

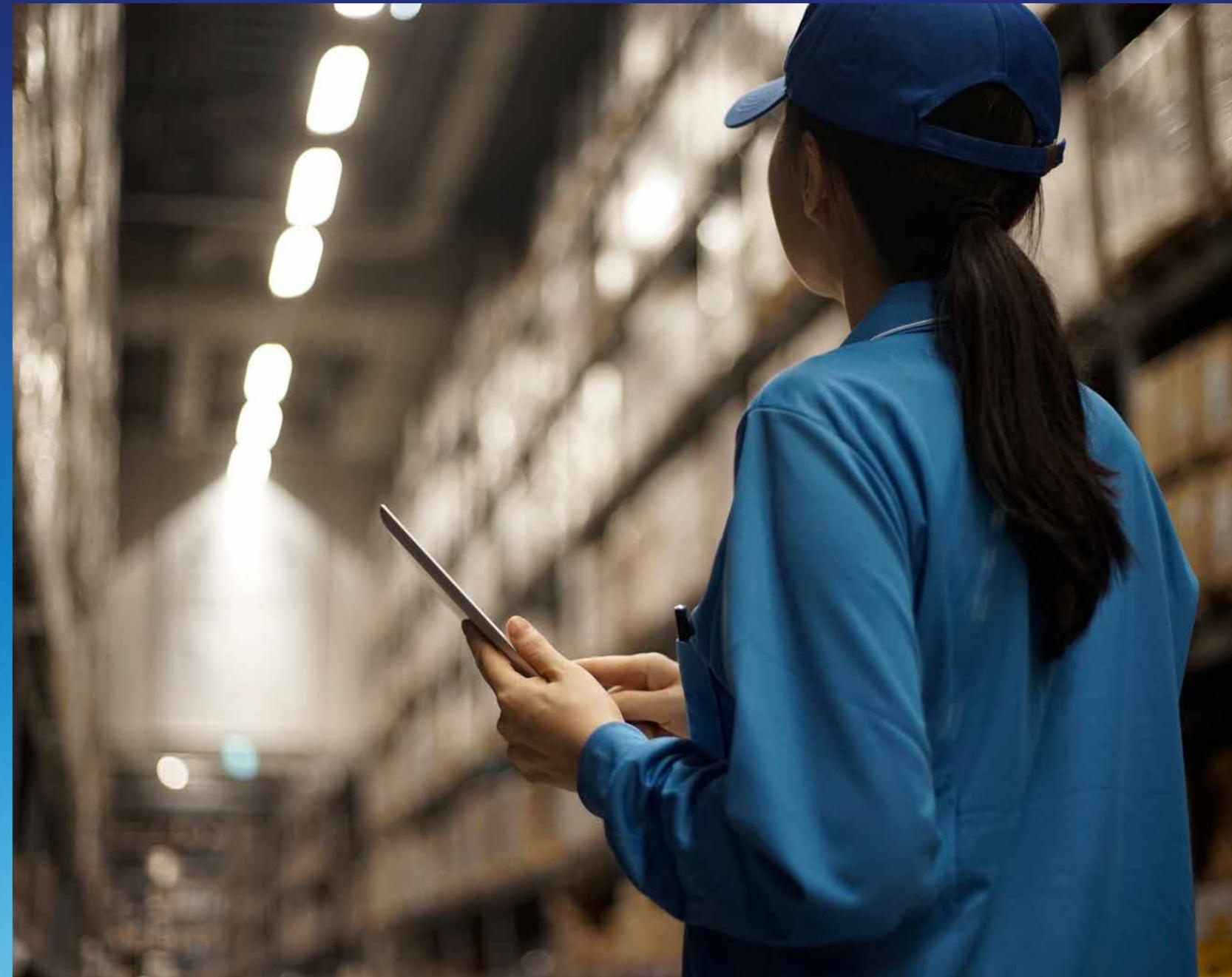


Modern slavery statement 2020

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 2020.

