Telstra

Corporate Responsibility Report 2008

Contents

About this report

This is Telstra's sixth annual corporate responsibility report. It covers the 2007/08 financial year for the Australian operations of Telstra Corporation Limited (excluding Sensis, Telstra's information and advertising business, unless otherwise specified).

A full account of the corporate responsibility performance of Sensis can be found at **www.about.sensis.com.au**

This report covers Telstra's economic, social and environmental contributions and performance during 2007/08 and is intended to provide comprehensive information to the full range of Telstra's stakeholders.

We have prepared this report with reference to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version 3.0) and the GRI Telecommunications Sector Supplement.

Feedback on the report is welcome. Please email Nancie-Lee Robinson, Senior Advisor, Corporate Responsibility, at **csr@team.telstra.com** or participate in our online forum at **www.nowwearetalking.com.au**

Message from our CEO

In some way, Telstra touches nearly every Australian, every day. Our day-to-day business and ongoing transformation are a vital thread in Australia's economic and social fabric and this is a responsibility we take very seriously. It's at the heart of everything we do.

Corporate responsibility at Telstra starts with me and flows throughout the company. Our approach to corporate responsibility begins with a simple and straight-forward commitment to principled decision-making. Whether it is providing good jobs at good wages, serving the needs of our customers with new and innovative products and solutions, pursuing resource efficiency across the business or playing a role in developing solutions to the big social and environmental issues of the day – fundamental principles guide the way.

At Telstra, we know that it makes business sense to appreciate the impact of our business decisions on the larger community. There is an alignment, for example, between reducing costs and reducing the environmental impact of our operations. The report commissioned by Telstra, *Towards a High-Bandwidth, Low-Carbon Future: Telecommunications-based Opportunities to Reduce Greenhouse Gas Emissions*, puts solid ideas into the marketplace about how we can use telecommunications networks to reduce business costs while also reducing Australia's carbon footprint, most of which are achievable today.

Already three years through our five-year transformation, we are changing not just our company, but the way Australians work, play and move around. Our next generation networks and services, which provide unparalleled coverage and speeds, are providing a customer experience that is simple, integrated and intuitive. We're bringing Australians closer together. We're improving business productivity. And we're increasing Australia's ability to compete globally.

Corporate responsibility is integral to everything we do. It's about making principled decisions with full consideration of all their implications – social, environmental and economic. This helps us succeed and deliver for our customers and shareholders because acting responsibly makes good business sense. It helps us to be more efficient, increases productivity and makes people proud to work for Telstra.

Our sixth corporate responsibility report highlights our contributions during 2007/08 and clearly sets out the actions we have planned to build on our solid performance in the future.

Sol Trujillo, Chief Executive Officer
November 2008

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Approach

Executive summary

Society
Key achievements in 2007/08

- Launched our landmark publication *Towards a High-Bandwidth, Low-Carbon Future: Telecommunications-based Opportunities to Reduce Greenhouse Gas Emissions.* The report quantifies the possible carbon and dollar savings that could be achieved by businesses, households and governments by using telecommunications networks to avoid or reduce their carbon emissions.

- Achieved a rating of 87 per cent in the 2007 Corporate Responsibility Index. This included outstanding results in community management (100 per cent).

- Increased Telstra's score from 36 per cent in 2007 to 70 per cent in the 2008 Dow Jones Sustainability Index, a global analysis of corporate responsibility leadership. This score is well above the industry average of 53 per cent.

- Launched the Telstra Foundation's Spotlight on Cyber Safety program with a commitment of $3 million over three years to help children develop the skills to be safe when online and using mobile phones.

- Helped deliver the SCAM Watch Fraud Fortnight awareness campaign to over 2.7 million BigPond® customers, 550,000 Trading Post users and 40,000 employees. The campaign is an activity of the Australasian Consumer Fraud Taskforce, of which Telstra is an industry partner.

- Invested $4.9 billion to continue the build out of the Next G™ wireless broadband network; continued deployment of the Telstra Next IP™ network; creation of new and advanced business support and operating support systems; and other investments to transform the delivery of telecommunications services in Australia.

- Contributed $300,000 to a new research facility for specialised radio frequency research into the possible health impacts from exposure to electromagnetic energy. Telstra is collaborating with Swinburne University of Technology on this initiative.

Planned actions for 2008/09

- Improve the relevance, transparency and accessibility of Telstra's corporate responsibility information on Telstra's website.

- Conduct a review of Telstra's human rights position and practices to assess performance against international standards.

- Introduce feature sections on the nowwearetalking website to provide a platform for public discussion and debate about the environment and the National Broadband Network.

- Reduce paper consumption by continuing to transform our supply chain operations to effective, electronic business, including online drafting and execution of contract documentation.

Community
Key achievements in 2007/08

- Telstra's investment in community activities was valued at $29.2 million by the London Benchmarking Group. This compares with $18.8 million in the previous year.

- Provided $3.9 million through the Telstra Foundation to more than 667 projects to help connect children and young people to their communities.

- Provided domestic disaster relief services to customers affected by: bush fires in Willunga in SA, and in Parkerville and Stoneville in WA; floods in the central and north coast of NSW; and floods in Emerald, Rockhampton, Mackay, Charleville, Gold Coast, Beenleigh, Jimboomba, Beaudesert, Rathdowney, Boonah, Clifton, Allora, Warwick and Killarney in Qld.

- Provided disaster relief to customers affected by cyclone Nargis in Myanmar (Burma) and the earthquake in Sichuan Province in China.

- Committed $750,000 through the Telstra Foundation to support Abracadabra, a unique interactive literacy software tool that will help Indigenous primary school children improve their literacy skills. Abracadabra is a project of Charles Darwin University.

- Announced a new sponsorship partnership with WWF Australia to produce a series of community service announcements to highlight the endangerment of many Australian native animals.

- Piloted the Telstra Foundation Community Leadership program, linking Telstra executives with non-profit leaders in a 12 month mentoring relationship to help build the capacity of community organisations.

Planned actions for 2008/09

- To develop and pilot an employee matched giving program to donate funds to community organisations nominated by Telstra employees.

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

Employees
Key achievements in 2007/08

- Achieved 74 per cent employee engagement, indicating the extent to which employees value, enjoy and believe in Telstra and what they do. This result is based on the 2008 Telstra Employee Engagement Survey with an 84 per cent response rate.

- Invested over $75 million in learning and development for our employees, representing an investment of around $1,600 per employee.

- Employees completed 573,763 online learning courses through Learn.Achieve, and 6,500 employees participated in Frontline Leadership programs.

- Developed 252 new job-specific training courses through the Telstra Learning Academy.

- Conducted Telstra's inaugural women's conference, Stand.Out, which was attended by 150 women and focused on performance, career development and the advancement of women at Telstra.

- Piloted the My Mentor program for Telstra women to increase strategic business skills. Based on outstanding feedback from the 21 participants of the initial course, the program was rolled out to over 440 women across the organisation.

- Awarded an Excellence in Auslan Interpreting Award (private sector organisation category) by the Australian Sign Language Interpreters' Association to publicly recognise Telstra's consistent support for working with interpreters and long-standing commitment to customers, shareholders and employees who are deaf.

Planned actions for 2008/09

- Increase the proportion of women in middle and senior management to 30 per cent.

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

- Maintain the highest (Comcare Tier 3) rating across all Health, Safety and Environment categories.

- Achieve a minimum of 10 per cent employee participation in a new online Health Risk Appraisal by August 2009 to improve employee understanding of health risk factors.

Customers

Key achievements in 2007/08

- Assisted more than one million low-income customers to connect or maintain their communications services. The total benefit provided was in excess of $200 million.

- Launched Telstra Connected Seniors® in August 2007 with over $750,000 of grant funding provided to 110 community organisations to help older Australians learn to use mobile and internet technology.

- Closed the CDMA network on 28 April 2008 and completed the migration (commenced in October 2006) of customers to the Next G™ network, providing more advanced third generation mobile technology.

- Opened the largest state-of-the-art interactive telecommunications store in Australia, T[life]™ in Melbourne in June 2008 after the success of T[life]™ Sydney, which opened in November 2007.

- Telstra Enterprise and Government Customer Care was awarded certification to the International Customer Service Standard by the Customer Service Institute of Australia, demonstrating that our organisation has a passion for customer excellence and the processes to deliver.

- Received the 2007 Corporate Community Partnership Award from the Country Awareness Network Victoria, recognising Telstra's exceptional commitment to Victoria's rural and regional communities through our support and assistance to consumers and clients affected by HIV/AIDS or Hepatitis C.

Planned actions for 2008/09

- Extend the Telstra Bill Assistance Program to cover mobile and internet bills to recognise the changing nature of communications usage among low-income Australians.

- Provide a web-based inquiry form for information about accessible features of Next G™ mobile handsets to enable people with a disability to choose the right mobile handset for their needs.

- Build on the success of our world class T[life]™ stores by opening or refreshing more than 80 T[life]™ stores across Australia, to provide a retail experience like no other for our customers.

- Deploy enhanced HSPA (High Speed Packet Access Plus) as a national software upgrade to increase peak network downlink speeds across our national Next G™ network from the current 14.4Mbps[1] to 21Mbps by the end of 2008.

- With support from the NT Government and Rio Tinto Alcan, Telstra will roll out 800kms of fibre to connect nine northern Arnhem Land Indigenous communities and the township of Nhulunbuy to the nation's fibre optic backbone.

Environment

Key achievements in 2007/08

- Saved 25,332 tonnes CO_2 equivalent thanks to projects targeting energy efficiency and recycling of paper, cardboard and wood – comparable to the greenhouse gas emissions from 1,800 average Australian households for a year.

- Reduced the consumption of office paper by 35,900 reams, a 14 per cent reduction from 2006/07. This represents a decrease from 7.2 to 6.5 reams per employee.

- Reduced the number of vehicles in our fleet by 17 per cent with a corresponding reduction in fleet energy use of 16.8 per cent.

- Operated 10,265 solar powered sites, including exchanges, radio terminals, small repeater stations and pay phones. Telstra is one of Australia's largest users of solar power.

- Established the Climate Change Review Group to monitor and promote Telstra's resource conservation programs and activities.

- Established a Packaging Innovation Group to improve efficiencies and reduce the environmental impact of our packaging.

- Completed a Life Cycle Assessment to determine the relative environmental impacts of online and conventional paper billing.

[1] Peak network downlink speed. Actual customer download speeds will be less and will vary due to traffic loading, distance from the cell, local conditions, hardware, software and other factors.

Planned actions for 2008/09

- Calculate the carbon footprints of all business units and corporate groups.

- Determine the carbon intensity (tonnes of CO2e/unit of service) of Telstra's Enterprise and Government service offerings.

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

- Complete a study on the hydrogen fuel cell facility and solar panels installed at our Melbourne headquarters to assess their potential use in Telstra's network and buildings.

- Enhance Telstra's driver education program with an awareness program to encourage our fleet drivers to adopt green driving techniques to reduce fuel consumption and CO2 emissions.

Telstra touches nearly every Australian, every day

Key performance indicators

Performance indicator	06/07	07/08
Financial		
Sales revenue	$23.7 billion	$24.7 billion
EBIT	$5.8 billion	$6.2 billion
Profit after tax and minority interests	$3.3 billion	$3.7 billion
Ordinary dividends (cents per share)	28	28
Socio-economic		
Total workforce	47,840	46,649
Total domestic workforce	35,706	33,982
Wages and salaries	$4 billion	$4.2 billion
Local, state and commonwealth taxes	$1.8 billion	$1.7 billion
Dividends to shareholders	$3.4 billion	$3.4 billion
Accrued capital expenditure	$5.9 billion	$4.9 billion
Community		
London Benchmarking Group (LBG) measure of community investment	$18.8 million	$29.2 million
Employees		
Employee engagement	73%	74%
Women in management roles	25.8%	24.6%
Lost time injuries frequency rate (per million hours worked)	2.14	2.54
Highly effective/effective Health Safety & Environment (HS&E) audits	88%	71%
Learning & development investment	$60 million	$75 million
Learning & development investment per employee	$1,500	$1,626

Telstra profile

Telstra is the only communications company in Australia that can provide a truly integrated telecommunications experience across fixed line, mobiles, broadband, information, transactions, search, and pay TV. We have one of the best known brands in the country and provide 9.4 million Australian fixed line and more than 9.3 million mobile services, including 4.4 million 3G 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 BigPond, Australia's leading internet service provider);

- management of business customers' IT and/or telecommunications services;

- wholesale services to other carriers, carriage service providers and Internet Service Providers;

- advertising, search and information services (through Sensis®, Australia's leading directory and search company); and

- cable distribution services for FOXTEL's cable subscription television services.

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

- CSL New World, one of Hong Kong's leading 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; and
- majority stakes in SouFun Holdings Limited, a leading real estate and furnishings website and Norstar Media and Autohome/PCPop, two Chinese internet businesses operating auto and digital device sites.

Corporate governance at Telstra

The Telstra Board has determined that Telstra's corporate objective is to create long-term shareholder value through providing integrated communication, information and entertainment services, and customer focused solutions.

The Telstra Board is committed to excellence in corporate governance and the enhancement of its shareholders' interests. Our main corporate governance and Board practices are described in our Annual Report, available at **www.telstra.com.au/abouttelstra/investor**

We regularly review and update our corporate governance practices. The Board evaluates and, where appropriate, implements relevant proposals with the aim of ensuring that we continue to demonstrate our commitment to good corporate governance, having regard to developments in market practice and regulation.

Key performance indicators continued

Performance indicator	06/07	07/08
Environment		
Greenhouse gas emissions (tonnes CO2e)	1,390,306	1,500,803
Greenhouse gas emissions (tonnes CO2e/$million revenue) including unmetered sites	N/A	60.4
Greenhouse gas emissions (tonnes CO2e/$million revenue) excluding unmetered sites	58.7	57.8
Greenhouse gas emissions total savings (tonnes CO2e)	173,998	173,686
Total waste recycled (tonnes)	33,266	32,981
Waste recycled	65%	69%
Total energy Use (GJ)	5,848,601	6,064,687
Total energy Use (GJ)/$million revenue	247.1	244.3
Volume of office paper (reams)	256,774	220,856
Volume of paper (reams) per employee	7.2	6.5
Water savings (kilolitres)	87,318	52,019

We comply with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations released in March 2003. Following a review of Telstra's governance framework and in light of the release of the revised ASX Corporate Governance Principles and Recommendations (2nd ed) (Revised Principles & Recommendations), the Telstra Board made the decision to adopt the Revised Principles & Recommendations for the 2008 financial year, ahead of the time that they become mandatory, as encouraged by the ASX Corporate Governance Council.

The Telstra Values provide the most fundamental direction on what type of company we aspire to be, and what type of behaviour we regard as appropriate. As a values-driven company we go beyond simply complying with minimum standards of personal conduct. Our goal is to make every decision and every action one that we can be proud of.

Corporate responsibility governance

At Telstra, our commitment to corporate responsibility begins with a simple and straight-forward commitment to principled decision-making in all that we do.

The Telstra Values, Telstra's Business Principles and Company Policies, including the Code of Conduct, 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.

David Quilty, Group Managing Director, Public Policy & Communications, has responsibility for Telstra's Corporate Responsibility Business Principle, which states that, from a principled perspective, our primary corporate responsibilities are to:

- provide good jobs at good wages;

- serve the needs of our customers;

- increase shareholder value and protect shareholder interests;

- provide good stewardship of the environment – first and foremost by conservation (ie, by increasing efficiency in the way we use resources), reducing operating costs and minimising our environmental footprint;

- contribute resources – people, money, technology, products and services – to support the communities in which we operate and the needs of the larger society; and

- advance the national interest by strengthening the capacity of the nation's telecommunications nerve centre, operated by Telstra, and providing the nation a foundation for economic growth, productivity improvement, sustainable prosperity, and global competitive advantage.

All managers and supervisors are required to take all reasonable steps to ensure that employees and contractors under their supervision have access to, are aware of, and comply with, all relevant Telstra Business Principles and the related company policies. Telstra expects its managers and supervisors to foster a work environment that encourages ethical behaviour and compliance.

As such, corporate responsibility is part of our day to day activities. Management, supervisors and staff are supported by the Corporate Responsibility and Community Investment team, which provides the operational management and coordination of corporate responsibility activities and communications. In addition, working groups are established to address key social and environmental issues as they arise. For example, in 2007/08 the Climate Change Review Group was established to ensure a coordinated approach to managing climate change issues.

Reporting and benchmarking performance

Telstra is committed to improving our corporate responsibility performance. We participate in external surveys to benchmark our performance and produce an annual report to highlight our achievements and challenges.

In 2007/08, Telstra participated in the Corporate Responsibility Index, achieving a rating of 87 per cent, with outstanding results in community management (100 per cent). We will be taking a leave of absence in 2008/09 in order to focus on implementing strategies to further improve our performance.

In 2008, we also completed a submission to the Dow Jones Sustainability Index and achieved a rating of 70 per cent. This index identifies companies that lead peers in creating long-term shareholder value and assesses ability to manage risk and leverage upside across the economic, social and environmental agenda.

To measure our community contribution, Telstra participated in the London Benchmarking Group (LBG) process for the second time in 2008. LBG Australia/New Zealand is a business membership organisation that provides a framework for members to measure and benchmark their corporate community contribution.

For 2007/08, Telstra's corporate community contribution was valued at $29.2 million, building on the contribution of $18.8 million during 2006/07. The increase is attributed to the inclusion this year of a wider range of Telstra's community investment activities, the one-off contributions to support victims of cyclone Nargis in Myanmar and the earthquake in the Sichuan province of China, and Telstra's voluntary contributions in the lead up to World Youth Day 2008.

Telstra has reported annually on its corporate responsibility performance since 2003 through its Corporate Responsibility Reports. These reports can be accessed on our website at **www.telstra.com.au/abouttelstra/csr/reports.cfm** along with summary reports of CRI, DJSI and LBG results.

	2003	2004	2005	2007
Corporate Responsibility Index results	88.49%	90.21%	88.6%	87%

Stakeholder engagement

As a company that touches the lives of nearly every Australian every day, Telstra has a wide range of stakeholder groups and a long history of engaging with them. Consultation and dialogue with key stakeholder groups helps to gather input and ideas, inform our decision making, strengthen our relationships and build trust. Telstra makes a genuine effort to engage with and understand its key stakeholders, through both formal and informal mechanisms. We believe that engagement and consultation helps us to better meet our customers' needs, improves customer loyalty, enhances employee satisfaction, builds broader community support and ultimately strengthens shareholder value.

