

An underwater scene with a child in the foreground, reaching out towards a large school of fish. The water is blue, and there are bubbles rising from the top. The child is silhouetted against the bright blue water. The fish are various species, including large silver ones and smaller yellow-striped ones. The overall mood is one of wonder and connection with nature.

O₂

Non-financial report 2019



Contents

1. Responsible business.....	4
2. Commitment to society.....	6
Highlights.....	7
Policies	7
3. Commitment to the environment	8
Highlight	10
Governance.....	10
Policies	10
4. Ethics	12
5. Health and safety	14
Highlights.....	15
Reporting	15
Governance.....	16
Policies	16
6. Supply chain	18
Climate change.....	19
Waste.....	19
7. Governance	20
8. Risk and opportunity.....	22
Keeping children safe online	23
Environment	23
Supply chain.....	23
Modern slavery.....	25
9. Awards	26
Responsible business.....	27
On-line safety	27
10 Summary.....	29



Responsible business

O2's Blueprint is our plan for people and planet. It's our succinct way of referring to how we're committed to running our business responsibly for our customers, people, suppliers, partners and other key stakeholders.

Our current Blueprint launched in 2016 with one ambition: to help 20 million people live better with technology by 2020. This helps to give people confidence to enjoy and the opportunities to thrive in the digital world. The initiative also aims to help customers reduce their impact on the planet and ensures O2 operates and manages its business responsibly. By the end of 2019, we've helped more than 23.7 million people live better with technology and as a result we will be updating our Blueprint commitments in 2020.

Our current focus areas are:

- Helping parents and children to have the confidence to enjoy the digital world safely.
- Supporting young people with the means and skills to prosper by offering work experience and skills opportunities with O2 and other partners through Go Think Big.
- Reducing our customers and employees impact on the environment through enabling solutions that drive a positive impact on the planet. We're committed to doing what we can to protect the environment, and to help others do the same by delivering more sustainable choices.

We have placed responsibility and sustainability at the heart of our culture and organisation, with the support of our Responsible Business Taskforce, an internal body which provides leadership at an Executive and Senior Leadership Level. The Taskforce helps to identify and prioritise the issues that matter most to our business and stakeholders.

Diversity and inclusion: We aim to reflect the diversity of Britain and seek to be a leading inclusive employer. We ensure that we promote and encourage inclusion in every decision we make.

Ethical compliance: We strive to be an ethical business. We have developed a leading compliance culture which is reinforced by our Senior Leadership. Our approach combines, policies, procedures, training, communication and monitoring and is led by a compliance function in conjunction with our Sustainability team.

Health & safety: We have a comprehensive Health and Safety Management System that establishes the procedures and responsibilities for implementing the Health and Safety requirements across all of our business activities.

Supply chain: Our supply chain policies require that we only do business with those who share our vision, have similar policies in place and commit to joining us on this journey. We manage risk and reputation through mechanisms such as our environmental management system, ISO 14001 (the international standard that specifies requirements for an effective environmental management system).

Engaging our people: We encourage every employee to fundraise and volunteer their time to support our key causes. We have an internal volunteering portal where our people can create and sign up to volunteering activities, along with their own dashboard to track and manage their volunteering journey. Everyone's encouraged to get involved; and they're kept aware of the importance of doing the right thing through our day to day business principles.



Commitment to society

The following report details our activities in 2019.

O2 aims to support causes that link to social responsibilities we face as a business, such as child protection, recycling and helping young people to reach their full potential. We extended our partnership with the NSPCC, and have helped families keep children safe online through our award winning multi-media campaigns.

We have continued to help young people kick start their careers through offering inspiring and informative content and access to work experience and skills opportunities with O2 and other partners through Go Think Big. O2 Recycle lets people exchange old phones and other gadgets for cash. Devices are processed for re-use or recycling, or stripped down

Highlights

2019 has been a record-breaking year for O2's partnership with children's charity, the NSPCC. We've delivered bold and award-winning multi-media campaigns: Parents vs Kids and Net Aware, to encourage parents to have regular conversations with their children about the online world.

Parents vs Kids is a quiz, available via Amazon Alexa and online, pitting the digital knowledge of parents' vs kids to encourage families to have conversations about their online activity and help to bridge the generational language gap. Net Aware is a helpful online guide to the latest social networks, apps, and games that children use.

