

Modern slavery statement

2017

➤ Enter report

This statement covers our approach to minimising the risk of slavery and human trafficking in our operations and supply chain. It outlines specific measures and activities undertaken during the financial year ended 31 December 2017.



About this report

Introduction

25 million people across the globe are trapped in forced labour, debt bondage or trafficking. This figure has led the International Labour Organisation (ILO) to estimate that modern slavery is the second-largest criminal industry in the world, with profits of around \$150 billion USD a year. It's an issue here on home soil, too. It's thought that as many as 13,000 people are trapped in some form of modern slavery in the UK.

Telefónica UK Limited (Telefónica UK) is committed to fulfilling its obligations under the Modern Slavery Act 2015 (the Act). Increased transparency on this issue is essential to protecting vulnerable workers and preventing human rights violations.

We do not tolerate child labour, threats, coercion, abuse, violence or intimidation among our employees or in our supply chain. This position is made plain in our Business Principles and our Supply Chain Sustainability Policy.

25 million people globally
in forced labour



13,000 people
in the UK trapped in forced labour



A criminal industry with profits of
\$150 billion USD per year





About us

Our business

O₂ is the principal commercial brand of Telefónica UK, which is part of the global telecommunications group Telefónica S.A, headquartered in Spain and operating in Europe, and North, Central and South America.

O₂ is a one of the leading UK mobile network operators with over 32 million connections on our network. We operate from approximately 450 retail stores, four corporate offices and 14 additional UK offices with around 6,900 direct employees.

Telefónica UK owns two subsidiaries with small headcounts. These are Weve Limited, a media business, and giffgaff Limited, a mobile virtual network operator. In both cases, their employees and supply chains are managed by Telefónica UK and they operate to Telefónica UK policies.

32 million connections on our network



6,900
direct employees



450
retail stores



Our policies

Our business principles

We follow a set of principles underlined by honesty, trust, integrity, respect for the law, and human rights. These govern our day-to-day actions and apply to all employees, business partners and suppliers.

On issues of human rights specifically, we:



Respect the principles of the UN Universal Declaration of Human Rights, as well as the declarations of the International Labour Organization



Promote equal opportunities and seek to treat all individuals fairly and impartially, without discriminating with regard to race, colour, nationality, ethnicity, religion, gender, sexual orientation, civil status, age, disability, or family responsibilities



Do not tolerate (directly or indirectly) any type of child labour, forced labour, threats, coercion, abuse, violence or intimidation in our work environment



Respect our employees' rights to belong to the trade union of their choice

In 2017 we updated and strengthened our Business Principles, which can be accessed **here**. Our Business Principles along with the Telefónica UK **Supply Chain Sustainability Policy**, which is our supplier facing ethical code, are the main policies that address the risk of modern slavery in our business.



Inside our business

Our success depends on our people. We recruit and manage employees against a range of policies designed to create a great place to work. We believe employee diversity and the different perspectives it brings gives us a competitive advantage. We have a diversity and inclusion policy in place to support this and we set our pay and rewards packages to attract the market's best talent.

Our supportive policies on topics like paternity leave and flexible working make Telefónica UK accessible to all. Internal employee engagement surveys as well as external reference points, such as awards, show that Telefónica UK is a workplace of choice.

Our recent awards include:



Placed 35th in the Best Places to Work 2018 index, the only telecommunications company on the list



Silver awards in the Best Sales Programme award



Awarded Britain's Most Admired Company in the Telecommunications Sector



Inside our business (continued)

Training

All our employees must complete a training course on our Business Principles and ethical standards. In 2017, 99% of employees completed this training successfully.

Franchises

Some O₂ branded retail stores are franchises. These franchisee-operated stores sell products procured by Telefónica UK. Therefore all related supply chain risks are managed directly by Telefónica UK. We require all franchisees to conduct business in accordance with applicable legislation and regulations and to adopt our Business Principles or an equivalent. Franchisees that fall within the scope of the Act must comply, and we're continuing to work with them to understand their modern slavery risks by reviewing their statements and seeking improvements if necessary.

Reporting any concerns

We encourage anyone with concerns about modern slavery relating to Telefónica UK or our supply chain to use our **Confidential Help facility**. This facility allows employees, suppliers or members of the public to ask questions, make suggestions, report incidents, or lodge complaints anonymously.

Governance

Our Sustainability & Responsibility Council helps to manage social, environmental, and ethical issues in our business and oversees any associated risks. It reports to our board of directors.

With all this in mind, we believe there's a very low risk of modern slavery in our internal operations.



Our supply chain

Our supply chain and external risks

As a mobile network operator, we do not manufacture products. We procure devices, network equipment, software and services from our suppliers. It's in these global supply chains where we believe the greatest risk of modern slavery and human trafficking lies.