Stakeholder	Interests and concerns	Engagement methods
All Australians	Australians are interested in the full range of Telstra's activities	**nowwearetalking.com.au** – online forum for people to become involved and have a say on issues affecting all Australians and the telecommunications industry **www.telstra.com** – Telstra's corporate website provides information for customers, shareholders and other interested members of the public on the latest activities at Telstra. Includes public reports
Communities Telstra operates in communities across the metropolitan, regional and remote areas of Australia. Our communities include non-government organisations	Communities are concerned about access to services and the impact of our business on local communities	• Telstra Country Wide Regional Consultative Forum helps to identify the communications issues of importance in regional Australia • Our mobile phone base station siting consultation processes help Telstra operate responsibly in designing, operating and managing mobile phone base stations and to minimise their impact on the community • Telstra Foundation engages with community organisations on issues impacting the lives of children and young people through its philanthropic grants program
Customers Our customers include residential consumers, small to medium enterprises and large companies and organisations and government	Our customers are interested in the quality, affordability and accessibility of our products and services, and the privacy and security of their personal information and services	Telstra Disability Forum and Disability Equipment Program Consumer Advisory Group provide mechanisms for consultation on our disability action plan Telstra Consumer Consultative Council and Credit Management Working Group facilitate discussion on issues that effect residential customers Low Income Measures Assessment Committee provides advice on the ongoing effectiveness of Telstra's low-income package T[life]™ shops, Customer Experience Centre, Telstra Mentors, and the Community Advocacy Program provide opportunities for us to assist our customers to meet their needs We undertake ongoing marketing and research to help us understand what our customers want

Approach

Stakeholder	Interests and concerns	Engagement methods
Employees Telstra's workforce is large and diverse with 33,982 employees in Australia	Our employees have a broad range of concerns, including working conditions, development opportunities and health and safety, as well as a wide range of interests in issues affecting their local communities and environments	• Employee Engagement Survey provides all employees the opportunity to express their views about their jobs, the company and their working environment • Yabber is a Telstra intranet site that provides employees an opportunity to share their personal stories – triumphs, challenges and passions – with all staff • Employee engagement opportunities relating to social and environmental issues include the Diversity Champion Network, Virtual Women's Network and Green.Challenge@Telstra
Government Our government stakeholders are at local, state and national levels, from Ministers and leaders to department staff	Telstra communicates regularly with governments on a range of commercial, policy, regulatory and other matters in the interests of its shareholders, customers and employees	• Telstra's dealings with governments are conducted openly and honestly • Constructive relationships are built and maintained across all levels of government by our senior leadership, Telstra's Government and Corporate Relations team and Telstra Country Wide • We are required to work within relevant government legislative frameworks and to report our compliance and performance • Our Regulatory Affairs team manages Telstra's relationship with statutory regulators and industry bodies • Telstra participates in regular forums and selected events with local, state and Federal government agencies • Telstra's Enterprise and Government business unit works with government customers to develop and deliver access to world-class information and communication solutions
Industry These stakeholders include Information and Communication Technology (ICT) and telecommunications specific associations, as well as sector-specific associations	Industry stakeholders are interested in issues impacting the telecommunications industry, including regulation, market trends, consumer protection, and technology and service developments	• Telstra is a member of the key ICT industry groups, including the Communications Alliance, the Australian Mobile Telecommunications Association, the Australian Information Industries Association, the Internet Industry Association, and the Australian Interactive Media Industry Association • Telstra is a member of the Mobile Carriers Forum that deals specifically with social and environmental issues within policy, regulatory and operational environments associated with the deployment and operation of mobile phone networks • Telstra's Industry Analyst Relations function strengthens domestic and global relationships with specialist analysts on ICT industries and markets • Telstra is a member of the Australian Industry Group, Australia's major business lobby group • Telstra is a member of the Australian Services Roundtable, the peak lobby group for the Australian services sector

Stakeholder	Interests and concerns	Engagement methods
Investment community This stakeholder group includes institutional investors and sell-side analysts	Investors and analysts are concerned with the risk inherent in and return provided by their investment, and the ability of the company to meet its objectives	• Our annual Investor Day is an opportunity for Telstra to provide a detailed update to the financial markets on the performance of the various business units and on the company's transformation • The Investor Centre at **www.telstra.com.au/abouttelstra/investor** is a dedicated resource for shareholders and potential investors • The Investor Relations unit regularly engages with investors and analysts, and co-ordinates meetings for the investment community with senior management
Media Includes representatives from print, radio, TV and online media	The media reports on Telstra more than any other business or organisation in Australia	• Telstra engages regularly with the media through our media spokespeople, corporate affairs managers, general managers and other appropriate officers within the company to provide information that is in the public interest
Shareholders Telstra has 1.4 million shareholders	Shareholders are interested in financial returns, company performance and governance issues	• Telstra values a direct, two-way dialogue with shareholders and believes it is important not only to provide relevant information quickly and efficiently, but also to listen, understand shareholders' perspectives and respond to their feedback • Telstra keeps shareholders informed through Annual General Meetings, an annual report and bi-annual shareholder updates • The Investor Centre at **www.telstra.com.au/abouttelstra/investor** is a dedicated resource for shareholders providing information about our share price and financial performance, presentations and annual reports
Suppliers Telstra engages with around 8,000 suppliers each year with a total spend around $11 billion	Suppliers are interested in secure and stable relationships with Telstra	• Telstra regularly engages with suppliers throughout and after the sourcing process. Our vendor managers monitor and manage Telstra's commercial relationship with its suppliers and address delivery, quality, social and environmental issues • The Supplying to Telstra website at **www.telstra.com.au/supplying_to_telstra** provides practical advice to prospective and current suppliers on supplying to Telstra

Our material issues

In determining our material issues, Telstra has considered the significant economic, environmental and social impacts of our business that may affect our value, operations, reputation and longevity. We have taken into account the following key internal and external factors:

- business strategy and impact of Telstra's transformation;

- Telstra's company values, code of conduct, business principles and corporate responsibility principles;

- core competencies of Telstra;

- significant risks to the company and critical factors for ensuring Telstra's success;

- key future challenges for our industry;

- concerns raised by our stakeholders through the range of mechanisms we have in place for stakeholder engagement;

- relevant laws and regulations, for example the proposed National Greenhouse and Energy Reporting System and the Emissions Trading Scheme, and the new Forward with Fairness industrial relations legislation;

- key future challenges for our society as identified by social and environmental experts, governments and grass roots community organisations; and

- sustainability context, including the Global Reporting Initiative, Millennium Goals, and United Nations Global Compact.

Telstra's CEO Sol Trujillo and National Energy Manager Allan Gontar view the newly installed hydrogen fuel cell and solar panel in June 2008.

Issue	Main stakeholders affected	Impact	Key elements of Telstra's response	See pages
Climate change	Customers Shareholders Communities Industry	Telstra has a significant opportunity to contribute constructively to reduce the carbon intensity of society through telecommunications products and services	Telstra is spreading the message through our landmark publication, *Towards a High-Bandwidth, Low-Carbon Future: Telecommunications-based Opportunities to Reduce Greenhouse Gas Emissions*, and by developing offerings that help our customers reduce their carbon emissions	16
Extending access to communications	Customers Shareholders Communities Industry Government	Delivering a new high-speed National Broadband Network across Australia is one of the most significant contributions Telstra could make to the country's economic development, social inclusion and global competitiveness	Telstra's commitment to its shareholders and the wider community has underpinned a passionate and targeted Broadband Australia Campaign	15
Regulatory environment	Customers Shareholders Communities Industry Government	The regulatory environment continues to impede Telstra's ability to invest confidently in new technology and to deploy advanced services to all Australians	We engage with government and regulators to lobby for a regulatory environment that enhances the potential for investment to provide Australia with the technology to compete internationally	15
Energy efficiency	Customers Shareholders Communities Employees	Like all Australian businesses, Telstra faces uncertainty about the impact on our business and on the wider economy of the proposed Carbon Pollution Reduction Scheme and related policies	We are committed to improving our energy efficiency across our business, supply chain and customer base	58
Employee relationships	Employees Contractors	The success of Telstra's transformation and our economic sustainability relies on strong employee relationships	We are committed to creating a safe and engaging working environment for our people	36
Human rights	Employees Supply chain Customers Communities	There is growing interest in the role of businesses in advancing human rights. Consideration of human rights in Telstra's business decisions and operations has the potential to manage risk and realise new business opportunities	Telstra addresses human rights concerns in our workforce, products and services and supply chain	26 & 38

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Society matters

> We believe that what is good for Australia, is good for Telstra. We take our corporate responsibility seriously.
>
> Phil Burgess, outgoing Group Managing Director, Public Policy & Communications

Business enterprises significantly impact society in ways that reach well beyond the community sphere. As the principal wealth-creating institutions of our society, business and the private sector must play a pivotal role in shaping a nation's social, economic and environmental policies and contributing to progress and prosperity in every sphere – from the arts and strong civic institutions to economic development and tax policy.

Consider the economic dimension of corporate responsibility. Telstra's most important achievement over the past year is to provide jobs to over 46,000 people, paying $4.2 billion in salaries and wages. We also paid $3.4 billion in dividends to shareholders; paid over $1.7 billion in Commonwealth, state and local taxes; purchased more than $11 billion in goods and services from around 8,000 suppliers, many of them small and medium-sized businesses that provide jobs, taxes and wealth to local communities; and invested several billion dollars in network maintenance and improvements – including two high-speed next generation networks. When you stop and think about it, the economics of Telstra's operation have a significant social impact.

It is also important that corporations seek opportunities to advance the national interest. For Telstra this means not just complying with laws and regulations but also advocating for reform where reform is needed, strengthening the capacity of the nation's telecommunications nerve centre and, through this, providing the nation with a foundation for economic growth, productivity improvement, increased prosperity, and global competitive advantage.

At Telstra, we have a 21st century vision for Australia: to advance the economic, social, and commercial interests of people, business and communities in Australia by maximising the benefits of digital technologies. Already, we have delivered the Next G™ wireless broadband network and we are eager to provide a high-speed fibre-based National Broadband Network for the country.

As Australia's largest telecommunications company, we are well placed to have a measurable and positive impact on the nation's well-being and its social, economic and commercial performance. Businesses of all sizes are using Telstra's next generation networks in innovative ways to save time and fuel, and to increase productivity. People and communities are using Telstra networks to connect to each other and the outside world and to reduce the tyranny of distance – a big issue for Australia because connectivity is the primary driver of political stability, economic prosperity, and social mobility.

Because we believe in a strong civic order, we believe business engagement in issues of national importance is essential to a healthy and resilient society. Telstra sees this engagement as a corporate responsibility. We engage on key social and environmental issues that challenge our nation, such as climate change, cyber-security and improvements in the way we deliver health and education services to the public. We also provide a public forum for education and dialogue about the impact of telecommunications on society with our nowwearetalking website.

Telstra's primary social responsibility as a business enterprise is to prosper and innovate. It makes good business sense to measure the full impact of our business decisions on the larger society, to identify ways we can improve, and to contribute positively to Australia's future development – because we believe that what is good for Australia is also good for Telstra.

Influencing public policy

We believe one of the great strengths of democratic societies is that they provide a healthy arena for vigorous debate between the public and private sectors on important national matters. That's why Telstra participates in debates on issues that impact our business, as well as our economic and social contribution.

National Broadband Network

Telstra believes that delivering a new high-speed broadband network across Australia is one of the most significant contributions we can make to the country's economic development, social equity and global competitiveness.

A National Broadband Network (NBN) will allow Australian consumers and businesses to use new applications and services being developed here and around the world. These services can improve access to health care, education, public safety, online media and government and business information and services, especially for rural and regional Australians.

We began with our Next G™ wireless broadband network, and have been planning to build an NBN for over three years. Just as Telstra has been the company to deliver telecommunications throughout Australia for over 100 years, we are ready to build this network, as long as it makes business sense to do so.

A massive, high-risk investment is necessary for the NBN, but the current regulatory regime undermines the potential for investment by leaving the door open to the regulator, the Australian Competition and Consumer Commission (ACCC), to shift the goal posts after the network has been built.

Australia needs a paradigm shift in its regulatory environment if it is to encourage the investment required to get the NBN built. Telstra has been working towards this, and at the same time

pursuing reforms to Part XIC of the Trade Practices Act that are currently providing a wider disincentive to investment.

As part of the NBN discussion, Telstra is also advocating for a thorough examination of the various regulations that have a social policy impact, to ensure the obligations of network providers are fully costed and responsibly assigned.

In 2007/08, Telstra challenged the current extent of regulation through several major exemption applications made to the ACCC. The applications addressed regulatory constraints that currently hinder, or put at risk, a fair and competitive operating or industry environment. For example:

- Telstra's submission to the NBN regulatory review challenged conventional regulatory policy and outlined a means through which a multi-billion dollar investment in next generation access could proceed;

- we advanced the case to put funding of the Universal Service Obligation (USO) on a more sustainable footing. Telstra's submission to the USO review proposed new models to more accurately estimate the cost of rural, residential, business and payphone services to better argue for enhanced funding for rural and remote services; and

- Telstra rolled out ADSL2+ broadband technology to a further 907 exchanges that serve a total of 2.4 million premises after the Federal Government supported the position that there was no compelling case for declaring access to ADSL2+ services.

Broadband Australia Campaign

Telstra's commitment to its shareholders and the wider community has underpinned a passionate and targeted campaign to educate, mobilise and influence, through democratic processes, the decisions that the Federal Government makes about public policy, and to shift the regulatory burden on Telstra.

Prior to our Broadband Australia Campaign, very little information about the impact of regulations on Telstra and the telecommunications industry had been provided to consumers and shareholders, despite the significant implications of these issues for the nation.

By enlarging the arena of discourse to involve shareholders, opinion leaders and the general public, Telstra shifted the discussions from behind closed doors and the specialist language of regulators, lawyers and economists.

Established in February 2007, our Broadband Australia Campaign continued to capture the support of staff, Telstra shareholders and members of the public who rallied behind our call for a national commitment to building a new high-speed, national broadband network.

More than 11,000 people signed up as Telstra Active Supporters via our website, **www.nowwearetalking.com.au**. The site featured the latest Web 2.0 online activism tools that gave supporters and thousands of other Australians information and the means to allow their voice to be heard in the debate on broadband issues.

Achievements in 2007/08 included:

- more than 18,000 people put themselves 'on the map' calling for high-speed broadband;

- more than 7,000 people used nowwearetalking to send emails to local MPs and/or the Minister for Communications; and

- almost 4,000 people sent emails to the Chairman of the ACCC.

We achieved our aim to elevate high-speed broadband to a first-tier public policy issue in Australia and as a central issue in the November 2007 Federal election. The Australian Labor Party's commitment to deliver just such a network was a key policy position.

The new Federal Labor Government re-named the Communications Minister's portfolio to the Minister for Broadband, Communications and the Digital Economy, and commenced a tender process for a fibre-to-the-node network to deliver high-speed broadband to 98 per cent of Australians.

In 2007/08, Telstra Active Supporters also voiced their protest to the Federal Liberal Government awarding $958 million of taxpayer's funds to the SingTel Optus and Elders joint venture OPEL. The decision was subsequently overturned by the new Federal Labor Government in April 2008.

nowwearetalking

Since December 2005, Telstra's nowwearetalking website, **www.nowwearetalking.com.au**, has provided a forum for public education and dialogue about the impact of telecommunications on society. The initiative is representative of how the new Telstra communicates with its stakeholders directly and more frequently across a broader range of issues.

This year the website has undergone a redevelopment and has launched nowwearetalking TV, with an increase of video on the website. nowwearetalking has continued its reputation as one of corporate Australia's most innovative online forums. During the 2007 Federal election, nowwearetalking dedicated a special Election 2007 area that was a one-stop-shop for information on telecommunications policy during the election. The site was free from editorial comments and was available for all political parties to publish their policies. The website also streamed a live debate between the then Minister of Communications and Shadow Minister of Communications on telecommunications policy.

Visitors to the website include Telstra staff, customers, shareholders, politicians, competitors and media, all eager to share their views and opinions on issues affecting Telstra, the wider telecommunications industry, and the nation. nowwearetalking carries news and views from all perspectives – including those who do and don't agree with Telstra. Over a million people a year visit the website and we aim to increase that to over 1.5 million over the next 12 months.

nowwearetalking is aimed at encouraging people to become more interested in, and talk more about, the digital revolution, and how new digital technologies can expand choices for people (of all ages and interests), enterprises (both large and small), and communities – no matter where they are located in Australia. The website raises awareness about how some public policies and administrative practices prevent consumers and the nation as a whole from enjoying the full benefits of living in the digital age.

In 2008/09 nowwearetalking will have special sections dedicated to the environment and the NBN.

Climate change

Climate change has been the defining social issue of recent years and Telstra has been proud to take a leadership position in the emerging debate. Since the election of the Federal Labor Government in November 2007, there has been a notable acceleration in public policy development and this has coincided with international trends. The United Nations conference on climate change in Bali during December 2007 was marked not just by Australia ratifying the Kyoto Protocol but also by a road map towards a new global climate treaty to come into force from 2012.

Towards a high-bandwidth low-carbon future

In the context of intense debate about the design and potential economic impacts of an emissions trading scheme, numerous state-based and voluntary schemes to promote renewable energy, carbon offsets, and energy efficiency, Telstra went back to the basics – conservation of resources. Launched in October 2007, our landmark publication *Towards a High-Bandwidth, Low-Carbon Future: Telecommunications-based Opportunities to Reduce Greenhouse Gas Emissions*, commissioned from independent experts Climate Risk, has taken our resource conservation message to a new frontier.

The report broke ground in several ways. First, it focused attention on reducing energy consumption as the primary means to achieve meaningful carbon abatement. Second, it described seven innovative ways to use telecommunications networks to deliver savings throughout the economy. Third, it went as far as to quantify the savings potential of these carbon opportunities – almost five per cent reduction in Australia's total annual greenhouse gas emissions by 2015. Finally, the report was subjected to peer review, to give independent assurance of the robustness of its findings.

The response to the report has been remarkable. The report has been widely quoted nationally and internationally as demonstrating a practical and outward-looking approach to the challenges posed by climate change.

Role of telecommunications

Telstra's CEO Sol Trujillo champions the case for telecommunications to address climate change at local and major international forums. Sol Trujillo was the only Australian CEO invited to sit on a 16-member World Economic Forum steering committee on climate change. The steering committee's statement – signed by 100 CEOs from some of the world's biggest companies – urges the G8 leaders to take immediate action to tackle climate change, and says that business has the skills, expertise and drive to lead the charge.

The Federal Government's proposed roll out of a National Broadband Network to 98 per cent of Australians will strengthen our efforts for telecommunications to address climate change. This investment will enable Australians to access telecommunications-based services that can help them reduce their carbon emissions. Initiatives such as remote diagnosis of heath issues, telecommuting instead of non-productive hours spent in traffic going to and from work, and video conferencing instead of travel to meetings are just some of the immediately available ways telecommunications can be used to reduce our impact on the environment.

Telstra has already taken the lead in Australia by showing that better use of telecommunications can reduce greenhouse gas emissions. We are working with third parties across Australia to develop innovative solutions that will reduce their operational costs, improve efficiency and reduce their environmental footprints.

Regulation

With continuing expansion of environmental regulation at State, Territory and Federal government levels, our compliance and reporting obligations are increasing. Climate change is bringing a new set of obligations into the mix, with some variation from jurisdiction to jurisdiction. Telstra has made submissions to the Federal Government on the Energy Efficiency Opportunities Act, National Greenhouse and Energy Reporting Act, and the Australian Competitor and Consumer Commission white paper on green marketing. Our policy submissions have emphasised the desirability of streamlining regulation.

Telecommunications-based opportunities to reduce greenhouse gas emissions

Case study

Telecommunications networks can help reduce Australia's greenhouse gas emissions by almost five per cent by 2015 and deliver up to $6.6 billion a year in cost savings for Australian businesses and households, according to a report released by Telstra in October 2007.

As a leadership initiative Telstra commissioned climate change experts to quantify the possible carbon and dollar savings that could be achieved by business enterprises, households and governments by using telecommunications networks to avoid or reduce rather than just offset their carbon emissions.

The Report found telecommunications networks can facilitate a reduction in Australia's carbon emissions by 4.9 per cent or around 27 million carbon tonnes per year by 2015. This is equivalent to the annual emissions caused by nearly two-thirds of Australia's passenger cars.

Towards a High-Bandwidth, Low-Carbon Future: Telecommunications-based Opportunities to Reduce Greenhouse Gas Emissions is a study by climate change experts, Climate Risk. The Report was peer reviewed by independent experts: WWF Australia's Chief Executive Officer, Greg Bourne, and leading Australian energy and environmental authority, Dr Hugh Saddler.

The Report identifies seven major opportunities for Australian consumers and businesses that, if implemented by 2015, could help reduce Australia's greenhouse gas emissions by around 27 million carbon tonnes per year. Individually, each opportunity could deliver per annum carbon emission savings of:

- 1.8 million tonnes (Mt) by using broadband to remotely manage power for appliances not in use or on 'stand-by';
- 2.4Mt by improving business productivity with "in-person" high-definition videoconferencing;
- 2.9Mt with broadband based, real-time freight allocation systems to fill empty freight vehicles;
- 3.0Mt with presence-detecting services that turn off devices that are "on" but not being used;
- 3.1Mt with teleworking and working in regional centres by reducing commuter car traffic;
- 3.9Mt by bringing integrated personalised public transport to your door with a phone call; and
- 10.1Mt by increasing renewable energy use with networked demand-side management.

Climate Risk's Director of Science and Systems, Dr Karl Mallon, said the introduction of carbon trading would require Australian businesses to re-think their approach to doing business.

"The Report's opportunities should be part of every business and government climate change strategy because it can deliver big emission cuts quickly and with minimal economic disruption," Dr Mallon said.

"This Report provides the first significant, practical analysis in Australia of the use of telecommunications to achieve increased energy conservation and clean energy production. Our analysis found that by harnessing smarter networks and devices it is possible to deliver reduced emissions while also reducing expenditure on energy for the end user.

"The results indicate Telstra can play a big part in the solution to climate change. The scale of its networks, services and customer-base provides a unique platform to partner with businesses and households to a make a significant contribution to reducing the national carbon footprint."

A full copy of the Report can be found at **www.telstra.com.au/abouttelstra/csr/reports.cfm**

Telstra

Towards a High-Bandwidth, Low-Carbon Future:
Telecommunications-based Opportunities to Reduce Greenhouse Gas Emissions

A report commissioned by Australia's leading telecommunications company, Telstra Corporation Ltd.

1. Society matters

Telstra's products and services – fuel reduction solutions

Issue	Solution	Product/Service	Travel/Fuel Reduction	Additional Information
Conferencing & Collaboration	Video Conferencing	TelePresence	✓	Top of the range/state of the art video conferencing.
	Video Conferencing	TelePresence	✓	Enables virtual face to face meetings and supports larger numbers of attendees.
Remote & Virtual	Video Conferencing	Desktop Video Conferencing	✓	Desktop solution for individual face to face meetings with high quality images.
	Video Conferencing	Web Ex	✓	Enable sharing of applications and hands-on visual/verbal collaboration.
	Virtual Contact Centre	Web Contact Centre	✓	Supports a virtual contact centre that links all forms of communications whilst able to run on any connectable desktop PC allowing a physically diverse staffing and reduced travel and also office space impacts for home workers.
	Remote Working Solutions	iPass Global Virtual Network	✓	Provides secure managed access to corporate businesses supporting employees working remotely and enabling reduced travel.
Telemetry	Remote Telemetry	Remote Telemetry	✓	Remote monitoring and control of metering and specific application devices anywhere (and everywhere) in the country enabling reduction in travel.
				Additional environment benefits depending on application such as water reductions when used for water management.
Vehicle Routing & Management	Field Workforce Solutions	Xora Trimble Enterprise Mobility System (EMS)	✓	Various applications for field force management to streamline field work including job allocation and route planning.
	Whereis® Navigator	Whereis Navigator	✓	Smart travel planning means efficient routing to help prevent unnecessary fuel use.
Next Generation Infrastructure	Telstra Next IP™ network	BigPond, Velocity (FTTP)	✓	The Telstra Next IP™ network is one of the largest, fully integrated national IP networks in the world.
	Next G™ network	Flexible Personalised Transport Solutions	✓	Leading edge wireless network that underpins not only Telstra's but an extensive range of third party products and services.

