

Modern slavery statement

2018

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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 2018.



Summary

At Telefonica UK Limited (O₂), we have zero tolerance for modern slavery in any form both within our business and in our supply chains. This is our third Modern Slavery Statement addressing the requirements of the 2015 Modern Slavery Act. In accordance with the Act, this statement details the steps we've taken as a business to prevent the existence of modern slavery or human trafficking within our operations or supply chains.

We're committed to fulfilling our obligations under the Modern Slavery Act and to continue using our influence to increase transparency on this issue to protect vulnerable workers and prevent human rights violations.

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

We believe modern slavery risks are very low within our direct operations. However, modern slavery risks potentially exist in our global supply chain and this is where we focus our efforts. We have not, as yet, found any evidence of modern slavery in our global supply chain.





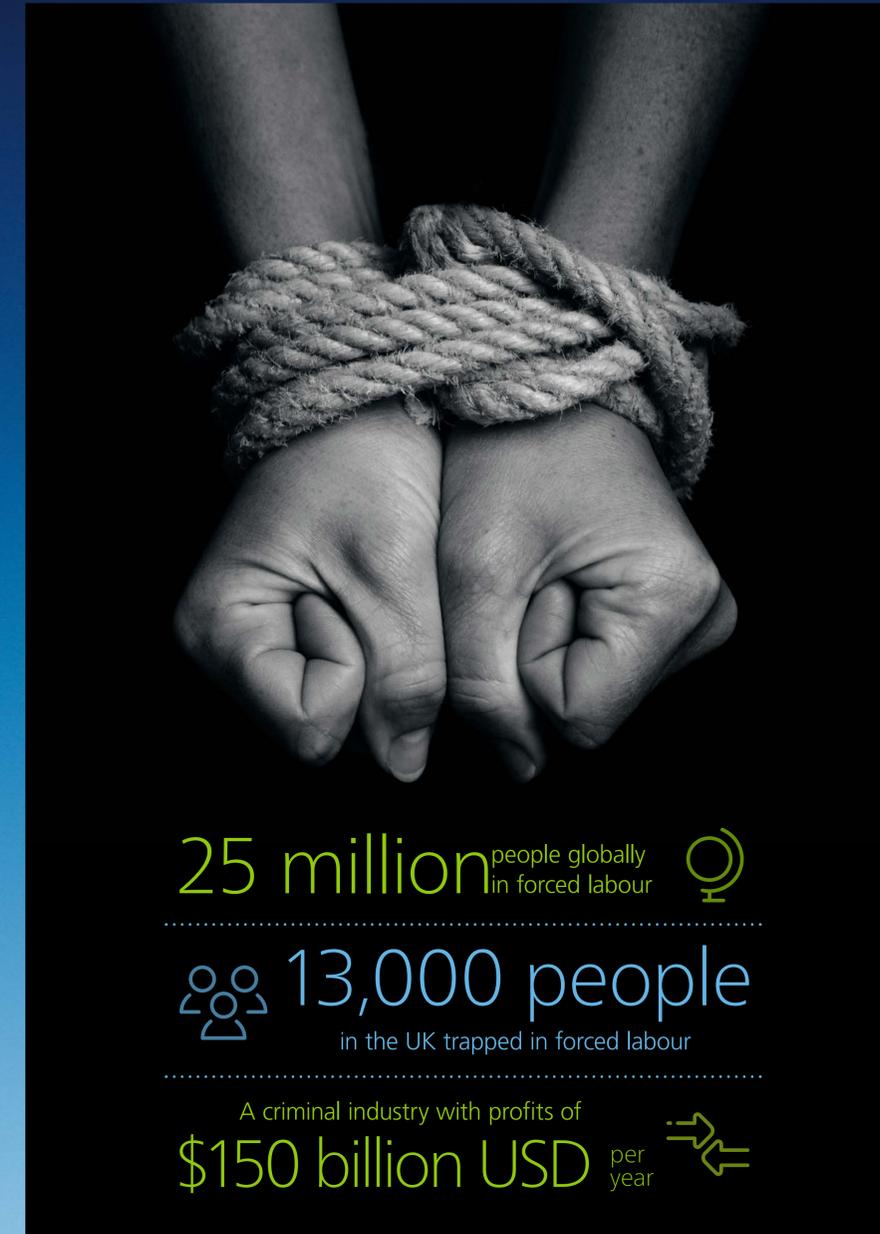
About Modern Slavery

Introduction

Modern slavery is a growing problem globally, more prevalent in some geographies and sectors than others. However, we realise that no sector or industry is exempt from this crime. Modern slavery takes many forms including:

- **Forced labour** – forced to work under the threat of some form of punishment.
- **Debt bondage or bonded labour** – when a person is forced to work to pay off a debt or other obligation. The world's most widespread form of slavery.
- **Human trafficking** – transporting, recruiting people for exploitation, using coercion.
- **Descent-based slavery** – people born into slavery because their parents or other family members are / were enslaved.
- **Child slavery** – Not just child labour but child trafficking, child soldiers, child domestic slavery or child marriage.

