Supply Chain Integrity and Safety

We are working with partners and peers to drive integrity, transparency and high standards across the industry’s supply chain and do our utmost to keep everyone working in our operations safe.

Our supply chain
We spend more than £18 billion a year with more than 15,000 suppliers globally

Absolute Rules
92% of employees agreed that our mandatory Absolute Rules on safety are taken seriously

Driving improvement
We are using joint industry audits and surveys of factory workers to help us identify and act on poor practices deeper in our supply chain
Supply Chain Integrity

Our businesses rely on international supply chains that span multiple tiers and are complex to manage. We spend more than £18 billion a year with more than 15,000 direct suppliers around the world to meet our customers’ needs. As we illustrate on the following page, our direct suppliers can have a very large number of their own suppliers who in turn rely on a large number of their own suppliers and so on down through several tiers in the supply chain.

The diagram on the following page is simplified: there are also middlemen (such as distributors and wholesalers) at various points in the chain, the tens of thousands of companies involved are spread across dozens of countries and supplier relationships change constantly as companies win contracts and others exit.

Conduct that is at odds with Vodafone’s principles and beliefs can occur at any point in these long and complex supply chains and poor behaviour by an individual supplier in any tier can have negative consequences for a large number of businesses connected to it. Ensuring responsible and ethical behaviour across our supply chain is therefore important and highly challenging: our efforts in this area span multiple jurisdictions and cultures and encompass vast numbers of individual workplaces and supplier employees.

Globally, this is an area of concern to many people, from customers and employees to shareholders and policymakers. In this section of the Report we will explain how we seek to ensure integrity across our supply chain by managing a wide range of legal, social, ethical and environmental risks. The Report also includes our statutory statements focused on two topics of particular relevance in a supply chain context — modern slavery and conflict minerals which can be found in the Appendix. In addition, we seek to encourage those who work with us — directly or indirectly — to adopt sustainable business practices. Enhancing supplier performance improves quality, boosts productivity, stimulates innovation and helps to secure a better working environment for anyone working in our supply chain.

This section of the Report also addresses a topic of critical importance across our own operations and in our supply chain: safety. We have comprehensive measures in place in our own businesses — and which we reinforce across our supply chain — that are designed to keep everyone who works for us safe from harm. We provide details of our approach — and an outline of the challenges faced — later in this Report.
A typical electronics supply chain for Vodafone

**Tier 1: direct suppliers**
Vodafone buys products and services from 15,000 direct suppliers. The majority of our spend is with large multinational companies supplying finished products.

We have a direct contractual relationship and work closely with our Tier 1 suppliers to develop innovative new products and services, engage their leadership and assess how they assure compliance across their operations.

**Tier 2: such as electronics manufacturers and sub-assemblers**
Electronics manufacturers and suppliers of electronic equipment have many suppliers of their own.

We work with our Tier 1 suppliers to gain insights into their suppliers – Tier 2 companies – particularly where we believe a supplier is high-risk.

**Tier 3: such as component suppliers**
Components are sourced from a significant number of suppliers to form parts of the products being manufactured.

**Tier 4+:**
These products are made from materials sourced from many different commodity and raw material suppliers who can be found many layers further down the supply chain.

Our supplier base is dynamic with the network of suppliers and sub-suppliers changing continually. We work through industry initiatives to enhance transparency throughout the supply chain. Where we have influence on the design or manufacture of products, we trace metals back to the smelter to check whether minerals may have been sourced from conflict regions in the Democratic Republic of Congo where the risk of human rights abuses is high (see our [Conflict Minerals Report](#)).
Risks in the information and communications technology (ICT) industry’s supply chain range from injury to people working in field operations and long working hours in electronics factories, to human rights abuses in the mining of minerals. These are serious risks linked to some of the gravest forms of unethical behaviour and maltreatment. We have developed robust systems to ensure that companies supplying Vodafone with products or services share our values and strive to meet the same ethical, labour and environmental standards that we mandate across our own business. We expect our suppliers to adhere to our Code of Ethical Purchasing and to uphold our Business Principles that are integral to our Code of Conduct. Our suppliers also understand that we will hold them to account for the management of risk in their operations and that we expect them, in turn, to hold their own suppliers to account against similar standards.

When choosing a new supplier or continuing a relationship with an existing supplier, we assess each company’s compliance with our rules on health, safety and responsible behaviour in conjunction with our assessment of commercial factors such as quality, cost and ability to deliver on time.

Ensuring integrity in our supply chain is an important priority for us. Our focus extends beyond effective risk management: we believe that adopting and promoting robust policies and processes on sustainable sourcing provides Vodafone with a competitive advantage as our customers and partners seek to minimise the reputation risks in their own supply chains and seek out products and services from businesses with a strong track record in responsible behaviour. For example, we are working closely with a number of our suppliers to develop our approach to greater energy efficiency, as we explain in the Energy innovation section of this Report.

15,000

direct suppliers around the world

Network infrastructure and related services account for the majority of our procurement expenditure. The products we sell to customers (such as mobile devices, SIM cards, routers and set-top boxes for cable TV) to connect to our network also account for a significant proportion of our procurement spending. As a large multinational with more than 107,000 employees in 26 countries, we are also a significant purchaser of goods and services to support our general business and administrative functions, from professional advisory support to catering and cleaning.

We are not a manufacturer and do not directly own or operate factories or other production plants with the exception of a technology operation that is part of our Vodafone Automotive ‘Internet of Things’ (IoT) business. We offer our customers a range of smartphones and tablets that carry the Vodafone logo; however, those devices are designed and manufactured on our behalf by suppliers – known as Original Design Manufacturers – who are contracted to make products according to our specifications. We do not own, operate or control the manufacturing plants that make those Vodafone-branded devices.

