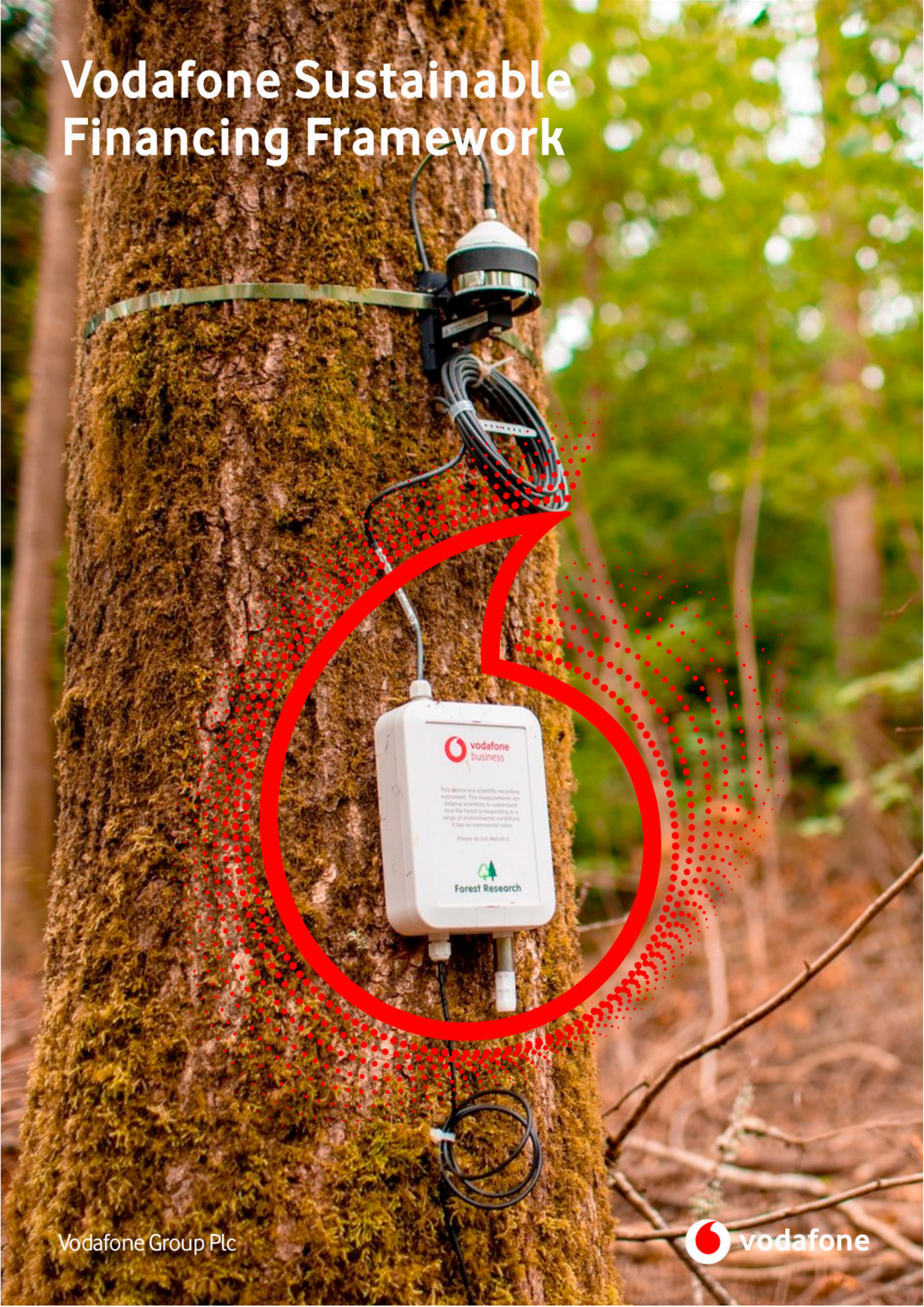
Vodafone Sustainable Financing Framework



Vodafone Group Plc

vodafone

Contents

1 Introduction

As part of its commitment to sustainability Vodafone Group Plc has designed this Sustainable and Sustainability-Linked Finance Framework (the 'Framework'). Under the Framework Vodafone can issue green, social, sustainability and sustainability-linked funding instruments to finance or refinance projects enabling the company to meet its environmental and social objectives. The Framework is designed in line with the International Capital Market Association's ('ICMA') Green Bond Principles ('GBP') 2021, Social Bond Principles ('SBP') 2021, Sustainability Bond Guidelines ('SBG') 2021 and ICMA's Sustainability-Linked Bond Principles ('SLBP') 2020. Sustainalytics have provided a Second Party Opinion on the Framework.

1.1 Profile

Vodafone is a leading telecommunications company in Europe and Africa. Our purpose is to "connect for a better future" enabling an inclusive and sustainable digital society. Our expertise and scale gives us a unique opportunity to drive positive change for society. Our networks keep family, friends, businesses and governments connected and – as COVID-19 has clearly demonstrated – we play a vital role in keeping economies running and the functioning of critical sectors like education and healthcare.

Vodafone is the largest mobile and fixed network operator in Europe and a leading global IoT connectivity provider. Our M-Pesa technology platform in Africa enables over 48m people to benefit from access to mobile payments and financial services. We operate mobile and fixed networks in 21 countries and partner with mobile networks in 49 more. As of 31 March 2021, we had over 300m mobile customers, more than 28m fixed broadband customers, over 22m TV customers and we connected 123m IoT devices.

1.2 Our Purpose

Our purpose – to connect for a better future by enabling inclusive and sustainable digital societies – serves as the framework for what we do at Vodafone. It is underpinned by our focus on three specific pillars: Inclusion for All, Planet and Digital Society. Each pillar is responsible for a range of key focus areas that seek to respond to evolving socio-economic challenges and to society's needs. Vodafone's social contract helps us drive forward and activate our purpose initiatives across all corners of the business. Launched in 2019, our social contract is the umbrella name for the difference we make in supporting society and the planet.

