

BUSINESS INTEGRITY AND SUSTAINABILITY IN OUR SUPPLY CHAIN

In response to rapidly evolving regulatory and reputational needs, we have established a dedicated function responsible for managing risks associated with:

- Bribery and corruption
- Trade sanctions
- Human rights
- Privacy compliance

The function, with Board-level oversight through the Audit Committee, is responsible for the implementation of a coherent and effective strategy for managing corporate compliance and will focus on enhancing the Group's ability to prevent, detect and address gross unethical conduct whilst meeting the growing expectations of global regulators and stakeholders.

As part of the business integrity and compliance function, Qantas is a member of TRACE International, a business association funded by over 500 members that leverage a shared-cost model to develop anti-bribery compliance tools, services and resources.

Human Rights

Qantas recognises the wide reaching impact of our business on people in Australia and around the world. We believe that business has a significant role in ensuring that customers, employees and people within the global supply chain are treated with dignity and respect, as expressed in the International Bill of Rights.

With an estimated 30.4 million people enslaved in the Asia-Pacific region¹, the blight of modern slavery is a particular focus of the Qantas Group, and we are committed to meeting our moral and ethical obligation to help end modern slavery.

In 2016, we released our first Modern Slavery Statement in line with the UK Modern Slavery Act. We welcome similar legislation currently under consideration in Australia.

The newly formed business integrity and compliance function will align the UN Guiding Principles on Business and Human Rights and the OECD Guidelines with the Qantas Group's policies and business practices over the next 12 months.

¹ Global Slavery Index 2016





> Herb Smith, Founder, Dreamtime Tuka, visits Qantas headquarters as part of National Reconciliation Week 2017. Herb supplies baked slices for QantasLink's morning and afternoon tea services.

Ethical Supply Chain

Qantas takes a proactive approach to managing ethical risks in our supply chain.

Where necessary, we have requested independent due diligence or audits for new suppliers and secondary audits for existing suppliers to ensure that the organisations from which we procure align with our compliance and ethical standards.

In 2016/17, we initiated 90 due diligence reports relating to anti-corruption and bribery, workplace health and safety and environmental and social practices.

To further strengthen confidence that our supply chain matches our ethical standards, we have launched a Supply Chain Assurance (SCA) program. This program aims to formalise risk governance throughout our supply chain and has a clear focus on five key risk areas:

1. Anti-bribery & corruption
2. Modern slavery and child labour
3. Environmental impact
4. Workplace health and safety
5. Cyber security (particularly in terms of data protection)

The program will be implemented during financial year 2017/18.

Supplier Diversity

As the national carrier, we are proud to support Australian businesses by showcasing their products across the country and around the world. We spent \$6.6 billion with Australia-based suppliers in 2016/17, representing 65 per cent of total procurement expenditure.

With our origins in outback Australia, we recognise the importance of supporting regional communities. We do business with more than 1,200 suppliers in regional areas.

As a founding member of Supply Nation — an Australian leader in supplier diversity that connects Australian companies and government with Indigenous businesses — we continued to support Indigenous suppliers. We have made great progress towards our Reconciliation Action Plan (RAP) target, having tripled our spend with Indigenous suppliers from last financial year.

We are also proud supporters of small businesses, and have signed up to the Australian Supplier Payment Code. This is a commitment to change our payment terms for small businesses from the standard 45 days to 30 days.