



CORPORATE
CITIZENSHIP
REPORT 2010

IT'S HOW WE CONNECT



ABOUT THIS REPORT

Telstra's corporate citizenship reporting comprises both this report and information on our website:

 www.telstra.com.au/cr

Our reporting aims to provide relevant information about Telstra's social and environmental approach and performance, for all of Telstra's stakeholders.

This report specifically covers the key material corporate citizenship issues for Telstra. Our website provides a wider range of information, including access to other Telstra benchmarking, social and environmental reports. www.telstra.com.au/cr

REPORT SCOPE

Our reporting covers the 2009/10 financial year for the Australian operations of Telstra Corporation Limited excluding Sensis, unless otherwise stated.

We use the figure for Telstra-paid staff, which includes full time and part time employees paid by Telstra Corporation Ltd (excluding casual staff, all controlled entity-paid staff, and agency staff) for data calculations, unless otherwise stated.

An account of Sensis' performance can be found at www.about.sensis.com.au

ASSURANCE

Telstra has used the AA1000 Assurance Standard AA1000AS (2008) principles in the preparation of our 2010 reporting. Banarra has provided an external assurance statement in keeping with this standard. In addition, a number of internal processes were applied during the preparation of this report to ensure the accuracy of data and content.

GLOBAL REPORTING INITIATIVE (GRI)

Our reporting has been developed with reference to the GRI G3 Guidelines and the telecommunications sector supplement. Banarra has verified this report as 'Application Level C+' in accordance with the GRI G3 Guidelines.

Our GRI index can be accessed at: www.telstra.com.au/cr



LONDON BENCHMARKING GROUP (LBG)

Telstra uses the LBG framework to measure and report on our voluntary social investment contributions.



FEEDBACK

We welcome your feedback on this report. Please contact: Nancie-Lee Robinson, Manager Corporate Citizenship at cr@team.telstra.com

COVER

Student at Yirrkala school in the Northern Territory receives a laptop as part of One Laptop per Child Australia's plans to deploy 15,000 XO educational laptops to remote schools across Australia. Telstra is a One Laptop per Child partner.

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CHAIRMAN'S MESSAGE

Australians want our companies to make a contribution to the vitality and sustainability of the broader community

The world we live and work in is changing, and so are our expectations. Australians are demanding more from their corporate leaders, and as a nation of shareholders – either directly or through superannuation schemes – people want more than just financial returns.

Australians also want our companies to make a contribution to the vitality and sustainability of the broader community. Companies need to achieve an integrated outcome, responding to both commercial imperatives and community expectations.

One of the lessons of the global financial crisis – and climate change, for that matter – is that everything is connected. Corporations do not operate in isolation from the community, the environment or the economy. The challenge facing businesses in the 21st century is to balance commerce and community, profitability and sustainability.

For Telstra, citizenship is about finding a way to both grow our business in our day-to-day operations – through greater innovation and better customer

satisfaction – and to make a real difference in the wider community through our core business activities.

We are thinking more strategically about what good corporate citizenship means. We have developed a new corporate citizenship framework and strategy, which focuses on our leadership and culture, and the creation of shared value.

And we have set clear and ambitious targets to challenge the company to improve its performance – to improve our customer service, to make Telstra a great place to work, reduce our environmental impact, conduct our business responsibly and contribute to the wellbeing of our communities.

C B Livingstone

CATHERINE LIVINGSTONE
Chairman

November 2010



MESSAGE FROM THE CEO

For Telstra, corporate citizenship is about good business. We want to be a great place to work, a great company to do business with, and a great company to invest in

Telstra is part of the Australian way of life, and the Australian way of life is part of us.

No other Australian company is as deeply embedded across this continent as Telstra. We visit 25,000 homes a day, half a million a month. Every business day, we handle 300,000 calls through our call centres, and thousands of people visit our shops.

That's why improving customer service is at the heart of Telstra's strategy – it is our most basic corporate responsibility. It is also integral to the company's long-term sustainability, if we are to meet the challenges we face in the market and grow our business.

In 2009/10, we achieved our customer satisfaction target, which is a great result, but we still have a long way to go.

Building a culture that supports our company vision and goals is critical for our success. That is why engaging and equipping our employees to build citizenship thinking, behaviours and practices into their everyday work, is a priority at Telstra.

It is how we engage with our customers and communities that matters, and why we must consider the impact of our business decisions on our employees, customers and shareholders, as well as the wider community.

For us, corporate citizenship is about good business. We want Telstra to be a great place to work, a great company to do business with, and a great company to invest in.

Our ambition is to make Telstra a company that our people, and the nation, can be proud of.

I hope you enjoy reading our eighth *Corporate Citizenship Report*, and learning more about how Telstra is addressing its social commitments.

D. Thodey

DAVID THODEY
Chief Executive Officer

November 2010

OUR PERFORMANCE IN 2009/10



RESPONSIBLE BUSINESS PRACTICE

Planned actions

Progress

Status

Increase customer satisfaction across three key customer groups (consumer, business and enterprise and government) from 6.5 to 6.7 (mean score out of 10).

Achieved. Collectively, these three business units achieved a customer satisfaction score of 6.8, an improvement of 4.6 per cent.



Establish a panel of invited independent experts to provide Telstra's Corporate Citizenship Council with periodic advice on key social and environmental issues.

While we did invite experts to present to the Council, the establishment of an expert panel was deferred until 2010/11.



Develop a human rights policy for Telstra.

Telstra published its human rights policy in June 2010. See www.telstra.com.au/cr



Launch a new Telstra social media engagement site that includes new Web 2.0 social media functionality, and an increased commitment to listening to the views of customers and people outside Telstra.

In November 2009, Telstra launched a corporate blog, *Telstra Exchange*. The blog gives people the opportunity to influence and be part of conversations about Telstra and technology. See www.exchange.telstra.com.au



Upgrade the Next IP™ transmission network between Melbourne and Sydney to 40 gigabits per second.

In May 2010, we upgraded the busiest link of Telstra's network from a capacity of 10 gigabits per second to 40 gigabits per second. This was the first of Telstra's inter-capital routes to be upgraded and similar upgrades to other major routes will take place over the coming year.



Commence deployment of the next evolution of HSPA+ dual channel technology in the Next G™ network.

In December 2009, software across the entire Next G™ mobile broadband network was enabled with HSPA+ dual channel technology. Following this upgrade, all operational dual channel enabled cells were progressively fully reconfigured by June 2010.



Expand the breadth and depth of the Next G™ network throughout Australia with more than 270 new or improved sites.

Completed. Deployment of new sites to expand coverage and improve depth of coverage means the Next G™ network has more than 7,000 sites, covering 99 per cent of the Australian population.



Open a further 40 Telstra Business Centres across Australia.

Telstra opened 37 Business Centres during 2009/10.



Open a further 50 T[Life]™ stores across Australia to provide an improved retail experience for our customers.

Telstra opened over 100 new format Telstra stores during 2009/10. This brings the total number of Telstra stores to over 185 nationally.



SOCIAL IMPACT

Planned actions

Progress

Status

Develop and implement a payroll giving program for Telstra employees to contribute to community organisations.

Telstra developed the *Payroll Giving* program during 2009/10. The program was launched in August 2010.



Provide over \$3.5 million in grants through the Telstra Foundation to help community organisations connect children and young people to their communities.

Telstra Foundation provided \$4.5 million in funding to help community organisations connect children and young people to their communities.



Produce an inaugural community report that presents the breadth of Telstra's support for the community.

The first issue of *Telstra in the Community* was published in December 2009. See www.telstra.com.au/cr



Create a Telstra cyber-safety website to provide a central, dedicated education and awareness resource with information and tools for Telstra customers, employees and the general public.

Telstra launched the *Internet and Cyber-Safety* web page in December 2009. It provides internet users with information to enable a more positive online experience. See www.telstra.com.au/cyber-safety



Investigate opportunities to improve pre-paid calling services for Indigenous communities, people who are homeless and people experiencing financial hardship.

Research was conducted and identified two specific issues: (i) the ability of welfare agencies to offer pre-paid top-up assistance to emergency relief clients and (ii) access to community support numbers from pre-paid mobiles. We will work to address these issues in 2010/11.



Commission an independent external review of Telstra's Fourth *Disability Action Plan* for the first quarter 2010.

Review was conducted, finding that the ongoing work undertaken by Telstra has been flexible, intuitive, consultative and persistent. Full results at: www.telstra.com.au/abouttelstra/commitments/disability-services



Launch Telstra's first *Reconciliation Action Plan* incorporating company-wide activities around Indigenous customers, communities and employees.

Telstra launched its first *Reconciliation Action Plan* in March 2010 in Yirkalla in the Northern Territory. See www.telstra.com.au/cr



Continue to upgrade Next G™ Ethernet backhaul to regional cities and towns as well as to approximately 2,000 rural and remote sites.

As at July 2010, more than 4,600 Next G™ network sites were migrated from E1 transmission to Ethernet backhaul. The sites completed in 2009/10 were mainly in regional and remote areas. The focus for financial year 2010/11 will be on rural areas.



As a result of these upgrades, 90 per cent of the Australian population is now served by high speed backhaul, while more than 85 per cent of the population are in areas served by Ethernet backhaul.

LEGEND

Achieved 

Partially achieved 

Not achieved 

GREAT PLACE TO WORK

Planned actions

Progress

Status

Increase employee engagement by one per cent.

The full *Employee Engagement Survey* did not go ahead in 2009/10. We conducted a smaller *Employee Pulse Survey*, with 28 per cent of our employees, which included representatives from across all business units. The results showed a one per cent increase in employee engagement – a shift from 74 in 2008 to 75.



Increase representation of women across Telstra to 31 per cent.

As at 30 June 2010, women comprised 29.4 per cent of Telstra's workforce.



Ensure at least 60 per cent of our male senior managers and 100 per cent of male executives complete the *My Mentor Alphaplus* program.

95.5 per cent of our male executive population and 61.5 per cent of our male band 1 population participated in the *My Mentor for Men* program since its inception in November 2008.



Increase Indigenous employment opportunities by 25 per cent by the end of December 2009 as part of *Telstra's Indigenous Action Plan 2008-11*.

Between July 2008 and 31 December 2009, Telstra employed an additional 29 Indigenous employees and made 30 traineeship opportunities available to Indigenous people. This equates to a 42 per cent increase in opportunities, based on a baseline of 140 employees as at July 2008.



Develop and implement new manual handling training modules and resources to assist with prevention of musculoskeletal injuries.

A new online course *Manual Handling: Bodywise – Manual Tasks Risk Awareness and Prevention* was launched in September 2009. Over 3,990 employees completed the course as at 30 June 2010.



ENVIRONMENTAL IMPACT

Planned actions

Progress

Status

Improve fuel efficiency by five per cent by implementing the Telstra fleet *Driving Smarter, Safer and Greener* program.

The *Driving Smarter, Safer and Greener* program delivered fuel efficiency improvements of 0.5 per cent. This measurement was limited to the operational fleet (excluding private salary sacrifice vehicles). Fuel efficiency based on total energy use of the entire fleet improved by 12.4 per cent over the period.



Support Telstra's adoption of ICT solutions including video conferencing, WebEX conferencing, telepresence and remote working, to reduce overall carbon emissions within the business.

Telstra limited travel during the financial year and encouraged use of internal video conferencing.



Telstra held five events to promote remote working. These events included education briefings on the products and services available to enable staff to work remotely. Around 630 employees participated. Results were promoted broadly.

Conduct an internal and customer trial to quantify carbon emissions savings through use of video conferencing.

A software trial to measure the travel and carbon emissions savings of video-conferencing tracked 13 video-conference units and 305 people over three months, and demonstrated significant savings. Telstra will use the software across all video-conferencing units in 2010/11.



Increase the 2009 *Employee Engagement Survey* score for 'environment responsibility'.

In 2009/10, a shorter *Employee Pulse Survey*, which did not include an environment question, was conducted in place of a full employee engagement survey. A result on environment responsibility was therefore not possible.



Reduce office paper consumption by five per cent on a FTE basis.

Office paper consumption increased by four per cent.



OUR COMMITMENTS FOR 2010/11

RESPONSIBLE BUSINESS PRACTICE

- Improve our customer satisfaction rating by six per cent.
- Enable our customers to contact us 24/7 for sales and support.
- Further reduce Telstra's TIO complaints by 30 per cent.
- Establish a benchmark measure of the quality of Telstra's relationships with key stakeholders.
- Develop a corporate stakeholder engagement policy.
- Develop two new policies, with associated processes, to cover anti-bribery and anti-corruption, and conflicts of interest and outside activities.
- Develop and implement a corporate citizenship e-learning course for Telstra employees.
- Establish a panel of invited independent experts to provide Telstra's Corporate Citizenship Council with periodic advice on key social and environmental issues.
- Conduct a review of Telstra's off-shore operations to ensure that privacy of customer information continues to be protected to the standard required in Australia.

GREAT PLACE TO WORK

- Improve employee engagement by one per cent from 75 to 76.
- Reduce lost time injury frequency rates from 2.63 to 2.14.
- Reduce the average days lost per LTI by 10 per cent, from 17 to 15.3.
- Establish measurable objectives for achieving diversity at all levels of the company and report on progress in 2011 *Annual and Corporate Citizenship Reports*.
- Develop and implement new health and wellbeing early intervention programs - *Psychological Injury Early Response* and *Ergonomic Injury Early Response*.



ENVIRONMENTAL IMPACT

- Develop and implement an employee e-learning program on workplace energy and carbon reduction.
- Reduce Telstra's fleet carbon emissions by four per cent.
- Integrate energy efficiency criteria into three core business processes.

SOCIAL IMPACT

- Increase the number of senior Australians trained to use mobile phones and the internet, through the *Telstra Connected Seniors*® program from 44,000 to 80,000, by working in partnership with local libraries across the country.
- Develop company-wide community investment guidelines.
- Pilot at least one social impact assessment for a Telstra community initiative.
- Establish an ongoing volunteer program for Telstra employees.
- Achieve a three per cent employee participation rate in the first year of Telstra's *Payroll Giving* program.
- Develop and publish Telstra's fifth *Disability Action Plan*.
- Create employee involvement opportunities across at least 20 per cent of Telstra Foundation *Community Development Fund* programs.
- Achieve half a million views and at least 10 reciprocal links to other experts and leading sites by promoting Telstra's *Internet and Cyber-Safety* website.
- Develop and publish educational materials for use by literacy trainers to improve understanding of mobile phone services among Indigenous communities.



RESPONSIBLE BUSINESS PRACTICE

Conducting our business fairly, honestly and with integrity

TELSTRA PROFILE

We are Australia's largest telecommunications and information services company, with one of the best known brands in the country. We offer a full range of communications services and compete in all telecommunications markets throughout Australia, providing more than 8.6 million Australian fixed line and 10.5 million mobile services.

Telstra provides:

- basic access services to most homes and businesses in Australia
- local and long distance telephone calls in Australia and international calls to and from Australia
- mobile telecommunications services
- broadband access and content
- a comprehensive range of data and internet services (including through Telstra BigPond®)
- management of business and enterprise customers' information technology and/or telecommunications services
- wholesale services to other carriers, carriage service providers and internet service providers
- advertising, search and information services (through Sensis, our directory and search company)
- cable distribution services for FOXTEL's® cable subscription television services.

One of our major strengths in providing integrated telecommunications services is our vast geographic coverage, through both our fixed and mobile network infrastructure. This network and systems infrastructure underpins the carriage and termination of the majority of Australia's domestic and international voice and data telephony traffic.

Telstra owns 50 per cent of FOXTEL®, and its international businesses include:

- CSL New World Mobility Group, one of Hong Kong's mobile operators
- TelstraClear Limited, the second largest full service carrier in New Zealand
- Reach Limited, a provider of global connectivity and international voice and satellite services
- Norstar Media and Autohome / PCPop, Chinese internet business in the online auto and digital device advertising sectors
- China M and Sharp Point, two of China's mobile content and online music businesses.



CORPORATE CITIZENSHIP AT TELSTRA

OUR COMMITMENT

As a good corporate citizen, Telstra's responsibility is to manage our business ethically to produce an overall positive impact on our customers, employees, shareholders and other stakeholders, as well as the wider community and the natural environment.

Our primary corporate responsibilities are to:

- increase shareholder value and protect shareholder interests
- serve the needs of our customers
- make Telstra a great place to work
- provide good stewardship of the environment
- contribute resources - people, money, technology, products and services - to support the communities in which we operate
- advance the national interest by strengthening the capability of the nation's telecommunications infrastructure, thereby providing a strong foundation for economic growth, productivity improvement, sustainable prosperity, and global competitive advantage.

OUR FRAMEWORK

TELSTRA VISION	TO IMPROVE THE WAY PEOPLE LIVE AND WORK			
CITIZENSHIP OBJECTIVE	TO CREATE SHARED VALUE Strengthening Telstra's business performance and reputation, and using our technologies and expertise to benefit society			
CENTRAL PILLARS	RESPONSIBLE PRACTICE:	SOCIAL IMPACT:	GREAT PLACE TO WORK:	ENVIRONMENTAL IMPACT:
	Conduct our business fairly, honestly and with integrity	Contribute to the health and wellbeing of society	Make Telstra a great place to work	Improve the environmental outcomes of our operations and offerings
CULTURE	EMPLOYEE ENGAGEMENT Building citizenship thinking, behaviour and practices into their everyday work			
	STAKEHOLDER ENGAGEMENT Building trust and promoting genuine mutuality and innovation			

A NEW STRATEGY

While Telstra has had a long-standing commitment to corporate responsibility, under the leadership of CEO David Thodey and Chairman Catherine Livingstone, there has been a renewed focus on Telstra's efforts in relation to engagement, alignment with business goals and accountability.

As a result, in 2009/10 we reviewed our corporate responsibility practices and performance and developed a new company framework and strategy. This work was informed by the (draft) *ISO 26000 Guidance on Social Responsibility*, which synthesises 39 international corporate responsibility and human rights conventions and standards, and identifies the fundamental social expectations of organisations.

Our corporate citizenship strategy will focus our efforts in six priority areas, to help improve the company's overall performance

OUR PRIORITIES ARE:

1. **SETTING THE TONE FROM THE TOP**
Providing the leadership for a genuine corporate citizenship culture
2. **ENGAGING AND EQUIPPING EMPLOYEES**
Building citizenship thinking, behaviour and practices into their everyday work
3. **ENGAGING WITH OUR STAKEHOLDERS**
Building trust and promoting genuine mutuality and innovation
4. **REDUCING OUR CARBON EMISSIONS INTENSITY**
By 10 per cent by 2015 (from 2008/09 levels)
5. **COMMUNITY INVESTMENT**
Establishing a strategic, company-wide approach for greater social impact and to maximise the return on investment
6. **COMMUNICATING**
About our corporate citizenship achievements, both internally and externally

We also looked at the companies recognised as corporate responsibility leaders and considered our own performance based on reports from the Dow Jones Sustainability Index and FTSE4Good Index.

We decided to start using the term 'corporate citizenship' instead of 'corporate responsibility', because it more accurately reflects Telstra's historic and positive contribution to the wellbeing of Australian communities, and is an easier concept to communicate.

 [View our corporate citizenship reports: www.telstra.com.au/cr](http://www.telstra.com.au/cr)

GOVERNANCE

Telstra's corporate citizenship strategy and performance is governed by the Corporate Citizenship Council, comprising nine of Telstra's Group Managing Directors. The Council has a whole-of-company view and provides direction to ensure a coordinated and focussed approach. The Council is also a forum for deeper consideration of issues, with external experts invited on occasion to help stimulate thinking and discussion.

