

We are very proud of the strong community spirit in O2.



Involving

ACTION IN COMMUNITIES

Encouraging employee involvement | Local action | Youth and education | Inclusion, health and wellbeing | Environmental protection | O2 Community Awards Event | Emergency relief | Fundraising by text | Benchmarking | Community assurance statement

BITC AND GRI REFERENCES

COMMUNITY

2.18, 3.11, 3.12, 3.19, EC10, HR14, SO1, SO4

We are very proud of the strong community spirit in O2.

Our community programme – called ‘Can Do in the Community’ – aims to support charities and causes that can put mobile services to good use in society and give people in O2 opportunities to volunteer their time to the communities in which we work.

The active involvement of O2 people in these projects has an important role to play in developing the Company, fostering skills and strengthening our brand and reputation.

Across the Group, employees are now working as volunteers in our community projects. We also help employees who do important community jobs in their own right – such as working as school governors or on charity boards – offering paid time off to carry out their duties.

Encouraging employee involvement

Through our Can Do Matching scheme, we support employee fundraising activities by matching funds by up to a total of £350 for an individual and £1,500 for a team. Since the launch in 2003, more than 130 applications have been processed and more than £130,000 has been raised to benefit charities.

In the UK we operate Can Do Giving, a Give As You Earn scheme, through our payroll. This is an easy way for employees to support their favourite charities. Contributions are exempt from tax and include a further 20 per cent donation from the O2 Group. In 2004/05 we started individual online accounts, which have boosted participation by more than 100 people, and increased the uptake to 4.3 per cent of our UK workforce. We are now extending the scheme to our other businesses.

In 2004/05 our total cash donations as O2 Group reached £2.2 million, 0.7 per cent of pre-tax profits (£1.7 million in 2003/04). Apart from our in-kind and time donations, in the UK alone we gave in excess of £600,000 to charities and other organisations. Using the London Benchmarking Group (LBG) community investment standard, we have categorised 82 per cent of our contributions as cash, 14 per cent as in-kind service and product donations and four per cent as employee time.

In 2004, O2 won the Charities Aid Foundation Corporates and Communities Award for Online Reporting for an “outstanding contribution” to communications in corporate community investment.

Local action

We have devolved the management of our ‘Can Do in the Community’ investment programme to our individual operating businesses because they are best placed to understand local community needs. This activity is overseen by the Group Corporate Responsibility Forum and regularly reported to the Executive Committee and Board.

We try to work with charities that match the corporate responsibility challenges we face, such as child protection, privacy and recycling. We are naturally drawn to four main areas: youth, education, health and environment.

Youth and education

Group-wide we continued to work in partnership with the International Youth Foundation (IYF), voted by our employees as our main charity for 2003/04.

Known as 'What Youth Can Do', our two-year partnership concentrated on youth-related social issues in each of our main markets. Under the umbrella of this IYF partnership, O2 UK supported the Foyer Federation to address homelessness among young people and supported campaigns to help build independence among the young. O2 Germany established an online educational project with the German Children and Youth Foundation and O2 Ireland supported the Communication and Information Technology for Youth (CITY) programme in Ballymun in Dublin, helping vulnerable young people by giving them communication and creative skills through the use of technology.

In early 2005, O2 UK partnered with Weston Spirit as its new charity of choice. Weston Spirit aims to help disadvantaged young people and shares O2 UK's current commitment to the issues of youth at risk. O2 Germany has continued to support the award-winning project SCHOLA-21, an interactive learning and information network promoting self-confidence and citizenship skills among young people in European schools. Working with a media company and the Institute of Film in Science and Education, O2 Germany also helped produce an interactive learning programme – Polly and Fred – to promote responsible mobile phone use among children as part of the school curriculum.

Employees in Ireland continued to back Children's Hour, Junior Achievement and its existing partnership with Business in the Community to mentor secondary school children in Limerick and Galway.

Inclusion, health and wellbeing

In 2004/05 O2 Ireland asked employees to help formulate its community investment strategy. The employees expressed a desire to focus on young people with disabilities, particularly in the area of communication. During the year, O2 Ireland sponsored the first O2 Ability Awards, broadcast on national television, to recognise companies that demonstrate best practice in the recruitment and employment of people with disabilities. O2 Ireland also sponsored the RehabCare Gala Banquet that raised some of the funds needed to implement Ireland's first national suicide prevention programme.

O2 Germany has worked with the German Olympic Association to encourage sport and fitness among pre-school children. The business has also linked with Power Child, an organisation combating child abuse, and is examining further ways to get involved with child protection.

Manx Telecom, our business on the Isle of Man, has continued to support employee fundraising for a new £2.0 million hospice, which will have the island's first children's unit.

Environmental protection

We support a number of environmental organisations. Funds generated through our handset recycling schemes benefit, among others, Rainforest Concern and the National Tree Week in Ireland.

O2's support for Rainforest Concern allows the charity to establish watershed reserves in the Intag Region of Northwest Ecuador, one of the most biodiverse areas in the world.

Since the start of the partnership, Rainforest Concern has managed to double the size of watershed reserves to secure clean water supply for 15 communities comprising 920 families. The project has seen a total of 17,000 trees planted with a further 12,500 trees currently being propagated.



National Tree Week in Ireland takes place annually with the aim of distributing and planting 15,000 trees each year. Airwave has begun a volunteering scheme with the National Trust and the British Trust for Conservation Volunteers to protect beauty spots and reclaim disused industrial land.