Contents

- 01 Summary
- 02 Business structure and supply chain
- 03 Modern slavery risk within our operations
- 04 Modern slavery risk management in our supply chain
- 05 Our policies
- 06 Training / Collaboration / Raising concerns
- 07 Declaration



Summary

Even though slavery is illegal in every country around the world, the ILO (International Labour Organization) estimates that there are over 40 million people trapped in slavery worldwide today¹. To put that into context, that is 5.4 victims for every 1000 people and a quarter of those are children. It's all around us, even in the UK. Because it's hidden, it can be difficult to make accurate predictions, but it's thought there are more than 10,000 victims of modern slavery in the UK. The UK government also highlights a significant risk of forced labour in our society.

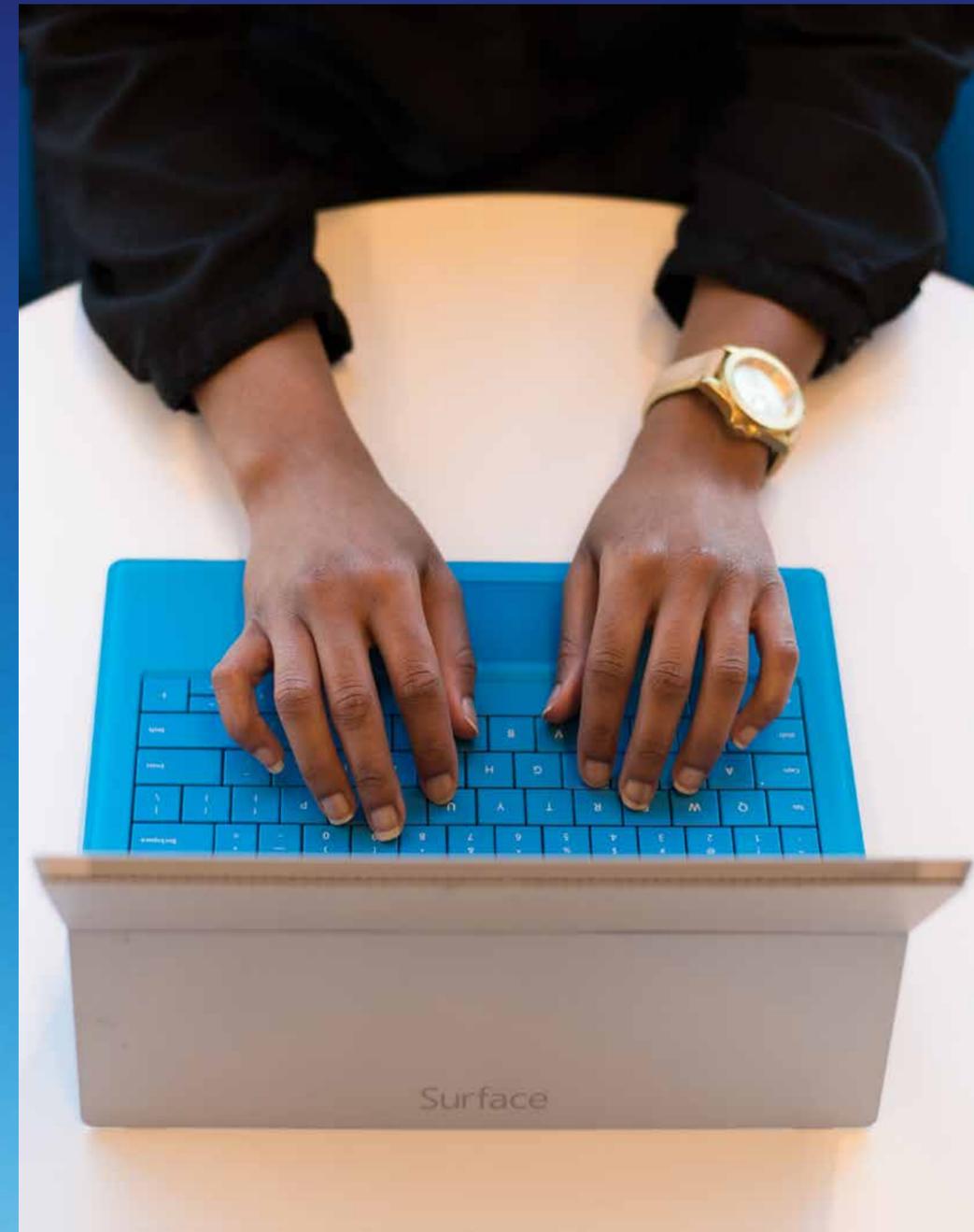
At Telefonica UK Limited (Telefonica UK), we remain determined to use our influence and buying power to increase awareness of modern slavery with our suppliers and to take all necessary actions to minimise the risk. Modern slavery is a criminal and civil offence that breaches our Business Principles (our ethical code) and our Supplier Code of Conduct, and it is one we will always act to stop.