We are setting ambitious quantitative targets for reporting, and reviewing the metrics we use to measure performance. For the first time in eight years of reporting, this *Corporate Citizenship Report* has undergone a process of external assurance. This improves our internal reporting processes, and provides

confidence to our stakeholders through independent assessment.

The Corporate Citizenship Council provides quarterly progress reports to the CEO. In addition, since February 2010, corporate citizenship has been a standing item at Telstra Board meetings.

OUR KEY CORPORATE CITIZENSHIP ISSUES

Our approach to determining Telstra's key corporate citizenship issues is based on Accountability's AA1000 Assurance Standard's (2008) principles of inclusivity, materiality and responsiveness. Understanding the issues of most importance to Telstra and our stakeholders helps to focus our strategy and reporting.

We have considered the feedback from stakeholders through established engagement mechanisms to identify Telstra's material citizenship issues. For example, we look at our *Employee Pulse Survey*, our annual analyst relations effectiveness survey, customer feedback through multiple channels, including social media, and feedback through groups such as Telstra's Low Income Measures Assessment Committee and our Disability Forum, just to name a few.

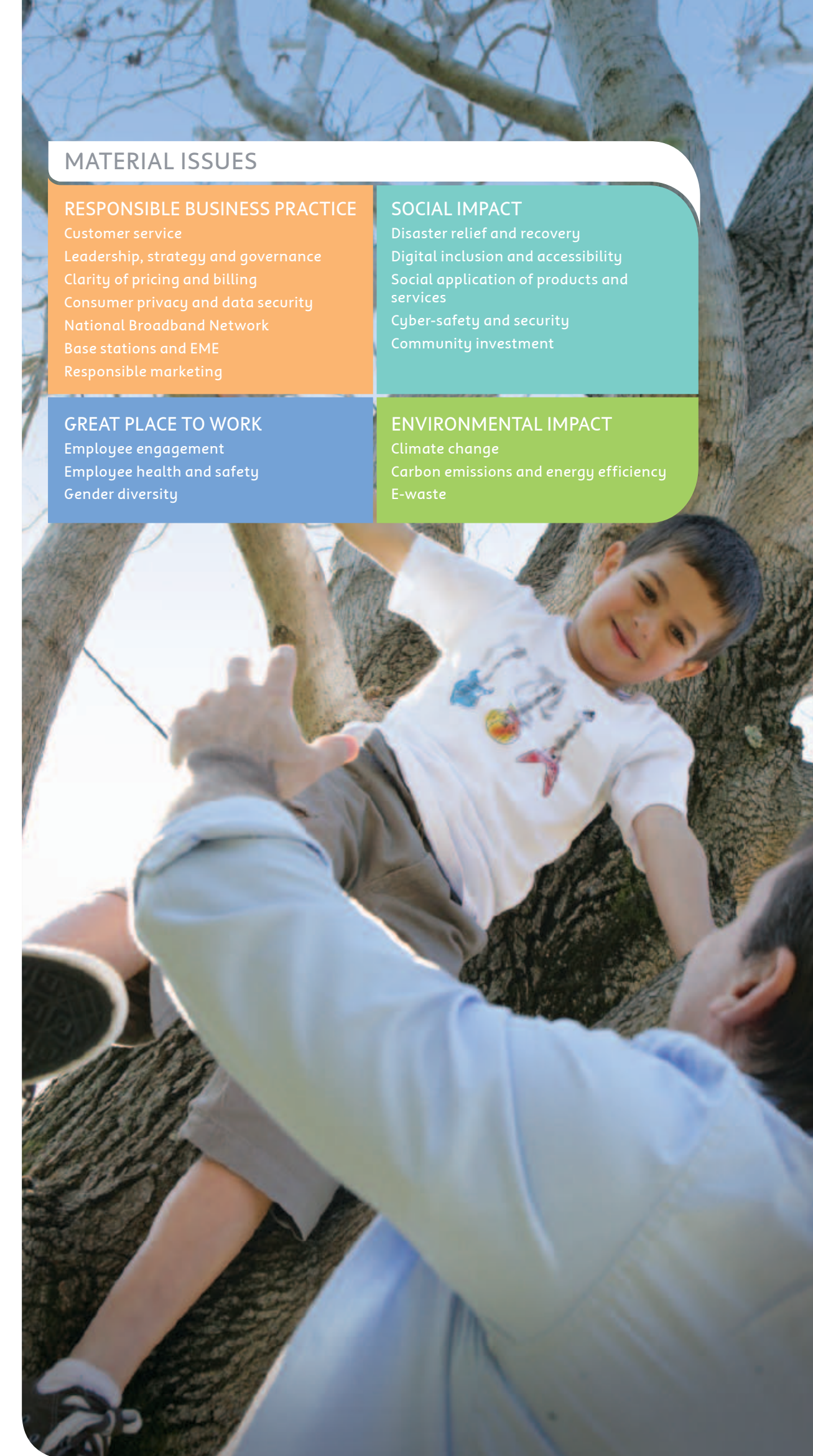
In June 2010, we also conducted some specific research to seek the views of 1,000 of our employees and stakeholders on what they think Telstra should address to be a good corporate citizen (see p.18 for details). This feedback was considered as part of our materiality process, and has been used to inform the content of this report, our strategy and programs.

In order to determine the key issues for Telstra to report on in 2010, along with the views and expectations of our employees and stakeholders, we also considered:

- the significant economic, environmental and social impacts of our business
- significant risks to the company and critical factors for ensuring Telstra's success
- key challenges facing our society.

MATERIAL ISSUES

RESPONSIBLE BUSINESS PRACTICE Customer service Leadership, strategy and governance Clarity of pricing and billing Consumer privacy and data security National Broadband Network Base stations and EME Responsible marketing	SOCIAL IMPACT Disaster relief and recovery Digital inclusion and accessibility Social application of products and services Cyber-safety and security Community investment
GREAT PLACE TO WORK Employee engagement Employee health and safety Gender diversity	ENVIRONMENTAL IMPACT Climate change Carbon emissions and energy efficiency E-waste

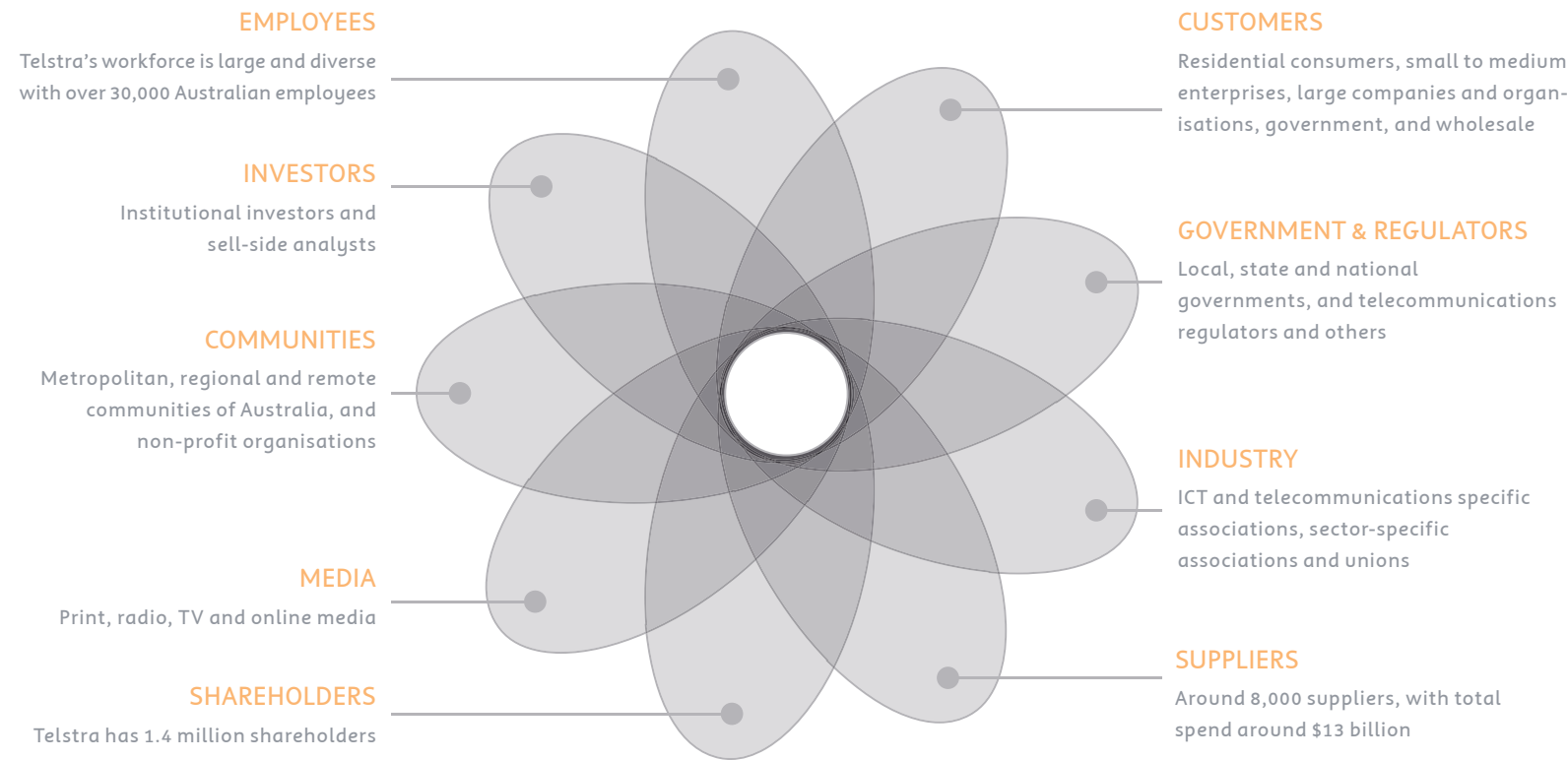


Telstra's responsibility is to manage our business ethically to produce an overall positive impact on our stakeholders



Engaging with our stakeholders to build trust and promote genuine mutuality and innovation is one of our key citizenship priorities

STAKEHOLDER ENGAGEMENT



Telstra is a company that touches the lives of most Australians. While we have a long history of engaging with our stakeholders, we know we can do better. We understand that both formal and informal consultation and dialogue with key stakeholder groups helps to gather input and ideas, inform our decision making, strengthen our relationships, and better meet the needs of our customers.

In 2009/10, we developed a new Telstra business principle to articulate our

commitment to stakeholders: *Telstra respects, considers and responds to the interests of all of its stakeholders, and engages in a way that promotes genuine mutuality, trust and innovation.*

We will be developing a policy to support this business principle and to encourage greater accountability, and we have a stakeholder engagement program underway. This includes focussing on how we can improve the quality of our relationships with our stakeholders, and benchmarking

and measuring our performance to ensure ongoing improvement.

While our communication with key stakeholder groups is ongoing, in 2009/10 Telstra engaged specifically on issues critical to the company – the National Broadband Network, customer service and corporate citizenship.

 [View Telstra's stakeholder engagement mechanisms at www.telstra.com.au/cr](http://www.telstra.com.au/cr)

NBN ENGAGEMENT TEAM

In April 2009, the Federal Government announced it would build a National Broadband Network (NBN) to provide high speed broadband across Australia. Soon after, the Government established a government owned enterprise called NBN Co to build and operate the NBN.

In July 2009, Telstra set up an NBN Engagement team to negotiate with NBN Co and the Government and in June 2010, signed a non-binding Financial Heads of Agreement (FHoA) with NBN Co to participate in the rollout of the NBN. The transaction, if completed, would deliver to Telstra a post tax net present value of approximately \$11 billion.

This would include payment for the turning off of Telstra's copper network and cable broadband service; use of Telstra's infrastructure; and the value to Telstra of avoiding costs, including certain universal service obligation costs. The transaction would see Telstra moving its voice and broadband traffic from its copper and cable networks to the NBN as it is rolled out.

The detail of the proposed arrangements in the FHoA remain to be worked out before final definitive agreements are entered into and put to relevant stakeholders and the regulator for approval. In addition, the FHoA has a range of conditions, including the passage of necessary enabling legislation and shareholder approval.

The Government introduced a number of NBN related bills to Parliament during the year. Of most concern to Telstra was the *Telecommunications Legislation Amendment - Competition and Consumer Safeguards - Bill 2009* (CCS Bill), which included measures to further separate Telstra and prevent it from buying spectrum for advanced mobile services.

While the Government is not a party to the FHoA, it has confirmed that should the transaction be completed (and assuming the CCS Bill is passed into law), Telstra would be able to bid for advanced mobile services spectrum and indicated that it will provide sufficient regulatory certainty on a range of matters for NBN Co and Telstra to enable the transaction to proceed.

TELSTRA EXCHANGE

In November 2009, we launched our corporate blog, *Telstra Exchange*. The blog gives people, both internal and external to Telstra, the chance to influence and be part of conversations about Telstra and technology. The blog allows Telstra to engage with customers, help them with customer service queries, announce news, start interesting conversations and inform our online community about new products, prices, network speeds and other news. *Telstra Exchange* has two sections, *Telstra Now* and *View Point*.

Telstra Now is an exchange of views about Telstra, its initiatives, programs, products and services. Its topics include: corporate news items from a conversational angle; product or service reviews; Telstra in the community; events or announcements; and insights into new trends or great online resources.

View Point looks at technology from a range of perspectives. Topics include: conversations about new social norms; innovations in telecommunications technology; introductions to new technology and tips on how to use it; and examples of how we incorporate technology in everyday life.

Approximately 40 bloggers regularly contribute content to the blog and one third of the bloggers are from outside of Telstra. The site has become such a popular destination that we employ a full time community manager to moderate comments and to help ensure that any customer service issues are resolved.

 To join the conversation go to: www.exchange.telstra.com.au



Telstra Exchange website

CASE STUDY

My Telstra Experience – online consumer community

Since taking over as CEO in May 2009, David Thodey has been up front about the need to improve customer experience and satisfaction.

As part of the ongoing strategy to actively engage with our customers, in December 2009, Telstra invited its customers to join an online research community to provide advice on how we can improve our customer experience.

My Telstra Experience regularly invites more than 15,000 customers who decided to become members to tell us what they think of their Telstra experiences, provide their views on products and new technologies, and suggest opportunities for us to improve our services.

Members complete online surveys, and participate in engaging online discussion forums on existing and new Telstra products and their day-to-day service experience with Telstra.

In response to customer feedback, including from *My Telstra Experience* members, Telstra has implemented a raft of changes across customer service, products and pricing and new technology offerings. These include:

- increasing staff numbers at call centres and focusing on resolving customer issues on their first call
- customer complaint management with specialist consultants
- new pricing structures for broadband bundled offers and new mobile cap plans
- new products to assist communication and manage information.

Chief Marketing Officer Kate McKenzie says, “Our customers have a lot to say about Telstra, and we can learn a lot from them. *My Telstra Experience* gets us closer to our customers and is an ideal opportunity for them to influence our decision making process.”

My Telstra Experience taps into a long term view of our customers’ experiences over a lifetime with Telstra, and will continue into 2011 and beyond.

 Telstra customers can register at: www.mytelstraexperience.com.au

CORPORATE CITIZENSHIP – WHAT MATTERS MOST?


During June and July 2010, Telstra consulted with almost 1,000 of its stakeholders, including employees, customers, shareholders, business and community leaders, media and government.

We wanted to learn what social issues concern them, and to understand their expectations of Telstra as a good corporate citizen. The consultation included focus groups, one on one interviews and an online survey.

Overall, we found that fundamentally our stakeholders expect us to do our job – to deliver telecommunications services to Australia – and to do this well. This includes assisting in times of disaster, making sure we manage our environmental impact, and delivering high quality products and services.

More broadly, our stakeholders are concerned about a wide range of issues, including health, education, employment, climate change, economic development, disadvantage and social cohesion. They expect Telstra to work in partnership with other organisations to help address some of the social issues experienced in Australia, and they believe that we have the capability to make a real difference.

We will use this feedback to bring additional focus to our corporate citizenship strategy and community investment activities in 2010/11.

 Tell us what you expect of Telstra as a good corporate citizen: www.exchange.telstra.com.au



TELSTRA
VALUES

SERVICE

RESPECT

INTEGRITY

TRUST


TEAMWORK

ACCOUNTABILITY

ETHICS AND GOVERNANCE

BUSINESS PRINCIPLES AND CODE OF CONDUCT REVIEW

During 2009/10, Telstra reviewed its code of conduct and business principles to make them simpler and easier to understand. The revised principles reflect a clearer commitment to corporate citizenship and to stakeholder engagement, in line with our corporate citizenship strategy.

 [View Telstra's business principles, code of conduct and values at: telstra.com.au/abouttelstra/company-overview](http://telstra.com.au/abouttelstra/company-overview)

The Telstra values, business principles and code of conduct, and the company policies, set out the practices, principles and standards of behaviour Telstra expects employees and contractors to adopt in performing their work. Together they reflect our obligations and underpin the way we work with our customers, our shareholders, our colleagues, the regulatory bodies we deal with, our suppliers and stakeholders in the community.

HUMAN RIGHTS POLICY

In response to an increasing expectation that businesses promote and respect human rights, Telstra developed its first human rights policy in 2009/10. The policy promotes the commitment in the Telstra values to treat all people with dignity and respect.

Telstra's efforts to respect human rights take place in varying socioeconomic conditions, in different countries, and among diverse individuals and communities. These social considerations can affect parts of our business in different ways. The effectiveness of our respect for human rights depends on the interworking of our corporate policies, management methods, and community programs. Our policy covers all of our actions in potentially different business and social contexts.

 [View Telstra's human rights policy at: www.telstra.com.au/cr](http://www.telstra.com.au/cr)

CUSTOMER SERVICE AND SATISFACTION

Providing a service that customers value improves our bottom line through reduced churn and cost of acquisition, as well as reducing expenses associated with enquiries about products, prices and billing.

Becoming a more customer-centric company and improving customer satisfaction is fundamental to Telstra's strategy. We are working hard to improve the service we

deliver. The task at hand is a big one. Telstra is a large business, with many customer interactions on a daily basis.

We have a significant company-wide program underway to meet our long term target to have the best customer service compared to the rest of the market by the end of the 2012 financial year.

With the programs and initiatives already

established, we have started to turn around our customer service performance. In 2009/10, Telstra improved its customer satisfaction score by 4.6 per cent. While we are pleased with this result, we acknowledge that there is still a long way to go.

In 2009/10, Telstra implemented a range of initiatives to improve customer service and satisfaction, which are detailed here.

STRATEGY

Our strategy is to simplify Telstra's business to enable us to better serve customers and save unnecessary costs.

This is a 'voice-of-the-customer' driven strategy – we are doing a lot more listening. We are implementing tools and processes that allow us to clearly understand and fix pain points for our customers.

For example, we are using speech analytics in some areas of the business, and undertaking quick and frequent surveys of customer interactions to check our performance. We have established a new online panel – *My Telstra Experience* – so that customers can regularly tell us what they think of their experiences and where we need to improve on service. We are also participating and engaging in the social media world with the implementation of initiatives such as a Twitter customer service team.

Through the analysis of this customer feedback, we have been able to better understand what customers want as well as key drivers of dissatisfaction.

DID YOU KNOW?

