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 only the second statement in which we report on our efforts to prevent modern slavery in line with the requirements of the UK Modern Slavery Act (2015), we have been focused on the rights and wellbeing of the people who work for Vodafone – and for our suppliers – for many years. Our Statement provides details of our policies, our approach and the actions we have taken in the 2017 financial year to further strengthen our programme and commitment to respect and uphold people’s fundamental rights and freedoms.

Our business and supply chain

Vodafone Group Plc is one of the world’s largest communications companies. Our business is connectivity: we build and operate mobile and fixed networks which our customers rely on to manage their daily lives and businesses. We provide mobile services in 26 countries, fixed services in 17 local markets, and we partner with mobile networks in a further 48 countries.

As of 31 March 2017, we had 515.7 million mobile customers and 17.9 million fixed customers, including all of the customers in Vodafone’s joint ventures and associates. We have more than 108,000 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 local UK operating company has more than 17.8 million customers as of 31 March 2017; it also directly employs around 12,500 people and has a retail presence on most UK high streets.

Our business is complex with a wide range of suppliers and other commercial third-party relationships and relies on an international supply chain that spans multiple tiers. We spend more than €24 billion a year with more than 17,000 direct suppliers around the world to meet our customers’ needs. As we illustrate later, 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.

Network infrastructure and related services account for the majority of our procurement expenditure. The products we sell to customers (such as mobile phones, tablets, SIM cards, broadband routers, TV set-top boxes and ‘Internet of Things’ devices) also account for a significant proportion of our procurement spending. 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 mass-market manufacturer and do not directly own or operate large factories or other production facilities with the exception of a small plant that manufactures specialist automotive ‘Internet of Things’ components, based in Italy. 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 design and make products according to our specifications. We do not own, operate or control the manufacturing plants that make those Vodafone-branded devices, nor are we a handler of raw materials or commodities.

Our suppliers range in size from small and medium-sized enterprises to large multinationals, each one of which has its own supply chain. The majority of our purchasing and supplier management is controlled centrally via our global procurement organisation, the Vodafone Procurement Company (VPC). The VPC manages most of our spending 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.

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1 The information in this Statement relates to the financial year ended 31 March 2017 and the scope of markets included in this Statement covers our mobile and fixed broadband operations in 23 countries where we have operational control: Albania, Czech Republic, Egypt, Germany, Ghana, Greece, Hungary, India, Ireland, Italy, Malta, New Zealand, Portugal, Qatar, Romania, Spain, Turkey, the UK, Vodacom in South Africa and Vodacom’s subsidiaries in the Democratic Republic of the Congo, Lesotho, Mozambique and Tanzania.
A typical electronics supply chain for Vodafone

**Tier 1: direct suppliers**
Vodafone buys products and services from approximately 17,000 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, the network of suppliers and sub-suppliers is 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 seek to ensure that those products do not contain metals that fund conflict in the Democratic Republic of the Congo. We provide further details of our approach to this issue in our statutory Conflict Minerals Report.
Beliefs and principles

We fully acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights (IBHR).

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 and are communicated through our Code of Conduct (see Codes and policies section below). We will not accept any form of discrimination, harassment or bullying and we require all of our managers to implement policies designed to ensure 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 our 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.

Codes and policies

Code of Conduct

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. It 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 via our Speak Up process. There are a number of ways people can do this including via our anonymous external confidential reporting service – a local-language, online and phone reporting hotline which is prominently communicated to all employees, suppliers and contractors on a regular basis. The Speak Up programme 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 2016 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.”

Code of Ethical Purchasing

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 its own direct supply chain (a Tier 2 supplier from Vodafone’s perspective) and so on. The Code was established more than ten 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 was developed in consultation with employees, suppliers, investors and NGOs, and 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.
- 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.

The Code of Ethical Purchasing is overseen by the Vodafone Group Plc Board through the Group’s Chief Financial Officer, who is an Executive Director of the Group, and also sits on the Group Executive Committee (ExCo). 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.

Human Resourcing Policy

Vodafone has a global human resourcing policy which sets out the overarching principles and controls to be followed and applied in each of our local operating companies in order to ensure that personnel resourcing is conducted in a fair, open and transparent manner.
Assessment and management of risk

Modern Slavery steering group
We have established a cross-functional steering group through which we develop and coordinate our approach to addressing modern slavery risks within our operations and supplier base. The group is chaired by the Vodafone Group Head of Sustainable Business with senior expertise from the legal, supply chain and compliance functions in Vodafone Group and Vodafone UK.

Assessing risk

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.

During the 2017 financial year, we worked with external experts to undertake a Group-wide modern slavery risk assessment in order to better understand where to prioritise our efforts across our operations and supply chain. As part of this, we assessed our business and supply chain activities against recognised indicators of modern slavery risk such as:

- potential employment of vulnerable groups (such as low-skilled, seasonal or migrant workers);
- likely involvement of labour recruiters and other third-party agencies in the recruitment of workers;
- consideration of how many workers are involved in the business or supply chain activity; and
- the country risk of modern slavery (based on the Global Slavery Index).

The assessment revealed that our greatest areas of potential exposure are linked to our procurement of manufactured electronic products, construction services for our mobile and fixed assets, and maintenance and support services at our offices and warehousing of products. The assessment also revealed that customer support and telesales activities carried out in higher-risk geographies – some of which are outsourced and some of which we carry out directly – may also carry a level of risk.

On the basis of this assessment, we are working to further understand the nature of any actual risks and to ensure that these are being appropriately managed.

Conflict minerals

We also recognise the forced labour 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. Our approach to managing this specific issue is set out in our Conflict Minerals Report, our separate statutory disclosure.

