Forced, bonded or compulsory labour, human trafficking and other kinds of slavery and servitude represent some of the gravest forms of human rights abuse in any society.

We will not tolerate any such activities within our own operations or within our supply chain and are committed to taking appropriate steps to ensure that everyone who works for Vodafone – in any capacity, anywhere in the world – benefits from a working environment in which their fundamental rights and freedoms are respected.

While this is our first public statement addressing these issues in line with the requirements of the new UK Modern Slavery Act (2015), we have been focused on the rights and well-being of the people who work for Vodafone – and for our suppliers – for many years. We have also published an overview of our guiding principles, policies and compliance processes in these areas in successive public documents, the most salient of which we refer to below.

Vodafone Group is one of the world’s largest communications companies. We provide mobile services in 26 countries and fixed services in 17 local markets and we partner with mobile networks in a further 57 countries. As of 31 March 2016, we have 462 million mobile customers, 13.4 million fixed customers and 9 million TV customers. We have more than 107,000 direct employees worldwide and are an important source of indirect employment – through our supply chain and through franchising and affiliate relationships – in every country in which we have an operating business.

The Group is domiciled in the UK with headquarters in London. Our UK operating company has over 18 million consumer and enterprise customers as of 31 March 2016; it also directly employs around 12,500 people and has a retail presence on most High Streets in the country.

The information in this Statement relates to the financial year ended 31 March 2016 and the scope of markets included in this Statement covers our mobile and fixed broadband operations in 26 countries: Australia (our joint venture), Albania, Czech Republic, Egypt, Germany, Ghana, Greece, Hungary, India, Ireland, Italy, Kenya (our associate Safaricom), Malta, the Netherlands, New Zealand, Portugal, Qatar, Romania, Spain, Turkey, the UK, Vodacom in South Africa and Vodacom’s subsidiaries in the Democratic Republic of Congo, Lesotho, Mozambique and Tanzania. It does not include our partner networks, where we hold no equity interest. Our business is connectivity: we build and operate mobile and fixed networks which our customers rely on to manage their daily lives and businesses. While we are neither a manufacturer (so do not own or operate factories or other production plant beyond a small and specialised automotive technology facility in Italy1) nor a handler of raw materials or commodities (and therefore do not own or operate processing facilities), our business is nevertheless complex, with a wide range of suppliers and other commercial third-party relationships.

Beliefs and principles

We fully acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights. The IBHR informs all of our policies related to the rights and freedoms of every individual who works for us, either as a direct Vodafone employee or indirectly through our supply chain. We are also committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our operations.

Respect for the dignity of the individual – and the importance of each individual’s human rights – form the basis of the behaviours we expect in every workplace worldwide. We will not accept any form of discrimination, harassment or bullying and we require all of our managers to implement policies designed to increase equality of opportunity and inclusion for all Vodafone employees.

We have also developed and implemented policies and processes which are intended to extend these commitments through our supply chain. These include requiring suppliers to take measures to avoid any form of forced, bonded or compulsory labour (or any other kind of slavery or human trafficking) within their own operations.

1 During the financial year 2015-16, Vodafone Automotive also owned a small assembly facility (approximately 50 employees) in Beijing. This was outsourced to a third party in February 2016.
Codes and policies

Vodafone’s Code of Conduct underpins everything we do. The Code is mandatory and extends to every individual working for or on behalf of Vodafone. The Code requires all of us to act ethically and comply with legal requirements at all times, putting our principles into practice in everything we do.

We require everyone who works for Vodafone to report suspected breaches of the Code, including via our anonymous confidential hotline Speak Up reporting service – a local-language, online and phone reporting hotline which is prominently communicated to all employees and contractors on a regular basis. Speak Up is overseen by our Group Risk and Compliance Committee and every report submitted is assessed and investigated. Further details of Speak Up are set out in our Sustainable Business Report.

The Code of Conduct was updated during the 2015-16 financial year to expand the references to human rights:

We respect all internationally proclaimed human rights, including the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. We strive to ensure that we are not complicit in human rights abuses. We shall, in all contexts, seek ways to honour the principles of internationally recognised human rights, even when faced with conflicting requirements. We are also committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our business operations.

Every supplier who works for us is required to sign up to – and then abide by – our Code of Ethical Purchasing. These commitments extend down through the supply chain, so that a supplier with whom we have a direct contractual relationship (a Tier 1 supplier) in turn bears the responsibility for ensuring compliance across their own direct supply chain (a Tier 2 supplier from Vodafone’s perspective) and so on. The Code was established more than 10 years ago and is based on international standards including the Universal Declaration of Human Rights and the International Labour Organization’s Core Conventions on Labour Standards.