1.3 Inclusion for All

Our Inclusion for All strategy seeks to ensure no one is left behind. It focuses on access to connectivity, digital skills and creating relevant products and services, such as access to education, healthcare and finance. We are also committed to developing a diverse and inclusive global workforce that reflects the customers and societies we serve.

1.4 Planet

We believe that urgent and sustained action is required to address the climate emergency. Business success should not come at a cost to the environment, and we are committed to ensure the greening of all our activities. We also see a key role for our digital networks and technologies in helping to address climate change. Digitalisation is key to saving energy, using natural resources more efficiently and creating a circular economy.

As part of the acceleration guided by our social contract and our commitment to "build back better", we brought forward our target to purchase 100% renewable electricity in Europe from 2025 to July 2021. Building on previous commitments, we set a new Science-Based Target to eliminate our own carbon emissions by 2030 and set a 2040 net zero goal across our entire value chain.

1.5 Digital Society

We believe in the power of connectivity and digital services to strengthen the resilience of economies. Through our mobile and fixed networks, data flows at speed, connecting people and communities. In response to the COVID-19 crisis and informed by our social contract, we have shifted the focus of the Digital Society pillar towards digitalising critical sectors, whilst continuing to invest in our network infrastructure and coverage. We have specifically focused on small and medium-sized enterprises ('SMEs'), smart cities, agriculture and health.

1.6 Vodafone's ESG Committee

In May 2021, the Board formally approved the establishment of a new Committee of the Board, the ESG Committee. The objectives of the ESG Committee include the oversight of Vodafone's ESG programme: Purpose (Inclusion for All; Planet; and Digital Society), sustainability and responsible business practices, as well as Vodafone's contribution to the societies we operate in under the social contract. The Committee also monitors progress against key performance indicators and external ESG index results.

The Board believed that the ESG Committee will promote the long-term success of Vodafone, for the benefit of its members as a whole and our key stakeholders, by providing the Board with enhanced oversight of ESG matters. The establishment of a new ESG Committee is a strong signal to all our key stakeholders, and wider society, of the strength of Vodafone's commitment to its ESG programme and goals, and enhances the commitments made in the social contract.

1.7 Rationale for Sustainable and Sustainability-Linked Finance Framework

The creation of this Framework is a consistent and tangible step to further Vodafone's commitment to sustainability and to mobilise all of its stakeholders around this objective.

The Framework covers Green, Social, Sustainability and Sustainability-Linked Financing and allows for the alignment of our funding instruments with our material sustainability topics, related investments and targets. By further promoting our sustainability ambitions (both internally and externally) and reinforcing engagement with investors and other stakeholders, we believe any issuance will accelerate our journey towards our sustainability ambition.

2 Sustainable Finance Framework

In line with the ICMA's Green Bond Principles 2021, Social Bond Principles 2021, and Sustainability Bond Guidelines 2021, Vodafone's Sustainable Finance Framework is presented through the following four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework covers any Green, Social and Sustainability financing in various formats and currencies. In particular, Vodafone can issue three types of bonds under this Framework:

1. **Green Bonds** – for which the funds raised are exclusively allocated to Green Eligible Projects;
2. **Social Bonds** – for which the funds raised are exclusively allocated to Social Eligible Projects; and
3. **Sustainability Bonds** – whereby the funds raised are allocated to both Green and Social Eligible Projects.

2.1 Use of Proceeds

Vodafone intends to allocate the proceeds of Sustainable Financing to a portfolio of Eligible Sustainable Projects within the following eligible categories. Eligible Sustainable Projects can include asset values, investments and capital expenditure ('capex') and operational expenditure ('opex') associated with the eligibility criteria outlined below. Assets will qualify with no lookback period, while capex and opex will qualify with a three-year lookback period from the time of issuance.

2.1.1 Green Eligible Projects

GBP Eligible Project Category	Eligibility Criteria	SDG Mapping

Energy efficiency	**Network** projects within Vodafone's Mobile, Fixed, Core and Data Centres to achieve the decoupling of customer data growth from environmental degradation[1]. These include:
	– **Hardware** initiatives such as, but not limited to:
	  – Network modernisation programmes that increase energy efficiency and enable decommissioning of less efficient legacy equipment, RAN sharing, data centre upgrades that improve Power Usage Effectiveness ('PUE'), cooling, power- and sub-metering solutions.
	– **Energy Optimisation and Storage** projects such as, but not limited to:
	  – On site generation hybrid technology, which integrates energy supply with onsite battery storage. Lithium-ion, lead carbon and flow batteries. Fuel cells and large-scale energy storage.
	– **Software** such as, but not limited to:
	  – Remote and data management applications, machine learning, data analytics and artificial intelligence ('AI') applications to reduce power consumption and GHG emissions associated with field maintenance.
	– **Research & Development** such as, but not limited to:
	  – The 'Green Island', an innovation hub for energy efficiency. Evolution of Self Organising Networks ('SON') including AI dynamic power management (active network demand pattern recognition to dynamically switch between power modes) and digital process transformations (e.g. automation of maintenance processes).
		7 AFFORDABLE AND CLEAN ENERGY
		7.3
		8 DECENT WORK AND ECONOMIC GROWTH
		8.4
		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
		9.4

1. Exclusionary: Products and solutions developed specifically to support the mining and fossil fuel industry/infrastructure