We operate in the UK, but we rely on a global supply chain, which we recognise could present a potential risk of modern slavery. We are wholly owned by Telefonica S.A. and we are guided by global policies that prohibit all forms of forced labour. Additionally, we use a range of risk-based due diligence activities to assess and address any risk. In the UK, the risk of modern slavery in operations is assessed as very low.

The COVID-19 pandemic has meant that during 2020 we have had to primarily focus on an administrative approach with regards to modern slavery due diligence, because travel and on-site audits have not been possible during most of the year. Despite these challenges, we have engaged with all UK-based suppliers operating in sectors identified by the UK government as being at risk. One allegation of supply chain modern slavery was raised by an external party and investigated. To date, we have found no instances of modern slavery either within our operations or supply chain.

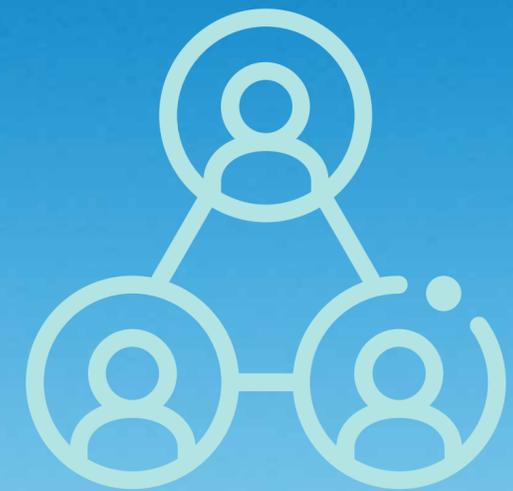
This statement is our fourth modern slavery statement under the Modern Slavery Act 2015.

1. Source: Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, Geneva, September 2017.



Telefonica UK business structure and supply chain

Telefonica UK Limited is a UK-based mobile operator and a wholly owned subsidiary of the Telefonica S.A. Group. Trading under the O2 brand, Telefonica UK Limited has one wholly owned subsidiary, giffgaff, a mobile virtual network operator that is included in this statement.



Telefonica UK customers include consumers and businesses in both the private and public sectors. During 2020, we supported these customers' connections with a range of services and products that included: airtime, mobile phones, tablets and wearable devices, mobile voice, messaging, data services, Wi-Fi, cloud services, digital payment services, fixed-line services for businesses and some insurance products.

In 2020, our UK workforce averaged around 6,500 people and operated out of 13 equipment sites, 3 regional offices and 232 O2 operated stores. A similar number of O2 stores were operated by franchise partners. Due to COVID-19, many of our people have worked from home during 2020, enabled by our flexible working tools. Our workforce is diverse and inclusive, and we actively seek to create an enhanced employee experience centred on our values of Bold, Open and Trusted.