It stipulates a range of ethical, labour and environmental standards that we expect to be followed across our supply chain including areas such as child labour, health and safety, working hours, discrimination and disciplinary processes. Those requirements are backed up by a risk assessment, audit and operational improvement process, which we summarise below and which are also underpinned by binding contractual commitments.

The Code of Ethical Purchasing directly addresses the labour rights issues associated with modern slavery. The specific requirements regarding forced labour risks were updated in 2014 to make explicit reference to slavery and human trafficking:

- the Supplier shall not use any form of forced, bonded, compulsory labour, slavery or human trafficking;
- the Supplier’s employees shall be entitled to leave work or terminate their employment with reasonable notice. Employees shall be free to leave work after such reasonable notice period expires. All employment shall be voluntary;
- the Supplier shall provide each of its employees with an employment contract which contains such a reasonable notice period; and
- the Supplier shall not require employees to lodge deposits of money or withhold payment or place debt upon employees or require employees to surrender any government-issued identification, passports, or work permits as a condition of employment.
Risk assessment
When the UN Guiding Principles of Business and Human Rights were first published in 2011, we analysed the approach to human rights then in place across the Group, to assess the extent to which our policies and practices were aligned to those Principles. That analysis helped to sharpen our focus on the most salient human rights risks of relevance to an international communications operator, including matters related to labour rights among our employees and in our supply chain.

We continue to review and enhance how we manage these issues. During 2015-16, we established a steering group – chaired by the Vodafone Group Head of Sustainable Business and with senior expertise from the legal, supply chain and compliance functions in Vodafone Group and Vodafone UK – focused on developing and implementing programmes to address modern slavery risks within our operations and supplier base.

During 2016-17, the modern slavery steering group will continue to lead an ongoing assessment of the Group’s potential exposure across our operating business and our global supply chain. That analysis is informed by:

- the risk profile of individual countries based on the Global Slavery Index;
- the extent to which specific demographic groups or types of employees or contractors may be more vulnerable than others for cultural, economic or operational reasons;
- the disclosures of peer companies and vendors; and
- the insights of labour and human rights groups and other stakeholders with specialist expertise in this area.

This analysis will in turn determine whether or not there are any changes required to the programme and associated compliance mechanisms.

Supply chain leadership
The Code of Ethical Purchasing is overseen by the Vodafone Group Board through the Group’s Chief Financial Officer, who is an Executive Director of the Group and also sits on the Group Executive Committee. Development and implementation of the Code is led by the Group Supply Chain Management Director, who is a member of Vodafone’s Global Senior Leadership team. The majority of Vodafone’s procurement activity is centralised; the Group Supply Chain Management team directly control over £18 billion per year of spending at both Group and local market level, including for example in our UK local operating company. We are therefore able to ensure a good degree of consistency and cohesion in the management of our relationships with our suppliers worldwide, which in turn underpins our ability to monitor performance and evaluate compliance with a reasonably high degree of confidence.

Labour rights are a key aspect of the due diligence process applied to new suppliers and a core factor evaluated on an ongoing basis with existing suppliers. We use a risk-based approach to determine the extent of scrutiny and challenge required when considering whether or not to appoint a new supplier and in response to an existing supplier’s declaration of conformity with our Code, prioritising locations, industries or activities with a history of poor labour standards for more detailed evaluation.

Conflict minerals
There are specific human rights risks associated with so-called conflict minerals – the term used to describe some of the raw materials (tin, tantalum, tungsten and gold) used throughout the global electronics industry. There are significant mineral deposits in certain areas affected by conflict, particularly in Africa, leading to widespread concern that the electronics industry’s constant demand for those raw materials has the effect of fuelling conflict and entrenching further the corruption and risk of poor labour conditions, including forced labour, endemic to those countries. Those concerns are also reflected in legislation; our views on this issue are set out in our separate statutory disclosure.
Monitoring and compliance

Potential new suppliers rated as higher risk are required to provide evidence that they operate ethically and responsibly in line with our Code requirements; this may include a third-party audit by a credible independent source. The supporting data provided is then reviewed by the relevant policy and operational experts within Vodafone who will reject a supplier from being on-boarded if they do not meet our requirements and, in the Group’s view, have no prospect of doing so even with support and remediation. If the information provided is found to be unsatisfactory, further on-site assessment may be required to verify compliance with the standards set out in the Code. If a new supplier is found to be non-compliant, where feasible we try to work with them to help enhance their capabilities and address the issues of concern.