Supply chain due diligence

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. Factors such as locations, industries or activities with a history of poor labour standards (such as the manufacture of electronic products identified previously) are considered when determining whether a more detailed evaluation of the supplier is required.

Potential new suppliers rated as higher risk are required to provide evidence that they operate ethically and responsibly in line with our Code of Ethical Purchasing 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 permitted to work with us if they do not meet our requirements and, in the view of those experts, 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 potential 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. If we received sufficient assurance of compliance on completion of our due diligence processes, the supplier will be qualified.

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 an on-site audit. Some of these we conduct ourselves, sending the appropriately qualified and experienced Vodafone 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 site audits are conducted under the Joint Audit Cooperation (JAC) initiative as explained later (see page 7 – Joint Audit Cooperation).

In the 2017 financial year, our on-site audits (together with those conducted through the JAC) identified 21 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;
- supervisors unreasonably limiting the time that employees could leave their workstations during a shift; and
- employees not receiving copies of their employment contract or not being aware of their leave entitlements.
Mechanisms for ensuring our suppliers operate responsibly to our standards

Vodafone Code of Conduct
Vodafone Code of Ethical Purchasing

Qualification process
- Contractual commitment to Code of Ethical Purchasing
- Due diligence

Qualified Vodafone supply base
- Based on country industry and type of activity

Risk profiling
- Screening for reputational issues
- Validated questionnaires
- On-site audits
- Direct worker feedback

Monitoring compliance
- Improvement plans
- Events and forums
- Sharing best practices
- Capability building

Improvements and capability building

Recognition
- Offer further work
- Supplier awards

Consequences
- Reduce business
- Terminate contract

Actions to address 19 of these issues have now been completed; two remain open with ongoing monitoring of the suppliers involved until fully remediated.

In 2017, we also enlisted an international audit firm to conduct a series of assessments which combined the standard JAC industry assessment (see page 7 — Joint Audit Cooperation) with additional enquiries and analysis focused on modern slavery. During the 2017 financial year, this approach was trialled with two suppliers and included on-site worker interviews to evaluate labour rights such as:

- freedom to take breaks during working time;
- freedom to leave at the end of a shift;
- no pay withheld;
- no recruitment fees paid to agencies; and
- no documents withheld.

We are in the process of reviewing the feedback from these audits and will use this to determine appropriate next steps.
The Joint Audit Cooperation (JAC)

Vodafone is a member of JAC, an association of 13 telecommunications operators established with a shared desire to improve ethical, labour and environmental standards in the ICT supply chain. Other members are AT&T, Deutsche Telekom, KPN, Orange, Proximus, Rogers, Swisscom, Telecom Italia, Telefonica, Telenor, Telia Company and Verizon.

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 work 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.

Within JAC, we are working to enhance understanding and practice around modern slavery risks and have recently joined the Committee’s new working group dedicated to addressing these issues.

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 on 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.

During the 2017 financial year, we upgraded the internal training on the Code of Ethical Purchasing to include more information on the identification and management of modern slavery risks (see extract below). The training is aimed at generating high-level awareness among supply chain employees on the risks of modern slavery at key stages of the labour cycle: recruitment, employment and exit. The training programme was launched in 2016 and as of 31 March 2017, all of our global supply chain employees have completed the module.
Evaluating our progress

We use the following performance indicators to monitor and report on the effectiveness of our policies and procedures in this area.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of site assessments conducted (either by Vodafone or through JAC*)</td>
<td>61</td>
<td>95</td>
</tr>
<tr>
<td>*JAC assessments are reported on a calendar year basis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of sites where we have conducted a confidential survey of supplier employees via employees’ personal mobile phones, as explained later</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Number of factory workers participating in a mobile phone-based confidential survey, as explained above</td>
<td>2,607</td>
<td>4,743</td>
</tr>
<tr>
<td>Number of identified issues related to forced labour</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>Number of remedial actions taken in response to identified forced labour issues</td>
<td>132</td>
<td>19</td>
</tr>
<tr>
<td>Number of reports to our external Speak Up hotline related to modern slavery concerns</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

This statement was approved by the Vodafone Group Plc Board of Directors and signed on their behalf by the Group CEO.

Vittorio Colao
Group Chief Executive
Vodafone Group Plc

2 The outstanding two issues from financial year 2016 are now closed.
Laborlink: 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 some of our suppliers’ employees. We were 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 Laborlink 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 callback facility, at any time. We require participating suppliers to allow their employees to respond to the Laborlink questions freely and all responses received are fully anonymised. We began using Laborlink during 2014 and have since found that the service can help to ensure compliance across the supply chain.

During the 2017 financial year, we conducted seven Laborlink surveys. These included funding a programme for other JAC members to benefit from this highly effective confidential employee feedback mechanism.

During the 2017 financial year, more than 4,743 employees across one Tier 1 supplier, five Tier 2 suppliers and one Tier 3 supplier provided feedback via Laborlink. 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 Laborlink survey asked employees how many times a week their working day extended beyond 10 hours. Of the 4,743 who responded:

- 39% said never;
- 23% said one to three days;
- 33% said four to six days; and
- 5% said seven days a week.

We also asked if overtime was voluntary: 92% responded yes, and 8% no. When we asked how the respondents felt about overtime, 66% said they wanted to work as many hours as possible, 26% said they were sometimes willing to work overtime, and 6% said they did not want to work overtime.

The survey outcomes yielded important insights that enabled us to focus directly on specific areas of poor management – such as excessive hours reported by respondents. For four of the sites covered by these worker surveys, we also conducted on-site assessments. By doing these in parallel, we determined that poor resource planning and forecasting were the root causes of excessive working hours. We work with suppliers to put in place plans to address the issues and bring the workplaces in question back into line with the requirements set out in our Code of Ethical Purchasing.