- Our contact centres handle more than 300,000 calls each business day
- We provided 8.7 million fixed line and 10.6 million mobile services, including wholesale services
- We send out more than 100 million bills every year
- We complete around 23,000 customer service jobs (new services and fault repairs) each business day
- More than 80,000 customers visit our Telstra stores every day to speak with our teams face-to-face on sales and service matters (over 30 million a year)



Our customers want:

- Things done right the first time.
- To be kept informed and educated about:
 - their products
 - the progress of their orders or status of any fault
 - when we will get back to them.
- The people that they deal with in Telstra to be knowledgeable, and respectful towards them.

END-TO-END PROCESS IMPROVEMENTS

A key part of our current strategy is built around improving end-to-end processes to deliver improved service. This is a significant task. Telstra is a large business, with many customer interactions on a daily basis. In making improvements over the past year, we have:

- put millions of dollars into training and support for customer-facing staff with a focus on helping them resolve issues effectively
- launched new customer service initiatives such as weekend technician appointments and free calls to our main service and support numbers
- ensured systematic identification of the root causes of issues that give our customers their biggest headaches so we can address these.

For example, we have set ourselves new complaint management standards across the business, including acknowledging complaints within 24 hours and resolving or communicating an action plan to the customer within five working days. These are much faster timeframes than the industry code. We are also identifying repeat callers and making courtesy calls to them to ensure their enquiry is resolved as a priority.

We are improving our self-service options, for example with quick links from telstra.com to easy-to-read bill information and a

'calls yet to be billed' feature on online billing. We have also introduced a dedicated team to help our customers stay connected when they move home.

PEOPLE AND COMMUNICATIONS

We also understand that to deliver improved service and satisfaction we need a culture that puts the customer at the heart of everything we do.

We need to engage and motivate our people to achieve the company's goals through the creation of a customer-centric culture. We are using internal communications to help embed our cultural change and tell our success stories, helping to motivate people across the company to keep improving customer satisfaction.

METRICS

We have one unifying goal across the company in regard to our customer service and satisfaction. We have set in place clear customer satisfaction performance targets that apply to everyone in the company.

In 2009, we introduced a customer satisfaction bonus for all Telstra employees, which is paid if the company meets the target. The target is measured by what our customers thought of us, and assessed through third party research. We also introduced more business measures that reflect the true customer experience.

Our target for 2009/10 was to improve the customer satisfaction score across all of our customer groups. Telstra achieved this, through an overall improvement in customer satisfaction across our consumer, business and enterprise and government customers of 4.6 per cent.

There is a lot of good momentum and we are making progress, but we still have a lot to achieve over the next few years as we move ahead with our strategy. The target we have set for 2010/11 is to improve our customer satisfaction rating by at least six per cent.



RESPONSIBLE MARKETING

In September 2009, Telstra, Optus and Vodafone/Hutchison agreed a joint undertaking with the Australian Competition and Consumer Commission to improve the quality and accuracy of advertising of telecommunications services in Australia.

This covers a range of telecommunications industry marketing practices that had developed over an extended period and were understood within the industry, but too often confused consumers. The undertaking covers things like advertising headlines, which need to match the detail

of customer offers; terms such as “free” and “unlimited” can only be used where strictly accurate; numerical network speed claims in advertising must show the actual expected user experiences, not technical theoretical speeds.

The undertaking includes revised advertising compliance and advertising complaint handling processes. Telstra has complied with all its obligations and in Telstra’s view, this has led to a general lift in the quality of the industry’s advertising.

PRIVACY

Telstra has performed well in an environment where new technologies are constantly being offered to consumers, where marketing is more directed and where consumers are increasingly concerned about their privacy.

In 2009/10:

- privacy complaints and/or incidents that Telstra dealt with regarding marketing, access to information, accuracy of data and disclosure of information, remained relatively stable
- all privacy complaints and/or incidents were appropriately addressed and managed to resolution within Telstra - no privacy complaints or incidents were escalated to a judicial decision level
- Telstra continued to provide expertise about telecommunications privacy, in both a consultative and advisory capacity, in sessions arranged by the Government, including on processes for implementing changes to Australian Privacy Laws
- Telstra continued to participate in the Privacy Subgroup of Asia Pacific Economic Cooperation (APEC) on the implementation of its privacy framework in APEC economies
- Telstra conducted privacy week activities throughout the company to promote the importance of privacy awareness
- Telstra’s Chief Privacy Officer is a Board member of the International Association of Privacy Professionals – Australia New Zealand.

For more information on privacy at Telstra go to: www.telstra.com.au/privacy

BASE STATIONS AND ELECTROMAGNETIC EMISSIONS

Telstra acknowledges there is some community concern that exposure to low levels of electromagnetic emissions (EME) from our telecommunications base stations could lead to adverse health effects. Telstra places high importance on effective and responsible management of EME issues.

In 2009/10, a number of communities, including Bardon in Brisbane and Summer Hill in Sydney, expressed concern about EME in response to Telstra’s consultation on new mobile base station proposals. Telstra responded to these concerns through extended consultation, proactive community engagement and,

where possible, working with the community’s feedback on the proposed site location and design.

People rely on mobile phones working in a wide range of places including at home, at school and at work. Telstra works hard to balance this demand with concerns expressed in some communities and recognises the importance of consultation.

Telstra is committed to open and transparent consultation with local communities. In 2009/10, in line with well regulated industry practice, Telstra completed 749 mobile infrastructure projects consisting of 106 new development applications and 643 Australian Communication Industry Forum consultation proposals.

Our proactive community engagement programs continue to result in a very low number of complaints. The

Australian Communications and Media Authority confirmed that they received four complaints regarding Telstra proposals in 2009/10, compared to two in 2008/09.

In 2009/10, Telstra also participated in the development of an international community consultation training portal through the GSM Association. The new training portal is aimed at improving community engagement by network operators. We also assisted with the continued development of the EMF Explained Series (www.emfexplained.info), an industry website that provides information on EME in an easy to understand format.

View more detailed information on mobile technology and EME at: www.telstra.com.au/eme

Telstra places high importance on effective and responsible management of EME issues

RESPONSIBLE BUSINESS PRACTICE HIGHLIGHTS

- Improved our customer satisfaction score by 4.6 per cent
- Developed a Telstra human rights policy
- Developed a new corporate citizenship framework and strategy
- Engaged around 1,000 Telstra employees and stakeholders to find out their expectations of Telstra as a good corporate citizen

SOCIAL IMPACT

Contributing to the health and wellbeing of society

Businesses have an impact on society in ways that reach well beyond the community sphere. As the principal wealth-creating institutions of our society, business and the private sector play a pivotal role in shaping a nation's social, economic and environmental policies and contributing to progress and prosperity in every sphere of society.

MEASURING SOCIAL INVESTMENT

Telstra has measured the value of its voluntary social contribution through the London Benchmarking Group (LBG) since 2007. The LBG provides a global standard to measure and benchmark voluntary corporate social investment.

In 2009/10, Telstra's total contribution was valued at \$30.8 million, which includes sponsorships, philanthropic grants, community partnerships, donations of goods and services, disaster relief and the value of employee volunteering. It also includes management costs, which are those costs incurred to make our contributions – including salaries and other overheads, research, publicity and communications.

The value of this year's contribution is less than our 2008/09 total of \$35.4 million¹, which included a significant contribution (valued at \$6.6 million) in disaster relief provided to customers and communities affected by the devastating Victorian bushfires.

On top of our LBG assessed contributions, in 2009/10, the total benefit provided by Telstra's *Access for Everyone*² programs, which offer assistance to our low income customers, was valued at \$203 million. Telstra also provided special rates to over 114,000 fixed lines to the value of \$33.7 million in savings to our charity and non-profit customers.

¹The published LBG figure for Telstra in 2008/09 was \$65.2 million. This included the value of our charity and non-profit discounts on line rentals (\$29.8 million of revenue foregone), which was disallowed in the 2009/10 LBG calculations. We have recalculated last year's total, minus the charity discounts, in order to provide accurate and comparative data.

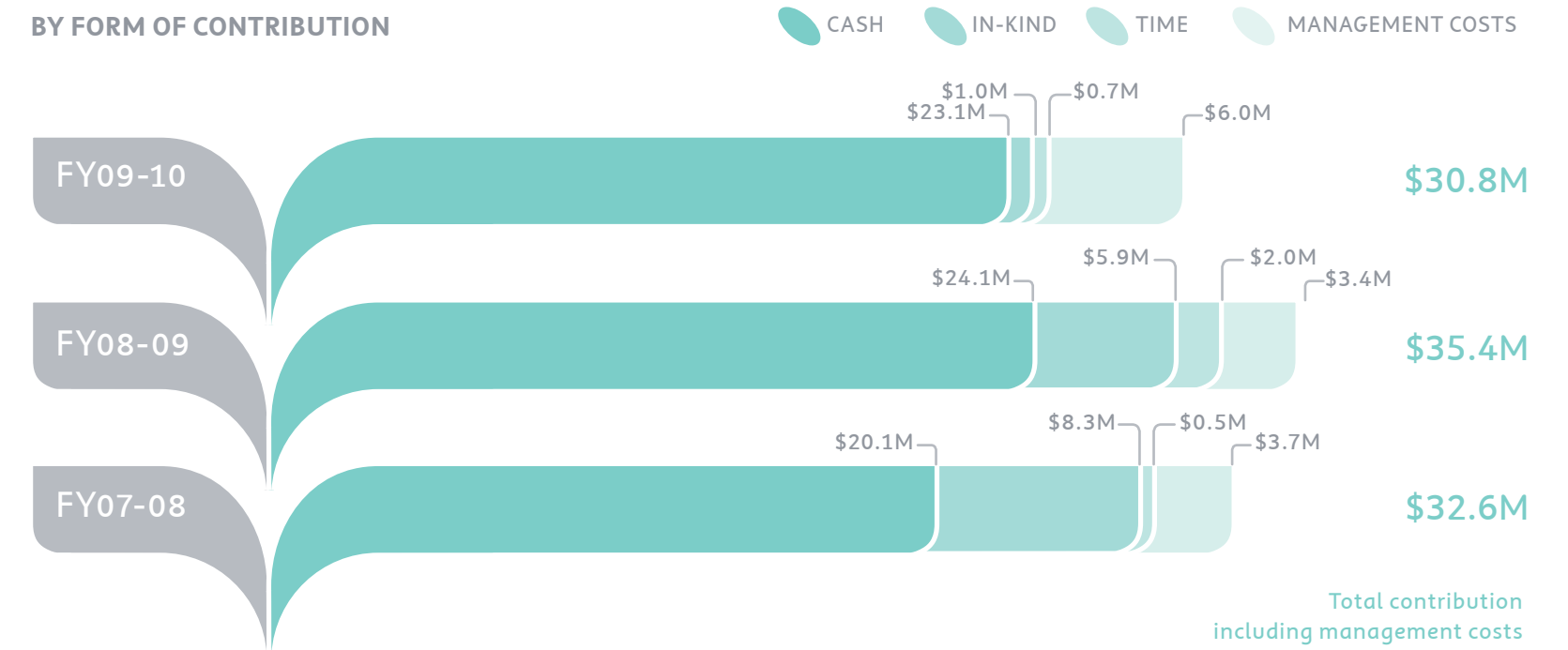
² *Access for Everyone* includes the low-income package and marketing plan obligations under Telstra's Carrier Licence Condition 22.

- \$24.8 million in contributions to the community
- \$203 million in benefits provided by Telstra's *Access for Everyone* programs
- \$33.7 million in savings for our charity and non-profit customers

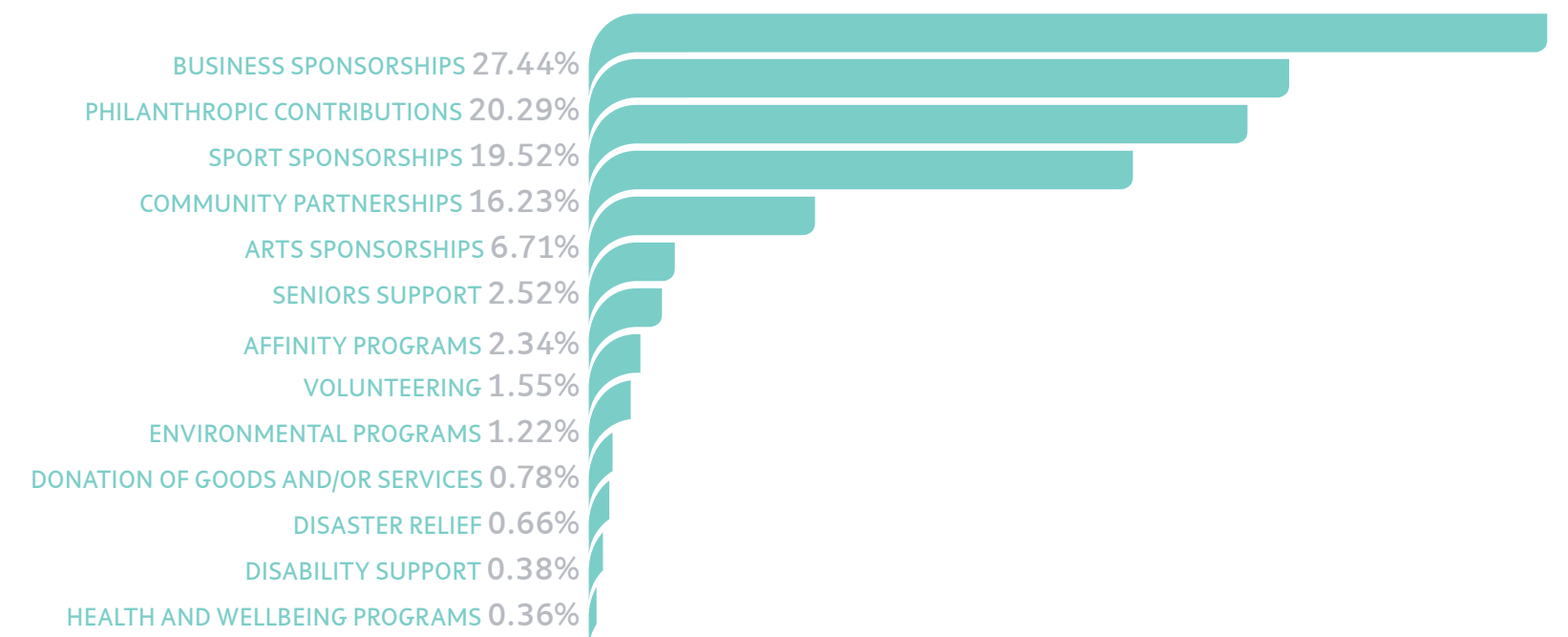
Telstra is well placed to have a positive impact on the nation's wellbeing and its social, environmental, economic and commercial performance



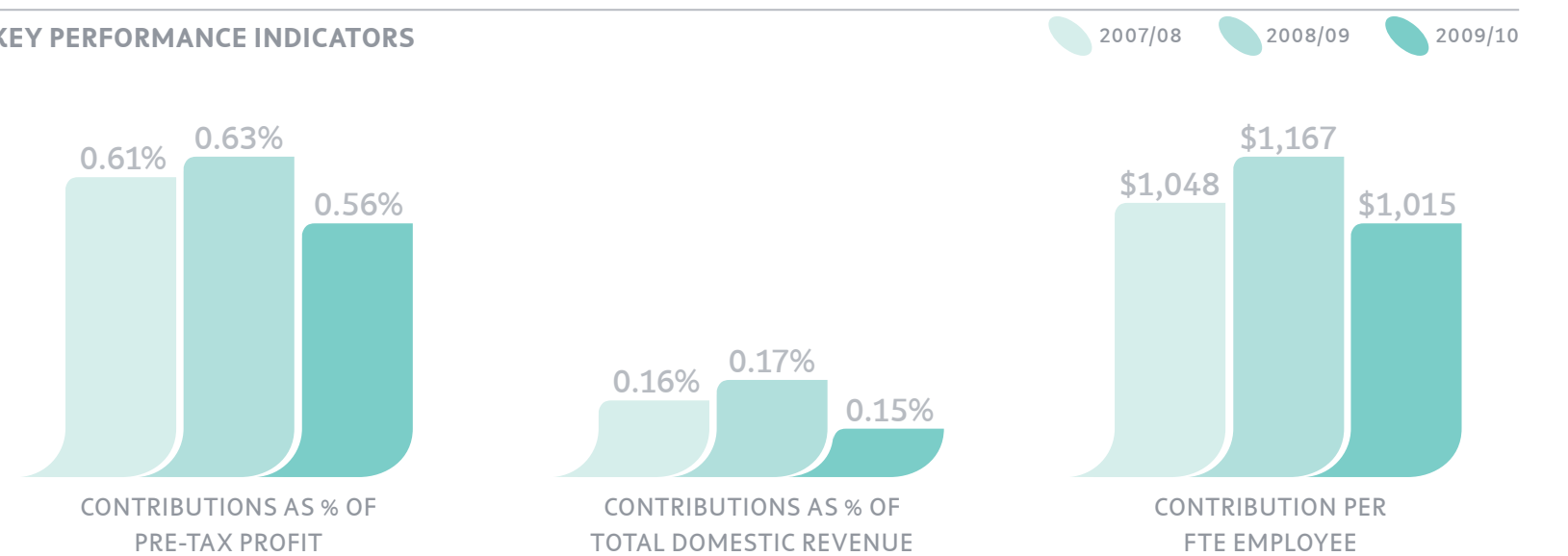
BY FORM OF CONTRIBUTION



BY TYPE OF SOCIAL INVESTMENT



KEY PERFORMANCE INDICATORS



COMMUNITY INVESTMENT

At Telstra, we believe that one of our responsibilities as a good corporate citizen is to voluntarily contribute resources, people, technology, products and services to support the communities in which we operate.

We contribute because we want to improve individual, community and national wellbeing, and because it makes good business sense – it fosters a culture of service within the company, instils pride in our employees and increases the attractiveness of doing business with us. Community involvement and our community programs help to create shared value - our belief that business success and the welfare of our communities are interdependent.

Business units across Telstra support a wide range of social issues and numerous community organisations, large and small, across the nation. We are currently developing guidelines for a whole-of-company approach to community investment to ensure that our efforts across the business are aligned and to enhance the social outcomes of our partnerships. Telstra is also working to improve the way we assess social impact, and will be trialing a model in 2010/11 for at least one of our community programs.

To date, Telstra has not set performance targets for our community investment activities. In the coming year, we will determine the measures that make sense for our

business and set quantitative targets to help focus and improve our performance. In 2009/10, we established a cross-company Community Investment Working Group to support these priorities.

In June 2009/10, we also conducted research that involved 1,000 of our employees and stakeholders, to help understand what social issues matter most to them. We found that our stakeholders are concerned about a wide range of issues, including health, education, employment, climate change, economic development, disadvantage and social cohesion. We will be using this feedback to develop our community investment focus and guidelines.

VOLUNTEERING

Telstra is proud of the contributions our employees make to the community through their voluntary giving of skills, knowledge, time and funds. Telstra promotes and encourages these contributions by supporting many of the community initiatives our people are involved in, and that matter most to them.

In 2009/10, our LBG submission captured 7,100 employee volunteer hours on Telstra time valued at more than \$741,000. In addition, Telstra helped facilitate almost \$600,000 worth of employee contributions – monetary donations and value of employee volunteering opportunities outside of work hours.

Telstra people share and celebrate their involvement in the community on Yabber, an internal website that has been designed as our online meeting place.

CHAMPIONS FOR THE ENVIRONMENT

In September 2009, five Telstra ambassadors participated in the *ZooX Ambassador Program*, an initiative of the Great Barrier Reef Foundation. On a field expedition to Heron Island they learnt about the impacts of climate change on the Reef, discussed

sustainability, and were challenged to return to Telstra with recommendations for workplace sustainability projects.