Internet safety and security

Wireless communication is changing the way we work, live and relate to each other in the 21st century. In 2007, each Australian household had, on average, more than three mobile phones – up from one per household in 1995; and in 2007, nine in ten families had an internet connection with 75 per cent being broadband – up from seven per cent in 1995. Communications tools like these are bringing family and friends closer by allowing them to stay connected when physically separated.

However, with access to higher bandwidth internet connections and new technologies, the way people behave online has changed. The rate of growth in the use of social networking services and user-generated content has increased markedly in Australia and internationally. There has been a shift from the consumption of content to interaction with content, and information has never been more integrated or accessible in 'real time'.

While these changes have increased our ability to connect with each other, driven advances in productivity and enhanced innovation, they have accelerated a shift in the risks to internet users. These online risks can be categorised into three key areas[2]:

1. content – the risk of exposure to internet content that is illegal or considered to be inappropriate for children.

2. communication – risks arise from interpersonal communications on the internet, such as contact with children by sexual predators and cyber bullying.

3. e-security risks – associated with a variety of internet activities including the release of personal information to public forums and connecting a home computer to the internet without protection, which may result in viruses, online fraud, spam and identity theft. On a national scale, e-security risks may include cyber attack on Australia's critical infrastructure.

In 2007/08 Telstra established an internal Working Group on Internet Trust & Security. We also work with industry, government, community organisations and internet users to address the range of evolving online risks and to develop measures that promote online safety. At Telstra we take our responsibility as a trusted internet services provider and integrated telecommunications company seriously.

Cyber safety for kids

In 2007/08 the Telstra Foundation made a three year commitment to putting a 'spotlight' on cyber safety. A new $3 million community grants program was established to help develop protective measures to keep Australian children safe while using the internet and mobile phones. Through the spotlight on cyber safety program, the Telstra Foundation supports programs that help children and young people develop the skills they need to enjoy the use of information and communication technologies in safe, supported environments, and programs that educate parents to become more competent in addressing cyber safety issues.

National e-Security Awareness Week

In June 2008, Telstra supported National e-Security Awareness Week, a Federal Government initiative that aims to help Australians understand e-security risks and educate computer users about the steps they can take to protect themselves, families and businesses online. Telstra's Corporate Security & Investigations led our involvement together with representatives from Sensis and Trading Post.

As part of the week in June 2008, Telstra's consumer marketing team and BigPond held a series of free seminars at Telstra's T[life]™ store in Sydney. The seminars demonstrated how every parent can help build a safe online environment for their children. One of the world's leading experts in e-learning and an advocate for child cyber safety, Dr Martyn Wild, shared some simple steps that parents can take to make the internet a safe place for their family. A booklet for parents, Help keep your kids safe online, was produced as part of this initiative.

The booklet, along with some simple tips on cyber safety, can also be found by visiting the BigPond website at **http://my.bigpond.com/help/security**

Cyber Safety Consultative Working Group

Telstra's Corporate Security & Investigations Unit represents the company on the Cyber Safety Consultative Working Group. A key initiative of the Federal Government's cyber safety plan, the working group has representation from community groups, internet service providers, industry associations, business and government. It is expected to provide advice to the Government on priorities and measures required by legislators and industry to ensure world's best practice safeguards for children online.

Australasian Consumer Fraud Taskforce

The Australasian Consumer Fraud Taskforce, made up of a number of state and federal government bodies from Australia and New Zealand, launched a SCAM watch Fraud Fortnight awareness campaign driven by the Australian Competition and Consumer Commission. The campaign was designed to educate consumers on how they can better protect themselves from scams.

As an industry partner to the Taskforce, we help promote the campaign each year. This year, by using Telstra's varied communication channels, the Taskforce's messages were delivered to over 2.7 million BigPond customers, 550,000 Trading Post users and 40,000 employees.

Virtual Global Taskforce

The Virtual Global Taskforce (VGT) is comprised of global law enforcement agencies working together to fight online child abuse. Its objectives are to make the internet a safer place, to identify, locate and help children at risk, and to hold perpetrators appropriately accountable.

[2] Developments in Internet Filtering Technologies and other Measures for Promoting Online Safety, p.12, Australian Communications and Media Authority, 2008

BigPond is an original corporate industry partner of the VGT since its inception three years ago and was the first Australian internet service provider to acknowledge its value. As an industry partner of the VGT, Telstra demonstrates its commitment to community safety and crime reduction, and helps to reduce the threat to children online. Telstra attended the third International VGT conference in Canada in February 2008, which focused on building awareness and understanding of the challenges faced when fighting a borderless, cross jurisdictional crime. The conference recognised that no single agency, organisation or company alone can win the fight of protecting our most vital resource – our children.

Technology and Wellbeing Roundtable

The Telstra Foundation, in collaboration with Inspire Foundation, established a Technology and Wellbeing Roundtable, a forum that brings together a small group of industry leaders from all sectors of the community, to explore opportunities to work collaboratively and reduce the risks associated with technology. Established in 2008, the group aims to develop innovative initiatives that harness the power of the internet and related technology to improve wellbeing. Some of the roundtable participants are the NSW Commission for Children and Young People, the Alannah and Madeline Foundation, NAPCAN, Microsoft and MySpace.

Cyber Storm II

Telstra continued to work closely with government and industry to ensure the country is ready for and resilient to possible attacks on its network and constantly invests in new technology to protect its customers. Today's security challenges reinforce the benefit of Telstra's participation in an international simulated cyber exercise called Cyber Storm II, which took place in March 2008.

Cyber Storm II was part of the United States' Department of Homeland Security's ongoing effort to reduce cyber attacks and enhance government and private sector abilities to communicate and cooperate in response to a cyber incident.

Australia, along with Canada, the United States, New Zealand and the United Kingdom, participated in the exercise. Over 50 Australian organisations, including critical infrastructure sectors, took part in the exercise designed to test how well critical cross-sector and inter-governmental cyber security processes operate and how stakeholders respond. As a key media communications company, Telstra was integral to the exercise.

Telstra's involvement in this collaborative industry and government exercise provided the opportunity to simulate responses to a large scale cyber attack, apply key learnings to current practices and develop important networks with law enforcement, governments and peer organisations.

Cyber Storm II reinforced the need for Telstra's enterprise and government customers to proactively protect themselves against cyber crime. Telstra offered information and briefings on a sophisticated new security system, Distributed Denial of Service Protection. This protection service intercepts an attack in the online network and redirects the offending traffic to prevent the customer's internet gateway from shutting down. The network-based, managed security solution is an easy and scalable way to protect customer networks from Distributed Denial of Service and other online security breaches.

Electromagnetic energy

Telstra acknowledges there is some community concern that exposure to low levels of electromagnetic energy (EME) from our telecommunications base stations and mobile telephone handsets could lead to adverse health effects.

Telecommunications facilities emit radiofrequency EME as "radio waves" or radio signals. Other radio wave signals transmitted by communications facilities include TV signals, AM and FM radio signals, taxi service signals, paging network signals, emergency service communications, and police two-way radio.

Telstra relies on the expert advice of national and international health authorities such as the Australian Radiation Protection and Nuclear Safety Agency – an agency of the Commonwealth Department of Health and Ageing, and the World Health Organisation (WHO) for overall assessments of health and safety impacts.

The WHO reports that from all the evidence accumulated so far, "no adverse short or long term health effects have been shown to occur from the radio frequency signals produced by base stations."

On mobile phones, the WHO reports that "the overall evidence available to date does not suggest that the use of mobile phones has any detrimental effect on human health."

More information is available at **www.who.int/peh-emf/about/WhatisEMF/en/index3.html**

During 2007/08, Telstra completed 1,131 mobile infrastructure projects which included 129 new development applications and 425 Australian Communication Industry Forum consultation proposals. The Australian Communications and Media Authority (ACMA) confirmed that they received five complaints regarding Telstra proposals this financial year.

Each year, Telstra publishes information on the Radio Frequency National Site Archive as part of our transparent approach to EME and telecommunication. This year this included:

- Environmental EME Reports: 7,057 updates to 4,130 distinct sites;

- EME Compliance Certificates: 1,426 updates to 1,260 distinct sites; and

- Radio Communications Site Management Books: 1,719 updates to 1,451 distinct sites.

In 2007/08, we presented at six leading international EME conferences and workshops, including the Bioelectromagnetics Society Annual Meeting in San Diego, and provided sponsorship for the Australian Centre for Radiofrequency Bioeffects Research Science Week 2007. The aim of the Science Week is to improve the public's understanding of radio communications technology.

EME research

Telstra employs three full-time research professionals in the Chief Technology Office to oversee and support our engagement in external EME research. This research is conducted primarily in collaboration with the Australian Centre for Radiofrequency Bioeffects Research.

In 2007/08, research projects undertaken with the Centre included human, animal and isolated cell culture studies on potential health effects; dosimetry studies for more robust exposure standards development; and extensive reviewing of the scientific literature to provide the most up-to-date knowledge of the global research effort and the latest conclusions on potential health impacts from exposure to EME.

Also in 2007/08, in collaboration with Swinburne University of Technology, Telstra opened a new $600,000 research facility at Swinburne's Hawthorn campus in Melbourne, to undertake specialised radio frequency dosimetry research and to support the research efforts of the other collaborators of the Australian Centre for Radiofrequency Bioeffects Research. Telstra contributed $300,000 and lab equipment to the new facility.

SuperClubsPLUS Australia

Case study

A protected and safe online learning community for young Australians is now a reality thanks to the efforts of Intuitive Media Australia, La Trobe University and the Telstra Foundation.

The active education program, SuperClubsPLUS Australia, equips children with the skills, confidence and aptitude to effectively and safely engage on the internet.

Providing an online voice for six to 12 year olds, SuperClubsPLUS Australia is a localised version of an initiative of Intuitive Media UK. It includes Australian mediators protecting and encouraging children in 'real time', and local content, partners and curriculum mapping across all education jurisdictions.

SuperClubsPLUS allows young people to safely explore their identity, and reach out to significant adults, such as children's authors, guest politicians, and journalists, as well as each other, through 'Super Hot-Seats'. 'SuperClubbers' can talk to local and global audiences, but are protected by a sophisticated mix of software tools, intelligent systems and real-time mediators. It is a safer alternative to the online communities found in MySpace, YouTube and Bebo.

Using SuperClubsPLUS helps young people develop an advanced understanding of online tools and technologies, and an opportunity to use them in purposeful activities.

In addition, SuperClubsPLUS Australia provides an online space for children and teachers to learn in a different environment. Information and communication technologies learnings from each of the states' education curricular for this age group will be mapped to programs in SuperClubsPLUS.

With over 6,000 kids signed up in just the first two months of SuperClubsPLUS going live, the aim is to have 40,000 children registered in the first two years of the program.

Spring Gully Primary School teacher, Narissa Leung, believes that SuperClubsPLUS Australia teaches students more than just computer skills.

"It provides students with a moral compass for safe internet use and an authentic purpose for both reading and writing," Ms Leung said.

The Telstra Foundation, through the Community Development Fund's Cyber Safety program, is supporting SuperClubsPLUS Australia with a grant of $1 million over two years.

Community engagement

Key to Telstra's site selection process is the need to strike a balance between providing reliable services and minimising impact on the community and the local environment. Telstra endeavours to locate facilities in industrial and commercial areas wherever possible in order to minimise disturbances to local communities.

A dedicated team at Telstra actively reviews new site proposals and develops suitable community consultation plans. The level of consultation varies depending on the type of facility proposed (new site or upgrade of an existing site), local government policy and advice, and importantly the local area and community.

Telstra invites nearby communities and local government to actively participate in the consultation process, and provides a range of avenues for engagement including written notification to residents, advertisements in local papers, notices at the proposed site, local "drop-in" sessions at a neighbourhood house, special council briefings, telephone hotlines, house to house visits and one-on-one information sessions.

Telstra provides comprehensive information about EME and health, including research and fact sheets, at **www.telstra.com.au/ememanagement**

Socio-economic contribution

As the telecommunications nerve centre of Australia, Telstra provides the nation with a foundation for economic growth, productivity improvement, sustainable prosperity and global competitive advantage. As a business enterprise, we have a responsibility to our shareholders and to the nation to continually improve the financial performance of our company and its businesses. By doing this in a responsible way, we foster prosperity in the industries and communities in which we participate.

Economic impact

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 2007/08 financial year, Telstra's business activities:

- supported 46,649 jobs (total workforce);
- paid out $4.2 billion in salaries and wages;
- paid out $3.4 billion in dividends to shareholders;
- paid $1.7 billion in Commonwealth, state and local taxes;
- purchased more than $11 billion in goods and services from around 8,000 suppliers; and
- invested $4.9 billion to continue the build out of the Next G™ wireless broadband network; the continued deployment of the Telstra Next IP™ network; creation of new and advanced business support and operating support systems; and other investments to transform the delivery of telecommunications services in Australia.

Financial summary
Year ended 30 June 2008*

2007/08	2003 $M	2004 $M	2005 $M	2007 % change
Sales revenue	24,657	23,673	984	4.2
EBIT	6,226	5,779	447	7.7
Profit after tax and minority interests	3,692	3,253	439	13.5
Ordinary dividends (cents per share)	28	28	-	-

* Includes Sensis

Industry awards

In one of the biggest end-to-end transformations ever undertaken by a global telecommunications carrier, Telstra is now past the three year mark in its five year transformation. We are transforming from a 20th century phone company into a world class media-communications company, implementing next generation networks, transforming our IT systems and introducing market-based management to improve our customers' experience. The transformation, which is supported by global strategic partners such as Accenture, IBM, Ericsson, and Alcatel-Lucent, is producing world-leading results. In 2007/08, Telstra's achievements have been recognised by a number of key industry awards, including:

- 2008 Telecom Asia Awards – 'Best Asian Telecom Carrier' and 'Best Mobile Carrier';
- 2007 Australian Telecom Awards – ' Telecommunications Company of the Year', 'CEO of the Year', 'Best Internet Service Provider', and 'Mobile Carrier of the Year';
- Global Telecoms Business Magazine's 2007 'Innovation Award' for IT Transformation;
- Australian Communications Alliance Awards – 'Innovation Mobility Award' for the Telstra Next G™ network;
- National Mobile Media Awards – 'Best Mobile Entertainment'; and 'Best of Show' for Wotnext;
- International Engineering Consortium, Broadband World Forum – InfoVision Award for BigPond Wireless Broadband; and
- Engineers Australia Excellence Award, Sydney Chapter of Engineers Australia – Award for Control Systems, Network Infrastructure and Telecommunications – Telstra Next G™ network.

The complete list of Telstra honours can be found at **www.telstra.com.au/abouttelstra/corp/awards.cfm**

Productivity and innovation

Telstra's vision is for a National Broadband Network for all Australians, to enable a turbo-charging of health, education, environmental conservation and development, commerce, innovation and social inclusion. We are already delivering Australia's largest and fastest national mobile broadband network.

Our networks explained

The Next G™ network is Australia's largest and fastest national mobile broadband network. Telstra's Next G™ network offers the best combined breadth and depth of third generation mobile coverage in Australia, covering more than two million square kilometres – more than three times the size of France. The Next G™ (850MHz) network provides 3G services and wireless broadband access to 99 per cent of the Australian population, spanning city to country including many remote coastal and rural communities, and is the world's first national network to offer up to 200 kilometre cell range. Some advantages of the Next G™ network include:

- more mobile phone services – in addition to the standard voice calls and text messaging, the Next G™ network allows its users to make and receive video calls, and enjoy broadband access to the internet;

- laptop and PDA access – the Next G™ network can also be accessed using laptops and PDAs via PC cards;

- faster data speeds – the Next G™ network is up to five times faster than other 3GSM networks, with typical user speeds averaging 550Kbps to 3Mbps; and

- international roaming – the Next G™ network has one of the world's best international roaming footprints, allowing customers to make voice calls in more than 172 countries and to access 3G services such as video calling and high speed data in 41 countries.

Breast Screen Tasmania
Virtual Care

Case study

Launched in April 2008, a new telehealth initiative powered by Telstra's Next G™ network is revolutionising the way screening mammograms are processed for women living in rural and regional Tasmania. Significant advancements in healthcare often come from simple solutions, and this one could not be more straightforward.

"The beauty of this application is its simplicity," said Telstra Country Wide® Executive Director for Tasmania and Victoria, Grant Wiltshire.

"A combination of wireless broadband and digital mammography equipment means that images previously couriered in hard form can be emailed to the radiology reading facility in Hobart."

Lara Giddings, Minister for Health and Human Services, said that the initiative had reduced the time taken for individual mammogram files to be transferred from the mobile screening unit to the Hobart reading facility from as much as five days, to just four minutes.

"Until now, lack of mobile broadband communications has meant time-consuming manual processes for delivering client files and mammograms to and from the Mobile Unit," Lara said.

"Files and appointment schedules have been packed in suitcases and delivered by courier to the Mobile Unit wherever it has been located around Tasmania – a process taking up to five days depending on the location.

"Returning the files and screening mammograms to Hobart for reading and archiving has been similarly inefficient.

"In the past, the Mobile Unit has been unable to even connect to a telephone line.

"This, coupled with the many and varied locations the Mobile Unit visits, and the challenge of the size and complexity of the x-ray images – about 10 megabytes per single x-ray – has required creative solutions."

BreastScreen Tasmania is one of the increasing number of organisations using the Next G™ network to increase efficiencies and drive improved productivity.

Telstra Country Wide Executive Director for Vic/Tas, Grant Wiltshire, Tasmanian Minister for Health, Lara Giddings and BreastScreen Tasmania's Jenny Huntley demonstrate the digital mammography imagery being sent to Hobart in real-time for diagnosis.

Our networks are already having a profound social and economic impact

In addition, Telstra has delivered the Telstra Next IP™ network which, coupled with the Next G™ network, is one of the largest fully integrated nation-wide IP networks in the world. The Telstra Next IP™ network is secure, more scaleable, more reliable and simpler to access than any other network in Australia.

Our ADSL broadband network covers 92 per cent of the population and our ADSL2+ services are enabled in more than 1,400 exchanges allowing customers to access speeds up to 20Mbps.

Changing the way we live and work

These networks are already having a profound social and economic impact – changing the way people live their lives, changing businesses, and increasing Australia's ability to compete globally. They underpin significant changes from information that is compartmentalised, fragmented by provider and hard to access, to information that is integrated, user-generated and accessible in real-time.

On a personal level, people are using Telstra's Next G™ network to make live video calls, especially for special occasions such as Christmas, birthdays, weddings and christenings, strengthening kinship ties and allowing people who can't travel to stay in touch with those close to them.

On a broader level, our networks are used to improve emergency services, address critical resource shortages in health and education, and to improve efficiency and productivity in industry.

Health care

With an ageing population and shortfalls of doctors and nurses in rural and regional areas, Australia's health system is under pressure. Telecommunications networks can underpin a series of positive changes in the patient, medical professional and health administration experience.

Using our networks, it is now possible for an ambulance to arrive more quickly by using our location technology to pinpoint the scene and the nearest ambulance; a patient's records to be made available instantaneously by the speed, reliability and robustness of our Telstra Next IP™ network; and the best professionals to be alerted immediately for diagnosis and recommendation by using our wireless broadband Next G™ network to record and transmit the patient's condition via video.

Community nurses are using Next G™ to remotely access client records and update files, eliminating the need to go back to base. They also take and send pictures and videos of wounds to receive dressing advice over the phone, saving time and resources, and delivering more immediate and appropriate care.

Health professionals, such as dentists, speech therapists, obstetricians, cardiologists, pathologists, paediatricians and physicians are using the Next G™ network to view electronic patient records, make prescriptions, access pharmaceutical data and conduct mobile video consultations.

This saves travel time, reduces the delay for diagnosis and, most importantly, gives patients timely advice about improving their health and wellbeing in locations where specialist attention previously may not have been available.

Virtual real-time critical care bridges distance and gives access to specialists assisting in the stabilisation of the patient, reducing the need to transfer patients from regional to big-city hospitals.

Business

A December 2007 study of 26 businesses in 15 industries using Telstra's Next G™ wireless broadband network found on average a 9.3 per cent increase in productivity after using Next G™ for an average of seven and a half months.

