

# Modern Slavery Act Statement 2018



## 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.

Telstra Group's total global workforce at 30 June 2018 was approximately 32,300 (full-time equivalent), 86 per cent of whom work in Australia. We employ approximately 4,500 people outside of Australia across 13 countries, equating to 14 per cent of our total workforce. Our main employment centres outside Australia are Philippines (5 per cent) and Hong Kong (2.7 per cent).

While most of our direct supply chain spend is in Australia (see page 3), the services we procure are predominantly provided in Australia, India and Philippines and the goods we procure are manufactured across the world. Source locations include China, Vietnam and Thailand.

For more information about our business structure and strategy, please refer to our [2018 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 [2018 Corporate Governance Statement](#).

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

Telstra's values and the Telstra Group [code of conduct](#) set the behavioural standards for everyone who works for or on behalf of Telstra. The code of conduct helps us take a consistent, global approach to important ethics and compliance issues.

### Our values

Our values describe who we are and what we stand for; they should shape our decisions and actions and guide how we work together.

At Telstra, we have five core values<sup>1</sup>:

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

### Code of conduct

In September 2017 we refreshed and relaunched the Telstra Group code of conduct ('Code').

Our Code explains what we stand for as an organisation and how we will conduct ourselves as we work together to deliver our strategy. It continues to cover a range of important elements about how we do business, including behaving ethically and lawfully.

Our Code now also better links to our Telstra values, and 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 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. At Telstra:

- 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 violations 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

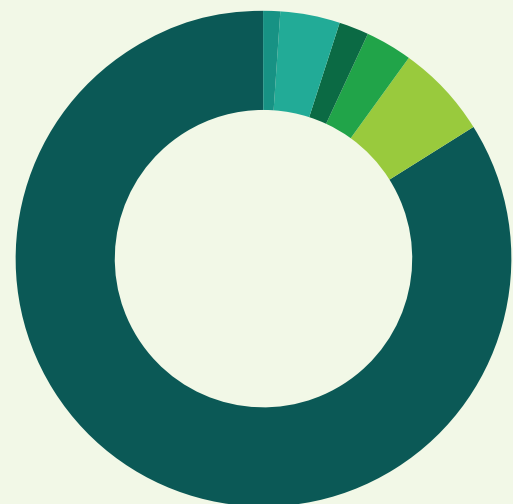
In FY18, we engaged with more than 6,000 suppliers across over 45 countries. Despite this, 80 per cent of our total spend was with 110 suppliers.

Our largest category of supplier spend is on information and communications technology (ICT) (66 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 11 per cent of our total spend. The remaining 23 per cent of procurement spend is on non-core activities, such as professional services, travel and uniforms.

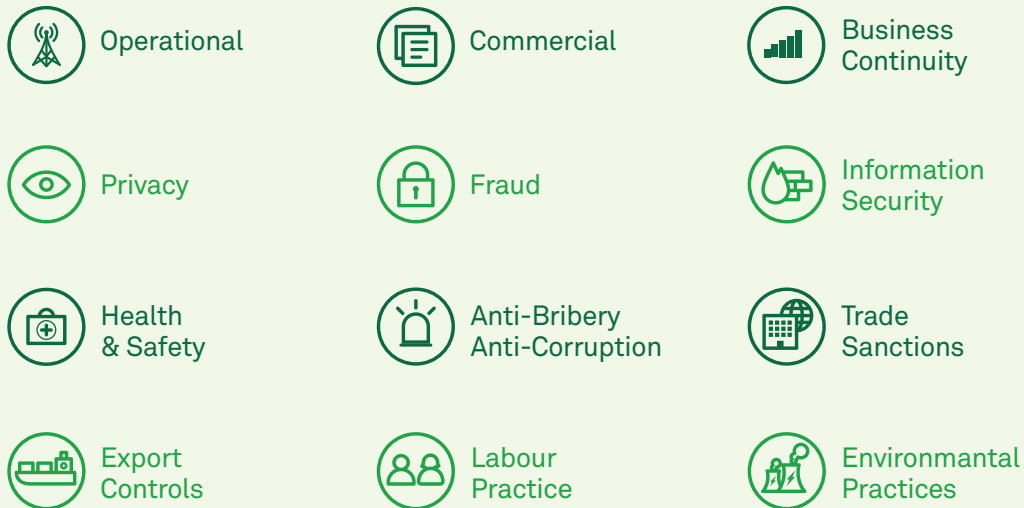
Ninety per cent of what we spend directly is with suppliers based in low-risk countries, as defined by the OECD. Many of our suppliers have Australian-based subsidiaries with whom we deal directly. As a result, a high percentage of our direct spend is within Australia. However, geography is only one factor we use in assessing the overall risk of a supplier. We include direct suppliers and their suppliers in our risk assessments. For more detail on our approach to risk assessment, please refer to the risk assessment and due diligence section below.

