mobile and fixed solutions based on:

- 1 **Ultra high-speed and Safe Broadband**
- 2 **Total Communications in a cloud environment**
- 3 **Innovation in processes, products and services**

The **Comprehensive Service Support and Management** that we offer contributes to:

- Boost our customers' Productivity: by making it easier to work with any device in flexible environments.
- Develop new Management Methods for customers: simplifying and rationalizing voice and data communications, and operating safely from any location.
- Develop organizations: operating more efficiently and innovatively.



More than
39,000
network elements rolled out
throughout the country



4G services
available in more than
220
municipalities



More than
21,000
3G technology network
elements



193
Franchises



217
destinations in the world
with roaming agreements



"Vodafone de Tu a Tu"
customer care centres in
Barcelona, Bilbao, Madrid,
Seville and Valencia



32
Own retail outlets



More than
34 mill.
voice minutes handled in
financial year 2013-14

Communications for Residential customers

Our Residential Business Unit offers solutions to meet all of our customers' communication needs:

| Households | Individual solutions | Other segments |
|---|---|--|
| ADSL FTTH Convergence (Vodafone Integral) | Worry-Free ¿Habras o navegas? (Do you talk or surf?) Pay for what you use | Vodafone Yu: Vodafone Internacional Vodafone Fácil (Vodafone Easy) |
| | | |

In order to offer:

- The best customer experience and care.
- Innovation in services and terminals.



Achievement of Goals 2013-14

| | Types | Objectives | Compliance | Pg. |
|----------------------------|---|--|------------|-------|
| Economic Contribution | | Spearhead the 4G network rollout. March 2014 | 100 % | 40 |
| | | Open new lines of business with Vodafone Wallet and new services for residential and corporate customers. March 2014 | 100 % | 64 |
| | | Offer our customers the most competitive rates. | Underway | 38 |
| | | Revamp our points of sale to offer our customers the best possible Customer Experience. March 2014 | 100 % | 35 |
| | | Improve customer care, both in presence channels and in telephone support. March 2014 | 100 % | 35-37 |
| | | Deploy more flexible, scalable systems capable of offering a better customer service. March 2014 | 100 % | 36-37 |
| | | Work with Premium Services provider associations to establish conduct guidelines that ensure that the information that users get from these services is clear and concise enough. March 2014 | 100 % | 39 |
| | | Set up a scheme for recognising the supplier best rated in terms of Sustainability criteria. March 2014 | 100 % | 43 |
| | | Arrange an Open house at Vodafone's new headquarters with key suppliers. March 2014 | 100 % | 42 |
| Social Contribution | | Improve and develop new Social Product marketing channels. March 2014 | 100 % | 48-49 |
| | | Widen the range of mobile devices for senior citizens. March 2014 | 100 % | 48 |
| | | Make 100% of the transaction areas of the Vodafone Spain web accessible and obtain the Level AA certificates for Online Stores and clients' Private areas (My Vodafone and Client Area) March 2014 | 100 % | 49 |
| | | Contribute to the Vodafone Group's "Mobile for Good" scheme with Accessible ICT solutions that improve the quality of life of the members of more than 30 Non-Profit Entities (distributed throughout Spain). In addition, the beneficiary associations must have more than 15,000 members. March 2014 | 100 % | 50 |
| | | Contribute to the new technologies training of at least 7,000 people (including the elderly and people with disabilities). Also, the training schemes designed to help disabled people find employment will include initiatives to make five Spanish universities accessible. March 2014 | 100 % | 50-52 |
| | | Actively support the transfer of at least one good practice under the "Mobile for Good" scheme with other countries within the Vodafone Group March 2014 | 100 % | 53 |
| | | Reduce the average number of accidents by 10%, based on the 2010-11 figure. March 2014 | 100 % | 59 |
| | | Improve the ENPS (Employee Net Promoter Score) by 10 points. March 2014 | 100 % | 57 |
| | | Roll out the Revitalization Programme to make working methods more effective, orienting them to customers. March 2014 | 100 % | 55 |
| | | Launch of the Vodafone Club (initiatives designed to make life easier for employees). March 2014 | 100 % | 55 |
| Environmental Contribution | | Implement the agreements reached within the framework of the Company's reorganization. March 2014 | 100 % | 58 |
| | | Continue with the current policy of hiring and integrating people with disabilities | 100% | 56 |
| | | Participate in "Smart Cities" initiatives. March 2014 | 100 % | 64 |
| | | Reduce network energy consumption per network element by 50% by year 2020, with respect to 2006-07. March 2020 | Underway | 65 |
| | | Reduce office energy consumption after bringing the main offices together under a single roof. March 2014 | Postponed | 66 |
| | | Obtain LEED Certification for the new head office. March 2015 | Underway | 68 |
| | Adapt Vodafone Spain's RF emission procedures to changes in the Vodafone Group's new Emissions Policy. March 2014 | 100 % | 69 | |



Next Objectives

| Types | Objectives | Compliance Date |
|----------------------------|--|-----------------|
| Economic Contribution | Offer the best fixed and mobile connectivity. | Ongoing |
| | Be a benchmark in the converging home. | March 2015 |
| | Set ourselves apart in customer experience. | March 2016 |
| | Tailor our range of services to customers' actual needs, supplementing it with additional services. | March 2015 |
| | In Subscription Services, keep moving forward in the information provided to our Customers. | March 2015 |
| | Take action to further engage our suppliers in Health and Safety issues. | March 2015 |
| | 3 point improvement in the NPS of screened suppliers. | March 2015 |
| Social Contribution | Develop services intended for dependent people. | March 2015 |
| | Launch new proposals and solutions of Social Products and Services intended for Senior citizens. | March 2015 |
| | Build accessibility criteria into all the newly-opened or revamped Vodafone stores. | March 2015 |
| | Stop offering adult content on Vodafone mobile portals (Mi Web, Live!). | March 2015 |
| | Actively support and contribute to the "Mobile for Good" scheme through the transfer of at least one good practice with other Vodafone Group countries Develop Accessible ICT solutions that improve the quality of life of the members of more than 50 Non-Profit Organisations and with over 500 sponsors in such organizations. | March 2015 |
| | Keep on developing and promoting "Mobile for Good" applications, ensuring a library of at least 30 applications and increasing total downloads by more than 500,000. | March 2015 |
| | Help at least 25,000 people (senior citizens and disabled people) to learn how to use new technologies. Reaching a total of 100,000-plus people trained in the Vodafone Foundation Spain schemes. | March 2015 |
| | Implement the "10 initiatives 10" scheme to raise the score achieved in the 2013 employee survey by 10 points associated to "Speed, Simplicity and Trust". | March 2015 |
| | Be identified as one of the best companies to work for. | March 2015 |
| | Continue with the policy of hiring and integrating people with disabilities. | March 2015 |
| Environmental Contribution | Reduce network energy consumption per network element by 50% by year 2020, with respect to 2006-07. | March 2020 |
| | Reduce office energy consumption after bringing the main offices together under a single roof. | March 2015 |
| | Obtain LEED Certification for the new head office. | March 2015 |



Vodafone Spain's Organization



Our Organization

Vodafone Spain is governed by the policies, procedures, and courses of action that form the Vodafone Group's regulatory framework. These rules are set out in its Code of Conduct and its Business Principles, as well as in the Vodafone Group policies, which outline Vodafone Spain's governance framework and comes complete with a series of local policies and procedures.

The "Appendices: Ethics and Corporate Governance" section provides detailed information on the Corporate Governance Bodies and Mechanisms.





3

**Our
Strategy**





Sector Analysis

State of the Sector

Revenues and Employment

The sector's total revenues in 2013 amounted to €31.90 billion, 9.4% down on the previous year, after wholesale services dropped 14%, and retail services fell 8.5%,  for three main reasons:

- Lower consumer spending on account of the economic crisis.
- The lowering of regulated interconnection and roaming prices.

- The price cut prompted by stiffer competition and the popularization of converging services.
- The downturn in revenue came hand-in-hand with a 5.8% fall in jobs in the sector, which employed 61,340 people at the end of 2013. (1)

Line numbers

The number of mobile and fixed communication voice services fell again in 2013, while the broadband segment performed better, especially mobile broadband lines, which increased 26.5% to 31.5 million, on account of further smartphone penetration on the market. Fixed broadband lines also maintained their upward trend, albeit less than mobile broadband, totalling 12.1 million lines at the end of the year.

2013 saw a sizeable increase in the number of bundled services, especially the bundles that offer four services: fixed and mobile voice, and fixed and mobile broadband, which totalled 5.2 million.

An upward trend was also seen in the number of M2M (Machine to Machine) lines, which reached 3.1 million lines, 11.3% higher than the previous year. (1)

| | |
|------------------------------|---|
| Mobile communications | Voice: 50.2 mill. (-1.0%) |
| | Broadband: 31.5 mill. (+26.5%) |
| | - Smartphones: 29.5 mill. (+31.9%) - Datacards: 2,0 mill. (-22.1%) |
| Fixed communications | Voice: 19.1 mill. (-1.2%) |
| | Broadband: 12.1 mill. (+6.0%) |
| | Pay TV: 3.8 mill. (-7.4%) |

Infrastructure

In infrastructure deployment terms, 2013 was marked by the launch of 4G mobile services on LTE (Long Term Evolution) technology, pioneered by Vodafone, which launched its commercial services on 27th May 2013, and by the end of March 2014, already offered coverage in all the provincial capitals and in the autonomous cities of Ceuta and Melilla.(1)

By the end of 2013, New Generation Accesses (NGA) totalled 16.6 million (23.6% up on the previous year), driven in particular by FTTH accesses, which topped the 6.2 million mark, 90.6% higher than the previous year. This huge surge in the number of FTTH accesses was prompted by joint venture agreements between operators: Vodafone with Orange, and Telefónica with Jazztel. The other 10.4 million accesses were provided by cable operators, mainly Ono.

Competition

The level of competition rose throughout 2013, with a drop in incumbent operator's market share and a rise in the relative weight of the MNVOs and fixed operators which, like ONO and Jazztel, began to focus heavily on selling convergent offerings.

At the end of March 2014, Vodafone signed a deal to take over Ono, the cable operator, and this move, together with other potential short and medium term mergers or acquisitions, could lead to further concentration of the sector.

Regulator

On 5th June 2013, the Government published the Law creating the National Markets and Competition Commission (CNMC), a new, single body that has taken over from the previous different sectoral regulators and the Competition Authority. The CNMC began operating on 7th October, at which point it started performing all the activities and duties that had been entrusted to the CMT (Market Commission Telecommunication) until then.



New legislation in Spain and Europe

Telecommunications Bill

On 10th May 2014, the Official State Gazette published the General Telecommunications Act (Law 9/2014, of 9th May), which represents a comprehensive reform of the previous Telecommunications Act and, in particular:

- Takes account of many of the sector's requests.
- Redistributes power between the National Markets and Competition Commission, and the Ministry of Industry, Energy and Tourism.
- Includes provisions to facilitate network deployment, market unity, access to other facilities, simpler administrative formalities and control of regional Public Administrations.

Consumer and User Protection Act

Law 3/2014, of 27th March, amending the Consumer and User Protection Act, was published in the Official State Gazette (BOE) on Friday, 28th March 2014 and entered into force the day after it was published. It makes significant changes to consumer rights protection regulations, such as extending the right of withdrawal from 7 business days to 14 calendar days.

Copyright Bill

On 31st March 2014, the Spanish Parliament was debating the Copyright Bill, which envisages fines of up to €300,000 for Internet copyright breaches, introduces a "Google Tax" to compensate authors, and forces royalty management entities to comply with more transparency requirements.

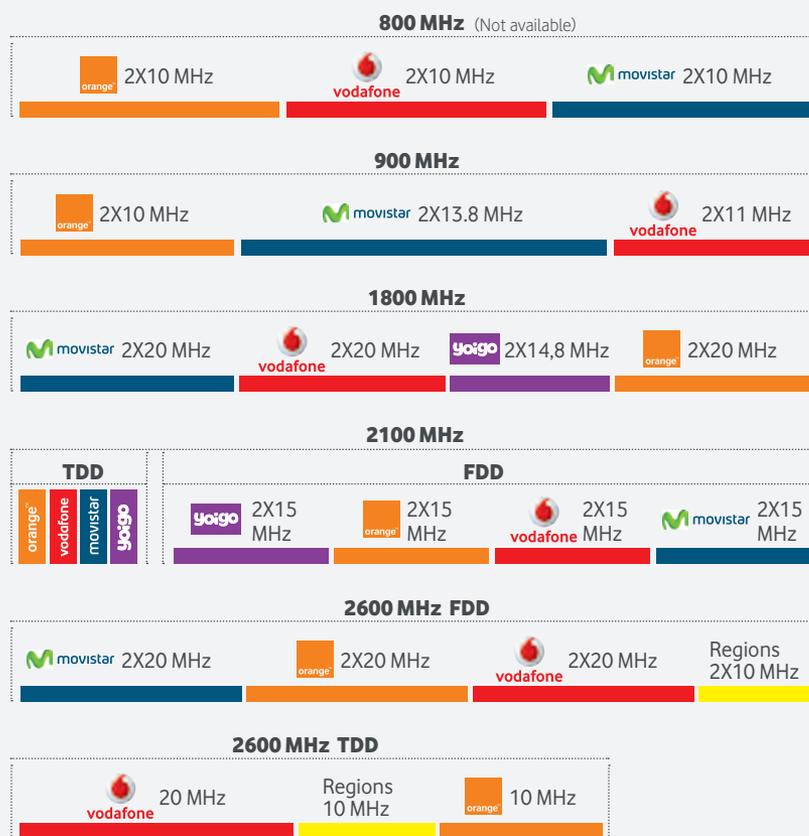
Internal Market Regulations

The Proposed Regulation on the Internal Market being debated by the European Parliament raises issues such as abolishing retail roaming charges or comprehensive regulation of net neutrality. Vodafone believes that some of these proposals threaten development and innovation in the electronic communications market.

Main Regulatory Issues

Spectrum

Current distribution of public radio spectrum frequencies for the principal bands:



The main spectrum-related events during 2013-14 were:

- Compliance with the 900 MHz band refarming commitments. Vodafone was committed to providing UMTS technology coverage to 1 million inhabitants in towns with less than one thousand inhabitants before 31-12-2013, at a cost of €160 million. The Ministry of Industry verified that this commitment had been met on 13th March 2014.
- Digital Dividend: In the spectrum auction held in June and July 2011, Vodafone was awarded 10 MHz paired in the 800 MHz band, which must be available before 31st December 2014. The release of the Digital Dividend has been delayed by a court case that has led to 9 DDT channels being closed before 6th May 2014. Vodafone believes it is essential that these frequencies be made available in an urgent, transparent and orderly manner, be released in a way that does not cause additional financial harm to operators and that frequency interferences be managed holistically.

Wholesale Termination Prices

• **Mobile termination:** The Resolution of 10th May 2012 approved the definition and analysis of the markets for voice call termination on mobile networks, designated the operators with significant market power, and imposed specific obligations. This analysis approved a timetable for lowering of mobile wholesale termination prices by the 4 electronic communications operators with their own network, and by all MVNOs. By July 2013, the price applied by all operators was 1.09 eurocent a minute.

• **Fixed termination:** On 8th April 2014, the CNMC published a public consultation in which it proposed a re-analysis of the markets for termination of telephone calls on fixed networks. What it is proposing is to set the same price for all operators, bringing an end to the asymmetry that existed to date between the incumbent and other operators. The price of 0.0862 eurocent a minute will automatically apply from the 1st of the month following the adoption of CNMC Resolution. Calls will be charged by the second and without time slots.

| | From 16/04/12 to 15/10/12 | From 16/10/12 to 28/02/13 | From 01/03/13 to 30/06/13 | From 01/07/13 |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------|
| Prices in €/min | | | | |
| Movistar, Vodafone and Orange | 3.42 | 3.16 | 2.76 | 1.09 |
| Yoigo | 4.07 | 3.36 | 2.86 | 1.09 |

Source: National Markets and Competition Commission

Portability

• **Mobile portability:** Mobile number portability (which lets mobile phone users retain their mobile telephone numbers when switching to another network operator) has proven to be one of the most effective mechanisms in promoting competition among operators. This was even more evident in 2013, when record high levels of portability were reached, partly due to the enforcement, in June 2012, of the measure approved by the Regulator, and under which mobile portability can only take one day.

To reduce cancellation process incidents and minimize end user inconvenience, most of the members of the Association of Operators for Mobile Portability have agreed to a Code of Practice that regulates how they must behave in order to improve the customer experience during the porting process and/or porting cancellation.

• **Fixed portability:** The modified fixed portability specifications necessary to adjust processes to a 24h portability scenario, entered into force on 11th November 2013. This change aligned the fixed and mobile portability processes, which must now be completed in one day, and also aligned the portability cancellation processes, which can only be carried out by the recipient operator.

Fixed Regulation

In January 2014, the CNMC reviewed the prices of regulated wholesale broadband services provided by the incumbent operator, and lowered the prices significantly:

- The CNMC lowered the monthly fees of the main ADSL-IP services that Vodafone uses by 18.4%, and lowered the different activation fees by between 10% and 50%.
- In the NEBA-Fiber service, the CNMC lowered the price of carried traffic by more than 55%, and applied a reduction of 55% to 85% to the activation prices and monthly fee per port for all rates.

The sector is now waiting for the forthcoming proposed revision of the markets for direct access to the local loop and broadband bitstream access to the local loop, which could include important new fibre regulations.

Market for access and origination of calls in the public mobile telephony networks

The TRC Resolution of 2nd February 2006 approved the analysis of the mobile network access and origination market, which provides for Mobile Virtual Network Operators (MNVOs). Specifically, the market for access and call origination on public mobile communications networks in Spain is defined as the market in which any mobile network operator that is licensed to operate in Spain, facilitates to another operator access and voice and data call origination on the mobile network of such Mobile Network Operator (MNO).

Only three markets in Europe, the Spanish one among them, declare this market to be non-competitive. It is Vodafone's opinion that the Spanish regulator should urgently review the market and state that the market failures identified in 2006 have disappeared.

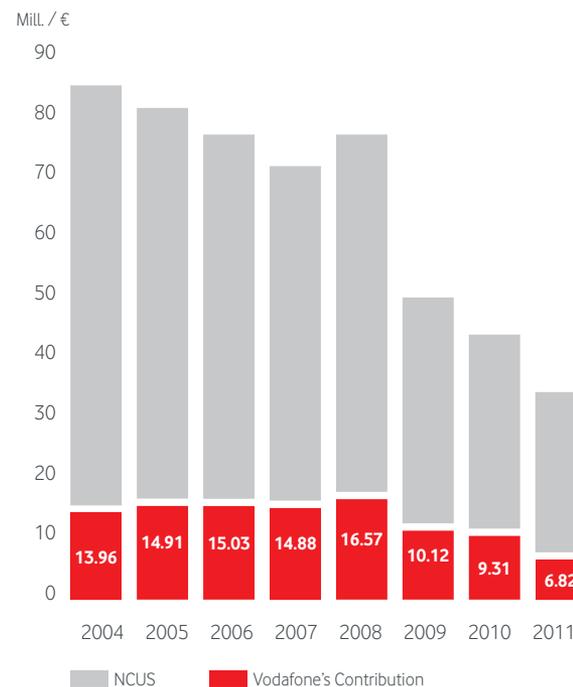
Universal Service

Vodafone Spain has been contributing to the funding for the Universal Service, which is provided by the incumbent operator, with an accumulated amount of over €97 million since 2003.

Since 1st January 2012, the concept of the Universal Service has included, in addition to the fixed telephony service, a broadband connection which enables a data service of 1Mbps.

Vodafone Spain believes that the Universal Service should be comprehensively reviewed because it features significant defects in the way that it is offered, charged and funded.

Changes in the Net Cost of the Universal Service (NCUS) and Vodafone's Contribution





Vodafone Spain's Strategy

Important issues for Vodafone Spain and its Stakeholders

To identify the most relevant issues for our business and be able to respond to each issue in a satisfactory, balanced manner, consideration is given to the conclusions reached in our internal risk analysis, and from Stakeholder engagement.

Issues identified through the Risk Analysis

The risk definition, assessment, classification, management and tracking process is outlined below:

1 Risk definition

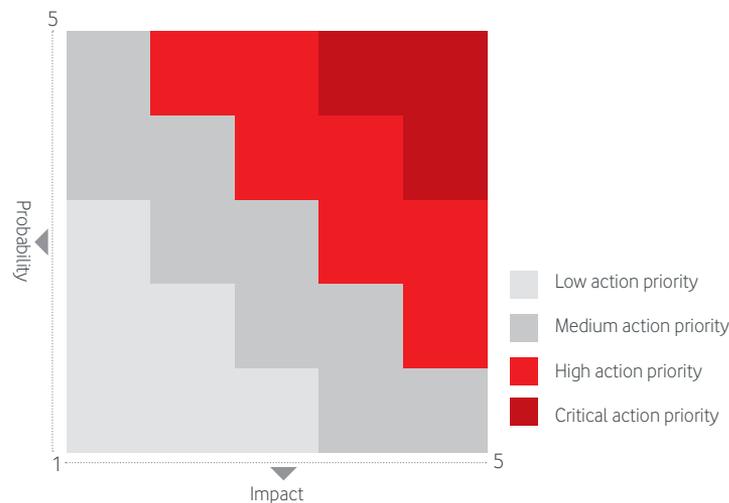
Each of the Company's Areas defines the risks that impact its strategic goals and processes.

2 Business impact assessment

The risks are assessed in terms of how they might impact the business. To this end, we take account of their impact on customers, systems and employees, as well as their financial and reputational impact. A level 1 risk is classified as "insignificant" and a level 5 risk as "high".

4 Classification of risks

Risks are classified as critical, high, low and medium, on basis of their impact and their likelihood of occurring.



3 Assessing likelihood of occurrence

The likelihood of risks occurring is assessed when the controls required to mitigate them are in place. A scale of 1 to 5 is used, where 1 means "never" and 5 is "almost certain".

5 Risk management and tracking

Once identified and classified, risks are analyzed and revised from time to time.

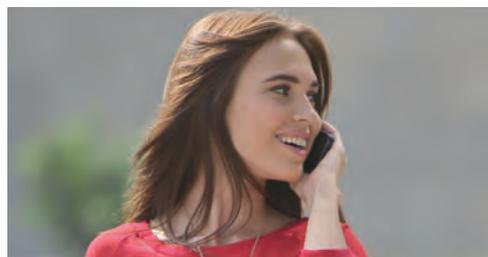
This risk analysis allowed us identify the most relevant issues that matter most to Vodafone Spain and that have been addressed by the Executive Committee during the financial year. These most issues relevant are summarized below:



Network

The services that we offer depend on our network's quality. To ensure the right Quality of Service and spearhead the achievement the availability and quality targets specified by regulations, Vodafone has a robust telecommunications network with redundant routing, diversity and fault protection. The main issues in this subject are:

- Extensive, high quality 4G network
- Rolling out fiber to the home (FTTH)
- Network sharing
- Ono takeover.



Customer Relations

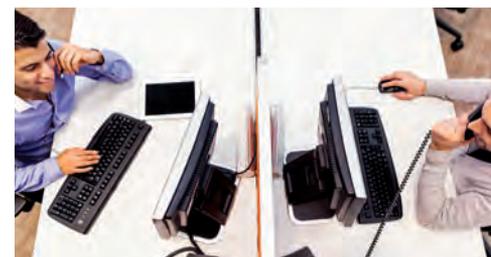
The heavily competitive environment has prompted us to devise three pillars of differentiation in our relationship with customers:

- Confidently connected through network leadership.
- Competitive value: launch of the BASE and RED tariffs, and further development of Vodafone Yu.
- Customer Experience paying special attention to enhancing customer service in all channels and revamping our points of sales to give customers the best experience.