These campaigns helped drive high levels of engagement and awareness of O2's partnership with the NSPCC. Endorsed by high profile, relevant talent and integrated across all marketing and media channels, including across the store network, the campaigns reached over 10 million parents. Through these combined efforts O2 has encouraged parents to take over 7 million actions to keep their children safe online – 1.6 million which were delivered in 2019 alone.

Policies

In relation to our work with the NSPCC & Go Think Big, safeguarding policies are in place to protect employees and young people. The O2 Partnerships Team with our charity partners, NSPCC and National Youth Agency, oversee adherence to the policies.

In accordance with Mobile UK's code of practice, each mobile operator is required to offer an internet filter to protect customers under the age of 18 from age inappropriate content. Our Content Standards Policy covers our approach to content classification, age-verification and also the work we do with the Internet Watch Foundation to block illegal child abuse content. The policy is overseen by the Content Standards Working Group which supports the Responsible Business Taskforce. During 2019, the Content Standards Policy helped guide the business on classifying websites promoting Cannabidiol (commonly referred to as CBD oil) and reviewing internet search engines to ensure a consistent approach to accessing content.

Commitment to the environment

Commitment to the environment

At O2, we're committed to doing what we can to protect the environment, and to help others do the same by delivering more sustainable choices.

We celebrated the 10 year anniversary of O2 Recycle, the longest-running UK operator-led recycling initiative. Since launch we have recycled three million devices and saved 450 tonnes of waste from landfill.

Approximately 70% of our total network is powered by renewable electricity; 100% where we control the energy bill. The other 30% of our energy use is where network masts are on 3rd party land or buildings across the UK, where the electricity is provided by landlords. We are exploring how we can mitigate the impact from these sites.

We were the first mobile network in the world to achieve the Carbon Trust Standard for Carbon, Waste and Water and we were recertified in 2019. Also in 2019 were one of three companies in the world to hold the Carbon Trust Standard for Supply Chain at the highest possible level.

Using advanced automation technology, O2's networks operate on a smart turn-off function – saving energy by dropping capacity when demand is low. O2 was the first UK operator to introduce this technology for 3G and 4G, making its network even more efficient and reliable for customers.

In terms of the energy efficiency measures taken that are primarily around:

- The procurement and deployment of more efficient network transmission equipment.
- Upgrades to cooling systems (and their controls).
- Self-Optimising Networks (SON) which ensures that the network is operating efficiently (turning itself down during periods of low network traffic)

Methodology around data collection. The primary source of data are a combination of Utility Bills and Smart Meter Data which is collected, verified and reported by an independent third-party expert.

- UK Water Target: Maintain water consumption and do not increase per FTE by 2020, on track to meet and exceed this target. The UK target was to maintain water consumption at the current level (2015 baseline). We have exceeded this target at 27% less water per person, mainly achieved through users consuming less and using more water efficient equipment in kitchens/washrooms.
- UK Waste Target: Ensure that no General Waste that can otherwise be diverted to recycling is sent to landfill. We have not sent waste to landfill where we have operational control.
- Telefónica Energy Efficiency: reduce company emissions relative to data traffic by 85% by 2025. On track to meet this commitment. Our target was to reduce company emissions relative to data traffic by 40% (2015 baseline). We have exceeded this target and achieved a 78% reduction.
- Material and resource efficiency - to support a circular economy we refurbish and then reuse traded-in handsets. Where they are beyond recovery they are fully recycled – We are pleased to report that no waste was sent to landfill.
- Biodiversity and ecosystem service – While biodiversity and our ecosystem is important to us all, we focus on issues with the greatest materiality to our organisation, where we have the greatest impact. These include energy, waste and water
- Emission to land, water and air – While emissions to land, water and air are important to us all, we focus on issues with the greatest materiality to our organisation, – where we have the greatest impact which include energy, waste and water

Highlight

The top 2019 highlight has been the reduction in relative emissions associated with electricity use. Activities are mainly around projects related to Network upgrades and Property based End of Life equipment replacement.

Governance

Through the Management review, within our environmental management system, senior managers have oversight of climate related risks and opportunities. These risks and opportunities are managed on a daily basis through our Sustainability Working Group (a sub group of the Responsible Business Taskforce).

The key non-financial risks for O2 associated with climate change are the continued availability of renewable energy and the potential for floods to impact delivery of our services. The biggest impact on the climate from an Operations perspective is carbon emissions associated with electricity consumption. Over 80% of our carbon emissions can be attributed to electricity consumption in our Network, Retail Stores and offices.