O2 Community Awards Event

We launched the O2 Community Awards in October 2004 to recognise people in the Company working in their community and demonstrating skills beyond their job role. The judges, including community and employee representatives, short-listed a number of employees and donated £4,000 to each of their charities. The overall winner

CHART 1: Contribution across the Group (%)

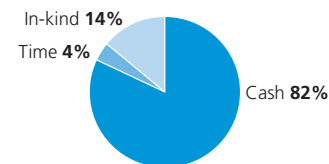


CHART 2: Geographical breakdown (%)

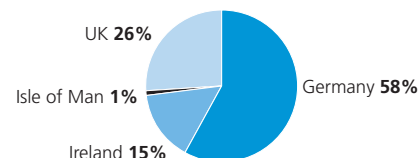


CHART 3: Main areas of involvement (%)

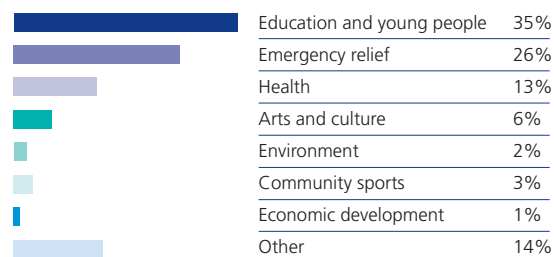
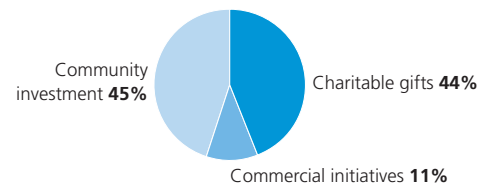


CHART 4: Breakdown per category for Group (%)



was an O2 Ireland employee working with the Cheshire Activity and Motivation Project (CAMP) which, as the winning organisation, received £10,000 from O2.

Emergency relief

There was overwhelming support from our employees and customers for the victims of the 2004 tsunami disaster.

With the rest of the industry, we set up a short premium rate text code for the public to make donations to the Disasters Emergency Committee. Administration costs were waived and, with agreement from HM Customs & Excise, all donations were zero-rated for VAT. Our network's appeal raised £1.0 million.

For several weeks, O2 Ireland waived call charges to the afflicted region and O2 Germany gave up space on TV advertisements to allow charities to publish their hotlines. All in all our direct contribution to tsunami appeals amounted to around £414,000 with employees contributing £133,000.

Fundraising by text

Donating by text is an innovative use of mobile as a fundraising mechanism for charitable causes. The Tsunami Earthquake Appeal and the Live 8 event in July 2005 are examples of how this mechanism can be used on a large scale in the UK. In both cases, O2 and the other UK operators have or will not profit from the appeals. Realising the benefits of text donations, we believe that an increasing number of charities will take up this new form of fundraising. O2 UK is currently identifying the set-up and management costs for facilitation of charity text donations. We are open to any suggestions of how this might be done more effectively or efficiently.

Benchmarking

The 2004 corporate responsibility assurance report by Ernst & Young highlighted a weakness in measuring the impact of our community projects. In response we developed a database to record and value our activities using software based on the London Benchmarking Group model. We have also worked with the Charities Aid Foundation to produce a grant monitoring procedure, with third party assessment, that will apply to any project worth over £5,000.

THE LONDON BENCHMARKING GROUP MODEL



1. Intermittent support to a wide range of good causes in response to the needs and appeals of charitable and community organisations, increasingly through partnerships between the company, its employees, customers and suppliers.

2. Long-term strategic involvement in community partnerships to address a limited range of social issues chosen by the company in order to protect its long-term corporate interests and to enhance its reputation.

3. Activities in the community, usually by commercial departments, to support directly the success of the company by promoting its corporate brand identities and other policies, in partnership with charities and community-based organisations.

4. The core business activities in meeting society's needs for cost-effective goods and services in a manner which is ethically, socially and environmentally responsible.

COMMUNITY ASSURANCE STATEMENT

The Corporate Citizenship Company has been commissioned to provide assurance of the community involvement section of O2 plc's corporate responsibility report 2005 (pages 35-37). Our approach was based on the principles of the AA1000 Assurance Standard, relating to materiality, completeness and responsiveness. Our work included independently consulting a sample of O2's community partners, using benchmarking techniques to assess comparative practice by other companies, checking the validity of key facts and assertions in the report, and reviewing community contributions data against the evaluation principles of LBG (London Benchmarking Group – managed by us on behalf of its 100 corporate members).

In our opinion, the report provides a fair and balanced representation of O2's community involvement activities. In particular, community partners attest to the quality of their relationships with the Company and the responsiveness it displays. We have found that the LBG evaluation principles have been correctly and consistently applied, with an effective Group-wide system for recording and reporting contributions. From our benchmark work, we believe O2's programme is notable for the clarity of its overall objectives and for its focus on the special contribution the business can make through its products and services.

Going forward, we believe an opportunity exists for O2 to use this clear focus to show the community and business benefits that are being achieved, by putting in place systematic measures of outputs and longer term impacts. With the growing emphasis on employee engagement, greater resources are being committed to the programme, both corporate and personal, and new possibilities are opening up for enhanced results.

The Corporate Citizenship Company
www.corporate-citizenship.co.uk
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