Relations with Public Administrations and the Regulator

Vodafone Spain endeavours to build relations of trust with the Public Administrations and the Regulator. Staying in constant touch with their representatives helps us to understand and address all the issues concerning our business.



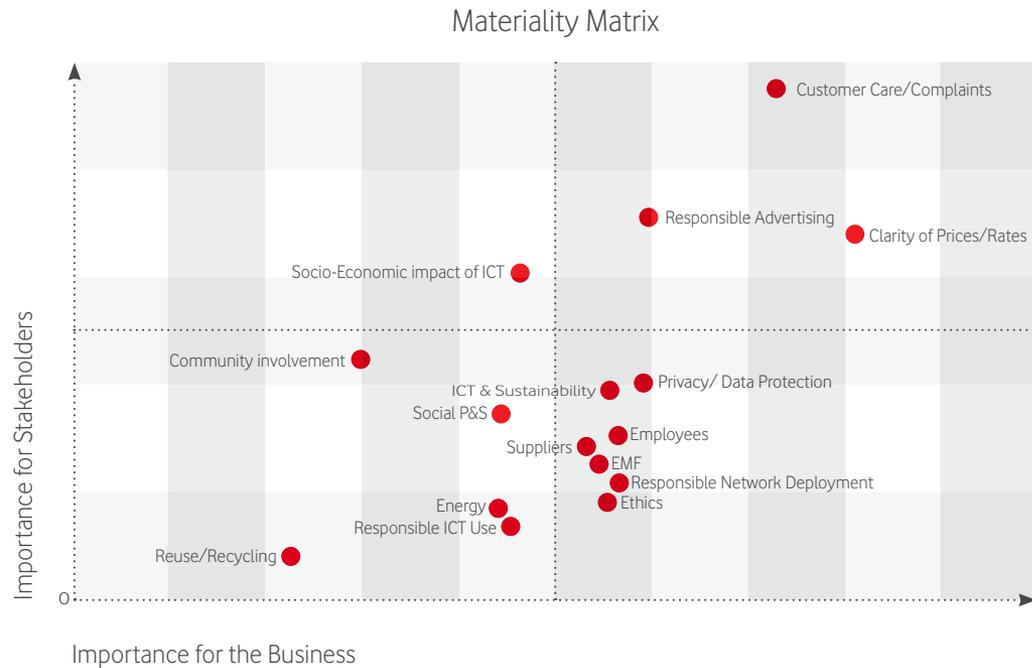
Talent (Employees)

To attract and retain the best talent, we endeavour to ensure that our employees are committed and motivated. The office moves in Barcelona, and Madrid, creating new working environments that will be extended to other offices, are allowing our staff to work faster, more efficiently and more customer-oriented.

Issues identified through our Stakeholders (GRI: G4-27)

Systematic engagement and contact with our Stakeholders allows us to identify and understand their expectations, prioritize them and define the courses of action required to provide a suitable and effective response. 

This engagement has led us to devise the following Materiality Matrix:



Considering both the issues identified through the internal risk analysis and those identified through Stakeholder engagement, we have prioritized the Vodafone Spain’s Material Issues as follows:

Prioritization of Material Aspects

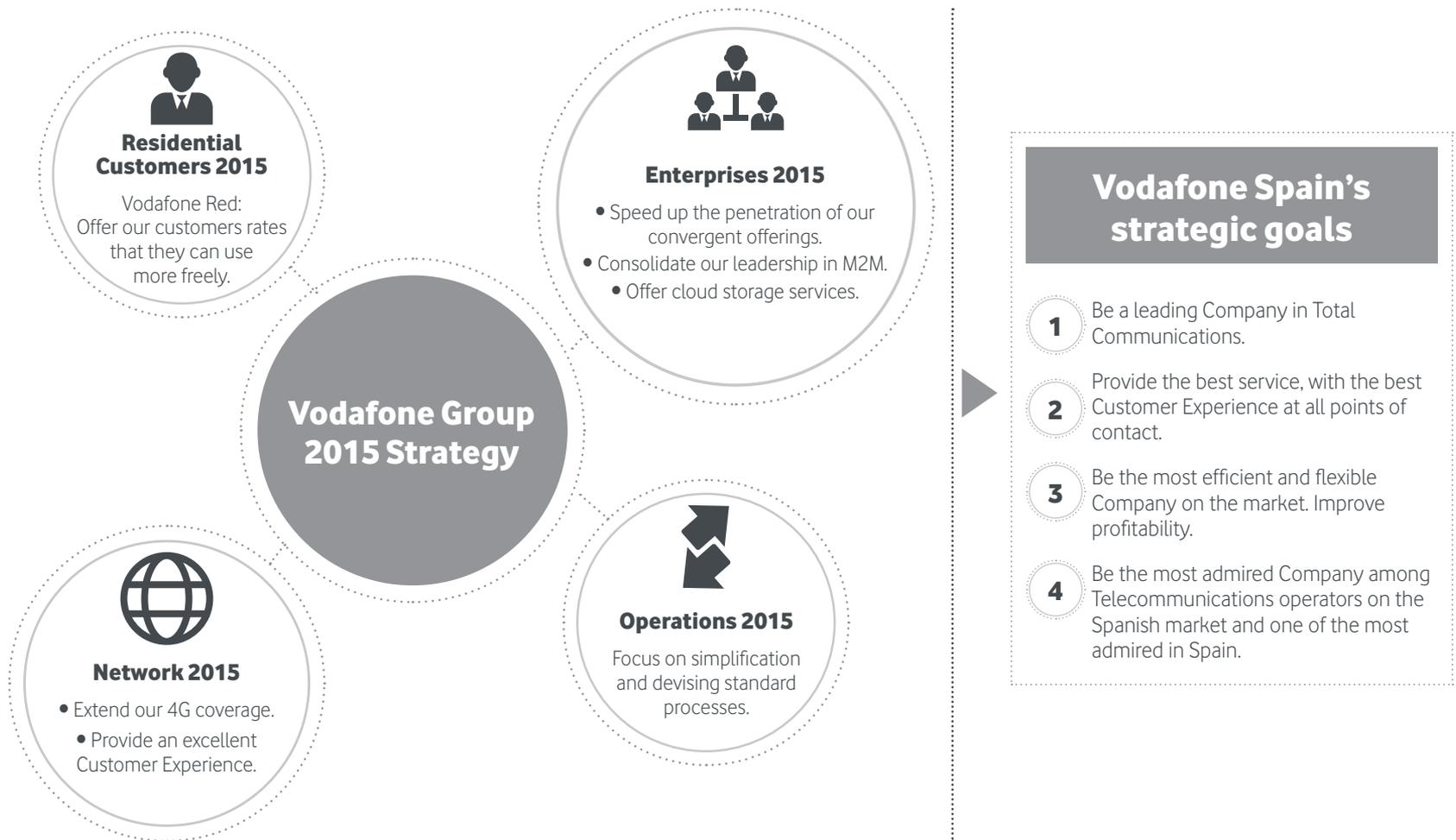
| Risk Analysis-Related Aspects | Stakeholder-Related Aspects | Report Reference |
|------------------------------------|--|--|
| 1. Customer Relations | 1. Customer Care/Complaints 2. Clarity of Prices and Rates 3. Responsible Advertising 4. Privacy and data protection 5. Responsible use of ICT | 1. Economic Contribution. Pg. 35 a 37 2. Economic Contribution. Pg. 38 3. Ethics. Pg. 73 4. Economic Contribution. Pg. 39 5. Economic Contribution. Pg. 41 |
| 2. Relations with P.A. & Regulator | 6. Socio-Economic Impact of ICT 7. ICT and sustainability | 6. Vodafone Spain’s contribution to country. Pg. 31 7. Environmental Contribution. Pg. 64 |
| 3. Talent (Employees) | 8. Ethics 9. Employees | 8. Ethics. Pg. 71 to 75 9. Social Contribution. Pg. 54 to 61 |
| 4. Network | 10. Responsible Network Deployment 11. Electromagnetic emissions 12. Social Products and Services 13. Community involvement 14. Suppliers 15. Energy 16. Reuse and Recycling | 10. Environmental Contribution. Pg. 69 11. Environmental Contribution. Pg. 69 12. Social Contribution. Pg. 47 to 49 13. Social Contribution. Pg. 50 to 53 14. Economic Contribution. Pg. 42 to 45 15. Environmental Contribution. Pg. 65-66 16. Environmental Contribution. Pg. 67 |



Further information in "Appendices: Report Preparation and Review"

Our Strategy

Vodafone Spain has set itself strategic goals aligned with the Vodafone Group's strategy for 2015. 



The facelift plan outlined in the Vodafone 2015 Strategy is underpinned by three strategic pillars:



- A differential customer experience built with initiatives such as the Store Facelift Plan, "Vodafone One-to-One", Vodafone Wallet, Vodafone Smart Pass, etc.
- A fully competitive offering based on simplicity, transparency and convergence.
- Better connectivity with a strong commitment to ultra high-speed fixed and mobile broadband.



Winning our Stakeholders' trust and being the most admired telecommunications carrier entails operating in an ethical, responsible manner. That way, our customers will use our technology and we can contribute towards improving people's quality of life and transforming the societies in which we operate.

To that end, each year we draw up a Sustainability Programme that outlines the objectives and responsibilities of the different Important Issues (See page 23).



The Annual Sustainability Programmes are managed and coordinated by the Sustainability and Quality Department, which periodically reports to the Institutional Committee through the Corporate Communications Director, to whom it is accountable.





4

Financial Results



Customer Base

- Vodafone Spain ended financial year 2013-14 with a mobile subscriber base of nearly 13.5 million. The company's successful business strategy (new RED rates) and the improved customer experience led to contract customer churn falling 2.3 p.p. with respect to the previous year, to 21.5%.
- The ADSL customer base ended the financial year with 1,026,000 customers, after a record last-quarter growth of 73,000 customers, mirroring the commercial success of the bundled fixed-mobile price plans.
- By 31st March 2014, 85% of fixed broadband customers had also signed up for Vodafone's mobile phone service through a convergent offering. Of all the adds registered over the last twelve months, more than 50% of customers signed up for convergent fixed-mobile price plans.

Service Revenues and Turnover*

- The Company reported turnover of €4.17 billion, with service revenue accounting for €3.83 billion, 14.1% less than the previous financial year, mainly due to the weak macroeconomic environment, the price squeeze triggered by the stiff competition and the impact of cutting interconnection costs, which represents 3.3 percentage points of the drop in service revenue.
- The decline in service revenue steadied throughout the year, only dropping 12.6% in the fourth quarter, compared to 14.1% in the third and 16.1% in the second. The 6% increase in the fixed business revenue in the last quarter contributed to this smaller drop.

Service revenue figures (%).



Operating expenses*

Vodafone Spain has carried out and successfully completed a major cost containment plan in financial year 2013-14, with the following highlights:

- Interconnection and access costs have dropped 27% with respect to financial year 2012-13. This change was driven by the fall in mobile interconnection costs, which was partially offset by a rise in fixed access costs (due to the larger number of customers).
- Sales Costs were 1.4% lower than the previous year, basically on account of efforts made to contain Net Retention Costs (12.4% lower than in financial year 2012-13).
- Vodafone Spain's Direct Costs for financial year 2013-14 were 9.5% lower than the previous period for the mobile business, but 16.3% higher for the fixed business, due to the larger customer base.
- The Company managed to bring its OPEX down by 9.4% with respect to the previous year, in keeping with the positive trend seen in financial year 2012-13 (7.1% lower than in 2011-12), thanks to its strong focus on cost efficiencies.

Ebitda*

Vodafone Spain reported a 25.7% fall in EBITDA (-3.8 p.p. in EBITDA Margin), basically due to the lower revenue and partially offset by operating expense efficiencies.

Spring Project

Project Spring is a Vodafone Group initiative devised to enhance customer experience and speed up the pace of deployment of next generation networks.

In Spain, the funds allocated to this initiative have been used to give the distribution channel a facelift and accelerate the 4G roll-out.

*The financial information has been prepared in accordance with International Financial Reporting Standards, while the Annual financial statements (see Chap. 8) have been prepared in accordance with the New General Chart of Accounts.

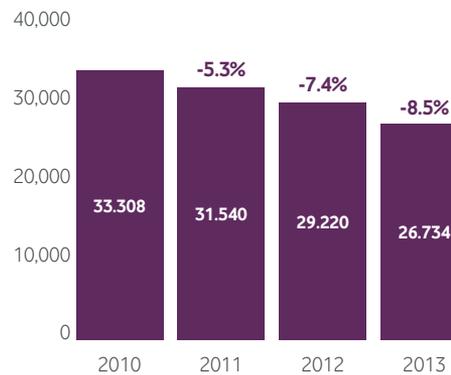


Sector Developments¹

Retail Service Revenues

On the basis of 2010 revenue, fixed phone revenue dropped 29%, fixed broadband revenue fell 12.4%, and Enterprise Communications revenue dropped 8%. Mobile phone revenue was 22.4% lower than in 2010, and Audiovisual Services was down 19.1%; the only good news came from Handset Sales and Rental revenue, which rose 18.3%. Altogether, Retail Service Revenue fell 19.7% with respect to 2010.

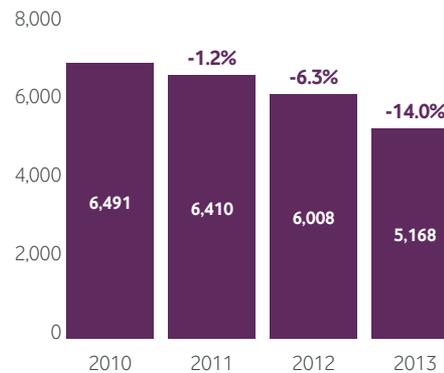
Changes in Retail Service Revenues (€ million)



Wholesale Service Revenue

Indexed to 2010, Wholesale Service Revenue ended the year 20.4% lower on account of the large drop in Interconnection Revenue (30.9%), partly offset by the rise in ADSL Service Revenue (43.2%).

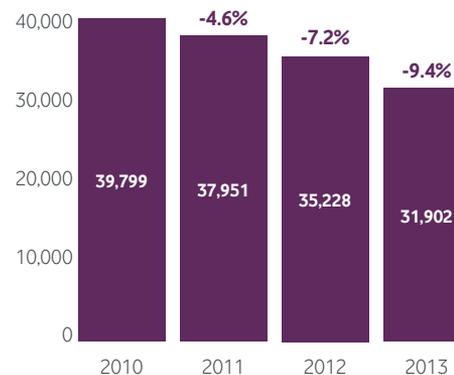
Changes in Wholesale Service Revenues (€ million)



Total Revenue

For all these reasons, the sector's total revenue dropped 19.8% with respect to 2010.

Changes in Total Revenue (€ million)

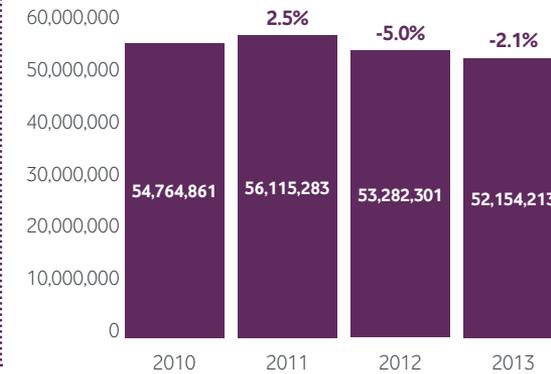


¹ Figures drawn from information published by the CNMC.

Customers and Market Shares

At the end of the year, the number of mobile phone lines was 2.6 million less than in 2010. Altogether (Voice + Datacards), Movistar and Vodafone lost 8.6 p.p. and 5.3 p.p. of line market share with respect to 2010, and the MVNOs, Yoigo and Orange won 8.5 p.p., 2.7 p.p. and 2.7 p.p. respectively.

Change in Mobile Lines (Voice + Datacards)

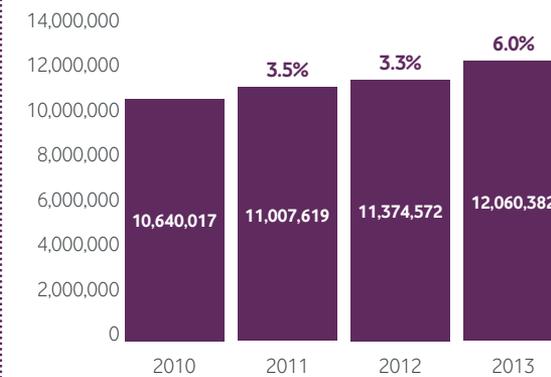


The number of Fixed Broadband Lines in Spain has increased by 1.5 million since 2010, totalling 12 million at the end of 2013.

Considering that retail revenue has fallen, the price reduction in this category is highly relevant. In this context, worth noting is that Telefónica and Ono both lost customers, specifically 6.0 p.p. and 1.6 p.p. of their shares, respectively, while Jazztel, Orange and Vodafone gained 3.7 p.p., 3.2 p.p. and 0.9 p.p. respectively.

Over the last year, Orange and Vodafone have won market share to the detriment of Telefónica and Ono.

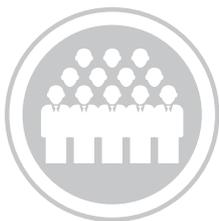
Change in Fixed Broadband Lines





5

**Vodafone Spain's
contribution to
the country**



Vodafone Spain contributes to the country's sustainable development through the application of its technology, its products and services and we quantify this contribution in economic, social and environmental terms.





Economic Contribution



Vodafone Spain contributes directly to the national economy with the wealth we generate, the taxes and licence fees we pay, as well as the suppliers from which we purchase and the people we employ. Furthermore, at the same time, we contribute indirectly towards the country's economy through the contributions made by Vodafone Spain's value chain organisations (suppliers, distributors, etc.).

Direct and Indirect Economic Contribution of Vodafone Spain: **€4.93** billion

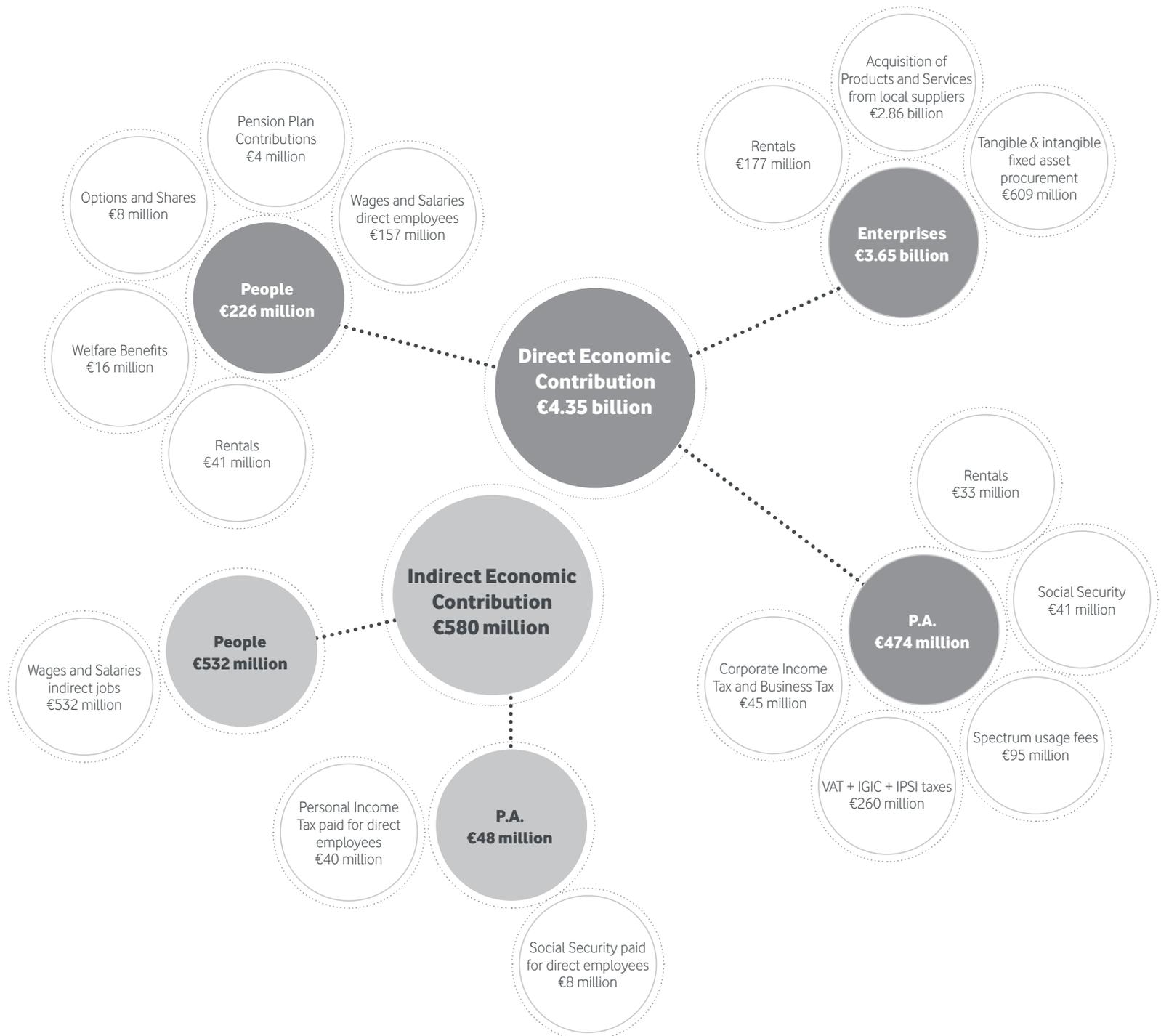
People: **€758** million

Corporate Customers: **€3.65** billion

Public Administrations: **€522** million*

* Vodafone has received €0.5 million of Operating Subsidies from the Government.

Vodafone Spain's Direct and Indirect Economic Contribution



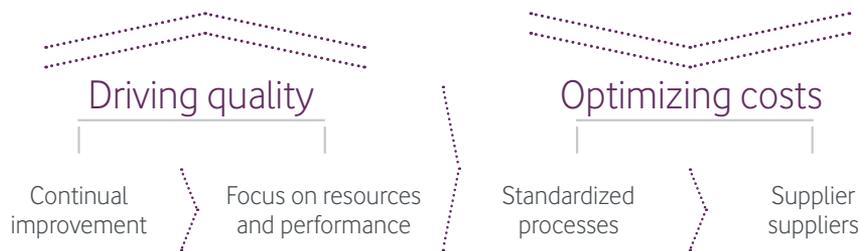


Customers

The telecommunications sector is highly competitive and one of the keys to success is offering the Best Customer Experience. It's the best way to achieve the differentiation required to retain customers and make them recommend us, contributing both to our market share and our revenue.

Customer satisfaction is one of our top priorities and the 2013-14 financial year has been a turning point in how we relate to them, placing emphasis on providing products and services that meet their needs and expectations, as well as providing efficient customer care.

Specifically, this year Vodafone Spain has taken steps to transform its customer relations, in order to boost quality while optimizing costs.



In the 2013-14 financial year, Vodafone began work on its Store Facelift Plan, to turn its points of sale into open spaces that customers will enjoy visiting. This plan includes:

- **Revamped Stores:** with larger open spaces, no barriers or counters, more natural furnishings and lighting that let our staff attend to customers more closely and directly, offering them a personalized service.
- **New technology-based customer service model,** that lets store staff interact with customers in a more mobile, counter-free environment, receive them actively, serve them with a tablet instead of a fixed workstation, and have customer profile information, making it easier to advise them better.