Also, the provision of products and services by O2 help enable our customers to reduce their impact on the environment for example teleconferencing services and telematics.

An example of this mitigation is the flood defence process we have at our Marlow switch site.

Policies

We follow the Telefónica SA environmental policy; which is aligned across the group and supports our environmental management system (ISO14001:2015).

As part of our environmental management system we undertake both internal and external audits throughout the business; to ensure that the policies are effective and are achieving their purposes. No environmental incidents occurred in 2019.

Progress against the energy/waste and water targets are measured monthly using data from internal and external stakeholders. Data is independently verified before being used for reporting purposes.

We comply with the UK Government's Energy Savings Opportunity Scheme (ESOS) and have conducted all mandatory audits as per the requirements of the scheme and actively follow up on recommendations made within the report.



Ethics



Our [Business Principles](#) define the behaviour and standards underpinning our ethical and responsible approach. We are committed to acting with integrity, commitment and transparency.. Our principles include ethical and responsible management, our customer and employee commitments, corporate governance and internal controls, responsible communication and our commitment to the environment and societies in which we operate.

Sustainability and good ethics are a key part of our approach to doing business and was a key focus at our 2019 employee conference. As part of our commitment of being a responsible business, every employee must complete amandatory Business Principles training.In addition, employees have a personal objective to support a responsible business commitment and demonstrate our Company values in their day to day activities.

To test adherence our practices and processes, key processes are audited on a periodic basis and Management information is provided to the Leadership Team regularly.