Our suppliers range in size from small and medium enterprises to large multinationals, every one of which has its own supply chain, as detailed earlier. The majority of our procurement is managed centrally, including terminals (i.e. mobiles, tablets, set-top boxes, etc.), through our main global procurement organisation, the Vodafone Procurement Company (VPC). The VPC manages most of our spending with suppliers worldwide, helping to ensure that we maintain a consistent approach to supplier management across Vodafone and making it easier to monitor and improve supplier performance.
We also have relationships with local suppliers working on behalf of our local country businesses, particularly in services-related procurement such as merchandising or field operations. Our support for these local businesses has a positive impact on the communities around our local operating companies.

**Level of influence**

As we explain above, monitoring the compliance of a company’s suppliers can be challenging, given the multiple tiers, related subsidiaries, operating locations and employees involved (together with constant changes in all of the above). Assessing the extent to which a Tier 1 direct supplier is successfully enforcing compliance with rules on responsible behaviour across the companies that in turn supply it with goods and services – our Tier 2 sub-suppliers – can be even more difficult.

The level of influence we have over the companies in our supply chain varies significantly. We have the greatest influence over our Tier 1 direct suppliers with whom we have a contractual agreement and where there is significant competition in the supply base. Many of these direct suppliers are major companies in their own right, with well-established processes in place to ensure high standards in sustainable business practices. We work particularly closely with a small number of strategic suppliers that account for a large proportion of our total procurement spend.

We have less influence over our sub-suppliers (Tier 2 and below) who operate further down the supply chain and where risks of non-compliance with our requirements are higher. To target improvements among sub-suppliers, we work with our direct suppliers to check that they have suitable policies, processes and verification in place to manage risks and ensure compliance in their own supply chains. We also collaborate with some of our Tier 1 suppliers to monitor their supply base directly and work with them to improve standards.

We have greater influence over the network suppliers that help us with the supply, installation and maintenance of our networks or design and manufacture the Vodafone-branded devices that we sell to our customers. Safety is a critical priority at all points of the supply chain and particularly so in the management of our mobile and fixed-line networks where our employees, suppliers (and in particular their contractors and sub-contractors) can be at risk from field operations-related activities such as driving to, from or between work locations, working at height on base station masts and dealing with high-voltage equipment. We explain more about our approach to safety management later in this section of the Report.

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**Supporting local employment in South Africa**

We are working in partnership with international promotional merchandise company, Mace Promotions, to source products that are made locally for our South Africa-based subsidiary, Vodacom Group. Three sewing co-operatives in Germiston have been contracted to manufacture Vodacom-branded promotional merchandise such as T-shirts and golf shirts. This has created new and sustainable employment opportunities in the textile value chain (an industry which has experienced a significant decline in the last 10-15 years) to support the local community. Other large companies in the area are now following our lead.

Co-operative members have been offered training through the partnership and now have sufficient business expertise to sustain a long-lasting relationship with Mace Promotions. For every 6,000 Vodacom T-shirts procured by Mace Promotions, one full-time job in Germiston is created; each job in turn has a positive economic impact on up to five other people.
Our policy

Our Code of Conduct rules that are mandatory for all employees include a commitment to require our suppliers to promote, and encourage support for, our Business Principles throughout each supplier’s own operations. The obligations we impose on our suppliers are specified within the Vodafone Code of Ethical Purchasing. The Code was developed in consultation with employees, suppliers, investors and a number of NGOs.

Our intention is to promote safe and fair working conditions and the responsible management of environmental and social issues in every part of our supply chain through a commitment to continuous improvement from every supplier that works with us.

As a condition of their contract with Vodafone, our suppliers must:

• comply with all relevant laws, regulations and standards in all of the countries in which they operate;
• provide a healthy and safe working environment for their employees, contractors, partners or others who may be affected by their activities;
• have mechanisms in place to ensure that all employees are competent to carry out the health and safety aspects of their responsibilities and duties;
• have systems and training to prepare for and respond to accidents, health problems and foreseeable emergency situations, including a means for recording, investigating and implementing learning points from accidents and emergency situations;
• treat employees with respect and dignity;
• respect the rights of employees to join (or not to join) trade unions or similar representative bodies and to respect employees’ rights to collective bargaining in accordance with local laws;
• ensure employees’ working hours do not exceed the maximum set by local law, ensure that a working week does not exceed 60 hours including overtime and allow workers at least one day off per seven-day week;
• provide fair and reasonable pay and ensure employees understand their employment terms and conditions; and
• comply with relevant legislation and international standards for managing environmental impacts and have the appropriate processes in place actively to optimise the use of finite resources (such as energy, water and raw materials) and the controls required to minimise the release of emissions that are harmful to the environment.

Our suppliers must not:

• tolerate any form of bribery, including improper offers for payments to or from employees, customers, suppliers, organisations or individuals;
• engage in or support discrimination of any kind in hiring, employment terms, remuneration, access to training, promotion, termination or retirement procedures or decisions;
• tolerate physical or verbal abuse or other harassment or any threats or other forms of intimidation;
• employ anyone below the minimum legal age for employment; or
• use forced, bonded or compulsory labour: employees must be free to leave their employment after reasonable notice and must not be required to lodge deposits of money or identity papers with their employer.

Further details of our approach to tackling bribery and corruption are set out in the Anti-Bribery section of Principles and Practice and we provide details of measures to address modern slavery in our statutory statement in the Appendix.

All of our policies and requirements for suppliers are included in our supplier contracts and are also published on our website. We expect suppliers to implement the standards set out in our Code of Ethical Purchasing across all of their operations. We also encourage suppliers to impose similar standards within their own supply chain. Over time, this cascade effect should support improvements to working conditions (and ultimately, quality of life) for hundreds of thousands of people involved in Vodafone’s businesses who we do not know and whose workplaces we cannot see – and upon whom we rely.

Tackling conflict minerals further down our supply chain

We require relevant suppliers to have a policy in place for the responsible sourcing of minerals and – most importantly – to maintain clear procedures to avoid knowingly purchasing so-called “conflict minerals”.

Metals such as tin, tantalum, tungsten and gold (often referred to collectively as 3TG) are widely used throughout the global electronics industry including in the components used in mobile phones, SIM cards and other products sold by Vodafone and other operators.