2 Sustainable Finance Framework (continued)

2.1.1 Green Eligible Projects (continued)

GBP Eligible Project Category	Eligibility Criteria	SDG Mapping
Energy efficiency (continued)	**Internet of Things ('IoT')**[1] – As a recognised world leader in IoT services, Vodafone is helping its customers to manage energy more efficiently and reduce their emissions though our global IoT Platform. Eligible investments include the development and operation of networks, platforms, services and products that are specific to enabling IoT. – **Network and platform** projects that enable IoT such as, but not limited to: – Low Power Wide Area ('LPWA') communication. The two key LPWA technologies are Narrowband IoT ('NB-IoT') and LTE-M (LTE for Machine Type Communications). In combination with Vodafone IoT Connectivity Platform and Global SIM, these investments support: industry automation, smart metering, smart lighting, smart cities, sharing economy (e.g. shared bikes) etc. – Mobile Private Networks ('MPN') support various sectors and industries dealing with sensor data monitoring, tracking, robotics, self-driving or autonomous guided vehicles ('AGVs'), connected workers and more. – Multi Access Edge Computing ('MEC') moves the cloud closer to the device, reducing latency, increasing speeds and near real-time decision making, with no need to cross the network. Furthermore, computing can be moved off device to more efficient edge servers. – **IoT solutions and products** such as, but not limited to: Utilisation of big data and artificial intelligence to create a platform with a comprehensive development toolset enabling solutions that contribute to managing energy consumption and the reduction of customer emissions, such as: smart data, smart metering, smart agriculture, logistics and smart cities.	7.3 8.4 9.4
Onsite renewable energy	**Renewable** projects to improve Vodafone's energy mix, in alignment with Vodafone's 2025 100% renewable electricity target. These include areas such as: solar and wind.	7.2
Green buildings	**Green buildings** or operations that meet regional, national or international recognised standards or certifications. – Top 15% most energy efficient buildings in the region, defined via Energy Performance Certificates, building codes or building years. – Refurbished buildings with a demonstrated energy efficiency improvement of at least 30% or two steps in energy performance label compared to original built quality. – Certified buildings at a minimum of LEED Gold, BREEAM Very Good or equivalent. Specific renovations that improve energy efficiency by more than 30%, for example the installation of LED lighting.	11.3 11.10
Circular economy	**Circular economy** investments that aim to reduce the environmental impact of projects and services throughout their lifecycle by: extending product-life, eco-designing, recycling or giving equipment a second life, to reduce the impact of electronic waste on the environment.	12.5

1. Exclusionary: Products and solutions developed specifically to support the mining and fossil fuel industry/infrastructure

2 Sustainable Finance Framework (continued)

2.1.2 Social Eligible Projects

Eligible SBP Project Category	Eligibility Criteria	SDG Mapping
Access to essential services	**Connectivity** projects to support access to telecommunications providing fast and reliable connectivity, which is essential for citizens and business in rural communities, enabling economic growth and digital inclusion. We include projects such as: – **Expansion of Next Generation Access fixed network** in underserved areas through investments in fixed deployments delivering 30Mb+ or Very High Capacity Networks ('VHCN') through FTTP or DOCSIS 3.1 or later. Target population: populations in underserved areas.[1] – **Deployment of high capacity backbone networks** to connect regions for a better future. Such as, installation of submarine and terrestrial cable networks to connect underserved regions. Target population: populations in underserved areas.[1] – **Expansion of Next Generation Access mobile network** in rural areas where existing coverage is limited. Projects include piloting new technology such as OpenRAN to engineer the access network in rural communities. We will also include pioneering projects undertaken in partnership with AST & Science LLC to develop the first space based 4G and 5G mobile network, transforming coverage in Africa. Target population: populations in underserved areas.[1]	9 Industry, Innovation and Infrastructure 9.1 9.c

Socioeconomic advancement & empowerment	**Financial and economic inclusion** projects that support access to financial services and markets. We include projects such as:
	– **M-Pesa** – As the first mobile money transfer service M-Pesa provides financial services to over 48 million people (as at 31 March 2021) who have a mobile phone but limited access to a bank account. It is also widely used to manage business transactions and to pay salaries, pensions, agricultural subsidies and government grants, and reduces the associated risks of robbery and corruption in a cash-based society.
	Target population: populations with limited access to a bank account.
	– **Mezzanine** – Digitalising agriculture in sub-Saharan Africa by giving smallholder farmers access to agricultural inputs, financial services like insurance, logistics suppliers, buyers and markets and knowledge through a digital agri-ecosystem called Connected Farmer.
	Target population: smallholder farmers.
	– **Supporting services** – Connectivity, M-Pesa and Mezzanine platforms enable the development of additional services that increase access to essential services and improve socioeconomic advancement. Examples of eligible investments include:
	  – Development of mobile health and platform technology to extend access to health services throughout Africa.
	  – Programmes that empower women by connecting them to the information, support and services they need.
	  – Responding to natural crises such as: providing network capacity and services for critical government functions during COVID-19, big data decision making and vulnerable customer support (e.g. enabling digital learning through free data and SIMs for schools).
	Target population: in emerging and developing countries, especially families in remote areas.
		8 Decent Work and Economic Growth
		8.3
		10 Reduced Inequalities
		10.2

1. One or more of the following criteria must be met:
   – White or grey (mobile only) spots, where customers have no service or choice of provider.
   – Areas that are identified by local governments, or government backed initiatives targeting rural roll out.
   – Areas with fewer than 300 inhabitants per square kilometre.
   – Rural areas defined by local entities, taking into account government definitions.
   – Areas limited by network bandwidth or only one submarine/terrestrial cable

2 Sustainable Finance Framework (continued)

2.1.2 Social Eligible Projects (continued)

Eligible SBP Project Category	Eligibility Criteria	SDG Mapping
Employment generation	**Supporting SMEs'** projects include initiatives aimed at supporting SMEs in the digital environment, such as: – **V-Hub** – launched by Vodafone Business in 2020. The free service provides access to online information, putting businesses in direct touch with experts to advise on digitalising their business. Target population: SMEs **Supporting employment** projects include the development and running of programmes, such as: – **Connected learning** programmes to enable some of the most vulnerable communities living in areas where Vodafone operates to access quality learning. As at 31 March 2021, Vodacom's ConnectU platform provided over 15.5 million Vodacom customers with free access to a range of services covering health, education, safety and security, social media and jobs. – **Future Jobs Finder** for job seekers whose background is in non-technology fields. The Future Jobs Finder helps identify transferable skills and strengths, giving recommendations on tech professions and e-learning suited to people's backgrounds and skill sets. Since its launch, the Future Jobs Finder has supported over 600,000 people. – **Other** eligible expenditures include providing digital learning experiences for those aged 26 or under such as: one-week placements, job shadowing and the #CodeLikeAGirl programme. Target population: populations underrepresented in technology or with limited learning and employment opportunities.	4 QUALITY EDUCATION 4.4 8 DECENT WORK AND ECONOMIC GROWTH 8.5 10 REDUCED INEQUALITIES 10.2

2 Sustainable Finance Framework (continued)

2.2 Process for Project Evaluation and Selection

Projects financed and/or refinanced through Sustainable Finance proceeds are evaluated and selected by Vodafone's Sustainable Finance Committee, formed by representatives from Treasury, Sustainable Business, Energy Performance, Investor Relations and/or other parties to be nominated as subject matter experts.