In 2016 the [International Labour Organisation \(ILO\)](#) estimate that on any given day 25 million people across the globe are trapped in forced labour. Estimates of revenues from the crime of modern slavery make it the world's second largest crime generating around US\$150 billion a year in illegal earnings.





About us

Our business

O₂ is the principal commercial brand of Telefonica UK Limited, a wholly owned subsidiary of Telefonica SA, a global telecommunications business headquartered in Spain with operations in Europe, North, Central and South America.

Telefonica UK Limited operates entirely in the UK. As a leading mobile network operator we provide a range of communications services to government, corporate and consumer markets and have in excess of 32 million connections. We operate from approximately 450 retail stores, four corporate offices and 14 additional UK offices with around 6700 direct employees. A significant number of our stores are owned and operated by independent franchisees. These franchisees must operate in compliance with Telefonica's Business Principles.

Telefonica UK Limited owns two subsidiaries. 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 Telefonica UK Limited and operate to Telefonica UK Limited policies.

The products and services provided by Telefonica UK Limited require a global supply chain. Although we chiefly contract with UK-based businesses, contract fulfilment may be undertaken across the globe and there will be workers in Asia, Europe, Africa and North America working to deliver Telefonica UK Limited contracts.

32 million connections on our network 

 6,700 direct employees

 450 stores total

255 Telefonica

stores

203 franchise





Our policies

Two policies are relevant to the modern slavery issue:

(1) **Our Business Principles.** A copy can be found [here](#).

We continue to operate strong business principles **that govern our day-to-day actions**, these **apply to all employees, business partners and suppliers**. Our Business Principles define standards and behaviours that govern all our work activities and those of our suppliers. We have an individual and shared responsibility to act with integrity, transparency, and to establish a trusted relationship with all our stakeholders. These Principles are our guide to fulfilling that responsibility.

Following our Business Principles, we:

Human rights

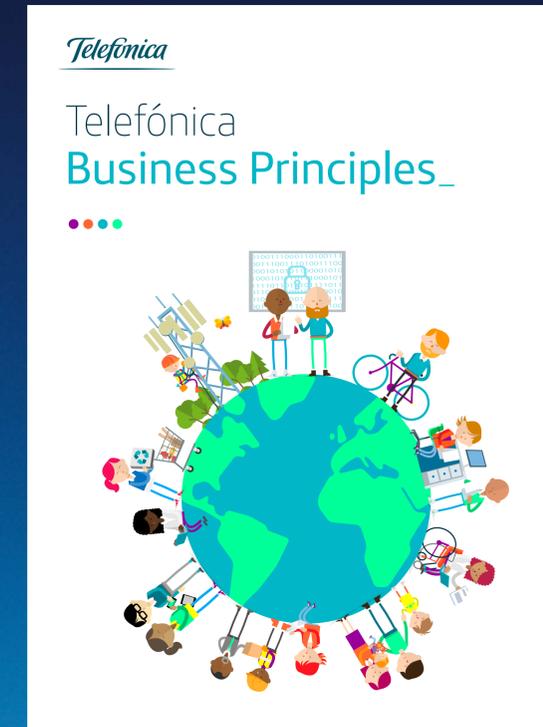
Respect and actively promote internationally recognised human and labour rights, including those contained in the United Nations Universal Declaration of Human Rights, and the principles related to the rights recognised by the International Labour Organization and its Eight Fundamental Conventions.

Diversity and inclusion

Promote diverse teams and guarantee equal opportunity. We treat all people fairly and impartially, without prejudices related to race, colour, nationality, ethnic origin, religion, gender, sexual orientation, marital status, age, political affiliation, disability or family responsibilities.

Labour rights

- Guarantee that all employees may exercise their labour rights, and do not tolerate any situations of forced labour, threats, coercion, abuse, discrimination, violence or intimidation, or child labour in our working environment.
- Guarantee the right of our employees to belong to the trade union of their choice and we do not tolerate any kind of retaliation or hostile action towards employees who take part in trade union activities.