**Telstra direct supplier spend by country**



84%	Australia and NZ
1%	Europe excl UK and Ireland
4%	Hong Kong
2%	UK and Ireland
3%	USA and Canada
6%	Asia excl Hong Kong

## Supplier risk types



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.

Our procurement of services includes activities that relate to installing and maintaining our network, connecting our customers to the network, developing software, providing customer support, providing non-core services such as property management, as well as professional consulting services. Network payments (e.g. carrier, international roaming and wholesale capacity) as well as other payments (e.g. pass-through and regulatory) have been excluded.

### Supplier Governance Framework

This year to help us make more informed purchasing decisions, we implemented a Supplier Governance Framework, which assesses suppliers against twelve categories of risk (see diagram above).

We work with our suppliers to assess whether they are meeting our standards. Where we identify concerns about supplier performance, we engage with the supplier, seeking constructive dialogue and remediation of non-compliance with 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 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 contract. For more details on our program of audits and other supplier risk management actions, please refer to the supply chain section below.

### Supplier Code of Conduct

Our [Supplier Code of Conduct](#) (SCOC) 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 universally accepted 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 are a diversified, international business with a large workforce and contractor base.

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



#### 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

To help ensure a consistent approach to managing human rights risks, including those related to modern slavery, we developed a human rights compliance plan in 2017. This forms part of our overall compliance program and includes obligations relating to our most salient human rights risk areas.

The compliance plan requires each area of the business 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 now defined controls for human rights risk in our operations and incorporated those into our compliance management framework.

This is the first step in an ongoing process of embedding and learning. As a result of organisational restructure we will update the plan in FY19, and will provide additional training for employees responsible for managing supplier compliance with our human rights obligations.

### 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. In many aspects our global employment framework provides conditions and employment processes that go beyond what is required by local law, an example of this is the Family and Domestic Violence Leave, which applies in all countries in which we operate. 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 modern slavery risk, we devoted significant effort this year to 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. In FY17, we identified suppliers with higher potential human rights risks. In FY18, we refined our understanding of this risk by engaging an external third party to further review these suppliers.

Based on this additional review, we prioritised suppliers with higher human rights risks, and engaged directly with them to understand how they are managing these risks. This work commenced in April 2018, and we are engaging with the highest risk suppliers (see next section).

## Supplier risk management

As a result of the risk analysis above, we have adopted a category-based approach to supplier risk management. The risk analysis found that human rights risks, including those linked to modern slavery, are most likely in the following categories:

### ICT products and services

This has been a particular focus of our supplier audit and engagement program in FY18. We assess ICT suppliers' sustainability risks as part of the selection and contract renewal process using questionnaires, documentary review and, where warranted, onsite audits.

In FY18, we engaged external experts to conduct a human rights review of our suppliers to help us better understand where to prioritise our efforts. From this review, 24 ICT suppliers were selected to complete sustainability questionnaires, which included issues relevant to modern slavery risks such as labour conditions. Seventeen of the 24 ICT suppliers were also audited across multiple tiers of their supply chain with a total of 25 onsite audits completed. We are working with these suppliers to evaluate the audit results. 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 senior management,

implementing a remediation plan, or suspending the contract.

## Construction, physical network and infrastructure maintenance

In this category our most salient human rights risk is health and safety. For more information about how we manage that risk, please refer to page 23 of our [Bigger Picture 2018 Sustainability Report](#).