Improvement of
58%
in the Enterprise T-NPS

Improvement of
30.4%
in the Residential T-NPS

T-NPS: NPS (Net Promoter Score) after direct contact with the Customer



Customer Care

Vodafone's customers can contact us in one of three ways:

- 1 Face-to-face in our stores: "Vodafone de Tú a Tú".
- 2 By phone (by talking to an operator or using our voice recognition system, IVR).
- 3 Online care / Self-care.

1 Face-to-face in our stores: "Vodafone de Tú a Tú"

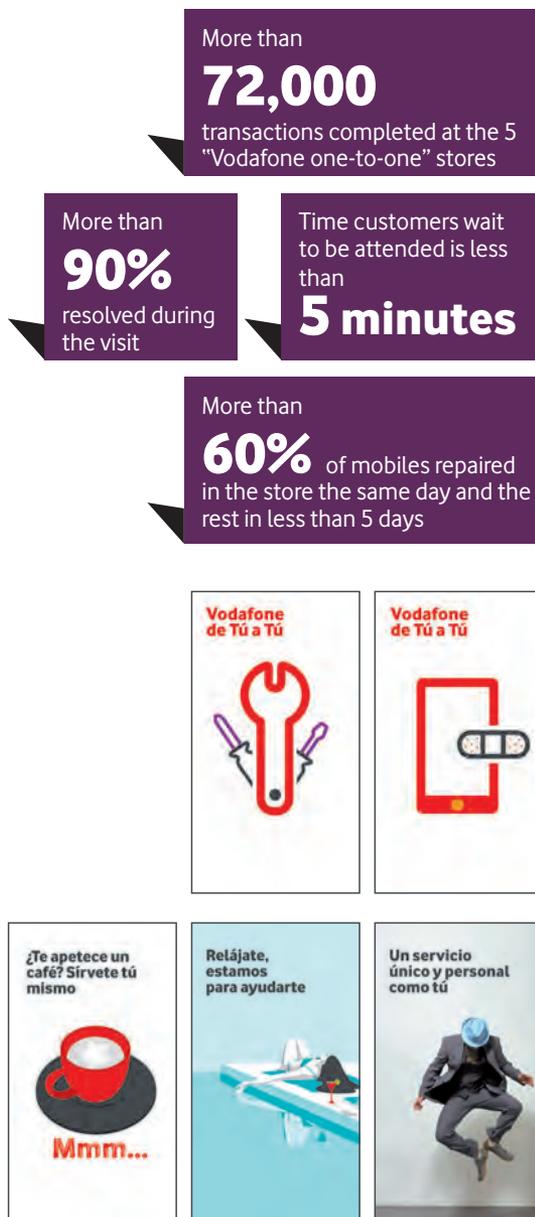
In "Vodafone de Tú a Tú", you'll get direct, face-to-face answers to all your questions, or get your mobile, tablet or smartphone repaired on site.

The "Vodafone one-to-one" stores have represented a milestone this year in terms of customer service and the pursuit of excellence and improved interaction with customers in-store. "Vodafone de Tú a Tú" is a path-breaking concept in Spain's telecom sector, because Vodafone offers a premium, comprehensive in-store customer care service to any segment, in other words, residential, SOHO and enterprise customers alike. "Vodafone one-to-one" represents a differentiated advance in enhancing the customer experience to ensure they are fully satisfied.



This new kind of store not only provides customer service, but is fully equipped to meet each and every one of customers' needs, from answering bill-related queries to repairing their mobile device in-store.

On 31st March 2014 there were five "Vodafone one-to-one" stores in Barcelona, Bilbao, Madrid, Seville and Valencia.



Layout of "Vodafone de Tú a Tú" stores

"Meeter Greeter" welcome protal: receives customers, analyzes what they need and, depending on those needs, gives them an appointment to see the business advice expert, customer care representative or device repair technician.

Waiting Area: designed to let customers relax while they wait for their turn.

Sales Area: designed with large open spaces and easily accessible devices that let customers interact with the available smartphones and tablets and try them out.

Customer Service: there are two kinds of experts here:

- Customer Care Agents, who handle resolve any type of query or incident.
- "My Vodafone" experts to advise customers on how to make the most of the self-care features of the personal area of the web (My Vodafone).

Express Repair of mobile devices: here customers can leave their damaged mobile, smartphone or tablet and pick it up again, fully repaired, in a maximum of 5 days. During that time, "Vodafone one-to-one" lends customers a replacement mobile.

2 Telephone support

Our customers can choose to speak to a customer care agent in one of 7 languages: Spanish, Catalan, Galician, Basque, English, Arabic and Romanian.

In order to do this, during the 2013-14 financial year, a series of actions have been carried out which will enable us to achieve and maintain the highest standards in our telephone care service.

The continuous improvement plans in place in all areas of telephone care have managed to raise the first-call resolution rate and satisfaction with the care received. Some of the main improvement actions implemented were:

- Reducing the times our customers need to contact us, and improving their experience when they do need to contact

us. This was managed by reinforcing the Online Customer Care/Self-Care Channels referred to below.

- Redefining the care procedures focused on increasing the first-call resolution rate and customer experience satisfaction. In this respect, platform capacities have been redimensioned, seeking to find a solution in a single call and improving the systems from a technical point of view, reducing the number of calls cut off at Customer Care Centres.

Where the Voice Recognition System (IVR) is concerned, continuous improvements have also been carried out to the automated care process. Our main objective is still to offer our customers the best automated customer care service on the market, with a value-added automated system.

3 Online Customer Care/Self-care

Vodafone still believes that customer self-care or m-care is the best way to help customers find the information they need about our products and services, which is why we have provided online channels to let them do whatever they need, any time and anywhere.

During the 2013-14 financial year, our customers confirmed that the mobile is one of their favourite online customer care channels, using the "Mi Vodafone" mobile app.

This year new segments, such as SOHOs and some Enterprise users, began using the app, we improved the design of some of the modules most popular among customers, like the spending control module, and have developed a personalized app for Vodafone yu customers:

Another new feature is that we have started to offer some customer segments the chance to contact specialized agents via a mobile chat. We have also worked to ensure the stability of the online channel support platform.

As a result, the number of m-care users and related transactions has grown again compared to the previous year's figures, with a 60% rise in the volume of monthly m-care users since the previous financial year. Similarly, in the private areas of the Vodafone website (My Vodafone and Customer Area), the absolute number of active users rose again this year has continued to increase and we ended the financial year with 1,728,499 users a month).

More than
27%
resolved on first call

More than
10%
improvement in the
IVR* takeup



1,728,499
users in the private areas of
the web (My Vodafone and
Customer Area)

60%
more monthly m-Care users
than last year

* IVR takeup rate: N° of calls managed by the IVR.



The "Help" section of our website now features an interactive invoice demo for enterprise and SOHO customers. This new demo, along with the residential customers' demo, enables customers to understand their invoices, how amounts are calculated and what each invoice item means, by checking the glossary.

The "Vodafone Forum" we have set up for our customers now includes the "Vodafone Heroes" program, to encourage customers to take part and create content. The programme has also served to increase use of our self-care channel and boost awareness of Vodafone's products among our customers. At the end of the 2013-14 financial year, 46,000-plus customers had registered with for the "Vodafone Forum", an increase of 39% over the previous year.

Finally, the "Vodafone helps you" blog has received 43% more monthly visits than last year, having reached the 50,000 mark, and is regarded as a great help by supplementing the information we offer our customers from "Help" and "Vodafone Forum".

50,000

visits a month to the "Vodafone helps you" blog

46,000

registered in the Vodafone Forum

3.2 mill.

residential customers are sent e-bills

Consumer Bodies

Vodafone keeps on working closely with government organizations. We remain in direct contact with Arbitration Boards and Municipal Consumer Information Offices (OMICs), continuously monitoring our responses and proposing possible improvements based on the feedback we receive.

The financial year 2013-14 saw further use of the Mediation Hotline, which is used exclusively to attend to government organizations, the aim being to settle complaints at the mediation stage, shortening the time-to-resolution and contributing to boost customer satisfaction.

Complaints

During 2013-14, we continued carrying out a systematic analysis of the main reasons behind the complaints. In this respect, we have finished implementing the Complaints Handling Model to make the process more customer-friendly by making it easier for them to state their disagreement. This has let us improve first-contact issue resolution and therefore the quality of service.

Furthermore, as explained in the section on Face-to-Face service in our Stores

(Vodafone one-to-one), we have finished rolling out the new in-store care model to make it easier for staff to handle complaints at the point-of-sale.

Complaints data is available at the Telecommunications User Care Office, and it should be noted that the number of complaints has dropped by over 20% compared to 2012-13, and 97% of complaints have been answered in less than 10 days. 🌐

More than **20%**

fewer complaints than the previous year

97%

of complaints answered in less than 10 days



Clarity of Prices and Rates

Vodafone remains committed to simplifying rates and offering customers more freedom of choice.

Contract Rates (Postpay)

During 2013-14, contract tie-in periods were shortened or removed through initiatives such as:

- Launch of a deal in the “tie-in period-free rate”.
- Reduction of the mobile tariff tie-in period to 18 months (from 24 months).
- Reduction of the ADSL tariff tie-in period to 12 months (from 18 months).

Our launch of the “Talk and Surf in Europe” rate improved the roaming service for Red rate customers, by allowing them to enjoy better features when abroad, for one month and for the same price.

The new Base, Smart and Red Contract rates launched during 2013-14 have enabled customers to choose how many minutes' worth of talktime and surftime they really need. In addition, they are free to top up their rate with the Vodafone Integral bundle (ADSL, fixed and mobile) and with second lines.

Transparency is a top priority for Vodafone Spain, which is why it was the **first operator to announce its prices with taxes included**, so as to offer customers much clearer information about its offering prices and rates.

Prepay Rates

The brand new “Vodafone yu:” rates have been especially designed for young people, in line with their patterns of behaviour and needs, and keeping them as simple as possible. The first ever bundled monthly prepay rates include everything young people need to stay “always on”: high capacity data usage, free “you to you calls”, and 4G.

“Vodafone yu:” is far more than just simple rates and tries to help youngsters keep up to date with the very latest news through an exclusive content platform, a radio show that features some of Spain’s top comedians and personalities from the world of culture, and a full range of experiences where young people get to play an active role in creating their favourite activities, such as parties, travel, concerts, sports, etc.

It also features an up-to-date website with all the news and a mobile app designed to encourage young people to interact with Vodafone.

To back this up, Vodafone relies on social networks as its means of communication with young people, and has its own profiles in Facebook, Twitter, Instagram and a Youtube channel. 



Vodafone was the first to offer 4G coverage in Spain, with a top browsing speed of up to 150 Mbps.



 Further information at yu.vodafone.es

Privacy and data protection

During the 2013-14 financial year, Vodafone's Privacy Committee has continued to monitor the actions which have arisen in the context of privacy and data protection closely.

So as to protect our customers' information and ensure the highest level of privacy, this year we organized an information protection awareness campaign, called "Don't sell us out" for all our employees through videos, intranet banners and a new website.

The Vodafone Group's Sustainability Report 2013-14 includes a section entitled "Law enforcement assistance", which outlines the volume and nature of the law enforcement demands for information and interception orders received by the Vodafone Group companies.  The report also explains the regulatory framework in place in each country and whether or not it is lawful, and under what terms, to provide law enforcement to governments and/or courts.

In this respect, Vodafone Spain (after consulting the Secretariat of State for Telecommunications and for the Information Society) has provided law enforcement assistance and provided information for the report, facilitating aggregate and total volumes regarding the volume of lawful interception and demands for information executed during financial year 2013-14.

It must be stressed in this respect that, under current legislation, in Spain lawful interception is only conducted and information is only disclosed to Authorities if a warrant has been issued. In other words, if no warrant has been issued, Vodafone Spain does not intercept any calls, nor does it disclose any kind of information.

During the year, Vodafone only received three complaints from the Spanish Data Protection Agency (AEPD) that led to minor fines for security breaches. None of the fines imposed were for a significant amount.

In this regard, Vodafone Spain has rolled out an Information Security Management System that conforms to ISO 27001.



Premium SMS

Premium SMS (pay per event or subscriptions) are information services that are provided by companies outside Vodafone which are received by SMS either periodically or as a one-off, and which have an associated cost per message received. These services are always activated on a voluntary basis, after being requested by the customer, and have to be confirmed twice if the services cost more than €1.2 or are Subscription services. 

During the 2013-14 financial year, the following actions, amongst others, have been carried out in the area of Premium SMS, with the aim of improving customers' experience with these services:

- To ensure that all app-based Subscription and Premium SMS services give end users enough clear information, Vodafone has drafted Guidelines that are attached as a schedule to contracts with content providers.

In this respect, special emphasis has been placed on detecting services that fail to offer clear information, and appropriate penalties are applied to any such content providers.

- Vodafone has blocked the numbers of the suppliers who have breached the "Code of Conduct for the provision of messaging-based Premium Line Services".  Altogether, this year Vodafone blocked 13 numbers of 6 different suppliers.

Service and Network Quality

To comply with Ministerial Order ITC/912/2006, regulating the terms and conditions governing Quality of Service in the provision of communications services, Vodafone issues a regular report on certain parameters stipulated in the Order. These parameters are externally audited every year and can be checked on Vodafone's website, and in the Telecommunications section of the Ministry of Industry, Tourism and Trade's website. 

As is also mandatory under Order ITC/912/2006 and to ensure high quality invoices, Vodafone has a Global Invoicing Quality Assurance System. The annual external audit is included in the ISO 9001 quality audit.

A key element in the achievement and maintenance of these Quality of Service parameters is the Ongoing Network Quality Improvement Process.

Basically, by using different sources of information such as in-depth studies of the reasons behind customers' complaints, satisfaction surveys, samples of the customer's actual experience, traffic statistics and measurements generated by network elements, field measurements and customer complaints, our Technology Department analyses the sources of problems and work to resolve them, so as to turn them into opportunities for improvements.

For instance, it continuously gauges customer satisfaction, focusing on the most important attributes that identify the characteristics of operating a telecommunications network.

We also use specific tools to track the real experience of our own and our competitors' customers, to ascertain the strengths and points of improvement that come to light when analysing how customers normally use the different voice and data services.

On the network roll-out issue, this year's highlight has been 4G deployment, with more than 2,000 nodes, enabling us to provide a high-speed mobile data service and reach all of the country's provincial capitals with this extensive roll-out. 4G services are available in more than 220 municipalities, including the 80 Spanish cities with more than 70,000 inhabitants.

We are also boosting 2G and 3G coverage with new sites, which is why we ended the year with a very high percentage of the population covered with this technology.



99.75%
of the population
covered by the 2G
network

99%
of the population
covered by the 3G
network

More than
2,000
4G nodes rolled out



Safe and Responsible Use by Minors

Vodafone Initiatives

Vodafone has taken two main courses of action to ensure that minors use ICT safely and responsibly. First of all, we offer appropriate tools that let minors surf the Internet in a safe environment. Secondly, we promote education and awareness about responsible use of these technologies, and for this same reason we provide specific educational

materials and information for parents, tutors and minors. These two courses of action have to be applied together and at the same time to ensure that children can surf the Internet in a secure environment and to do so responsibly.

Vodafone offers three types of parental control:

- The "Young Profile" that blocks access to adult content in the Vodafone Content Portals (My Web and Live!)
- The "Offnet Filter" that prevents minors from accessing unsuitable pages on the Internet
- The "Safety Net" app that lets you set up Android smartphones to block and restrict different features like the camera, apps, etc.

As a further safety measure, Vodafone uses the Internet Watch Foundation (IWF) database to block access to illegal child abuse websites.



In December 2013, we released the "Vodafone Kids" app, which is a safe and fun space with plenty of educational activities for children between 2 and 6 years old. The app lets children build puzzles, match pairs of pictures, tons of games, stories, songs, collections they can paint and colour and sample photos with which to create their own animated photo adventure.

From November 2013, any customers visiting a Vodafone store can get a "Superpowers on the web" card, which features simple, fun games with which children can learn how to use Internet access devices safely and responsibly.

They also include a specific card with information for parents, tutors or teachers about the tools that Vodafone provides to encourage the safe and responsible use of Internet-enabled devices.



Tools

Information and Education



Vodafone contributes to initiatives that raise awareness about safe and responsible use by minors. For instance, Vodafone sponsored and took an active part in the Safer Internet Day 2014, an initiative organized by the European Commission to promote safer and more responsible use of online technology and mobile phones. This year the subject was: "Minors and mobile connectivity in Spain: Tablets and Smartphones".

Sector Initiatives

Vodafone, together with other ICT sector companies, is taking part in several initiatives to protect minors in the digital world and raise awareness about the safe and responsible use of new technologies. That is why we keep on contributing to initiatives such as the "CEO Coalition" sponsored by the European Commission, the GSMA's "Mobile Alliance" or the "CTI Principles". Furthermore, in Spain we collaborate through the Monitoring Committee of the "Code of Conduct to encourage safe and responsible use of the mobile by minors".



Value Chain

Suppliers

In order to provide our services, Vodafone acquires network equipment, terminals and other products and services from direct suppliers who represent the first level in our supply chain.

Code of Ethical Purchasing (CEP)

Vodafone's Supplier Management Programme serves to ensure that all our suppliers comply with our Code of Ethical Purchasing (CEP), which outlines the ethical, social and environmental criteria that our suppliers must meet, and also to encourage continual improvements in the supply chain. This CEP forms part of the contract that we sign with our suppliers, which guarantees that each and every one of them adhere to it.

The Code also includes an Anticorruption clause and tells suppliers how they can report any cases of unethical behaviour in their dealing with Vodafone.

To ensure that SCM (Supply Chain Management) employees are properly acquainted with the CEP and its implications, this year all of them have once again satisfactorily completed the online CEP course.

In line with our resource streamlining and optimization policies, throughout we reduced our supplier base by 13%, maintaining the working relationship with the suppliers that best meet Vodafone's needs and expectations.

Stages of the Supplier Management Programme

To guarantee that Vodafone's suppliers satisfy our needs, expectations, specifications and policies properly, Vodafone applies the following process:

- 1. Qualification:** in February 2014 Vodafone introduced a new qualification tool that all suppliers that want to work with Vodafone must use, and which has produced significantly better results than the previous tool.
- 2. Assessment:** this involves a regular analysis of any suppliers that Vodafone regards as most important, both in terms of the type of products and services that they provide, and their level of turnover with Vodafone. During 2013-14, Vodafone assessed 21 global suppliers (whose purchases are managed by VPC "Vodafone Procurement Company").

The figure below shows the pillars considered during the assessment:



- 3. Audit:** As members of the JAC ("Joint Audit Cooperation"), the Vodafone Group has audited the most important network suppliers.

€3.77

billon on buying Products and Services in 2013-14

88%

of the amount of total purchases made from local suppliers



further information at www.vodafone.es/sostenibilidad

So as to publicly acknowledge and promote the best performing product and service suppliers, Vodafone has announced the Supplier Awards, with a specific category for "Most Responsible Supplier". At the "Vodafone Supplier Awards 2013" ceremony held in Luxembourg in December 2013, Huawei was named "Responsible Supplier of the Year 2013".

Two months later, in February 2014 and to mark the opening of Vodafone Spain's new head offices in Madrid, the company's leading suppliers were invited to an Open Day at the Vodafone Plaza premises.

During 2013-14, special steps were taken to guarantee supplier-related Health and Safety issues, including:

- The Health and Safety clause in supplier contracts was updated to include a system of penalties for breaches of Occupational Hazard Prevention requirements. All our suppliers deemed to pose a high Health and Safety risk have endorsed this clause.
- In October 2013, Vodafone arranged a workshop with suppliers regarded to pose a high Health and Safety risk, at which they were told about our H&S policies, standards and procedures.

Fight against the use of Conflict Minerals

In April 2013, Vodafone enforced a Conflict Minerals Policy that addresses the risk of the potential adverse impact that may be associated with the extraction, sale, use and exportation of minerals which come from areas affected by conflicts.

'Conflict minerals' are minerals from mines that directly or indirectly finance or benefit armed groups in conflict regions. Conflict minerals generally refer:

- Columbite-tantalite (coltan), refined to produce tantalum
- Cassiterite, refined to produce tin
- Wolframite, refined to produce Tungsten
- Gold

These minerals are used by many industries including in components for electronic products, such as mobile phones.



According to this Conflict Minerals Policy, no product that is manufactured for Vodafone can contain materials associated to the DRC (Democratic Republic of Congo) conflict. This means that the minerals of those products must come from:

- Mines in countries outside of the DRC or adjoining countries; or
- Mines within the DRC or adjoining countries if the appropriate certification and traceability is in place, to guarantee that they are not associated to the conflicts.

The Vodafone policy establishes the controls necessary to ensure their source and to guarantee that Vodafone complies with the strictest requirements (for instance: the requirements under Section 1502 of The Dodd-Frank Wall Street Reform and Consumer Protection Act) regarding the need to manage the conflict minerals present in the products that it acquires. The principles of this policy are:

- a) Ensure respect for human rights and not contribute to conflict, torture, inhuman treatment, forced labor, child labor, or other violations of international human rights, crimes against humanity or genocide.
- b) Vodafone and its suppliers are required to take steps to ensure that conflict minerals do not end up in their products, and this includes steps such as: identifying products as “conflict free”, transferring requirements to the supplier chain, audits, periodic reports, etc.
- c) Where Vodafone finds products that contain conflict minerals, we will work with suppliers towards removal of conflict minerals from the product. Additionally, Vodafone will suspend purchasing new products from the supplier until the issue is resolved. If a supplier refuses to cooperate and take action towards removal of the conflict mineral source from the products supplied to Vodafone, or to comply with this Policy Standard, Vodafone may suspend its relationship with the supplier.

The overall goal of this policy is that, from January 2015, the status of all the products is **“conflict free”**.



Distribution Channel

To cope with the current environment, at Vodafone we have developed a new model of distribution channels, focusing on improving productivity. At the same time, we remain committed to remote channels that serve growing market trends such as online shopping or "Door to Door".

- **Points of Sale:**

- **Project Spring**

- Project Spring has been devised to tailor the size of the distribution channel to the volume of business, guaranteeing that the channel is productive and profitable. Accordingly, during the year Vodafone optimized the number of outlets, revamped their image, improved their location, enlarged them and added new services to improve the in-store customer experience.

- **"Apptualizers" Project**

- To bolster our strategy of improving the Customer Experience at the point of sale, our Own Store and Franchise Store teams now include "Apptualizers", who are technology and mobile app specialists.

- **"Door to Door"(D2D)**

- During 2013-14, this channel has specialized in selling the Fiber Optic service, deploying several D2D sales teams that will be reinforced during financial year 2014-15.

- **Telesales**

- During 2013-14, Vodafone spent time on its Telesales Revamping Plan, and by the end of the year it had platforms running in Zaragoza, Madrid, Seville and Barcelona.

- All Telesales operations comply with the new "Code of Conduct for Telesales Transactions" that Vodafone  has signed, which has served to boost customer satisfaction with this Distribution Channel.



Further information in "Appendices: Ethics and Good Governance. Other Codes of Ethics"



Social Contribution



Vodafone Spain plays a leading role in the social contribution to the country, both in terms of employment and in its social development.

By belonging to a network of companies, Vodafone contributes towards creating both direct and indirect jobs (jobs created in our value chain as a consequence of Vodafone's activities).

Vodafone Spain also contributes towards the country's social development by supplying telecommunications products and services which help to improve the quality of life and social and labour integration of people with special needs. The Vodafone Foundation Spain is one of our main resources for honouring our commitment to society.