Productivity gains among users interviewed varied from 1.1 per cent to 27.3 per cent.

31 per cent of those surveyed were in rural or remote areas. It's in these areas where the highest productivity gains were seen.

The productivity drivers included reduced travel and expenses; better use of time while offsite or travelling; access to more information remotely; and reduced staff time supporting information requests from offsite workers.

Businesses across all sectors are using our networks to save on travel time and fuel expenses to improve productivity. For example, cattle farmers are using Next G™ to remotely monitor water levels, gates and fences, and remotely control water pumps, not only saving time and fuel, but reducing maintenance and improving livestock longevity.

The study was prepared for Telstra by Enotech Pty Ltd.

Education

Access to high-speed broadband is set to transform the way we learn in a new era of anywhere, anytime learning on digital devices and in virtual classrooms. In the era of high-speed broadband, learning will be accessible across any digital device, which means learning content will be available on PDAs or smart phones when it's most needed or most convenient.

With fast network speeds, students have faster and easier access to content in their preferred formats – whether that is video, simulator or gaming. People will be able to upload, co-create and comment on learning content as easily and quickly as they can access it, and shared learning will also be enhanced.

Educators are currently using Next G™ Telstra Turbo Cards in laptops to stream live video of environmental projects to schools around the country, giving school students a richer learning program. Importantly, students can be connected with live learning no matter their location.

Indigenous business organisation more efficient

Case study

With more than 200 staff working in remote locations around Australia, Indigenous Business Australia (IBA) relies on Telstra's Next G™ network to keep in contact.

IBA is a Federal Government organisation based in Canberra which negotiates home and business financing with Indigenous communities.

Having switched to the Telstra Next G™ network, IBA staff can now make mobile phone calls from places as remote as Wadeye, west of Darwin, and log onto their central database.

According to IBA's Information Technology and Telecoms Manager, Charles Roberts, the new arrangements have made the organisation between 25 and 30 per cent more efficient.

IBA representatives conduct much of their work in remote Indigenous communities where they meet with individuals and organisations to set up funding for home or business loans.

Working mainly in Queensland, the Northern Territory and Western Australia, staff members traditionally had to cope with slow and unreliable phone and internet access in bigger towns, and no internet access at all in remote areas.

Prior to switching to the Next G™ network, many staff members had to rely on satellite phones to set up appointments or check in with colleagues at other locations.

Computer access to IBA's database was limited, and staff had to travel hundreds of kilometres to and from areas to get access.

The IBA now has 115 Next G™ mobile handsets and 71 Next G™ Turbo Cards providing staff with access to office servers and systems, email, and fast broadband while out of the office.

"I can now use a laptop to do a job on the top of Uluru or in Wadeye, and it's not only general administrative work that we can now do", Charles said.

"We can also access all our records so that we can check the details we need to say yes to a loan or a business deal right there and then.

"Now that staff members don't have to travel to where they previously needed to for internet access, and we are able to access our network in many places across Australia, I believe that moving to the Next G™ network has improved our efficiency by up to 30 per cent."
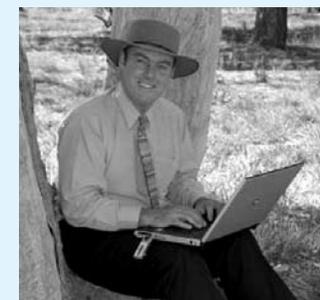
Charles Roberts,
Indigenous Business Australia.

Influencing corporate responsibility outcomes

A company as large as Telstra has the opportunity to influence the corporate responsibility behaviours and outcomes of those stakeholders with whom we engage.

Suppliers

In 2007/08, Telstra purchased approximately $11 billion in goods and services from around 8,000 suppliers . The number of suppliers involved and the size of spend puts Telstra in a strong position to influence the environmental and social standards of our suppliers. We recognise that our suppliers have the potential to make significant, positive contributions to the communities in which they operate and to directly impact Telstra's own corporate responsibility performance.

Our supply chain

Telstra has more than 800 major (over $75k spend) active contracts in place with a diverse range of suppliers for a range of products and services. The main categories of spend include: network equipment, including exchanges, pits, pipes and construction services; customer equipment, such as mobile handsets and telephones; strategic marketing including advertising, media, sponsorship, brand and marketing services; office products; motor vehicles and mechanical aids; IT hardware and software; directory paper; and labour, including agency, IT and consultancy.

Supply chain transformation

As part of Telstra's transformation, our supply chain is being reformed. We're moving from a costly scenario of too many suppliers, systems and standards to a single way to procure, a single way to connect with suppliers, and a single company-wide view of our vendor activity. The benefits include: cost effectiveness; greater visibility of the end-to-end supply chain; process improvements through the automation, standardisation and the integration of our processes resulting in greater efficiency and simplification. Greater vendor visibility also means Telstra is able to better monitor and enforce network compliance and to continue to ensure a high standard of conduct from our suppliers.

Telstra has signed a seven-year contract with IBM to provide a number of supply chain services including contract management and reporting systems, and to operate an integrated supply chain for internal spend on products and services. IBM is committed to upholding high standards of ethical, social and environmental conduct in its supply chain and has implemented a global Supply Chain Social Responsibility program worldwide across their network of suppliers. IBM will continue to work with Telstra to identify possible process improvements in the supply chain.

Supplier evaluation process

Telstra's Business Principles provide a framework to ensure that we operate ethically and with integrity in purchasing goods and services and conducting business with our vendors. Social and environmental considerations in our supplier selection and evaluation processes are guided by our Purchasing Ethics Guidelines and Environmental Purchasing Guidelines.

Purchasing Ethics Guidelines aim to ensure that in undertaking our purchasing activities we assess the relevant impacts we make on society and that we take into account our health and safety responsibilities, and the economic, environmental and community impacts.

The Environmental Purchasing Guidelines aim to ensure consideration of environmental issues in the purchasing of all products and services by Telstra.

The fundamental elements of these policies, along with our Health, Safety & Environment (HS&E) framework, have been incorporated into the company's Strategic Sourcing and Vendor Management processes.

Strategic sourcing

Our supplier selection process includes a risk assessment designed to identify environmental and occupational health and safety risks in particular and broader social risks more generally. Depending on the risk evaluation we may require that our suppliers have:

- formal management systems and plans that manage any HS&E aspects and impacts associated with their business and any products or services supplied;

- a history of HS&E compliance and good performance;

- evidence of how they manage the HS&E performance of their subcontractors; and

- socially responsible contractual obligations specific to the products or services they are supplying.

As a result of our cross business risk assessment-based sourcing process, high risk products, services and vendors are identified (eg, clothing manufacturers, labour services) and may be subject to greater scrutiny including visiting manufacturing premises and seeking evidence of company policies.

For example, before procuring work services from an industry partner, we inspect the vendor's premises and perform a rigorous risk assessment against key Telstra policies and employment conditions including: work environment; leave and breaks; HS&E; equal employment opportunity; bullying and whistle blowing; privacy; unions; employee assistance programs; reward and recognition, and remuneration.

Vendor management

Vendor managers have ongoing relationships with key suppliers. They monitor and address delivery, quality, and HS&E issues. The contract with a vendor requires compliance with Telstra's HS&E standards, and apart from the information captured during the sourcing process, contracts with specific high risk suppliers contain conditions covering ongoing reporting obligations.

Property vendors are also contracted to identify environmental improvement opportunities as well as to support and collect data to assist us with meeting the objectives of the Greenhouse Challenge and National Packaging Covenant.

Awards

Telstra helps to build social inclusion and encourages environmental stewardship by supporting and recognising those individuals and organisations that are making a difference.

We have sponsored the National Aboriginal & Torres Strait Islander Art Award since 1992, recognising the achievements of Indigenous artists. The Award is an important showcase for both established and emerging artists and has come to be regarded as the premier national event in the Australian Indigenous art calendar.

The 2007 winner was Dennis Nona, whose artwork, Ubirikubiri, won the coveted $40,000 prize. Widely acknowledged as one of the most important Torres Strait Islander artists of his generation, Nona's work was chosen from over 300 entries submitted in the award.

Telstra has been a major sponsor of the Banksia Environmental Awards since 1993 and in 2007/08 we celebrated 14 years of partnership. The Awards acknowledge excellence, dedication and leadership in areas that contribute to the environment and a sustainable future. Through the awards program the Banksia Environmental Foundation aims to raise the profile of the current environmental issues facing Australia and recognise those whose initiatives are an encouragement and an example for others to follow. In 2007, Telstra sponsored the inaugural environmental People's Choice Award, which was won by The Falls Festival – The Greenest Festival in Australia.

The Telstra Business Women's Awards have become an integral part of the Australian business calendar. The awards are a showcase of successful women and provide a powerful platform to help redress the ongoing under-representation of women in management ranks. Telstra has proudly sponsored these awards since 1995, celebrating the achievements of a diverse group of top Australian businesswomen and promoting the valuable contribution women make to the business sector and the wider community.

The 2007 Telstra Australian Business Woman of the Year was Leanne Preston. Her innovative company, Wild Child, is now an internationally successful business.

In 2008 Telstra sponsored the Telstra Environment Awards, through which Network Ten recognises and rewards the individuals and communities that are working at a local level to protect the environment, reduce greenhouse emissions and ensure a sustainable future. The awards are open to schools, individuals, community groups and small businesses across Australia. There are monthly prizes of $2,000 in each state and an annual prize of $5,000 for the most significant community environment project in each state.

Planned actions for 2008/09

- Improve the relevance, transparency and accessibility of Telstra's corporate responsibility information on Telstra's website.

- Conduct a review of Telstra's human rights position and practices to assess performance against international standards.

- Introduce feature sections on nowwearetalking to provide a platform for public discussion and debate about the environment and the National Broadband Network.

- Reduce paper consumption by continuing to transform our supply chain operations to effective, electronic business, including online drafting and execution of contract documentation.

Holly Kramer, GMD Telstra Product Management and Telstra Business Women's Awards ambassador, Margot Spalding, 2006 Telstra Australian Business Woman of the Year, Leanne Preston, winner 2007 Telstra Australian Business Woman of the Year Award with Sol Trujillo, Telstra CEO.

2

Communities matter

Telstra is actively involved in the communities in which we operate.

Geoff Booth, Group Managing Director,
Telstra Country Wide

As Australia's leading telecommunications provider and one of its largest companies, we know the positive impact our business can have on community life and wellbeing. With customers, employees and operations right across Australia, Telstra takes an active interest in the issues facing all Australians, from the capital cities to the remotest parts of our country.

As the head of Telstra Country Wide®, and a Director of the Telstra Foundation, I have a keen and direct interest in our community activities. Telstra continually strives to improve the delivery of telecommunications to help bring Australians closer together by breaking down the tyranny of distance created by our small population and large landmass. In addition, we are always looking for ways to make a positive contribution to Australia's social and community wellbeing, whether it's through our strategic philanthropy, community business partnerships, local sponsorships, disaster relief or community engagement in product and service development.

All businesses, especially large enterprises such as Telstra, have an important role to play in strengthening civil society and supporting civic leadership. We do this by contributing our resources – people, money, technology, products, services and information – to support the communities in which we work and live, their civic leaders, and society as a whole. We have the greatest impact by doing this in areas where Telstra has the expertise and resources to make a difference.

When Australia is hit by devastating natural disasters, Telstra's communications technicians are among the first on the scene to assist emergency and essential service organisations with their contingency communication needs and to restore telecommunications services to our customers. Our philanthropic and community business partnership endeavours use information and communication technologies to enhance social inclusion and improve the health and education outcomes for individuals, families and communities across Australia. We share the knowledge and expertise of our employees to help build the skills and capacity of local enterprises and communities.

We are also committed to addressing the needs of those most disadvantaged in society. The programs of the Telstra Foundation's Community Development Fund aim to assist children and young people who are socially or geographically isolated, and include a strong focus on improving the health and education outcomes of Australia's Indigenous children.

In 2008, Telstra participated in the London Benchmarking Group's process for the second year. London Benchmarking Group Australia/New Zealand is a business membership organisation that provides a framework for members to measure and benchmark their corporate community contribution. As an indication of the level of our commitment and the breadth of our activities, Telstra's 2007/08 contribution was valued at $29.2 million.

Telstra promotes its community support programs to its employees as it helps demonstrate that we take our social responsibility seriously, and helps engender pride and loyalty in the organisation. To be involved in and understand the communities in which we operate is good for civic life and the future prosperity of Australia, which is ultimately good for Telstra.

Disaster relief

Each year Australia is hit by devastating bushfires, floods, cyclones and other natural disasters, destroying the homes and impacting the livelihoods of many Australians. When disaster strikes, Telstra's first priority is to assist the emergency and essential service organisations with their telecommunication requirements. Typically, our communications technicians are among the first to enter disaster affected areas to restore telecommunications services to our customers as quickly as possible. Telstra also offers relief packages to affected customers. Volunteer and First Response Leave is available to our employees, which enables them to volunteer to provide critical services for the protection of life and property.

Telstra is proud of its long history of responding to communities affected by natural disasters in Australia, and to natural and civil disasters that occur overseas. Telstra's Disaster Relief Policy ensures the timely and effective delivery of support to affected customers and communities.

Over the 2007/08 year Telstra provided relief to customers and communities affected by the following natural disasters:

- bush fires in Willunga in South Australia, and in Parkerville and Stoneville in Western Australia;

- floods in the central and north coast of New South Wales;

- floods in Emerald, Rockhampton, Mackay, Charleville, Gold Coast, Beenleigh, Jimboomba, Beaudesert, Rathdowney, Boonah, Clifton, Allora, Warwick and Killarney in Queensland;

- cyclone Nargis in Myanmar (Burma); and

- the earthquake in the Sichuan Province in China.
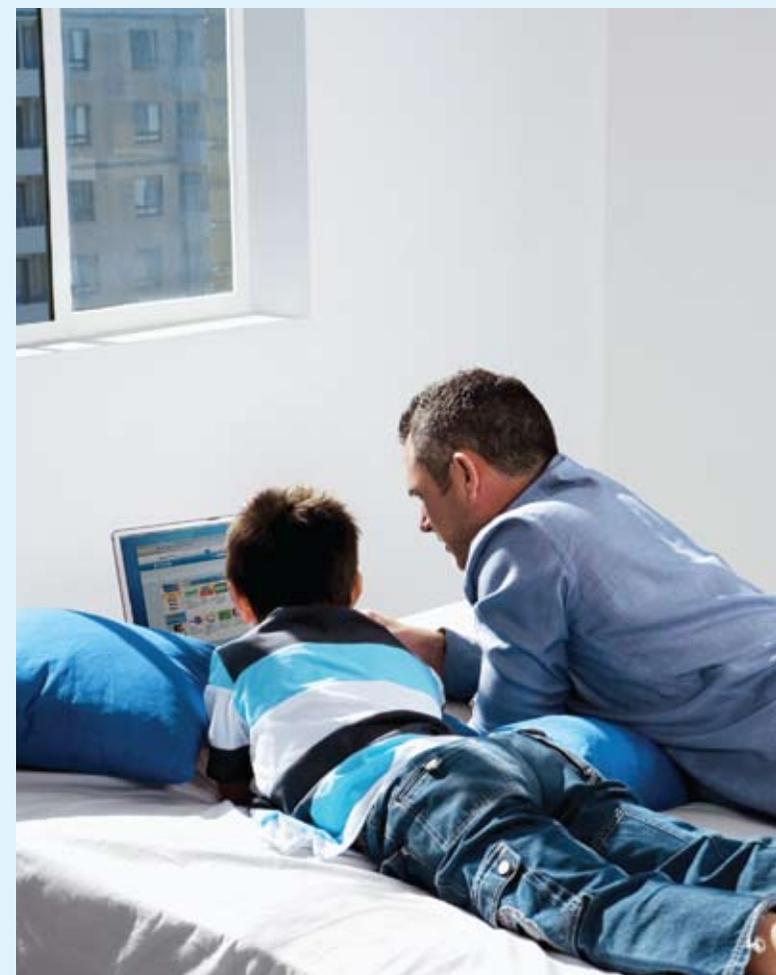
Lending a Helping Hand

Case study

With the upgrade of nab's desktop computer fleet, Telstra Enterprise and Government's nab Account Team in partnership with nab used the decommissioned technology to address an important need.

In a move that has both environmental and social benefits, the partnership developed the Helping Hand project to manage the disposal of the technology to support disadvantaged communities.

Since the project's inception in 2007, over 3,400 desktops and almost 300 laptops have been donated, as well as other equipment such as printers, routers and switches. Donations have gone to local organisations such as Yooralla, the Reach Foundation and the Opening the Doors Foundation. Through the Reach Foundation the project undertakes international donations, with devices going to orphanages and schools in Mali, Vietnam, East Timor, Cambodia, Fiji, Papua New Guinea and India.

One of the project's largest donations is to the Wired Community@Collingwood project in Victoria, run in conjunction with Infoxchange Australia. This project will deliver broadband and computer access to residents of the Collingwood commission flats and close to 1,000 Helping Hand desktop personal computers have been donated.

The Helping Hand project aims to donate around 4,000 desktops and 250 laptops to communities and organisations in 2008/09. As a part of their contribution to Wired Community@Collingwood Telstra volunteers, in conjunction with nab, will train the residents so that they have the skills and knowledge needed to maximise the use of their computer.

Relief packages

Telstra's relief packages are determined by the nature and scale of the specific event, are available for the time it takes Telstra to restore services to the affected customers or for a specified period, and can include support across a combination of:

- free call diversion from an affected home phone service to a fixed or mobile service of the customer's choice, regardless of the carrier;

- translation of call costs from mobile phone rates to fixed phone rates for customers whose fixed home phones are affected;

- a dedicated emergency assistance hotline to assist customers affected by the disaster with their telecommunications service needs;

- cancellation of a fixed phone and/or BigPond internet service with a free reconnection within 12 months for customers whose homes have been affected by the disaster; and

- a one-off $50 credit to eligible Telstra mobile services customers whose homes were affected by the disaster and who did not have a fixed phone.

Our assistance continues for up to 12 months for those who lose their homes to these disasters.

International response

The support we provide when disasters occur internationally is dependant on the location and nature of the event. In many instances, it is not possible to use telecommunications after a disaster, and often it is essential that services be left free for emergency response requirements. Telstra also considers each situation in terms of whether we have an operating presence in the affected area or whether we have a significant customer or employee base with an association with the area, or both. Our assistance usually focuses on the provision of free calls for customers here in Australia to make contact with and confirm the safety of family and friends in the affected areas.

Community business partnerships

Through our community business partnerships Telstra provides much needed products, services, skills and expertise to support the work of not-for-profit, charity and community organisations.

We seek to develop partnerships that reduce the impacts of social and geographic isolation or increase social inclusion, with a focus on health, employment and education. Community business partnerships deliver benefits not only to the partnered organisation and its clients, but also to our overall reputation and long-term business success.

In 2007/08 Telstra supported the following ongoing community business partnerships:

- onTrac@PeterMac – Supported by Telstra since 2004, this program delivers clinical services and researches best-practice care for adolescents and young adults with cancer. Telstra provides video and voice conferencing solutions and Next G™ wireless turbo cards to enable delivery of support and services. This year the reach of the program was extended to regional patients via a trial focused on the Loddon Mallee area of Victoria.

- Cavill + Co HeartSmart® NPO Toolkit – Telstra has supported Cavill + Co to develop a distance education tool that builds the capacity of not-for-profit organisations to form partnerships with the corporate sector. Telstra provides video conferencing to enable the participation of not-for-profit organisations that would otherwise be excluded by their inability to travel to Sydney or Melbourne for the tutorials.

- Carnegie Mellon University scholarships – Telstra recognises the importance of investing in the future knowledge base of our industry. One such investment saw Telstra fund 15 Information Technology post-graduate scholarships to the Carnegie Mellon University, Heinz School Australia in Adelaide, representing a total investment of $1.35 million over five years commencing in 2008.

Telstra's support of programs such as this reflects its commitment to Australia's future information technology skills and capability and provides an exciting opportunity for postgraduate IT students in Australia.

- Mobile Tracking Young People's Experiences Program – Telstra has worked with the Centre for Adolescent Health, Murdoch Childrens Research Institute, for three years to help develop and apply a tool that uses mobile technology to improve diagnosis and treat depression in young people. Through our supplier ZTE we provide mobile phones. Telstra has also set up pre-paid accounts and deliver the SMS on the Telstra mobile network at no cost to the patients, to ensure no-one is excluded from participating in the trial. In 2008 the program was extended to include patients and general practitioners (GPs) from the Bendigo region.

Telstra Foundation

The Telstra Foundation delivers Telstra's corporate philanthropy program and is the cornerstone of our community investment strategy. The Telstra Foundation identifies and provides funding to projects that reflect its priorities – backing social innovation, using information and communication technologies, building the capacity of community organisations and having a measurable impact. The focus is on the future, which is why the Telstra Foundation supports a range of projects that seek to make a positive and lasting difference to the lives of children and young people.

