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## TELSTRA CORPORATION LIMITED

### Submission to Parliamentary Joint Committee on Corporations and Financial Services inquiry into Supply Chain Financing

28 July 2021

Thank you for providing Telstra the opportunity to share some information about our experiences with supply chain financing.

We recognise how important cashflow is to many organisations including small and medium-sized businesses, charities, indigenous organisations and disability enterprises.

This is why we have worked over a number of years to improve the way we work with thousands of organisations.

In 2017 Telstra adopted industry-leading payment terms, ensuring that more than 7,300 small and medium-sized businesses who worked with us had their invoices paid with 30-days.

For a number of our larger suppliers, we facilitated a supply chain finance option which they could access through an online platform they used to submit their invoices. Suppliers who chose to make use of this option valued the cashflow flexibility this offered.

Telstra's obligation always remained to pay invoices on their due date. Telstra never received any fees or commissions from enabling suppliers to make use of supply chain financing. Financing arrangements were negotiated between the supplier and a funding provider, with suppliers able to take advantage of Telstra's strong credit rating to receive interest rates well below the average cost of borrowing.

In early 2020 Telstra made the decision to stop enabling a supply chain financing option. We said that we would ensure we did this in a way that did not disadvantage suppliers.

Shortly afterwards, we also announced we would make further significant improvements to the payment terms we offered small and medium-sized businesses and increase the number of suppliers that would be paid sooner.

Under these new arrangements, which were put in place before the end of FY20, suppliers with invoices of up to \$2 million annually received 20-day payment terms. This approach extends the benefits of our 20-day payment terms well beyond any existing definition of small business, such as definitions that centre on companies with fewer than 20 employees, or less than \$10 million of annual turnover. We are also looking to extend this approach to an even broader list of suppliers over the course of FY22.

A small number of Telstra's larger suppliers will continue to have payment terms longer than 20 days negotiated on an individual basis.

At this time, we also called for governments and the Small Business Ombudsman to work with the business community to create a standard, consistent definition for small businesses. We continue to believe that having a unified national approach across the economy should be a priority. We would be happy to ensure our practices meet or exceed this revised definition.

We are not aware of the insolvency of Greensill having an impact on our suppliers. Invoices our suppliers submit to Telstra have been, and will continue to be, paid by their due date.