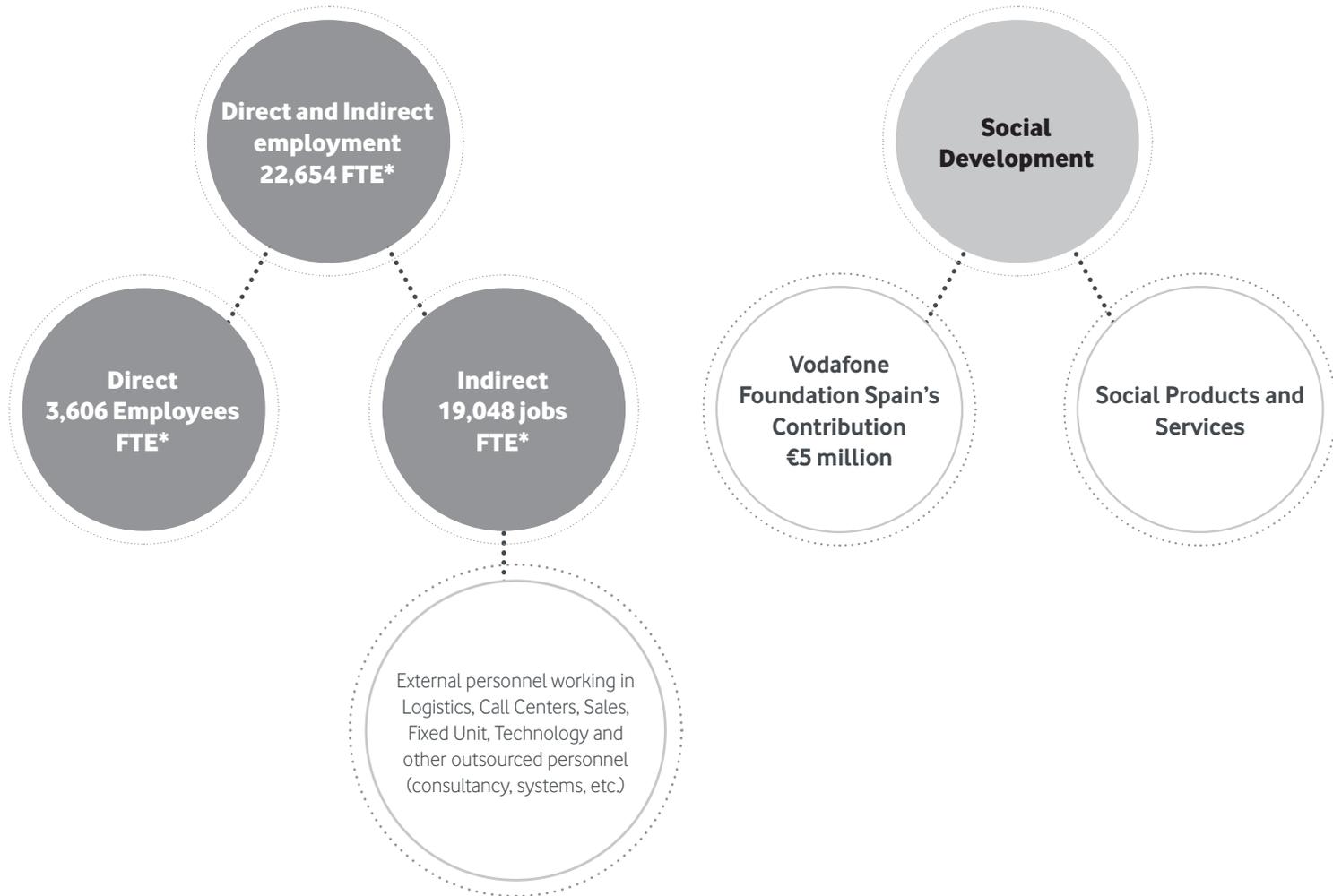
Vodafone Spain's Direct and Indirect Social Contribution

Direct and Indirect Jobs: **22,654**

€5 million

allocated by the Vodafone Foundation Spain to Innovation and Community Involvement projects

Vodafone Spain's Direct and Indirect Social Contribution



(*) The number of jobs is quantified in terms of FTE, which stands for Full Time Equivalents).



Social Products and Services

The innovation and development of Social Products and Services that improve people's lives, especially those belonging to special needs groups, are a central part of our sustainable development strategy.

A large percentage of the population with different abilities could be excluded from using telecommunications products and services; and technology has huge potential to improve their quality of life. At Vodafone, we want to make sure that all our customers, including elderly people and people with different abilities, find our products and services to be user-friendly.

So as to understand all of these people's needs, we liaise closely with the organizations that represent them, and that help us and make it possible to develop the products and services which best suit their needs.



Further information at:
www.vodafone.es/vodafoneparatodos

Solutions for People with Special Needs

- **Sign Plan:** The Sign Plan Rate is especially designed for people with an auditory disability who communicate using the Spanish Sign Language (SSL). Now they can use Sign Language in video calls and also express themselves more independently using texts, email, chat and social networks. Customers can sign up for the rate through the accessible support mailbox. 
- **Service to customers with hearing impairment:** The special call centre for these customers operates 24 hours a day, 7 days per week. 

Agreements with NPE

Vodafone Spain has signed agreements with NPE such as the ONCE with the aim of contributing towards making communication more accessible and inclusive through mobile telephony. These agreements allow their employees and partners to enjoy advantageous conditions and discounts on their voice and data communications.

We also take part in events and projects that help us to forge stronger ties with people with disabilities and get closer to them. One example is the permanent exhibition of our Social Products and Services at the National Centre for Personal Autonomy and Technical Aids (CEAPAT).

Solutions for Senior Citizens

- **Alcatel 20.00:** This mobile is purpose-designed to meet senior citizens' needs, with an ergonomic design, easy to use, with an intuitive menu, keyboard shortcuts on the sides and SOS key.



Services for Non-Profitmaking Organizations

- **Solidarity Messages:** This service lets Vodafone's customers make donations to non-profitmaking organisations (NPE). In order to participate, you just have to send the keyword assigned to the charity that you wish to collaborate with, to the Vodafone charity number **28052**. One of the year's highlights was the fund-raising campaign organized to help the victims of Typhoon Haiyan in the Philippines. All the funds raised were donated to the NGOs, UNHCR, Spanish Red Cross and UNICEF who helped in this emergency.



- **DONO Programme:** Under this Technosite-coordinated Scheme, Vodafone donates voice and data services to NPEs. Ever since the scheme was launched in 2009, Vodafone Spain has donated services with a market value of more than €300,000.



More than

€925,000

raised through Solidarity Messages during financial year 2013-14

More than

€300,000

donated in voice and data services to non-profitmaking organizations



soporte_vf_accesible@vodafone.es



Vodafone Web and Store Accessibility

Vodafone Accessible Stores

In May 2010, Vodafone Spain became the first company in Spain to be awarded the Universal Accessibility certificate, conforming to standard UNE 170.001, for a chain of stores.

Our intention in doing so is to ensure that anyone, whatever their physical and sensory abilities, can buy our products and services in standardised environments that are fully accessible for everyone.

During 2013-14, all our stores were revamped to the 2.0 model, which features major accessibility improvements in our Own Stores, compared to the previous model:

- Sales counter specially designed for wheelchair users.
- Easier access to the information and handsets on display
- Rest areas
- Automatic doors in shops
- Visual contrast in glass walls and doors
- More accessible font size and type criteria in signs inside and outside the store.

On the date of the annual audit (November 2013) of our Store Universal Accessibility Management System, 32 of the 34 Vodafone own stores were universal accessibility certified, which means that all the High Street 2.0 Own Stores were certified.

94%

of Vodafone stores certified to conform to UNE 170.001 universal accessibility standard

Accessible Website

The Web Content Accessibility Guidelines (WCAG 2.0) are an updated version of the first guidelines (WCAG 1.0). Like the previous version, their overall objective is to lay down clear criteria for developing accessible content and evaluating the accessibility of existing content. There are major differences between the two, such as "technological neutrality", i.e., the guidelines apply irrespective of the technology used to create web content.

During 2013-14, Vodafone was certified as conforming to level AA of the WCAG2.0/WAI Web Accessibility guidelines, and meeting the requirements necessary to conform to standard UNE 139803:2012 in the Public Web and in the Online Store and Customer Private Areas sections, raising WCAG compliance from 1.0 to 2.0. This certificate has been awarded for satisfying 100% of the evaluated success criteria.

Over the next year, the fact that our web changes all the time means that we will continue working to keep the site certified and, therefore, comply with standard UNE 139,803:2012

In 2013-14, Vodafone Foundation Spain has kept on working to innovate ways of using ICT to improve the quality of life, personal autonomy, active aging and the labour and social integration of people, especially vulnerable groups. To that end, a total of €5 million has been allocated to Innovation and Community Involvement projects.

This year, the Foundation's departments have been busy with seven kinds of projects under the same heading of "Mobile For Good":

Accessible Applications

During financial year 2013-14, the Vodafone Foundation Spain designed, promoted or updated 22 accessible Apps, with more than 40,500 downloads, all of them free and available for Android and iOS through the APPScesibles site. The following accessible Apps deserve a special mention:

- **AudescMobile:** Developed in partnership with the ONCE, AudescMobile lets the visually impaired access audiodescribed audiovisual productions, irrespective of the device used or where they are. 1 
- **DILSE:** This app was developed with the CNSE Foundation and lets users see terms in Spanish Sign Language.
- **Accessible Medicine Plus:** 2  This App has been developed with the General Council of the Association of Official Pharmacists and the ONCE Foundation, and is a solution for people with visual disabilities, or elderly people with reduced manual skills, who can now use their mobile to get updated information about medicines by barcode capture.
- **Accessible Theatre:** This new app lets theatregoers check the times of accessible plays at different theatres and accessibility offered by each show, time, the theatre's location, etc.



€5 million

allocated to social activities
by the Vodafone Foundation
Spain in 2013-14

More than

40,500

Accessible Application
downloads



1 <http://www.youtube.com/watch?v=bUi1agR1uCg>
2 www.youtube.com/watch?v=SthkrPafc7A

Accessible Platforms

The Vodafone Foundation Spain develops accessible ICT solutions to facilitate the independent living and personal autonomy of people with disabilities and senior citizens. These solutions include:

- **#ASPACEnet.** Project carried out with the ASPACE Confederation to promote innovation and knowledge transfer in ICT solutions that facilitate the social integration of people with cerebral palsy. 1 
- **m-FACILyTA.** The Vodafone Foundation Spain has developed a platform that lets developers offer simple, personalized multimedia support through Apps for smartphones and tablets. The supports are created by professionals (job coaches, therapists, etc ...) in a collaboration-oriented environment.

In 2013-14, the m-FACILyTA platform was involved in three new projects:
 - **"HOLA Vida"** with FEAPS and Down Spain and **m-Capacit@** with the Hospitaller Order of St John of God: have been devised to demonstrate how useful mobile technology can be in supporting people with intellectual disabilities and facilitating their development in their different living environments, whether at home, the workplace or during their leisure time
 - **"ADHIERETE"** has been developed with the General Council of the Association of Official Pharmacists to improve adherence to treatment in chronic, polymedicated and non-adherent elderly patients.
- **DaleMOV.** This project developed with the Spanish Parkinson Federation aims to enhance the cognitive rehabilitation of people affected by the disease and maintain their abilities through a tablet-based, customized interactive service. 2 
- **GTRS Project,** conducted by the Vall d'Hebron Institute for Research (VHIR) and Vodafone Foundation Spain, is a Global Tele Rehabilitation System that lets stroke patients do rehabilitation exercises at home. 3 
- **ATIS4all** 4  and **Cloud4all** 5  The Vodafone Foundation Spain is taking part in these European Commission projects that are a benchmark in the use of ICT for e-Inclusion..

Training of senior citizens in ICT

This year more than 18,200 senior citizens throughout Spain were given ICT training, mainly focused on smartphones and computers, in order to reduce the digital divide and support them so that they benefit from aids and developments that enhance their autonomy and independent life. To facilitate the information about each course, the Vodafone Foundation has launched a specific portal 6 

More than

18,200

senior citizens learned about ICT



1 www.aspacenet.org Vídeo aMiAlcance www.youtube.com/watch?v=KR78AdFrpc
 2 www.youtube.com/watch?v=l4ZacVV9zn4&list=UUUsdAdZ7dHn-NCYQ8g0pBOA&index=3
 3 <http://www.youtube.com/watch?v=BZKD-0lI2lc>
 4 www.atis4all.eu
 5 <http://cloud4all.info/>



6 www.fundacionvodafoneconlosmayores.es

Universities

During 2013-14, the Vodafone Foundation Spain focused its efforts in this field on boosting ICT accessibility to create accessible university campuses, fostering and promoting the integration of disabled students at University.

Accessible University Campuses. The Vodafone Foundation Spain has entered into a partnership agreement with five Spanish Universities to make their campuses more accessible: University of Extremadura, Pablo de Olavide University, Barcelona Polytechnic University, University of Murcia and University of Alicante. The agreement envisages the installation and development of a range of technological resources and support systems to reinforce the disabled student teaching/learning process.

Postgraduate Courses, Seminars and Summer courses. In 2013-14, we helped to organize 7 workshops and seminars that were attended by 1,365 people, and 5 postgraduate training courses with 89 students:

- LTE 3 Course, Catalonia Polytechnic University: 17 students
- Master's Degree in Disability Support Technologies and Expert Course, Carlos III University: 15 students
- Applied Information Technology, Malaga University: 18 students
- Universal Accessibility and Design for All postgraduate course at Madrid Autonomous University, La Salle: 18 students
- Course for Specialists in Mobile Communications – Seville University: 21 students.

Social and labour integration

During 2013-14, 1,924 disabled people learnt how to use ICT, and 281 of them found employment in more than 45 projects. These integration programmes have been arranged in cooperation with organizations such as: COGAMI, in Galicia; Carmen Pardo-Valcarce Foundation, in Madrid; Katealegaia and Lantegui, in the Basque Country; Unesco Centre, in the Canary Islands; or with COCEMFE, in different autonomous regions.

Some of the accessible leisure projects also deserve a mention:

- **Sailability:** Organized with the Department of Sports of the Catalonia Regional Government and the Vela Pro team, this course allows disabled people to enjoy sailing as passengers and to train as instructors. During 2013-14, work was completed on the communication systems-based navigation support tool and have participated 135 disabled people took part.
- **Accessible Tourism, "Vías verdes" (Greenways).** The Foundation, Predif, the ONCE Foundation and the Spanish Railroads Foundation, has published the "Greenways" Guide on an accessible web that adapts to any device and contains information about the physical, visual and auditory accessibility of 9 accessible greenways (disused railway lines) in 9 regions of Spain. 1 
- **Accessible Theatre:** Project carried out with APTENT and the Psychiatry and Life Association, which have arranged 31 accessible productions, with 70 shows at 5 theatres in Madrid, Barcelona and Valencia. Throughout the year, 350 people have benefitted from these integration-oriented shows. 2 



1,924

disabled people learned how to use ICT

281

disabled people were found a job



1 www.viasverdesaccesibles.es

2 <http://www.teatrosaccesibles.com/>

Other partnerships with NPE

8th Edition of the "World of Difference" scheme. This year 8 people won the chance to spend a year working for a charity, the aim being to improve disabled people's quality of life and teach vulnerable population groups. The winners in 2013-14 were:

- Araceli Abellán, at the Association for the Care of Persons with Autism and other Pervasive Developmental Disorders (ASTRADE) in the Murcia Region.
- Beatriz Roldán, at the Spanish Federation for Rare Diseases (FEDER) in Seville.
- Yanett Gorrín, at the ADEPSI Association in Las Palmas de Gran Canaria.
- Victor López, at the Capacitarte Cultural Association in Almería.
- Patricia González, at the "Nueva Vida" Evangelical Association of Santander.
- Virginia Pérez, at the Association of Foster Families of Madrid.
- Paula Santana, at the Federation of Associations of Deaf People of the Canary Islands (FASICAN).
- Pilar Hurtado, at the Gypsy Secretariat Foundation of Seville.

Reports issued. The Foundation has published a new report, "ICT accessibility and use by disabled people", after conducting a survey of users with visual, hearing and mobility disabilities, which shows how technologies serve as tools that make their life easier. 



http://fundacion.vodafone.es/fundacion/es/conocenos/difusion/publicaciones/publicaciones?page_label=home_difusion

Mobile4Good institutional actions

- **TECSOS Foundation.** The Foundation and the Spanish Red Cross continued throughout the year to work on innovative solutions that use ICT to ensure that senior citizens are looked after better and play a more active role in society. One highlight was the **enred@te** project, which formed part of the "Connected Women" report and the London and Madrid roadshows ("Women in the Digital Age") as good practices for preventing isolation. 1 
- At the **7th Vodafone Awards for Innovation in Telecommunications**, the Foundation awarded three prizes, each worth €20,000, under the "Telecommunications Development and Research Innovation Project Award", in addition to an Honourable Mention and a Special Mention:
 - "Mobile for Good Application" development prize: "DOA" Project by the Mobile Vision Research Laboratory, by the University of Alicante and Neosistec
 - "Mobile for Good ICT Solution" project prize: "AAV" Project by the Red Cross.
 - "ICT Social Entrepreneur" prize: "Green Box" project by GreenBoxSpain
 - Consolation prize: "Piktoplus" project by Limbika Assistive Tech.
 - Special mention: CNSE Foundation.
 2 
- Collaboration in the organization of the **Mobile for Good Europe Awards**, announced by the Vodafone Foundation with the support of the EDF (European Disability Forum) and AGE Platform. Two Spanish projects won awards: Dyseggxia (Education) and Contigo (Health). 3 
- The Foundation held its 13th **Vodafone Journalism Prize**. This year the winners were:
 - Award to a communication professional: Mar Jiménez from "Cinco Días", the financial daily.
 - Online Award to an Online Professional or Medium: Pilar Bernat from "Telefonía y Comunicaciones"
 - Special Lifetime Achievement Award: Rafael Matesanz, Director General of the ONT



1 <http://youtu.be/-xed2Q40z0Q>

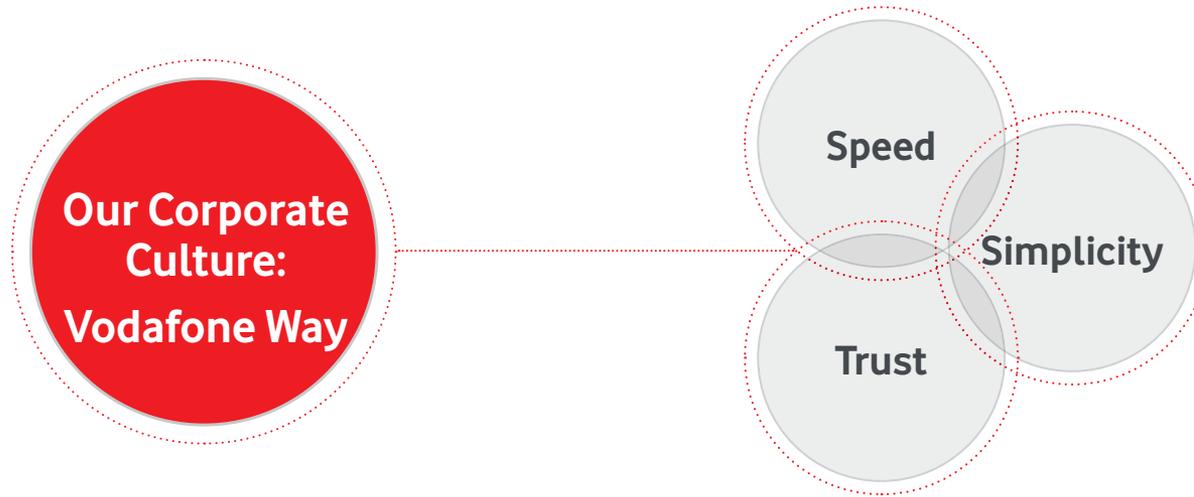
2 <http://youtu.be/2IIT-TdoMGI>

3 <http://www.mobileforgoodeuropeawards.com/>



Employees

One of our human resources management goals is to become an admired company as a place at which to work. To do so, we are committed to providing a good work environment, treating people with respect and offering attractive incentives and career opportunities.



The results of the 2013-14 annual employee survey point to employees feeling highly committed to Vodafone Spain, with a 78% satisfaction score.

Vodafone Spain is a company with major direct and indirect employment generating power. In this respect, one of our main characteristics is the creation of quality employment while also being committed to diverse and equal opportunities.

78%
Employee
Satisfaction Level

Number of Employees

| | |
|---------|--------------|
| 2013-14 | 3,711 |
| 2012-13 | 3,761 |
| 2011-12 | 4,335 |

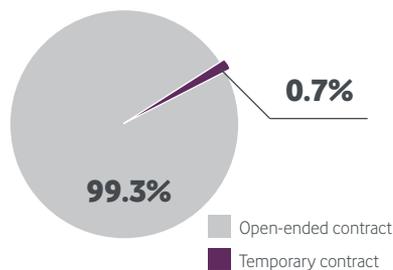
Number of hires by age and gender

| Age | Women | Men | Total |
|--------------|------------|------------|------------|
| < 30 | 89 | 121 | 210 |
| 30-50 | 89 | 152 | 241 |
| > 50 | 1 | 2 | 3 |
| Total | 179 | 275 | 454 |

Number and Turnover Rate by age and gender

| Age | Women | Men | Total |
|--------------|-------------|-------------|-----------|
| < 30 | 4.5% | 5.9% | 20 |
| 30-50 | 1.6% | 2.3% | 61 |
| > 50 | 2.1% | 1.2% | 2 |
| Total | 1.9% | 2.6% | 83 |

Types of contracts 2013-14





Te damos la bienvenida al programa en el que tú eres el principal protagonista: eres Embajador Vodafone.

Ser Embajador Vodafone significa ser el máximo representante de Vodafone en nuestro entorno, sentirse orgulloso, defender y cuidar nuestra compañía y sus valores, siendo los mejores promotores de sus productos y servicios.

Por eso, los objetivos que buscamos con este programa son vivir la Experiencia del Cliente y el compromiso de los empleados por mejorar y el liderazgo dando feedback.

El programa incluye diferentes acciones que pondrán en tus manos elementos y herramientas que te ayudarán en tu nuevo rol y hoy anunciamos el primer piloto.

Tu factura de empleado Vodafone

Mensualmente el Programa de Embajador de Vodafone te enviará por mail tu factura de empleado en un pdf adjunto para que la puedas revisar.

Si encontramos alguna anomalía en la factura, deberás contactar con nuestro Servicio de Atención al Cliente en el 112 y notificarlo.

Recuerda que en el 112 podrás realizar, como cualquier Cliente, las modificaciones de una línea de empresa Vodafone y que las condiciones de nuestro plan de precios son especiales y no comercializables.

Tu colaboración es esencial, te pediremos feedback y que nos indiques cualquier elemento de mejora que encuentres antes de lanzarlo a toda la compañía.

Consulta todo el documento de GAN.
Consulta todos los Lineamientos de nuestro Plan de Precios.

EMBAJADOR DE vodafone



Actuar con agilidad y sencillez nos hace crecer

Los niños tienen que aprender muchas cosas en poco tiempo. Por eso se centran en lo esencial. Aprendamos de ellos a la hora de aplicar nuestros valores:

speed, simplicity & trust.

Pongamos en marcha una nueva forma de trabajar



¡El Club Vodafone ya está aquí!

Todo lo que necesites para disfrutar más de tu tiempo libre

más info en HUB



Vodafone Spain wants its employees to work in a more effective, customer-focused fashion, so in 2013-14 we embarked on a series of projects that were all connected to the “Power Up” Revitalization Plan”:

- **Vodafone Ambassador Plan:** designed to make people feel proud of working for the Company, by using Vodafone products and services, and talking about them to the people around them.
- **Employee “Delight” Plan:** Regular employee-focused actions to make them feel valued by the Company, surprised positively in their daily lives and celebrating successes together.
- **Working Method Improvement Plan:** Plan to make meetings more efficient, rationalize email usage, and develop new ways of making presentations.
- **Opening of the Vodafone Club:** Schemes to make life easier for employees, offer them discounts on their purchases, forge relationships with customers and suppliers, and spaces where employees can suggest their own initiatives and share them with other employees.
- **New HQ:** The move to the new head office in Madrid is intended as a catalyst for change, allowing us to use space to improve how we relate with one another, boosting inter-departmental cooperation, reducing the distance between buildings and generating on-line working spaces.