Ambassador Michael Padden reflects, “I have a new conviction that sustainability cannot be an afterthought. We must build it into our lives and businesses as a core pillar of what we do and how we do it. We have an idea for how we need to change Telstra and I’m looking forward to helping embed it into our DNA.”

VOLUNTEERS HELP MAKE ABRACADABRA MAGIC

In June 2010, 15 Telstra employees travelled to Darwin to assess progress of Indigenous students participating in a trial of **ABRACADABRA**, an interactive web-based software program that helps primary school children improve their literacy skills. There are 367 students participating in the three-year trial of the program, run by Charles Darwin University and funded by the Telstra Foundation.

Telstra volunteers worked one-on-one with students across six schools to conduct literacy testing, essential in assessing the children’s progress and thus the effectiveness of the tool.

Sydney-based employee Pat Kelly (pictured opposite) said, “I was curious to experience Darwin and get an insight into Indigenous culture. I think literacy is so important. Meeting and interacting with these children was both delightful and rewarding.”

SAVING LIVES ON TELSTRA TIME

Telstra supports our people who volunteer their time with emergency service organisations by offering special leave for employees to provide critical services for the protection of life and property. In 2009/10, 21 Telstra people volunteered 443 hours with emergency service organisations.

Tasmanian Colin Partridge has been volunteering for the ambulance service for the last 12 years and covers at least one ambulance shift a week.



In Tasmania, volunteer ambulance officers are an essential part of the ambulance service as they fully staff around half of the state’s ambulance stations.

“My manager and workmates are very supportive of what I do. It may require a last minute change of a rostered day off or arriving to work late after an early morning callout. I have always found understanding and flexibility, and my manager only too willing to assist,” said Colin.

In 2009/10, Telstra employees volunteered 7,100 hours



Telstra volunteer, Pat Kelly, conducting a literacy test



PAYROLL GIVING

In 2009/10, a company-wide employee survey was conducted to help select the charity partners for a new Telstra *Payroll Giving* program. The results showed that mental health, including depression and suicide prevention, was the top social issue of concern, followed by cancer research and support, and child welfare. The three most popular charities were the Salvation Army, the Australian Red Cross and the RSPCA.

Sixteen charity partners were finally selected by a representative, cross-company group and the program was launched in August 2010. The program will be a central platform for Telstra-initiated employee community engagement initiatives such as volunteering and fundraising. We are aiming for a three per cent participation rate in year one of the *Payroll Giving* program.

CASE STUDY

Smart Online, Safe Offline

Cyber-safety and cyber-bullying continue to be of concern for people of all ages, especially children and young people. Thirty per cent of Australia's adolescents have experienced cyber-bullying, and around seven per cent of students in grades four to nine are cyber-bullied at least every few weeks.

Recognising that children and young people spend a lot of time in social networking environments, the National Association for Prevention of Child Abuse and Neglect (NAPCAN) developed the *Smart Online Safe Offline* campaign. The campaign aimed to help children and young people understand online dangers, and educate them about how to manage their personal safety both online and offline.

Smart Online Safe Offline was unique because it targeted children and young people in their own language, and within their own social networking environments. NAPCAN partnered with BigPond, Yahoo, Gorilla Nation, MTV, Facebook and others to deliver the campaign.

As part of *Smart Online Safe Offline*, the first ever branded YouTube channel was created, receiving 79,000 clicks. A computer-based game called *Web Warriors* was also created, with over 8,600 kids as registered users. Digital tools were developed to share and spread the message on social networking sites such as Facebook and Twitter.

Nine out of 10 young people who explored the site during the campaign thought it impacted on how they felt about cyber-bullying. Changes in attitudes were expressed with comments such as "I now feel really sorry for those people and will never cyber-bully in my life"; "It made me think how bad I would feel if it happened to me" and "[it] made me more aware of my options and if I am a victim, to speak up".

NAPCAN has received \$534,000 from the Telstra Foundation over three years to deliver the *Smart Online Safe Offline* program.

TELSTRA FOUNDATION

The Telstra Foundation's vision is to make a positive and lasting difference to the lives of children and young people, particularly those at risk of social or geographic isolation and greatest disadvantage throughout Australia.

In 2009/10, we provided over \$4.5 million in funding to 637 community projects across Australia, with a focus on Indigenous community development, cyber-safety and social innovation projects - using information and communications technologies to improve social inclusion.

In May 2010, Telstra Foundation was recognised with a *Business Partnership Award* for its support of Autism South Australia's *i-Modelling Social Groups* program. The *i-Modelling* program runs social groups for young people with Autism Spectrum Disorder, to help them learn the social and conversational skills that are essential to developing meaningful relationships.

The great work of two community organisations supported with seed funding from the Telstra Foundation was recognised with significant government funding during 2009/10.

- A pivotal cyber-safety campaign run by the Alannah and Madeline Foundation, supported with a \$200,000 grant from the Telstra Foundation in 2008, won \$3 million in Federal Government funding. This will enable the rollout of the cyber-safety program across 150 schools.
- The Stronger Smarter Institute, which challenges low expectations for the education outcomes of Indigenous school children, received \$16.4 million from the Federal Government for its newest initiative - the *Stronger Smarter Communities* program. Telstra Foundation has been an active supporter of the Stronger Smarter Institute, providing \$2.4 million over the past six years.

Telstra Foundation also delivers the *Telstra's Kids Fund* program, which in 2009/10 made 625 grants totalling \$750,000. This is an employee-directed giving program that provides grants of \$1,200 to local community organisations involving the participation of a child or young person directly related to permanent Telstra employees.



Since 2002, the Telstra Foundation has granted over \$35 million to more than 6,000 projects

COMMUNITY PARTNERSHIPS

Telstra's long-standing community partnerships have evolved beyond financial support and we are now collaborating with our partners and utilising information and communication technologies to help build their capacity and enhance social outcomes.

HELPING TO CLOSE THE GAP, ONE LAPTOP AT A TIME

For children in Australia's remote communities, gaining access to sustained, quality education is an ongoing challenge. A newly formed charity, One Laptop per Child (OLPC) Australia, is doing its part to address this challenge, and Telstra is lending a hand.

OLPC Australia is providing remote primary school students with an XO laptop - a purpose-built, low-cost, low-power, rugged, connected learning device - which gives them access to educational programs and connects them, via the internet, to the rest of the world.

The program was launched in May 2009 and has since deployed more than 1,500 XO's to children across the country. By 2014 the charity hopes to provide each of the 400,000 geographically isolated children with their own machine, a massive undertaking which OLPC Australia projects will cost \$200 million.

Telstra announced our partnership with this organisation in March 2010 and will contribute financial and in-kind support to OLPC Australia over three years, joining News Ltd and The Commonwealth Bank in support of the program. It will enable children in remote communities to realise their dreams through the use of information and communications technology and overcome the barrier of distance.

HELPING TO KEEP AUSSIES SAFE IN THE WATER

Telstra has partnered with Surf Life Saving since 2003, and in 2010 continued to support the Telstra Beach to Bush surf safety program.

The program is Australia's largest surf safety education program. In 2010, the program reached more than 40,000 primary school children from 450 regional primary schools with important surf safety messages. Live video streaming is used to help the kids experience the beach and identify rips.

In addition to *Beach to Bush*, Telstra provided \$250,000 worth of financial assistance through *Answer the Call*, our affinity program in which Telstra encourages its customers to nominate their favourite surf life saving club and then donates \$30 to the club on their behalf.

A further \$250,000 worth of equipment to surf life saving clubs was provided through the *Telstra Assistance Fund* including a grant to Yirrkala, the first surf life saving club in the Northern Territory.

SUPPORTING ELITE ATHLETES AND DISABILITY EDUCATION

The Australian Paralympic Committee (APC) believes participation in sport provides positive social and physical benefits to people with disabilities, and plays an important role in changing community perceptions of people with disabilities.

Through Telstra's partnership with the APC, a number of these very talented paralympians have become Telstra Ambassadors including Kurt Fearnley, Matt Cowdrey, Heath Francis, Kelly Cartwright and Toby Kane. As part of our partnership with the APC, Telstra provides telecommunications and business solutions, enabling the secure and efficient management of their entire business and athlete network, in Australia and overseas.

Telstra's support of the *Paralympic Education Program* has also provided the opportunity for 280,000 Australian school children to be educated about paralympic sport and the importance of inclusion of people with disabilities.

In 2010, the Telstra Beach to Bush surf safety program reached more than 40,000 primary school children from 450 regional primary schools



ECONOMIC FOOTPRINT

In designing, developing and implementing communications solutions for our customers, Telstra has a significant impact on the economy through employment, investment and our supply chain. During the 2009/10 financial year, Telstra's business activities:

- supported 45,220 jobs*
- paid out \$3.7 billion in salaries and wages*
- paid out \$3.5 billion in dividends to 1.4 million shareholders
- paid \$1.4 billion in Commonwealth, state and local taxes
- purchased around \$13 billion in goods and services from around 8,000 suppliers
- contributed an estimated \$14.59 billion to Australia's gross domestic product.

2009/10 FINANCIAL SUMMARY*

	2010 \$M	2009 \$M	CHANGE \$M	CHANGE %
Sales revenue	24,813	25,371	-558	-2.2
EBIT	6,501	6,558	-57	-0.9
Profit after tax and non-controlling interests	3,883	4,073	-190	-4.7
Ordinary dividends (cents per share)	28	28	-	-

SUPPORTING LOCAL ECONOMIES

Telstra assists in the development and growth of Australian communities by supporting local business initiatives and the business people behind them, with an emphasis on good business practice and economic prosperity.

RECOGNISING AUSTRALIAN WOMEN IN BUSINESS

Since 1995, the *Telstra Business Women's Awards* has celebrated the journeys of some of Australia's most inspirational business women including entrepreneurs, innovators, up-and-coming young business women, corporate leaders and those working in the non-profit sector. In 2009, a record 4,180 women were recognised through the nomination process, with Georgina Rinehart, Chairman of Hancock Prospecting, named the 2009 *Telstra Australian Business Woman of the Year*.



Dr Margarite Vale, Telstra Business Award winner



Danie Mellor, Telstra Art Award winner



Tenielle Neda Musulin, Telstra Road to Tamworth winner

CELEBRATING SMALL AND MEDIUM BUSINESS SUCCESS IN AUSTRALIA

A Victorian business that developed an innovative coaching program to improve the lives of people with chronic illnesses was named the 2009 Telstra Australian Business of the Year.

The *COACH Program*, devised by Dr Margarite Vale (pictured top left), is a telephone delivered coaching program to help people with illnesses such as coronary heart disease and diabetes better manage their health and lifestyles. As the program is based on evidence of how patients have responded in controlled trials, its proven credibility means it has the potential to grow and be rolled out in public and private health systems around Australia and overseas.

The Telstra Business Awards, now in their 18th year, are Australia's pre-eminent national awards program for small and medium businesses. The awards help to celebrate the achievements of businesses across Australia and recognises those small and medium businesses as the foundation of the Australian economy.

INVESTING IN INDIGENOUS ARTISTS

Telstra has been the major sponsor of the National Aboriginal and Torres Strait Islander Art Award, or the *Telstra Art Award* as it has become known, for the past 18 years.

The internationally recognised award has been a major catalyst in the growth of Aboriginal art and has contributed to the development of the Indigenous arts market, now estimated to be worth up to \$500 million per annum to the Australian economy, including direct economic benefit to Indigenous communities. Since 1991, in addition to our sponsorship of the award, Telstra has given \$500,000 in prize money directly to the winners to support their artistic endeavours.

Canberra artist Danie Mellor (pictured centre left) was named the winner of the 2009 Telstra Art Award for his work titled *From Rite to Ritual*.

KICK-STARTING MUSIC CAREERS

Australia's next generation of country music stars can kick-start their music career through the *Telstra Road to Tamworth* competition. Since 2004, Telstra has sought out and nurtured emerging regional music talent, exposing aspiring performers and songwriters to a bigger audience, and putting them in touch with key music industry professionals.

Each year, the competition takes place in 13 regional locations right across Australia. The 2009/10 winners, Tenielle Neda Musulin (Performance Winner; pictured bottom left) and Luke Webb (Songwriter Winner), were announced at the final stop, the Tamworth Country Music Festival. The prize is a bespoke 12-month music mentorship, which includes a return trip to Nashville USA.

DIGITAL INCLUSION

Telstra recognises the diversity of our customers and the significant contribution that communications services make to people's lives and to community wellbeing. We actively work to improve the accessibility and affordability of our services by engaging with relevant community stakeholders and supporting a large number of community-business partnerships that benefit over one million Australians every month.

Through our *Access for Everyone* programs, Telstra provides a comprehensive package of products and services to assist people on a low income or in financial hardship to stay in touch. This includes older people, job-seekers, Indigenous communities, as well as people with disability.

Access for Everyone programs include lower-cost telephone services, discounts for eligible pensioners, emergency relief options such as assistance paying Telstra bills and provision of phone cards, as well as pre-paid mobile handsets and starter kits for people who are homeless.

SUPPORTING LOW INCOME CUSTOMERS

Established in 2002, the Low Income Measures Assessment Committee provides independent advice on how Telstra can provide services to customers on low incomes. The Committee, which includes senior representatives from eight national community organisations, guides Telstra's *Access for Everyone* package. Telstra consulted the Committee extensively about the bill payment administration fee that was introduced in September 2009. This was withdrawn in November 2009, and affected customers were refunded.

In 2009/10, Telstra provided assistance to more than one million low income customers to connect or maintain their communications services, a total benefit of \$203 million.

We also provided phones and multi-media production support to Melbourne Citymission for their mobile home photographic exhibition and calendar. The exhibition and calendar focus on the issues of connectedness, belonging and personal support, which are crucial to young people who are homeless.

In late 2009, Telstra commissioned an independent research company to assess the effectiveness of the *Telstra Bill*


Assistance program in the economic climate of the post 2008 global financial crisis.

The study found:

- nine out of 10 agencies reporting an increase in demand for bill assistance
- during the crisis, people on a low income were likely to increase the use of their telephone to look for work, contact family, the doctor and other support services
- high levels of satisfaction from both customers and agencies with our bill assistance program.

SPECIAL RATES FOR CHARITY ORGANISATIONS

To help Australian charities make their limited funds go further, Telstra provides rates of around half to one third the usual monthly service cost for fixed line telephone services. In 2009/10, the value of this contribution was \$33.7 million.

 The study, *A sense of connectedness when times are tough*, can be found at: www.telstra.com.au/cr

Since 2002, Telstra has provided more than \$1 billion in benefits to keep people connected



PROMOTING ACCESSIBILITY FOR CUSTOMERS WITH DISABILITY

Telstra is committed to making communication accessible and affordable for all our customers, including older customers and customers with disability – an estimated 20 per cent of our population.

We consult regularly on telecommunications issues through our Disability Forum with representatives from 13 national peak disability consumer organisations. A Consumer Advisory Group provides advice to Telstra about changes to the operation of, and equipment provided under *Telstra's Disability Equipment* program.

In 2009/10:

- an independent review of Telstra's *Fourth Disability Action Plan* was conducted by former Federal Disability Discrimination Commissioner Ms Susan Halliday. The review found that the ongoing work undertaken by Telstra has been flexible, intuitive, consultative and persistent, despite the global financial crisis and significant organisational changes
- Telstra made a submission to the Federal Government's *Access to Electronic Media for the Hearing and Vision Impaired Discussion Report – Approaches for Consideration*. We supported proposed initiatives and advocated for additional approaches to speed up improvement in access to online audiovisual content for people with hearing and vision impairment
- following representation from Deafness Forum and Better Hearing Australia, Telstra began a field trial in August 2009 for the introduction of high and low frequency boost tone control switch on the Telstra Big Button multi-purpose phone for people with hearing impairment. Unfortunately, no definitive conclusion could be drawn from the trial
- we continued our sponsorships of the Telstra and Telecommunications Journal of Australia's *Christopher Newell Prize for Telecommunications and Disability*, the Link disability magazine and the Better Hearing Australia annual conference.

For full details about Telstra's disability services, go to: www.telstra.com.au/abouttelstra/commitments/disability-services

RURAL AND REGIONAL

Telstra Country Wide (TCW) is the local face of Telstra in regional, rural and remote areas of Australia. Its mission is to meet the often unique telecommunications needs of regional Australia, while at the same time contribute to its economic and social development.

Established in 2000, TCW set out to decrease the metro-country divide, increase internet availability in regional areas, improve mobile coverage and improve service delivery. In June 2010, TCW celebrated its 10 year anniversary.

In 2009/10, Telstra enabled ADSL2+ in 134 exchanges across Australia with the vast majority of these upgrades occurring in regional and remote areas. Deployment of new mobile sites to expand coverage and improve depth of coverage means the Next G™ network has more than 7,000 sites, covering 99 per cent of the Australian population.

13 national peak disability consumer organisations are represented on Telstra's Disability Forum

CASE STUDY

Partnership approach a winner

Telstra and its partners celebrated the win of a *Global Telecoms Business Innovation Award* in June 2010 for the *Arnhem Land Fibre Project* – a \$34 million joint venture between Telstra, the Northern Territory Government and Rio Tinto Alcan, with valuable support from the Northern Land Council.

TCW Executive Managing Director Brett Riley said the major contributing factor to winning at this level was the innovative multi-party agreement approach the company takes to remote network investments.

The project saw the laying of over 800km of fibre optic backbone through tropical savannah terrain from Jabiru to Nhulunbuy. Further works in late 2009 have delivered broadband access to a number of island communities.

"Telstra will continue to develop business cases with all levels of government, large enterprises, and other organisations for network extensions where normal commercial investment is viewed as uneconomic," Mr Riley said.

Life-changing technology associated with high-speed broadband is now being used to deliver services across this region of Australia, significantly improving access to education, health,

justice and business services and contributing to regional growth.

Mr Riley credits strong partnerships with vendors, including Alcatel-Lucent, Prysmian Cables & Systems Australia and Ericsson Australia, as another factor to the project's success.

"The key to winning awards at this level is the multi-party agreement approach Telstra takes to remote network investments" - Brett Riley, TCW Executive Managing Director

"This win is truly a team effort, from our corporate and government partners, to our international suppliers, to our network construction fibre crews on the ground working with Traditional Owners."

Years of consultation, including community meetings and detailed negotiations with individual Traditional Owners in partnership with the Northern Land Council, preceded the project's commencement. Traditional Owners expressed their appreciation of Telstra, recognising "best ever" consultation.

The Arnhem Land Fibre Project won six awards at international, national and state levels in 2009/10.

INDIGENOUS COMMUNITIES

Telstra's Indigenous Directorate was established in 2005 to work with government and stakeholder groups to coordinate improvements in telecommunication products and services for remote Indigenous communities across Australia.

In 2009/10, Telstra:

- installed 20 robust cashless phones in remote Indigenous Northern Territory communities, taking the total number of community phones across Australia to 236
- continued to provide a dedicated hotline for Indigenous customers
- continued to provide Telstra's Country Calling products, specifically designed for Indigenous communities, with dedicated lines and cards available for community members at reduced rates
- worked with State, Territory and Council planning areas to include telecommunications infrastructure in new Indigenous housing developments.

In February 2010, Yilkingiwuy Guyula, a student from Yirrkala Community Education Centre, was recognised through *Telstra's Northern Territory Remote Indigenous Student of the Year Award*.