Some of the minerals that these metals are refined from may originate from mines that directly or indirectly finance or benefit armed groups in conflict regions such as the eastern provinces of the Democratic Republic of Congo. There is widespread concern that the proceeds from these conflict minerals are fuelling armed conflict and human rights abuses, further entrenching corruption and poverty in those regions.

We believe mining activities that fuel conflict are unacceptable. Our global Conflict Minerals Policy sets out our position on this issue. As we do not purchase 3TG metals directly, where we have influence on the design and manufacture of products, we have to work with the suppliers that manufacture our products to determine the sources of the minerals used; often, these are several tiers down the supply chain and extremely difficult to ascertain. We are working through industry partnerships such as the Conflict-Free Sourcing Initiative to address this challenge, conducting due diligence to seek to ensure that materials originating in conflict areas do not end up in our products. More details are set out in our statutory Conflict Minerals Report in the Appendix.
**Qualifying as a Vodafone supplier**

To become a Vodafone supplier, a company must clearly acknowledge its understanding and acceptance of our standards – as outlined in the Code of Ethical Purchasing – and confirm that it will comply with those requirements. That confirmation is part of the standard terms and conditions included in all of our contracts with every supplier, whatever its size.

We conduct due diligence on all new suppliers to check that they meet our requirements. In 2015-16, 3,130 companies qualified as Vodafone suppliers. Our due diligence and qualification process identified that 1,223 (39%) were operating in locations, working environments or areas of business activity with potential ethical, social or environmental risks. We adopt a prudent approach to qualification: for example, a new supplier involved in handling customer data will be assessed to be high risk on the basis that the protection of our customer’s privacy is a critical priority at Vodafone and therefore – regardless of the individual supplier’s merits – stringent due diligence is required. Companies that we deem to be high risk are assessed by individuals within Vodafone with expertise in the specific risks identified. There is a clear separation of duty between the specialists involved in risk assessment and other colleagues involved in defining the commercial relationship with the supplier in question to ensure the outcome of the due diligence process is as objective as possible. We received sufficient assurance of compliance on completion of our due diligence processes in the very large majority of cases, with six suppliers rejected during the year.

**Mechanisms for ensuring our suppliers operate responsibly to our standards**

- Contractual commitment to Code of Ethical Purchasing
- Due diligence
- Based on country industry and type of activity
- Screening for reputational issues
- Validated questionnaires
- On-site audits
- Direct worker feedback
- Improvement plans
- Events and forums
- Sharing best practices
- Capability building
- Offer further work
- Supplier awards
- Reduce business
- Terminate contract

**Vodafone Code of Conduct**

**Vodafone Code of Ethical Purchasing**

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Monitoring compliance
Once suppliers begin to work with us, they are expected to monitor compliance continuously within their own operations and to identify and correct promptly any aspect of their work that falls below the standards set out in our Code of Ethical Purchasing. They are also required to report any serious breaches to Vodafone immediately to enable our teams and the supplier in question to work together on a schedule for corrective action.

Engaging with our supply chain
Our supply chain teams have the most contact with our suppliers. They often have specialist knowledge of relevance to a particular supplier’s business and they are trained in our Code of Ethical Purchasing to help them identify any related issues during site visits and interactions with suppliers and their employees. This training is repeated at regular intervals to ensure our supply chain teams are updated on any new risks or policy changes. Supplier safety is a constant focus at all points of a site visit including during interactions with managers and executives; meetings hosted by our supply chain managers will typically begin with a ‘safety moment’ to reinforce Vodafone’s commitment to keeping people from harm.

We use a number of techniques and processes to monitor compliance with the Code of Ethical Purchasing. High-risk suppliers – including those whose industry, country of operation or type of business has a history of poor standards – are required to cooperate in a detailed evaluation process, the key elements of which are summarised here. The approach we take to monitor compliance is determined by the nature of the risks and the kind of activity involved.

Supplier questionnaires
We use a mandatory questionnaire to gather information from suppliers related to a range of ethical, labour and environmental risks. We also require evidence to support the validation of questionnaire responses.

In April 2016, we introduced a new questionnaire designed to enhance transparency and performance in the priority areas which form the focus of this Report and which are summarised earlier. The new questionnaire also provides suppliers with the opportunity to highlight any particularly beneficial initiatives they have undertaken in order to support best practice sharing across the supply chain and within our own businesses.

On-site audits
On-site audits provide a detailed insight into how a suppliers’ policies translate into action in the workplace. These audits are intensive and detailed. They involve examination of written policies and procedures, inspections of site facilities and discussions with factory management and employees and can last over a period of several days.

Our industry peers face many of the same supply chain risks – and use many of the same suppliers – as Vodafone; they also deploy similar compliance assurance processes. An on-site audit that is thorough and challenging from Vodafone’s perspective can often be intrusive and disruptive from the supplier’s perspective. If multiple operators such as Vodafone chose to visit the same supplier to assess the same risks in a series of separate audits, there is a risk of a significant administrative burden for the suppliers involved. To reduce that burden and avoid duplication of effort by Vodafone and our peers, we collaborate with 11 other telecoms operators through the Joint Audit Cooperation (JAC) initiative. Under the JAC process, each supplier undergoes a single audit. The results are then shared between JAC member companies and one member leads the follow-up with the supplier and provides regular updates to the other JAC companies.

From January to December 2015, there were 61 JAC audits of Vodafone suppliers. In total, 11 of our Tier 1 direct suppliers were audited and 50 of our Tier 2 or lower sub-suppliers. In parallel, we also conduct our own on-site assessments for specific Tier 1 and Tier 2 suppliers that we have identified as high risk but are not covered by the JAC initiative assessments. During 2015-16, we conducted 24 on-site assessments, 11 of which were with Tier 1 direct suppliers and 13 with Tier 2 sub-suppliers.

Direct employee feedback
Working hours and working conditions are an important part of our supplier assessments but are often hard to assess, not least if supervisors and managers try to falsify timesheets and other workplace records. We therefore increasingly seek feedback directly from our suppliers’ employees to help us and our suppliers identify areas for improvement.