The Sustainable Finance Committee will meet at least once a year and monitor the Eligible Sustainable Projects in each reporting period. It is also responsible for:

– The exclusion and replacement of projects which no longer fulfil the eligibility criteria.
– Updating this Framework to take into consideration changes in corporate strategy, technology and market developments.

Vodafone's Business Principles apply minimum environmental and social requirements and all applicable national and international environmental and social regulation for all its activities, including those financed with the proceeds of Sustainable Finance Instruments. Vodafone's key sustainability commitments and activities can be found in the Disclosure References section of the ESG Addendum on Vodafone's website.

Click to view our Sustainability Reporting webpage: **vodafone.com/about-vodafone/reporting-centre/sustainability-reporting**

2.3 Management of Proceeds

Vodafone intends to allocate the proceeds from the Sustainable Financing to an Eligible Project Portfolio. Projects will be selected in accordance with the Use of Proceeds criteria and the Evaluation and Selection process presented above.

Any Sustainable Finance funding raised is reflected and tracked in Vodafone's Treasury Management System ('TMS') for use towards financing or refinancing eligible projects. Internal budget / accounting systems or invoices are used to identify costs of projects, which are then marked against funds held in the TMS. Vodafone will strive, over time, to achieve a level of allocation for the Eligible Project Portfolio which matches the balance of net proceeds from its outstanding Sustainable Financing. Additional Eligible Projects will be added to the Vodafone's Eligible Project Portfolio to the extent required to ensure that the net proceeds from outstanding Sustainable Finance will be allocated to Eligible Projects.

Whilst any Sustainable Financing net proceeds remain unallocated, Vodafone will hold the proceeds in cash and /or invest in other short-term liquid instruments.

2.4 Reporting

Vodafone will make and keep readily available reporting, covering the allocation of net proceeds to the Eligible Project Portfolio and, wherever feasible, reporting on the impact of the Eligible Project Portfolio, at least at the category level. Reporting will take place within a year following the issuance of the applicable Sustainable Financing and will be renewed annually until full allocation of Sustainable Finance net proceeds.

Click to view our Sustainable Financing webpage : **investors.vodafone.com/debt-investors/sustainable-financing**

Vodafone intends to provide aggregated reporting for all its Sustainable Financing and other potential Sustainable Financing outstanding. Vodafone will align, on a best-efforts basis, the reporting with the portfolio approach described in *"Handbook – Harmonized Framework for Impact Reporting (June 2019)" and "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds (June 2019)."*

2.4.1 Allocation Reporting

The allocation report will provide:

– Total amount of investments and expenditures in the Eligible Project Portfolio.
– The amount or percentage of new and existing projects (financing vs. refinancing).
– The balance of unallocated proceeds.

2.4.2 Impact Reporting

The impact report may provide:

Green

– Direct abatement of greenhouse gas ('GHG') emissions (in tonnes CO_2e).
– Indirect abatement of greenhouse gas ('GHG') emissions (in tonnes CO_2e).
– Energy saved (in MWh).
– Sq. m. of green buildings.
– Amount of waste avoided (tonnes).

Social

– Number of new mobile users or homes passed in underserved areas.
– Number of additional mobile base stations in underserved areas.
– Estimated increase in the number of beneficiaries in the target population, including reach to vulnerable groups when available.
– Number of SMEs supported.

2.5 External Review

2.5.1 Second Party Opinion (pre issuance)

This Vodafone Sustainable Finance Framework has been reviewed by Sustainalytics, who has issued a Second Party Opinion. The Second Party Opinion as well as the Sustainable Finance Framework will be made available to the Sustainable Finance investors.

Click to read the Second Party Opinion: **investors.vodafone.com/debt-investors/sustainable-financing**

2.5.2 Verification (post issuance)

Vodafone intends to request, a Limited Assurance report or Auditor comfort letter to be produced on the information contained within the allocation of Sustainable Finance proceeds report. This will be completed within one year of issuance.

3 Vodafone Sustainability-Linked Finance Framework

In line with its sustainability commitments and strategy, Vodafone has put in place a Sustainability-Linked Finance Framework to link our funding with our sustainability objectives, leveraging ambitious timelines to achieve sustainability performance that is relevant, core, and material to our business.

This Framework is aligned with the five core components of the Sustainability-Linked Bond Principles published by ICMA in June 2020[1], and also takes into account the Sustainability-Linked Loan Principles, as published by the Loan Markets Association ('LMA') in May 2021[2]:

1. Selection of Key Performance Indicators ('KPIs')
2. Calibration of Sustainability Performance Targets ('SPTs')
3. Characteristics
4. Reporting
5. Verification

3.1 Selection of Key Performance Indicators (KPIs)

Vodafone has identified KPIs that are material to its core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the sector. These KPIs can be used individually or in combination on a deal-by-deal basis. The KPI(s) relevant to each issuance will be specified in the final terms of the notes.

Performance data included in the scope as at 31 March 2021:

- Our operating companies in the countries where we had operational control as of 31 March 2021: Albania, Czech Republic, Egypt, Germany, Ghana, Greece, Hungary, Ireland, Italy, Portugal, Romania, Spain, Turkey, the UK, Vodacom in South Africa and Vodacom Group's subsidiaries in the DRC, Lesotho, Mozambique and Tanzania; and
- Controlled operations under Vantage Towers, Vodafone Global Enterprise and Vodafone Group Services.

Performance data excluded from the scope as at 31 March 2021:

- Joint Ventures ('JVs') where Vodafone does not have operational control: VodafoneZiggo in the Netherlands, TPG Telecom Limited in Australia, Vodafone Idea and Indus Towers in India and our associate Safaricom in Kenya;
- Partner Market networks in which Vodafone neither has any equity interests nor holds an operating licence, including those Partner Markets that operate under the Vodafone brand;
- Countries in which we are required to hold an operating licence in order to provide local customer support to multinational enterprise customers but where we neither own nor operate any licensed telecommunications network infrastructure; and
- Retail stores that are Vodafone-branded by way of franchise and exclusive dealer arrangements but are not owned or operated by Vodafone.