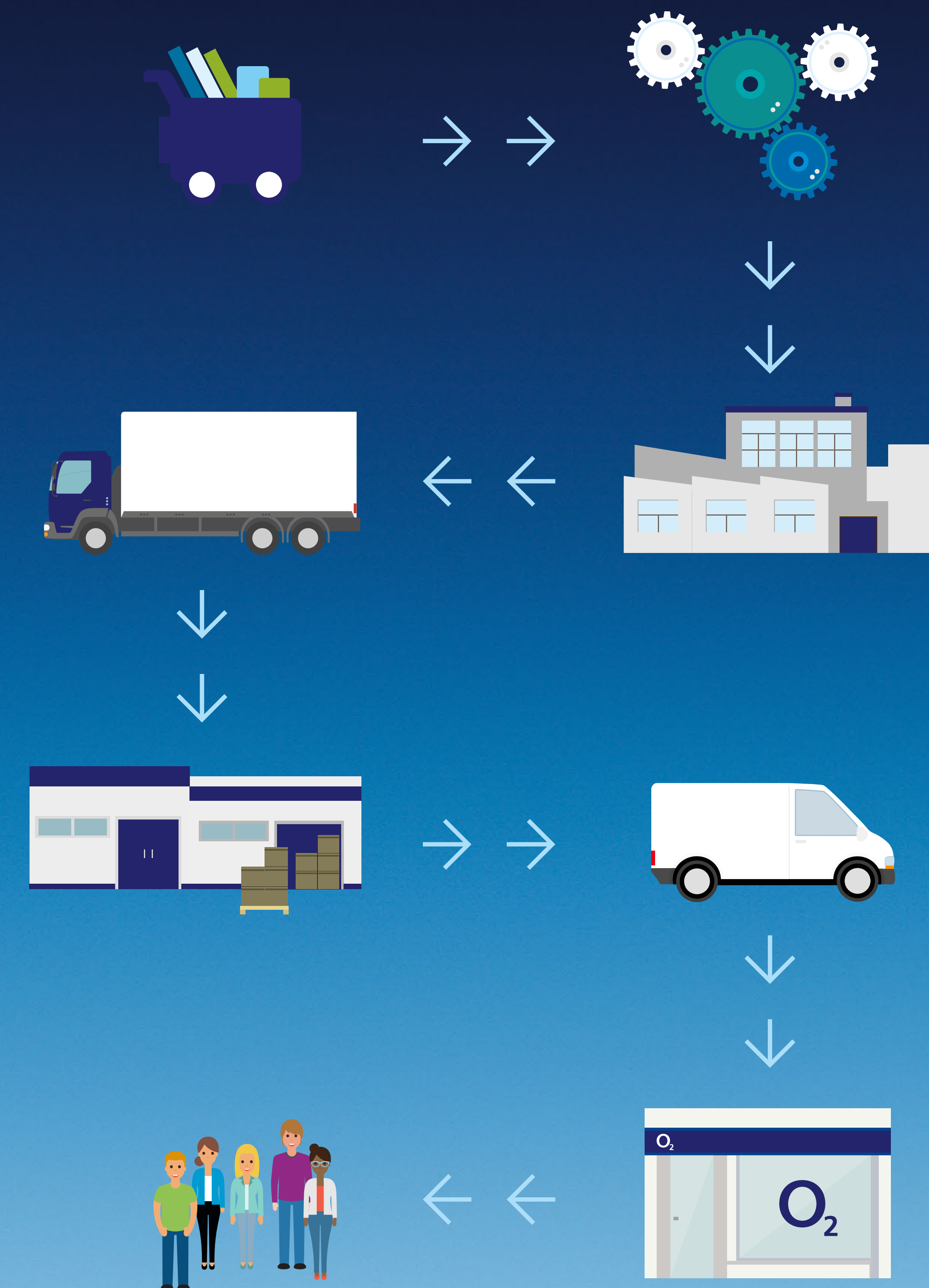
That's why our efforts in combating human rights abuse are concentrated on these areas, especially in countries where regulations and enforcement may not be as rigorous as in the UK.

We believe the biggest risks are most likely to lie below our direct suppliers and so we pay close attention to how they manage their suppliers.

We also procure local goods and services to support our general business functions, examples include:

- Catering, security and cleaning services, which we procure from a facilities management provider
- Cell site construction services, for which we use a small number of construction companies

The facilities management and construction sectors are identified as risk areas. As a result, we've prioritised these service areas for due diligence.