Remuneration and Diversity Management

To capture and retain the best professionals, we have a fair and competitive remuneration system, with performance-based opportunities.

The responsibilities of the position, candidate's potential, equality in the organisation and external competitiveness with positions of the same characteristics based on market data are all taken into account to determine salary.

Vodafone therefore guarantees equal remuneration opportunities, regardless of candidates' gender or nationality.

Vodafone Spain complies with the Integration of People with Disabilities Act through both direct employment and alternative measures. Even though the 2013-14 financial year has been tough on account of the Company's reorganization, Vodafone Spain now employs 11% more disabled employees than the previous year.

Vodafone Spain has signed an agreement with the Ministry of Health, Social Services and Equality under which it will take steps to increase the number of women in managerial posts and on the Steering Committee.

11%

increase in the n° of disabled employees with respect to the previous financial year

% Employees by gender



Change in % of managerial posts by gender



Types of contracts by gender 2013-14

| Type of contract | Women | Men |
|---------------------|--------------|--------------|
| Temporary contract | 0.4% | 0.3% |
| Open-ended contract | 43.0% | 56.3% |
| Total | 43.4% | 56.6% |

% employees per gender and age

| Edad | Women | Men |
|--------------|--------------|--------------|
| < 30 | 4.3% | 6.1% |
| 30-50 | 37.8% | 48.0% |
| >50 | 1.3% | 2.4% |
| Total | 43.4% | 56.6% |

% of managerial posts by age

| Age | % |
|-------|-------|
| < 30 | 0.4% |
| 30-50 | 92.9% |
| >50 | 6.7% |

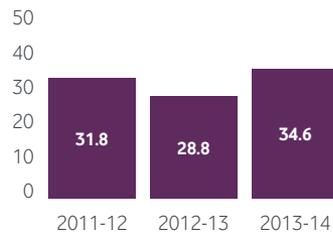
Number of employees, by gender, entitled to take maternity or paternity leave and how many of them exercised this right.

| | N° People entitled | % exercised the right |
|--------------|--------------------|-----------------------|
| Women | 85 | 100% |
| Men | 119 | 87% |
| Total | 204 | 92% |

N° of employees, by gender, who returned to work after taking maternity or paternity leave and how many kept their job after 12 months

| | |
|---|----|
| N° returning to work after maternity/paternity leave: | 19 |
| N° of employees still at work after returning: | 19 |

Hours' training per employee



Nº of hours' training per group

| | 2011-12 | 2012-13 | 2013-14 |
|-------------------|---------|---------|---------|
| Director/Head of | 11 | 13,6 | 22,9 |
| Middle management | 22.3 | 24.6 | 31.3 |
| Specialists | 33.8 | 29.8 | 35.4 |

% of students per group and gender

| 2013-14 | Women | Men |
|-------------------|------------|------------|
| Director/Head of | 22% | 78% |
| Middle management | 32% | 68% |
| Specialists | 45% | 55% |
| Total | 43% | 57% |

34.6

hours of training per employee in 2013-14

13

point rise in ENPS score

Learning and development

During 2013-14, we set ourselves two major challenges: first, to make sure we reached our customer experience targets and, second, to raise our operating efficiency and effectiveness levels.

To guarantee we did, we focused on showing all employees what customers experience through the "Experience the Vodafone Commitment" Scheme, which ended this year, and managed to ensure that nearly all our employees had the in-store experience, so as to see for themselves what solutions we offer and everyday dealings with customers.

The scheme played a key role in raising our ENPS score by 13 points.

Another scheme underway is "Retail Transformation", which seeks to standardize sales methods at the Vodafone points of sale and franchises.

As part of our ongoing efforts to keep in line with what the market needs and customers demand, considerable time has been given over to technology training on Fiber and Convergence-related issues through our "Technology Academy".

Management has also been given training and tools to ensure it has the resources necessary to reach the required levels of quality and high standards. Finally, so that all employees know about and apply the new working methods, we have set up the "Everyday Heroes" programme, which gives managers tools to guarantee that each and every member of their teams works in line with our corporate culture "Speed, Simplicity and Trust".

The extensive use of new technologies means that the year ended with an average of 34.6 hours' training per employee.

Job Performance Assessment

At Vodafone, we refer to our ongoing Job performance assessment as "Performance Dialogue", or PD, which involves an open dialogue about employee's current position and his or her futures roles in the Company.

All employees must have specific, realistic, attainable and measurable objectives.

During the financial year 2013-14, each and every one of Vodafone's employees took part in the performance assessment process.

The PD involves using a tool known as the PDA (which in Spanish stands for Development and Learning Plan), that provides a customized development plan, as well as customised training pathways, depending on the skills to be encouraged from time to time.

Employee Relations

At the end of financial year 2012-13, the tough circumstances both in the economy as a whole and within the industry forced the Company to carry out a reorganization process based on three pillars to help achieve a balance and so have the least possible impact on jobs:

- Bringing the company's structure in line with the new reality
- Introducing certain unit employment costs
- Implementing internal flexibility measures

Negotiations were held with the workers' representatives, helping to achieve these objectives through an agreement reached with all of the current trade unions represented in Vodafone.

As a part of the process, certain measures were agreed to reduce the number of redundancies:

- Outsourcing of 103 employees from the the field-based network maintenance group, maintaining seniority and working conditions, to a leading and reliable company in the sector, plus a guarantee from the new employer to maintain jobs for two years after the transfer.
- Change in working conditions for 71 employees as an alternative measure to terminating the employment relationship.

Furthermore, 332 employees applied for and were given voluntary redundancy.

More than 40% of all the employees who signed up for the outplacement scheme that the Company offered were successful in finding employment.

The 6th General Bargaining Agreement is currently in force in Vodafone, and applies to 89% of the work force (excluding Management).

Welfare benefits

Vodafone Spain offers its employees a wide range of welfare benefits, which include:

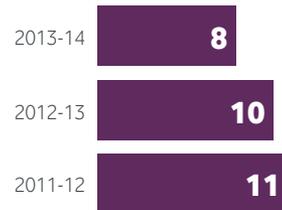
- **Pre-maternity leave.** Possibility of taking maternity leave 15 days before the scheduled delivery date.
- **Paternity leave.** Employees can take 5 working days' leave from the date of birth/adoption (as opposed to 2 days' leave by law).
- **Leave of absence to look after a minor less than 4 years old.** Vodafone has extended the period stipulated by law by one year.
- **Family Allowance.** Employees with children aged between 0 and 4 years old are entitled to a monthly subsidy of €71.59 per child.
- **Large Family Allowance.** Employees with 3 or more children will be entitled to an annual supplement of €357.38 per child.
- **Disabled children's allowance.** Employees are entitled to a monthly subsidy of €143.18 per disabled child until they reach the age of 15.
- **Social and Care Fund.** Set up to provide financial aid to employees who, in exceptional circumstances and on account of serious diseases and / or special medical or surgical treatment, request or require such aid.
- **Health Insurance.** Vodafone Spain pays the full cost of the employee's policy, and all the expenses of the employees' medical appointments.
- **Life and Accident Insurance.** The policies cover three times the annual fixed salary in the case of death or disability.
- **Pension Scheme.** Employees makes contributions to their Scheme, and the company doubles that amount up to a maximum of 4% of the employees' gross salary.
- **Luncheon Vouchers.** The annual maximum amount is now €1,124.64.
- **Compressed Summer Working Day.** From 16th July to 31st August.
- **Working hour flexibility.** To allow employees to leave earlier, they can cut their meal time.

Prevention and Health

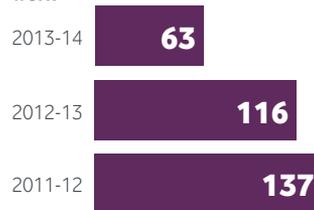
During 2013-14, further headway was made in building prevention into the Company's business areas and in consolidating the "Absolute Rules" scheme as a lever to promote a culture of prevention among everyone who has dealings with Vodafone (employees, contractors, customers), Vodafone, which aims to do away with employees' and partners' accidents, spotlighting the major risk factors and maintaining the best possible standards.

Accident rates

Accidents in working hours



Days lost through accidents at work



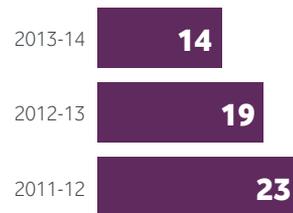
Frequency rate



Severity Rate



Traffic accidents "in itinere"



This year there were no fatal accidents, although unfortunately two subcontracted workers suffered serious accidents.

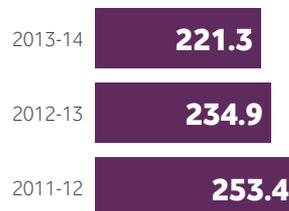
0
traffic accidents with sick leave

Absenteeism

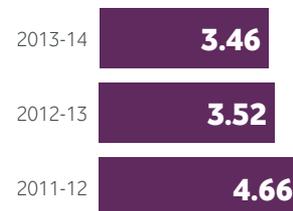
Absenteeism Rate



Incidence Rate



Sick-leave days per employee



Initiatives for promoting Health, Safety and Well-Being

The actions carried out this year included:

..... Staff Health Management:

- Medical check-ups: A total of 1,707 check-ups were performed and the Company still follows the method of offering it as a service rather than an obligation, and giving employees appointments on the day and at the time that suits them best.
- Employees are encouraged to log onto the web tool where they can find all the medical information about their medical check-ups and examinations and clinical tests, included historic information.
- Medical assistance in the office: The 7,918 medical appointments represent an estimated saving of 20,000 hours of time off work as employees do not have to leave to see their own doctors.

..... Further efforts went into the campaign to encourage a culture of leadership in Prevention and Health to achieve “zero accidents” amongst employees and contract workers.

..... Preparing for and moving to the new head office (Vodafone-Plaza) took a lot of work, such as:

- The work control process established to carry out the office refurbishments, which resulted in zero lost time accidents.
- The pedestrian and car road safety-related actions, both for commuting to the head office and getting around inside it.
- The development of new ergonomic solutions so that flexi-work is healthy too.
- Extension of the employee health services, which are now available longer hours.
- Design of a new emergency plan tailored to the new premises, the first full evacuation drill having taken place just one month after completing the move.

..... Other noteworthy actions:

- During this year’s external audit, EY reviewed all of the Company’s critical processes and areas. At the same time, we moved ahead with the development of our internal audit plan, covering supervision of the design and execution of Vodafone stores and contractors who engage in high-risk activities.
- To guarantee the health and safety of contractors operating in hazardous environments (work at height, electrical hazards, work in confined spaces or construction work), we have carried out phase one of the Prevention and Health Plan based on Vodafone Group guidelines.

More than

1,000

hours of Prevention and Health Training



Corporate volunteering

During 2013-14, we again helped several NGOs, through corporate volunteering schemes. More than 100 employees have devoted part of their time to community involvement projects, making use of the 8 hours a year that the company gives its employees for volunteer work schemes.

These are just some of the corporate volunteering schemes carried out in financial year 2013-14:

GBI 2013

Twelve Vodafone Spain Employees took part in this year's "Global Biking Initiative", an annual event in which employees from different telecom industry companies help to raise funds for charity by cycling long distances.

The bike ride began in Paris on 30th June 2013 and finished on 6th July in Düsseldorf. All the money raised by the Spanish team was donated to the Spanish Federation of Food Banks.

Action Against Hunger (AAH) Tournament

Vodafone Spain supported AAH in the Inter-Company Tournament against Hunger held in May 2013 in Madrid, a sports event through which companies contribute, with their volunteers, to support the most disadvantaged sectors of the population.

"Mil Historias" Charity Market

In June 2013, we teamed up with the Rais Foundation and Mil Historias to organize the "2nd Charity Fruit and Vegetable Market" at several Vodafone offices. Vodafone's volunteers sold the products grown at the Mil Historias garden to other employees, and all the money raised was given to these NGOs.

RAIS charity league. Seville

For five weeks in November and December 2013, thirteen Vodafone volunteers took part in a charity soccer league, and all the money raised was given to the Rais Foundation.

CEMU (Ciudad de los Muchachos)

20 members of Vodafone Spain's "Discover Graduates" group took part in a charity scheme by painting the inner courtyard of the dormitories at this home for runaway and homeless children in Leganés, Madrid.

Rais Foundation

In March 2014, Enterprise Business Unit employees teamed up with the Rais Foundation to help tidy up seven allotment gardens owned by the Carmen Sacristán shelter in the Las Tablas district of Madrid. The volunteers worked side-by-side with the homeless people who live at the shelter.

Apart from these volunteer activities, we also organized a **luncheon voucher donation** campaign at our offices, on behalf of Action Against Hunger.



Environmental Contribution

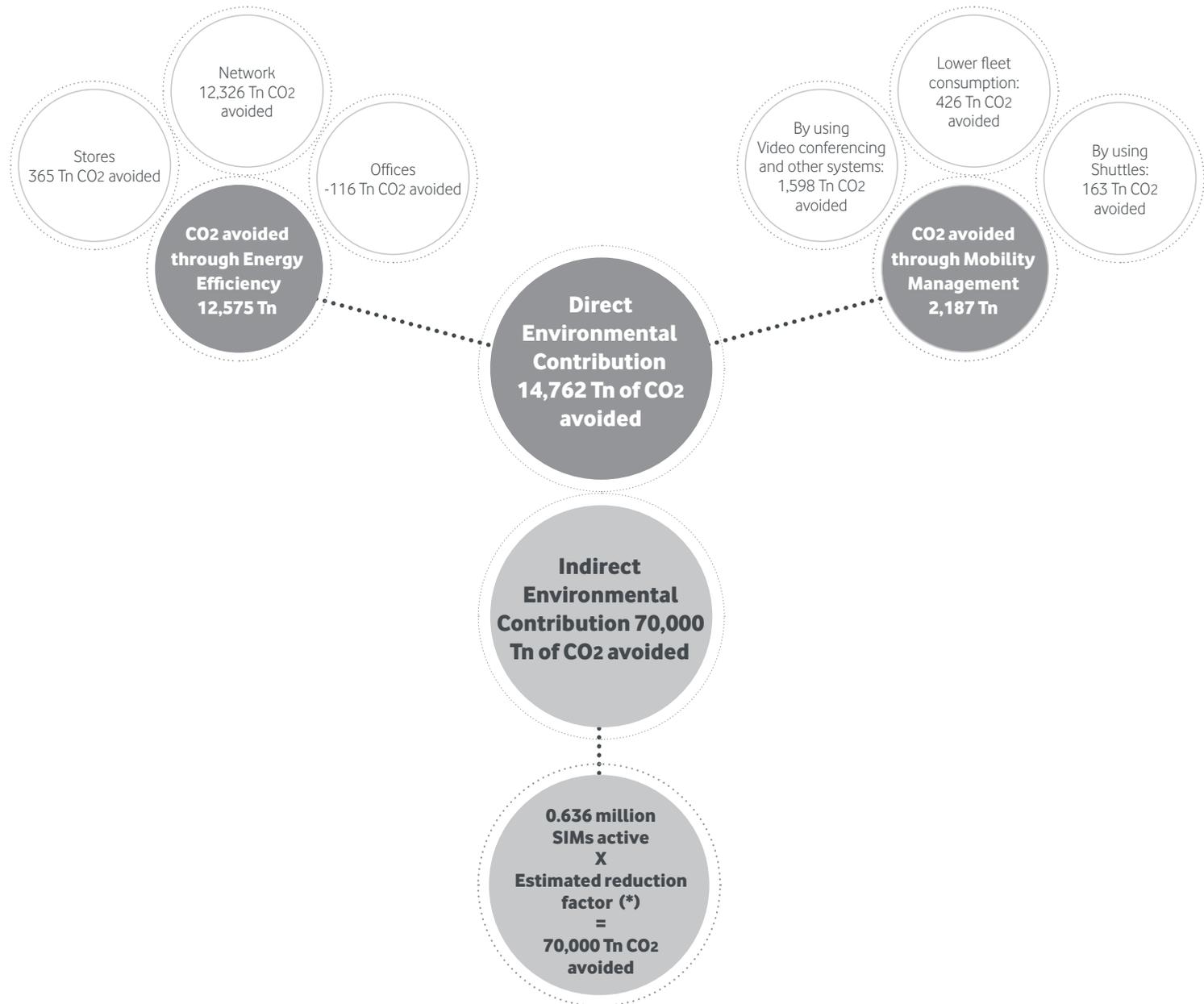


Vodafone Spain's commitment to sustainable development involves controlling and minimizing the direct impact of its activity on the environment, both in terms of the facilities and equipment making up its telecommunications network, and of its shops and offices, as well as the life cycle of the equipment that it buys and/or sells.

Meanwhile, Vodafone Spain's best opportunity to contribute towards the fight against climate change presents itself through the development of products and services which indirectly help other sectors to reduce their own CO2 emissions.

Vodafone Spain's Direct and Indirect Environmental Contribution: **84,762 Tn of CO2 avoided**

Vodafone Spain's Direct and Indirect Environmental Contribution



(*) 0.11 Tons/active connection



ICT and sustainability

M2M Products and Services

Vodafone is committed to the development of products and services aimed at helping other sectors to both improve their productivity and competitiveness, and to reduce their contribution to climate change, by means of solutions which increase eco-efficiency and reduce environmental impact.

That is why Vodafone has a specific line of business known as “Machine to Machine” (M2M) smart solutions, that provides seamless solutions to help our customers become far more efficient.

Some of the fields in which M2M technology-based solutions have been applied are:

- **Smart logistics:** automating vehicle fleet data capture, thus reducing time and fuel consumption by optimizing routes even better.
- **Smart Metering:** these solutions cut the time and money spent on manually reading electricity meters, and enable more balanced and efficient electricity consumption.
- **Smart Cities:** Vodafone works with other organizations to offer business models that can be rolled out in towns and cities. These include:
 - Public participation and communication solutions.
 - Smart waste management and lighting management systems, and drinking water and wastewater management systems.
 - Urban mobility and electric car control systems.
 - Solutions for optimizing energy consumption levels in municipal infrastructures.
 - Solutions for optimizing administrative and citizens’ advice processes.
- **Energy efficiency management:** monitoring energy consumption in buildings and cooling apparatus, reducing electricity reducing consumption and implementing proactive maintenance to reduce crew call-outs.

636,000

M2M-enabled SIM
cards

Vodafone Wallet and Vodafone SmartPass

The financial year 2013-14 saw the release of Vodafone Wallet, which lets Vodafone Spain customers use their mobiles to pay at any of the 300,000-plus establishments with contactless POS terminals in Spain. Spain became the first European market where an operator provided this GSM standard-complaint mobile payment platform.

Vodafone Wallet is a open platform, meaning that any service providers who want to use it to offer mobile services to their customers can join it. The first industry to benefit from this platform is the payment card industry: any prepay, debit or credit card provider can now make its cards available to its customers on their mobiles by joining Vodafone Wallet.

Vodafone Spain’s customers can also access Vodafone SmartPass, a service developed in partnership with Visa Europe, that includes a prepay VISA card that lets all customers use use their smartphone to pay in establishments equipped with this new technology, whoever they bank with.





Energy consumption and other material aspects

Telecommunications are growing at such a fast pace that, unquestionably, they are triggering both positive and negative environmental impacts. We strive to boost our technology's positive impacts on the environment (by reducing the need to travel and the consumption of energy, paper, and other resources), while at the same time ensuring we minimize the potential negative impacts (energy consumption, end of the useful life of the equipment used, visual impact, non-ionizing radiation emission, etc ...) that might be associated to them. For this reason, our Environmental Management System, which is certified to conform to **ISO 14.001**, is responsible for overseeing and managing each of these aspects.

Energy Consumption

Over 90% of the energy used by Vodafone Spain is used on our telecommunications network.

During 2013-14, further energy efficiency measures were applied on our network, including:

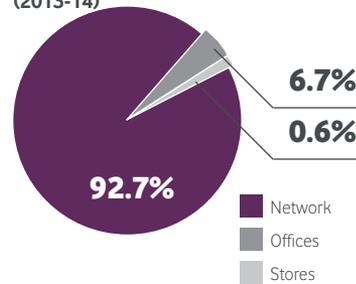
- "Retrofit": Rectifiers, which are needed to supply direct current to telecoms equipment, are one of the most important sources of energy losses at a data centre, which is why replacing old rectifiers with new, new high efficiency rectifiers cuts energy losses by almost 10 p.p.
- "Free Cooling": Climate control equipment consumes more electricity than any other kind of infrastructure and therefore is one of the linchpins of any efficiency energy improvement. In this respect, free cooling, in other words, using low external air temperatures, is the most effective way of reducing this kind of energy consumption. Vodafone places special emphasis on monitoring and controlling the operation of Direct Free Cooling installations, achieving an average use of 3,225 hours.

These initiatives have allowed us to lower energy consumption per network element by 14.7% compared to the previous year. Compared to financial year 2006-07, energy consumption per network element has dropped 34.7%, so we are still moving towards our goal of achieving a 50% reduction in energy consumption per network element by 2020, compared to the figures for 2006-07 that are taken as the point of reference.