Operating two grants programs, the Telstra Foundation Community Development Fund and Telstra's Kids Fund, the Telstra Foundation has financially supported over 4,400 projects to the value of $25.6 million since its inception in 2002.

The Community Development Fund supports community organisations to deliver projects with one purpose in mind – to connect children and young people to their communities. To achieve this, the Community Development Fund has three focus areas:

- Social Innovation Grants underpin the Telstra Foundation's focus on technology and social connection;

- Indigenous Community Development supports projects that improve the educational and health outcomes of Indigenous children and young people; and

- Spotlight on Cyber Safety focuses on projects that help keep children safe online.

Telstra's Kids Fund is an employee directed giving program that provides grants of $1,200 to local community organisations that involve the participation of a child or young person directly related to permanent Telstra employees. Telstra's Kids Fund supports a broad range of initiatives and projects across education, sports and recreation, arts and culture, and the environment.

The Telstra Foundation aims to provide an integrated relationship with funded organisations, drawing on the core competencies of Telstra to offer additional support including technical expertise, leadership and management skills and key resources.

In 2007/08, over $3.9 million in funding was provided through the Telstra Foundation to more than 667 projects to help connect children and young people to their communities.

This included:

- $1,000,500 in Social Innovation grants to support seven new projects;

- $784,221 in Cyber Safety grants to support four new projects;

- $930,000 in grants to support 12 ongoing Indigenous Community Development projects;

- $485,500 in grants to 11 ongoing community development projects; and

- 631 Telstra Kids Fund grants totalling $749,328 made to support the activities of sporting clubs, community groups and schools across Australia.

Abracadabra! The Telstra Foundation is helping NT kids read

Case study

Thanks to the Telstra Foundation, Indigenous children in the Northern Territory are benefitting from a bit of magic – Abracadabra! In November 2007 the Telstra Foundation announced its $750,000 support of a unique reading, writing and learning interactive software tool that will help Indigenous primary school children improve their literacy skills.

Speaking at the announcement in Darwin, Geoff Booth, Telstra Foundation Director and Telstra Country Wide Group Managing Director, said that the Telstra Foundation was committed to connecting children and young people to their communities, and literacy skills were a key part of achieving this aim.

"This grant, which is one of the largest given by the Telstra Foundation, demonstrates our commitment to have a significant impact on socially and geographically isolated children. The use of this innovative software has been proven to assist children in similar situations, and we're absolutely thrilled to be part of such important work," Geoff said.

Project leader, Associate Professor Tess Lea from the School for Social and Policy Research at Charles Darwin University, said that despite specific attempts to improve literacy skills in four to eight-year-old Indigenous children in recent years, statistics indicated there was still a significant proportion that were failing to learn basic reading skills.

"Education outcomes for Aboriginal people in northern Australia are consistently below minimum literacy and numeracy benchmark levels across all levels of schooling," Tess said.

"This project aims to give these students a boost using a computer program that has had proven success with disadvantaged children in Canada. We hope that with rigorous testing and research we can have the same outcomes here in Australia."

Originally designed by Concordia University in Canada, Abracadabra! is a proven interactive web-based software program that engages children and improves base literacy skills – including listening and reading comprehension, letter-sound knowledge and phonological blending.

The research team is piloting the software during the first two years and will make the necessary adjustments to ensure it is suitable for early learners in the NT, including Indigenous students. The team will implement, evaluate, refine, test, and conduct small-scale experiments in a number of schools, gradually scaling the project up over three years as the program demonstrates its effectiveness.

"The generous support of the Telstra Foundation has been pivotal in getting this project off the ground," Tess said.

Children from the Ludmilla Primary School in Darwin enjoy the Abracadabra! Program.

Making a positive and lasting difference to the lives of children and young people

In 2007/08, the Telstra Foundation Community Leadership Program was developed and piloted. This new initiative is a capacity building program that links Telstra executives with leaders from community organisations. The Telstra Foundation is working in partnership with Social Ventures Australia to deliver this program.

For more information on the Telstra Foundation's programs visit **www.telstrafoundation.com.au**

Sponsorship

Telstra is one of the largest corporate sponsors in Australia and our diverse range of sponsorships touch Australians from all backgrounds and communities right across the country. Telstra is proud of the part it plays in supporting Australia's rich cultural heritage and development.

In 2007/08, Telstra provided sponsorship of the following events and programs:

WWF – Australia
In November 2007, Telstra announced a new partnership with WWF Australia. The WWF Building Nature's Safety Net program aims to drive the increased acquisition of protected areas to establish safe havens for Australia's wildlife and help them combat the impacts of habitat loss and climate change. A series of Telstra-funded community service announcements were developed for television, radio and print media to highlight the plight of many of our native animals, with some of the highest endangerment and extinction rates in the world. The advertisements featured two distinctive threatened Australian animals – the wombat and marine turtles.

Telstra Assistance Fund
With a mission to help people achieve success in their chosen sport, the Telstra Assistance Fund provides assistance at the most fundamental level by providing much needed equipment to sport and community clubs across Australia. Over the past five years, the Telstra Assistance Fund has contributed over $5 million worth of sporting equipment, from footballs and swimming aides to rescue tubes and boards, to more than 4,000 sports and community clubs. In June 2008 the Telstra Assistance Fund provided another $1.25 million worth of equipment to AFL, rugby league, soccer, swimming and surf life saving clubs across Australia from a record number of 3,191 applications.

Telstra Road to Tamworth
Conceived in 2003, the Telstra Road to Tamworth competition is a nationwide talent quest offering a $140,000 prize package for the winner and the chance of a lifetime for aspiring musicians. Finalists have the opportunity to perform in Tamworth with the overall winner going to the home of country music in Nashville, Tennessee to record their debut single and launch their country music career. The competition's best aspiring songwriter also heads to Nashville through the Songwriters Encouragement Award. The 2008 competition involved a series of 20 heats staged across regional Australia. Heat winners received $1,000 to assist with their travel to Tamworth for the competition's grand final, staged during the Tamworth Country Music Festival in January 2008. This year's winners were Jasmine Rae (Telstra Road to Tamworth Award) and Mark Wells (Telstra Road to Tamworth Songwriters Award).

The Australian Ballet
Telstra's partnership with the Australian Ballet has been running for 24 years. It is one of the longest running arts sponsorships in the country. The sponsorship includes the annual Telstra Ballet Dancer Award, which recognises the exceptional talent of young performers with the Australian Ballet, not only for their creative accomplishments, but for their leadership skills and community endeavours. The 2007 winner of the award was Queensland soloist, 25 year old Daniel Gaudiello. In 2007/08, Telstra also made ballet more accessible to more people via its sponsorship of free outdoor performances in Melbourne and Brisbane which attracted over 7,000 people at each event.

Telstra Developing Athletes Grant Scheme
The Telstra Developing Athletes Grant Scheme allocates $50,000 funding to young athletes identified by the Australian Paralympic Committee's Talent Search Program as having the potential to represent Australia at the 2008 Beijing Paralympic Games, the Vancouver 2010 Paralympic Winter Games or the London 2012 Paralympic Games. This year, 100 grants were provided to Australia's most promising athletes.

Zanes Holmes (ironman), Jason Stevens (former rugby league player), John Aloisi (Socceroo), Brooke Hanson (former Olympic swimmer) and Ben Dixon (former AFL star) with their junior counterparts at the 2008 Telstra Assistance Fund launch.

Telstra Beach to Bush Surf Safety Program

Through our sponsorship of Surf Life Saving Australia, the Telstra Beach to Bush program travels to regional communities in Australia teaching school children surf and local water way safety lessons. In 2007/08 the program resulted in over 45,000 children participating in the program from over 330 regional schools, and aimed to combat surf lifesaving statistics that revealed that those who live more than 50 kilometres from the beach are over represented in drownings.

For more information on Telstra's community sponsorship program visit **www.beinvolved.telstra.com**

Volunteering

At Telstra we believe that one of our most important corporate responsibilities is to voluntarily contribute resources, people, technology, infrastructure, products and services to support the communities in which we operate. Volunteering has been credited to giving our people additional and transferable skills, increasing our company's standing in the community, and improving workforce morale resulting in improved recruitment and retention. It also provides the community with motivated and skilled volunteers that can extend the capabilities of not-for-profit organisations.

Telstra promotes and facilitates volunteering opportunities for employees, and encourages employees to voluntarily participate in activities that support the organisations, charities or community groups with which they are connected.

Step back in time

Case study

Australia's telecommunications history celebrated another milestone in June 2008, with Back to Morse Code Week in South Australia and the Northern Territory.

The Morsecodian Fraternity of SA and NT, in conjunction with Telstra and the Myer Centre, invited South Australians and Territorians to experience Morse Code through a live exhibition and messages being sent over the first electric communications link joining Australia to the rest of the world – the Overland Telegraph Line from Adelaide to Alice Springs and onward to Darwin.

Sir Charles Todd, Superintendent of Telegraphs, influenced the South Australian Government, independent of the other states, to build the Overland Telegraph Line from Port Augusta to Darwin to connect with an undersea cable to London back in the 1870s. When the historic line was completed on 21 October 1872, Adelaide became the hub for Australia's first speedy communications link with the world.

The Morsecodians entertained visitors at the Myer Centre Telegraph Station in Adelaide, the Lyons Cottage Telegraph Station (originally the British Australia Telegraph Company cottage) in Darwin, and the Historic Old Telegraph Station in Alice Springs, with telegrams being sent between the destinations.

Laurence Wallace, Morsecodian-extraordinaire in Adelaide, was instrumental in helping celebrate Back to Morse Code Week. Laurence's vision was to showcase communications from the 19th century historic Overland Telegraph to the 21st century communications of today – including Next G™, mobiles and broadband.

"With the assistance from the team at Telstra, we have been able to show those who visited the Back to Morse Code Week exhibition in the Myer Centre at Adelaide how far telecommunications have advanced over two centuries," Laurence said.

Instrumental in helping the Morsecodians share Back to Morse Code Week were Sue Lamshed, Telstra's Corporate Affairs Manager and Belinda Harris, Customer Service Specialist, in South Australia, and Jane de Gault, Telstra's Corporate Affairs Manager in the Northern Territory. Sue said that the team saw the importance of celebrating our telecommunications past and reminding people of how far we have come.

"We had a lot of fun pulling together the historic material that celebrates and shows what Australians in the 19th century used to communicate over longer distances. It is amazing how much progress has been made since the 1870s," Sue said.

Telstra's Community Investment area financially supported Back to Morse Code Week this year and valuable assistance was provided on the ground from the Telstra teams in Adelaide, Alice Springs and Darwin.
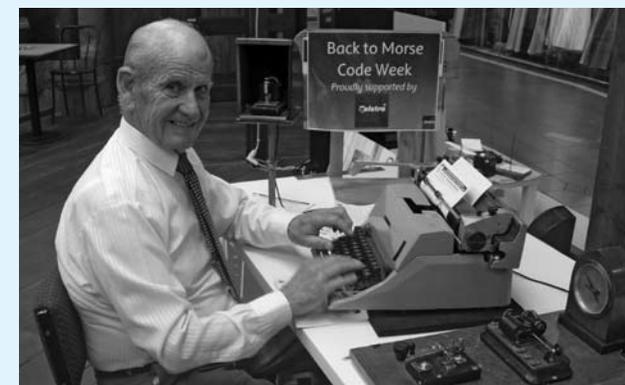
Lawrie Wallace sending a Morse Code Telegram, June 08.

Volunteer activities of Telstra's people in 2007/08 include the following:

'Yabber' – Telstra's people portal

Telstra people are an inventive, caring and motivated group involved in every aspect of Australian endeavour. This year, 'Yabber' – Telstra's intranet people portal – was introduced as a place where our employees can tell their own stories and celebrate their achievements. Yabber provides an opportunity for all employees to share their triumphs, personal challenges and passions, as well as keeping staff updated with the latest Telstra Foundation, corporate responsibility, sponsorship and Diversity@Telstra activities. Every week, the site is updated with new stories, and once a month the stories and news are collated into an electronic newsletter that is sent directly to Telstra people via email.

Legal Services Community Contribution

Telstra's Legal Services group runs its own community contribution project to provide staff members with leadership skills and opportunities to "give back" to the community. In addition to one-off charity fundraising activities, key ongoing volunteering initiatives include: a long-running program tutoring migrants in English with the Adult Migrant Education Centre; a mentoring program for high school students from Chifley College in Western Sydney; and a Cyber Volunteering program where staff provide answers to legal problems sent via email from children throughout Australia for the National Children's and Youth Law Centre.

World's Greatest Shave

Currently, more than 30,000 Australians are living with leukaemia, lymphoma or myeloma but only four out of ten adults survive. The money raised from the Leukaemia Foundation World's Greatest Shave directly supports patients and their families. Telstra employees have been involved in the World's Greatest Shave for eight years. This year, 32 employees from business units across the company registered for the World's Greatest Shave and raised

$34,000 for the Leukaemia Foundation. Michael Lewis from Telstra Operations coordinates Telstra staff participation, and says that Telstra is one of the top five Leukaemia Foundation donor groups in Victoria and amongst the top 30 nationally.

Perspectives on Parkinson's

Senior Communications Advisor Nerissa Mapes was diagnosed with Parkinson's disease – a degenerative neurological condition usually associated with elderly people – at only 28. Facing a life long battle, Nerissa established a foundation, Perspectives on Parkinson's (POP) with a very clear goal in mind – a cure for Parkinson's disease in her lifetime.

After appearing on the ABC's 7.30 Report in December 2007 Nerissa was overwhelmed by the encouragement and donations from the Telstra community. Nerissa keeps employees up to date with the latest POP news through Yabber. She has raised around $47,000 for research undertaken by the Howard Florey Institute and education, counselling and awareness activities coordinated by Parkinson's Australia. See **www.pop.org.au** for more information.

Port River Dolphins

In April 2008, the team at BigPond in Adelaide decided to play a part in protecting the Port River dolphins. Every year many of the dolphins are killed and injured through boating accidents and deliberate shootings. With corporate support, the area has been declared a sanctuary and is now regularly patrolled by government rangers. The BigPond team have adopted two of the dolphins and participate in fundraising events to help

protect the dolphins and their habitat. Centre manager Nic Caniou and employee engagement lead Michael Sparks see this as a great opportunity for the team to contribute to the community.

World of Work – WOW!

In 2007/08, the Telstra Foundation hosted seven events as part of the Education Foundation's World of Work (WOW) program. WOW builds young people's capacity to effectively participate in the global world of work. With a focus on young people from socially and economically disadvantaged communities, WOW takes groups of 25 Year 9 and 10 students from Victorian state secondary schools into companies in Melbourne's CBD to explore the question "What does it take to succeed?"

Over the year, thirty-five Telstra staff volunteered their time to participate in forums that exposed students to new learning opportunities, introduced them to Telstra's leading technology and put their networking skills to the test.

RMIT Business Masters Program

For the third year running, Telstra hosted groups of 25 students of RMIT's Business Masters Program for 12 weeks of their semester program. The sessions provided practical insight into the management and implementation of corporate responsibility by corporations across Australia, and specifically by Telstra. Dr Phil Burgess, Group Managing Director, Public Policy & Communications and Maria Simpson, Manager Corporate Responsibility and Community Investment, assisted with the review and moderation of students' final research projects.

Telstra people are an inventive, caring and motivated group involved in every aspect of Australian endeavour

Telstra Historical Collection

Telstra's historical collection consists of thousands of artefacts, photographs and documents representing the development of telecommunications in Australia over the past 150 years and the significant role Telstra and its predecessors played in this. The collection is managed by small groups of dedicated volunteers who are passionate about the contribution made by the Post Master General's Department, Telecom and Telstra to Australia's social and economic development. The volunteers spend hundreds of hours of their time each year collecting, fixing, organising, cataloguing and displaying the collection for public viewing.

This year Telstra Chairman, Donald McGauchie, visited the Bankstown and Hawthorn museums, the first Telstra chairman to do so. Telstra organised for the collection to be consolidated in January under the supervised care of the three museum locations in Clayfield (Qld), Bankstown (NSW) and Hawthorn (Vic). Located in Telstra premises, some refurbishment of each museum continues by Telstra's Fundamental Planning group. The Sydney Major Metro team provided the Bankstown volunteers with a Telstra branded canopy for their trailer to better protect artefacts and materials transported to various displays and activities.

Planned actions for 2008/09

- Develop and pilot an employee matched giving program to donate funds to community organisations nominated by Telstra employees.

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

Connecting hearts, heads and the community

Case study

Six senior Telstra executives have mentored six non-profit leaders thanks to an initiative launched by the Telstra Foundation in November 2007. The Community Leadership Program provides support, encouragement and a sounding board to non-profit leaders as they help their organisations grow, while also providing the Telstra executives an opportunity to help create better communities.

The new program, delivered in partnership with Social Ventures Australia, is building important senior level relationships between Telstra's corporate leaders and their non-profit counterparts. The relationships are offering transformative and energising experiences that give both Telstra mentors and non-profit leaders a new sense of how business and community organisations can work together effectively.

"This is a great program that allows Telstra executives to connect with their hearts and heads to the community, which is a rare experience and one that will be beneficial to both the mentor and the community organisation," Georgia Symmons, National Manager Telstra Foundation said.

"The non-profit organisations involved are our Social Innovation Grants recipients. The Telstra Foundation knows that more than money counts with the non-profit sector, and here we've been able to facilitate both funding for projects as well as access to the talent and expertise of our leaders within Telstra."

Telstra's mentors have been partnered with the Royal Children's Hospital Foundation (Qld), St Lucy's School (NSW), Novita Children's Services (SA), Inspire Foundation (NSW), Murdoch University (WA) and Charles Darwin University (NT).

Speaking at the first meeting of the Community Leadership Program, Andrea Grant, Group Managing Director Human Resources, said Telstra has identified leadership capability as being critical to the success of our transformation.

"We're investing heavily in world-class development programs for our managers and leaders. I'm delighted that six participants in Telstra's Executive Leadership Program are taking this unique opportunity to act as mentors.

"The program will help develop their strategic leadership capabilities by placing them in a different and challenging leadership environment.

"It's also a wonderful opportunity for the six non-profit organisations involved to gain support and strategic advice, as well as to form a solid relationship with Telstra and the broader corporate community," Andrea said.

"We are really pleased that the Telstra mentors who are involved in this program have come from such different areas of Telstra to be part of this Telstra Foundation program. We believe by creating this program, it will provide vital knowledge that will benefit the individuals involved, their organisations and the entire community," Georgia said.

Dr Tess Lea from Charles Darwin University with Jules Scarlett, Director Corporate Security and Investigation, Telstra – participants in the Community Leadership Program.

3

Employees matter

Telstra is proud to offer a safe and supportive environment, where employees are valued and have the opportunity to reach their full potential.

Andrea Grant, Group Managing Director, Human Resources

Telstra is one of Australia's largest employers offering a range of career opportunities across multiple disciplines. With a diverse and culturally rich workforce, Telstra takes its responsibilities to its employees seriously. Providing good jobs at good wages is a fundamental corporate responsibility principle at Telstra.

We are committed to providing safe, equitable and supportive working conditions for our people and creating a culture of opportunity – one that gives every employee an opportunity to make an effective contribution and to pursue their ambitions. Creating a safe and engaging working environment, where our people are valued, respected and well-rewarded leads to improved productivity, profitability and reputation. Ultimately this also provides greater value to our customers and shareholders.

Addressing issues such as employee engagement, diversity and work-life flexibility is increasingly important. Australian Bureau of Statistics labour force projections indicate that 80 per cent of future workforce growth in the next decade will be in the group over 45 years of age, and in the year 2020 the number of people leaving the workforce will exceed that entering the workforce. Telstra is working to create an environment where we can meet the needs of employees of all ages and attract and retain the best people. The work of our Diversity Team to address work-life flexibility, gender and age balance is crucial.

Rapid advances in the development of communications technologies and the competitive nature of our business create a challenge for us to continue to find the right people.

Investing in learning and development provides a means of building Telstra's workforce to ensure that we have the capabilities to deliver the next generation of technologies. The continuous development of knowledge, skills and innovation and the application of these in the workplace are critical to Telstra's future success. In 2007/08, we invested over $75 million in learning and development for our employees.

World class leadership is also critical. Our leaders must be able to lead in a competitive global environment, in an industry characterised by rapid change and complex legal and regulatory requirements. They must be customer focused and sensitive to social and community responsibilities and expectations. Telstra invests in a number of enterprise-wide programs to build leadership capability, including Frontline Leadership and Executive Leadership programs.

In May 2008, we saw the half-way point in Telstra's five-year transformation. Our people are fundamental to this transformation and as we continue the journey it's important that employees have 'enough fuel in the tank' to deal with the opportunities and challenges that come their way. Telstra offers year-round support to employees through a range of mental health and resilience programs. We take a proactive and holistic approach to support the health and wellbeing of our employees and are proud to have been recognised this year for our leadership in mental health issues in the workplace by the Mental Health Council of Australia.

As a company, the most important thing we can do for our employees and their families is to provide security by building on our successes and ensuring Telstra's long-term future. We are determined to create an organisation that is a great place to work, that rewards performance and offers terms and conditions that attract and retain the best people.