Where we have identified that a particular supplier is high risk and requires monitoring, we evaluate that vendor’s compliance with our Code through a detailed assessment which may involve on-site audit. Some of these we conduct ourselves, sending the appropriately qualified and experienced Vodafone supply chain manager into the supplier’s operations to examine working conditions on the ground and speak directly to employees on the factory floor or relevant worksite. Other on-site audits are conducted under the Joint Audit Cooperation (JAC) initiative as explained to

In 2015-16, our on-site audits (together with those conducted through the JAC) identified 15 issues related to forced labour activities prohibited under our Code of Ethical Purchasing. Those issues arose within a range of suppliers from Tier 1 to Tier 3 and involved:

- employees requiring approval from factory management in order to resign;
- camera surveillance being in use without appropriate signage and usage policies in place;
- supervisors unreasonably limiting the time that employees could leave their work stations during a shift; and
- employees not receiving copies of their employment contract or not being aware of their leave entitlements.

Actions to address 13 of these issues have now been completed; two remain open with ongoing monitoring of the suppliers involved until fully remediated.

Training

The Vodafone Doing What’s Right mandatory training course is designed to help employees across the organisation understand the underlying principles, objectives and practical implications of Vodafone’s Code of Conduct and, in turn, reflect upon their personal responsibilities and behaviours. Training is delivered through e-learning courses, face-to-face line manager events, webinars and induction programmes for new employees.

We also require everyone in our global supply chain organisation – as well as other people who work closely with suppliers – to complete training in our Code of Ethical Purchasing on an annual basis. The programme includes specific guidance on how to identify and report non-compliance issues when visiting supplier sites and on how to communicate expectations to suppliers effectively.

Evaluating our progress

During 2015-16:

- we carried out 24 on-site audits of the highest-risk suppliers;
- JAC conducted 61\(^2\) on-site audits;
- we received 374 reports to our external Speak Up hotline, none of which concerned matters related to modern slavery issues; and
- 100% of Vodafone employees in global supply chain roles completed their annual refresher training (or new joiner induction training) on the Code of Ethical Purchasing.

Joint Audit Cooperation: improving standards in the supply chain

Vodafone is a member of the Joint Audit Cooperation (JAC), an association of 12 telecommunications operators established with a shared desire to improve ethical, labour and environmental standards in the ICT supply chain. Other members are Deutsche Telekom, KPN, Orange, Proximus, Rogers, Swisscom, Telecom Italia, Telefonica, Telenor, Telia Company and Verizon.

The JAC guidelines incorporate the same elements designed to address modern slavery risks that are included in Vodafone’s own Code of Ethical Purchasing.

JAC members collaborate closely, sharing resources to develop the appropriate supply chain standards and best practice and working together to assess and verify operational compliance. Audits are conducted by independent specialists based on internationally recognised social and environmental standards, such as the SA 8000 social accountability standard, with results shared between JAC member companies.

The JAC approach ensures suppliers are audited once rather than multiple times by different vendors and are assessed for compliance with a single set of rules under a standardised methodology.
Labor Link: voices from the workplace

Monitoring the compliance of a company’s direct suppliers can be challenging given the number of vendors, related subsidiaries, operating locations and employees involved. Assessing the extent to which a Tier 1 supplier is mandating compliance across the companies that in turn supply it with goods and services – the Tier 2 suppliers, from Vodafone’s perspective – can be even more difficult.

We now use the core service we provide to our customers – mobile – to gain insights into the views and experience of Tier 2 suppliers’ employees. We are the first telecoms operator in the world to work with the not-for-profit social enterprise Good World Solutions to enable employees to use their personal mobile phones to provide anonymous feedback on key aspects of their working conditions.

The Labor Link service provides employees with a simple, local-language questionnaire delivered via an interactive voice response (IVR) menu with pre-recorded questions which is accessed by dialling a local phone number, with a call-back facility, at any time. We require participating suppliers to allow their employees to respond to the Labor Link questions freely and all responses received are fully anonymised. We began using Labor Link during 2014 and, on the basis of the initial phase, believe it will make a meaningful contribution to ensuring compliance across the supply chain.

During 2015-16, over 2,500 employees across eight Tier 2 suppliers have used the service. 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. The Labor Link survey asked employees how many times a week their working day extended beyond 10 hours.

Of the 2,161 who responded:
- 64% said never;
- 25% said one to three days;
- 8% said four to six days; and
- 4% said seven days a week.

We also asked if overtime was voluntary: 87% responded yes, and 13% no. When we asked how the respondents felt about 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 to work overtime.

These are important insights which enabled us to focus directly on specific areas of poor management performance – in this example, excessive hours reported by respondents – and highlight the changes required to bring the workplace in question back in line with the requirements set out in our Code. If a supplier is found to be non-compliant, where feasible we try to work with them to help enhance their capabilities and address the issues of concern.