

**Vodafone Statement in Response to Business & Human Rights Resource Centre, in relation to concerns raised by the coalition of NGOs led by Friends of Nature (FOE), Institute of Public and Environmental Affairs (IPE) and Green Beagle in their report.**

Vodafone seriously regrets any incidents involving its supplier's operations that result in environmental pollution and in particular any harm to people's health.

Vodafone recognises the seriousness of the pollution incident associated with Shanghang Huaqiang Battery Co. Ltd and the impact on the families and community involved and we regret that our supplier Narada failed to monitor its supplier base effectively. Shanghang Huaqiang Battery Co. Ltd have never been a direct supplier to Vodafone, but supplied product parts to Narada Ltd, who are a direct supplier to Vodafone.

We take any incident of this nature very seriously and endeavour to limit any risks. To do this we rely on and support our 1st tier suppliers to cascade our policies to their suppliers and inform us of any non-conformances. Unfortunately, in this case our 1st tier supplier, Narada Ltd, didn't identify the risk from its supplier, Shanghang Huaqiang Battery Co. Ltd., in time to avert this pollution incident.

Regrettably, communications from various NGOs on this issue did not reach the appropriate teams within Vodafone which meant that we did not become aware of the situation in Shanghang until April 2010. As soon as we were aware of this we carried out our own investigation. We were told by Narada Ltd that they became aware of the situation when it was reported locally in September 2009. As a result they immediately ceased their relationship with Shanghang.

Narada Ltd was audited by Vodafone when it qualified as a supplier in 2006, and again in 2007 and 2008. In each case no significant issues arose concerning sustainability or health and safety issues and the company holds current certificates for ISO14001, OHSAS18001 (independently verified by DNV) and SA8000 (verified by Bureau Veritas).

As a result of the situation in Shanghang we carried out a further investigation including another audit of Narada in May 2010. An outcome of this is to develop a plan relating to Narada's supply chain management that includes requirements to develop and deploy a risk based CR assessment tool and to audit high risk suppliers this identifies. Vodafone will provide Narada with expertise and assistance in developing the tool and will accompany Narada auditors in the capacity of observers. This is an approach we have adopted with other suppliers to help them build experience in monitoring their suppliers.

We are reviewing how we can improve our engagement with NGOs so we can better identify concerns and incidents in sub-tiers of our supply chain. We are open to, and would welcome any constructive dialogue to help us improve in this important area.

**Further information.**

Vodafone's Code for Ethical Purchasing was established in 2004 (and revised in 2010). Written in consultation with investors, NGOs and industry associations it is designed to promote safe and fair working conditions and the responsible management of environmental and social issues in our supply chain. All suppliers must accept this code in order to do business with us. We work collaboratively with our suppliers on the implementation of the Code, which may include audits and site visits to assess performance against the Code. In 2009/10 we carried out 24 site assessments of suppliers in China. From these visits we made 139 recommendations for improvements, mainly around health and safety and working hours. Two suppliers were excluded on the basis of poor performance against the Code.

The Code, and information on Vodafone's corporate responsibility programme, is available at <http://www.vodafone.com/start/responsibility/>

In addition to the Code we assess the ethical performance of all strategic suppliers every six months as part of our supplier performance management programme. We are also in the process of publishing environmental principles for suppliers of mobile devices. These include a clause to reduce overall environmental impacts and hazardous materials in batteries.

We are also taking an active role with our competitors and industry peers to develop a more transparent

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and ethical supply chain and are involved in the Global e-Sustainability Initiative (GeSI) supply chain working group progressing a number of initiatives in this area and we are engaging with some of our strategic suppliers to build joint CO2 reduction strategies.