Our supply chain (continued)

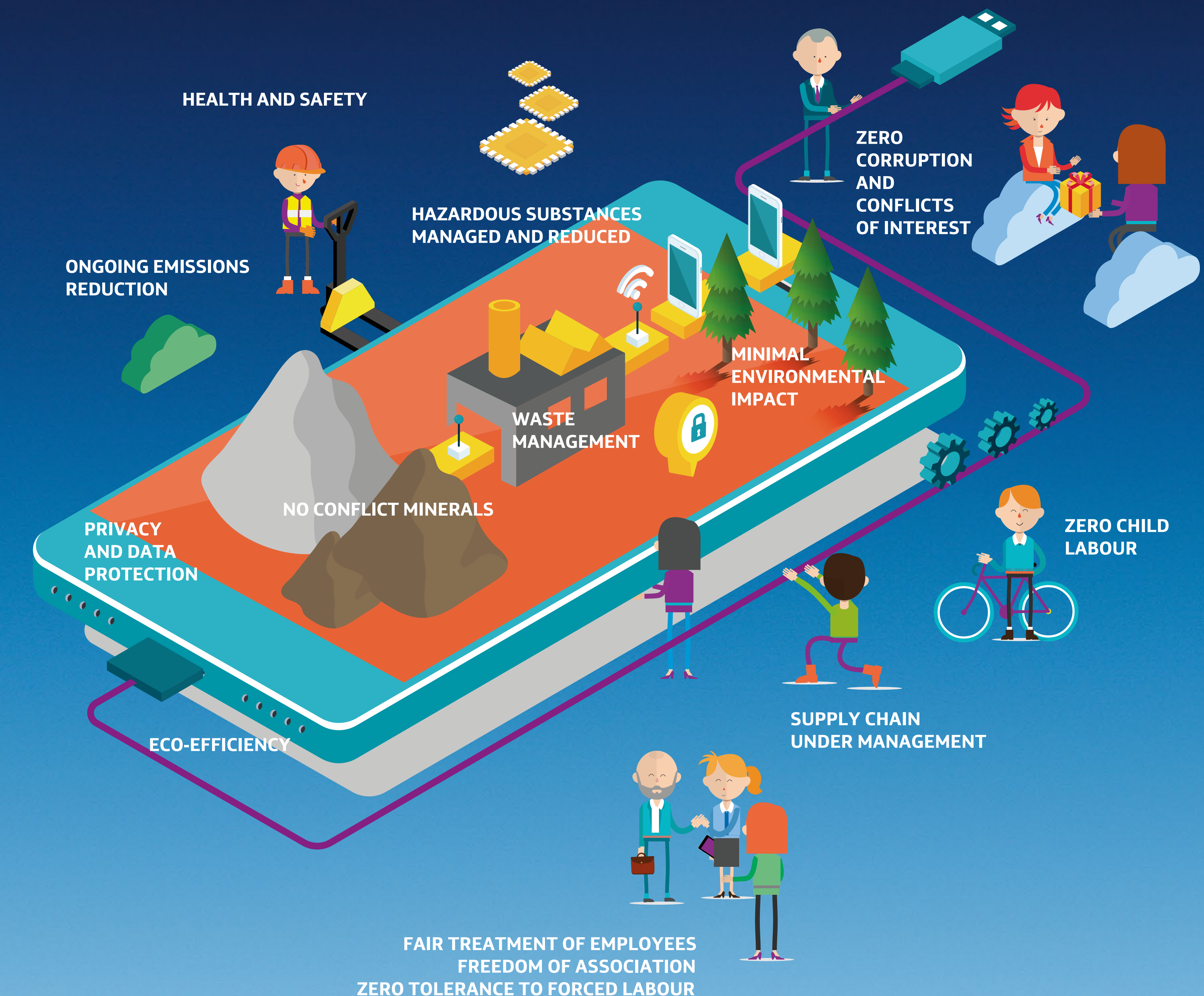
Managing our supply chain

Our commitment to responsible procurement is highlighted by the common management model we use across the Telefónica Group. This model is used for all purchases and helps to ensure suppliers comply with our ethical, social, environmental and privacy standards as set out by our Supply Chain Sustainability Policy.

This policy also details our expectations of all our suppliers' labour conditions and requires them to operate a defined policy and process to ensure that slavery and human trafficking is not taking place in their own businesses or supply chains. We reserve the right to require improvement or terminate business if we find out that any of our suppliers have violated this policy.

You can find full details of the Telefónica UK **Supply Chain Sustainability Policy** [here](#).

With all this in mind, we believe there's a low risk of modern slavery and human trafficking in our direct external operations, i.e. our direct suppliers. Moreover, we make sure our direct suppliers carry forward our Business Principles and the Telefónica UK Supply Chain Sustainability Policy into their own supply chains.