Exceptions as at 31 March 2021

- Safaricom in Kenya is included for KPI & SPT 4.
- GHG emissions avoided as a consequence of active IoT connections on Vodafone's global IoT platform. (which includes some JVs and Partner Markets).

Full scope and how we report our KPIs can be found in Vodafone's ESG Addendum.

Click to download our latest ESG Addendum:
investors.vodafone.com/esgaddendum

1. International Capital Market Association
2. Loan Market Association

3 Vodafone Sustainability-Linked Finance Framework (continued)

KPI1: Percentage reduction of carbon dioxide equivalent (CO_2e)

Methodology:

Standards and guidance

Our methodology for the reporting of GHG emissions has been developed using the following guidance and standards:

- GHG Protocol standards and guidance, including the Corporate Standard, Scope 2 Guidance and Scope 3 Calculation Guidance;
- CDP guidance including the 2019 Climate Change Responders Pack and the Technical Note on Accounting of Scope 2 Emissions; and
- the Climate Disclosure Standards Board Climate Change Reporting Framework.

Data gathering process and methods

We use an electronic data collection process to gather our data. In the majority of the countries where we operate, energy usage data is based on invoices from our energy suppliers. In some countries, those bills are based on the supplier's estimated readings. Where data does not match our reporting period exactly – for example, where we only have 11 months of data – we forecast this information by extrapolation. For sites where energy invoices are unavailable, we estimate this information based on typical site consumption. Increasingly, we measure our energy consumption through smart metering, a technology that uses mobile communications to collect real-time consumption data from energy meters.

The levels of CO_2e will be recalculated to reflect any changes in Vodafone's business resulting from acquisitions, disposals or a change in control. The policy for recalculating the baseline is publicly available in the ESG Addendum.

Click to download our latest ESG Addendum:
investors.vodafone.com/esgaddendum

Baseline and historical data

Million tonnes of CO_2e	2020/2021	2019/2020 Baseline	2018/2019
Scope 1	**0.27**	0.28	0.26
Scope 2	**1.10**	1.67	1.88
Scope 3	**9.4**	9.5	10.7
Annual gross emissions	**10.73**	11.45	12.86

Data assurance:

Grant Thornton UK LLP provided limited assurance to Vodafone Group Plc over the data for the year ended 31 March 2021.

Materiality to business:

As a large owner and operator of infrastructure assets, climate change is a critical long-term risk for Vodafone. Vodafone is committed to understanding the extent and impact of the risk to be able to mitigate the challenges that climate change brings to us. We are therefore taking the necessary steps recommended by the Task Force on Climate-related Financial Disclosures ('TCFD') to assess the potential severity of the risks, and the potential value of the opportunities, so that we can maximise the positive impacts and minimise the negatives on our business.

Vodafone has identified 11 climate-related risks and three climate-related opportunities that have been assessed to have the potential to materially impact the business. Material risks are those that could have a significant effect on operations, strategy and financial planning if not managed appropriately. For example, a change in the cost of carbon offset or damage to/loss of infrastructure as a result of a change in sea levels globally. In terms of material opportunities, one such identified example would be an improvement in energy efficiency and how this will improve not just our financial performance but also the impact on the planet.

Vodafone has carried out high-level scenario analysis at the Group level to assess the impact and likelihood of the material climate-related risks and opportunities manifesting. Vodafone has also carried out more advanced financial scenario modelling for the potential impact of seven of these risks in some of our key markets.

Click to read our FY21 TCFD Report:
investors.vodafone.com/tcfd

Strategic significance:

In 2020, Vodafone set an approved 2030 Science-Based Target in line with reductions required to limit global warming increases to 1.5°C above pre-industrial levels, the most ambitious goal of the Paris Agreement. In doing so, Vodafone became the first major telecoms operator to follow the emission reduction pathway developed through a collaboration between ITU, GeSI, the GSMA and the Science Based Targets initiative for the ICT sector (setting out specific emissions reduction trajectories for mobile, fixed and data centres). Vodafone also committed to reaching full value chain 'net zero' emissions by 2040.

3 Vodafone Sustainability-Linked Finance Framework (continued)

KPI2: Avoided customer greenhouse gas emissions expressed in tonnes of CO_2e

Methodology:

To quantify the GHG savings for our customers enabled by our products and services, we have calculated – in conjunction with the Carbon Trust – the total quantity of emissions that we have helped our customers to avoid. The concept of the enabling effect of information and communications technology was introduced in the SMART 2020 report, and the methodology has since been developed by the Global e-Sustainability Initiative ('GeSI') and others. The GeSI Mobile Carbon Impact Report has been used as guidance for many of our calculations, according to the Carbon Trust methodology.

The starting point for the calculation is a list of our products and services that help customers avoid using energy or fuel. For each product or service, a GHG-saving mechanism has been identified and quantified based on an external study, an internal Vodafone study or documented expert assumptions. For example, we know that smart electricity meters can typically reduce a domestic customer's electricity usage by 3% per year – so the GHG abatement from one of our IoT smart meter connections is 3% of annual GHG emissions from a domestic home.

For each product and service, a unit of sale has been identified – for example, the number of smart electricity meter connections that we have sold. This unit of measurement is then multiplied by the GHG abatement savings for each type of application to provide the total saving for that application. The value for each product and service category is then added together to give the total GHG emissions abated by our technology.

It should be noted that a number of suppliers will contribute to providing an IoT application that enables a customer to avoid or reduce GHG emissions. We have not attempted to apportion emissions savings between ourselves and other suppliers in the value chain. We are careful in our reporting not to claim the avoided emissions as our own. Instead, we are clear that we are one of a number of parties who have helped our customers reduce their GHG emissions.