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Number of factory workers surveyed using mobile survey – 157
Total 68 61 92**

* JAC assessments are reported on a calendar year basis
** One supplier assessment and mobile survey were conducted on the same site
In 2014, we began to use Labor Link to survey people working in our Tier 2 sub-suppliers’ factories in China where labour standards – and particularly working hours – in electronics factories have been heavily criticised and remain the subject of intense scrutiny. We have initially focused on working hours and enforced overtime as these are often a proxy indicator for a broad range of other labour rights issues.

During 2015-16, more than 2,500 employees across eight Tier 2 supplier factories were provided with access to Labor Link to tell us about their working conditions. A total of 2,161 responded to questions related to excessive working hours, including:

“Is overtime at your factory voluntary?”
- 87% said yes; and
- 13% said no.

“How many times a week does your working day extend beyond 10 hours?”
- 64% said never;
- 25% said one to three days;
- 8% said four to six days; and
- 4% said seven days a week.

“How do you feel about working overtime?”
- 43% said they wanted to work as many hours as possible;
- 50% said they were sometimes willing to work overtime; and
- 7% said they did not want overtime.

These are important insights which enabled us to focus directly on specific areas of poor management – in this example, excessive hours reported by respondents – and highlight the changes required to bring the workplace in question back into line with the requirements set out in our Code of Ethical Purchasing.
Improving performance and building capability

One of the most effective ways we can improve performance in our supply chain is by engaging directly with suppliers through our monitoring processes and follow-up discussions and briefings with supplier managers and executives. Where we identify evidence of non-compliance through JAC audits, our own on-site assessments or worker surveys, we work with suppliers to develop corrective actions, usually by helping management teams to improve their own policies or strengthen the processes used to manage key risks.

In 2015-16, the large majority of recommendations for improvement identified by Vodafone and JAC audits related to health and safety, as summarised below.

In November 2015, we undertook an audit of one of our suppliers in China. The audit revealed that although the supplier could supply evidence to demonstrate that it did not use underage or forced labour and had good procedures in place for health and safety, its policies on working hours, overtime and pay were inadequate. We made a series of recommendations to help the supplier improve its performance and meet our requirements. Based on these recommendations, the supplier has revised its pay scheme, introducing a new policy to formalise the payment of the legal minimum wage, taking overtime and holiday pay into account. The policy is accompanied by a system of verification and review to ensure that the payments made are adequate, fair and in line with individual performance.

We work with our peers and our suppliers to share best practice and to help to build greater compliance capabilities at the top of our supply chain. For example, we collaborate with our most important network suppliers to ensure that their design specifications for network infrastructure minimise health and safety risks and we bring our top 10 highest-risk network suppliers together four times a year to discuss best practice in safety. Further details of our approach to safety are set out later in this Report.

The key factors relevant to each category are listed below in order of frequency.

Health and safety
- Emergency preparedness (for example, poorly signposted or blocked fire exits).
- Lack of safety management policies and processes.
- Inadequate safeguards to prevent injury from machinery.
- Inadequate safeguards to prevent exposure to hazardous substances.
- Poor sanitation.
- Unsatisfactory food preparation.

Environment
- Lack of environmental management systems.
- Lack of environmental performance targets.
- Missing environmental permits to conduct certain activities.

Business ethics
- Lack of effective ethics policies.
- Lack of effective anti-corruption measures.
- Issues related to intellectual property rights.

Working hours
- Employees working hours in excess of the maximum stated in our requirements.

Forced labour
- Further details are provided in our statutory statement under the Modern Slavery Act 2015, available in the Appendix.

Payment
- Delayed or miscalculated wages.
- Improper overtime payments.
- Failure to comply with minimum wage requirements.

Young workers
- Inadequate young worker protection policies.
- Instances of young workers found to be doing overtime or night shifts in breach of our Code of Ethical Purchasing requirements.

Discrimination
- Inadequate policies to ensure equality.
- Poor equality practices.

Disciplinary practices
- Lack of fair rules for disciplining employees.
- Wage deductions used as a disciplinary measure.

Freedom of association
- Employees denied the opportunity to join representative bodies for collective bargaining where those bodies are permitted by law.

Raising standards through our audit process

Once corrective actions have been agreed, we then follow up to check that these actions have been completed within the designated timeframe. Documentary evidence is often sufficient, particularly in cases where areas identified for improvement are policy-related. However, where necessary, we will re-audit a site in order to verify that the agreed actions have been completed. In 2015-16, three of our on-site audits were follow-up audits.

We believe this approach is more likely to benefit supplier employees over the long term (as demonstrated by the example of our supplier audit in China, above) than if we simply terminated our contract, walked away from the company in question and, in effect, allowed the poor workplace conditions or unethical conduct we had identified to persist without the prospect of a supportive intervention in future. We will terminate a contract if a supplier proves to be persistently unable to resolve a compliance failure or in the event of an act of gross misbehaviour; however, those instances are rare and a last resort. Our preference wherever feasible is to help a supplier willing to improve how it operates – and most importantly, how it treats its people – for the benefit of all involved.

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Recommendations for improvement from combined JAC* and Vodafone audits in 2015-16

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<thead>
<tr>
<th>Category</th>
<th>Number of cases</th>
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<tr>
<td>Health and safety</td>
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<tr>
<td>Environment</td>
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<td>Business ethics</td>
<td>94</td>
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<td>Forced labour</td>
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<td>Discrimination</td>
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<td>Disciplinary practices</td>
<td>9</td>
</tr>
<tr>
<td>Freedom of association</td>
<td>8</td>
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</tbody>
</table>

*JAC audits are reported on a calendar year basis.
During 2015-16, we collaborated with Ericsson – one of our key suppliers of network equipment – to gather feedback on working conditions directly and transparently from employees at one of Ericsson’s suppliers, Faist – a Tier 2 sub-supplier to Vodafone. Faist operate a die-casting factory in China where metal casings for electronic equipment are made. Ericsson took part in our ongoing Labor Link programme designed to verify supplier employee working conditions using mobile phone-based surveys, as explained earlier in this Report.