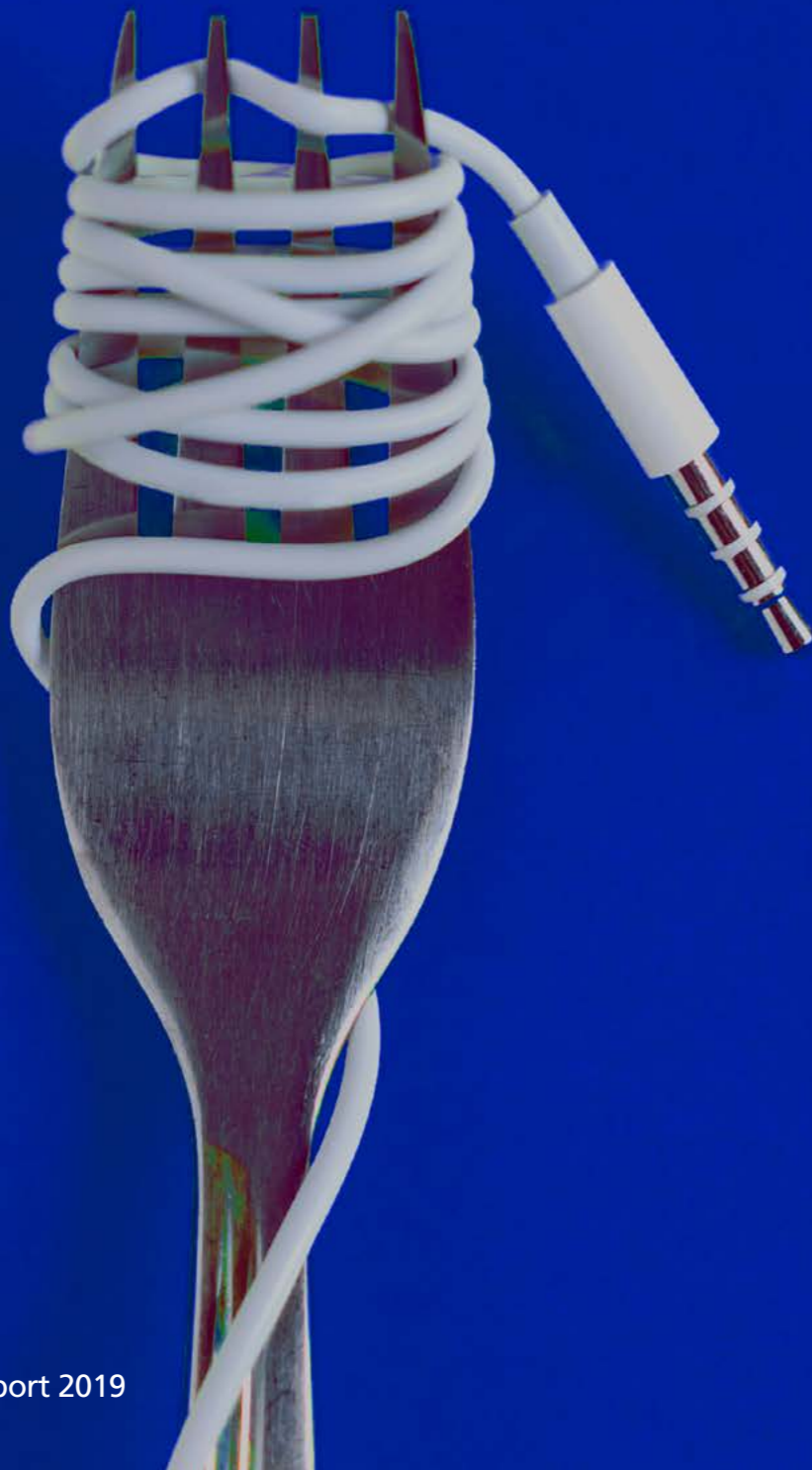
Bribery & Corruption

O2 has a zero-tolerance approach to Bribery & Corruption and in recent years has significantly improved the compliance processes in place. These improvements have been based on Ministry of Justice best practice and have resulted in changes to policies, procedures and training.

The improvements have also been independently verified through an independent third party assessment. Our updated measures in relation to Anti-Bribery & Corruption controls are as per below;

Category	2017	2019
Communications	Established	Comprehensive
Due Diligence	Developing	Established
Monitoring	Developing	Established
Proportionate Procedures	Developing	Established
Risk Assessment	Basic	Established
Top Level Commitment	Established	Comprehensive

Health and safety



Our BS OHSAS 18001 registration indicates to our employees and external stakeholders our commitment to health and safety performance. Our Health and Safety Management System sets out the arrangements, procedures and responsibilities for implementing the Health and Safety Policy across all of our business activities.

The management system defines the:

- organisational structure for managing health and safety
- planning activities for health and safety and in meeting legal compliance
- roles and responsibilities for employees, managers and key people
- processes and procedures to implement the intent of the Health and Safety Policy
- arrangements to review and improve health and safety performance.

We have four full time Health and Safety Professionals employed to advise and guide the business. The Health and Safety team manages the health and safety management system and directs O2 on how to manage its health and safety risks by implementing procedures and processes, inspection and auditing programmes, training and communication strategies. Our health and safety processes are also externally validated by our customers.

Highlights

During 2019 we passed an independent audit for our Achilles UVDB registration (Utilities Vendor Database registration) which allows us to work for our utilities customers. We also passed an independent two day audit to maintain our Rail Industry Supplier Qualification Scheme (RISQ) which enables us to provide services to our rail customers. We hold a Safety Schemes in Procurement (SSIP) registration with BSI, demonstrating our capability to act as a principal contractor, contractor, principal designer or designer, under the Construction Design and Management Regulations 2015. To achieve SSIP registration we were assessed against core criteria that verified we have the experience, trained staff and health and safety processes to meet our customers' needs at the prequalification stage. In 2019 we were awarded the GOLD standard from ROSPA (The Royal Society for the Prevention of Accidents). Gold Award winners have demonstrated a high level of performance, and well developed occupational health and safety management systems and culture, and outstanding control of risk.

Reporting

We record accidents and incidents and encourage our employees and contractors to report accidents and near miss events. The 2019 indicators show a slight increase on 2018, although the number and type of incidents are broadly level. Reportable injuries are those that have to be reported to the Health and Safety Executive to comply with Health and Safety legislation. The increase in reportable injuries was under the category of absence over seven days.

- 0 Enforcement action Full Year 2019 (0 in 2018)
- 8 Reportable injuries Full Year 2019 (3 in 2018)
- 155 Total Incidents Full Year 2019 (134 in 2018)

In January 2019 an employee of fifth tier sub-contractor to O2 was fatally injured when struck by a vehicle driven by a member of the public. The contractor was working on the side of the road when the driver of the vehicle involved in the collision had a medical incident whilst driving that resulted in the collision.

We increased inspection levels in 2019 and the results were broadly similar to the previous year.

Audit Findings	2018	2019
Cell site construction activities inspected	873	1190
Cell sites had no issues raised	806 (92%)	1060 (89%)
Cell sites had issues raised	67	130

The health and safety function supports the Health and Safety Champions in helping them:

- identify existing and emerging risks within their business unit
- put in place suitable controls to mitigate the risk
- reviewing their business unit performance twice a year.

