# Modern Slavery Act Statement 2019

Telstra Corporation Limited and Telstra Limited

# Introduction

Across our value chain, we aim to ensure that we and our business partners operate with respect for human rights. Since 2011, we have been a signatory to the United Nations Global Compact, which commits companies to 10 guiding principles on human rights, labour rights, environmental protection, and measures to fight corruption.

Our commitment to respect and support human rights is aligned to the UN Guiding Principles on Business and Human Rights.

We also support the United Nations Sustainable Development Goals, with one of our four priority goals being Goal 8: decent work and economic growth. This goal includes the commitment to work to eradicate the many forms of modern slavery – such as forced labour or child labour - that exist.

# Our business

Telstra is Australia's leading telecommunications company.

We have a diverse range of customers including consumers, small business, large enterprises and government organisations. We bring innovative and intuitive products and services to market, and offer a broad suite of media, content and connectivity options in Australia, as well as connectivity and enterprise services globally.

Our world-leading networks cover 99.5 per cent of the Australian population, and we facilitate over 2,000 network points of presence in more than 200 countries and territories around the world.

As at June 30 2019, Telstra Corporation's total direct workforce was approximately 22,000 people. Telstra Group's total global workforce was nearly 29,800 (full-time equivalent). We employ around 4,800 people outside of Australia across 13 countries, equating to 16 per cent of our total workforce.

Our main employment centres outside Australia are Philippines (6.1 per cent) and Hong Kong (2.4 per cent).

For more information about our business structure and strategy, please refer to our 2019 Annual Report.

We are listed, and our issued shares are quoted on the Australian Securities Exchange (ASX) and the New Zealand Stock Exchange (NZX).

Telstra Limited is our UK operating company.

# Organisational structure

This statement is for Telstra Corporation Limited (the ultimate parent company in the Telstra Group) and Telstra Limited (UK) (together referred to as we, us, our, Telstra).

# Our governance framework

We are committed to excellence in corporate governance, transparency and accountability. This is essential for the long term performance and sustainability of our company, and to protect and enhance the interests of our shareholders and other stakeholders.

To learn more about Governance at Telstra, please refer to our 2019 Corporate Governance Statement

## Our values, Telstra Group code of conduct and policy framework

Telstra's values and our Code of Conduct set the behavioural standards for everyone who works for, or on behalf of, Telstra.

## Our values

Our values describe what we stand for and guide the way we do things. At Telstra, we have five core values.

- Show you **care**
- Make the complex **simple**
- **Trust** each other to deliver
- Find your **courage**
- Better **together**

## Code of conduct

Our Code of Conduct ('Code'), which links to our Telstra Values, explains what we stand for as an organisation and how we will conduct ourselves as we work together to deliver our strategy. It helps us take a consistent, global approach to important ethical and compliance issues.

Our Code covers a range of important elements about how we do business, including key elements on behaving ethically and lawfully. It also outlines where to go for further help, and how to raise concerns through various channels, including our whistleblowing service. Our Board, CEO and Leadership Team are deeply committed to our Code.

### Our principles

Our Code sets out the standards of behaviour we expect of our people, including our Directors, employees and contractors. It embodies our commitment to good corporate governance and responsible business practice. It also reflects the expectation of our customers, investors, regulators and the community.

We have developed the following principles for our Code that are underpinned by our Values.

- We act in the best interest of the company and our shareholders and work as one team to deliver solutions for our customers;

- We compete fairly and comply with the law in the countries where we operate;

- We act with honesty and integrity and don't make or receive improper payments, benefits or gains;

- We secure and protect the property of Telstra and others, including company and personal information;

- We maintain a safe and inclusive working environment where we treat each other with respect;

- We seek to make positive and sustainable economic, social and environmental contributions wherever we operate;

- We communicate responsibly and use technology appropriately;

- We're all individually accountable for complying with the Code, and we call things out which don't seem right.

Each principle is supported by and references a range of Telstra Group policies such as health and safety, anti-bribery and anti-corruption, conflicts of interest, dealing with our suppliers and other third parties and our human rights policy (described in more detail below). Throughout the year we review our Code, policies and procedures to align with all relevant regulatory requirements.

All Telstra employees are responsible for knowing and following the ethical, legal, and policy requirements that apply to their jobs and for reporting any suspected breaches of law or our code. Our executives and managers are accountable for creating and promoting a workplace environment in which compliance and ethical business conduct are expected and encouraged.