The Labor Link deployment was conducted transparently with support from all involved and provided Faist with new insights into employee satisfaction. As a result of the survey, Faist has embarked on a programme to improve working hours by managing shift working and tracking employee satisfaction.

“This survey methodology is a valuable complement to Ericsson’s supplier audit programme, as it provides the direct perception and opinion of an employee beyond auditing.”

Eva Andrén, Head of Group Sourcing, Ericsson
Safety

Keeping the people who work for us safe from harm is one of our most fundamental responsibilities as individuals, as an employer and as a large business. We take this responsibility extremely seriously in our own operations and aim to promote safety excellence throughout our industry by demonstrating leading safety practices, insisting on high standards from our suppliers and engaging with customers and peers.

In this section of the Report, we will explain how we seek to embed a safety culture within Vodafone and throughout our supply chain. We will summarise the key risks faced by our employees and contractors, we will set out the policies and rules that everyone must follow – and we will explain what happens when those rules are not followed.

Our commitment to safety does not differentiate between our own employees and our suppliers’ employees – the contractors or sub-contractors who may be working on, or moving between, our sites. We want everyone working at Vodafone to return home safely every day. Any injury is one too many, and any loss of life related to our operations is unacceptable.

In that respect, it is with great regret that we must report that 12 people lost their lives in 2015-16. We provide context for those deaths in this section and do so fully conscious of the burden of each loss for the families, friends and colleagues affected.

Policy

We expect everyone working at Vodafone to behave in a safe and responsible manner at all times. This requirement is spelt out in our Code of Conduct which applies to everyone working for and on behalf of Vodafone.

The Code of Conduct sets out our high-level commitment on health and safety. Our Group Health, Safety and Wellbeing Policy expands on this by setting out our commitments to:

- display leadership behaviours that visibly demonstrate that health, safety and wellbeing is a priority issue and integral to our business;
- establish a robust and durable health, safety and wellbeing culture;
- empower our people by providing information, instruction, training and supervision to enable them to perform their roles safely and to help drive our performance on health, safety and wellbeing;
- involve employees, customers, contractors and suppliers in health, safety and wellbeing matters and consult with them on ways to reduce workplace hazards and improve health, safety and wellbeing management systems;
- develop, maintain and communicate health, safety and wellbeing programmes, objectives and targets; and
- deliver consistent and effective communications, including reporting on our performance.

The policy is accompanied by detailed standards on specific steps which must be taken to manage our top five risks. These are:

- road safety;
- working with electricity;
- working at height;
- laying cables in the ground; and
- control of contractors.

We explain these risks (and our approach to mitigate them) later in this Report.

The Vodafone Absolute Rules on safety focus on the risks, above, that present the greatest potential for harm for anyone working for or on behalf of Vodafone. The Absolute Rules are clear and unambiguous and are underpinned by a zero-tolerance approach to unsafe behaviours in all of our businesses.

Our Code of Conduct emphasises the need for full compliance with the systems and processes designed to keep everyone who works for us safe at all times. Every employee and contractor must:

- abide by the Absolute Rules at all times;
- intervene quickly if they see someone behaving unsafely;
- consider how their decisions and actions will affect the health and safety of others; and
- never compromise health and safety.

Our Absolute Rules on safety

Vodafone employees and contractors must:

- always wear seatbelts when travelling in or operating vehicles;
- always use suitable personal protective equipment, a safety harness and fall protection when working at height;
- never carry out electrical work on electrical equipment, circuits and gear if they are not qualified;
- never work under the influence of substances (alcohol or drugs) that are illegal or in excess of legal levels or where this impairs the individual’s ability to perform tasks;
- never exceed speed limits or travel at speeds that are dangerous for the type of vehicle or conditions;
- never use a hand-held phone while driving and only make calls by pulling over or using hands-free devices, when it is safe to do so; and
- never undertake any street or underground work activities unless competent to do so.
Managing key safety risks

Our safety strategy focuses on the four most significant risks for employees and contractors working in a variety of operational roles in our businesses:

- occupational road risk;
- working with electricity;
- working at height; and
- laying cables in the ground.

Over the years, these four risks have accounted for the majority of serious incidents and fatalities in Vodafone, in our supply chain and across the global telecommunications industry in general. Of these risks, the first – traffic-related incidents, particularly in emerging market countries – presents by far the greatest threat of harm on a daily basis.

As much of the work in the risk areas listed above is undertaken by our Tier 1 contractors or Tier 2 subcontractors, we consider that control of contractors amounts to fifth significant risk in its own right and reflect this within our safety strategy accordingly.

We require everyone who works for us to understand the safety risks inherent to their role and to understand exactly what they need to do – and not do – to identify and mitigate those risks and to protect themselves, their colleagues and the wider public.

Our policy states that anyone working at height, with electricity or with cables underground must demonstrate that they have completed appropriate training before they begin work on these high-risk activities. We also run regular training and awareness campaigns for employees and contractors on locally relevant safety issues in each of our markets, with road safety, our biggest risk, being a shared priority across all markets. For example, our global campaign on World Safety Day in April 2015 focused on our Absolute Rules and safe driving in particular.

Road safety

Road traffic accidents consistently account for the highest proportion of major incidents in Vodafone and across our supply chain and are responsible for the majority of fatalities related to our operations. This risk is particularly prevalent in emerging markets where driving conditions are often hazardous, average vehicle conditions and driver standards are poor and accident rates on public roads are very high.

The African countries in which we operate have some of the highest rates of road deaths on public roads in the world, ranging from 25 to 33 per 100,000 population. In one of our largest markets by geographic area and customer base, India, traffic accidents on public roads account for 16.6 deaths per 100,000 population. The comparable UK statistic is 2.9.13

Training in safe driving techniques is mandatory for anyone driving while working on behalf of Vodafone. However, risk mitigation remains challenging because – unlike the management of safety risks within a building or installation that we operate and control – we have no ability to control the actions of third parties on public roads.

