

We need to go further

A message from Sir David Arculus, Chairman O2 plc

GRI References: 1.1, 1.2, 3.18, 3.19 and 3.20



O2 operates in one of the most dynamic sectors of the economy. In a relatively short time the mobile phone has become a mass consumer product, seen by most people as an indispensable part of life, at home and work, and a force for good in society. With innovative new products and socially useful services emerging all the time we are confident this will remain the case.

Since becoming Chairman I have been impressed by the commitment and enthusiasm of O2 people, evidenced by the building of a successful business, and ensuring that mobile is a force for good. Whether it is delivering a fun ringtone or an important message from a relative, whether it is sending a vital piece of information to a police officer on the street or enabling a donation to a charity, or whether it is simply letting people talk to each other, O2 is focusing on enriching people's lives and contributing to safer communities.

Of course, we start from an ambition to provide great experiences, good products and excellent service to all our 24 million customers in the UK, Germany, Ireland and the Isle of Man. We are also determined to ensure that in every way we touch people's lives it is for the better, and adverse impacts are minimised. We have clear strategic objectives:

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

As Chairman my role is to lead and inspire from the top. I have set out to make clear that whilst we want to create value for our shareholders, we also have a duty to contribute to wellbeing and safety in the community. Indeed I do not believe we can do one without the other. I know we will have succeeded when 100 per cent of our employees are proud to work for O2, live to the highest levels of integrity, and pursue the most responsible business practices. This report shows that we have made great progress in this regard, and also sets out some of the ways in which O2 takes its responsibilities seriously.

We believe we have successfully embedded the social and environmental significance of what we do throughout our business. We believe we have put in place the structures and processes to ensure that the strategic framework adopted by the O2 Board is being delivered through every business decision we make. Backed up by risk management, internal audit, remuneration based on meeting targets, and external auditing of this report, we have succeeded in remaining the highest scoring mobile operator in some of the key indices. O2 was also awarded best Corporate Responsibility Programme of the Year in the European Strategic Risk Management Awards.

We are trying to meet our social obligations in a number of ways. Most notably the work we have done to make sure that mobiles are safer for children to use, with information leaflets, texting clinics and technology to prevent access to inappropriate contact and content.

We have made efforts and investments to ensure that the best possible knowledge about the health effects of mobile is available to all our customers. We have recently committed a further half a million pounds

of funding for independent research, and we continue to work towards ensuring that our masts are sited sensitively through public meetings, consultation, and a dedicated helpline.

Our efforts to reduce our environmental impact are bearing fruit. We have reached our highest level of electricity from renewable sources, whilst 48 per cent of our office waste has been recycled. We were the first mobile operator to achieve accreditation to the environmental management standard ISO 14001 across all our operations.

Over 80 per cent of our employees say they are proud to work for O2. In Ireland we have been recognised as the Best Company to Work For with more than 1,000 Employees, and are in the top 5 best workplaces in Europe.

We have completed the roll-out of the UK's first national police communications service which is already helping to build safer communities by delivering communications where and when it is most needed.

Beneath the headlines lies a detailed attention to the particular impact we can make on individuals. Of course there is more to do. We met most of our corporate responsibility objectives this year, and we have set additional and more demanding goals for 2005/06. We will continue to measure and monitor our impact on the physical environment and on society. We strive towards excellence.

Sir David Arculus,
Chairman O2 plc
24 June 2005

Concentrating on the customer

An introduction from Peter Erskine, Chief Executive Officer O2 plc

GRI References: 1.2 and 3.19



2004/05 was a busy and successful year for O2. Yet I believe we grew stronger last year by holding on to a simple idea – that we should pace ourselves and concentrate on doing a few important things exceptionally well.

We were not, for example, among the first to launch 3G services, because we wanted to make sure important elements – network quality, functioning handsets, trained staff and compelling content – were in place first.

Nonetheless, we were at the forefront in highlighting the potential hazards of mobile content to young people, providing parents with the necessary information to allow them to understand and manage their children's use of phones safely, protecting them from harmful content and contacts that can occur through mobile internet access. We aim to further improve our communications in this field over the coming year.

This is part of the increased focus we are giving to our customers.

Our customer centred strategy recognises that – in a fiercely competitive marketplace, where people are happy to shop around for the lowest prices and the latest devices and services – quality, value and innovation are what will really set O2 apart from the crowd and make our customers come back to us time after time.

Customers want excellent technology, compelling products and services, useful and entertaining content, simple and clear pricing. We want to be better than our competitors at providing these things. That's why we marked the end of our financial year by promising to

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switch more of our resources, including an extra 2,000 staff, to the front line of customer service. This means that now around three quarters of our employees will be directly customer facing.

Customers also want to be comfortable with us as a company. They want to be able to trust us. That's why we need to show that we behave responsibly and with due care. This influences people's choices, as consumers and as citizens. It makes absolute business sense to devote the time and effort we put into responding to the concerns of customers and other stakeholders. Only by increasing our dialogue with them can we really hope to understand and respond to their needs. We are committed to increasing that dialogue.

People in O2 understand that meeting the needs of our customers is critical. We made it a priority last year to stress its importance in presentations to employees. And we have given each of our operating businesses – in the UK, Germany, Ireland and the Isle of Man – the lead role in making sure responsible practices are being applied across our operations. Why? Because they are closest to our customers and best placed to respond to people's needs and concerns.

This report will give you many examples of how we have taken this work forward during the year. You will see it in our environmental performance, where we were the first mobile operator to achieve ISO 14001 accreditation for all our operating businesses. You'll see it in the work we are doing in all our markets to make mobile services safer for young people and the progress we are making in areas such as employee wellbeing programmes and in our 'Can Do in the Community' investment initiatives, which go from strength to strength.

Corporate responsibility sounds like a dry concept. But it describes a significant shift in business thinking, forcing us to ask important questions about the balance of how we do things.

There is, for instance, a balance between what we want to offer our customers, people inside the Company and the communities we serve. If we want to provide real value for our customers it is essential we value the people who work for O2. We can only serve a wide range of customers with modern products and services if we provide an inclusive and modern workplace. We can only make a real difference in our communities when we give our employees the opportunity to bring their energy and ideas to our community programme. Being serious about the safety of our customers and the public goes hand-in-hand with safeguarding the wellbeing of our employees.

This report has been prepared in accordance with the 2002 GRI guidelines. It represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance.

You may well want to know more or to share your views with us. If so, please get in touch using the contacts at the back of this report.

Peter Erskine,
Chief Executive Officer O2 plc
24 June 2005