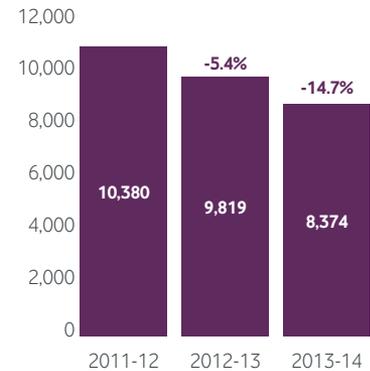
-34.7%

change in energy consumption per network element with respect to 2006-07

Distribution of Electricity Consumption (2013-14)



Energy consumption per network element (Kwh/ER)

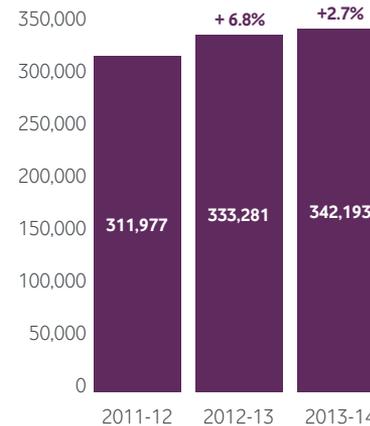


Change in energy consumption/NE* with respect to 2006-07 %



(*)NE: Network Element

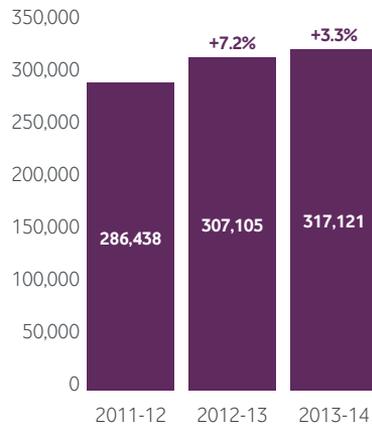
Change in absolute energy consumption in all operations (MWh)



Change in Total Energy Consumption by primary energy source (GJ)

| | 2011-12 | 2012-13 | 2013-14 |
|-----------------------|-------------|-------------|-------------|
| Total Indirect | | | |
| From the grid | 1,058,850.6 | 1,176,248.4 | 1,204,755.3 |
| Total Direct | | | |
| Wind-Solar | 1,575.7 | 2,237.8 | 2,209.0 |
| Diesel | 13,006.6 | 9,097.5 | 14,997.4 |
| Natural Gas | 13,331.0 | 12,228.1 | 9,935.6 |

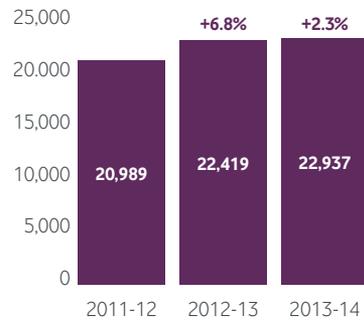
Change in network energy consumption (MWh)



Network Energy Consumption (GJ)¹

| | 2011-12 | 2012-13 | 2013-14 |
|-----------------|------------------|------------------|------------------|
| Total | 1,031,176 | 1,105,580 | 1,141,636 |
| Indirect energy | 1,016,597 | 1,094,272 | 1,124,453 |
| Direct energy | 14,579 | 11,308 | 17,183 |

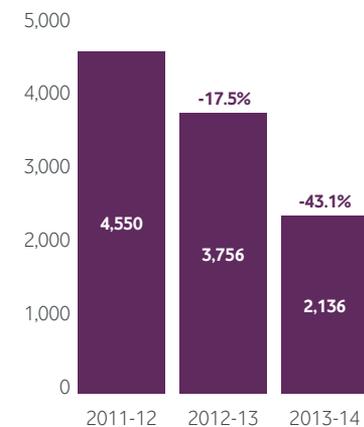
Change in Office electricity consumption (MWh)



Change in Office electricity consumption (GJ)

| | 2011-12 | 2012-13 | 2013-14 |
|-----------------|---------------|---------------|---------------|
| Total | 75,561 | 80,711 | 82,574 |
| Indirect energy | 62,227 | 68,455 | 72,616 |
| Direct energy | 13,334 | 12,256 | 9,958 |

Change in Energy Consumption in Vodafone stores (MWh)



Energy consumption in Vodafone stores (GJ)

| | 2011-12 | 2012-13 | 2013-14 |
|------------------------------|---------|---------|---------|
| Indirect energy | 16,380 | 13,522 | 7,689 |
| No direct energy consumption | | | |

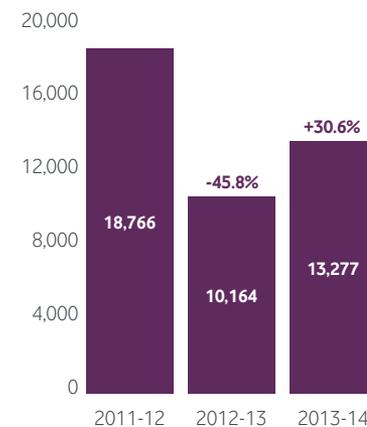
Video conferencing and others communication systems. CO2 emissions avoided.²

| | 2011-12 | 2012-13 | 2013-14 |
|---|--------------|--------------|--------------|
| National video conferencing | 4,870 | 3,205 | 2,368 |
| International video conferencing | 8,460 | 12,597 | 10,297 |
| Lync | -- | 1,722 | 2,092 |
| Projected saving in CO2 emissions (Tn) | 1,355 | 1,936 | 1,598 |

Vehicle fleet consumption (Thousand litres)



Kilometres flown by employees (x1,000)



¹1KWh = 3,6 /1000 GJ

²When calculating avoided CO2 emissions, it is estimated that one in four videoconferencing calls has avoided at least one domestic or international round trip (as appropriate) of one person. Moreover, based on different sources, an average domestic round-trip is taken as a person flying from/to Madrid-Barcelona, which involves releasing approximately 140 kg of CO2, and that this value can be quadruple (on average) on an international round trip. For Lync videoconferencing: Only one out of every 10 video conferences has been considered, and are recorded as domestic.

Reuse and Recycling

We are quite aware of our responsibility in marketing and distributing of mobile phones that our customers use to enjoy our services, which is why we take steps to ensure that the environmental impact associated to these activities is as small as possible.

Accordingly, we provide appropriate mechanisms systems to allow our customers to reutilize or recycle mobile phones and, during 2013 our phone reuse and recycling systems enabled us to collect over 150,000 phones.

On another note, this year we have consumed 35.7 tons of office paper, all of which was FSC certified paper to contribute to environmental conservation.

Another aspect to consider is the packaging placed on the market with the devices that we sell. The chart on the right displays how the volume of packaging has dropped steadily.

All the equipment that we sell comply with and are properly labelled and identified in accordance with waste regulations (WEEE and Packaging and Wrapping).

Nearly

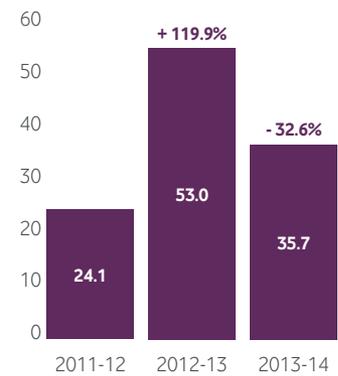
150,000

phones collected for reuse and recycling in 2013-14

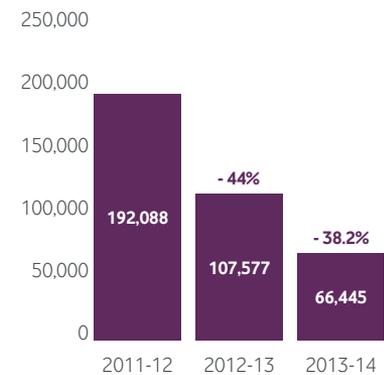
100%

of the paper used in offices is FSC certified paper

Paper used in offices (Tn)



Packaging placed on the market* (Kg)



*Según declaración de Ecoembes.

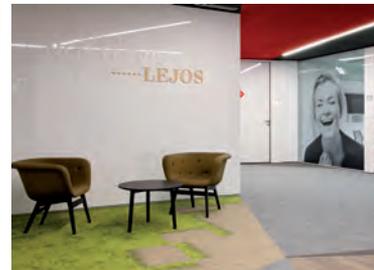


New “Vodafone Plaza” HQ

In 2013-14, Vodafone Spain moved to a new head office, and took specific measures to guarantee that the new building is more environment-friendly and efficient. Some of these measures were:

- 1 Reducing electricity consumption through LED lamp lighting.
 - Installation of lighting control systems:
 - Adjustable lighting circuit systems in areas near the façade (to make better use of natural light).
- 2
 - Presence detection sensors.
 - Lighting zoning.
 - Installation of time switches.
- 3 Reducing climate control equipment electricity consumption by taking steps such as:
 - Use of more efficient climate control equipment.
 - Recovery of heat from ventilation air.
 - Utilization of the heat generated by cooling equipment.
 - Appropriate control of climate control equipment temperature.
 - Zoning and control systems depending on the distance to façades.
 - Possibility of control systems in offices and special purpose areas.
 - Improvements on the façades to reduce external heat gains and losses:
 - Blinds have been installed inside all the façades except the north-facing ones.
 - All glass windows have been fitted with solar control strips.
- 4 Our climate control equipment use refrigerants that do not contain ozone-depleting substances.
- 5 More than 90% of office equipment and appliances is “Energy Star” rated. This seal shows that the equipment meets rigorous energy efficiency standards and use of energy saving systems, such as entering sleep mode and only consuming 15% when not in use.
- 6 Water use efficiency improvements, employing low-consumption solutions in:
 - The choice of bathroom fittings.
 - The taps used.
- 7 Special fittings have been designed for storing recyclable waste.
- 8 The special waste management plan in place throughout the construction and refurbishment work led to more than 75% of the waste generated being recycled.
- 9 It has been furnished with fixtures and fittings from other Vodafone offices.
- 10 Recycled content materials, manufactured within 800 km., have been used.
- 12 The building has been designed to provide the maximum number of work spaces with natural light and views from workstations.
- 13 The building has bicycle racks and changing rooms for cyclists.
- 14 Steps have been taken (with the backing of the Spanish Ornithology Society) to reduce the risks of birds colliding with the façades.

All these measures are expected to ensure that the building will be awarded **LEED Certification** before March 2015.





Responsible network deployment

To expand and improve our network's coverage and try to reduce the environmental impact of our facilities, Vodafone devises policies and takes steps to guarantee a Responsible Network Deployment.

During 2013-14, and as a direct result of Project Spring, the next generation network roll-out was speeded up and at the end of financial year 2013-14 we had nearly 40,000 network elements, including elements from Ran (equipment) sharing projects with other operators.

The main projects for financial year 2013-14 have been:

- Deployment of new 4G technology in the main cities and tourist resorts, at existing sites.
- Upgrading and modernization of the existing network by continuing with the "RAN Refresh" project, which involves changing current GSM 900 / UMTS 2100 equipment with equipment that perform better with mobile technology, to reach a total of 5,100 refreshed or updated sites by the end of 2013-14.

We backed this up with deployment in more populated areas with other needs, such as capacity and the inclusion of new technologies.

We remain committed to our site sharing policy, having signed agreements with leading mobile operators, prioritizing the finding of sites for those operators in which infrastructure can be shared.

During 2013-14, Vodafone received 105 deployment-related administrative requirements, and environmental-based administrative fines amounted to €19,140.

Site owners can call us on our Owner Hotline: **607 100 101**, which takes an average of 1,950 calls a month.

RF Emissions and Health

In accordance with Royal Decree 1066/2001, the annual certification of the Vodafone stations network was conducted in the first quarter of 2014. For this purpose, RF emissions have been measured at more than 6,900 stations, and the emission levels of 100% of our base stations is far below the threshold set by the aforementioned Royal Decree 1066/2001.

In June 2013, the Vodafone Group conducted an audit of Vodafone Spain that demonstrated that Vodafone Spain has an effective RF emission risk management programme in place.

Furthermore, to make members of the public more aware how safe mobile phone masts are, we have taken the following courses of action:

- Participation in a series of meetings organized by the Spanish Federation of Municipalities and Provinces:
 - Information sessions for residents' associations: "Health aspects of mobile phones and perceiving and communicating the risk".
 - Conferences on "Best Practices in Mobile Telephony and Local Development" in Fuente de Piedra (Malaga) and in La Guancha (Tenerife).
- As for studies published by the international scientific community publications on electromagnetic fields, in April 2013 the IARC (International Agency for Research on Cancer) published volume 102 on Radiofrequency Electromagnetic Fields.
- During 2013-14, Vodafone Spain continued taking part in the international study "Mobikids", which aims to investigate the possible relationships between various environmental risk factors and young people's illnesses. This is related to the agreement signed with the institution responsible for coordinating the Mobikids study in Spain, the Centre for Research in Environmental Epidemiology, which was set up with the mission of fostering and carrying out advanced epidemiological research into environmental factors that affect health.

All handsets marketed by Vodafone comply with the SAR (Specific Absorption Rate) limits established by the ICNIRP (International Commission on Non-Ionizing Radiation Protection).



Ethics and Corporate Governance



Ethics

Code of Conduct

“Being an admired company is not just about our performance and achievements, it’s also about acting in a responsible, ethical and lawful way. As one of the world’s leading international companies, we need to earn the trust of our customers, colleagues and the communities where we work. In short, trust is fundamental to everything we do” (Vittorio Colao, Vodafone Group Chief Executive Officer).

To attain this goal, Vodafone has a Code of Conduct that outlines the company’s Business Principles and how they must be applied in practice by every Vodafone employee.

The Code of Conduct is applied, together with local legislation, in all markets in which Vodafone operates and is the principal document that governs its policies and describes the requirements to be fulfilled by each person who works with and for Vodafone.



Business Principles

The Business Principles establish the basis for carrying out our activities wherever the Company operates and form the essence of the Code of Conduct. They lay down the requirements to be met with regard to the following issues:

- ▶ Individual Conduct
- ▶ Financial integrity
- ▶ Customers
- ▶ Environment
- ▶ Compliance with the Law
- ▶ Public policy
- ▶ Employees
- ▶ Health and Safety
- ▶ Communications
- ▶ Communities and society

Vodafone also has Policies and Procedures that develop each of the Business Principles, and in particular the Policies and Procedures regarding issues such as:

- ▶ Anti-Corruption
- ▶ Prevention of Criminal Risks
- ▶ Equal Opportunities
- ▶ Conflict of Interest
- ▶ Employees’ Rights
- ▶ Privacy
- ▶ Competition Policy
- ▶ Ethical Procurement
- ▶ Health and Safety

“Speak Up” Channel

In line with our corporate values, we need to be a company that conveys trust, which is why we must ensure that it has channels for reporting any unethical or irresponsible actions.

So if an employee sees any behaviour at work that might breach the Code of Conduct or seems illegal or unethical, they must report it. For that very reason, a corporate intranet channel, “Speak Up”, has been provided to report possible Code of Conduct breaches simply and confidentially.

Through this channel any employee can report behaviour that they suspect to be unlawful or criminal. This could be bribery, fraud, price fixing, breach of data privacy, etc. They must also report improper use or abuse of our systems, processes or policies. This includes cases of bullying or harassment, potential conflicts of interest, danger to the health and safety of employees or customers, potential abuses of human rights or material environmental issues.

During 2013-14, one case was considered deemed to be discrimination and the reported employee was fired as a result.

Both the Code of Conduct and corresponding Policies and Procedures are part of the mandatory training received by employees when joining the Company.

Furthermore, in order to ensure that all our employees are kept abreast of changes, during 2013-14 the company organized several initiatives to divulge and raise awareness about the Code of Conduct, the importance of using the "Speak up" whistleblower channel, the Anti-Bribery and Anti-Corruption Policy, or the Conflict of Interest Policy.

Last year, all Vodafone employees had to attend a course designed to help them identify situations and aspects of our work that directly involve complying with Competition Law. In this respect, it should be noted that in financial year 2013-14, Vodafone Spain was not fined for any breaches of Spanish or EU free competition regulations.



Anti-Fraud and Corruption Actions

Every quarter, the Vodafone Group is sent a Corporate Security Report, which outlines all the incidents and actions related to Corporate Security's different areas, and reports any instances of fraud and corruption that may have occurred in the period.

In addition, at the meeting held in the last quarter of the financial year, the Security Committee reviews and approves a new version of the Risk Map that identifies any possible fraud and corruption scenarios for the next financial year. This version is aligned with the Fraud Management Risk controls applied to comply with the Sarbanes-Oxley Act and is reviewed every year to update the envisaged risk scenarios. All the company's areas are analyzed and monitored around the clock to detect any corruption risks.

No corruption incidents were recorded in Vodafone Spain during 2013-14.

Vodafone Spain Security Committee Members:

- ▶ Internal Audit
- ▶ Customer Management
- ▶ Legal Department
- ▶ Finances
- ▶ Enterprise Business Unit
- ▶ Residential Business Unit
- ▶ Human Resources
- ▶ Technology
- ▶ Corporate Security.

Other Codes of Ethics

In order to ensure the Company's integrity-related issues Vodafone Spain has voluntarily adhered to different Codes of Conduct like the ones mentioned below:

Code of Good Fiscal Practices

Ever since financial year 2011-12, Vodafone has been a signatory to Code of Good Fiscal Practices fostered in the Large Businesses Forum. The Code contains recommendations that the tax authorities and companies follow voluntarily, intended to improve the implementation of our tax system by increasing legal certainty, reciprocal cooperation based on good faith and legitimate trust between the Spanish Inland Revenue and companies themselves, and the application of responsible fiscal policies in companies with knowledge of their highest governing bodies.

Code of Conduct for the provision of messaging-based Premium Line Services (Premium SMS)

Vodafone has adhered to this Code, which aims to establish rules of conduct to ensure the protection of users' interests, transparency and fair competition in the provision of messaging-based Premium Line Services, and which has been in force since June 2009.

This Code of Conduct, respecting the right to freely engage in business activities, sets binding rules for operators that providing premium rate message storing and forwarding services, in order to ensure to users that such services are provided, advertised and promoted properly, and also to guarantee that users are given sufficient information on the services provided, their price, and other terms and conditions.

Mobile Alliance against Child Sex Abuse Content

Vodafone is a founding member of this alliance, which aims to combat child sexual abuse content over the mobile. The alliance is formed by Europe's main mobile operators, and works to prevent child sexual abuse images from being used on their networks. In order to do so, Vodafone Spain has devised systems that prevent access to this kind of illegal content on Internet.

Code of Good Mobile Portability Cancellation Practices

Vodafone has adhered to the Code of Good Mobile Portability Cancellation Practices drawn up by the AOPM (Spanish Association of Operators for Mobile Portability) and backed by the CNMC (National Markets and Competition Commission), which has been in force since 15th January 2014.

Advertising, Marketing and Telesales Codes



Vodafone Spain is a member of the Spanish Association for Self-Regulating Business Communication (AUTOCONTROL). It also supports Confianza Online (Online Trust), an association that is responsible for protecting both commercial communications and the

contractual aspects derived from the commercial transactions which companies and public institutions enter into with consumers via the Internet and other electronic and interactive media.

Throughout the 2013-14 financial year,³ advertising-related rulings were issued against Vodafone Spain:

- One fine for proceedings brought by the Catalan Agency for Consumer Affairs (€25,000)
- Two inquiries opened by the Self-Regulation Association, with no associated fine

Finally, Vodafone Spain and other electronic communications operators have signed the Code of Conduct for Telesales Transactions, which details a series of measures which must be carried out by the signatory operators with the aim of preventing the negative effects caused by the way in which telesales practices are carried out. In the middle of February 2014, Vodafone renewed its commitment to improve the quality of its telesales activities on the market.

Code of Conduct for Safe Use by Minors in Mobile Access to Content

In December 2007, Vodafone Spain and the other network operators signed this Code of Conduct, under which it undertakes to encourage a safe and responsible use of mobile telephony among minors when they access content over a mobile.

By adhering to this Code, Vodafone has committed itself to and has been implementing actions such as: making access control mechanisms available to parents and educators, classifying commercial content, combatting illegal Internet content, and providing information and practical tips to help to ensure that their children use mobile-based services safely and responsibly.

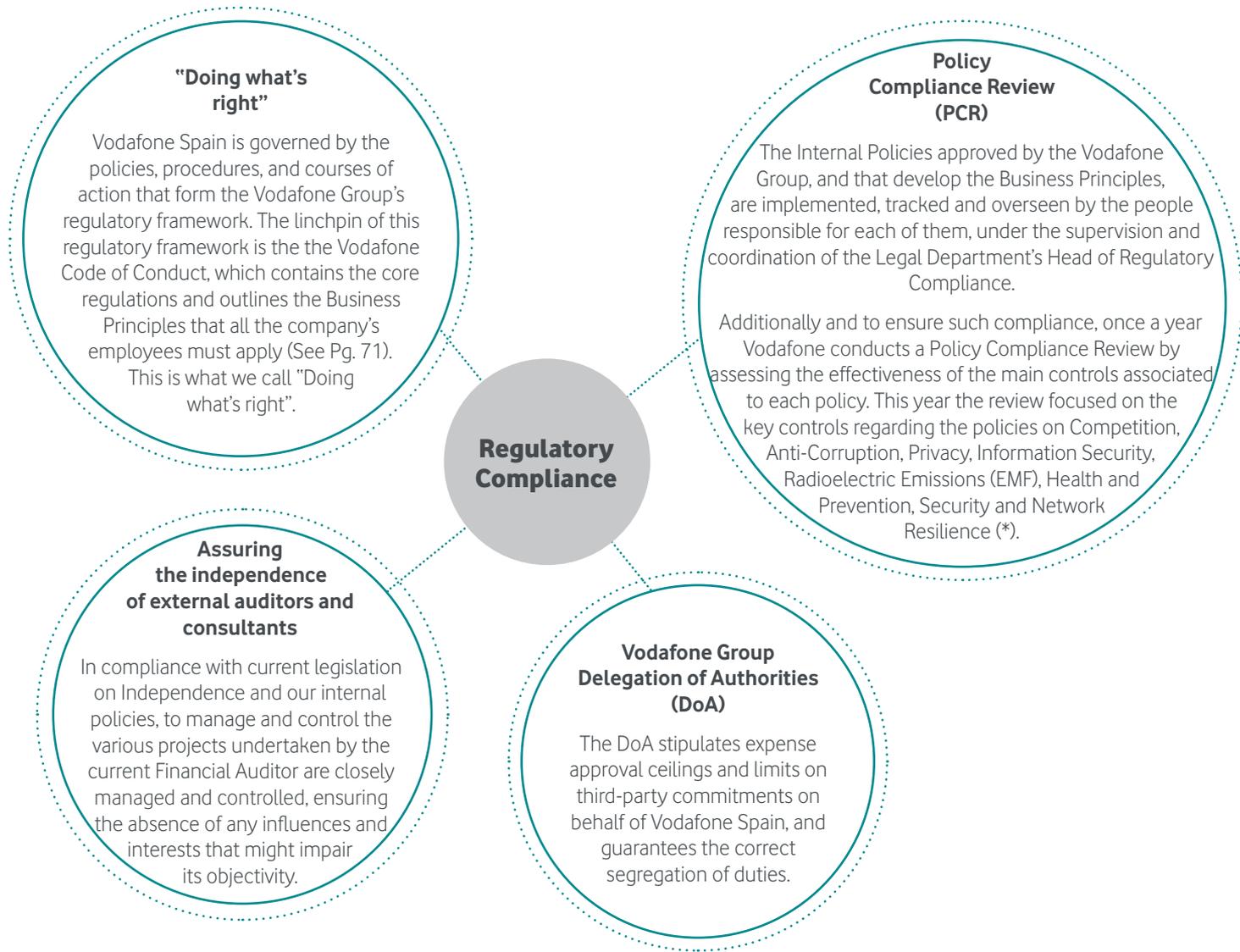
Code of Good Network Deployment Practices

Vodafone Spain, through the industry's association (AMETIC), and the Spanish Federation of Municipalities and Provinces (FEMP) signed a Code of Good Practices, whereby it undertook to deploy its network seeking maximum integration in the surroundings at all times, acting transparently (to provide the maximum information to citizens and public administrations), and sharing its current and future stations with other mobile telephony operators whenever possible.

At the same time, the FEMP and mobile telephony operators also signed an agreement for the creation, in the FEMP, of a Technical Advisory and Information Service (SATI) for Town Halls, with a view to improving their capacity to handle issues relative to base station deployment and local regulations on masts.

Regulatory Compliance

Vodafone is firmly committed to complying with all the rules, laws and policies that apply in the different fields of its business activities. Consequently, we have different Internal Audit, Legal and Finance teams that regularly conduct review, supervision and control projects, including external and internal audits to ensure the highest level of compliance.



(*) Resilience: A network's capacity to recover from failures and extreme operating conditions

Prevention of Criminal Risks

In 2010 Vodafone Spain set up a robust and exclusively local Corporate Defense Programme that is designed to protect the Company from the commission of any crimes to which it might be potentially exposed. As part of this Criminal Risk Prevention Programme, and on the basis of a risk analysis subject to periodic review, every year Vodafone conducts a review of the effectiveness of the controls in place to mitigate its criminal risks, based on the annual plan approved by the Audit Committee, and action plans are implemented to strengthen existing controls.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act was enacted in the United States in 2002, its main aim being to guarantee corporate internal control mechanisms and strengthen investor confidence in financial information.

The Vodafone Group is quoted on the New York Stock Exchange (NYSE), which is why Vodafone Spain must also comply with the Act. Accordingly, during 2013-14 the Company worked on reviewing documentation, assessing risks and certifying the design and operation of the controls in the Business Processes and in the most critical systems.

Each one of these SOX Processes has been certified by the person in charge, including the Vodafone Group's Director of Finance Operations, culminating with the local certificate signed by the CEO and the Chief Financial Officer.