Our Absolute Rules are designed to minimise the likelihood and severity of driving-related incidents; we have also introduced additional rules in some countries to address specific local road risks. For example, in India – where motorcycle and moped use is widespread – we require everyone to wear a helmet securely fastened with a chinstrap while riding a motorcycle and in South Africa we prohibit drivers from allowing passengers to travel in the back of pick-up trucks.

Promoting motorcycle safety in India

In India, traffic accidents on busy roads are commonplace. Motorcyclists are always much more vulnerable than car drivers in an accident and particularly so in countries with more than five times the number of road fatalities per capita than the UK and where few motorcyclists wear helmets. In 2015-16, we launched a series of campaigns across Vodafone India and our local market supply chain to emphasise the importance of wearing a helmet and to promote safer motorbike riding.

The ‘No Helmet, No Ride’ campaign targeted pillion passengers as well as motorcyclists and focused on travel at any time for any purpose – not just travel for work. We set out to reinforce key compliance checks relating to motorcycle use, distributed reflective stickers and jackets to encourage riders to make themselves more visible to other road users and offered training in defensive driving that encourages motorcyclists to expect the unexpected. The training highlighted the importance of anticipating and reacting to abnormal road conditions and the behaviour and actions of other road users, pedestrians and animals.
Safe driving behaviour

We are putting our technology into practice in our own operations to reinforce safe driving behaviours by employees and contractors and deter the speeding violations that are a major cause of accidents.

We are introducing telematics solutions which use mobile and GPS technology to monitor location, speed and driving behaviour (such as harsh braking or swerving) for employees and contractors across our markets.

Additionally, in South Africa we are introducing dashboard cameras in 300 vehicles used by our employees to provide real-time imagery as incidents occur.

We have also revised our standard on occupational road risk to incorporate advances in technology by including minimum requirements for future installation of telematics.

We have used the Labor Link mobile survey explained earlier in this Report to gain feedback on road safety and compliance with our Absolute Rules from 92 contractors working on behalf of our network suppliers in the UK. The survey – which focused on individual contractors with field operations roles and who drove a company vehicle – demonstrated very strong awareness of our Absolute Rules: 98% of respondents said they were familiar with them. However, some drivers said they felt pressured into driving when tired or had behaved in other ways which were unsafe. We are using the insights from the survey to help the suppliers involved plan work rosters which allow sufficient time for safe driving.

Working with electricity

Our Absolute Rules stipulate that anyone working on electrical equipment must be qualified and authorised to do so. Our working with electricity training module includes guidance for employees on how to recognise risks and implement appropriate safety controls.

We also work with contractors to ensure that:

• they have a documented risk management process for working with electricity;
• those working on electrical equipment are authorised, competent and medically fit;
• electrical equipment is fit for its intended purpose; and
• appropriate safety controls, such as ‘lock out-tag out’, are in place before work starts.

We operate road risk reduction programmes in all our markets, each of which is tailored to local needs. For example, in addition to our work to reduce motorcycle accidents in India, during 2015-16 we:

• launched the Road Reach programme in South Africa in which our senior executives each call around 160 employees and contractors who drive for us to ascertain their level of knowledge about our driving safety standards;
• launched the W8_Send media campaign to discourage texting while driving among employees, contractors, customers and the wider public in the Democratic Republic of Congo, Lesotho, Mozambique, South Africa and Tanzania; and
• maintained our road traffic safety management standard certification, BS ISO 39001, in Turkey.

In 2015-16, we are reinforcing our procedures further after a fatal incident in Turkey. The new requirement is for photographic evidence to be taken every time an employee or contractor is working with medium or high voltages and needs to isolate the power – the point at which the risk of a potentially fatal electric shock is at its highest. In each instance, a photo must be taken of the isolation and sent to the manager in charge who will check that the correct standards have been met before authorising the worker to continue to the next stage of work.

This new procedure is being written into our global electrical standard and will be adopted during 2016-17.
Working at height

Mobile services rely on radio access network equipment on towers, masts and rooftops. We seek to ensure that employees and contractors working at height are trained to understand and control the risks involved. Our Absolute Rules mandate the use of suitable personal protective equipment (PPE) whenever working at height, which includes a safety harness and fall-arrest system as well as other standard site PPE such as a helmet, safety boots and appropriate gloves.

Our network site design principles stipulate the need for safe access for height work and our policy on working at height includes guidance on the control measures required to manage risk effectively. This includes fall-arrest systems on all ladders over four metres high and the development and implementation of programmes to ensure those ladders are properly maintained. Fall-arrest systems have now been installed on 95% of all ladders over four metres at our sites across all of the countries in which we operate; additionally, during 2015-16 we ran a programme to assess fall-arrest systems across our operations worldwide and correct any shortcomings identified.

In Turkey, we worked with a leading third-party training provider to assess and improve training in working at height for contractors (who account for most such activity in Vodafone). The training covered rescue plans and use of ropes to access difficult locations; it is now being replicated in other local markets.

Laying cables in the ground

As we explain earlier in the Report, we continue to expand our fixed-line, cable and TV services in a number of countries. At the operating level, that expansion has led to an increase in the number of worksite activities that involve laying or maintaining cables at street level or underground. Streetworks of this kind are inherently hazardous. Risks include injury or death arising from penetrating electricity or gas lines, excavation and confined space hazards and the dangers associated with road traffic.

Our Absolute Rules make it clear that nobody should undertake any kind of street or underground work unless competent to do so. All of our employees and contractors must comply with our global safety standard and guidance documents governing laying cables in the ground. During 2015-16, we conducted in-depth reviews to assess compliance with that standard – and to assess the safety controls in place – in countries with major cable-laying projects underway: Albania, Germany, India, New Zealand, South Africa, Turkey and the UK. We also conducted risk assessments at all sites where work involved cables in the ground and reviewed our control measures to confirm adequate processes were in place.