We have continued to invest in our network infrastructure – to develop the technology we need to innovate and offer the products and services expected by our customers – and so we continue to have a diverse, global supply chain, with suppliers in Asia, Europe and the UK. Our annual procurement spend totals around £3.9 billion and is split between the suppliers of consumer products that we sell and the suppliers of network and IT solutions, that we use to build our network and run our business.

We contract mainly with UK-based businesses, but the nature of the products and services we buy means that our contracts will often be fulfilled by workers outside of the UK. Our single largest supplier in 2020, in terms of the number of workers directly supporting O2, was Capita Custom Management, which operates out of the UK, India and South Africa, providing customer support services.

Modern slavery risk within our operations

As a large UK employer, we have people working in many different areas and specialisms across the UK, so it's important that we have control over how they are treated in the workplace.

Our people practices, contracts of employment and collective agreements are aligned to Telefonica's Business Principles and our company values of Bold, Open and Trusted – helping to reduce the risk that someone working for us might be a victim of modern slavery. Our people policies encourage a workplace that is inclusive and fair for all. Inclusivity sits at the heart of our organisation, not only because it is the right thing to do, but because we believe that if our workforce is representative of our customers and communities then we can make better decisions.

More recently, like many organisations, we recognised the impact COVID-19 may have on some employees who may feel vulnerable as a result of the uncertain business climate. We fully adhered to government guidelines for COVID-19 secure workplaces and protected all employees' base pay during periods of lockdown, including flexible working, time off for caring for dependants, self-isolation and COVID-19 related sickness.

Our people policies, Business Principles and company values make it clear that we follow the laws, regulations, policies, and standards that affect us. We enable and expect people to raise any concerns they have informally or formally through our grievance policy or through our system known as the "Speak Up Portal" where employees can report concerns in confidence and anonymously.

At Telefonica we operate the TRUST model (Think about the situation; Read the relevant policy; Understand how to raise a concern; Speak up; Take the necessary action). Our TRUST model is there to help employees when faced with an ethical dilemma, and is designed to encourage a culture of honesty and openness.

Our people are key to our customer experience and the success of our business, so we continue to focus on ensuring Telefonica UK is a workplace of choice. We were awarded the first ever People and Culture Award at the [Mobile Industry Awards 2020](#).

These policies and Business Principles apply to all Telefonica employees, even those working in our joint ventures. Our franchise partners and their store teams, despite being independent businesses, must also operate in compliance with Telefonica's Business Principles, receive training in those principles and are audited periodically by Telefonica's Business Assurance Team for compliance.

Taking all this into account we view the risk of modern slavery within our operations as very low.



Modern slavery risk management in our supply chain

Our approach

To provide our telecommunications services, we rely on a global supply chain. We do not have factories of our own, but we do buy products and services from suppliers that either do have factories or buy in manufacturing services.

Because we share large parts of the supply chain with other operators, and with our parent company Telefonica SA, we leverage the work of the sector and the Telefonica Group in managing supply chain sustainability risks. We spend upwards of £3.9 billion on procured products and services. The majority of that spend is placed with around 60 major suppliers.

We treat modern slavery risk as just one possible type of sustainability risk and manage this risk through the same policies and processes as with any other social, ethical and environmental risks. Our starting point is clear and robust contractual requirements that prohibit any form of forced labour or trafficking.

The diverse nature of our supply chain, and the fact that we have limited visibility of its lower tiers – that is the suppliers of our suppliers – means that we cannot rule out

any risk of modern slavery deep in our supply chain. This risk varies according to the nature of the supplier's activity, and its location, so these are the factors we use to assess the level of risk. Where we judge that the suppliers represent a heightened sustainability risk, we conduct general sustainability due diligence that is an integral part of our procurement process.