## Human rights policy

Telstra's human rights policy sets out our commitment to respect and support human rights as defined in the Universal Declaration of Human Rights as well as our commitment to comply with the UN Global Compact. It defines our commitments which include providing a fair, safe and healthy working environment and not tolerating or supporting the use of child labour, forced or compulsory labour in our operations.

## Our supply chain

In FY19, we engaged directly with more than 5,000 suppliers from 44 countries and approximately 80 per cent of our total spend was with 100 suppliers. In addition, our suppliers often have many suppliers of their own, who then also rely on suppliers.

Our largest category of spend is on information and communications technology (ICT) (54 per cent). These items are provided directly to customers, used to provide and manage our network and data services, or used by Telstra employees. It also includes services that relate to developing and programming software, and providing technology support to our customers and people.

Construction and physical network infrastructure maintenance represents 20 per cent of our total spend. The remaining 26 per cent of procurement spend is on non-core activities, such as professional services, travel and uniforms.

The majority of our electronics and network components spend is with large multinational companies who supply us with finished products. We do not manufacture our own products. Instead we work with original design manufacturers (ODM) to produce Telstra-branded devices.

The services we procure are predominantly provided in Australia, India and the Philippines and the goods we procure are manufactured across the world. Source locations include China, Vietnam and Thailand.



**Telstra direct supplier spend by country**
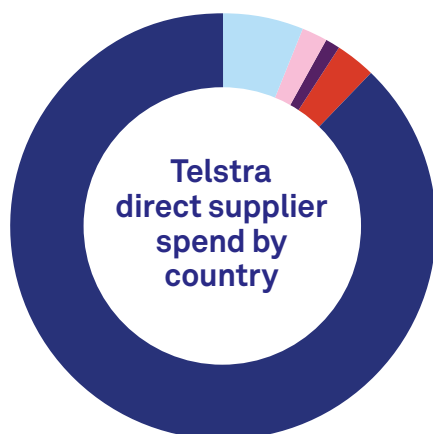
| | |
|---|---|
| 88% | Australia and NZ |
| 6% | Asia |
| 2% | USA and Canada |
| 1% | Europe |
| 3% | Other |

More than 90 per cent of what we spend directly is with suppliers based in low-risk countries, as defined by the OECD. Many of our suppliers have Australian-based subsidiaries with whom we deal directly. As a result, a high percentage of our direct spend is within Australia.

However, geography is only one factor we use in assessing the overall risk of a supplier and we do look beyond our first tier of suppliers in making these assessments.

For more detail on our approach to risk assessment, please refer to the risk management and due diligence.

## Supplier risk categories

| Operational | Commercial | Business Continuity | Privacy |
| --- | --- | --- | --- |
| **Fraud** | **Information Security** | **Health & Safety** | **Anti-Bribery Anti-Corruption** |
| **Trade Sanctions** | **Export Controls** | **Labour Practices** | **Environmental Practices** |

## Supplier Governance Framework

To help us make more informed purchasing decisions, we continue to refine our Supplier Governance Framework, which assesses suppliers against twelve categories of risk (see diagram). We consider labour practices, environmental, health and safety, and bribery and corruption risks as part of sustainability risks. We assess these risks as part of our selection and contract renewal process using a combination of questionnaires, documentary review and, where warranted, onsite audits.

We work with our suppliers to assess whether they are meeting our standards. Many of our suppliers have processes in place for managing their own risks and are open to working with us to meet our minimum standards. Where we identify concerns about supplier performance, we engage with the supplier, seeking constructive dialogue and remediation of non-compliance with our standards.

Where suppliers are unable to satisfy us that they have appropriate risk management controls in place, or are unwilling to share this information, we may take further action, such as engaging supplier senior management, implementing a remediation plan, or suspending the services.

## Supplier Code of Conduct

Our Supplier Code of Conduct (SCOC), refreshed this year, sets out the minimum standards of behaviour that Telstra expects its suppliers to meet in the areas of labour and human rights, health and safety, environment, business integrity, privacy and supplier diversity.

The SCOC is aligned with the United Nations (UN) Global Compact ten universal sustainability principles, Responsible Business Alliance (RBA) Code of Conduct, Joint Audit Cooperation (JAC) Supply Chain Sustainability Guidelines and other internationally recognised standards. The SCOC also reflects our commitment to support the UN's Sustainable Development Goals.