Telstra launched its first *Reconciliation Action Plan* in 2010, detailing our commitment to Indigenous Australia

More than \$1.9 million in *Telstra Connected Seniors*[®] grants to 273 community organisations since the program's inception in 2007



CONNECTING OLDER AUSTRALIANS

The *Telstra Connected Seniors*[®] program gives thousands of older Australians the chance to learn about technology in a fun, friendly, peer-environment. Supported by educational materials developed specifically for seniors, the classes make it easier than ever for older Australians to overcome the barriers to using new technology, and learn how to use mobile phones and the internet to stay in touch with friends and family.

In 2009/10, over \$600,000 in grants was provided to 85 community organisations across Australia. More than 5,000 seniors participated in *Telstra Connected Seniors*[®] training events conducted in locations including Telstra stores in Sydney and Melbourne.

 For more details and to access DVD and training materials visit: www.telstraseniors.com.au

CASE STUDY

Helping migrants to join the technology revolution

The Migrant Information Centre coordinates information to enhance the lives of new and existing migrant populations in the eastern region of Melbourne.

The Centre has received two *Telstra Connected Seniors*[®] state grants, totalling more than \$106,000. It has used the grants to assist older people from culturally and linguistically diverse backgrounds to learn how to use mobile phones and the internet.

The Centre ran workshops that both improved people's use of technology, and helped the Centre to maintain positive relationships with the communities it serves. At the workshops, participants not only learned new skills, but also met others from similar backgrounds in a fun and friendly environment.






After the workshops were held, Migrant Information Centre's Geraldine Jeremiah said the members were no longer afraid to use their mobile phone or the internet. "They felt the practical demonstrations by the trainers made it easier to learn how to use the phone. The participants now confidently keep in contact with family and friends, and can better access information and services via the internet. The added benefit is the reduction in social isolation by networking with the wider community through internet and mobile phone technology".

DISASTER RELIEF AND RECOVERY

Each year, Australia is hit by devastating natural disasters, destroying homes and harming the livelihoods of many Australians. In times of natural disasters, Telstra's first priority is to assist the emergency and essential service organisations with their telecommunication requirements and typically, our communications technicians are among the first to enter disaster affected areas to restore telecommunications services.

Telstra offers relief packages to affected customers, and provides volunteer and first response leave for employees to enable them to provide critical services for the protection of life and property.

In 2009/10, Telstra provided support to thousands of customers and many communities across Australia affected by devastating floods, bushfires and natural and civil disasters including:

-  bushfires in Toodyay, Western Australia (December 2009)
-  bushfires in Port Lincoln, South Australia (December 2009)
-  floods in south west and south east Queensland (February 2010)
-  cyclone Ului in central Queensland coastal areas (March 2010)
-  tornado in Lennox Head, New South Wales (June 2010)
-  ongoing support for customers affected by the February 2009 Victorian bushfires.

In addition, in times of international disaster, we provide free calls for Telstra customers to check on family and friends in affected areas. In 2009/10 this included:

-  earthquake in Chile (March 2010)
-  earthquake in Messina, Italy (October 2009)
-  earthquake in Padang, Indonesia (October 2009)
-  earthquake and subsequent tsunami in American Samoa, Samoa and Tonga (October 2009)
-  typhoon in The Philippines (Oct 2009).

CASE STUDY

Telstra's SatCOW to the rescue!

The Great Barrier Reef is classed as one of the seven natural wonders of the world, so when the Chinese coal carrier, Shen Neng 1, ran aground on the Reef in April 2010, urgent action was called for.

Telstra's Satellite Cell on Wheels (SatCOW) played a role in the Queensland Government's rescue operation to remove the coal carrier, which was leaking oil and causing damage to the Reef.

Telstra's SatCOW had to be flown by helicopter to North Reef, 29 kilometres south east of where the coal carrier ran aground, and was then quickly erected at a lighthouse site to provide mobile coverage out to the ship.

According to Mike Wright, Executive Director Networks & Access Technologies, the reef rescue proved to be the most challenging project to date for the SatCOW.

"After initial set up, our engineers needed to monitor the cell's operation. Within 15 minutes the SatCOW had carried five-six voice calls and 12 data connections. The operation was certainly no mean feat.

"The success of this operation is testament to our highly skilled people, their teamwork and customer focus", said Mike.

The SatCOW is a highly transportable mobile network base station, which can be set up within two hours. It has been designed to support the Next G[™] network, allowing for simultaneous voice, video and data calls. It uses satellite transmission to provide the network connection to the Next G[™] base station equipment, and provides rapid recovery of mobile network infrastructure when an existing mobile base station is damaged, during natural disasters or remote installations.



PROMOTING CYBER-SAFETY AND SECURITY

As an internet services provider (ISP), Telstra wants to make sure that people have a positive experience in the digital world. We work with industry, government, community, non-government organisations and internet users to address the range of evolving online risks and to develop measures that promote online safety.³

Since 2008, Telstra has had an Officer of Internet Trust and Safety and an Internet Trust and Safety Working Committee responsible for a coordinated approach to cyber-safety issues including internet filtering, cyber-bullying, online scams and identity theft.

Telstra believes that cyber-safety is everyone's responsibility



KEEPING PEOPLE INFORMED

In 2009/10, Telstra created an *Internet and Cyber-Safety* webpage. The site provides internet users with access to information and expertise, enabling them to make their online experience safer and more enjoyable— regardless of age. We worked with cyber-safety experts, parents, kids, teenagers and seniors to make sure we provide access to credible information, websites and useful tips that are relevant to all lifestyles. On the site, we promote the Australian Communications and Media Authority's *Cybersmart* website, which also provides expert cyber-safety advice and targeted information.

In addition, we published and distributed the *Telstra and cyber-safety* booklet to provide hints and tips on a range of age-appropriate topics for all internet users.

For information and resources go to: www.telstra.com.au/cyber-safety

ADVOCATING FOR A SAFER DIGITAL WORLD

Throughout 2009/10, Telstra worked with the Federal Government, the industry and other stakeholders on the most appropriate arrangements to implement the Government's election policy of mandatory ISP filtering.

In July 2009, Telstra provided a submission for the House of Representatives Communications Committee inquiry into cyber crime. Telstra's submission outlined tangible recommendations we believe the Government should focus on, including the need for greater industry collaboration in identifying and managing cyber crime and the need to increase the public's awareness of cyber crime risks through a mass education strategy.

In June 2010, Telstra made a submission to the Federal Parliament's new Joint Select Committee on Cyber-Safety inquiry into the safety of children and young people on the internet.

Telstra's view is that a holistic approach - including education, law enforcement, international cooperation, technology and parental supervision - is needed to empower Australians to exercise reasonable care and responsibility in their online activities.

Telstra's Officer of Internet Trust and Safety, Darren Kane, was reappointed for a third consecutive term to the Federal Government's *Consultative Working Group to improve Cyber-Safety*. The Group focuses on issues that Australian children face online. Telstra is the only telecommunications company and large ISP represented on the Group.

KEEPING KIDS SAFE

In 2009/10, the Telstra Foundation's *Spotlight on Cyber Safety* program continued to support the online safety and wellbeing of Australian children and young people with grants to community organisations.

Projects supported during 2009/10 include:

- BeNetWise, an initiative of Berry Street, addressing issues for at-risk youth in out-of-home care
- SuperClubsPLUS Australia, a safe online community for kids aged six to 12
- Edith Cowan University's *Parent Education* resources
- *Ethical Cyber Citizen* project run by Centacare
- NAPCAN's *Smart Online Safe Offline* campaign.

The Telstra Foundation also co-chairs the Technology and Wellbeing Roundtable, which met four times in 2009/10. This forum brings together thought leaders to share insight into how technology can enable the wellbeing of young people and to promote best practice.

New research reveals impact of social networking on school studies

More than half of Australian parents are concerned that social networking sites like Facebook and Twitter are distracting children from their studies, according to a *Cyber Safety Research Report* commissioned by Telstra in May 2010.

Telstra commissioned the national study of over 500 parents, to make sure we are at the forefront when it comes to advising our customers on how to be safe online. The survey, conducted by Newspoll, shows that the concern is more pronounced for teenagers aged between 14 and 17, with 65 per cent of parents concerned that social networking is frequently distracting their children from their homework.

The research also found:

- 53 per cent of parents with children aged 10 to 13 years report their children are frequently or occasionally distracted from studying because of their social networking habits
- despite children increasingly using computers for study and social networking, the majority of parents (62 per cent) do not feel it is impacting on their child's health or wellbeing.



Telstra's Internet and Cyber-safety webpage

SUPPORTING DIGITAL INNOVATION

Now in its second year, the *Telstra Innovation Challenge* aims to find new technology innovations for Telstra to support and assist to bring to market.

Submissions are invited and subjected to a rigorous assessment process. We look for projects that are able to enhance, or be enhanced by, telecommunications and those that have the potential to provide a significant benefit to the Australian community.

While divergent in nature, the 2009 project winners demonstrate how telecommunications networks can assist with the delivery of innovative services. The selected projects, announced in March 2010, include:

- **Neural Diagnostics - e-mental healthcare delivery:** aims to diagnose a range of mental health issues and, with Telstra's assistance, trial mobile delivery of the service and the potential to enable access outside of major cities.
- **Taggle Systems Pty Ltd:** Currently in prototype, the 'taggle' is a small, low-cost, long-life tag which allows users to track the location and status (e.g. temperature) of assets over the internet. Taggles may be used in many ways by businesses, governments and consumers, including tracking and monitoring of pallets, tools and equipment, livestock, sporting goods and pets.
- **Dev-Audio - intelligent microphone device for groups:** aims to develop an intelligent microphone device for use in group conversations. A small table-top unit, the *Microcone*®, is designed to pick up voices from multiple directions while reducing background noise. Currently in prototype, the *Microcone*® will help to meet the teleconferencing needs of small to medium enterprises.
- **LaTrobe University - rehabilitation for Chronic Obstructive Pulmonary Disease (COPD):** The COPD rehabilitation system is designed to provide a supervised remote exercise regime where patients' responses are monitored and observed through video-link, with the potential to enable provision of this therapy wherever the patient may be located.

With Telstra's assistance, the aim is to see the projects realise their full potential and be brought to market.



SOCIAL IMPACT HIGHLIGHTS

- Contributed an estimated \$14.59 billion to Australia's gross domestic product
- Contributions to the community to the value of \$24.8 million
- Provided \$203 million in benefits to assist more than one million low-income customers to connect or maintain their communications services
- \$600,000 in *Telstra Connected Seniors*® grants to 85 community organisations
- More than \$4.5 million in funding from the Telstra Foundation for 637 community projects across Australia
- Awarded a *Business Partnership Award* for the Telstra Foundation's support of Autism South Australia's *i-Modelling Social Groups* program
- Launched Telstra's community investment *Payroll Giving* program
- Reached more than 40,000 primary school children from 450 regional primary schools in the *Telstra Beach to Bush* surf safety program
- Provided special rates to 114,000 charity and non-profit organisations for fixed lines
- Won six awards at international, national and state levels for *Telstra's Arnhem Land Fibre Project*
- Launched *Telstra's Internet and Cyber-Safety* website

GREAT PLACE TO WORK

Making Telstra a great place to work

In May 2010, Telstra's strategic framework was launched by the CEO. The framework is a roadmap for where we want to go as a company and how we intend to get there. It includes our vision, shared goals and cultural priorities. It is a reference point for creating a winning culture that fosters collaboration and innovation, and a clear focus on customers.

One of our three company goals is to make Telstra a great place to work. Our success will be measured by year on year improvement in employee engagement.

EMPLOYMENT

As at 30 June 2010, Telstra employed 45,220 full time equivalent employees, agency and contractor staff, including staff employed directly by Telstra Corporation, our domestic controlled entities and our off-shore controlled entities. This compares with 43,181 at 30 June 2009 and includes an increase in employee numbers in our Chinese entities.

As at 30 June 2010, Telstra Corporation directly employed 30,372 employees (excluding casuals, controlled entity-paid employees and agency staff). This compares with 30,336 at the same time in 2009.

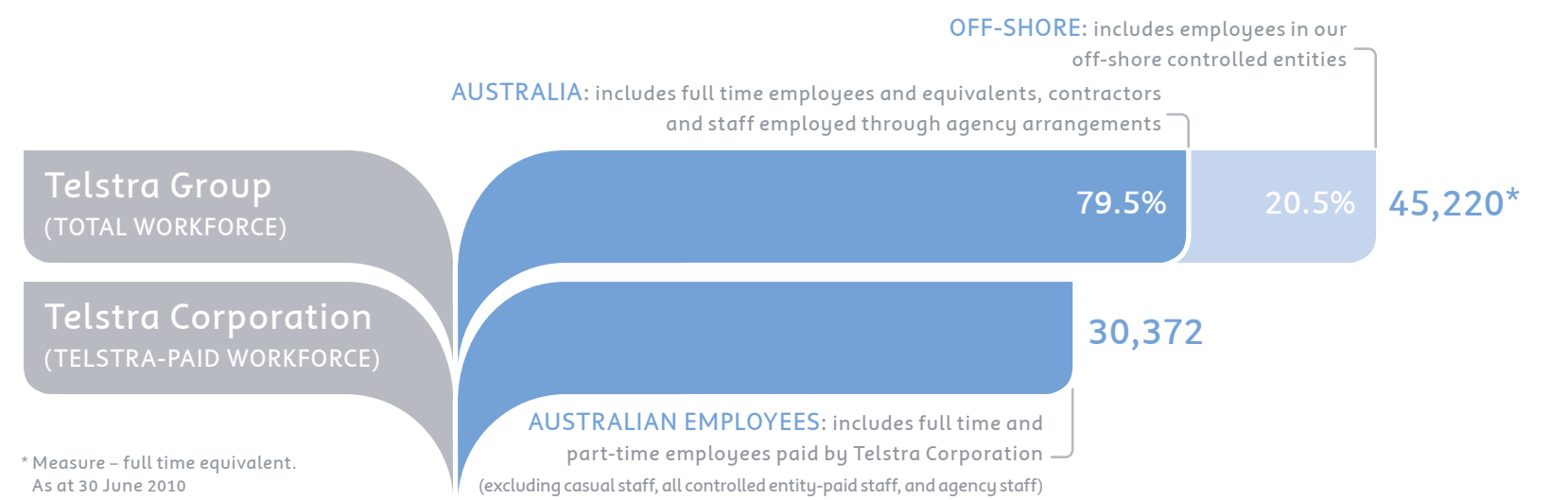
EMPLOYMENT CONTRACTS

Approximately 70 per cent of employees are employed on individual contracts or individual statutory agreements. The remaining 30 per cent are employed under collective agreements.

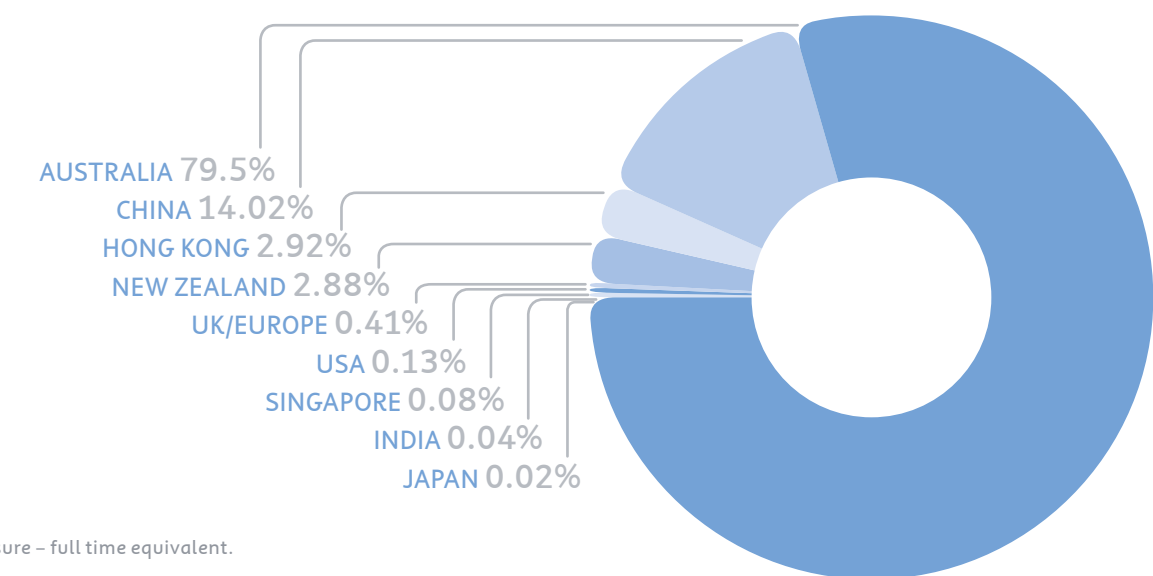
Some 80 per cent of employees on individual contracts/statutory agreements are eligible for performance-based pay. Incentive arrangements have been extended to include employees on Telstra's Employee Collective Agreements. Customer service is a key focus and a new customer service target/bonus scheme was introduced for Telstra employees in the 2009/2010 year.

We know that higher levels of employee engagement are linked to more satisfied customers

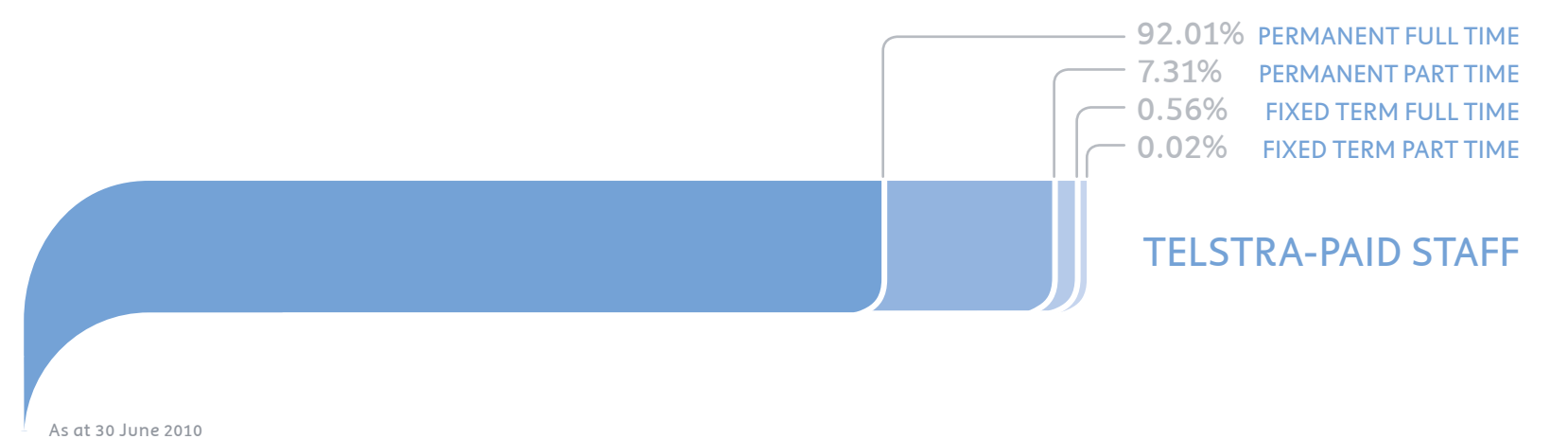
WORKFORCE STATISTICS



TOTAL WORKFORCE* BY COUNTRY



EMPLOYMENT TYPE - TELSTRA CORPORATION LTD





EMPLOYEE ENGAGEMENT

At Telstra, we provide a range of opportunities for our people to provide feedback and have a say about things that matter most to them.