1. We start with clear contractual terms that prohibit any form of forced labour and require all suppliers to produce modern slavery statements on request.
2. In tenders, we review the position taken by bidding suppliers to ensure they can adhere to our sustainability requirements, including their approach to modern slavery risk management.
3. With suppliers that have a heightened sustainability risk due to the nature of their activity or location we require them to maintain an EcoVadis scorecard. [EcoVadis](#) is an assessment methodology that provides business sustainability ratings and is widely used by leading telecommunications companies. It assesses a supplier's policy and process to manage sustainability and qualifies it in several key areas. We have set EcoVadis score levels, including a lower limit

below which we will not trade with a supplier, and a higher level below which we will require the supplier to have an improvement plan as a condition of business placement. This provides a mechanism to drive ongoing supplier improvement. Telefonica at a group level has already evaluated 1,131 critical suppliers.

4. With selected suppliers we also hold sustainability reviews that include a focus on modern slavery risk management.
5. Additionally, we will – both pre- and post- contract – audit suppliers at various levels of the supply chain to ensure they are respecting our supplier-facing ethical code. This includes the management of modern slavery risks. We do this either directly, or via the [JAC](#) (The Joint Audit Cooperation) sector initiatives or other independent third parties.

Modern slavery risk management in our supply chain

Where we judge that a supplier represents a heightened risk of modern slavery due to their sector, we will engage in specific modern slavery risk management reviews. This year we have again focused on our construction and facility management suppliers, due to their involvement with the at-risk construction and agriculture sectors. At these review meetings, we check that the suppliers:

1. Have published a modern slavery statement, aligned with the 2015 Modern Slavery Act. Our contractual terms require suppliers to produce a statement upon request.

2. Operate appropriate internal policies and a supplier code of conduct that addresses modern slavery and its enablers i.e. that they have:

- a policy of compliance with the law,
- established labour contracts,
- no worker fees,
- working hours controls and associated reporting,
- not consistently infringed our working hours limits as defined in our supplier facing ethical code,
- salaries aligned to legal norms,
- defined disciplinary processes that prohibit fines,

- no deposits or ID document holding and that employees are free to leave, following notice,
- no child labour,
- no curfews,
- a clear grievance process,
- a clear policy that prohibits forced labour and trafficking.

3. Can identify their risk areas, considering activity and location.

4. Plan and implement due diligence in high-risk areas and drive improvements as needed.

As with all our due diligence processes, where we find weaknesses, we initiate improvement actions and reserve the right to terminate contracts where suppliers repeatedly fail to make the required improvement. To date, this has not been necessary.

The COVID-19 pandemic has seen a significant reduction in on-site activities and a reliance on administrative due diligence activities.



Modern slavery risk management in our supply chain

Specific issues

During 2020, concerns over the Uighur Muslim community from Xinjiang have grown, with the publication of Australian Strategic Policy Institute (ASPI) [reports](#) making allegations of forced labour in the operations and supply chains of a number of major brands in the region, because of the alleged use of workers provided via what the ASPI's report refers to as the 'government-led labour transfer scheme'.

We have investigated this with one specific supplier that came to our attention and are confident that they were not using workers either directly or indirectly provided under that scheme.

As other suppliers common to the sector were involved, we have engaged with [JAC](#) to develop a sector response to investigating and addressing the issue and to establish a common JAC position. This work is ongoing and future reports will update our joint progress.

Recognising the importance of collaboration in managing supply chain sustainability and the issue of modern slavery, we have continued working with the JAC sector initiative to maintain visibility of our common supply chain.

Due to the pandemic, 2020 has seen a reduction in supply chain due diligence in the JAC community, although work has continued, in line with national restrictions.

	JAC Audit	VAP* or FLA*	Worker Surveys	Total
Tier 1	26	2	1	29
Tier 2	33	2	11	46
Tier 3	11	2	1	14
Tier 4	0	0	0	0
Total number of audits	70	6	13	89

* VAP: Validated Assessment Program against the Responsible Business Alliance code of conduct

* FLA: Fair Labour Association

Our practice of contracting with UK-based business entities where possible, and the fact that most of our procurement spend is with a relatively small number of major corporations, make it essential that we ensure our direct suppliers have strong supply chain management practices of their own. This is a routine consideration when we engage with direct suppliers.