Collectively these fulfil our management review requirements under OHSAS 18001. We have an audit and inspection three year plan for our offices, equipment sites and retail stores.

The O2 Health and Safety Management system is registered to BS OHSAS 18001 and is independently assessed and validated by BSI annually. In 2019 we started the process for migrating to the new Occupational Health and Safety Management Standard ISO 45001. We aim to complete migration to ISO 45001 in 2020.

Governance

A Health and Safety Champions' Forum has been in place since 2016 to assist the executive team member with responsibility for Health and Safety fulfil their accountabilities. The forum is in place to identify business health and safety risk and put in place controls to mitigate those risks. The Health and Safety Champions' Forum is chaired by a member of the executive leadership team. Senior Managers are appointed as Health and Safety Champions so they have the capability to address risks in an efficient and effective manner. The Champions represent the business units whose activities give rise to the operational risks. The business unit activities, risks and controls are defined and summarised in a high level two page document called the "Governance Card". The governance card updates are reviewed at the Health and Safety Champions' Forum held twice a year.

Policies

O2 is committed to ensuring the Health and Safety of all our people and others who may be affected by our activities, such as our contractors, partners, customers and members of the public. This commitment is stated in the O2 Health & Safety Policy which is approved by the O2 Chief Executive Officer.

In 2019 we amended the O2 Health and Safety Policy to reflect the requirements of the Telefonica Group Global Health and Safety Policy and this was approved by the Executive Leadership Team in May 2019. The O2 Policy and the Global Policy reflect a key element of our business strategy which is acting in a responsible manner.



A person stands on a rocky shore at night, looking up at a starry sky. A yellow tent is pitched nearby. The scene is illuminated by a soft light, possibly from a campfire or a low moon, creating a serene atmosphere.

Supply chain

Supply chain

In 2019 Supply Chain Sustainability Management has focused on the following areas:

Climate change

O2 has continued its practice of requiring suppliers receiving a major award i.e. > £1M to have contractually agreed Carbon Reduction (CR) programmes and or plans to establish CR programmes. This has resulted in O2 exiting 2019 with 55 completed or ongoing CR Programmes (contractually agreed) and four in development.

In addition, O2 has again in 2019 achieved Carbon Trust's Supply Chain, Level 3 Accreditation and is only one of 3 businesses globally to attain this following being the first business to achieve Level 3 worldwide in 2016.

Waste

As part of the O2 Responsible Business strategy, O2 remains committed to running the business responsibly and reducing the environmental impact of not only our own facilities but also of our Supply Chain which are now contractually required as part of new tender engagements

- Single use plastics (SUP): These aim to see SUP removed for O2 supplier deliveries and from O2 Supplier operations by the end of 2020.
- Zero Waste to Landfill: These aim to see suppliers deploy and implement across their UK operations a zero waste to land fill policy and commence quarterly reporting on its progress for key suppliers. Zero waste to land fill shall be achieved with 24 months of contracting.

Work continues in deploying these requirements in new supplier contracts as which are requirements of the Quality Sustainability Schedule. In addition, a workshop was held with O2 accessory suppliers to review and establish the best approach in reducing the use of single use plastics.

In addition we are also:

- Driving H&S with vendors involved in construction and other high-risk activities
- Reviewing Modern Slavery risks with vendors in at risk categories
- Managing Sustainability in new tenders, ongoing sustainability reviews and assessments of incumbent suppliers
- Maintaining a view of suppliers operating in high sustainability risk categories and ensuring they all hold a current EcoVadis assessment above 44 and do not present business ethics risks.

Governance

As of 2019, there is also a new employee responsible business objective. This applies to each employee across O2. Furthermore, a Responsible Business Taskforce has now been established. This was chaired in 2019 by O2's HR Director and Chief of Staff and meets quarterly. Both the Taskforce and the objective will continue and remain in place throughout 2020. An Incentives Forum was also created in Q4 2018. In 2019 this was chaired by O2's HR Director and ensures that all incentive schemes meet its established incentive principles.

Risk and opportunity

A photograph of two young women sitting on a curved, light-colored concrete wall. They are both looking at a smartphone held by the woman on the right. The woman on the left is wearing an orange long-sleeved shirt and black leggings. The woman on the right is wearing a red beanie, a dark jacket, and black leggings. They are both wearing dark sneakers with white laces. The background is a clear blue sky with some light clouds. The wall they are sitting on is part of a larger structure, possibly a skate park or a modern building.