Due diligence

The issues surrounding forced labour can be highly complex. Indicators of a problem can include:

- Inappropriate recruitment fees or unfair employment terms
- Fines or other forms of unacceptable wage deductions
- Living accommodation operated under a curfew
- Involuntary or excessive overtime
- Withholding ID documents or visas

Due diligence is carried out to ensure that our policy requirements are respected. This includes:

- Policy and process reviews
- Third party online assessments by Ecovadis
- On-site audits by Telefónica UK, including private interviews with workers

Our due diligence to date has not identified any instances of modern slavery leading us to conclude that our policies and practices are being effective.

These are all practices we prohibit and look for when we conduct supplier due diligence.

We take a risk-based approach to due diligence as we consider both the nature of the supplier activity and its location. Labour intensive activities in at-risk regions where regulation may be weak, or regions identified as high risk by external bodies (such as the Global Slavery Index) are where we focus our attention. Suppliers employing migrant workforces are a particular target as we know that these individuals are vulnerable to exploitation.

Due diligence may be carried out before we sign contracts with suppliers and during a contract's term. Telefónica UK stands ready to address problems identified by due diligence through the imposition of an improvement plan or, in a serious case, the termination of an agreement.



Conflict minerals

Conflict Minerals are minerals that are mined and/or smelted in conditions of armed conflict and human rights abuses.

The minerals that are most commonly linked to conflict or human rights abuses are gold, tin, tungsten and tantalum, where they are mined in Indonesia, Democratic Republic of Congo or the Great Lakes Region in Africa.

These minerals are used in modern electronics, such as mobile phones and laptops, which is why we, as well as other telecommunication companies, are focussing on conflict minerals in particular when it comes to managing the risk of modern slavery.

Although we don't have a direct commercial relationship with foundries and mines, we expect any of our suppliers that do to minimise this risk as outlined in our Supply Chain Sustainability Policy by adopting policy and processes aligned to OECD guidelines. Managing the risk of conflict minerals has continued to be a routine part of our supplier due diligence in 2017.

Telefónica Group has published more information about its position on conflict minerals **here**.

⁵⁰
Sn
Tin

⁷³
Ta
Tantalum

⁷⁹
Au
Gold

⁷⁴
W
Tungsten



Collaboration

In order to maximise our ability to drive positive practices, we are:



Members of the Joint Audit Co-operation (JAC) which is an industry initiative made up of major telecom operators with the common objective to raise social, environmental and ethical standards within the ICT supply chain - as part of this collaboration we are working to strengthen our knowledge of how best to manage modern slavery risks.



Members of the Global e-Sustainability Initiative which is a global collaboration of major ICT companies that promotes and develops sustainability best practice in the ICT sector.



Signatories of the UN Global Compact and have embodied their Ten Principles on human rights, labour, environment and anti-corruption within out ethical codes.



Members of the Responsible Minerals Initiative which is a resource for companies addressing responsible sourcing issues for tin, tantalum, tungsten and gold.



2017 actions

Steps taken in 2017 to address modern slavery risks include:

New Activities

We have several hundred suppliers. Some we procure from directly, others indirectly and others we procure from as part of the Telefónica group. In all cases the same strong labour standards are applied. Although we mainly work with UK based businesses, their supply chains can stretch across the globe. We have therefore, in a trial, used third party tools to provide visibility of distant parts of our supply chain.

We decided we needed better visibility over how our franchisee partners manage their risks in relation to modern slavery so we worked with selected franchisees to review their approach, and where necessary, we requested improvements.

Due diligence

We identified suppliers whose modern slavery risks were heightened and engaged with them, seeking to ensure their policies and processes would minimise the risk. Where we found their approach to require furthering strengthening, we provided guidance and requested improvement. This has seen us focus on the suppliers involved in construction, infrastructure supply and facilities management.

Our ongoing risk based sustainability management of supplier's now routinely includes an evaluation of how suppliers approach the management modern slavery risk.

Collaboration

We held discussions with a major partner to share approaches and strategies to managing modern slavery risks in the supply chain.

Training

We have extended our Business Principles training to the employees of our franchisees' and maintained high levels of compliance with this training.



Next steps

Next steps

We recognise that the issues of slavery and human trafficking are complex and will require ongoing vigilance. We will continue to closely monitor the issue and report on our activities in subsequent statements.

In 2018 we will review the latest best practice and adopt any appropriate measures. Additionally, we will encourage franchisees and suppliers whose turnover is below the Act's threshold to prepare and share a Modern Slavery Statement. Our purpose in doing this is to ensure that we address all high risk areas and that we focus our due diligence based on risk indicators rather than turnover. We will also continue to focus on our direct supply chain and on our suppliers' management of their extended supply chains.

Wider sustainability reporting

For Telefónica combating modern slavery is part of a group-wide sustainability management programme. You can find more information on Telefónica's wider sustainability reporting **here**.

The Modern Slavery Statement was approved by the Board of Directors of Telefónica UK Limited and signed by the Chief Executive Officer on their behalf.

Mark Evans
Chief Executive Officer