Telstra expects suppliers to read, understand and ensure that their business and supply chain meet the standards outlined in the SCOC. Suppliers should communicate the SCOC to related entities, suppliers and subcontractors who support them in supplying to Telstra, so that they are aware of, understand and comply with the SCOC too.

Suppliers' ability to meet or exceed standards detailed in the SCOC will be taken into account by Telstra when making procurement decisions. This will happen regardless of whether or not the SCOC has been formally incorporated into a particular contract with the supplier. In addition to the SCOC, we may also include more specific social, environment, and/or ethical requirements in our contract terms based on the inherent risk of the agreement.

By supplier, Telstra means any entity that supplies goods or services to Telstra Corporation Ltd or its related companies anywhere in the world. Where the SCOC refers to workers, this includes employees, contractors, agency, migrant, student and temporary staff of the supplier and of its related entities.

# Risk management and due diligence

## Understanding our human rights risks, including those related to modern slavery

We have examined the human rights risks to identify our seven most salient human rights risks, which are:

To help ensure a consistent approach to managing human rights risks, including those related to modern slavery, we have a human rights compliance plan which includes obligations relating to our most salient human rights risk areas.

The compliance plan requires each business function to identify and assess their operations and supply chain for human rights risks and to implement appropriate controls, with the business encouraged to integrate these into existing processes. We have defined controls for human rights risk in our operations and incorporated those into our compliance management framework.

**Labour rights (human rights) including:**
• forced or compulsory labour
• wages and benefits
• work hours
• child labour

**Freedom of association**

**Health and safety**

**Privacy and data protection**

**Anti-discrimination**

**Anti-bribery and corruption**

**Access to grievance mechanisms**

This year we updated our compliance plan to align with Telstra's organisational structure changes. This included reviewing the applicability of each of our human rights requirements against the new functional areas as well as re-assessing each of the assigned risk levels. As we further define our control environment (e.g. through the introduction of new training) we update the compliance plan to reflect these additional controls.

Our compliance program will continue to develop as our approach and understanding matures. Our focus for this coming year will be on ensuring it is aligned with the requirements of the Modern Slavery Act 2018 (Cth).

## Our workforce

At Telstra we rely on a highly diverse workforce and engage people with broad and varied skillsets, ranging from salespeople through to technology experts, and we use a mix of both directly hired employees and contractors. Operating in more than 20 countries, we have a global employment framework that complies with all local laws as a minimum and covers core employment conditions such as minimum wages, hours of work, and leave entitlements. We protect the personal information of our people and ensure they know how we are using information that we collect about them. We ensure our people are treated fairly in matters that impact their employment.

## Recruitment and labour hire

We have a recruitment policy to help ensure:

- All recruitment decisions are consistent with the Telstra values

- The process is consistently and fairly applied

- We act in accordance with the principles in our redundancy and redeployment policy as well as our diversity and inclusion policy.

We have a formal recruitment process for both our permanent and contingent workforce that all recruiters are required to follow. When agencies are engaged, they are required to follow these recruitment processes.

To enable our leaders to build a more diverse and inclusive workplace, we have updated our recruitment procedures to support diverse candidates. Our global recruitment equality procedure is a key step to assist us to address the gender imbalance and includes a requirement for all recruitment and interview shortlists to include at least 50 per cent female representation, except for some specified roles where a 25 per cent requirement applies due to a known significant gender imbalance in the job market.

We aim to increase the number of Indigenous employees and people living with disability working with us. This includes providing an 'interview guarantee' to any candidate who has been shortlisted for a role and identifies as Indigenous (for roles in Australia) or living with disability.

Our online recruitment management system has formal approval gates to ensure our policies and procedures are correctly followed. This includes verifying candidates' identity and evidence to confirm their right to work status, and generating contracts that comply with these policies and procedures.

## Supply chain

Our scale gives us the opportunity to work with our suppliers to positively influence their environmental, social and ethical performance. As our supply chain is one of our areas of greatest potential human rights risk, we continue to devote significant effort into deepening our understanding of the specific types of human rights risks associated with different types of products, source countries and sectors.