Building a world class talent base

Employment

As at 30 June 2008, Telstra employed 46,649 full time equivalent employees, agency and contractor staff including staff employed directly by Telstra Corporation, our domestic controlled entities and our offshore controlled entities. This equates to a decrease of 2.5 per cent or 1,191 full time equivalent employees during 2007/08. The decrease is mainly attributable to Telstra's Transformation strategy.

There are 31,102 Telstra-paid staff, which excludes casual staff, all controlled entity-paid staff, agency and contractor staff. The Telstra-paid staff definition is used in our reporting of diversity, performance management, employee engagement and health, safety and environment statistics in this report.

Workforce statistics		
Total workforce	46,649	Full time, part time, casual, agency and contractor FTE staff in Telstra Corp domestic and offshore controlled entities
Full time staff and equivalents	42,784	Total workforce minus agency and contractor staff
Domestic full time staff	33,982	Full time staff in Telstra Corp and domestic controlled entities, including Sensis
Telstra-paid staff	31,102	Full time and part time staff paid by Telstra Corp, excludes casual staff, all controlled entity-paid staff, agency and contractor staff

Around 65 per cent of employees are employed under common law contracts, Australian Workplace Agreements and Individual Transitional Employment Agreements. The remainder is employed under collective agreements. 70 per cent of employees on individual agreements can receive performance incentive payments.

Employee benefits and arrangements

Telstra provides highly competitive and attractive remuneration packages, at or above the minimum legal requirements. Telstra compares the remuneration of our employees against relevant market data to ensure we remunerate employees fairly and equitably.

The principles underlying Telstra's ongoing development of employment arrangements include enhancing employees' capacity to meet customer needs, rewarding excellent performance, attracting and retaining employees, supporting transformation, improving flexibility and continually growing productivity through performance-based remuneration and rewards.

Telstra offers choice and flexibility through salary packaging to eligible employees to help them package options to suit their particular circumstances. Salary packaging options include OwnShare (the opportunity to purchase Telstra Shares on a pre-tax basis) and a comprehensive choice of other options such as Telstra products, motor vehicles, car parking, health insurance and financial advice.

A new look intranet web portal was introduced in 2007/08 to provide employees with simpler and easier access to information about the range of employee benefits. This includes a wide range of lifestyle benefits, available to employees via the My Rewards@Telstra program.

Telstra Super, a corporate superannuation fund, also offers our employees a range of member benefits including low management fees and free financial planning advice.

Telstra continues to provide the Life & Career Transition program, which supports employees facing a life and career transition arising from redundancy. This program offers access to a range of flexible options such as retirement planning, image consulting and networking, as well as support to immediate families.

Workplace relations

A key focus during 2007/08 was the development of a robust employment strategy to support Telstra's business transformation and compliance with workplace relations changes. The election of the Federal Labor Government in November 2007 saw the introduction of the Forward with Fairness legislation in March 2008. The new legislation abolished Australian Workplace Agreements and introduced Individual Transitional Employment Agreements. Telstra reviewed its individual agreements and policies to comply with the new legislation.

We are committed to resolving workplace issues quickly and fairly. Telstra's Internal Resolution Policy ensures that every employee has the right to be treated fairly and to understand the reasons for decisions and actions that impact them. In Telstra, there is a shared accountability to resolve an issue between an employee and the person who acted or made the decision. Our internal resolution process is open and transparent. Telstra also has dispute resolution or avoidance processes in its collective arrangements.

Telstra respects the right of individuals to be members of a trade union and does not discriminate against any employee on the basis of their political affiliations or beliefs.

3. Employees matter

Employee engagement

In 2007/08, a census employment survey of Telstra employees was conducted. The survey provides all employees the opportunity to express their views about their jobs, the company, and their working environment. It delivers insight into what really engages people, indicates people's alignment to Telstra's direction, and provides information on the extent to which they are enabled to perform to their potential and contribute to the ongoing success of Telstra. The Employee Engagement Survey covers eight key areas: employee engagement; strategy alignment; results focus; customer focus; delivery capability; cultural alignment; strategic leadership; and workgroup leadership effectiveness.

Key highlights of the survey results include:

- an increase from 82 per cent to 84 per cent in the number of employees who participated in the survey;
- employee engagement increased from 73 per cent to 74 per cent;
- scores increased in all eight categories from the 2006/07 survey. The most significant increases were in the workgroup leadership effectiveness and strategic alignment categories, where the improvement was four per cent in both;
- an average increase across all categories of 2.5 per cent; and
- Telstra is performing at or above the Australian National Norm (Towers Perrin International Survey Research) and closing the gap on the Global High Performing Companies Norm.

Two new questions specific to corporate responsibility were included in this year's survey. Results showed that:

- 39 per cent of employees agreed that Telstra's corporate social responsibility performance is an important factor in their choice to work here; and
- 78 per cent of employees believe Telstra is an environmentally responsible company. This is above the Australian National Norm at 74 per cent.

These figures provide a baseline for future employee surveys and indicate opportunities for improvements in building employee awareness of the range of our corporate responsibilities and achievements.

Recruitment

In September 2007, Telstra launched an in-house Careers Centre to manage the company's internal and external recruitment needs. The Careers Centre provides a one-stop-shop for a range of services including recruitment, assessment and engagement. This centralised function will reduce time spent on recruitment activities, improve the quality and consistency of staff recruited through better sourcing, selection, engagement and new starter processes. The Careers Centre will also help us retain our talent pool by offering assistance to those looking for their next internal career move. In 2007/08, 1,745 new employees were recruited through the Centre.

Performance Management

Our annual performance review system focuses on expected standards of behaviour. In 2007/08 two new modules with a focus on developing skills in performance planning and giving feedback were created to support the performance review process. In 2007/08:

- 90 per cent of employees reported having an annual review discussion (up by four per cent);
- 85 per cent of employees reported that their objectives align with those of their manager's (up by 14 per cent); and
- over 4,000 employees completed an online learning module to assist with the new review process.

Learning and development

One of the key drivers of our Transformation is the continuous development of knowledge, skills and innovation, and the application of these in the workplace. Learning and development is a critical activity that supports our organisation to deliver the performance necessary to achieve our Transformation vision.

Our learning function is structured so that 'Job Ready' professionals and online learning resources are available when and where they are needed.

Formal and structured employee learning and development is offered via several structured models, leveraging the very best in technology and online learning (Learn.Achieve), partnerships with experts (Telstra Learning Academy), and the development of our leaders (Executive Leadership and Frontline Leadership programs).

In October 2007, we launched the People Leader Engagement Toolkit, a resource to support Telstra employees to develop their leadership capabilities. New programs for Frontline Leadership and Executive Leadership were also developed. Through these new programs Telstra recognises talent, invests in leaders of the future, and enables managers to provide guidance, coaching and support to team members.

This year's learning and development achievements include:

- an investment in learning and development in excess of $75 million representing approximately $1,626 per employee ;
- 573,763 online learning courses completed through Learn.Achieve;
- 6,500 employees participated in Frontline Leadership programs;
- 60 employees participated in three Executive Leadership programs; and
- 252 new job-specific training courses were developed by the Telstra Learning Academy.

Enhancing diversity and opportunity

Telstra is at the forefront in providing employment, and information and communication technology services to disadvantaged or marginalised groups, including people with disability, the elderly, people of Aboriginal and Islander descent, and those from culturally and linguistically diverse backgrounds.

Having a diverse range of employees better enables us to represent our customer base, have the highest quality workforce and be an employer of choice. The overarching principle is that a diverse workforce delivers productivity and increased revenue to the business.

Telstra is committed to ensuring that our work environment promotes diversity and is free of unlawful discrimination. This principle is reflected in everything we do – from our leadership, performance and talent management, through to our business planning, strategic initiatives and reward systems.

Our company-wide Diversity Council, consisting of five Group Managing Directors, is premised on the principle that diversity is good for business. Each member of the Diversity Council reports directly to the CEO and champions one of our six diversity priority areas – age balance, gender, cultural diversity, work-life flexibility, disability, and sexual orientation and gender identity.

Each priority area is addressed by a taskforce of senior managers responsible for the implementation of a substantial program of work that will provide significant benefits to our employees and to the community across these six priority areas.

Employees by age group

Age range	% of total staff
18 – 24 years	7.5%
25 – 34 years	24.5%
35 – 44 years	32%
45 – 54 years	26%
55+ years	10%

Workforce diversity

	2007/08	2006/07	2005/06	2004/05	2003/04
Telstra paid employees	31,102	33,002	34,551	37,087	36,128
Women	30.62%	30.9%	30.56%	30.59%	30.06%
Aboriginal and Torres Strait islander	0.43%	0.47%	0.56%	0.60%	0.64%
Culturally and Linguistically Diverse	5.85%	6.28%	8.75%	9.02%	9.41%
People With Disabilities	1.36%	1.16%	1.35%	2.01%	2.18%

Age balance

Telstra has recognised the business-critical nature of demographic change. In some parts of our business, many valuable and knowledgeable employees are approaching the later stages of their careers. Often these employees have given many years of valuable service to Telstra. To encourage these employees to stay and offer more flexibility in how they choose to work, Telstra has started a pilot of the Choose.Create program in the Telstra Services and Telstra Enterprise and Government businesses. The program provides tools for employees and their businesses to examine alternative ways of working. Eligible employees are invited to explore flexible work options, and look at balancing their lives outside of work.

Gender

In 2007/08, women made up just over 30 per cent (30.62 per cent) of Telstra's total workforce. The development of our women is critical to Telstra's ongoing business success and we have a number of new initiatives underway to help improve our performance in this area.

In September 2007, the success of the Telstra Virtual Women's Network was highlighted by welcoming its 1,000th member within six months of it starting. Launched on International Women's Day in March 2007, the Network currently provides valuable career support to over 1,500 Telstra women from all over Australia. The Network gives Telstra women the chance to come together for networking and development opportunities, and to support each other to achieve success within Telstra – both for themselves and the business.

Having a diverse range of employees better enables us to represent our customer base

In 2007/08, over 500 women attended the eight Virtual Women's Network events, which included the Legends series of panel sessions featuring the alumni of winners from the Telstra Business Women's Awards.

In late 2007, Telstra piloted My Mentor, a ten week program for women that aims to improve strategic business skills. Based on outstanding feedback from the 21 participants of the initial course, the program was rolled out to over 440 women across the organisation in 2007/08 (see case study for more details).

Telstra's inaugural women's conference, Stand.Out, was held in March 2008. Attended by 150 of Telstra's women, the conference focused on performance, career development and the advancement of women, particularly through management levels. Stand.Out will be held again in 2009.

Figures from the 2006 Equal Opportunity for Women in the Workplace Agency census show that the percentage of women at senior management levels in ASX200 companies has remained constant since 2004. While the percentage of Telstra women employed at the executive management level has remained steady over the past two years, there has been a decrease at senior management level. In 2007/08, women were employed in 60 of the 305 senior management positions, a decrease of six from the previous year. Telstra is committed to improving our performance in this area as our new initiatives continue during 2008/09.

Women in management roles

	30-Jun-04	30-Jun-05	30-Jun-06	30-Jun-07	30-Jun-08
Executive Management	0.00%	11.1%	35.7%	26.7%	26.7%
Senior Management	16.0%	18.6%	22.2%	23.5%	19.7%
Middle Management	25.6%	26.6%	27.6%	27.4%	27.5%
Operational	31.0%	31.5%	31.2%	31.8%	31.6%

Cultural diversity

For over ten years, Telstra has celebrated our Indigenous community and their contribution to Australia during National Aboriginal and Islander Day of Celebration (NAIDOC) week. In 2007/08, Telstra's festivities culminated in a celebration dinner to announce the winner of the 2007 Telstra Indigenous Award. The Award recognises a Telstra employee who provides outstanding support to the Indigenous community or to our Indigenous customers. Pieta Johnston from Telstra's National Indigenous Directorate in Darwin won the award in 2007.

A new advisory group, the Indigenous Reference Group, was formed in April 2008 to provide advice to the Telstra Diversity Council and Indigenous Taskforce on Indigenous employment and cultural awareness. The Diversity Council oversaw the development of the Indigenous Action Plan, which aims to contribute to Telstra's commercial success through the promotion of Indigenous recruitment and retention. The three focus areas identified for action are: improved recruitment and retention of Indigenous staff; increased cultural awareness; and promotion of Reconciliation.

Work-life flexibility

Work-life flexibility at Telstra is underpinned by progressive leave policies including parental leave, personal (including carer's) leave, cultural leave and the ability to purchase additional leave.

As well as the possible environmental gains, Telstra recognises the potential benefits of teleworking in terms of employee productivity, satisfaction and wellbeing. Participants in a Telstra employee audit in late 2007 listed the most important flexible work options, in order of priority, as: teleworking from home regularly; teleworking from home occasionally; and flexible leave days. These findings will allow Telstra to further develop its program of work around flexible work options.

Telstra recognises the challenge faced by many employees in finding available, affordable childcare. We are currently examining the option of company-purchased, preferred placement and have surveyed staff to identify the locations where there is the most need for assistance.

To assist Telstra families in finding childcare solutions, employees are able to access an online directory service, CareforKids, which provides assistance and information about childcare services, availability, casual services and government regulations.

Disability

Telstra is proud to have sponsored Managers' Guide: Disability in the Workplace. Launched in June 2008, the Guide was coordinated by the Australian Employers Network on Disability, with input from an editorial committee that included Telstra employees. Many of the Telstra employees provided their insight and advice, having experienced first-hand the challenges faced by employees with disability in the workplace. The Guide provides information and support to managers of employees with disability, and addresses each stage of an employee's work experience, from recruitment to exit. It will be provided to people managers to help minimise the barriers that people with disability face in their working environment. The guide has been developed as a reference for both Telstra and other employers.

In 2007/08, six senior Telstra managers mentored university students with disability over a period of 16 weeks as part of the Willing and Able program. This program connects students with disability to a one-on-one relationship with a mentor who has experience of working in an organisation in the student's chosen future professional area.

Telstra also implemented the Stepping Into program that provided a four-week working internship to three university students with disability. This program was implemented in partnership with the Australian Employers Network for Disability and aimed to develop the participants' business knowledge, while developing the skills and confidence of Telstra employees to relate to people with disability.

Enable@Telstra is an established resource group for Telstra employees living with disability. It provides education and information; leadership opportunities; informal mentoring and networking events; and support and advice about the accessibility of our work sites, products and services. Enable@Telstra currently has 39 members.

My Mentor program

Case study

By her own admission, when Cheryl Woods first received her My Mentor kit, she let the box sit on her desk for a couple of weeks. It was just another task to complete, in an already hectic work life.

Now a fully-fledged 'graduate' of the pilot of the My Mentor course, the busy Telstra Business sales manager is glad she found the time to participate.

The program covers a module a week, providing tips and tools for women to actively manage their careers and personal development. As Cheryl found out though, it's not just about taking that next step up the corporate ladder "The second module is about developing a 'personal brand' – it helped me ask some tough questions of myself in regards to the type of person I want to be," Cheryl said.

Over the course of ten weeks, the My Mentor program aims to increase strategic business skills in women, encompassing decision-making, prioritisation, negotiation and influencing skills, increasing visibility, networking, and taking calculated risks. Importantly, it also looks at creating work-life balance.

By working through the tools provided, Cheryl came to the realisation that on the way to becoming a successful businesswoman, mother and partner, she had somehow stopped making time for herself. Putting her time-management and prioritisation learning into practice, she started to make regular time to exercise. My Mentor recognises the positive action that can come from taking 'baby steps' – for Cheryl, this was the first of many.

"Working through the course, I found a lot of light bulbs were switching on, and it wasn't just about my work. I actively applied the tools to other decisions. I now evaluate possible outcomes according to how bad they can be – but also the risks of not acting. It has assisted many decisions in the

pipeline, from choosing my son's school, whether we should renovate or move, and my own further education," Cheryl said.

Months after the program, Cheryl still refers back to the course content – often while she's jogging. Because the material is available in CD and DVD format, Cheryl's loaded the modules onto her iPod. "I'm still referring to the program, and making some decisions about my career goals and future achievements", she explained, "but I now know I can keep taking positive steps towards achieving them."

Cheryl Woods, Sales Manager, Telstra Business.

In August 2007, Telstra was honoured with an Excellence in Auslan Interpreting Award, winning the Private Sector Organisation category. The Awards are organised by the Australian Sign Language Interpreters' Association to publicly recognise organisations that provide consistent support for working interpreters.

Sexual orientation and gender identity

In May 2008, Telstra was included on the list of companies that are supportive of gay marriage. The list is compiled by Australian Marriage Equality. This comes at the end of an extensive policy review undertaken by Telstra over the past 18 months. As a result of the review, amendments were made to 171 instances where Telstra's internal policies used inconsistent or non-inclusive language in regards to relationship entitlements – for example, 'spouse', 'husband' and 'wife'. Policies now refer to an employee's 'partner', defined as two people living together as a couple on a genuine domestic basis, irrespective of gender, a definition endorsed by Australia's Human Rights & Equal Opportunity Commission.

Providing a healthy and safe environment

Our employees are involved in a wide variety of work practices, from underground cabling and building mobile towers to office work, each with a vastly different set of health and safety standards. At Telstra we ensure that the pursuit of excellence in customer service does not jeopardise the safety or health of our employees and contractors. A strong health and safety culture will reduce the number of incidents at work, build team morale and lead to greater productivity. Telstra seeks to go beyond minimum legal compliance and deliver world-class health and safety performance.

Prevention

Telstra has implemented a Health and Safety Management System aligned with the requirements of Australian/New Zealand Standard 4801. The management system is overseen by Telstra's Health, Safety and Environment (HS&E) team.

Telstra applies a robust risk management framework and occupational health and safety management system across its business units. In accordance with Telstra's health and safety policy, this system incorporates HS&E management standards that cater for the varying risks across Telstra's business units. The HS&E standards cover a range of general industry hazards, as well as telecommunications-specific issues such as electromagnetic energy.

The diversity of risks across Telstra's working environments requires a segmented approach to safety to ensure that we apply appropriate strategies in each of our workplaces. Our primary strategic segmentation is between our field and non-field (such as offices and retail) workplaces. The following table highlights the risks and HS&E performance of these two groups.

Lost time injuries – field and non-field staff

	Staff	Common risks and issues	Number of lost time injuries (LTI)	Lost time injuries frequency rate (LTIFR)
Field workforce	Technical field staff	Manual handling, working at heights, driving, electromagnetic energy and working alone	82	6.54
Non-field workforce	Retail shops, call centres, sales groups and office environments	Ergonomics, emergencies, electrical, stress, driving, customer aggression and noise	50	1.27
			Total: 132	2.54

Detailed risk profile information for each business unit and group is used in HS&E planning and auditing. Risk profiles are reviewed annually at the commencement of operational health and safety planning in April.

The implementation of our occupational health and safety management system is monitored by internal and external audits of our business groups, as part of our self-insurance requirements.

Compensation and rehabilitation

Telstra is self-insured for the purposes of workers' compensation under the provisions of the Safety, Rehabilitation and Compensation (SRC) Act 1988. The Act is administered by the Safety, Rehabilitation and Compensation Commission, which sets the rules for workers' compensation provision and monitors our performance. The Commission sets indicator performance targets and in 2007/08 Telstra achieved all of the targets, exceeding eight of the 11 targets.

Telstra maintains a comprehensive injury management system covering both rehabilitation and claims management functions. The injury management process is well established across the organisation, and accessible to all Telstra staff via the Telstra intranet. Telstra's web-based interface allows managers to access current information to enable them to effectively manage claims and rehabilitation activities and ensure the best possible care for injured employees.

Comcare ratings

Our regulator Comcare assigns a 'Tier' rating to Telstra and other self-insured licensees. The Tier Model has three levels which reflect the level of regulatory oversight required by Comcare to satisfy the Safety, Rehabilitation and Compensation Commission of the licensee's compliance of its conditions of licence. The model acknowledges and encourages good performance and affects the licence fee model through the principle of user pays. Telstra has achieved a Tier 3 (advanced level) rating for prevention, and workers' compensation and rehabilitation, indicating a high standard of internal quality assurance, strong management systems and self-audit capabilities.

Health, Safety & Environment performance

Telstra's Health, Safety & Environment (HS&E) performance in 2007/08 includes:

- the number of open workers' compensation claims remained below 2,000;

- 14 external HS&E audits were conducted. 71 per cent of audited business groups were found to have effective or highly effective level of implementation of HS&E management systems and the remaining groups had at least a basic level of implementation;

- eight per cent reduction in workers' compensation forward liability from $196.5 million to $180.1 million;

- achieved Tier 3 status for workers' compensation and rehabilitation under our self insurance licence in June 2008, reflecting our excellent performance in rehabilitation and claims management; and

- increase of 14 per cent in Lost Time Injuries and 19 per cent increase in 12 month Lost Time Injury Frequency Rate (represents slight increases across business units).