Conflict minerals

Tin, tungsten, tantalum and gold are essential to all modern electronics, and their extraction is a recognised source of modern slavery risk because they can be mined and/or smelted in conditions of armed conflict and human rights abuses. Although we do not have direct relationships with smelters or refiners, we work actively to strengthen controls over the use of these minerals across our value chain and we have adopted a policy based on the guidelines set out by the OECD (Organisation for Economic Co-operation and Development) – 'Due Diligence Guidance for Responsible Supply Chains for Minerals from Conflict-Affected and High-Risk areas'. Our policy considers the five stages outlined in the guidance and transfers them to our suppliers at a Telefonica Group level. We support and take part in major international and industry initiatives designed to reduce this type of risk, such as the Responsible Minerals Initiative and the Public Private Alliance for Responsible Minerals Trade (PPA).



Our sustainability engagement with suppliers

Step 1

All suppliers must accept our minimum standards, as detailed in the Telefonica Supply Chain Sustainability Policy.

All suppliers must respect our Business Principles and operate aligned business principles of their own.

Step 2

High sustainability risk suppliers are identified by considering the nature of their activity, operating location and visibility.

Selected high-risk suppliers are subject to administrative tender assessments.

All high-risk suppliers must have an EcoVadis scorecard and score above 44 or have an associated improvement plan.

Step 3

Selected major suppliers are subject to periodic in-contract sustainability reviews – so we can assess how well they are delivering against our sustainability requirements and any additional specific commitments they have made as a condition of our business placement with them.

Step 4

Risk-based due diligence is conducted through administrative reviews and on-site audits via JAC or other competent third parties of selected suppliers.

Step 5

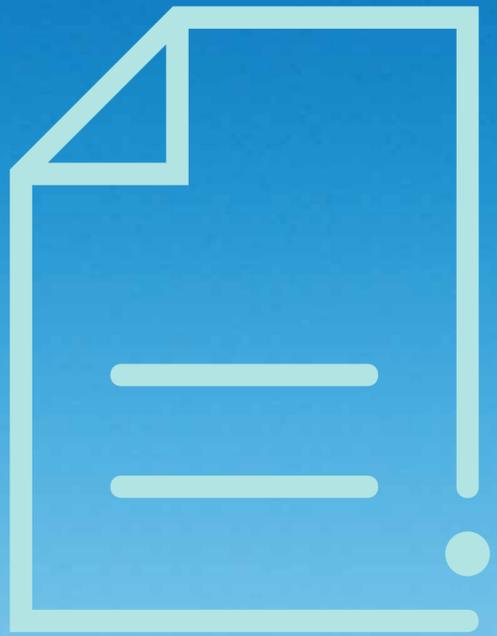
Suppliers representing a heightened modern slavery risk, by virtue of their sector of operation or location, are required to provide Modern Slavery statements as outlined by the Modern Slavery Act (even if not subject to the Act) and are subject to detailed modern slavery risk management reviews.

Our policies

In 2020, we updated the Supply Chain Sustainability Policy to reinforce respect for human rights and the environment.

This commitment is detailed and regulated in internal standards and external requirements, such as our Supply Chain Sustainability Policy and the General Conditions for the supply of goods and provision of services, which outline the ethical, social, environmental and privacy behaviour standards for the supply chain. Together, these form part of our global purchasing model and are complemented by our commitments to Human Rights and responsible minerals trade.

Telefonica requires its suppliers to apply similar principles and respect existing laws and regulations in the countries in which they operate.



External policies

Supply Chain Sustainability Policy

Applies to all suppliers and must be carried forward by our suppliers into their supply chains, either directly or via their respective ethical codes.

On forced labour and trafficking, it prohibits:

Any form of involuntary or forced labour.