We prioritise our assessments of our suppliers' human rights performance based on risk and have integrated this process into our broader supplier risk governance processes. This includes our supplier risk assessments, ongoing supplier management and due diligence as well as procurement training for our employees.

## Supplier risk management and due diligence

We expect our suppliers to monitor their own, and their suppliers' compliance with our Supplier Code of Conduct and to correct any identified deficiencies in a timely manner. We also require them to notify us if they become aware of an actual breach or reasonable likelihood of breaching of the Code.

We work with our suppliers to assess whether they are meeting the Code in a number of ways, such as governance meetings and reports, questionnaire and audits. The approach we take is based on the nature of the risks, and the category of the goods or services being provided.

Sustainability risks are more likely in ICT products and services, and construction and physical network infrastructure maintenance categories, which are also our two largest categories of spend. Within the remaining categories of spend, we have identified branded apparel and merchandise manufacturing, agriculture, and cleaning and waste management as categories warranting specific attention. We focus on these areas due to the use of low skilled and low wage labour, together with the potential for environmental damage within these industries' supply chains.

We monitor sustainability risks through questionnaires and audits. This year, 61 of our high risk suppliers were selected to complete a detailed questionnaire and provide evidence to support their responses. The questionnaires have been designed using external supplier sustainability experts and are aligned with industry standards. We validated the evidence provided in the questionnaire responses and selected 53 sites to complete onsite audits by an independent third-party auditor. For some suppliers we audit only their site (i.e. tier one), and in other cases we audit as far as three tiers down the supply chain. The onsite audits included 45 sites related to ICT suppliers and one construction contractor and seven sites in other high risk industries.

### Number of independent third-party site audits undertaken

| Categories | FY18 | FY19 |
|---|---|---|
| Information and Communications Technology (ICT) sector | 40 | 45 |
| Construction and physical network infrastructure maintenance | - | 1 |
| Other categories, including branded apparel and merchandise manufacturing, agriculture, and cleaning and waste management) | 4 | 7 |
| **Total** | **44** | **53** |

As well as relying on third-party audits, our Contractor Management Centre of Excellence (CMCoE) team also undertake their own internal audits of our construction and physical network infrastructure maintenance suppliers, where health and safety is a significant risk. In FY19, more than 1,700 health, safety and environment internal audits were undertaken.

## Remediation

We review the findings of all our supplier audits. Where problems are identified we work with the supplier to develop corrective actions with agreed timeframes as part of the remediation plans. We then work constructively on the corrective actions, and review evidence provided to justify closing the audit findings.

We did not identify any instances of modern slavery through our audit program this year.

In addition to assessing for modern slavery, our audit program also considers other sustainability risks. Findings from the audits conducted in FY19 identified 99 critical and unacceptable findings with working hours and health and safety being the most common areas of concern. Whilst not constituting modern slavery, these are not consistent with our expectations as set out in our Supplier Code of Conduct.

These areas are being addressed as part of the corrective actions identified.

In FY19, 82 corrective actions relating to the critical and unacceptable findings were closed. In instances where suppliers are not willing to improve their performance, despite our attempts at engagement, we may terminate supply contracts and/or switch to alternate suppliers.

This year, we identified a supplier which failed to make superannuation payments to its employees. We engaged the supplier to correct the issue and pay the outstanding superannuation entitlements by a set date. However, the supplier failed to meet the deadline. After taking all reasonable steps to rectify the situation,

we issued notice to terminate the supplier. We provided impacted employees with the option to continue working with us by transitioning them to other Telstra suppliers. These employees were transitioned under their current classification, pay rate, and with all accrued legislative entitlements transferred.

# Grievance mechanisms

## Whistleblowing

By law, certain protections may apply to a range of people, including current and former employees, their relatives and dependants, and suppliers and their employees to report concerns about unethical, illegal or improper behaviour, or about an improper state of affairs at Telstra. Our Whistleblowing Policy is supported by a confidential process that provides appropriate protections for anyone to report their concerns, a Whistleblowing Service where people can report their concerns anonymously and professional investigators and case managers. Telstra's Whistleblowing Committee, which is chaired by the Company Secretary, receives any whistleblowing disclosures and oversees an investigation of each matter and any follow-up actions that are required. Our Audit and Risk Committee of the Board of Directors oversees the whistleblowing process.

To report a matter, visit
Telstra's Whistleblowing Service.