Quiet achiever takes out 2007 Telstra Indigenous Award

Case study

Congratulations go to Pieta Johnston from Telstra's National Indigenous Directorate in Darwin, who was named the 2007 Telstra Indigenous Award winner.

Described as a 'quiet achiever' by her manager and peers, Pieta is clearly passionate about her significant work in the Indigenous community as part of her role at Telstra's National Indigenous Directorate.

Pieta has had many stand out performances during her time at Telstra. Of particular note is Pieta's work on the Telstra Community Phone Program which Pieta has managed since July 2006. The program, which aims to provide remote Indigenous communities with adequate access to Telstra payphones, has given dozens of Indigenous communities the communication tools they need.

According to her manager Lawrie Mortimer, General Manager of the Indigenous Directorate, Pieta has done an outstanding job bringing the program to a successful conclusion, despite many challenges such as equipment failures, contract variations and complex customer needs.

Pieta has also worked with the managers of the new Zephyr and Arafura Call Centres in Darwin to improve recruitment and retention of Indigenous employees. Pieta has been instrumental in arranging cross-cultural communication training for the management teams in these centres, and has gone out of her way to mentor a number of new Indigenous call centre trainees.

Pieta Johnston with Telstra Group Managing Directors, Geoff Booth, Justin Milne, Kate McKenzie and Phil Burgess.

Audit results – Lost Time Injuries (LTIs) & Lost Time Injury Frequency Rate (LTIFR)

Year	Percentage of effective audit results	No of LTIs (and % improvement from previous financial year)	LTIFR (12mm) (and % improvement from previous financial year)
2007/08	71%	132 (-14%)	2.54 (-19%)
2006/07	88%	116 (26%)	2.14 (21%)
2005/06	86%	157 (21%)	2.7 (16%)
2004/05	74%	199 (25%)	3.2 (27%)
2003/04	62%	265 (26%)	4.4 (19%)

LTI: Lost Time Injury (at least one full shift or day lost)
LTIFR: Number of Lost Time Injuries per million hours worked (as of 30 June)

The drop in HS&E audits scores were expected following the implementation of a new risk based scoring methodology during 2007/08.

Lost Time Injuries (LTI) versus Lost Time Injury Frequency Rate (LTIFR)
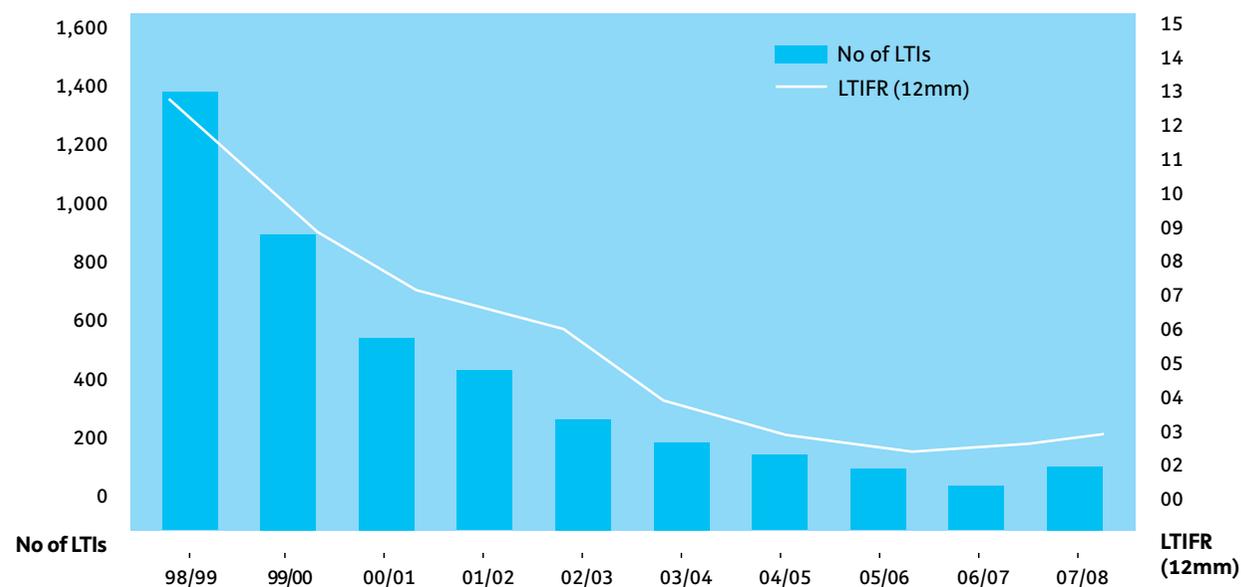
LTI: Lost Time Injury where at least one full shift or day lost from work.
LTIFR: Number of Lost Time Injuries per million hours worked (as of 30 June)
NB: Data for 02/03 different to previously published as it includes Network Construction.

There is a growing understanding among safety professionals of the limitations of lost time injury numbers and rates as an indicator of safety performance, especially where rates are already very low. In order to present a more balanced scorecard of safety performance in future years, Telstra will report injury duration rates and compensation numbers and rates, as well as lost time injury data.

Health and wellbeing

Employees who are mentally and physically healthy are more likely to be engaged, committed and productive in all aspects of life. Telstra's Health & Wellbeing strategy provides a comprehensive framework for effective investment in health promotion and prevention activities at all levels of the business. It aims to engender real, long term behavioural and lifestyle changes. Our 2008-2011 Health & Wellbeing Strategy was launched in August 2008.

In January 2008, Telstra appointed a new Health and Wellbeing team to focus on psychological health, physical health promotion and occupational health programs for Telstra employees. The team is adopting a holistic approach that includes a musculoskeletal strategy, a mental health and resilience strategy, occupational health and health promotion strategy, and aims to increase productivity, reduce absenteeism, and create a workplace of choice.

In 2007/08 Telstra promoted Mental Health Week with foyer displays, intranet news articles and activities. This extensive promotion led to a three-fold increase in the access of online mental health and resilience resources. A new resource, Men's Resilience eBook, was also released this year as part of a men's wellbeing promotion.

Telstra's Health & Wellbeing strategy promotes real, long term behavioural and lifestyle change

Telstra's resilience and mental health programs have been recognised by external bodies, and this year used by the Australian Government Department of Defence and referenced by the Mental Health Council of Australia.

Achievements in Telstra's mental health and resilience programs in 2007/08 include:

* almost 380 employees attended the two hour Resilience workshops;

* over 300 managers attended the four hour Creating a Mentally Healthy Workplace workshops;

* over 1,300 employees attended module three of the Frontline Leadership program, which introduces Telstra's resilience program and provides the Resilience – Energising Life book as a resource; and

* the newly-created Resilience intranet site recorded over 9,500 hits.

Feedback from participants of the two-hour resilience workshops indicates the following wellbeing outcomes:

* improved effectiveness in working with others (46 per cent);

* improved work-life balance (49 per cent);

* more energy (36 per cent);

* improved concentration (37 per cent); and

* working to the best of their ability (38 per cent).

Telstra continues to provide the Employee Assistance Program to deliver professional counselling and advisory services via an independent company staffed by qualified psychologists and social workers. The services are fully funded by Telstra, are free of charge to Telstra employees and their families, and are available 24 hours a day, seven days a week.

Telstra's Employee Assistance Program also includes managerAssist®, an advisory service that assists managers and team leaders in managing a range of workplace situations. In addition, eapdirect™, which was introduced in 2007/08, provides Telstra employees access to life coaches via the internet. The site provides self-assessment tools, information on a range of topics and the ability to contact a professional life coach via a secure email system. eapdirect™ can help address a range of issues, such as family, emotional wellbeing, work-life flexibility, relationship, and people management.

We also encourage employee fitness by participating in a number of corporate challenges including the Global Corporate Challenge, Foxtel Lap, and Ride to Work Day. In 2007 Telstra was the TravelSmart Workplace Challenge winner with the largest number of registered Ride to Work Day participants in Australia.

There is a growing understanding among safety professionals of the limitations of lost time injury numbers and rates as an indicator of safety performance, especially where rates are already very low. In order to present a more balanced scorecard of safety performance in future years, Telstra will report injury duration rates and compensation numbers and rates, as well as lost time injury data.

Planned actions for 2008/09

- Increase the proportion of women in middle and senior management to 30 per cent.

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

- Maintain the highest (Comcare Tier 3) rating across all Health, Safety and Environment categories.

- Achieve a minimum of 10 per cent employee participation in a new online Health Risk Appraisal by August 2009 to improve employee understanding of health risk factors.

# Mental illness demystified

Case study

Anthony Wall, Tactical Workflow Planning Manager with Delivery Management, Telstra Services in Brisbane has seen all the managers in his work area complete the two-hour resilience workshop and believes it offers plenty of positive benefits.

"We all know how to deal with slips, trips and falls – the physical side of health and safety – but people tend to be less aware of how to build resilience, and deal effectively with the day to day challenges that life presents," Anthony said.

"The resilience workshop has been great. People have learnt to be more self-aware. They now understand the types of stressors that affect them, and the different coping mechanisms they can use to stay on top of things. We're rolling out the workshop to all members of our team as a key component of Delivery Management's health and safety strategy. "

His views of Telstra's mental health workshops are echoed by Bob Beresford, Director, Service Delivery South-West, Telstra Services in Victoria. Over 50 team managers in his area have completed the Mental Health Workshop for Managers. "We all know what to do if a team member has a broken leg, but what do you do if you suspect someone is struggling with anxiety or depression?" Bob asked.

"The workshop really helped demystify mental illness and opened the topic up for discussion among managers. Depression and anxiety can strike anybody, and the workshop helped us understand what it means for the person involved, and what resources are available to help managers support employees through it. It's great that as an employer, Telstra recognises mental health issues can affect our people, and provides resources to help deal with it."
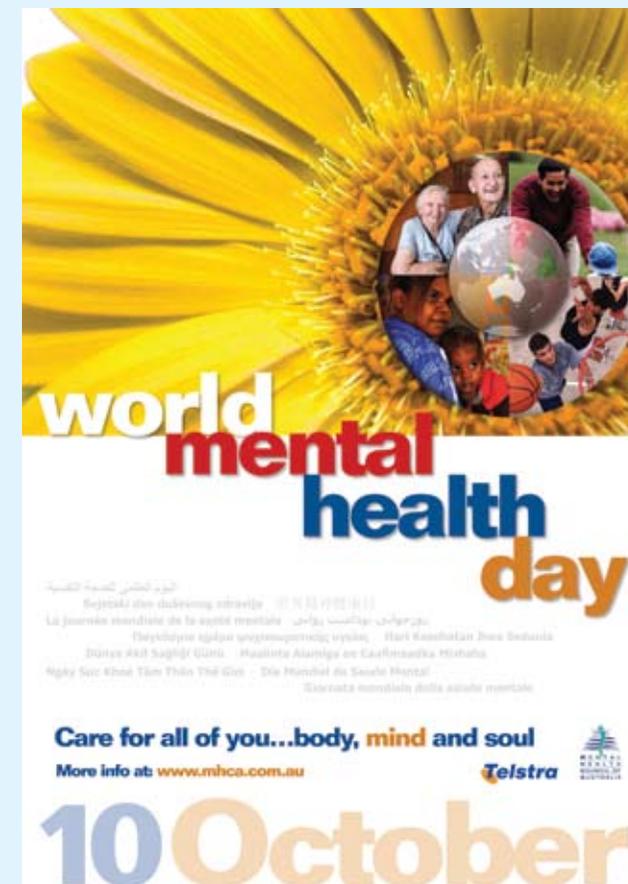
Mental health week poster.

4

Customers matter

> ## Our vision is to know our customers and meet their needs better than anyone else.
>
> David Moffatt, Group Managing Director,
> Consumer Marketing and Channels

Serving the needs of our customers is a fundamental corporate responsibility principle at Telstra. We are transforming our customers' experience by transforming Telstra from a product-based company to an integrated, fully converged media-comms company, centred on the customer.

Understanding that satisfied customers are core to our business success, Telstra has undertaken the most comprehensive market research in Australian corporate history. Since June 2006 we have interviewed over 900,000 Australians and segmented the population on the basis of their preferences. As a result, we have adopted a Market Based Management approach and are organised by customer segments rather than by products. This means that we understand what customers want from their media-comms experience and can anticipate their needs. It means we can differentiate our products, services and prices for market segments, and it signals a shift from a 'one size fits all' approach for our customers, to a set of customer needs-based solutions.

Telstra is committed to providing a more targeted and personalised experience for our customers, to make it easier for them to see, interact with, use and get advice on our products and services. We are reinventing our retail stores, opening five new state-of-the-art interactive telecommunications retail outlets in 2007/08. Called T [life]™, these stores are changing the face of retailing. This year we also launched the Telstra Mentor service, which sends an expert advisor out to customers to provide one-on-one assistance to help them better access and use the full range of their mobile phone features.

April 2008 was an important milestone in Telstra's history. After almost nine years of service to millions of Australians we closed down the old CDMA mobile phone network, providing our more advanced, third generation mobile technology – Telstra's Next G™ network – as a superior alternative. Telstra spent over two years preparing for the closure, always ensuring customers were well informed of our plans. CDMA customers were individually contacted by phone, letter and SMS messages to remind them how to migrate to the new mobile network.

Significant efforts were also made this year to ensure the accessibility and affordability of our services for everyone. At Telstra, we recognise the diversity of our customers and the significant contribution that communications services make to people's lives and to community wellbeing.

In 2007/08, Telstra assisted more than one million low-income customers to connect or maintain their communications services. The total benefit provided was in excess of $200 million. In August 2007 we launched Telstra Connected Seniors®, which will provide $3 million of grant funding to community groups and organisations over a three year period to help older Australians learn to use mobile and internet technology. We maintain our long-standing commitment to make our services accessible to customers with a disability, and continue to focus on the needs of our customers living outside the major metropolitan cities through Telstra Country Wide®.

Telstra is changing the way people live and work in Australia. We are helping customers to share experiences in real-time, saving travel time and reducing fuel expenses, freeing them from their desks, loosening them from their living room TVs, and unifying their fixed and wireless communications. We are working together with our customers to find new ways to improve their businesses and to support their individual lifestyle choices. Telstra is ensuring that customers are central to everything we do.

Enhancing our customers' experience

At Telstra, we know that satisfied customers are fundamental to business success. We are committed to knowing our customers and meeting their telecommunication needs better than anyone else. We aim to provide each customer with a personalised, seamless experience that makes it easier for them to manage their lives. Serving the needs of our customers is a fundamental corporate responsibility principle at Telstra.

Customer service commitments

As the universal service provider, Telstra has the responsibility of ensuring that all people in Australia have reasonable access to standard telephone services and payphones, and to provide priority connections and repairs to those eligible customers with life threatening medical conditions. Telstra's Universal Service Obligation (USO) Standard Marketing Plan and Priority Assistance for Individuals Policy set out how Telstra has committed to fulfil these responsibilities.

The legislated Customer Service Guarantee and the Telstra Mobile Customer Service Commitment, commit Telstra to providing a guaranteed level of service for standard telephone services and mobile services.

Telstra measures its Activation and Assurance commitments and performance across a broad range of products such as ADSL/ADSL2+, Enhanced Services/Special Services product range (more than simple voice telephones).

Our data shows that in 2007/08 we met the date and time we agreed with our customers than 95 per cent of the time, regardless of where they live.

Full details about Telstra's customer service commitments can be found at **www.telstra.com.au/abouttelstra/commitments**

Residential customers

Telstra's Customer Service Charter sets out how we propose to meet our commitments to our residential customers and fulfil our legal and self-regulatory obligations. Our basic commitments include:

- helping customers to contact us in the way they prefer;

- providing information about our products and services to help them make informed purchase decisions;

- providing information about the safety of our products;

- protecting personal information;

- providing bills that are accurate and easy to understand; and

- dealing with concerns or complaints promptly, fairly and completely.

Enterprise and Government customers

We are also committed to becoming world-class in providing services to our enterprise and government customers. To achieve this we are guided by the Telstra Service Standards which hold us accountable to: complete installations as promised; restore networks to our published service levels; resolve any billing enquiries on the same day; resolve all disputes within five working days; complete all billing work requests within five days; and assign a single person to manage customer relationships with Telstra.

In an Australian first, this year the Telstra Enterprise and Government Customer Care group was awarded certification to the International Customer Service Standard. This is the first time a division of a major telecommunications carrier has received accreditation from the Customer Service Institute of Australia (CSIA), Australia's peak customer service organisation.

The International Customer Service Standard (ICSS) is an internationally recognised tool to review customer service quality and includes detailed scrutiny and auditing. To gain the accreditation, Customer Care had to provide evidence addressing the 29 ICSS attributes and undergo a series of detailed site visits by CSIA auditors. The certification demonstrates that our organisation has both a passion for customer excellence and the processes to deliver.

Full details about Telstra Enterprise and Government service standards can be found at **www.telstraenterprise.com/abouttelstra/Pages/ServiceStandards.aspx**

Informing our customers

Telstra no longer has a 'one size fits all' approach to customers. We are now committed to providing a more targeted and personalised experience, to inform our customers about product features and applications and to help make it easy for our customers to do what they want, when they want. With this in mind, we have introduced some innovative approaches to building customer awareness.

We recognise the significant contribution that communications services make to people's lives

Telstra no longer has a 'one size fits all' approach to customers

T [life]™ retail stores

In June 2008, Telstra opened the largest state-of-the-art interactive telecommunications store in Australia, T[life]™, following on from the success of T[life]™ Sydney.
The Melbourne store has two levels and provides:

- a dedicated area for business customers called [my]business;

- free one-on-one expert advice at [my]place;

- [my]networked home where customers can see for themselves how to better connect their life at home and on the move;

- an interactive zone to explore and play with over 100 live and working devices;

- the latest technology where customers can interact with future products;

- a TelePresence meeting room for face-to-face state-of-the-art video conferencing;

- free daily training and demonstrations in the store's 50 seat auditorium; and

- one-on-one sessions with media experts that can be booked at a time convenient to customers.

T[life]™ stores are a vibrant public expression of our philosophy that the customer is at the centre of everything we do. We currently have five T[life]™ stores across Australia.

Telstra Mentor

People now have access to more things on their Next G™ mobiles than ever before, including email, internet browsing and video calls. Telstra understands that some customers need help to use the full range of features available on the latest handsets.

Launched in June 2008, the Telstra Mentor service sends an expert advisor to customers to listen to what they need and provide one-on-one assistance to improve access to and use of these features. Customers can have their devices tailored to their individual needs and are shown how to be more efficient so they can operate their business better while on the move.

With business increasingly turning to mobile technologies for email, internet browsing, video conferencing and business applications, small and medium enterprises will benefit greatly from this service, particularly high use customers accessing mobile and PDA features.

Telstra is partnering exclusively with Mobile Mentor to deliver the Australian first service for qualifying customers. Initially available to customers in Sydney who use sophisticated devices for their personal, work or business needs, the free Telstra Mentor service, will be rolled out to other cities in the months ahead.

Telstra Experience Centre

Located at 400 George Street in Sydney, the Telstra Experience Centre is a state-of-the-art facility for Telstra's customers. Consumer groups, small business, large business, enterprise and government customers can experience Telstra's latest products and services in a live and immersive environment. The Telstra Experience Centre provides the opportunity for business and enterprise customers to interact with Telstra's health and education applications, home, entertainment and business solutions, and discover the many ways they can use Telstra products to make their lives simpler and easier.

Community Advocacy Program

The Telstra Community Advocacy Program is a unique opportunity for staff to maximise customer awareness and understanding of Telstra's Next G™ services and other products by visiting groups in their local communities. In 2007/08 Telstra staff completed over 1,134 town visits, product demonstrations, mobile tower launches and business forums in metro, regional and rural locations across Australia. This included over 40 field days, 350 Chamber of Commerce and business presentations, 41 innovation expos and over 540 local events. The program helps to build relationships with our customers and the community and to gain insight into community needs and expectations. It is an important mechanism for Telstra to be a truly a customer-centric organisation.

Customer safety and security

At Telstra we are committed to ensuring that all customers are well informed and equipped with the knowledge to utilise our products and services safely and responsibly.

Mobile safety

We have a range of Telstra initiatives to make using mobile phones safer and easier. Full details about each of these can be found at **www.telstra.com.au/abouttelstra/advice/mobile**

Mobile hoaxes – Telstra is always on the lookout for the latest mobile scams and hoaxes affecting our customers. We provide advice on what to watch out for and what to ignore and up-to-date information about the more prevalent hoaxes.

Driver safety – Telstra provides information to customers about using their mobile phones as safely as possible and reinforces road rules for mobile phone users.

Lost or stolen phones – Telstra provides information about new technology that prevents a lost or stolen handset from being used on Telstra's GSM and Next G™ networks.

SMS spamming – Telstra provides information on what you can do to avoid receiving unsolicited messages on your mobile.

Mobile phone etiquette – Conversations that were previously private are now often held within earshot of others. Telstra's guide to mobile phone etiquette provides useful tips on how to use mobile phones in the most appropriate way.

Mobile phones and hearing aids – Telstra provides information on things you need to know if you are one of over 450,000 Australians who wears a hearing aid.