Vodafone Spain's external auditor has also issued a report which it certifies that no defects were found in the Vodafone Spain Financial Information internal control system.

Internal Audit

Based on an Annual Plan, Internal Audit assesses the effectiveness of the Company's internal control systems and critical business processes, by applying risk analysis criteria and good governance practices.

As a result, Vodafone Spain's control environment is reinforced by implementing the opportunities for improvement identified in the internal audits made each year.



Corporate Governance

In accordance with the provisions of Vodafone Spain's Corporate Governance Manual, approved at the Board meeting held on 7th June 2012, the Board of Directors, as the top management and governing body, is very firmly committed to the Company complying with the laws and internal policies that apply to it, respecting the sector's good practices and customs, and observing the principles of Social Responsibility.

Therefore the Board's powers include overseeing Vodafone Spain's regulatory compliance model, delegating this power to the Audit Committee, which is the body responsible for its supervision. The Secretary to the Board and Director of Legal, Regulation & Corporate Security, who is also Vodafone Spain's Head of Regulatory Compliance is in charge of coordinating, promoting and overseeing the Company's regulatory compliance schemes.

Members of the Board and existing Committees

The Board of Directors of Vodafone Spain is the Company's highest governance and representative body; it strives to ensure that the corporate purpose is pursued, the company's general interests are protected and that value is created within the company.

The Board is formed by three members, namely the Chairman, Chief Executive Officer and Chief Financial Officer of the Company. In line with the organization of the other Vodafone Group companies, the Board has been kept small to make it more operational and effective in exercising its duties.

The Board members are as follows:



Francisco Román
Post on the Board:
Chairman

First appointment:
20th March 2003

Type of Director:
Non-executive



António Coimbra
Post on the Board:
Chief Executive Officer

First appointment:
27th August 2012

Type of Director:
Executive



Miguel Orúe-Echebarría
Post on the Board:
Member

First appointment:
26th March 2009

Type of Director:
Non-executive

The post of Chairman of the Board is non-executive. Consequently, the Chairman's post is a representative one, his duties including responsibility for institutional affairs and acting as Vodafone Spain's permanent representative before all types of bodies and institutions, managing the Company's relations with the Vodafone Foundation Spain.

The Chief Executive Officer has all the powers and duties that the Board of Directors has delegated to him, except any that cannot be delegated legally or statutorily. His relationship with the Board is based on the principles of trust and transparency, such that the Board is kept apprised of the decisions made by the

Chief Executive Officer in exercising the powers delegated to him.

The CFO is also a Member of the Board of Directors of Vodafone Spain.

The Head of the Legal, Regulation and Corporate Security Department is the Secretary to the Board (Non-Member).

The members of the Board of Vodafone Spain meet all the legal and internal organization guidelines laid down to avoid conflicts of interest, and should any conflict of interest arise, have an obligation to disclose it to the Board of Directors through its Chairman or its Secretary.

Be that as it may, any members who find themselves in a conflict of interest situation, must refrain from attending and taking part in discussions that deal with matters in which they may have a personal interest.

Vodafone Spain has an Internal Conflict of Interest Policy, which applies to Board members insofar as they are also Company employees, which requires that any potential conflict of interest situation be disclosed to Vodafone Spain and prohibits actual conflict of interest situations.

Vodafone Spain's **Audit Committee** is a regional internal control body. Its main functions are to oversee the internal control systems associated with the Company's major risks, as well as to track and monitor the action plans identified for improving the Company's controls. The Audit Committee meetings are attended by:

| |
|-----------------------------------|
| Mr. Emanuele Tournon |
| Mr. António Coimbra |
| Mr. Miguel Orúe-Echebarría |
| Mr. Pedro Peña |

From 13th December 2006 to 31st March 2014, Vodafone Spain had an **Advisory Board**, whose main function was to advise the Company about its institutional and corporate relations. However, the very changes in Vodafone Spain's institutional activities led the Board of Directors to decide, at the meeting held on 28th March 2014, to abolish the advisory body at the start of financial year 2014-15.

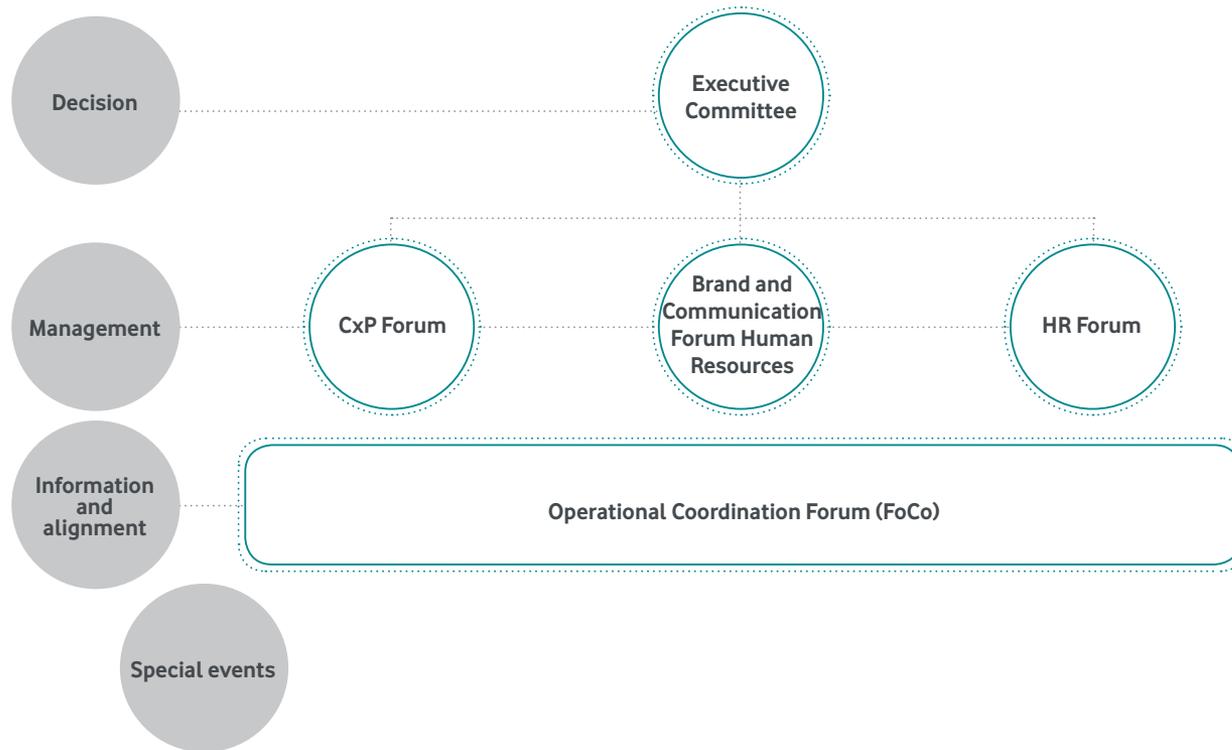
Committees and Forums

To complete its Model of Governance, Vodafone Spain has an Executive Committee and the different Management Forums outlined below.

The Vodafone Spain Executive Committee is a independent body responsible for the daily monitoring of the business, management and decision making. It meets regularly, once a week and exceptionally whenever deemed necessary. It is formed by a total of 9 members who represent each of the Company's areas of activity and business. The Executive Committee members are selected according to Vodafone Group policies and procedures, which include gender equality and diversity criteria.

The members of the Vodafone Spain Executive Committee are:

| | |
|-----------------------------------|--|
| Mr. António Coimbra | Chief Executive Officer |
| Mr. Andrés Vicente | Director of the Enterprise Business Unit |
| Mr. Babak Fouladi | Chief Technology Officer |
| Mrs. Bettina Karsch | Human Resources Director |
| Mrs. Denise D'Elia | Director of Integration Processes |
| Mr. Miguel Orúe-Echebarría | Chief Financial Officer |
| Mr. Oscar Vilda | Residential Business Unit Director |
| Mr. Paulo Neves | Commercial Operations Director |
| Mr. Pedro Peña | Head of Legal, Regulation and Corporate Security |



Executive Committee

Maximum decision-making body.
Frequency: Weekly
Participants: CEO, Senior Management.
 One out of every six Executive Committee meetings is held in the Regions.

Brand and Communication Forum

Analysis and approval of Brand and Communication initiatives
Sponsor: CEO
Leader: Brand Manager
Frequency: Monthly
Other Participants: Head of Communication, Directors of Marketing, Agencies.
 Monthly report to Executive Committee

Fo Co

Operational Coordination Forum
Review of previous month's results and initiatives for the next one
Sponsor: CEO
Leader: CEO Support
Frequency: Monthly
Other Participants:

- 1st Part: All employees (Web TV)
- 2nd part: Senior Management and Heads

CxP Forum

Customer Experience Forum.
Review of issues that directly impact Customer Experience.
Sponsor: CEO
Leader: Head of Customer Experience Transformation
Frequency: Monthly
Other Participants: Directors/Managers of: Customer Care, Information, Marketing, Customer Value Management, Brand, Fixed, Customer Experience and Business Processes, Network, Credit and Collections, Online.
 Monthly report to Executive Committee

HR Forum

Follow-up and generation of HR initiatives
Sponsor: CEO
Leader: Human Resources Director
Frequency: Two-monthly
Other Participants: Head of Communication, 2 Regional Directors, 4 employees.
 Two-monthly report to Executive Committee

Special events

"Roadshows"
Review and follow-up of Corporate Objectives
Sponsor: CEO
Leader: Head of Communication
Frequency: Annual (by Regions)

Senior Management Remuneration Policy

Management's remuneration is based on the Company's performance and results. This ensures that our Officers only receive significant amounts of variable remuneration if the Company's business results have been as expected.

The table below lists the main components of Vodafone Spain Senior Management's pay packet.

| Component | Objective & alignment with the strategy | Description |
|--------------------------------|---|---|
| Basic pay | <ul style="list-style-type: none"> Attract and retain the best Managerial talent | <p>Salaries are reviewed each year. The following criteria are taken into account in the pay review process:</p> <ul style="list-style-type: none"> • Manager's level of experience, training and responsibilities, the business results achieved by the Company, the macro-economic environment and market conditions. • Market salary surveys conducted with a representative sample of sector companies similar to Vodafone in size and complexity. |
| Short-term variable pay | <ul style="list-style-type: none"> • Encourage and reward achievement of the targets set for the financial year. • Strengthen communication of the strategic priorities for the financial year. | <ul style="list-style-type: none"> • Annual bonus levels and the indicators used for assessing the results attained are reviewed each year to ensure they are aligned with our strategy and the best market practices • To ensure that the bonus payment-related targets and goals are challenging, the performance and historical compliance of indicators used is analyzed. • Annual bonuses are paid in June. |
| Long-term variable pay | <ul style="list-style-type: none"> • Encourage and reward attainment of the targets set out in our multi-year strategic plan. • Further align the management team with our shareholders' interests • Retain Managerial talent. | <ul style="list-style-type: none"> • Annual share award plans with a three-year vesting period tied to the Officer's remaining in employment in the Company. • Annual share award plans with a three-year vesting period tied to the Company's Free Cash Flow performance. • To ensure that the bonus payment-related targets and goals are challenging, the performance and historical compliance of indicators used is analyzed. • Members of the Steering Committee must receive half of their basis pay in shares in the Company. |
| Welfare benefits | <ul style="list-style-type: none"> Reinforce the retention of Managerial talent and ensure that our Management's pay packet is competitive with respect to our reference markets. | <ul style="list-style-type: none"> • Participation in the Vodafone Spain Company Pension Scheme. • Participation in a specific Retirement Plan for Steering Committee members. • Company Car. • Health Insurance for the Executive and the members of his or her family unit. • Life and Accident Insurance. |

(*)Vesting: Period of time during which the options cannot be exercised and therefore cannot be sold.

During 2013-14, Vodafone applied a pay freeze to all staff, including Senior Management.

In line with the Senior Management Severance Payment Policy, the Company applies the current employment legislation applicable in each specific case.



7

Report Preparation and Review



Reporting Principles

The following international guidelines have been taken in consideration in drafting the Report:

- A** The guidelines of the **International Integrated Reporting Council (IIRC)** for preparing integrated reports that group both financial and non-financial information regarding:

| IRC Principles | Presented in Vodafone Spain 2013-14 Report |
|--|--|
| Strategic focus and future orientation: | Information about the Company's Strategy. |
| Connectivity of Information | Information about Activities that can create economic, social and environmental value. |
| Stakeholder inclusiveness | Information about Stakeholders and how we respond to their expectations. |
| Conciseness & materiality of information | Information about Material Aspects. |
| Reliability of information | Assurance of information by external auditors. |
| Consistency and comparability | Information presented in comparison with previous years. |

- B** The guidelines laid down by the **Global Reporting Initiative (GRI) in its G4 Guidelines**, regarding the Principles governing the Content and Quality of the information provided (**GRI: G4-18**):

| | G4 Principles | Presented in Vodafone Spain 2013-14 Report |
|-----------------|------------------------|--|
| Contents | Stakeholder Engagement | Information about Stakeholders and how we respond to their expectations. |
| | Sustainability Context | Information about Activities that can create economic, social and environmental value. |
| | Materiality | Information about Material Aspects. |
| | Completeness | Information about the activities carried out during the fiscal year. |
| Quality | Balance | Information about the results obtained in the Material Aspects. |
| | Comparability | Information presented in comparison with previous years. |
| | Precision | Information collected through the Information Systems. |
| | Punctuality | Annual Publication of the Report. |
| | Clarity | Information that is properly arranged and summarised. |
| | Reliability | Assurance of information by external auditors. |

- C** The guidelines laid down by **AccountAbility in AA1000 APS-2008** (Accountability Principles Standard), regarding the application of its principles in the information provided:

| AA1000 APS Principles | Presented in the Vodafone Spain 2013-14 Report |
|-----------------------|--|
| Inclusivity | Information about Stakeholders and how we respond to their expectations. |
| Materiality | Information about Material Aspects. |
| Responsiveness | Information about Activities that can create economic, social and environmental value. |



Stakeholder Engagement

The Stakeholder list drawn up by the Vodafone Group, specific studies conducted by Vodafone Spain and the recommendations of organizations specializing in this field have been used to identify the Company's Stakeholders.

In identifying the material social and expectations environmental relevant of our Stakeholders, Vodafone Spain uses different methodologies and channels of communication as indicated in the following sections **(GRI:G4-25; G4-26)**:

Customers

Six-monthly surveys are conducted to identify their expectations and ascertain what they think about Vodafone's performance in terms of economic, social and environmental contribution.

We also provide different channels for reporting problems or making complaints, and relies on social networking to maintain smooth and constant dialogue.

Opinion-Makers

Their expectations and perceptions are analysed on the whole through different studies and specific publications.

And specific analysis are performed in terms of the Stakeholder:

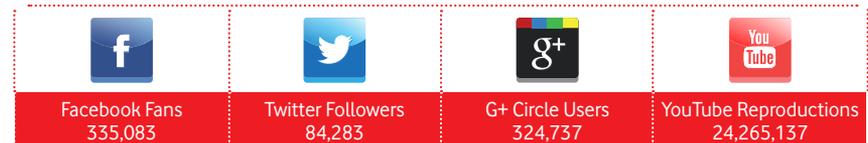
- Every year we conduct a survey of Consumer Associations and Third-Sector Institutions.

Vodafone Spain Stakeholders (GRI: G4-24):

- Customers
- Opinion Makers (Media, Consumer Associations, NGOs, etc.)
- Employees
- Regulator / Administrations
- General Public/Local Communities
- Landlords' and Residents' Associations
- Suppliers and Strategic Allies
- Knowledge Makers (Universities, Business Schools, etc.)

Figures as at 31.03.2014

Vodafone Spain



- All the news published in the Media is monitored closely, and the results are analyzed each year.
- Permanent contact with of Third Sector organizations enables us to know their needs and respond to them by releasing different Social Products and Services.

Organizations to which Vodafone Spain belongs

- **AENOR** (Spanish Association for Standardisation and Certification)
- **AMETIC** (Association of ICT, Communications and Digital Content Companies)
- **AUTOCONTROL** (Association for the Self-Regulation of Commercial Communication)
- **ASTEL** (Association of Telecommunications Services and Operating Companies)
- **AEC** (Spanish Quality Association)
- **Sustainability Excellence Club**
- **Forética**
- **Responsible Public Procurement Forum**
- **"Inserta Responsible" Forum**
- **Madrid City Council Pro-Climate Forum**
- **SERES Foundation**
- **GSMA** (Mobile Operators Association)
- **Spanish Network of the United Nations' Global Compact**

Landlords' and Residents' Associations

Vodafone Spain has set up a specific channel of communication for this Stakeholder, namely the Landlords' Call Centre, with which we can respond to their different needs, suggestions or complaints, and that lets us stay in touch with them.

Employees

To determine our employees' expectations and perceptions, we conduct an Annual Employee Survey that addresses different issues regarding Human Resources management, business activities and Corporate Responsibility / Sustainability issues.

Public Administrations and Regulatory Authorities

In addition to our internal managers liaising constantly with the respective authorities, every year a survey is conducted to ascertain their expectations, priorities and perceptions regarding Vodafone's performance.

General Public/Local Communities

A six-monthly survey is conducted among the General Public to ascertain its expectations and perceptions, and constant dialogue is maintained through Social Networks.

Suppliers and Strategic Allies

An annual survey is carried out to find out their expectations and perceptions.

Vodafone Spain also negotiates improvement actions with suppliers in the context of the Supplier Management process.

Knowledge Makers

The different Training and Information activities in which we participate at universities, business schools, etc. allow us to find out their expectations and perceptions.



Material aspects and Disclosures on Management Approach

The Material Aspects addressed in this report have been identified and prioritized in the following process:

1 Identification of Material aspects (GRI:G4-18)

In phase one of the process, information is compiled from the following sources:

- The general list of aspects defined by GRI in G4.
- The list of aspects established by the Vodafone Group.
- The list of aspects established in previous years by Vodafone Spain.
- The list of sector aspects from the GRI Telecommunications Sector Supplement (although at present it is not in force).
- The aspects identified in the GRI document "Sustainability Topics for Sectors: What do stakeholders want to know?"

On the basis of this information, "Material Aspects" are deemed to be any identified in most of the aforementioned lists previous and that apply to Vodafone Spain.

The following table shows the correlation between the Material Aspects according to GRI terminology and the Material Aspects according to Vodafone Spain terminology. The respective Management Approaches are described in the different sections of this Annual Report.

Material Aspects for Vodafone Spain

| Category | Subcategory | GRI-G4 | Vodafone Spain | Management Approach |
|---------------|---|--|---|----------------------------|
| Economic | | Economic Performance | Socio-Economic impact of ICT | See Chap. 5. Pg. 31 |
| | | Indirect Economic Impact | ICT and Sustainability (M2M Products and Services) | See Chap. 5. Pg.64 |
| | | | Socio-Economic impact of ICT | See Chap. 5. Pg. 31 |
| | Procurement practices | Suppliers | See Chap. 5. Pg. 42 to 45 | |
| Environmental | | Materials | Reuse and Recycling | See Chap. 5. Pg. 67 |
| | | Energy | Energy | See Chap. 5. Pg. 65 and 66 |
| | | Cumpliance | Responsible Network Deployment | See Chap. 5. Pg. 69 |
| | | Supplier Environmental Assessment | Suppliers | See Chap. Pg. 42 to 45 |
| Social | Labour practices & decent work | Employment | Employment | See Chap. 5. Pg. 54 to 61 |
| | | Industrial Relations | | |
| | | Health and Safety | | |
| | | Training and Education | | |
| | | Diversity and equal opportunities | | |
| | | Equal Remuneration for Women and Men | | |
| | Assessment of supplier labour practices | Suppliers | See Chap. 5. Pg. 42 to 45 | |
| Social | Human Rights | Investments | Suppliers | See Chap. 5. Pg. 42 to 45 |
| | | Non-discrimination | | |
| | | Freedom of association and collective bargaining | | |
| | | Child labour | | |
| | | Forced labour | | |
| | | Security Measures | | |
| | | Supplier human rights assessment | | |
| Society | Society | Local Community | Community Involvement. Social Products and Services | See Chap. 5. Pg. 47 to 53 |
| | | Customer Health and Safety | EMF | See Chap. 5. Pg. 69 |
| | Product Responsibility | Product and service labelling | Responsible use of ICT | See Chap. 5. Pg. 41 |
| | | Marketing Communications | Clarity of prices/rates | See Chap. 5. Pg. 38 |
| | | Marketing Communications | Responsible advertising. Customer Care | See Chap. 5. Pg. 34 to 37 |
| | Customer privacy | Privacy/Data Protection | See Chap. 5. Pg. 39 | |
| Others | | Ethics and Corporate Governance | Ethics | See Chap. 6. Pg. 71 to 73 |

Material aspects (To be disclosed according to GRI-G4)

Material Aspects for Vodafone Spain

2 Prioritization and Validation of Material Aspects (GRI: G4-18; G4-19; G4-20; G4-21)

- When the Material Aspects for Vodafone Spain have been identified, the next step in the process involves their prioritization. To this end, the following analysis is performed for each of the Material Aspects:
 - The Stakeholders for whom the aspect in question is relevant or material are identified.
 - The aspect's percentage importance is determined in terms of the prioritization of Stakeholders and their expectations.
 - The (external or internal) coverage of each aspect is established.

| Vodafone Spain Material Aspects | Importance | Coverage |
|---------------------------------|------------|--|
| Community involvement | 74.0% | Internal |
| Customer Care | 78.9% | Internal and External: Call centers |
| EMF | 73.3% | Internal |
| Employment | 74.0% | Internal |
| Energy | 75.5% | Internal |
| Reuse and Recycling | 74.0% | Internal External: Distribution Channel |
| Socio-Economic impact of ICT | 74.0% | Internal |
| ICT and sustainability | 74.0% | Internal |
| Clarity of Prices/Rates | 78.9% | Internal |
| Social Products and Services | 77.5% | Internal |
| Privacy/ Data Protection | 78.6% | Internal |
| Suppliers | 74.2% | External: Suppliers |
| Responsible Network Deployment | 74.0% | Internal |
| Responsible use of ICT | 70.8% | Internal |
| Responsible Advertising | 81.1% | Internal External: Distribution Channel |
| Ethics | 74.0% | Internal |

After establishing the importance and coverage of every Material Aspect, and considering the Importance for Stakeholders and impact each Aspect's impact on the business, the Materiality Matrix is built and Material Aspects are prioritized .



Independent Assurance Report



REPORT ON INDEPENDENT REVIEW OF THE INFORMATION CONTAINED IN VODAFONE ESPAÑA S.A.U.'S 2012-2013 SUSTAINABILITY REPORT

To the Management of Vodafone España, S.A.U.

Scope

We have reviewed the contents of Vodafone España S.A.U.'s 2012-2013 Sustainability Report for the year ended March 31, 2014, available at www.vodafone.es/sostenibilidad (the Report).

The scope of our review includes Vodafone España, S.A.U.

The Report was prepared in accordance with the following guidelines:

- The Sustainability Reporting Guidelines included in the Global Reporting Initiative (GRI) Preparation Guide, version G4.
- The principles stated in the AA1000 Assurance Standard Guide issued by AccountAbility (Institute of Social and Ethical Accountability).

The preparation of the Report is the responsibility of the administrative bodies and management of Vodafone España, S.A.U. They are also responsible for defining, adapting and maintaining the management systems and internal controls from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

Criteria

Our review was carried out based on:

- Standard ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), with a limited scope of assurance.
- The guidelines for reviewing Corporate Responsibility Reports, issued by the Official Register of Auditors of Accounts (ICJCE).
- AA1000 AccountAbility Principles Standard (2008) for reasonable assurance engagements in the application of inclusivity, materiality, and responsiveness principles, as well as the achievement of sustainability objectives.