## Other

Within the remaining categories of spend, we identified contract cleaning, apparel manufacturing, promotional merchandise production and waste management as categories warranting specific attention in relation to modern slavery risks. In FY18, further to the human rights review completed by our external experts, we selected six suppliers from these categories to complete sustainability questionnaires. We audited three of the six suppliers – for two suppliers, we audited their sites only; for one supplier, we audited their site and one of their supplier's site. A total of four onsite audits were completed.

## Remediation

We did not identify any instances of modern slavery in our audit program this year. However, findings in audits of suppliers of ICT and apparel manufacturing suggest some practices (e.g. excessive working hours) were not consistent with our Supplier Code of Conduct. Addressing this forms part of the corrective actions identified in the remediation plans drawn up for the suppliers concerned. In one case, the lack of cooperation from a supplier resulted in Telstra sourcing alternative suppliers for the product.

## 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 Cooperative (JAC) and Global e-Sustainability Initiative (GeSI) to drive improvements in sustainability practice throughout the global supply chain.

This year, we joined JAC, an association of 16 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. The audit scope is based on 10 sustainability criteria that align with our areas of risk.

Since 2010, JAC has conducted 366 audits in 27 countries, covering more than 817,000 workers. Since 2016, 42 Telstra suppliers have participated in JAC-appointed audits. Twenty-five of these audits were carried out in FY18.

## Grievance mechanisms

We encourage anyone to take action if they have any concerns about unethical, illegal or improper behaviour related to Telstra. Our whistleblowing policy is supported by a confidential, anonymous whistleblowing process that provides appropriate protections for our people and members of the public (including those in our supply chain) to report their concerns. Our process is supported by an independent service provider specialising in handling sensitive reports and disclosures. In July 2017 we enhanced this service improving accessibility for our international operations and stakeholders.

Telstra's Group Whistleblowing Committee consists of senior executives and is chaired by the Company Secretary. Our Group Whistleblowing Committee monitors disclosures, investigations, recommendations and where appropriate the implementation of actions, and our Audit and Risk Committee oversees the whistleblowing process.

For whistleblowing contact details, [visit our website](#).

## 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
- 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 opened, closed and that remain active each year
- The number of complaints to the Australian Human Rights Commission claiming disability discrimination and their outcome

- Grievances about human rights impacts (Refer to the GRI and UNGC Index)
- The number of notifiable incidents relating to customer privacy
- 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).

## Training

### Workforce training

Training is an essential component of our risk management, governance and compliance framework. Our compliance training approach ensures all employees are aware of their obligations under our compliance policies and have access to further information about these when required.

In 2018 we implemented updated enterprise-wide induction and refresher ethics and compliance training across the Telstra Group. This mandatory, induction and refresher training, aligned to the Telstra Group code of conduct, covers our values and group policies on issues such as fraud and ethical behaviour, health, safety and environment, discrimination and bullying, accessibility and inclusion, anti-bribery and anti-corruption, human rights, and privacy. As part of our training governance framework we monitor, report and manage mandatory training completion rates. We may take disciplinary action against employees who fail to complete mandatory compliance training without a valid reason.

### Procurement training

Training on human rights risks, including those related to modern slavery, is part of the training we provide on our Supplier Governance Framework, which was provided to over 800 procurement employees and business specialists with responsibility for managing suppliers in FY18.

In FY19, we intend to extend this to employees who purchase products or services, develop labour contracts or manage third parties. To assist us in delivering this training, we have developed an online training tool, which will be rolled out in FY19.

## Future commitments

Over the next year, our focus will be on:

- Rolling out online Supplier Governance Framework Training to non-procurement employees responsible for purchasing goods and services
- Reviewing findings of supplier audits and developing a standardised approach to actioning the results using remediation, contract variation or terminations
- Updating our human rights compliance plan in light of Telstra's new structure and anticipated legislative developments

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the slavery and human trafficking statement of Telstra Corporation Limited and Telstra Limited for the year ended 30 June 2018 and has been approved by the Telstra Board.



**Signature by: Andrew Penn**

**Chief Executive Officer and Managing Director**

December 2018