In 2009/10, we introduced the CEO Blog where David Thodey regularly shares his thoughts and ideas with Telstra people and seeks their feedback. The CEO blogs about a range of business critical issues, including company strategy and direction, customer service and financial results, and responds to employee comments.

In November 2009, we launched a special ideas website for all employees to share their ideas about how to improve Telstra. The site, T[ideas], gives our people somewhere to post, vote on, and comment on ideas, as well as to review the progress of some of the best ideas in action.

Our people were also invited to have their say on the social issues that matter most to them and the community organisations they would most like to see Telstra support, through our *Payroll Giving* program survey in May 2010 (see p.28). Over 200 employees also had a say on what would make Telstra a good corporate citizen, in the citizenship research conducted in June 2010 (see p.18).

PULSE SURVEY 2010

Employee engagement is a measure of the connection our people have to Telstra and their commitment to its success. We measure engagement each year, either by conducting an *Employee Engagement Survey (EES)* or smaller 'pulse' surveys.

In April 2010, a random sample of employees (28 per cent of our workforce) from across all business units, was invited to participate in a pulse survey. With 68 per cent of invited employees responding, the survey helped us to measure how we are going against our employee engagement goals.

The results represent an overall improvement of one per cent in employee engagement since 2008, which means we achieved our target for 2009/10. This indicates a shift in our overall engagement score from 74 (in 2008) to 75.

Our employees reported the greatest improvement in the following three areas:

- being treated with respect
- greater flexibility to provide good customer service
- a belief that Telstra offers long-term career opportunities.

Three clear messages emerged about how we can improve. The first is that our people want to be clearer about where we are going, what we are doing and their role in achieving the company's strategy. The second is about the need to get better and faster at translating plans to actions. The third message is that further work is required to demonstrate that we understand and act on our customers' needs.

We are working to improve our performance in these key areas. This includes communicating our strategic framework and company direction to all of our people in a way that makes sense to them, whatever their role at Telstra. We are implementing a comprehensive, company-wide program to simplify our business processes, which will enable us to get better at translating plans to actions. We are also implementing a company-wide cultural change program to improve employee engagement and create a more customer driven culture.

HEALTH AND SAFETY

Our employees are involved in a wide variety of work practices, each with a vastly different set of health and safety issues and standards. At Telstra, our aim is to ensure that the pursuit of excellence in customer service does not jeopardise the safety or health of our employees and contractors.

Telstra's health and safety performance in 2009/10 included:

- an increase of Lost Time Injuries (LTI) from 2008/09 of 19 injuries, from 107 to 126
- an increase in the 12 month Lost Time Injury Frequency Rate (LTIFR) from 2008/09 of 0.49, from 2.14 to 2.63
- a reduction in the number of open workers' compensation claims, from approximately 1,483 claims in 2008/09 to 1,231
- a 2.4 per cent reduction in overall workers' compensation forward liability, from \$169 million to \$165 million since 2008/09⁴
- continuous improvement against the Safety, Rehabilitation and Compensation Commission Jurisdictional Indicators - Telstra met all nine targets, exceeding 75 per cent
- maintenance of the Comcare Tier 3⁵ (highest level) rating for prevention, workers' compensation and rehabilitation
- 50 per cent of audit results were rated effective or above, up from 44 per cent in 2008/09.

Over the past six years, Telstra has demonstrated consistent and good performance in health and safety across the key performance indicators. At these relatively low LTI and LTIFR levels, it is not uncommon to have small increases such as the one Telstra had in 2007/08 and again in 2009/10.

In addition to Telstra's focus on preventing and reducing lost time injuries, last year an additional measure of 'average days per lost time injury' was introduced, to help us evaluate the effectiveness of the programs that assist injured employees to return to work. While average days lost increased from 15 to 17 in 2009/10, in the coming year we will implement new early intervention programs targeting musculoskeletal and psychological injuries. These will provide early support and assistance for return to work, and will provide the support needed to improve performance.

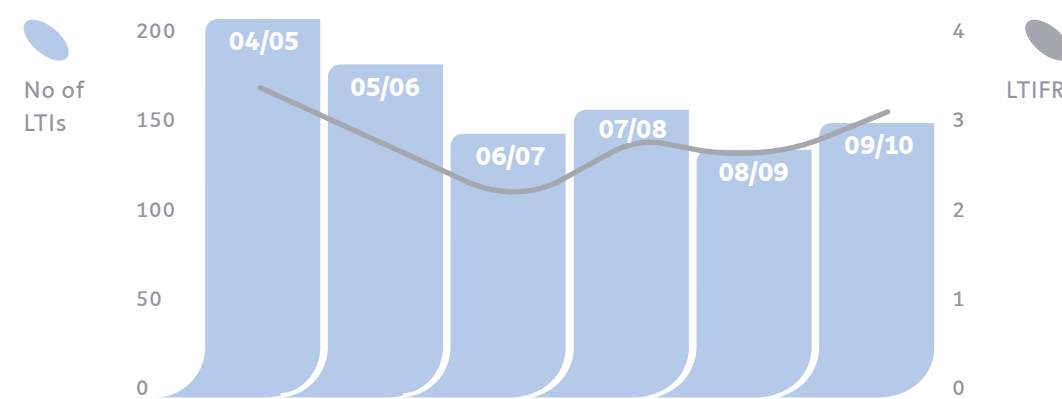
AUDIT RESULTS - LOST TIME INJURIES (LTI) AND LOST TIME INJURY FREQUENCY RATE (LTIFR)

	% of effective audit results	No of LTI (and % improvement from previous financial year)	LTIFR (12mm) (and % improvement from previous financial year)	Average days lost per LTI* (and % improvement from previous financial year)
2009/10	50%	126 (-18%)	2.63 (-23%)	17.0 (-13%)
2008/09	44%	107 (19%)	2.14 (15%)	15.0
2007/08	71%	132 (-14%)	2.54 (-19%)	-
2006/07	88%	116 (26%)	2.14 (21%)	-
2005/06	86%	157 (21%)	2.7 (16%)	-

* Measurement commenced in 2008/09

LTIFR: Number of Lost Time Injuries per million hours worked (as of 30 June)

LOST TIME INJURIES (LTI) V LOST TIME INJURY FREQUENCY RATE (LTIFR)*



*The graph represents the trend in the number of injuries that resulted in lost time (LTI) and the number of injuries that resulted in lost time per million hours worked (LTIFR).

The drop in audit performance in 2008/09 was largely attributed to the introduction of a more stringent risk-based audit criteria and methodology. This has resulted in significantly higher standards being required to meet the criteria for an 'effective' audit score. The improved results in 2009/10 indicate that there has been a more effective implementation of the health and safety system overall.

⁴Based on Telstra Group (total workforce)

⁵Comcare ratings have three tiers (1-3), with 3 representing the highest standard. Tier 3 reflects a high standard of internal quality assurance, strong management systems, successful corporate change and ability to self audit.

Employees who are mentally and physically healthy are more likely to be engaged, committed and productive in all aspects of life

CARDIOVASCULAR HEALTH AND CANCER

With cardiovascular disease affecting more than 3.5 million Australians, impacting two out of three families⁶, and cancer being the leading cause of death in Australia, Telstra provides opportunities for our people to actively engage in activities that promote a healthier lifestyle.

In 2009/10 this included:

- arranging cardiovascular health checks as part of the Heart Foundation's National Heart Week. 1,350 employees took part in 10 minute health checks, with 63 per cent reporting they felt inspired to make a positive lifestyle change after the screening
- 672 Telstra employees took part in the 2009 Global Corporate Challenge, walking on average eight kilometres each day. Sixty-three per cent of participants reported an increase in energy and fitness levels and 39 per cent reported losing weight
- 35 Telstra workplaces participated in National Ride to Work Day, with over 700 employees registered to take part on the day
- 450 employees attended 14 awareness seminars run by Bowel Cancer Australia as part of Bowel Cancer Awareness Week.

HEALTH AND WELLBEING

Telstra workplace health promotion activity focuses on those key health issues that account for the greatest burden of disease and illness in the Australian community – these are mental illness, cardiovascular disease, diabetes and cancer.

Our health promotion activities aim to:

- raise awareness about these critical health issues
- assist our people to make informed choices about their health
- help our people to recognise when to seek advice from a health professional.

MENTAL HEALTH

One in five Australian adults will experience a mental illness in any given year.⁷

With such a large employee base, we believe that Telstra has a significant role to play in raising our people's awareness of mental health issues and providing support. We believe that with early recognition of problems and timely support, mental health issues can be well managed.

A survey conducted in 2010 revealed mental health, depression and suicide prevention as the number one social issue our people would like to support via Telstra's Payroll Giving program. As a result, Beyond Blue was selected as one of our payroll giving charities.

Mental health was a big focus at Telstra in October 2009, coinciding with World Mental Health Day. The theme was *Walking in your Shoes*. This provided a platform for our people to tell their own stories via our intranet, helping to break down barriers and encourage conversation. Throughout 2009/10, Telstra conducted a range of activities aimed at building awareness and decreasing the stigma of mental illness.

These activities included:

- over 60 workplace mental health displays around the country
- 25 employee seminars, including positive parenting, work/life challenges, relaxation and managing anger
- almost 5,000 employees accessed the intranet site for mental health information, stories and resources
- over 2,000 employees accessed eapdirect, our employee assistance program's information and self-help website
- a suite of resilience programs were launched, to help build employee awareness of individual risks and strategies to enhance mental, physical and social wellbeing
- around 65 workgroups participated in Lifeline's *Stress Down Day*, with Telstra employees raising funds while raising awareness of ways to reduce work and life stress
- ongoing support provided for Telstra employees impacted by the Black Saturday 2009 Victorian bushfires, especially in the lead up to the one year anniversary of the fires.

EMPLOYEE DIVERSITY

At Telstra, diversity includes differences that relate to gender, age, ethnicity, disability, sexual orientation and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills.

Having a diverse range of employees better enables us to provide the best service to our customers. It enables us to foster greater innovation, stronger problem solving capability, greater customer connection, increased morale, motivation and engagement.

Our diversity and inclusion framework has five core principles – meritocracy, fairness and equality, contribution to commercial success, that it's everyone's business, and that, at Telstra, it's a part of who we are.

Diversity and inclusion at Telstra is led by Telstra's Diversity Council, which is chaired by the CEO and has been in place since 2006.

On 30 June 2010, the ASX Corporate Governance Council released amendments to the ASX Corporate Governance Principles and Recommendations, in particular in relation to diversity. While the changes do not take effect until the first financial year beginning on or after 1 January 2011 (in Telstra's case the financial year commencing 1 July 2011), Telstra has already taken steps to adopt key provisions of the amended ASX Principles and Recommendations.

STRATEGIC PILLARS OF DIVERSITY AND INCLUSION

Diversity and inclusion at Telstra are business imperatives.

OUR CUSTOMERS

To leverage diversity as a business driver

OUR COMMUNITIES

To be a leader in diversity and inclusion in the broader community

OUR PEOPLE

To attract, recruit, engage and retain diverse talent, and embed inclusive practices within each part of our employee life-cycle

These steps include:

- responsibility for diversity has been included in the Board Charter, the Nomination Committee Charter (Board diversity) and the Remuneration Committee Charter (diversity at all levels of the company below Board level)
- the Board has formally adopted policies in relation to diversity at Board level and at all levels below the Board, reflecting the principles and practices Telstra has had in place for a number of years – this provides the framework for measurable objectives to be set by the Board
- the Board will establish measurable objectives for achieving diversity at all levels of the company and will report on those in its 2011 Annual Report.

Telstra already has in place a range of initiatives to achieve diversity and inclusion, including in the areas of gender diversity, Indigenous, disability, gay, lesbian, bisexual, transgender and intersex inclusion, and flexible work practices.



Wally Hallam, 2010 Indigenous Employee of the Year Award Winner celebrates with colleagues: (L-R) Mark Pettiford, John Gibbs, Wally Hallam, Greg Hart.

GENDER DIVERSITY

In its 2010 *Gender Equality Blueprint*, the Australian Human Rights Commission says that while Australia has made significant progress towards achieving equality between women and men since the federal *Sex Discrimination Act* was enacted in 1984, in very important ways women still experience significant inequality and disadvantage. For example:

- the gender gap in pay has widened over the last four years
- between 2008 and 2009, Australia's international ranking for women's participation in the workforce dropped from 40th to 50th position
- women chair only two per cent of ASX200 companies (four Boards) and hold only 8.3 per cent of Board directorships
- women spend almost three times as many hours per week looking after children as men
- average superannuation payouts for women are less than half that received by men.

As at 30 June 2010, women made up 29.4 per cent of Telstra's workforce, compared with 29.9 per cent at the same time in 2009. We recognise that this falls short of our published June 2010 target of 31 per cent, and we will continue to drive improved progress in this area. We will do this by focusing on talent, succession and

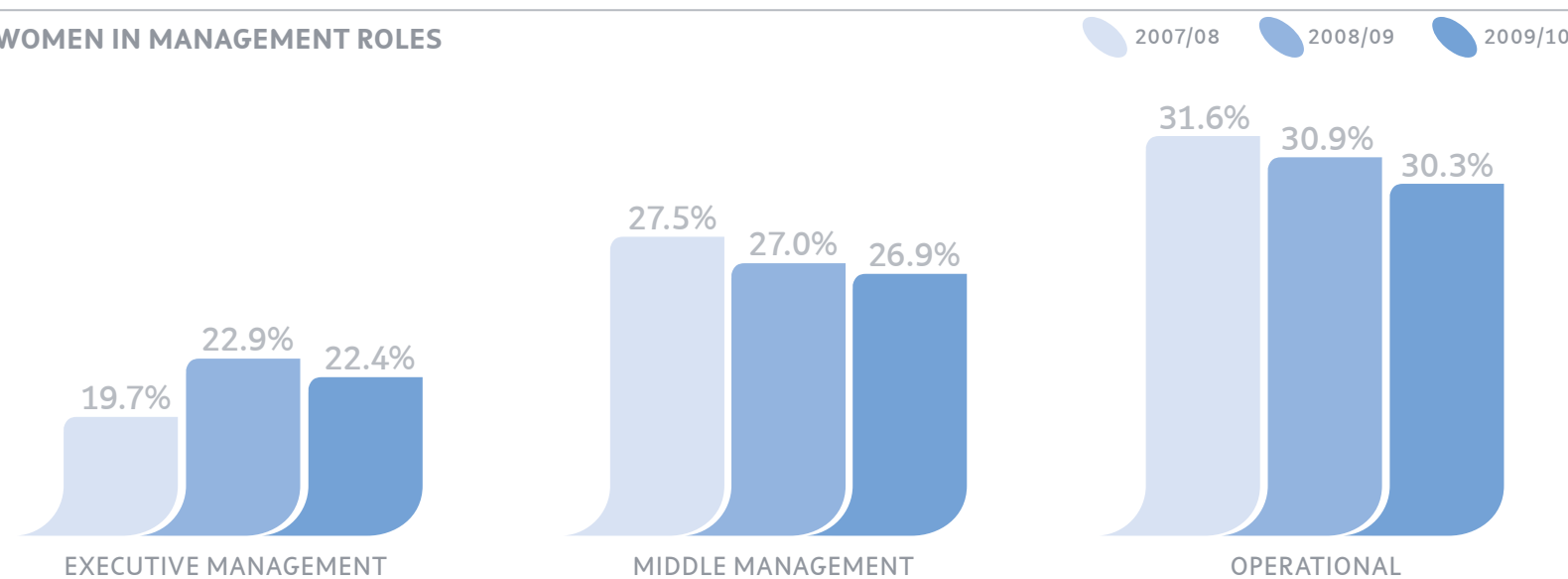
pathways for women; using granular data to drive local action and accountability; embedding inclusion within the cultural change program at Telstra; and focusing more on how we attract and recruit women. In addition, the Board will establish measurable objectives for achieving diversity at all levels of the company in 2010/11.

At Telstra, it is critical that gender is not a barrier to participation. Our approach to gender diversity is to involve both women and men in creating an inclusive environment. Our achievements in 2009/10 include:

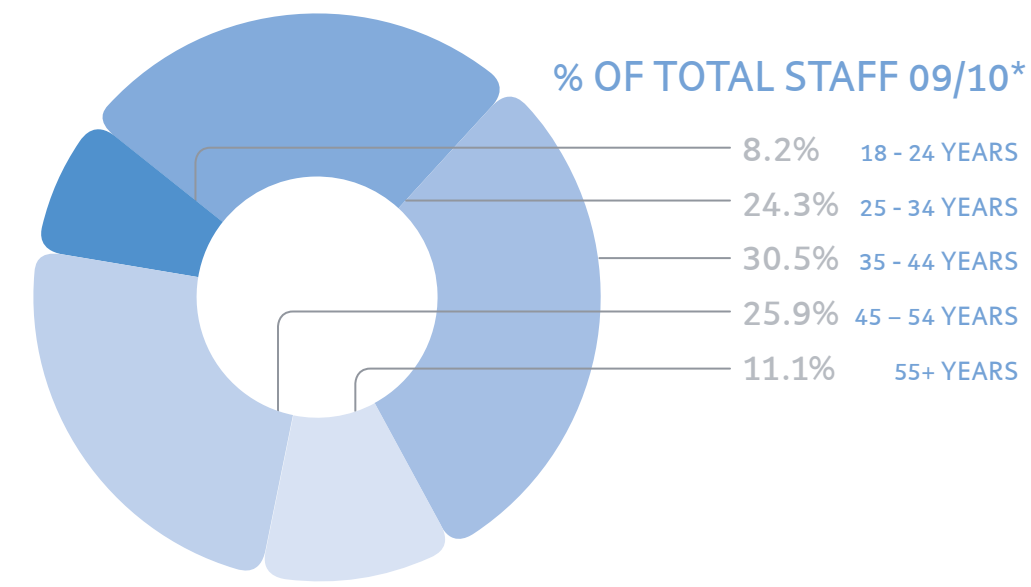
- 300 Telstra women participated in *My Mentor*, a 10 week multimedia program that aims to improve strategic business skills, with modules covering personal branding, taking risks, career planning, increasing visibility and profile, influencing and negotiation, and integrating work and life
- 442 Telstra men participated in the *My Mentor for Men* program, which coaches our male leaders to create inclusive workplaces, support gender diversity and encourage women to achieve their best. Since the program started in November 2008, 95.5 per cent of our male executive population and 61.5 per cent of our male band 1 population have participated
- Telstra men, including our CEO, signed on as ambassadors and supporters of the White Ribbon Foundation campaign to eliminate violence against women
- we maintained Telstra's Virtual Women's Network, which now has almost 2,000 members across the company, providing a community in which women can share information, meet potential mentors and seek practical advice
- the *Pulse Survey* (28 per cent of employees) revealed a two per cent increase from 2008 in the engagement of Telstra women
- we were awarded the prestigious global *Catalyst Award*, for our *Next Generation Gender Diversity* program, the first Australian company to win this coveted award.

Our approach to gender diversity is to involve both women and men in creating an inclusive environment

WOMEN IN MANAGEMENT ROLES



TELSTRA EMPLOYEES BY AGE GROUP



*As at 30 June 2010

PEOPLE WITH DISABILITY AND THEIR CARERS

Our disability program aims to raise awareness within Telstra of the barriers and opportunities relating to the employment of people with disability and to improve accessibility for and inclusion of people with disability at Telstra.

In 2009/10, Telstra commenced a comprehensive audit and review of our recruitment and selection processes to ensure that they encourage the employment of people with disability. We also continued the operation of our *Enable* affinity group for employees living with disability, including those who are caring for people with disability.