Click to download our latest ESG Addendum:
investors.vodafone.com/esgaddendum

Baseline and historical data:

Tonnes of CO_2e	2020/2021 Baseline	2019/2020	2018/2019
Annual tCO_2e saving	**7.1**	6.9	5.9
Cumulative tCO_2e saving	**7.1**	–	–

Data assurance:

Grant Thornton UK LLP provided limited assurance to Vodafone Group Plc over the data for the year ended 31 March 2021.

Materiality to business:

The EU has recognised that twin digital and green transformations are required at the centre of recovery plans for all regions, sectors and applications across the EU as they seek to drive efficiency and reduce their environmental footprint. For Vodafone, the most important contribution to tackling climate change is by enabling customers (including businesses and governments) to reduce their environmental footprint by using Vodafone's digital technologies and services.

Strategic significance:

Vodafone works with the Carbon Trust to calculate the total GHG emissions avoided as a consequence of our IoT technologies and services. We estimate that over 54% of Vodafone's 123 million IoT connections directly enabled customers to reduce their emissions in the past year. During the financial year ('FY') 2021, we estimate an avoidance of 7.1 million tonnes CO_2e, which is 5.2 times the emissions generated from Vodafone's own operations (Scope 1 and 2).

3 Vodafone Sustainability-Linked Finance Framework (continued)

KPI3: Percentage of women in management and senior leadership roles

Methodology:

Headcount of women in management and senior leadership roles divided by total headcount of all management and senior leadership roles. Management and senior leadership roles as at 31 March 2021 account for 7% of Vodafone employees.

Baseline and historical data:

Percentage	2020/2021	2019/2020	2018/2019
Women in management and senior leadership roles	**32%**	31%	31%

Materiality to business:

Equality of opportunity between men and women is a key indicator of long-term social stability and economic prosperity. However, women still remain under-represented within many companies, including at the most senior levels; women only occupy 17% of senior executive positions in the 600 largest companies in Europe[1]. Vodafone employs over 37,000 women directly and provides employment opportunities for hundreds of thousands more across our global supplier base.

Strategic significance:

We believe that achieving greater gender equality strengthens our company significantly, giving us a better understanding of the needs of the women, men, families and businesses who rely on our networks and services. Achieving gender equality in the workplace, at all levels, remains a significant challenge for most businesses, especially those of a global nature. To address this issue, Vodafone has a long-term ambition to have 40% of women in management roles by 2030.

KPI4: Millions of customers connected to mobile money services

Methodology:

Number of customers on the M-Pesa platform.

Baseline and historical data:

Millions of customers	2020/2021	2019/2020	2018/2019
Number of customers	**48.3**	41.5	37.1

Materiality to business:

Approximately 1.7 billion people[2] in the world still have no access to banking facilities, an issue that affects significantly more women than men. A cash-based society has many inherent problems, from safety and skimming (falsely registered workers) to the inability to get money to people who need it without significant travel, no possibility of getting a loan to start or improve a business, or accessing health or other kinds of insurance. Without the ability to transfer money, the most vulnerable and impoverished communities are restricted from receiving and sending money, saving, or accessing loans and insurance products, and starting up a business.

In 2007, together with our Kenyan associate, Safaricom, we developed the first mobile money transfer service, M-Pesa. The platform has since been rolled out in other markets where we have a presence and M-Pesa has become Africa's most successful mobile money service. M-Pesa provides financial services to millions of people who have a mobile phone but limited access to a bank account.

Strategic significance:

M-Pesa provides people with a safe, secure and affordable way to send and receive money. Further, it is also used to top-up airtime, make bill payments, receive salaries, get a short-term loan and supports business with transacting salaries, pensions, agricultural subsidies and government grants. M-Pesa inherently reduces the associated risks of robbery and corruption in a cash-based society. M-Pesa customers can also send and receive money across 200 countries and territories. We continue to expand our partnerships across the globe for inward remittances, helping migrants and their families receive their money in a fast, secure and convenient manner.

In the two largest M-Pesa markets by customer numbers, Kenya and Tanzania, M-Pesa's penetration of the GSM base as at 31 March 2021 was 90% and 62% respectively and generated 33% and 37% of those markets' service revenue, contributing significantly to their performance.

1. European Women on Boards, Gender Diversity Index 2020
2. World Bank 2017

3 Vodafone Sustainability-Linked Finance Framework (continued)

3.2 Calibration of Sustainability Performance Targets (SPTs)

SPT1a: To reduce our absolute Scope 1 and 2 carbon emissions by 95% by 2030 against a 2020 baseline.

SPT1b: To reduce our absolute Scope 3 emissions by 50% by 2030 against a 2020 baseline.

Calibration:
Vodafone has committed to reducing the company's total global greenhouse gas emissions to 'net zero' by 2040 and confirmed that its 2030 carbon reduction targets have been approved by the Science Based Targets initiative, in line with reductions required to keep warming to 1.5°C. Our SPT1a and 1b are absolute emissions targets that are part of our broader 'net zero' commitment:

– By 2030, Vodafone will eliminate all carbon emissions from its own activities and from energy it purchases and uses (Scope 1 and 2). Vodafone also pledged that by 2030 it will halve carbon emissions from Scope 3 sources, including joint ventures, all supply chain purchases, the use of products it has sold and business travel.
– By 2040, Vodafone will have eliminated Scope 3 emissions completely – bringing forward by ten years Vodafone's original 2050 ambition to reach 'net zero' across its full carbon footprint.

The Science Based Targets initiative ('SBTi') is a collaboration between CDP, the United Nations Global Compact, World Resources Institute ('WRI') and the World Wide Fund for Nature ('WWF'). The SBTi defines and promotes best practice in science-based target setting and independently assesses companies' targets in line with the latest climate science.

Vodafone's commitment to greenhouse gas reduction addresses two UN Sustainable Development Goals:

– 7 Affordable and Clean Energy: Despite significant progress over the last decade on improving access to electricity, increasing the use of renewable energy in the electricity sectors, and improving energy efficiency, the world is still short of achieving affordable, reliable, sustainable and modern energy for all.
– 13 Climate Action: Despite setbacks from COVID-19, preliminary data show global greenhouse gas emissions increased in 2020. The past six years, 2015–2020, are likely to be the six warmest on record. Climate change puts the achievement of many SDGs at risk. In order to limit warming to 1.5°C above pre-industrial levels as called for in the Paris Agreement, global efforts would need to reach net zero CO_2 emissions globally around 2050.

