



Modern Slavery Statement

Slavery is not only a historical phenomenon, it is happening now and it is affecting an estimated 29.8m¹ people around the world. We welcome the enhanced transparency and focus that the Modern Slavery Act (the Act) will bring to the efforts of UK businesses in combatting this crime.

At Telefonica UK Limited (Telefonica UK) we do not tolerate (directly or indirectly) child labour, threats, coercion, abuse, violence or intimidation in our work environment, or in our supply chain.

Scope

This statement covers our approach in managing human rights, including slavery and human trafficking risks, in our operations and supply chains and outlines specific measures and activities undertaken during the financial year ending 31 December 2016. Although this is the first year we have been required by the Act to publish a formal statement, since 2002 Telefonica UK (since 2006 as part of the Telefonica Group) has provided a statement on our efforts to combat slavery and human trafficking. We have communicated our approach to ethical conduct and human rights through our corporate responsibility and sustainability reporting which is published annually on our corporate website.

Our impacts

O2 is the principal commercial brand of Telefonica UK, a leading digital communications company with over 25 million customers. We are part of the global telecommunications group owned by Telefonica S.A., a fixed line, broadband and mobile telecommunications provider which is headquartered in Spain and has operations in Europe, Asia, and North, Central and South America. In the UK Telefonica UK has over 450 retail stores and around 7,000 employees.

As a mobile network operator we do not manufacture the products we sell to our customers, but as we procure devices, network equipment and services from our suppliers, we know that this is where the greatest risk lies with regards to modern slavery and human trafficking. As a result, our efforts to combat these human rights abuses are concentrated on our supply chain.

Some O2 retail stores are actually franchise businesses which operate under the O2 brand. The franchisee-operated stores sell products procured by Telefonica UK. Therefore all related supply chain risks are managed directly by Telefonica UK. We require the franchisees to conduct their businesses in accordance with applicable legislation and regulations. Those franchisees that fall within the scope of the Act must themselves also comply. Going forward, we will work with our franchisees as required to seek to ensure that they comply by reviewing their statements and seeking any necessary improvement action.

Our ethical code

Telefonica UK as part of the Telefonica Group follows a common set of [business principles](#). These govern our day-to-day activities and apply to all employees and suppliers. They detail our general principles of honesty, trust respect for the law, integrity, and human rights.

On issues of human rights, we:

- respect the principles of the UN Universal Declaration of Human Rights, as well as the declarations of the International Labour Organization;

¹ Source Global Slavery Index



- promote equal opportunities and we 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; and
- respect our people's right to belong to the trade union of their choice and we do not tolerate any type of retaliation or hostile action towards those people who participate in union activities.

Training

All employees have to complete a mandatory training course on our business principles. In 2016 99% of employees completed this training which reflects the importance we place on respecting our company's ethical code.

Confidential facility

We have a confidential facility available for all employees in case they have any concerns about compliance with our business principles, or just to ask questions, get advice, or raise issues. Suppliers and other interested parties can also, anonymously, ask questions, make suggestions, report incidents, or lodge complaints through our website.

Governance

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

Managing our supply chain

Being part of Telefonica puts us in a strong position to influence our supply chain. The expectations of our suppliers' labour conditions is made clear in our supplier-facing ethical code called Telefónica's [Supply Chain Sustainability Policy](#). We reserve the right not to do business with suppliers if we find any violations of this policy.

The issues surrounding forced labour can be highly complex but indicators of a problem include:

- inappropriate recruitment fees or unfair employment terms; and/or
- involuntary or excessive overtime;
- fines or other forms of unacceptable wage deductions;
- holding ID documents or visas; and/or
- living accommodation operated under a curfew.

The risk of slavery and human trafficking in our direct supply chain is low, so we have focussed on making sure that our direct suppliers carry forward our business principles and the Telefónica Supply Chain Sustainability Policy into their own supply chain. We also expect them to carry out due diligence.



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. Suppliers employing migrant workforces are a particular target as we know that these individuals are vulnerable to exploitation.

Due diligence is carried out to strengthen our strong policy requirements. This includes:

- desk reviews of policy and process;
- third party on-line assessments by EcoVadis (an online system which measures and scores suppliers on their environmental, social, ethical, and supply chain activities); and
- site audits conducted by Telefonica UK, including detailed interviews with workers.

Due diligence may be carried out both before we sign contracts with suppliers and during a contract's term.

Telefonica UK stands ready to address problems identified by due diligence by refusal to sign an agreement (in the pre-contract stage), the imposition of an improvement plan, or in a serious case the termination of an agreement.

In 2016 we found no instances of slavery or trafficking within our supply chain.

Conflict minerals

An area of the supply chain with particular human rights risks are the foundries where the vital elements of modern electronics: tin, tungsten, gold, and tantalum are smelted. There's a risk that some of these minerals could have been sourced from conflict regions. Although we don't have a direct commercial relationship with foundries, we expect any suppliers that do have those relationships to minimise the risk of sourcing from conflict regions. This is a routine part of our supplier due diligence and will continue to be a focus in the future. You can find more information about Telefonica Group's position on conflict minerals here: ['The responsible supply of minerals.'](#)

Collaboration

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

- members of the Joint Audit Co-operation 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;
- 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 our ethical codes; and
- members of the [conflict-free sourcing initiative](#) which is a resource for companies addressing responsible sourcing issues for tin, tantalum, tungsten and gold.



Making Improvements:

To help us monitor this issue and take the principles of the Act beyond the UK and into our global supply chain, we have:

- discussed supply chain due diligence for slavery and trafficking with our key suppliers at our 2016 Supplier Forum during which we updated them on best practice due diligence approaches and on how leading organisations are addressing the Act;
- introduced a new requirement for our suppliers to provide an annual statement on minimisation of the risk of slavery and trafficking in their own operations and supply chain; and
- engaged with experts to identify how we can strengthen our approach.

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

A handwritten signature in dark ink, appearing to read 'ME', followed by a horizontal line extending to the right.

Mark Evans
Chief Executive Officer