INDIGENOUS PEOPLE

As one of Australia's major employers, Telstra is well placed to provide opportunities for Indigenous Australians while improving our capability to meet the needs of our customers.

In 2009/10, Telstra:

- launched its first *Reconciliation Action Plan*
- employed 15 new Indigenous employees
- commenced 22 new Indigenous trainees
- had 14 of our Indigenous employees participate in the FaHCSIA Indigenous Leadership Program
- supported the successful pilot of a post-secondary transition to employment program for three students of the St Ignatius College, Sydney
- awarded our annual *Indigenous Employee of the Year* award to three outstanding Indigenous employees as part of NAIDOC celebrations
- provided local celebration grants to Telstra business units throughout Australia to facilitate workplace and community celebrations during NAIDOC week.

GLBTI INCLUSION

Inclusion of our gay, lesbian, bisexual, transgender and intersex (GLBTI) employees is critical to making sure that Telstra remains an employer of choice and promotes inclusive work practices.

In 2009/10, Telstra:

- continued to run the *Spectrum* affinity group for our GLBTI employees, now with more than 250 members
- established a GLBTI-specific mentoring program for Telstra employees
- launched the Red Ribbon SMS service in support of the AIDS Trust.



CASE STUDY

Reconciliation Action Plan

At Telstra, we understand that relationships and respect are the foundation for creating and realising mutually beneficial opportunities. Our *Reconciliation Action Plan*, launched in March 2010, is structured to show how our initiatives will impact on opportunities, relationships and respect.

The Plan comprises three key pillars:

- **Employees:** As one of Australia's major employers, Telstra is well-placed to provide opportunities for Indigenous Australians. Employment improves wealth and asset creation for families and communities. Finding ways to increase economic participation of the Indigenous working age population is a priority.
- **Customers:** As a national carrier and long-term partner to regional Australia, Telstra understands the vital role that telecommunications plays in achieving educational, health and economic outcomes for Indigenous Australians. We seek to know our Indigenous customers and continue to offer products and services to address the distinct challenges faced by Indigenous communities, especially those in remote locations. See digital inclusion on p.33 for details.
- **Communities:** Telstra aims to work with Indigenous communities and increase opportunities that lead to improved education, health and economic outcomes. In working with local communities Telstra commits to a model of self-determination and control where our expertise builds on the strengths of the communities which we support. See Social impact on p.24 for details.

Addressing the disadvantage experienced by some Indigenous people is a national responsibility

The *Reconciliation Action Plan* program was developed by Reconciliation Australia to coordinate efforts by Australian governments, businesses, non-government and community organisations to increase the opportunities of Indigenous Australians.

 Telstra's *Reconciliation Action Plan* can be found at: www.telstra.com.au/cr



WORK-LIFE FLEXIBILITY

Telstra's approach to flexible work practices exceeds legislative requirements, and is underpinned by progressive leave policies including parental leave, personal (including carer's) leave, cultural leave and the ability to purchase additional leave. Our approach enables our people to maintain a healthy balance between work and other activities and interests.

In 2009/10, we updated Telstra's flexible work policies, requiring managers to consider all requests for flexible work, respond within a specified period and provide written advice of a refusal with clear reasons. Telstra's policy states that we will support flexible working arrangements unless the manager can show that a significant negative business impact will result from the arrangement. These amendments have been extended beyond the minimum requirements of the National Employment Standards to include all types of requests for flexible work arrangements.

GREAT PLACE TO WORK HIGHLIGHTS

- Achieved a one per cent improvement in employee engagement (from 74 in 2008 to 75 in 2010)
- Launched Telstra's first *Reconciliation Action Plan*
- Awarded the prestigious global *Catalyst Award* for our *Next Generation Gender Diversity* program, the first Australian company to win this coveted award

ENVIRONMENTAL IMPACT

Improving the environmental outcomes of our operations and offerings

CLIMATE CHANGE

Climate change has been one of the defining global issues of recent years. With the Copenhagen Summit in 2009 and ongoing debate in Australia about the Carbon Pollution Reduction Scheme, there continues to be widespread community interest in Australia's response to climate change. People are concerned about the impact of harsher climatic conditions on health, agriculture and water security, and the potential impacts of a cost on carbon.

It is now widely accepted by the scientific community that carbon emissions contribute to climate change. The carbon footprint of the information and communications technology (ICT) sector makes up around 2.7 per cent⁸ of Australia's total carbon emissions. While this is a relatively small amount, Telstra's customers, employees and the wider community expect us to take action.

As an owner and operator of telecommunications infrastructure across the country, any significant changes to climate may affect Telstra. Our network is designed to withstand the harsh climatic conditions in Australia. Our Major Incident Management team at Telstra's Global Operations Centre works across the company and with external emergency service organisations to help protect assets, maintain communications and prioritise, protect and co-ordinate repair and restoration work during and after major incidents. A key element is prevention of infrastructure damage through good design and preparation.

⁸ "Carbon and Computers in Australia – The Energy Consumption and Carbon Footprint of ICT Usage in Australia in 2010" A report for the Australian Computer Society by Connection Research, April 2010

The challenge is to manage our carbon footprint at the same time as meeting the increasing demand for energy-intensive technologies

CARBON EMISSIONS AND ENERGY EFFICIENCY

CARBON EMISSIONS INTENSITY REDUCTION STRATEGY

Around 93 per cent of Telstra's carbon emissions in 2009/10 came from the electricity used to power our networks and office buildings. Around five per cent came from the use of fuel for vehicles and stand-by generators, and two per cent came from air travel, consumption of gas and LPG and waste.

The challenge for Telstra is to manage our carbon footprint at the same time as meeting our customers' rapidly increasing demand for energy-intensive technology, such as data capacity and network storage. Currently, traffic on Telstra's Next G™ wireless broadband network is doubling every 12 months, and traffic on the Next IP™ network is doubling every 20 months.

WE HAVE SET A TARGET

In October 2009, Telstra set a target to reduce the company's carbon emissions intensity from 2008/09 levels by at least 10 per cent by 2015. Carbon emissions intensity is the amount of carbon emitted for every dollar of revenue generated by a company (Telstra is using domestic revenue to calculate emissions intensity). The target takes into account the additional energy required to meet the growth in network and data storage capacity, and anticipated revenue growth.

Telstra planned to achieve the target primarily by implementing energy efficiency improvements across the company – by changing core processes, incorporating energy reductions into baseline operations projects, switching off legacy equipment and engaging our people.

RESULTS IN YEAR ONE

At the end of 2009/10, our carbon emissions intensity was 75.7 tonnes CO₂ per million dollars of domestic revenue⁹. This is an increase of 17 per cent from the 2008/09 level of 64.7 tonnes. Our target requires Telstra to reduce this to at least 58 tonnes CO₂ per million dollars of domestic revenue by 2015.

The increase in carbon emissions intensity is largely due to a decrease in Telstra's domestic revenue (the assumption was an increase).

In addition, a significant increase in network energy consumption (13 per cent compared to a four per cent forecast) affected the carbon emissions intensity result. Energy consumption has increased for a number of reasons:

- Telstra transitioning its network to a next generation, IP-based network, which means we are operating both legacy and next generation networks
- meeting customer demand for greater data volumes at increasingly competitive prices. There is an increased demand for data and network capacity with new product mixes on offer to our customers (e.g. T-Box™, T-Hub™ and video conferencing solutions). We are also offering larger download limits in our existing product offering, which is affecting network traffic, and subsequent energy consumption
- this year we have included the network energy consumption of Sensis, three internet data centre sites that have been transferred from IBM to Telstra electricity contracts, and one internet data centre site that was previously included under commercial sites.

While in the short-term, the 2009/10 result does not move us in the right direction to achieve our 2015 carbon emissions intensity target, setting the target has helped us to improve Telstra's energy measurement and data integrity, and challenged the business to find additional opportunities to reduce energy consumption, which will have ongoing benefits.

Encouragingly, while the carbon intensity of Telstra's business has increased over the reporting period, the efficiency with which we are handling data traffic has improved markedly. For example, our efficiency improved by 15 per cent (from 15.4 GJ/TByte in 2008/09 to 13.1 GJ/TByte in 2009/10). This reduction in energy used per unit of traffic moved is largely a result of improvements in the energy efficiency of the equipment deployed in our network.

With Telstra's revenue forecast to be flattish in 2010/11, projected increases in demand for data and network capacity, and a change in the baseline due to the inclusion of additional sources of energy consumption, in the coming year Telstra will review the metric used to assess our carbon emissions performance.

Telstra has previously used total revenue to calculate CO₂e/\$million revenue. This year, in line with our target, we have used domestic revenue in the calculation. For the purposes of comparison, values in this table from 2005/06 to 2008/09 have been recalculated using domestic revenue. As a result, these figures will be different to those reported in our 2009 Corporate Responsibility Report.

⁹ Includes Sensis


MEASUREMENT

In 2009/10, Telstra developed a network energy model to identify the energy use of the different elements of our network. Prior to this modelling, we only knew the energy consumption of network sites and the network as a whole, as well as that of our commercial buildings and fleet. We did not have information about energy consumption of the network elements (i.e. wireless, fixed line, transmission network, and cooling), or the services we provide (i.e. local, international, wholesale wireless calls, and wholesale internet).

The network energy model will allow us to establish an energy and carbon intensity baseline for the significant network elements, and to develop key performance indicators and targets that will help to achieve our carbon emissions intensity target.

BUSINESS PROCESSES

We continue to revise our business processes to take into account the impacts and costs of energy use and carbon emissions right across our operations. In 2009/10, we incorporated energy efficiency criteria into Telstra's internal guidelines for financial investment evaluation. We also revised our environment policy.

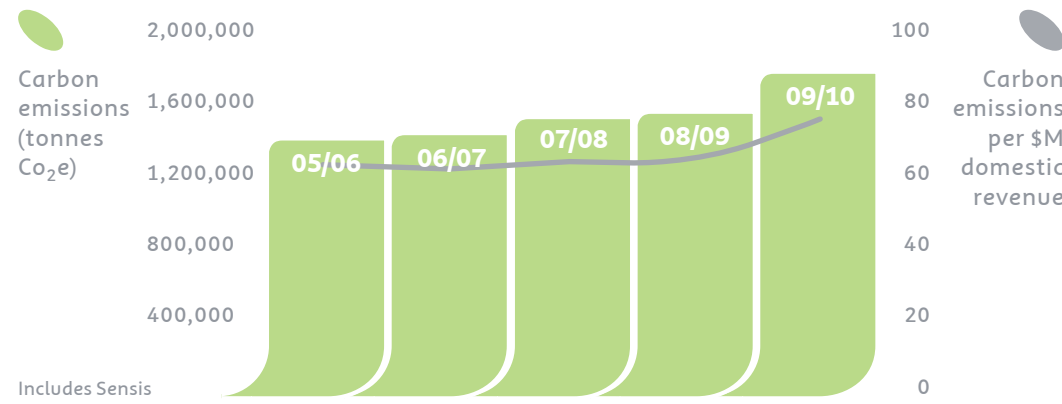
 You can view our environment policy at: www.telstra.com.au/cr

ENERGY EFFICIENCY

Telstra's total measured energy consumption for 2009/10 was 6,490,423 GJ. This includes electricity use, natural gas for buildings and the network, LPG, diesel and petrol for vehicles and diesel for power generation.

In 2009/10, Telstra's overall energy use increased by 10.6 per cent from the previous year. This is due to increased use of electricity in our networks and improved processes for measuring electricity use.

CARBON EMISSIONS 2005 - 2010



In 2009/10, Telstra implemented a range of initiatives in our networks, buildings and fleet to improve energy efficiency and reduce carbon emissions.

- actions taken to improve the energy efficiency of our buildings reduced power consumption by 33,016GJ, saving 10,323 tonnes CO₂
- by switching off and decommissioning legacy networks and services, Telstra's power consumption was reduced by 7,200GJ, saving 2,140 tonnes CO₂
- we achieved a 9.6 per cent reduction in Telstra fleet carbon emissions by decreasing travel for each vehicle by 9.4 per cent, and reducing the size of the fleet by 5.1 per cent
- Telstra fleet introduced the *Driving Smarter Safer Greener* program where drivers of Telstra vehicles could register and track fuel savings from fuel-efficient driving techniques promoted as part of the program. Almost 2,000 employees made a pledge under the program, covering 20 per cent of Telstra's operational vehicle fleet. This contributed to fuel savings per km travelled (0.5 per cent), equivalent to total savings of around 53,000 litres of fuel
- air travel by Telstra employees totalled 41,778 sectors (one way flights) or 62,291,978 km, reducing carbon emissions for air travel in this period by 41 per cent. Telstra limited travel during the financial year by introducing stringent business requirements and encouraging use of internal video conferencing
- Telstra's accommodation standards focus on better space utilisation to reduce our overall office footprint; incorporating environmentally sustainable design components (such as the use of renewable, recycled and recyclable components where practical); and implementing waste management policies to minimise general waste output and increase recycling.

CARBON EMISSION INTENSITY REDUCTION STRATEGY - FOUR PILLARS

MEASUREMENT	BUSINESS PROCESSES	NETWORKS AND BUILDINGS	ENGAGEMENT
Improve the way we measure, monitor and report our carbon emissions	Revise business processes to factor in the impacts and costs of energy use and carbon emissions	Reduce energy consumption across networks and in buildings	Engage our people to take action to reduce carbon emissions in their day-to-day work



Our eco-champs network actively promotes environment-friendly workplace behaviours

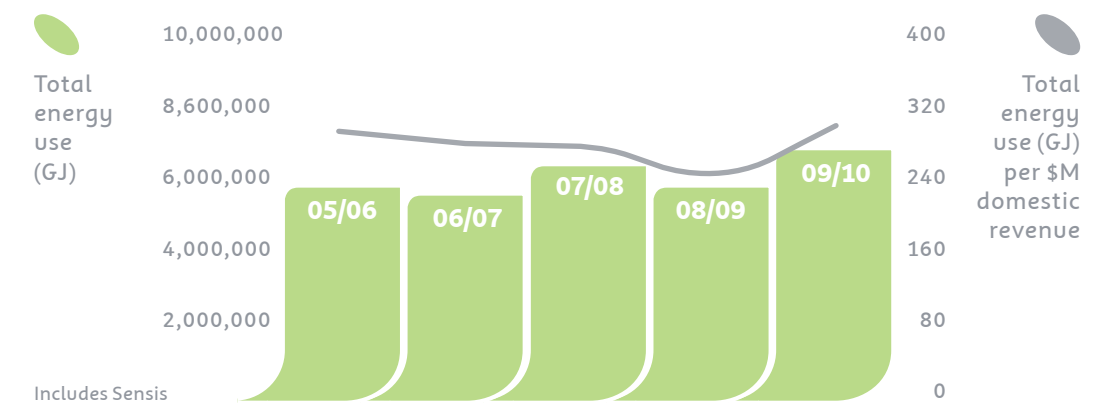
ENGAGEMENT

The support of our employees is critical to achieving our carbon emissions intensity reduction target. Our cross-company eco-champs network is a group of Telstra people who are actively promoting environmentally friendly behaviours in the workplace. We also provide our employees with a range of opportunities to participate in environmental initiatives to build awareness and encourage action.

In 2009/10, this included:

- Telstra employees saved 7,000 reams of paper over two months in the *Workplace Paper Challenge*. Reducing office paper use also reduces operation of printers and the associated use of energy and printer consumables
- 1,600 Telstra women signed up for the national *1 Million Women* campaign, which aims to engage a million Australian women to each cut 1 tonne of CO₂
- 72 Telstra teams (each with five employees) joined the *Greenhouse Games* over two months to take action to reduce carbon emissions. Telstra was the winner of the workplace challenge for the greatest reduction in carbon emissions - more than 500 tonnes of CO₂
- Five Telstra people participated in a field expedition to Heron Island to learn about the impacts of climate change on the Great Barrier Reef and to discuss sustainability as part of the *ZooX Ambassador Program*, an initiative of the Great Barrier Reef Foundation.

ENERGY CONSUMPTION 2005 - 2010





We work with businesses and governments to develop innovative solutions that reduce operational costs, improve efficiency and reduce environmental footprints

ASSISTING CUSTOMERS TO REDUCE THEIR CARBON EMISSIONS

Telstra is helping its customers to understand how the use of telecommunications networks and digital products can reduce carbon emissions. We work with businesses and governments across Australia to develop innovative solutions that will reduce their operational costs, improve efficiency and reduce their environmental footprints.

TELSTRA'S CARBON-TRACKING TOOL

Increasingly, Telstra's enterprise and government clients want to know how the use of Telstra's products and services contributes to the carbon footprint of their business. We have created a carbon-tracking tool to calculate this, enabling both Telstra and our customers to monitor and benefit from energy efficiencies.

The carbon-tracking tool provides a detailed picture of where energy is used in the network. It can also estimate the carbon emissions and energy consumption of the products and services used by the customers, including the impact of equipment located at the customers' premises, such as telephone handsets.

Telstra can then improve energy management by doing things such as migrating customers to more energy efficient products, and decommissioning products that we know are less energy efficient. It enables our customers to make informed decisions and take effective measures to reduce their own carbon footprint.

VIDEO-CONFERENCING TRIAL

In 2009/10, Telstra conducted a three-month software trial to measure the travel savings achieved by use of video-conferencing. The software tracked 13 video conference units and provided detailed utilisation data for all the video conference units. It also calculated travel savings.

The trial found that on average video-conferencing units were used less than two hours per day, with the top four units averaging around three hours per day. The trial captured data from 305 individuals who substituted physical travel for a video conference meeting, finding travel savings of over \$62,000 and 1,400 hours, with 100 tonnes of CO₂e avoided.

As a result of this trial, software will be introduced in all Telstra video-conferencing units in 2010/11, demonstrating to customers the potential benefits achieved from use of video-conferencing as a replacement for travel.

FLEET MANAGEMENT SYSTEM TRIAL

Linfox collaborated with Telstra and Trimble to undertake a three-month trial of the Trimble GeoManager™ fleet management system.

The Trimble GeoManager™ is a mobile resource management solution powered by the Telstra Next G™ network, integrated with GPS and internet technologies for real-time fleet tracking and activity monitoring.

The trial involved 86 vehicles from two sites across Linfox's retail network. The results have enabled Linfox to identify a potential reduction of 18 tonnes of carbon emissions per year across its total retail fleet from reduced idle times.

Linfox has now rolled out the fleet management system across the rest of its business.

E-WASTE

E-waste is a rapidly growing segment of overall waste. E-waste from electronic products such as computers and mobile phones contains toxic materials that may present health hazards and cause environmental damage through land contamination and water and air pollution. E-waste was identified by our stakeholders as a key concern in the citizenship research undertaken in July 2010.

Telstra's processes require that waste materials and disused equipment recovered from maintaining and upgrading the network are reused, recycled or appropriately disposed. The types of material recovered include:

- disused network equipment such as switches or routers
- scrap metal and cable
- batteries
- rental telephones.

Equipment that meets Telstra's reuse criteria is stored and reused by Telstra or sold. Some equipment or items may be kept as spare parts. Scrap metal, scrap cable and batteries are recycled, and rental telephones are dismantled and recycled.

Telstra's network asset recycling contractor tracks and maintains records of the types and quantities of equipment and materials recycled.

PRODUCT STEWARDSHIP

Each year the mobile industry imports around nine million new handsets into Australia. While some industries end their involvement in a product's life cycle at sale or point of repair, Telstra and the Australian mobile industry, through the *MobileMuster* recycling program, is taking responsibility for the total life cycle of mobile phones and their components.