Control of contractors

Most of the highest-risk activities involved in the deployment and maintenance of our networks are conducted by contractors or sub-contractors who work on our base station masts and towers and other network equipment. Ensuring the safety of those contractors is therefore critical and forms a fundamental part of our approach to the management of contractors.

Our consequence management system makes it clear that we will terminate contracts if our suppliers or their contractors persistently fail to meet our standards and, in doing so, allow people to be put in harm’s way without sufficient mitigation of the associated risks. Further details of our approach to ensuring compliance among our suppliers are set out earlier in this Report.

Effective management of risk begins at the top of every company. In our meetings at senior level with the Chief Executives and senior leadership teams of our suppliers, we regularly emphasise our safety expectations, reinforcing the focus on specific operational challenges identified by our own safety experts. In addition, four times a year we host a Supplier Safety Forum for our major network suppliers focused on best-practice sharing in areas of critical risk. Our focus in 2015-16 was on road safety – in line with the points explained earlier in this Report – and included video materials for use with our suppliers’ employees and sub-contractors which emphasised the emotional impact on families of bereavement as a consequence of unsafe driving.

Compliance

Rules have no meaning without monitoring and enforcement. We seek to ensure that everyone who works for us understands that the mandatory rules cannot be ignored or overlooked.

92% of employees said they believe the Absolute Rules are taken seriously at Vodafone

Employees who fail to comply with our Absolute Rules face disciplinary action which can lead to dismissal. Our focus on compliance – and on the consequences of non-compliance – is widely acknowledged across our businesses: 92% of employees responding to our Global People Survey in 2015-16 said they believed the Absolute Rules are taken seriously at Vodafone, one point higher than the response to the same question in the our 2014-15 survey.

We operate a formal consequence management process across all of our markets to address compliance issues, although – as we explain above – we prefer to help non-compliant suppliers improve their performance rather than terminate their contracts. If a supplier persists in failing to meet our safety standards we will no longer work with them and we will ban them from bidding for future work with Vodafone.

We operate two levels of formal warnings to suppliers: red cards for the most serious examples of non-compliance and yellow cards for less serious breaches. We conduct a full investigation into every major or high-potential incident: as a result of those investigations, we issued three red cards and 16 yellow cards to suppliers during 2015-16.

A supplier given a red card warning may be excluded from participating in future bids or tender opportunities with Vodafone for a period of 12 months. This can then be extended if a second red card is received. A third red card may result in termination of the supplier’s contract. The supplier would need to repeat our full qualification process in order to be considered for a contract in the future: we provide an overview of how that process operates earlier in this section.

During 2015-16, we strengthened our supplier consequence management process by introducing an automatic red card if a supplier fails to report a serious incident and increasing the period that a red card remains in place from 24 to 36 months. Additionally, if a global supplier with contracts across different Vodafone local markets receives a total of three red cards – even if those red cards were issued in different local markets – the global supplier is now required to complete an
improvement plan with clear evidence of senior management leadership and commitment to rectify the shortcomings identified. Failure to do this within three months would result in the supplier being banned from bidding for any further work with Vodafone up to 12 months.

While the nature of the risks we face in our business remain relatively constant, approaches to mitigate those risks—including emerging best practice shared with Vodafone by our industry peers, suppliers and others—evolve constantly. Additionally, there may be new local factors relevant to a specific Absolute Rules risk which we need to take into account when setting out guidance on the appropriate controls. For those reasons, every year we carry out a formal Group-level review of our most critical global Policy Standards to ensure these properly reflect the sources of potential harm for people who work for Vodafone and incorporate the latest thinking on how to keep everyone safe.

**Governance**

The Group Health, Safety and Wellbeing team oversees health and safety management across Vodafone. The team reports to the Group Human Resources Director who is a member of the Executive Committee and reports directly to the Group Chief Executive.

The Group Health, Safety and Wellbeing team provides specialist support for safety leaders in our local market businesses, all of whom operate in a mutually supportive network in which best-practice and knowledge sharing is actively encouraged. The team also works closely with a number of other professional functions at Group level.

We intend to build a culture within Vodafone and throughout our supply chain in which safety considerations are integral to decision-making at every level. We use a matrix system to assess the maturity of our safety culture in each of our local markets: this assesses each country’s progress based on factors such as safety leadership, safety learning, employee engagement, supply chain management, governance and assurance. Our maturity matrix integrates elements of the International Safety Rating System used to audit safety performance by many companies worldwide; it also focuses on the most significant risks in our business with an emphasis on improving performance rather than simply compliance with standards.

We assess each local market’s progress against the maturity matrix annually and plan to conduct internal audits every three to five years to validate those assessments. The findings help us to identify priorities for improvement that are then integrated into annual plans and objectives on health, safety and wellbeing in each local market. Subsequent progress against those objectives is then reviewed quarterly by the local market senior leadership team and by our Group Health, Safety and Wellbeing team.

**Leadership**

We expect our senior leaders to demonstrate personal leadership on safety: the ‘tone from the top’ is a critical factor determining the extent to which an organisation as a whole embeds safety within its working behaviours. It is also important for leaders to show—through their actions as well as words—that a focus on safety is a prerequisite for a senior role and is therefore a characteristic that more junior managers would do well to emulate.

Safety forms part of all our leadership training programmes. We also hold workshops for executives and senior managers to reinforce leadership behaviours that contribute to building a strong health and safety culture. We set annual personal objectives on health, safety and wellbeing for Group-level executives, supply chain leaders, technology directors, human resources directors and other senior leadership roles in every local market.

1,000 senior management safety tours completed this year

In each local market, senior leaders, technology directors and supply chain managers are required to conduct at least four management safety tours a year to reinforce the message that safety is critically important to our business. In 2015–16, our senior leaders conducted more than 1,000 management safety tours in total. We record and analyse details of all such inspections to enable local safety teams to follow up on the findings.