Modern slavery risk areas and risk assessment

As a UK based mobile operator, neither our sector or operating location are areas of high risk. However, we do procure product and services from areas of heightened risk.

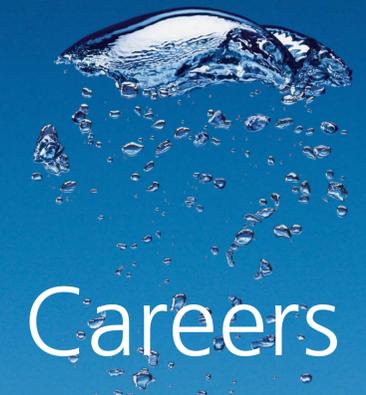
Internal risk assessment – very low

Our people are key to the success of our business, so we invest heavily to make Telefonica UK Limited a workplace of choice. We believe employee diversity and inclusion 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. We recruit and manage employees against a range of policies designed to create a unique and diverse environment. Our supportive policies such as maternity, paternity and adoption leave and flexible working make Telefonica UK Limited accessible to all. Internal employee engagement surveys as well as external reference points, such as awards, show that Telefonica UK Limited is a workplace of choice. We therefore perceive internal risks to be very low.

Telefonica UK Limited has featured in Glassdoor’s Top 50 Best Places to Work for the last two years. In 2018 we reached 29, up from 35 the previous year.

Telefonica

O₂



Careers

giffgaffTM
The mobile network run by you

WEVE

O₂



Modern slavery risk areas and risk assessment

External risks

- **Franchisees risk assessment – very low**

Franchisees are UK-based store operators who at Telefonica UK Limited's request, operate in compliance with Telefonica's Business Principles. Their device and accessory supply chains are managed by Telefonica UK Limited and at Telefonica UK Limited's request they produce modern slavery statements even if they're not required by legislation. Telefonica UK Limited has continued to use these statements to review and shape the approach taken by our franchisees in their management of modern slavery risks.

Franchisees are managed via a governance process that includes 'measure of excellence' visits, mystery shopping, health and safety assessments and store audits that provide significant visibility of their activities and worker conditions.

- **Indirect partners risk assessment – low**

Although not part of our direct operations or supply chain, we work with a number of partners that provide channels to market. These include; Dixons Carphone Warehouse (DCP); Talk Talk; Mobile Phones Direct and various Prepay distribution partners. These are UK businesses that do not operate in an at-risk sector and are required by the Act to produce their own Modern Slavery Transparency Statements. They are managed via a considered governance approach with appropriate oversight.

- **Supply chain risks assessment – heightened**

Modern slavery risks are heightened in labour intensive and/or under-regulated industries, and geographies. Sector and location is therefore a means to identify areas of heightened risk. Telefonica UK Limited has a small number of domestic suppliers that operate in sectors that are deemed at-risk and many non-domestic suppliers that operate in both at-risk sectors and at-risk geographies. We believe this is where our only significant risk may reside. We have therefore targeted these areas with due diligence activities.



Due diligence and 2018 activities

Our risk-based approach to due diligence considers both the nature of the supplier activity and its location. Labour intensive activities in at-risk regions, i.e. 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.

Domestic (UK-based) due diligence:

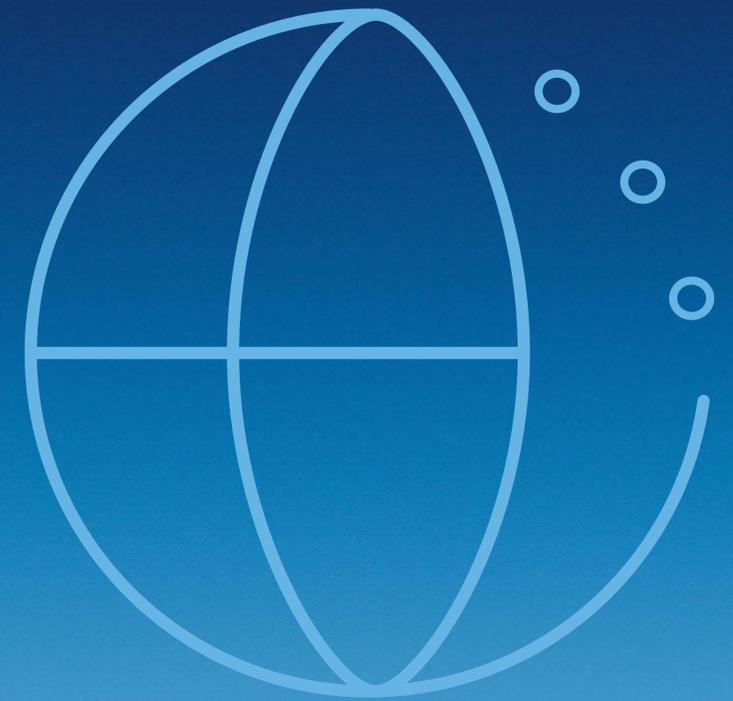
Here we target activities in at-risk sectors. This focus has lead us to address:

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

Our due diligence of these areas in 2018 has been via direct sustainability reviews. Additionally, we have deployed a third party assessment know as SafeContractor. This is primarily a safety certification scheme but also looks at labour conditions as a by-product of the safety assessment.

Non domestic suppliers:

Non domestic suppliers in at-risk geographies have included suppliers involved directly and indirectly in supplying devices, network equipment, software and services. It's in these global supply chains where we believe the greatest risk of modern slavery and human trafficking resides and this is where the majority of our due diligence efforts have been focused. Due diligence may be conducted before contracts are signed with suppliers and during a contract's term.





Due diligence and 2018 activities

In 2018 we use a variety of due diligence approaches including:

- Policy and process reviews
- EcoVadis assessments (a third party that evaluates quantitatively a suppliers policy and processes for sustainability matters)
- On-site audits by Telefonica UK Limited, including private interviews with workers
- Audits by competent third parties including audits by fellow members of the Joint Audit Cooperation.

JAC (Joint Audit Cooperation) is a sector collaboration that has seen 16 of the world's leading operators align behind a common sustainability audit protocol to verify, assess and develop corporate responsibility implementation in manufacturing centres that support our sector. In 2018 there were some 116 JAC audits addressing the sector, 75% of audits were of suppliers below Tier 1. Additionally in 2018, JAC launched as a trial, the JAC academy, a certification process for the auditors of our direct suppliers that has ensured their capability to assess effectively against our ethical code. During 2018 we have increased our support and involvement with JAC.

During 2018:

- We ensured that all direct suppliers viewed as high risk had an up- to-date EcoVadis assessment.
- A small number of suppliers have been audited directly on site by Telefonica UK Limited or an independent third party.
- All Telefonica UK Limited due diligence has been delivered as part of our general supplier sustainability management effort which includes a focus on labour conditions and the modern slavery issue. Although our due diligence has not encountered evidence of modern slavery, we are aware of its enablers. These are practices we both prohibit and search for in our due diligence efforts. We address any identified concern by imposing an improvement plan and if the concern is significant, may even seek termination. During 2018 only minor improvement plans have been necessary.





Due diligence and 2018 activities

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 or the African Great Lakes region which includes the Democratic Republic of the Congo. These minerals are used in all modern electronics including mobile phones.

Telefonica UK Limited does not have a direct commercial relationship with any foundries or mines.

However, to minimise any risk in our extended supply chain during 2018 we have continued our policy of requiring suppliers that have a relationship with foundries and mines to follow the related OECD guidelines. Checking that they do has continued to be a routine part of our supplier due diligence.

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Sn
Tin

⁷³
Ta
Tantalum

⁷⁹
Au
Gold

⁷⁴
W
Tungsten





Training, governance and reporting

Training

All employees of Telefonica UK Limited and our Franchisees partners must complete a training course on our Business Principles and ethical standards. In 2018, 99% of employees completed this training successfully.

Governance

Our Sustainability and Responsibility Council has delegated governance oversight for all social, environmental, and ethical issues in our business, and oversees any associated risks.

Reporting any concerns

We encourage anyone with concerns about modern slavery relating to Telefonica UK Limited 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.

Additionally, at Telefonica UK Limited we support employees when faced with ethical dilemmas. Our approach is designed to encourage a culture of honesty and openness whereby our people are confident to raise matters that may be of a concern to them. Employees with any concern are requested to use the Speak Up Channel link, or to contact our Director of Compliance in confidence via speakup@o2.com.





Looking ahead

The future

We will continue to integrate Modern Slavery risk management into our routine sustainability management approach. We will also look at means to grow the level and depth of our supply chain due diligence.

The Modern Slavery Statement was approved by the Board of Directors of Telefonica UK Limited on 24 March 2019 and signed by the Chief Executive Officer on their behalf.

Mark Evans
Chief Executive Officer