Physical abuse or discipline, as well as the threat of physical abuse, sexual harassment of any other kind, verbal abuse, or other forms of intimidation.

And it requires that the supplier:

Operates a defined policy and process to ensure that slavery and human trafficking is not taking place in any of its supply chains, or in its own business.

Cannot oblige workers to provide deposits or identification documents and that they shall be free to leave their employment after reasonable notice.

Identifies and prohibits practices that are often the enablers of forced labour.

Business Principles

Applies to all our operations and all who we work with.

It requires that we and those who work with us:

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

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

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

Human Rights Policy

Based on the United Nations Guiding Principles on Business and Human Rights, the policy applies business wide and underlines our commitment to:

Prohibit any form of forced labour, slavery or human trafficking within our operations and require risk-based due diligence to minimise any possible risk in our supply chains.

Extend the responsibility to respect human rights to our business partners and suppliers. Requiring high performance levels from our supply chain – in labour, environmental and health and safety conditions – helps us get the best result to drive improvements and mitigate the risks related to abusive behaviour in business relations.

Respond to some of society's most relevant needs, with due consideration to Human Rights through our products, services, and knowledge of the challenges of the local communities.

Undertake to explore all relevant opportunities for participation or alliance with external stakeholders to enable us to promote systemic changes and respect for human rights.

Internal policies

Parental Leave Policy

Applies to all employees

Parental leave allows parents to take up to 18 weeks of leave to care for, or spend time, with their child until their 18th birthday.

Paternity & Family Leave Policies

Applies to all employees

Allows paternity leave of up to 14 weeks for new and adopting parents.

Allows maternity and adoption leave of up to 39 weeks.

Other Workplace Policies

Applies to all employees

These policies cover several areas that help make O2 a workplace of choice e.g. policies against bullying and harassment, enabling flexible and home working along with policies that prevent discrimination and drive inclusion.

Training

- All employees are trained in our Business Principles, and for employees who work in our procurement department we provide additional, computer-based training on our Supply Chains Sustainability Policy. As a result, this training wasn't impacted by COVID-19: in 2020, 99.6% of all employees completed all required computer-based training.
- Suppliers with whom we have reviewed modern slavery risks receive guidance and training through the review process.
- We have used Workplace (our internal social media platform) to keep the buying community aware of modern slavery and the need to manage modern slavery risks.

Collaboration

Telefonica works with many organisations and initiatives to drive responsible business practices and sustainability across our business and sector. These collaborations are managed at a group level and all operating businesses benefit from them. Two that particularly relate to our management of the modern slavery risk are:

- The [United Nations Global Compact](#) – an international initiative that promotes the implementation of ten universal principles on human rights, labour, environmental and anti-corruption standards. We are longstanding signatories of the UN Global Compact and include its principles in our ethical code.
- The [Joint Audit Cooperation](#) – a sector initiative of telecommunications operators that have joined forces to verify, evaluate and develop the implementation of sustainability standards in our common suppliers.

Raising concerns

At a Group level we operate a [Responsible Business Channel](#). Here anyone can consult with Telefonica on any aspect related to Telefonica's [Responsible Business Principles](#), for example ethics, human rights, environment, privacy, health and safety or modern slavery. All communications received will be treated in accordance with the principles of respect, confidentiality and completeness, and will be governed by our set [procedure](#). If anyone has any concerns relating to modern slavery and Telefonica business, they can raise them through this channel. In 2020, no concerns relating to modern slavery or trafficking were raised through the Responsible Business Channel.

Declaration

The Modern Slavery Statement was approved by the Board of Directors of Telefonica UK Limited on 21 April 2021 and signed by the Chief Executive Officer on their behalf.



A white handwritten signature of Mark Evans on a blue background. The signature is stylized and cursive, starting with a large 'M' and ending with a long horizontal stroke.

Mark Evans
Chief Executive Officer