Strategy to achieve the SPT:
Vodafone will meet these targets through a combination of further investment in energy efficiency initiatives across our networks, particularly in power supply and cooling, and moving towards purchasing 100% of electricity from renewable sources. In July 2021, Vodafone's European networks became 100% powered by renewable energy and by 2025 we expect to achieve the same globally. In 2025 Vodafone Germany and Italy will become 'net zero' for their own emissions and in 2027 the UK will achieve the same.

Main risks to reaching target:
– Change in renewable energy and/or carbon pricing: increased prices vs traditional electricity supply, impacting Vodafone's economics of meeting its net zero target.
– Strategic transformation: organisational transformation and portfolio activity (such as integrations, mergers or separations).
– Instability of grid electrical supply, that requires the use of fossil fuel generators to keep sites operational.
– Limited development of a competitive renewable energy market in Africa.
– Scope 3: Our operation is dependent on a wide range of global suppliers. Disruption to our supply chain could mean that we are unable to execute our strategic plans, resulting in increased Scope 3 emissions.
– Adverse political and regulatory measures impacting our strategy.

3 Vodafone Sustainability-Linked Finance Framework (continued)

SPT2: Vodafone is committed to helping our business customers reduce their carbon emissions by a cumulative total of 350 million tonnes globally between 2020 and 2030.

Calibration:
Connectivity and IoT are critical enablers to delivering green impact across value chains. In March 2021, Vodafone became a founding member of the European Green Digital Coalition. The coalition brings together ICT sector companies to work together with EU policymakers and experts to drive investment in, and implementation of digital solutions in action against climate change. Vodafone signed a declaration of commitment to jointly setting a standard for carbon enablement and working with other sectors such as transport, energy and agriculture to unlock the power of green digital solutions.

Vodafone's commitment addresses UN Sustainable Development Goal 11, Sustainable Cities and Communities:

- Cities are experiencing rising slum dweller populations, worsening air pollution, minimal open public spaces and limited convenient access to public transport. Development and deployment of smart cities and IoT can address many of the difficulties cities are facing.

Strategy to achieve the SPT:
Energy production is a significant contributor to global emissions; for example in the EU it accounts for more than 75% of the CO_2 emissions. We can use data to trace where and when it is best to use electricity. This reduces wasteful and unnecessary consumption in agriculture, manufacturing, buildings and cities. Our products and services also support smart grid integration, helping the transition to renewable energy. Our digital solutions can reduce emissions by up to 37% in emission-intense sectors such as agriculture and transport.

Vodafone will meet these targets through a combination of approaches. For example:

- Smart agriculture: Connected monitoring devices and farming equipment enables farmers to manage their crops and livestock more efficiently. This results in lower emissions from fertilisers; lower impact on natural resources; restoration of biodiversity.
- Smart energy meters: Enabling households and businesses to monitor and reduce their energy use. This results in reduced energy consumption through behavioural change and next generation grid management.
- Smart cities: Optimising municipal services using Vodafone's Smart Cities Platform to deliver energy savings, reduce water waste and improve public transport. Resulting in more energy-efficient delivery of services such as public transport and street lighting (savings of up to 68% in past projects); better traffic flows and reduced congestion and emissions; less pollution and waste.
- Smart logistics: IoT technology in vehicles optimises route management, maintenance and driver behaviour. Resulting in cuts in fuel consumption of up to 30%; reduced emissions; less waste; supply chain traceability.
- Smart manufacturing: Connected machinery can be continuously monitored to reduce maintenance and downtime, as well as allowing remote monitoring to reduce engineer callouts. NB-IoT networks also enable low power sensors to reduce energy consumption. This results in increased energy efficiency, reduced wastage and pollution.

Main risks to reaching target:
- Transformation: Organisational transformation and portfolio activity (such as integrations, mergers or separations).
- Disintermediation and failure to innovate: Failure in product innovation or ineffective response to threats from strategic emerging technology or disruptive business models could lead to reduced relevance to customers and a loss of market share.
- Accelerated global shift to renewable supplies, leading to lower customer GHG emissions and therefore smaller GHG savings due to IoT.
- Global economic disruption: A global economic crisis could result in reduced growth in IoT.
- Technology failure: Network, system or platform outages resulting from internal or external events could lead to reduced customer satisfaction, reputational damage and/or regulatory penalties.
- New IoT specialists entering the market could lead to reduced growth in connections, limiting Vodafone's ability to meet its customer saving targets.

3 Vodafone Sustainability-Linked Finance Framework (continued)

SPT3: Vodafone aims to have 40% women in management and senior leadership roles by 2030.

Calibration:
Vodafone is committed to achieving our goal of having 40% of women in management by 2030. This target sits alongside other programmes that enable inclusion for all. For example, bringing 1,000 people back to work from career breaks and running initiatives such as #ChangeTheFace that help boost diversity in the technology sector.

As at 31 March 2021, Vodafone has reached 32% of women in management and continues to drive progress through our programmes, policies and leadership initiatives. Our progress and achievements to increase diversity were recognised with the inclusion of Vodafone in the Bloomberg Gender Equality Index and Refinitiv's D&I Top 100 during the year.

Vodafone's Inclusion for All commitments address UN Sustainable Development Goal 5, Gender Equality:

– The socio-economic impacts of COVID-19 have adversely affected progress made in recent years in relation to gender equality: violence against women and girls has intensified; child marriage, on the decline in recent years, is also expected to increase; whilst increased care work at home is affecting women disproportionately. The pandemic has highlighted the need to act swiftly to address existing gender inequality that remains pervasive globally and get back on track to achieve the goal of gender equality. Women have played a critical role in the response to COVID-19, as frontline health providers, care providers and as managers and leaders of the response and recovery efforts. Yet, they remain under-represented in critical leadership positions and their rights and priorities are often not explicitly addressed in response and recovery measures. The crisis presents the opportunity to re-shape and rebuild systems, laws, policies and institutions to advance gender equality.