In 2009/10, Telstra continued to support the *MobileMuster* program with bins provided in Telstra shops and the addition of *MobileMuster* post bags for consumers to send unwanted mobile phones and accessories to the program for recycling. In this financial year, 17.7 tonnes of mobile phone components were collected from Telstra shops.

Through *MobileMuster*, Telstra has supported:

- the planting of more than 225,000 trees in the past three years through the 'Old Phones, More Trees' campaign
- the collection of over 103 tonnes of product in 2009/10 that otherwise may have ended in landfill.



For detailed waste data, go to www.telstra.com.au/cr

CASE STUDY

Telstra helps CSIRO reduce carbon

Telstra has partnered with the Commonwealth Scientific and Research Organisation (CSIRO) in Australia's first Zero Emissions Home. Located at the Laurimar Estate in Doreen, Victoria, the home is an eight star energy efficient home with 6kW solar panels mounted on the roof designed to supplement the operating energy needs of the household. This means that there will be zero net carbon emissions over the life of the home.

"Telstra has a longstanding and demonstrated commitment to the environment," said Dr Hugh Bradlow, Chief Technology Officer.

"Through our assistance with the *Zero Emissions Home* project, led by CSIRO, we are showing how the use of Telstra's next generation networks and technology can positively impact our society."

Telstra is supplying products, services, networks and access to our engineering expertise to assist with the home energy management system and provide entertainment and communications services while the home remains a zero emissions residence.

The newly launched T-Hub™ has a role in helping to provide a portable, user-friendly way of monitoring and controlling the energy management system. Telstra will also create an interface for mobile phones, so that the energy management system can be monitored while the residents are away from home.

The house will be inhabited by a family for one year, to test how a household can live in a way that reduces carbon emissions and carbon footprint, while undertaking all the normal activities that people do.

"Telstra and CSIRO are demonstrating that there are new ways for business and research entities to collaborate. Our work with CSIRO is a first step towards broader support for, and engagement with, the Australian research community. As a technology leader, we are committed to sharing our knowledge and skills so that the entire Australian community can benefit", said Hugh.



THE PUSH FOR A UNIVERSAL MOBILE CHARGER

Telstra is part of a global team working to introduce a universal charger for new mobile phones. The GSM Association, the global peak body for the mobile industry, estimates that the adoption of a common mobile phone charger with improved energy-efficiency standards (also part of the program) could result in a 50 per cent reduction in mobile charger standby energy consumption globally and the elimination of up to 51,000 tonnes of duplicate chargers every year.

The group has set an aggressive target to have a universal solution using a Micro-USB interface widely available by 2012. More than 90 per cent of mobile phones launched by Telstra from January to June 2010 incorporated the Micro-USB design.

ROMA STREET EXCHANGE EXIT

In April 2010, one of Telstra's biggest telephone exchange moves was completed. After an exhaustive 21-month project, we finally exited the Roma Street Exchange, reusing or recycling all \$7.8 million worth of exchange equipment.

We reinstalled a significant proportion of the exchange equipment in both the local area and interstate, and the equipment not able to be reused was recycled. The cost of the recovery of redundant copper cables was offset by the return from the recycler.

John Gibbs, Executive Director Network Construction, said this project was special for Telstra because, "Not only were our customers well taken care of during the required migration work from Roma Street to the Edison Exchange, the reuse or recycle approach taken by the project team regarding all equipment removed was very environmentally-friendly," said John.

ENVIRONMENTAL IMPACT HIGHLIGHTS

- Operated 10,362 solar powered sites
- Saved 10,531 tonnes of CO₂e through our energy efficiency initiatives – equivalent to the emissions from around 750 Australian homes for a year
- Reduced transport energy use by 11 per cent
- Reduced carbon emissions from air travel by 41 per cent
- Improved the energy efficiency of our network by 15 per cent
- Collected 17.7 tonnes of mobile phone components from Telstra shops for recycling
- 1,600 Telstra women signed up for the national *1 Million Women* campaign, which aims to engage a million Australian women to each cut 1 tonne of CO₂

For detailed environment data, go to www.telstra.com.au/cr

2010 GRI INDEX

STANDARD DISCLOSURES	PAGE/STATEMENT/WEBSITE LISTING
1.1 Statement from the CEO	CEO Message p.5
2.1 Name of organisation	Telstra Corporation Limited
2.2 Primary brands, products and services	Telstra profile p.12
2.3 Operational structure of the organisation	Business units www.telstra.com.au/abouttelstra/company-overview/business-units/index.htm
2.4 Location of organisation's headquarters	Telstra's principal Australian office is located at 242 Exhibition Street, Melbourne
2.5 Countries of operation	Telstra profile p.12 Workforce by country p.43
2.6 Nature of ownership and legal form	Telstra Corporation Limited is a publicly listed Australian company
2.7 Markets served	Telstra profile p.12 Our businesses www.telstra.com.au/abouttelstra/company-overview/business-units/index.htm Telstra Corporation Limited Financial Results for the Year ended 30 June 2010 www.telstra.com.au/abouttelstra/download/document/tls734-telstra-financial-results-for-the-year-ended-30-june-2010.pdf Operating segments, see PDF p.116 Products and services, see PDF p.119
2.8 Scale	Telstra profile p.12 Employment p.42
2.9 Significant changes	No significant changes
2.10 Awards received	Awards www.telstra.com.au/abouttelstra/company-overview/awards/index.htm
3.1 Reporting period	2009/10 Financial year
3.2 Date of most recent report	November 2009
3.3 Reporting cycle	Annual
3.4 Contact point	About this report p.2 cr@team.telstra.com
3.5 Defining report content	About this report p.2 Our key corporate citizenship issues p.15
3.6 Boundary of the report	About this report p.2
3.7 Limitations on the scope/boundary	About this report p.2
3.8 Reporting on joint ventures and other entities	About this report p.2
3.10 Re-statements	Carbon emissions: tonnes CO2e per \$m domestic revenue (p.54) Telstra has previously used total revenue to calculate CO2e/\$million revenue. This year, in line with our target, we have used domestic revenue in the calculation. For the purposes of comparison, values in the table on p. 54 from 05/06 to 08/09 have been recalculated using domestic revenue. As a result, these figures will be different to those reported in our 2009 Corporate Responsibility Report. London Benchmarking Group (LBG) (p.24) The published LBG figure for Telstra in 2008/09 was \$65.2 million. This included the value of our charity and non-profit discounts on line rentals (\$29.8 million of revenue foregone), which was disallowed in the 2009/10 LBG calculations. We have recalculated last year's total, minus the charity discounts, in order to provide accurate and comparative data. Health and safety The value for investment in rehabilitation programs in 2008/09 was a 31 per cent increase of investment (not 25 per cent as reported). In relation to the Safety, Rehabilitation and Compensation Commission Jurisdictional Indicators, Telstra met all 11 of the targets and exceeded 8. (not meeting all 10 targets and exceeding 9 as reported in 2008/09).
3.11 Significant changes from previous report	The most significant change is that this year's report has undergone an external assurance process.
3.12 Location of the Standard Disclosures	p.60-61
4.1 Governance structure	Corporate governance
4.2 Chair of the highest governance body	Chair of the Board www.telstra.com.au/abouttelstra/company-overview/executives-directors/#catherine-b-livingstone
4.3 Highest governance body	Board of directors www.telstra.com.au/abouttelstra/company-overview/governance/directors/ Corporate governance www.telstra.com.au/abouttelstra/company-overview/governance/index.htm

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the Board	Investor and shareholder enquiries www.telstra.com.au/abouttelstra/contact-us/index.htm#investor-enquiries Employee engagement www.telstra.com.au/abouttelstra/corporate-responsibility/employees/engagement/index.htm Stakeholder engagement p.16 See also: www.telstra.com.au/abouttelstra/corporate-responsibility/approach/stakeholder-engagement/index.htm
4.14 List of stakeholder groups engaged by the organisation	Stakeholder engagement p.16 See also: www.telstra.com.au/abouttelstra/corporate-responsibility/approach/stakeholder-engagement/index.htm
4.15 Basis for identification and selection of stakeholders with whom to engage	Stakeholder engagement p.16 See also: www.telstra.com.au/abouttelstra/corporate-responsibility/approach/stakeholder-engagement/index.htm

PERFORMANCE INDICATORS

PERFORMANCE INDICATORS	PAGE/STATEMENT/WEBSITE LISTING
EC4 Financial assistance from government	Telstra does not receive government assistance
EN3 Direct energy consumption by primary source	Environment data www.telstra.com.au/abouttelstra/corporate-responsibility/environment/environment-data/
EN4 Indirect energy consumption by primary source	Environment data www.telstra.com.au/abouttelstra/corporate-responsibility/environment/environment-data/
EN 16 Greenhouse gas emissions	Carbon emissions p.53 See also Environment data www.telstra.com.au/abouttelstra/corporate-responsibility/environment/environment-data/
EN 17 Indirect greenhouse gas emissions by weight	Carbon emissions www.telstra.com.au/abouttelstra/corporate-responsibility/environment/carbon-emissions/index.htm Environment data – greenhouse gas emissions www.telstra.com.au/abouttelstra/corporate-responsibility/environment/environment-data/
EN 18 Initiatives to reduce greenhouse gas emissions (additional)	Measurement, Business processes, Energy efficiency p.54
LA1 Breakdown of employment type	Employment p.42-43
LA4 Collective bargaining	Employment p.42
PR6 Adherence to laws, standards and codes	Responsible marketing p.22
PR8 Customer data protection (additional)	Privacy p.22
S05 Public policy positions, development and lobbying	NBN p.17, Cyber-safety p.38-39, Disability p.34, Reconciliation Action Plan p.49-50
S06 Contributions to political parties or related institutions (additional)	Political and other donations www.telstra.com.au/abouttelstra/company-overview/governance/values/#political-and-other-donations

GRI APPLICATION GRID

Banarra has verified this report as 'Application Level C+' in accordance with the GRI G3 Guidelines.

The available levels of classification within the GRI G3 Guidelines are detailed in the grid on the right.

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Same as requirement for level B			
G3 Management Approach Disclosures OUTPUT	Not Required	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category		
G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.	Report on a minimum of 20 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility.	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.			

*Sector supplement in final version

INDEPENDENT ASSURANCE STATEMENT

TELSTRA CORPORATE CITIZENSHIP REPORT 2010

To Telstra's stakeholders,

Banarra was commissioned by Telstra to assure its Citizenship Report 2010 (the Report) against the AA1000 Assurance Standard (AA1000AS) 2008. Banarra was also commissioned to check the Report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

ASSURANCE SCOPE

The assurance scope is a Type 2 engagement under AA1000AS and includes:

1. Assessment, to a moderate level of assurance, of the nature and extent to which Telstra adheres to the AA1000 AccountAbility Principles Standard (AA1000APS) 2008 Principles of Inclusivity, Materiality and Responsiveness and how it communicates this adherence in the Report; and
2. Evaluation, to a moderate level, of the reliability of the performance information within the material issue areas outlined below. The performance information was verified using the criteria in the GRI or the relevant AA1000 AccountAbility Principle, as stated in the table below.

MATERIAL ISSUES AND ASSURANCE CRITERIA INCLUDED IN SCOPE

REPORT SECTION	MATERIAL ISSUE	ASSURANCE CRITERIA
Moderate Level of Assurance		
Responsible business practice	Customer service and satisfaction	GRI PR5
Social impact	Community investment	EC1
Great place to work	Employee engagement	GRI LA1, LA4, AA1000APS (2008) Inclusivity Principle
	Employee health & safety	GRI LA7
Environment	Employee diversity	GRI LA13
	Carbon emissions and energy consumption	GRI EN3, EN4, EN16, EN17
	eWaste	GRI EN36, AA1000APS (2008) Responsiveness Principle

BANARRA ASSURANCE METHODOLOGY

Within the above scope, our methodology included:

- Interviews with 12 members of Telstra's Executive Leadership Team, including the CEO, David Thodey, and Telstra's Chairman, Catherine Livingstone. Interviews were also held with 23 employees concerning corporate citizenship management, governance and strategy, policies, material issues and implementation of responses;
- Reviews of Telstra information and documentation relating to strategic and operational planning, citizenship governance, materiality and stakeholder engagement;
- Visiting Telstra's main offices in Melbourne and Sydney;
- An independent check of Telstra's material issues and stakeholder views, including analysis of peer reports, media articles on Telstra in FY10, Telstra's own documentation and engagement records and issues identified from Banarra's interviews;
- Checks of the reliability and accuracy of sampled quantitative performance information relating to the material issues described above and the processes for capturing, aggregating and reporting this data, through interviews and document review, comparison with the assurance criteria, re-performing calculations, cross-checks with corroborative evidence, and testing of source data;

- Checks of the balance and accuracy of sampled qualitative information (such as management assertions and performance claims), through interviews and document review;
- A review of the Report to check consistency with the GRI application level requirements of C+; and
- A review of the Report to check that it appropriately communicates the nature and extent of Telstra's adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness.

FINDINGS AND RECOMMENDATIONS

Banarra's findings and recommendations on the nature and extent of Telstra's adherence to the Principles, the reliability of the performance information and the adherence to the GRI requirements are provided below.

ASSURANCE OPINION: AA1000 APS PRINCIPLES

We believe that Telstra has adequately communicated the nature and extent of its adherence to the AA1000 AccountAbility Principles in the Report.

INCLUSIVITY - HAS TELSTRA ENGAGED WITH ITS STAKEHOLDERS?

Banarra found strong support for Telstra becoming a more accountable organisation during interviews with representatives of the Board, Leadership team and stakeholder managers.

Historically, Telstra's approach to stakeholder engagement has been contained within divisions or departments, as has its approach to the analysis of stakeholder data. Significant work in relation to developing a corporation-wide approach to stakeholder engagement was commenced by Telstra in the reporting year, complemented by a program to improve the quality of its stakeholder relationships. The successful implementation in FY11 of a stakeholder engagement framework will require consistent and considered buy-in across Telstra's various business units and divisions.

There is a significant opportunity to extract greater value from stakeholder data through implementation of this corporate-wide approach, as it will provide a structured process to identify and understand stakeholder issues, including those issues shared between stakeholder groups, such as employees' and customers' shared interest in customer service.

MATERIALITY - HAS TELSTRA IDENTIFIED ITS MOST IMPORTANT CITIZENSHIP ISSUES?

We commend Telstra for applying, this year, a more comprehensive materiality process for its reporting. As materiality processes enable organisations to identify and prioritise the most important issues for the business and its stakeholders, the quality of Telstra's materiality process will be a key factor in realising the full strategic value of Telstra's stakeholder engagement framework.

Banarra's independent review of Telstra's report materiality process found evidence to support the materiality of, or stakeholder interest in, ten of the fifteen issues identified. Banarra also found evidence of materiality for a further six issues not identified by Telstra. Whilst all but one of these (freedom of association) are acknowledged in the Report, we recommend that Telstra reviews its process to determine why these issues were not detected.

Telstra's report materiality process could also be enhanced by prioritising issues of importance to the business separately from those of importance to

stakeholders. This would enable issues of high importance to stakeholders, but considered less material by the business, to remain visible.

The report materiality process is not yet informing, nor integrated with, senior decision-making and strategy development within the business. Telstra is currently looking at ways for other parts of the company to benefit from the outputs of this process. Telstra should consider an approach whereby materiality determination becomes the central mechanism for understanding and analysing corporate citizenship issues, not just for the Report but for the wider business. In this way, Telstra would be able to respond with confidence to material issues that have been identified and prioritised through a process that is replicable, transparent and assured. In addition, the process should facilitate the identification of those emerging issues that require a strategic response, both to protect its reputation and to realise key opportunities.

RESPONSIVENESS - HAS TELSTRA RESPONDED TO THESE ISSUES?

Telstra develops responses to its material issues through its strategic planning process, its CEO Senior Leadership Team and its Corporate Citizenship Framework and Strategy. The Citizenship Framework and Strategy aims to integrate citizenship into Telstra core business approach and processes.

Telstra's Corporate Citizenship Council provides a high level forum to advise on and review the progress of citizenship-related strategies and initiatives. While the Council has raised the profile of corporate citizenship within Telstra there were differing views across the business of the ongoing effectiveness of the Council. With this in mind, Banarra recommends a stronger articulation of Telstra's corporate citizenship governance structure and management approach so that responsibilities and accountability are clearer, particularly the role of the CEO Senior Leadership Team.

Telstra has responded to a range of material issues during the reporting period including areas such as cyber-safety, diversity and inclusion, and health and well-being. However, it was unclear how Telstra prioritises its responses to material issues, and how resources are strategically deployed across Telstra to enable it to realise corporate citizenship opportunities or to manage key risks. eWaste was one material issue where Banarra was unable to identify a strategic response. We encourage Telstra to consider a pro-active response to eWaste given the prominent attention this issue is receiving by industry and government at a national level.

Telstra communicates its responses to issues through its annual Citizenship Report and a monthly e-newsletter. Although the Report presents a wide-ranging account of its citizenship activities, there remain a number of opportunities to improve Telstra's approach to accounting for its citizenship performance. The Report would benefit from greater balance, as there is little discussion of the challenges and disappointments that Telstra has faced over the reporting period. Another key area of improvement is providing more context and discussion so that stakeholders can better understand why Telstra has responded in the way it has to issues such as human rights and customer satisfaction, and the impact of its responses on the business and its stakeholders.

Accountability to stakeholders is challenging to deliver in the absence of specific and measurable targets. Banarra's review of Telstra's internal plans and the Report indicated opportunities to include targets for all material issues. Greater use could also be made of trend data to assist stakeholders in assessing Telstra's citizenship performance over time.

ASSURANCE OPINION: PERFORMANCE INFORMATION VERIFICATION

Based on our methodology we conclude that there is no evidence that the performance information presented in the Report for employee engagement, employee health & safety, employee diversity, community investment, carbon emissions and energy consumption, eWaste, and customer service and satisfaction is not correct in all material aspects and is not a fair representation of Telstra's performance in FY10.

ASSURANCE OPINION: GLOBAL REPORTING INITIATIVE

Banarra agrees that Telstra is reporting in accordance with the GRI G3 Guidelines for the following standard disclosures and performance indicators: 1.1, 2.1 - 2.10, 3.1 - 3.8, 3.10 - 3.12, 4.1 - 4.4, 4.14, -4.15, EC4, EN3, EN4, EN16, EN17, EN18, LA1, LA4, SO5, SO6, PR6, and PR8. We therefore agree with Telstra's own assessment that it has achieved a GRI application level of C+.

For future reporting Telstra could gain greater benefit from the GRI Sustainability Reporting Guidelines by considering the intent and content of the Guidelines earlier in the reporting cycle - in particular identifying which indicators are the most material for the organisation. There is also an opportunity to raise awareness of the GRI indicators and associated calculation protocols internally amongst the relevant data owners.

RESPONSIBILITIES AND INDEPENDENCE

Telstra was responsible for preparation of all the Report content, stakeholder identification and engagement as well as material issue identification and response. Banarra's responsibility was to provide an independent assurance opinion of the Report based on AA1000AS. This opinion is provided to Telstra's management and any reliance third parties may place on this statement is entirely at their own risk. Banarra has provided Telstra a management report containing more details on the findings and recommendations outlined in this statement.

Banarra was paid by Telstra to conduct this assignment. Other than this payment and a review of marketing material related to a Telstra product, the assurance team declares itself independent in relation to Telstra and its stakeholders. There is a detailed statement on our independence, impartiality and competencies at www.banarra.com.



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18 October 2010



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