Whenever a fatality is recorded anywhere in our business—regardless as to whether the individuals involved were employees, contractors or members of the public—the key background points are shared with the Group Executive Committee chaired by our Group Chief Executive and are discussed at the Committee’s next meeting. Materials presented to the Group Executive Committee include photographs of the deceased and details of his or her family circumstances (where known and available), images from the scene of the incident, initial views from our safety experts of root causes—including any identified breaches of our Absolute Rules and control failures—and a summary of salient factors for further analysis.

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**Demonstrating why our Absolute Rules matter**

Rules and processes alone do not keep people safe: attitude and emotional engagement are equally important. In our training materials, we use real-life experiences to help reinforce the importance of following our Absolute Rules at all times.

Whenever an employee or contractor has been involved in a high-potential incident, we ask them to share their story of how following the Absolute Rules saved their life, often using photos to emphasise just how severe the incident could have been. These stories are featured in our regular Group-wide internal safety newsletters and create an emotional connection to complement our focus on compliance. In India, two contractors travelling on a motorbike (both of whom were wearing helmets with chinstraps buckled) were hit from the side by another bike. The contractors fell into the road and were saved from serious injury by their helmets.

“I don’t know what would have happened if I didn’t have my helmet on my head. I’m glad that I was wearing it. Please wear a helmet, even for short distances, you never know when it will save your life!”

Performance

Monitoring and reporting our safety performance is an important part of our commitment to ensuring the safety of everyone working for us – employees and contractors – and helps to increase focus on the risks that are inherent to our industry.

Transparency and honesty are important. We want other companies, stakeholders and interested parties – as well as our own teams and suppliers – to learn from our experiences.

For example, we report all fatal incidents related to our operations whenever – after investigation and review – we conclude our controls were not operating as effectively as required (or our controls could have reasonably been enhanced) in order to prevent the incident. We therefore report accidents on public roads and we report every life lost irrespective of the individual’s status – whether an employee, contractor or a member of the public.

External research indicates that few major companies adopt this transparent approach: most limit their disclosures to incidents on sites under their full control only or exclude fatalities in their supply chain or the public as a whole.

Fatalities

In 2015-16, we deeply regret to report that 12 people lost their lives in incidents related to our operations. One contractor suffered a fatal injury while working with electricity in Turkey and 11 people died in road traffic incidents:

- one employee was struck by a third-party vehicle whilst walking on a footpath along a public road;
- seven contractors died while travelling between sites, delivering materials or driving in sales-related roles; and
- three members of the public died in incidents involving people driving on behalf of Vodafone.

All of these vehicle-related deaths occurred in countries with high rates of fatal accidents on public roads: six were in India, three in South Africa, one in Lesotho and one in Turkey.

A further fatal incident in Spain is currently under investigation by national authorities. We are unable to gain access to the authorities’ findings to ascertain the cause or report on their findings until this investigation is complete. That incident is therefore not included in our figures below.

We have undertaken a thorough investigation into the causes of each fatal incident and defined actions to help prevent a recurrence. These investigations were personally overseen by the respective local market Chief Executive to ensure that the organisation as a whole worked together to understand what happened, why it happened and what needed to be done to prevent it from happening again.

Executives are also responsible for ensuring any necessary corrective actions are implemented. Lessons learned from each fatality have been shared across the Group to help to prevent similar incidents happening in other markets. As explained above, the circumstances surrounding each fatality are formally discussed at the most senior levels of the Group; the relevant points are also discussed in detail in our Group-wide safety conferences four times a year and in other communications to employees.

We continue to tackle the root causes of the incidents that occurred in 2015-16 through our road safety programmes in each market, strengthened consequence management processes for contractors and reinforced safety procedures for working with high and medium voltage electricity.
Lost-time incidents and high-potential incidents

Lost-time incident (LTI) is the term used to describe an incident in which an employee is sufficiently hurt to need time away from the workplace for medical intervention or recovery – even if only for a few hours – thereby leading to a loss of workplace productivity. A high-potential incident (HPI) is an incident which has the potential to cause death or serious injury but was averted through luck or some form of safety intervention.

Under-reporting of LTIs and HPIs is a challenge for any company seeking to embed a safety culture in all of its operations. There are a number of factors which influence the volume of LTI and HPI reporting, such as company culture, level of focus and volume of activity undertaken over the period. Encouraging people to report every incident – however small – is an important step in developing a company’s safety maturity.

Although we have consistently emphasised the need for accurate LTI reporting across all of our operations, in recent years we have stepped up our efforts to capture and analyse all incidents of potential or actual harm to our employees. These efforts have had a considerable impact in two of our markets, with significantly higher numbers of LTIs reported compared with 2014-15. Greater compliance with mandatory rules on LTI and HPI reporting enables us to identify emerging trends in operating risks before these lead to a fatality; increasing our scope to intervene and put the necessary controls in place before a life is lost. As a consequence – and as the table above shows – in 2015-16, our overall reported LTI rate increased by 43% to 0.9 per 1,000 employees.

We know that we have more work to do to capture and report all LTIs across all markets. During 2016-17, we will continue to urge everyone who works with us to record all relevant incidents, investigate the root causes identified as a consequence of that scrutiny and use the insights gained to improve further the rules and processes we have developed to ensure everyone who works for us remains safe from harm.

<table>
<thead>
<tr>
<th>Lost-time incidents (employees only)</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of lost-time incidents</td>
<td>101</td>
<td>64</td>
<td>97</td>
</tr>
<tr>
<td>Lost-time incident rate per 1,000 employees</td>
<td>1.03</td>
<td>0.63</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Fatalities and LTI data, as well as selected supporting statements in this section, were reviewed as part of EY’s assurance of Vodafone’s Sustainable Business Report. For more details see the EY Assurance Statement, June 2016.

11 World Health Organization’s latest data on road traffic deaths (2013)
Sustainable Business Report 2015-16

Our Sustainable Business Report 2015-16 introduces our new strategy to maximise the social and economic benefits our business can bring, while maintaining our strong commitment to corporate transparency.

Download the full Report