Strategy to achieve the SPT:
As part of our approach, we ensure that there is gender diversity when resourcing for senior leadership roles and our leadership team is accountable for maintaining and encouraging diversity amongst their teams. Our drive towards this goal is evidenced by the following: (i) women in management targets are embedded in senior management's long-term incentive plans; (ii) 53% of our graduate intake were women; and (iii) to date, we have supported 564 people back into employment after a career break through our Reconnect programme, of whom 470 were women. Further, we have also connected with over 5,000 girls via our digital skills programme 'Code Like a Girl' since 2017. This includes 576 in FY21 alone and we note that the programme was continued throughout the COVID-19 pandemic by launching a digital coding classroom experience, available to all markets. In 2019, we were the first global company to launch a new HR policy for victims of domestic violence and abuse. Any employee who has faced abuse will have access to up to 10 days' additional "safe leave", giving them the time and support they need to manage their situation. Furthermore, our pioneering global parental leave policy is a cornerstone of our flexible working offer. Available across 30 countries, it gives every parent at least 16 weeks of fully paid parental leave and, when they return, a 30-hour week on full pay.

Main risks to reaching target:
– Failure of Vodafone to sufficiently develop internal talent to progress into management positions, combined with a scarcity of appropriately qualified external candidates.
– Female employee churn from increased employment opportunities at other firms.

SPT4: To connect over 68.2 million people and their families to mobile money services by 31 March 2024

Calibration:
As of 31 March 2021, 48.3 million customers were using M-Pesa (or equivalent), with over 15.2 billion transactions made in the year (1.7 million per hour on average) through a network of more than 918,500 agents.

Vodafone's commitment to increasing the number of M-Pesa customers addresses UN Sustainable Development Goal: 10, Reduce Inequality, and 1, No Poverty. Within this, target 10.c is to reduce the cost of sending remittances to less than 3% of transaction costs by 2030. This has already been met by M-Pesa in those markets where it has regulatory approval to offer outbound remittances. Financial inclusion is key to reducing extreme poverty and with the accessibility of M-Pesa, Vodafone can help to address the goals of no poverty and reduced inequality.

Strategy to achieve the SPT:
In the last year we disbursed €4 billion in loans and overdrafts across our markets. We also launched a lending marketplace in Tanzania and Mozambique to enable lenders to easily integrate and offer a range of credit products with tailored pricing and terms to millions of customers and businesses.

During the COVID-19 crisis, we implemented measures to support customers across our markets and promote digital payments as a safer way to transact than cash. These included removing fees on person-to-person transactions, increasing transaction and balance limits in partnership with the regulators and creating more flexible customer registration processes.

Main risks to reaching target:
– Adverse political and regulatory measures impacting our strategy and resulting in a competitive disadvantage or separation of the business.
– Strategic transformation: Organisational transformation and portfolio activity (such as integrations, mergers or separations).
– Disintermediation and failure to innovate: Failure in product innovation or ineffective response to threats from emerging technology or disruptive business models could lead to a loss of market share.
– Economic disruption: A global economic crisis could result in reduced growth of financial services.
– Technology failure: Network, system or platform outages resulting from internal or external events could lead to reduced customer satisfaction, reputational damage and therefore reduced growth.
– Shrinking or limited growth in addressable customer base, particularly where M-Pesa has high levels of penetration.

3 Vodafone Sustainability-Linked Finance Framework (continued)

3.3 Characteristics of the Sustainability-Linked Financing

For each Sustainability-Linked Finance Instrument issued under this Framework Vodafone may use a single SPT or a combination of multiple SPTs. If the SPT(s) has not been reached at the target observation date, as per the annual reporting published following the target observation date, a financial penalty will be payable by Vodafone.

The mechanism for payment of the financial penalty will be specified in the final terms of the notes and may include the following:

- An increase in the coupon margin or a premium to be paid by an amount specified in the documentation of the Sustainability-Linked Finance Instruments payable from the first coupon payment date following the target observation date until maturity or at the point of maturity as specified in the documentation (or until but excluding the coupon payment following the next target observation date if multiple observation dates have been defined).

In addition to the above options, which may be included on a standalone basis or in combination with one another on a deal-by-deal basis and specified in the final terms of the relevant notes, it is notable that three of the four KPIs are linked to executive remuneration, emphasising their strategic importance, increasing the accountability of the organisation's top management to achieving their success and creating a structural financial link towards incentivising their achievement. The details of the link to executive compensation can be found in our Annual Report.

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If, for any reason, the performance level against each SPT cannot be calculated or observed, or not in a satisfactory manner (non-satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor containing a reservation or the independent auditor not being in a position to provide such certificate), the financial penalty (as defined above) will be applicable. If, for any reason, the company does not publish the relevant SPT within the time limit as prescribed by the terms and conditions of the notes, the financial penalty will be applicable.

3.4 Reporting

Vodafone will communicate annually on the relevant KPIs and SPT, making up-to-date information and reporting available on its website.

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- Vodafone's integrated Annual Report and/or ESG Addendum will include the performance of the selected KPIs, including baselines where relevant, covered by an assurance statement of the statutory auditor.
- Following a target observation date, a verification assurance certificate confirming whether the performance on the KPI meets the relevant SPT will be published on Vodafone's website.

Any information enabling investors to monitor the level of ambition of the SPT (e.g. any update in Vodafone's sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of the KPIs and SPT) will also be published on Vodafone's website.

3.5 Verification

This Framework and the associated annual reporting will benefit from three layers of external verification:

- **Second Party Opinion** by a recognised ESG agency on the alignment of the Framework and the associated documentation with the Sustainability-Linked Bond Principles, including an assessment of the relevance, robustness and reliability of selected KPIs, the rationale and level of ambition of the proposed SPT, the relevance and reliability of selected benchmarks and baselines, and the credibility of the strategy outlined to achieve them, based on scenario analyses, where relevant.
- **An assurance statement** by an auditor on the KPI information included in our integrated Annual Report and/or ESG Addendum annually.
- **A verification assurance certificate** confirming whether the performance of the KPI meets the relevant SPT, published on Vodafone's website following a target observation date.

4 Disclaimer

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