Keeping children safe online

On-line child safety: Age verification and content classification.

Safeguarding risks associated with NSPCC and volunteering;

Environment

The key non-financial risks for O2 associated with climate change are the continued availability of renewable energy and the potential for floods to impact delivery of our services.

Supply chain

The Telefonica Supply Chain Sustainability Policy sets out our health and safety standards and expectations of our suppliers. We work closely with our procurement team when selecting suppliers and undertake sample audits and inspections of our suppliers as they work with us. Our tier one suppliers that undertake construction and other high risk activities are required to register with the SafeContractor supplier assurance scheme. SafeContractor audit our suppliers' management systems, insurances and competencies for the specific activities they undertake on our behalf. This is done during the procurement process and annually during the length of the contract. Where our contractors subcontract work, SafeContractor will review how our suppliers manage health and safety within their supply chain and sub-contractors.

Supplier Forum

Communicating and collaborating with our suppliers is seen as key to driving safety performance through our supply chain. In May we held a Health and Safety Forum for our Network Suppliers and in November we held a supplier forum for our retail, business management and property suppliers. At both events we provided our suppliers with an opportunity to provide feedback on how we communicate and collaborate with them to drive health and safety performance. This is a core part of Telefonica's health and safety strategy and contained within the Global Health and Safety Policy. Our suppliers' feedback from these forums will influence our 2020 Health and Safety Plan.

During 2019 we strengthened our management of suppliers involved in work that falls under the Construction Design Management (CDM) Regulations and other safety critical activities. Such suppliers must now have SafeContractor Safety Scheme in Procurement accreditation.

2019 has seen supplier accreditation to SafeContractor institutionalised within the O2 Procurement process. In 2019 55 Suppliers have been assessed and given/maintained SafeContractor certification, 8 are currently under renewal assessment and 3 new engagements currently being vetted.

Modern slavery

O2 has continued its practice of reviewing the policy and processes operated by Suppliers and franchise partners for the management of modern slavery risks. Various tools and approaches have been used which integrate ongoing O2 procurement activity to provide a view of modern slavery risks in the O2 supply chain:

- Strong requirements contractually invoked in the form of the Telefonica Supply Chain Sustainability Policy and the Telefonica Business Principles have set out our expectations of suppliers with respect to trafficking and forced labour
- Ecovadis assessment of high-risk supplier has provide confidence that human rights are being respected and standards upheld by the policy and process used by suppliers
- This has been supplemented in a small number of cases by direct and indirect supplier audits using competent third parties
- Additionally, selected suppliers in high risk categories and Franchise partners have been subject to reviews on their policy and processes to manage modern slavery risk with routine sustainability reviews
- Work with JAC has continued and has seen several audits across the sector increasing confidence in the general capability of suppliers in the sector to manage Modern Slavery related risks and Sustainability in general
- Our 2018 modern slavery statement was published in May 2019.



Awards



Responsible business

Corporate Engagement Awards:

- Best CSR programme to support/develop a corporate reputation (Blueprint)

Online safety

Global Good Awards: Campaign of the Year for 'Parents vs Kids' (PvK)

Corporate Engagement Awards:

- Most effective one-off campaign (PvK)
- Best collaborative approach (O2 NSPCC)

Better Society Awards: Business with a National Charity – Children (O2 NSPCC)

Webby Awards: Education and Reference (PvK)

Lovie Awards: Voice – Best Conversational Interface



Summary

O2's Blueprint is our plan for people and planet. It's our succinct way of referring to how we're committed to running our business responsibly for our customers, our employees, our suppliers, our partners and all of our key stakeholders.

Our ambition to help 20 million people live better with technology by 2020 was delivered by the end of 2019. We've helped to give people confidence to enjoy and provided the opportunities to thrive in the digital world. In 2019 O2 has helped to reduce its customers' impact on the planet and ensured we continue to operate and manage our business responsibly.

In 2020 we will continue to

- Help parents and children to have the confidence to enjoy the digital world safely.
- Support young people with the means and skills to prosper by offering work experience and skills opportunities with O2 and other partners through Go Think Big.
- Reduce our customers and employees impact on the environment through enabling solutions that drive a positive impact on the planet.

Responsibility and sustainability remains at the heart of our culture and organisation and we aim to announce new, bold ambitions in 2020.