# Training

## Workforce training

Our compliance training is aligned to Telstra's Code of Conduct, which outlines what we stand for as an organisation and how we will conduct ourselves as we work together to deliver our strategy. It stipulates the principles and standards of behaviour that Telstra expects from all its directors, executives, employees and contractors across the Group.

Our compliance training covers obligations under our group policies on issues such as health, safety, wellbeing and environment, discrimination and bullying, accessibility, diversity and inclusion, human rights, anti-bribery and anti-corruption, and privacy.

We monitor, report and manage mandatory training completion rates, as part of our training governance framework. Employees who fail to complete mandatory compliance training without a valid reason may face disciplinary actions.

This year we also created a three minute animation video called "Spend for good", which was released on our corporate intranet and explained principles of responsible sourcing including that Telstra has legislative obligations with respect to modern slavery.

## Better purchasing decisions

We provide training on human rights risks, including those related to modern slavery, as part of our Supplier Governance Framework training.

To assist all our people involved in purchasing decisions understand how to apply our Supplier Governance Framework, we implemented an online training program this year. More than 1,100 people completed the training. This training provided an overview about their responsibilities, and the tools and resources that can help manage supplier risk. This training will continue to be rolled out across the business in FY20, including to our people who manage other third parties (such as licensees and channel partners).

We have approximately 200 procurement specialists and they are required to follow more stringent requirements. In FY19 all procurement employees completed a new online training program which outlined their responsibilities and provided information on controls such as stricter requirements for accepting gifts and hospitality. All procurement employees are required to complete this training annually with completion rates monitored by our Human Resources team. This year, 100 per cent completed the training.

## Industry cooperation on supply chain

Supply chain sustainability, particularly in the ICT sector where there are complex supply chains, is an area that requires cross-sector collaboration. We work with ICT industry bodies such as the Joint Audit Cooperation (JAC) and Global e-Sustainability Initiative (GeSI) to drive improvements in sustainability practice throughout the global supply chain.

In 2018, we joined JAC, an association of 17 global telecommunications operators that pools results of site audits of common suppliers. JAC's audits aim to verify that suppliers comply with internationally-recognised sustainability standards within global supply chains.

Since 2010, JAC has conducted over 366 audits in 27 countries, covering more than 813,000 workers. Since 2016, 46 Telstra suppliers have participated in JAC-appointed audits. Of these, 19 were audited in FY19. We expect more than 15 of our suppliers to be subject to JAC audits in FY20.

## Supplier forum

This year, we held a forum with 29 of our key suppliers to discuss our Supplier Code of Conduct. The forum provided a great opportunity to discuss best practice and reinforce Telstra's expectations with our key suppliers.

# Reporting and performance indicators

We monitor, manage and report progress on a range of indicators used to assess the effectiveness of our responsible business programs and performance. We recognise our influence and impacts go beyond our own operations and therefore, our performance indicators extend along our value chain, from our supply chain through to our operations and onto our customers and the community.

We report our progress against these metrics in our annual Bigger Picture Sustainability Report. The metrics reported include:

- The per cent completion rates of employees and contractors conducting their annual mandatory refresher compliance training on topics including the Telstra Group Code of Conduct, ethical behaviour, anti-bribery and anti-corruption as well as health and safety

- The number of supplier audits completed and number of open and closed findings

- The number of employees completing Supplier Governance Training

- Health and safety performance including our Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate

- Results of our annual Employee Engagement Survey compared to previous years

- The number of whistleblowing alerts raised during the year

- The number of complaints to the Australian Human Rights Commission claiming disability discrimination and their outcome

- The number of employee discrimination complaints (refer to Sustainability Report Data Pack)

- The number of privacy incidents requiring notification to the Office of the Australia Information Commissioner (OAIC)

- Gender pay equity (the percentage of fixed remuneration – male to female by level)

- The number and type of law enforcement requests for customer information (also reported in our Transparency Report).

# Future commitments

Over the next year, our focus will be on:

- Continuing to develop the maturity of our supplier due diligence program

- Assessing our practices against the requirements of the Modern Slavery Act 2018 (Cth)

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 (UK) and constitutes the slavery and human trafficking statement of Telstra Corporation Limited and Telstra Limited for the year ended 30 June 2019 and has been approved by the Telstra Board.

**Andrew Penn**

**Chief Executive Officer and Managing Director**

September 2019