Applied Procedures

Our review consisted in requesting information from sustainability managers and the managers and personnel of the various business units participating in the preparation of the Report, and applying certain analytical procedures and sampling review tests as described in general terms below:

- 1) Interviews with management and sustainability management personnel of Vodafone España S.A.U., as well as with a selection of managers and key personnel of business lines and non-management personnel participating in the reporting of information and data included in the Report.
- 2) Review of relevant information, such as minutes of the meetings dealing with sustainability.
- 3) Review of the processes and systems through which Vodafone España, S.A.U. establishes its commitments with stakeholders as well as compliance with the principles of inclusiveness, materiality, and responsiveness.
- 4) Analysis of the adaptation of the structure and content of the Report as indicated in G4 Global Reporting Initiative (GRI).

5) Checks on selected samples of the quantitative information included in the Report, as well as their correct compilation from data supplied by information sources. The review tests have been defined to provide assurance levels in line with indicated limits.

This review of the information and data is considerably lesser in scope than a reasonable assurance report. Therefore, the degree of assurance is also less extensive. This report should in no case be considered an audit report.

These procedures were performed on the information contained in the report.

Independence

We have performed our work in accordance with the standards of independence required by the Code of Ethics of the International Federation of Accountants (IFAC).

Conclusions

As a result of our review of the Report, performed in accordance with the previously described scope, we conclude that:

- No matter came to our attention that would indicate that the Report was not prepared according to the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.
- No matter came to our attention that would indicate that the remaining Sustainable Development information and indicators included in the accompanying Report contain significant errors.
- The Report has been prepared in accordance with the principles stated in the AA1000 Assurance Standard Guide published by AccountAbility.
- The disclosure of sustainability information is adequately presented in terms of the principles of:
 - **Inclusivity:** Vodafone España, S.A.U. has established the mechanisms to identify stakeholders and has defined the channels of communication necessary to gain knowledge and understanding of their expectations, as described in the "Stakeholder engagement" section of the appendices of the Report.
 - **Relevance:** Vodafone España, S.A.U. analyzes materiality annually to select the most significant matters to be included in the Report.
 - **Responsiveness:** Vodafone España, S.A.U. has established the mechanisms for developing, evaluating, and prioritizing significant aspects, in order to define new goals and actions based on the expectations of stakeholders and material aspects.

This Report has been prepared solely for the management of Vodafone España, S.A.U., in accordance with the terms set out in our engagement letter.

ERNST & YOUNG, S.L.

Basilio Gómez Salinas
Partner

(Free translation from the Original Report on Independent Review in Spanish dated 11th July 2014. In case of any discrepancy, the Spanish version always prevails.)



Global Compact Principles

Since 2012, Vodafone Spain is a signatory to the U.N. Global Compact. This initiative aims to achieve a voluntary commitment of the organizations in Social Responsibility issues, through the implementation of Ten Principles in the areas of human rights, labour, the environment and anti-corruption.

Through this Report, Vodafone Spain also wants to demonstrate its commitment and progress made in implementing the Ten Global Compact Principles.

| Principle | Policies and Actions | Monitoring and Measurement | |
|---|--|----------------------------|--|
| | | Pg. Pg. | |
| Principle 1: "Businesses should support and respect the protection of internationally proclaimed human rights, within their sphere of influence" | Sustainability Strategy and Programme. | 24 and 25 | |
| | Code of Conduct. | 71 and 72 | - Materiality Matrix. 23 |
| | Responsible use of the mobile. | 41 | - "Speak up" channel. 71 |
| | Privacy. | 39 | - CEP Training. 42 |
| | Code of Ethical Purchasing. | 42 | - Information protection awareness campaigns. 39 |
| | Supplier Assessment. | 42 | |
| | RF Emissions and Health. | 69 | |
| Principle 2: "Businesses should make sure they are not complicit in human rights abuses" | Code of Ethical Purchasing. | 42 | - Supplier assessment and tracking. 42 and 43 |
| | Supplier Evaluation. | 42 | |
| Principle 3: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining" | Collective Bargaining Agreement. | 58 | |
| | Industrial Relations. | 58 | - Industrial Climate Survey. 54 |
| Principle 4: "Businesses should uphold the elimination of all forms of forced and compulsory labour" | Collective Bargaining Agreement. | 58 | - "Speak up" channel. 71 |
| | Code of Conduct. | 71 and 72 | - Collective bargaining agreement. 58 |
| | Code of Ethical Purchasing. | 42 | |
| Principle 5: "Businesses should uphold the effective abolition of child labour." | Collective Bargaining Agreement. | 58 | - Employees by age and gender. 56 |
| | Code of Ethical Purchasing. | 42 | |
| Principle 6: "Businesses should uphold the elimination of discrimination in respect of employment and occupation" | Diversity Management. | 56 | - Diversity Evolution. 56 |
| | Code of Conduct. | 71 and 72 | |
| Principle 7: "Businesses should support a precautionary approach to environmental challenges." | Environmental Management System. | 65 | - Changes in environmental impacts. 65 to 67 |
| | Control of environmental impacts. | 65 and 69 | |
| Principle 8: "Businesses should undertake initiatives to promote greater environmental responsibility" | Environmental Management System. | 65 | - Maintenance of the EMS. 65 |
| | Control of environmental impacts. | 65 to 69 | |
| Principle 9: "Businesses should encourage the development and diffusion of environmentally friendly technologies" | M2M Products and Services. | 64 | - Products for ICT and sustainability. 64 |
| | Vodafone Plaza. | 68 | |
| Principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery" | Code of Conduct. | 71 and 72 | |
| | Anti-Corruption and Anti-Bribery Policy. | 71 | - Anti-fraud and corruption actions. 2 |
| | Corporate Governance. | 76 to 78 | |



General Standard Disclosures

| | | Pg. in Report | External Assur. | | | Pg. in Report | External Assur. |
|------------------------------|--|------------------------|------------------------|---|---|-----------------------------|------------------------|
| Strategy and Analysis | | | | | | | |
| G4-1 | Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability | 2 and 3 | ✓ ^{86 and 87} | G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses | 4, 81 and 88 | ✓ ^{86 and 87} |
| G4-2 | Provide a description of key impacts, risks, and opportunities | 22 to 23 | ✓ ^{86 and 87} | G4-16 | List memberships of associations and national or international advocacy organizations to which the organization belongs | 82 | ✓ ^{86 and 87} |
| Profile | | | | Identified Material Aspects and Boundaries | | | |
| G4-3 | Report the name of the organization | Cover | ✓ ^{86 and 87} | G4-17 | a. List all entities included in the organization's consolidated financial statements or equivalent documents b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report | 103 | ✓ ^{86 and 87} |
| G4-4 | Report the primary brands, products, and services | 10, 11 and vodafone.es | ✓ ^{86 and 87} | G4-18 | a. Explain the process for defining the report content and the Aspect Boundaries b. Explain how the organization has implemented the Reporting Principles for Defining Report | 81, 83 and 85 | ✓ ^{86 and 87} |
| G4-5 | Report the location of the organization's headquarters | 135 | ✓ ^{86 and 87} | G4-19 | List all the material Aspects identified in the process for defining report content | 85 | ✓ ^{86 and 87} |
| G4-6 | Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report | 10 and 11 | ✓ ^{86 and 87} | G4-20 | For each material Aspect, report the Aspect Boundary within the organization | 85 | ✓ ^{86 and 87} |
| G4-7 | Report the nature of ownership and legal form | 8 | ✓ ^{86 and 87} | G4-21 | For each material Aspect, report the Aspect Boundary outside the organization | 85 | ✓ ^{86 and 87} |
| G4-8 | Report the markets served | 10 and 11 | ✓ ^{86 and 87} | G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements | Not applicable ¹ | -- |
| G4-9 | Report the scale of the organization | 7 | ✓ ^{86 and 87} | Stakeholder engagement | | | |
| G4-10 | a. Report the total number of employees by employment contract and gender b. Report the total number of permanent employees by employment type and gender c. Report the total workforce by employees and supervised workers and by gender d. Report the total workforce by region and gender e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors | 54, 56 and 58 | ✓ ^{86 and 87} | G4-24 | Provide a list of stakeholder groups engaged by the organization | 82 | ✓ ^{86 and 87} |
| G4-11 | Report the percentage of total employees covered by collective bargaining agreements | 58 | ✓ ^{86 and 87} | G4-25 | Report the basis for identification and selection of stakeholders with whom to engage | 82 | ✓ ^{86 and 87} |
| G4-12 | Describe the organization's supply chain | 42 to 45 | ✓ ^{86 and 87} | G4-26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process | 82 and 83 | ✓ ^{86 and 87} |
| G4-13 | Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain | 42 and 68 | ✓ ^{86 and 87} | G4-27 | Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting | 23 | ✓ ^{86 and 87} |
| G4-14 | Report whether and how the precautionary approach or principle is addressed by the organization | 21 | ✓ ^{86 and 87} | | | | |

| | | Pg. in Report | External Assur. |
|-----------------------|---|------------------------|-----------------|
| Report Profile | | | |
| G4-28 | Reporting period | 4 | ✓ 86 and 87 |
| G4-29 | Date of most recent previous report | 4 | ✓ 86 and 87 |
| G4-30 | Reporting cycle | Cover and 4 | ✓ 86 and 87 |
| G4-31 | Provide the contact point for questions regarding the report or its contents | 135 | ✓ 86 and 87 |
| G4-32 | a. Report the 'in accordance' option the organization has chosen b. Report the GRI Content Index for the chosen option c. Report the reference to the External Assurance Report, if the report has been externally assured | 4, 86, 87 and 89 to 94 | ✓ 86 and 87 |
| G4-33 | a. Report the organization's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organization and the assurance providers d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report | 4, 86 and 87 | ✓ 86 and 87 |
| Governance | | | |
| G4-34 | Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts | 15, 76 to 78 | ✓ 86 and 87 |
| G4-35 | Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees | 76 and 77 | ✓ 86 and 87 |
| G4-36 | Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body | 76 | ✓ 86 and 87 |
| G4-37 | Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body | 78 | ✓ 86 and 87 |
| G4-38 | Report the composition of the highest governance body and its committees | 77 and 78 | ✓ 86 and 87 |

| | | Pg. in Report | External Assur. |
|-------|---|---------------|-----------------|
| G4-39 | Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement) | 76 | ✓ 86 and 87 |
| G4-40 | Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members | 76 and 77 | ✓ 86 and 87 |
| G4-41 | Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders | 78 | ✓ 86 and 87 |
| G4-42 | Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts | 76 to 78 | ✓ 86 and 87 |
| G4-43 | Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics | 76 to 78 | ✓ 86 and 87 |
| G4-44 | a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice | 74 and 75 | ✓ 86 and 87 |
| G4-45 | a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities | 75, 82 and 83 | ✓ 86 and 87 |
| G4-46 | Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics | 21 and 22 | ✓ 86 and 87 |

| | | Pg. in Report | External Assur. |
|-----------------------------|--|----------------------------|-----------------|
| G4-47 | Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities | 78 | √ 86 and 87 |
| G4-48 | Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered | 4 | √ 86 and 87 |
| G4-49 | Report the process for communicating critical concerns to the highest governance body | 78 | √ 86 and 87 |
| G4-50 | Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them | 78 | √ 86 and 87 |
| G4-51 | a. Report the remuneration policies for the highest governance body and senior executives b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives | 79 | √ 86 and 87 |
| G4-52 | Report the process for determining remuneration | 79 | √ 86 and 87 |
| G4-53 | Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable | 79 | √ 86 and 87 |
| G4-54 | Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country | Not available ² | -- |
| G4-55 | Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country | 79 | √ 86 and 87 |
| Ethics and Integrity | | | |
| G4-56 | Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics | 71 to 73 | √ 86 and 87 |
| G4-57 | Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines | 71 and 72 | √ 86 and 87 |
| G4-58 | Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines | 71 and 72 | √ 86 and 87 |

Specific Standard Disclosures

| | | Pg. in Report | External Assur. |
|---|---|-------------------|-----------------|
| Disclosures on Management Approach | | | |
| G4-DMA | a. Report why the Aspect is material. Report the impacts that make this Aspect material | 23, 83, 84 and 85 | √ 86 and 87 |
| | b. Report how the organization manages the material Aspect or its impacts | | |
| | c. Report the evaluation of the management approach | | |

Indicators

| | | Pg. in Report | External Assur. |
|---|--|---------------|-----------------|
| CATEGORY: ECONOMIC | | | |
| DMA-EC | Management Approach - Economy | 32-45 | |
| Economic Performance | | | |
| G4-EC1 | Report the direct economic value generated and distributed | 33 | √ 86 and 87 |
| G4-EC2 | Report risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure | 64 and 65 | √ 86 and 87 |
| G4-EC3 | Coverage of the organization's defined benefit plan obligations | 33 and 58 | √ 86 and 87 |
| G4-EC4 | Financial assistance received from Government | 32 | √ 86 and 87 |
| Market Presence: Non-material aspect | | | |
| Indirect Economic Impacts | | | |
| G4-EC7 | Development and impact of infrastructure investments and services | 7 and 11 | √ 86 and 87 |
| G4-EC8 | Significant indirect economic impacts, including the extent of impacts | 50 to 53 | √ 86 and 87 |
| Procurement Practices | | | |
| G4-EC9 | Proportion of spending on local suppliers at significant locations of operation | 42 | √ 86 and 87 |

| | | Pg. in Report | External Assur. |
|--|---|---------------|-----------------|
| CATEGORY: ENVIRONMENTAL | | | |
| DMA-EN | Management Approach - Environmental | 62-69 | |
| Materials | | | |
| G4-EN1 | Materials used by weight or volume | 67 | √ 86 and 87 |
| G4-EN2 | Percentage of materials used that are recycled input materials | 67 | √ 86 and 87 |
| Energy | | | |
| G4-EN3 | Energy consumption within the organization | 65 | √ 86 and 87 |
| G4-EN4 | Energy consumption outside of the organization | 66 | √ 86 and 87 |
| G4-EN5 | Energy intensity | 65 | √ 86 and 87 |
| G4-EN6 | Reduction of energy consumption | 65 and 66 | √ 86 and 87 |
| G4-EN7 | Reductions in energy requirements of products and services | 64 | √ 86 and 87 |
| Water: Non-material aspect | | | |
| Biodiversity: Non-material aspect | | | |
| Emissions: Non-material aspect | | | |
| Effluents and Waste: Non-material aspect | | | |
| Products and Services: Non-material aspect | | | |
| Regulatory Compliance | | | |
| G4-EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | 69 | √ 86 and 87 |
| Transport: Non-material aspect | | | |
| Overall: Non-material aspect | | | |
| Supplier Environmental Assessment | | | |
| G4-EN32 | Percentage of new suppliers that were screened using environmental criteria | 42 | √ 86 and 87 |
| G4-EN33 | Significant actual and potential negative environmental impacts in the supply chain and actions taken | 42 | √ 86 and 87 |
| Environmental Grievance Mechanisms: Non-material aspect | | | |

| CATEGORY: SOCIAL PERFORMANCE | | Pg. in Report | External Assur. |
|---|--|----------------|-----------------|
| DMA-LA | Management Approach-Labor Practices and Decent Work | 42 and 54-60 | ✓ 86 and 87 |
| Subcategory: Labor Practices and Decent Work | | | |
| Employment | | | |
| G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region | 56 | ✓ 86 and 87 |
| G4-LA2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | 58 | ✓ 86 and 87 |
| G4-LA3 | Return to work and retention rates after parental leave, by gender | 56 | ✓ 86 and 87 |
| Labor/Management Relations | | | |
| G4-LA4 | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements | 58 | ✓ 86 and 87 |
| Occupational Health and Safety | | | |
| G4-LA5 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs | 58 | ✓ 86 and 87 |
| G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | 59 | ✓ 86 and 87 |
| G4-LA7 | Workers with high incidence or high risk of diseases related to their occupation | 59 and 60 | ✓ 86 and 87 |
| G4-LA8 | Health and safety topics covered in formal agreements with trade unions | 60 | ✓ 86 and 87 |
| Training and Education | | | |
| G4-LA9 | Average hours of training per year per employee by gender, and by employee category | 57 | ✓ 86 and 87 |
| G4-LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 58 | ✓ 86 and 87 |
| G4-LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | 57 | ✓ 86 and 87 |
| Diversity and Equal Opportunity | | | |
| G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | 15 | ✓ 86 and 87 |
| Equal Remuneration for Women and Men | | | |
| G4-LA13 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation | The ratio is 1 | ✓ 86 and 87 |

| | | Pg. in Report | External Assur. |
|--|--|-----------------|-----------------|
| Supplier Assessment for Labor Practices | | | |
| G4-LA14 | Percentage of new suppliers that were screened using labor practices criteria | 42 | ✓ 86 and 87 |
| G4-LA15 | Significant actual and potential negative impacts for labor practices in the supply chain and actions taken | 42 and 43 | ✓ 86 and 87 |
| Labor Practices Grievance Mechanisms: Non-material aspect | | | |
| DMA-HR | Management Approach - Human Rights | 42-43 and 58-59 | ✓ 86 and 87 |
| Subcategory: Human Rights | | | |
| Investment | | | |
| G4-HR1 | Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | 42 | ✓ 86 and 87 |
| G4-HR2 | Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | 72 | ✓ 86 and 87 |
| Non-discrimination | | | |
| G4-HR3 | Total number of incidents of discrimination and corrective actions taken | 71 | ✓ 86 and 87 |
| Freedom of Association and Collective Bargaining | | | |
| G4-HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights | 58 | ✓ 86 and 87 |
| Child Labour | | | |
| G4-HR5 | Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor | 42 and 71 | ✓ 86 and 87 |
| Forced Labour | | | |
| G4-HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | 42 and 71 | ✓ 86 and 87 |
| Security Practices | | | |
| G4-HR7 | Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations | 71 and 72 | ✓ 86 and 87 |

| | | Pg. in Report | External Assur. |
|--|---|---------------|-----------------|
| Indigenous Rights: Non-material aspect | | | |
| Evaluation: Non-material aspect | | | |
| Supplier Human Rights Assessment | | | |
| G4-HR10 | Percentage of new suppliers that were screened using human rights criteria | 42 | ✓ 86 and 87 |
| G4-HR11 | Significant actual and potential negative human rights impacts in the supply chain and actions taken | 42 | ✓ 86 and 87 |
| Human Rights Grievance Mechanisms: Non-material aspect | | | |
| DMA-SO | Management Approach - Society | 50-53 and 72 | ✓ 86 and 87 |
| Subcategory: Society | | | |
| Local Communities | | | |
| G4-SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | 50 to 53 | ✓ 86 and 87 |
| G4-SO2 | Operations with significant actual and potential negative impacts on local communities | 50 and 69 | ✓ 86 and 87 |
| Anti-Corruption | | | |
| G4-SO3 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified | 72 | ✓ 86 and 87 |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | 72 | ✓ 86 and 87 |
| G4-SO5 | Confirmed incidents of corruption and actions taken | 72 | ✓ 86 and 87 |
| Public Policy: Non-material aspect | | | |
| Anti-competitive Behavior | | | |
| G4-SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | 72 | ✓ 86 and 87 |
| Compliance | | | |
| G4-SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | 69 | ✓ 86 and 87 |
| Supplier Assessment for Impacts on Society: Non-material aspect | | | |

| | | Pg. in Report | External Assur. |
|--|--|---------------|-----------------|
| Social Impact Grievance Mechanisms: Non-material aspect | | | |
| DMA-PR | Management Approach - Product Responsibility | 38-41 and 69 | ✓ 86 and 87 |
| Subcategory: Product Responsibility | | | |
| Customer Health and Safety | | | |
| G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | 41 and 69 | ✓ 86 and 87 |
| G4-PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes | 69 | ✓ 86 and 87 |
| Product and Service Labelling | | | |
| G4-PR3 | Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements | 67 and 69 | ✓ 86 and 87 |
| G4-PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes | 67 and 69 | ✓ 86 and 87 |
| G4-PR5 | Results of surveys measuring customer satisfaction | 36 | ✓ 86 and 87 |
| Marketing Communications | | | |
| G4-PR6 | Sale of banned or disputed products | 41 | ✓ 86 and 87 |
| G4-PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes | 73 | ✓ 86 and 87 |
| Customer Privacy | | | |
| G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | 39 | ✓ 86 and 87 |
| Regulatory Compliance | | | |
| G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | 73 | ✓ 86 and 87 |

1 There have been no significant changes that affect the comparability of the report.

2 The information is not available for technical reasons at the time of publishing the report. Appropriate procedures for facilitating their publication in the future will be in place in the medium term.



Glossary

ADSL: Asymmetric Digital Subscriber Line AEPD: Spanish Data Protection Agency.

AMETIC: Multisectorial Trade Association for Electronics, Information and Communications Technologies, Telecommunications and Digital Content Industries.

AOPM: Association of Operators for Mobile Portability.

APTENT: Company specializing in accessibility for the hearing and visually impaired, communication and new technologies.

AR: Autonomous Regions.

ASPACE: Cerebral Palsy Association of Spain.

CEO: Chief Executive Officer.

CEP: Code of Ethical Purchasing.

CNMC: National Markets and Competition Commission.

CNSE: Spanish Confederation of the Deaf.

COCEMFE: Spanish Coordinator of the Physically Disabled.

COGAMI: Galician Confederation of People with Disabilities.

D2D: Door to Door.

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization.

EMF: Electro Magnetic Fields.

ENPS: Employee Net Promoter Score.

FDD: Frequency Division Duplex.

FEAPS: Spanish Federation of Organizations in support of Persons with Intellectual Disabilities.

FEMP: Spanish Federation of Municipalities and Provinces.

FSC: Forest Stewardship Council.

FTE: Full Time Employee.

FTTH: Fiber To The Home.

GBI 2013: Global Biking Initiative.

GRI: Global Reporting Initiative.

GSMA: Groupe Speciale Mobile Association.

IAE: Business Tax.

IARC: International Agency for Reserch on Cancer.

ICT: Information and Communication Technology.

IGIC: General Indirect Canary Islands Tax.

IIRC: International Integrated Reporting Council.

IPSI: Production, Services and Import Tax in the Cities of Ceuta and Melilla.

IVR: Interactive Voice Response.

IWF: Internet Watch Foundation.

JAC: Joint Auditing Cooperation.

KPI: Key Performance Indicator.

LEED Certification: Leadership in Energy & Environmental Design Certification System.

LTE: Long Term Evolution, 4th Generation Mobile Telephony.

M2M: Machine to Machine.

MNO: Mobile Network Operator.

MVNO: Mobile Virtual Network Operator.

NCUS: Net Cost of the Universal Service.

NGA: New Generation Access.

NGO: Non-Governmental Organization.

NPE: Non-Profit Entity.

NPS: Net Promoter Score

NTO: National Transplant Organization

NYSE: New York Stock Exchange.

ONCE: Spanish National Blind Organization.

OPEX: Operating Expense.

P. A.: Public Authorities.

PIN: Personal Identification Number.

SATI: Technical Advice and Information Service of the Spanish Federation of Municipalities and Provinces.

SCM: Supply Chain Management.

SMS Premium: Premium Short Message Service.

SSL: Spanish Sign Language.

TDD: Time Division Duplex.

T-NPS: NPS from direct contact with the Customer.

TRC: Telecommunications Regulatory Commission.

UMTS: Universal Mobile Telecommunications System (3G: 3rd Generation).

UN: United Nations.

VPC: Vodafone Procurement Company.

WEEE: Waste Electrical and Electronic Equipment.



Annual Financial Statements

Only available in the Spanish version.