Recycling – Telstra is an enthusiastic participant in MobileMuster, the official recycling program for the mobile industry. We encourage our customers to return old mobile handsets, batteries and accessories to any Telstra Shop for recycling.

Electromagnetic energy – Telstra supports and contributes to research into the safety of electromagnetic energy from mobile phones and base stations. We are guided by the World Health Organisation regarding safety.

Next G™ rings true for hearing aid wearers

Case study

The CDMA mobile network was preferred by many of the 450,000 Australians who wear a hearing aid or have a cochlear implant for interference-free mobile communication Australia-wide. With the closure of our CDMA network in April 2008, we needed to ensure continuing access to mobile phones for this customer group.

In 2006/07 the National Acoustic Laboratories reported on tests conducted for Telstra on the Next G™ network and found that the new network would provide an even better experience for people who rely on hearing aids.

Further to these tests, and in response to customer and consumer representations, Telstra conducted a series of user-tests with a range of Next G™ mobile handsets during 2007/08. We undertook these tests in cooperation with Deafness Forum and Better Hearing Australia members with hearing aids and cochlear implants. We also tested the handsets with associated assistive listening devices. The user-test results clearly indicated that many Telstra Next G™ handsets work well with hearing aids and cochlear implants in both Microphone (M) and Telecoil (T) settings. Some users rated their experience as very good to excellent in both modes, including with the assistive listening devices.

A list of Next G™ handsets suitable for use by Australians with hearing aids and cochlear implants in metropolitan and regional locations was developed from these tests. This was provided to consumer and community groups for their members, and to Telstra employees with customer contact, to assist in choosing a mobile handset. Telstra's Disability Forum was briefed on the user tests at the March 2008 Forum.

Internet safety

The internet provides an amazing window on the world, and security issues shouldn't stop people from enjoying the view. BigPond Security Centre provides information and services for customers to help protect their computer and their family on the internet.

BigPond Security Centre helps customers build an understanding of the potential security risks, including non-genuine websites, hoax emails, hackers, spam, worms and other viruses, Trojans and spyware. BigPond also provides comprehensive advice on the security practices customers should follow to reduce the risk of falling prey to security threats. Information about firewall and anti-virus software, protecting personal details, restricting unauthorised use of computers, passwords and content filters is provided on the BigPond website.

In addition, BigPond supports parents to ensure their children have safe and positive online experiences, with comprehensive information including tips for parents, a booklet called *Help keep your kids safe online*, and links to a range of safe places for children to go on the internet.

For more information see **www.bigpond.com/cybersafety**

Customer privacy

In a constantly changing technological environment our customers enjoy using the latest technology, but want to maintain control over the personal information generated as a by-product of the digital economy. They want assurance that their privacy and personal information are protected and secure.

The legislative response is to develop additional regulation, such as Spam legislation and the "Do Not Call" register, to address the potential impact on personal privacy of new technologies. While there is merit in these laws, at Telstra compliance with the privacy related legislation is our minimum standard. Going beyond its legislative obligations, Telstra seeks to be innovative and to deliver the greater benefits of emerging technologies to our customers, while allowing them to maintain sufficient control to ensure their privacy is protected.

Telstra's Privacy Statement meets our legal obligations and expresses the commitment that Telstra has given to all its customers. In support of this commitment: Telstra ensures that:

- a Chief Privacy Officer has overall responsibility for our approach to privacy and privacy compliance and liaison with the Government's Office of the Privacy Commissioner;

- there is a network of privacy managers across the company to advise the business and support our customers on privacy matters;

- staff receive privacy awareness instruction when they are inducted into the company and every two years thereafter;

- IT systems and business processes are built with appropriate controls to ensure that access to personal information is appropriately restricted and monitored;

- a dedicated privacy call centre (**1800 039 058**) is available to deal with members of the public;

- all our suppliers and business partners, both in Australia and overseas, are required to comply with Australian privacy law;

- all products and services are assessed for privacy impact; and

- our privacy compliance program is reviewed and audited annually by independent external auditors who report their findings to the Telstra Board.

The number of privacy complaints and/or incidents received by Telstra that deal with issues concerning marketing, access to information, accuracy of data and disclosure of information, is relatively stable. This is an excellent outcome in an environment where there are new and pervasive technologies constantly being offered to consumers, where marketing is more directed, and where consumers are increasingly concerned about their privacy.

Using Telecommunications Industry Ombudsman data, the telecommunications industry privacy complaints against Telstra also remain relatively stable, and continue to represent a disproportionately low percentage of industry privacy issues.

All privacy complaints and/or incidents are appropriately addressed and managed to resolution within Telstra so that in the last year no privacy complaints or incidents were escalated to a level that required judicial decision.

For more information see Privacy at Telstra at **www.telstra.com.au/privacy/index.htm**

Ensuring access for everyone

Telstra recognises the diversity of our customers and the significant contribution that communications services make to people's lives and to community wellbeing. Telstra maximises the value of its telecommunications networks, products and services to ensure access for everyone. We actively 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.

People on low incomes

Telstra's Access for Everyone package is guided by the independent Low Income Measures Assessment Committee (LIMAC), which consists primarily of community welfare organisation members. LIMAC monitors the programs, provides feedback on their effectiveness, commissions market research, and reports annually to the Minister for Broadband, Communications and the Digital Economy.

Results of recent research into low-income telecommunications in Australia, commissioned by LIMAC in 2007, indicate that affordability has been generally improving over a long period of time, resulting in very high telephone take-up rates (around 98 percent). However, for people who are in financial or other crisis, who seek the assistance of community welfare agencies, there is a significant lack of access to a telephone (around 20 per cent).

Healthier communities with HumeNET and next generation networks

Case study

Victorian rural health alliance, HumeNET, is using the Next G™ network to help its community-based healthcare clients stay in touch and online wherever their 'house-calls' take them.

HumeNET provides information communication technology (ICT) for publicly funded healthcare organisations specialising in acute care, residential aged care, mental health, allied health and community health.

HumeNET Chief Information Officer, Steve Bowmaker, said more than 6,000 health agency staff working in 50 sites across north-east Victoria use HumeNET – which is provided on the Telstra Next IP™ network – to access patient care information and other online services.

However, more than 600 mobile healthcare workers who visit people in their homes or work from small community facilities have previously been unable to access HumeNET corporate network when away from their office.

"Our challenge was to provide these people with a reliable, secure and high-speed connection service, so they can access business and clinical data, and schedule, review and update client files when working away from the office," Steve said.

"With the Next G™ network we can now offer our mobile healthcare teams a high-speed, secure connection without having to heavily modify their application toolsets."

HumeNET staff use Telstra Turbo Cards™ and mobile phones to access HumeNET servers when working from client's premises, between appointments or after hours during emergency situations.

"One of our technical services managers was helping to set up remote access at a client's premises," Steve said.

"He plugged his Next G™ mobile phone into his laptop, tested the connection and then used the service to demonstrate and train our client's staff.

"The Next G™ network helps us deliver a more complete service and will substantially enhance the efficiency and effectiveness of our mobile healthcare teams."
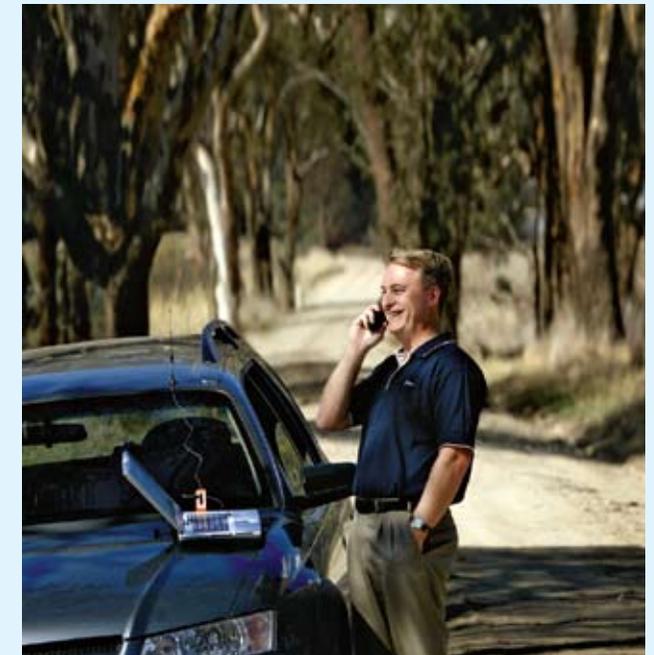
Our performance in 2007/08 includes:

- assisted more than one million low-income customers to connect or maintain their communications services. The total benefit provided exceeded $200 million. This was spread across programs such as Bill Assistance, Phonecard Assistance, Pensioner Discount, InContact®, HomeLine™ Budget, and MessageBox;

- increased the number of community agency outlet partners to around 4,000 from 3,600 in the previous year. Telstra relies on community partners across Australia to deliver the Access for Everyone programs; and

- Telstra was awarded the 2007 Corporate Community Partnership Award by the Country Awareness Network Victoria. This award recognised our exceptional commitment to Victoria's rural and regional communities through our support and assistance to consumers and clients affected by HIV/AIDS or Hepatitis C.

For more information see **www.telstra.com.au/ accessforeveryone**

People with disability

Telstra's corporate disability policy is based on the values of service and respect for the individual. The policy relates to all Telstra products, services and facilities. It promotes compliance with, and an understanding among employees of, the Disability Discrimination Act (1992) and related provisions in telecommunications legislation.

In support of its disability policy, from time to time Telstra lodges a disability action plan with the Human Rights and Equal Opportunity Commission. The plan establishes, monitors and reviews the performance of Telstra processes to ensure areas of potential discrimination are identified and minimised or eliminated. It is developed in consultation with peak disability consumer groups that meet regularly as the Telstra Disability Forum. Telstra reviews the disability action plan performance and publishes the results.

For over 25 years, Telstra's Disability Equipment Program (DEP) has provided a range of additional telephone equipment to eligible customers with a disability, at no extra cost, so they can access a standard telephone service. In 2007/08, Telstra supplied over 12,000 additional pieces of customer equipment including phones with large buttons, incoming and outgoing volume control, audible and visual alerts, and teletypewriters.

This year Telstra also simplified its legacy paper-based DEP application process to improve the overall experience for the customer. This reduced the fulfilment time from between three to six weeks to between two to three days. Most eligible customers can now ring our disability enquiry hotline and a consultant will immediately activate an order for the equipment they need, rather than filling in an application form, having it signed by a qualified professional and submitting the form to Telstra for consideration and processing.

For further information about Telstra's disability services, visit **www.telstra.com.au/disability**

Rural and regional customers

Telstra Country Wide is the local face of Telstra in regional, rural and remote areas of Australia. Telstra is an integral part of country Australia, living and working in the communities it serves, participating in local events, supporting local initiatives and helping in times of distress and disaster.

As a national carrier and long-term partner to regional Australia, Telstra understands the vital role that telecommunications plays in keeping this vast continent connected.

Telstra Country Wide's mission is to meet the often unique telecommunications needs of regional Australia while at the same time contributing to its economic and social development. With the recent launch of the Next G™ and Next IP™ networks Telstra now has the platforms to provide customers living and working in regional, rural and some remote areas, access to a world class range of products, applications and content.

Closure of CDMA network

Telstra closed the CDMA mobile network on 28 April 2008. Plans to close the CDMA network and build the Next G™ network were announced almost three years earlier, in November 2005. The Next G™ network was launched in October 2006 and from that time we began the task of migrating customers from CDMA to the Next G™ network. A large percentage of these customer migrations occurred in 2007/08.

Telstra put in place a number of customer service initiatives to help make the transition as smooth as possible for customers.

These initiatives were designed to ensure that customers received informed and accurate advice when making their selection of handsets and accessories and they chose a 'Like for Like' handset so that they would receive the same or better coverage on the Next G™ network.

The Blue Tick – In what Telstra believes to be a world first, Telstra rigorously tested and assigned the 'Blue Tick' to those handsets recommended for handheld use in rural areas.

Coverage Advocates – Telstra employed over 50 new staff to proactively contact customers that had not yet moved from CDMA to provide them with advice on what type of handset and accessories best met their coverage needs.

Retail Accreditation Program – In an Australian industry first, Telstra introduced an accreditation program across its retail outlets (Telstra owned, licensed and dealers) and provided a handset recommendation guide each month to ensure that retail staff had the most up to date information to provide customers on handsets, accessories and coverage.

Mobile Health Check – Telstra monitored network statistics and contacted customers who were experiencing higher than average dropouts to improve their experience.

1800 customer hotline – This was established to assist customers that had migrated from CDMA to the Next G™ network and were experiencing handset related issues.

Handset exchange – Telstra put in a place a policy that where a customer's Next G™ handset was not providing coverage equivalence, as a last resort and in genuine cases, Telstra would exchange their handset for another at no additional cost to the customer.

In addition, an extensive customer communication program saw:

- customers receive in excess of 10 letters and text (SMS) messages advising them of the closure;

- an extensive advertising campaign on radio, TV and print; and

- a PR campaign to keep customers updated with an average of three media releases issued each week in the six months leading up to closure.

Connecting Wadeye

Case study

In August 2007 Telstra undertook a major project to improve telecommunications services to the Northern Territory community of Wadeye, located 400km southwest of Darwin.

Wadeye is the NT's largest remote Indigenous community with a population of more than 3,000. It is isolated by road for four to five months each wet season when the Daly River floods and makes the road crossing impassable. The community previously relied on satellite telecommunications services. There was no mobile coverage, internet speeds were slow and the system was prone to outages as wet season thunderstorm fronts rolled across the coast.

All of this changed with the commissioning of an optical fibre transmission link, connecting Wadeye and the nearby communities of Palumpa and Peppimenarti with the national telecommunications network at a cost of around $6 million. The project received $2 million in Federal Government funding under the sponsorship of the Local Government Association of the NT. Telstra met the remainder of the costs and fully funded the installation of the Next G™ base station at Wadeye.

Indigenous communities

Telstra's National Indigenous Directorate continues to work with governments and stakeholder groups to deliver improved telecommunications services to remote Indigenous communities.

A major construction project to service communities in the Ngaanyatjarra Lands in Western Australia was completed in February 2008 in the area west of Surveyor General's Corner where the borders of SA, WA and NT meet. An optical fibre cable was installed from Blackstone to connect the communities of Wingellina, Jameson, Warburton, Wannan and Warakurna. This replaced the existing narrowband radio system and enabled connection of ADSL broadband in each of the communities. This project received partial Federal funding and contributions from the Government of Western Australia and the Ngaanyatjarra organisations.

In addition, work has continued on the Community Phone Program. Telstra Community Phones were developed in conjunction with the Centre for Appropriate Technology (based in Alice Springs) for conditions found in remote Australia. Community Phones are card-only, housed in a stainless steel casing and very robust. Telstra initially deployed 20 of these units on a pilot basis, mainly in the Alice Springs region. A further 216 have been installed in remote communities in the Northern Territory, and the Pilbara and Kimberley regions of Western Australia with the support of the Australian Government through the Department of Broadband, Communications and the Digital Economy. The purpose of this arrangement is to provide for the urgent provision of community phones, and pre-paid phone products to remote Indigenous communities on an as-needs basis. In 2007/8 work continued to upgrade installations to the current technology standard and in some cases to relocate services.

Telstra Connected Seniors®

Launched in August 2007, Telstra Connected Seniors® was developed to help older Australians learn to use mobile and internet technology.

Through Telstra Connected Seniors®, Telstra plans to provide $3 million of grant funding to community groups and organisations over the next three years. Along with financial funding, grant recipients have access to educational tools and resources that allow them to conduct fun and interactive education sessions for their members. These education programs will equip their members with new skills such as connecting with other seniors online, making video calls or sending text messages.

Telstra believes this new grant program will be very popular with seniors, as research shows that education is one of the top four issues of interest and concern to those aged over 50. In 2007/08:

- over $750,000 of grant funding was provided to 110 community organisations;

- over 1,900 seniors from clubs or community groups have learnt more about technology and been trained in mobile, email or internet use;

- there were more than 2,000 website visits per month to Telstra Connected Seniors® website (**www.telstraseniors.com.au**); and

- we developed 19 workshop education modules specifically written and designed for Telstra Connected Seniors® participants.

Telstra understands the vital role that telecommunications plays in keeping this vast continent connected

Planned actions for 2008/09

- Extend the Telstra Bill Assistance Program to cover mobile and internet bills to recognise the changing nature of communications usage among low-income Australians.

- Provide a web-based inquiry form for information about accessible features of Next G™ mobile handsets to enable people with a disability to choose the right mobile handset for their needs.

- Build on the success of our world class T[life]™ stores by opening or refreshing more than 80 T[life]™ stores across Australia, to provide a retail experience like no other for our customers.

- Deploy enhanced HSPA (High Speed Packet Access Plus) as a national software upgrade to increase peak network downlink speeds across our national Next G™ network from the current 14.4Mbps[3] to 21 Mbps in 2008.

- With support from the NT Government and Rio Tinto Alcan, Telstra will roll out 800kms of fibre to connect nine northern Arnhem Land Indigenous communities and the township of Nhulunbuy to the nation's fibre optic backbone.

[3] Peak network downlink speed. Actual customer download speeds will be less and will vary due to traffic loading, distance from the cell, local conditions, hardware, software and other factors.

VIEW clubs of Australia

Case study

Over 21,000 Australian women belong to VIEW Clubs, a part of The Smith Family, in 387 communities nationwide. VIEW members contribute substantially to local community capacity building, donating their time and talents locally, as well as raising funds for disadvantaged children and their families through The Smith Family's Learning for Life Program.

Thanks to a Telstra Connected Seniors® grant of $62,000, around 1,000 senior Australian women from 65 VIEW clubs will gain basic information and communication skills using computers and mobile phones.

The Telstra Connected Seniors® program has enabled VIEW to develop skilled and confident volunteer trainers who will continue this program beyond 2008. And Telstra Connected Seniors® enables faster dissemination of information around the VIEW Club network, as well as stronger connections between members regardless of their geographic location.

Through Telstra Connected Seniors®, members will be able to develop new interests and abilities. They will be able to use websites with confidence to obtain goods and services they currently have no access to. Members will be more in touch with their families, friends and the contemporary world.

Robin Vargo from VIEW Clubs says the supportive learning environment is a great benefit for members.

"Being helped by women their own age really helps to dispel the 'I'm too old for this' excuse. It is very gratifying to witness the VIEW members who arrived at a session looking anxious, walk out with a smile," Robin said.

View Club members Robyn McGilvray, Evelyn Talbot and Marie Southwell improving their mobile phone skills in Tamworth.

5
Environment matters

Telstra is committed to providing good stewardship of the environment.

David Quilty, incoming Group Managing Director,
Public Policy & Communications

At Telstra, responsible stewardship of the environment benefits our shareholders, our customers, our employees and the wider community. The efficient use of natural resources is both commercially and environmentally prudent.

Telstra operates in a variety of natural and urban environments, with our network infrastructure spanning Australia. To manage the impact of our activities we aim to integrate environmental considerations into every day business activities. Our environmental footprint is wide but shallow. While our operations extend nationally across all communities, our impact in any one location is relatively minor.

At the heart of Telstra's approach to environmental stewardship is a simple notion – efficient use and conservation of resources is the most effective way for business to contribute to environmental protection and at the same time reduce operating costs. For this reason, energy, water and waste management programs form the centrepiece of our environmental strategy. By reducing the environmental impact of our operations, we provide better value for our shareholders, reduce ongoing costs, efficiently use precious resources, and benefit the wider community.

Telstra has come a long way since we installed our first solar panel in 1974. Not only are we one of Australia's largest users of solar power, operating over 10,200 solar powered sites, we have continued to investigate the potential use of innovative renewable energy sources. The latest addition in June 2008 saw a hydrogen fuel cell test facility installed at our Melbourne headquarters. The hydrogen fuel cell, as well as a small set of solar panels, will be trialled by Telstra's Property Group during 2008, and their potential use in Telstra's network and buildings will be assessed.

In September 2007, Telstra established the Climate Change Review Group which is comprised of senior executives from across the company. This group co-ordinates the company's climate change response, including the implications for Telstra of the National Greenhouse and Energy Reporting System, and the proposed Carbon Pollution Reduction Scheme. The Group also has a role to ensure there is wider understanding and recognition of the many cost effective environmental initiatives being undertaken across the company.

The efficient use of natural resources is both commercially and environmentally prudent

These initiatives, such as conducting a life cycle environmental assessment of online billing, establishing a Packaging Innovation Group, and encouraging staff participation through our GreenChallenge@Telstra program, are all helping to manage Telstra's carbon footprint in an informed and responsible way. Importantly, Telstra is also identifying ways in which Telstra's customers and businesses can use telecommunications products and services to reduce their own greenhouse gas emissions.

Telstra has well established systems and procedures for managing our environmental risks and our track record demonstrates that we meet the regulatory requirements placed on us transparently and effectively. Maintaining our high standards of performance and reporting is not without cost. We observe a continuing expansion of environmental regulation at State, Territory and Federal government levels, along with their consequent compliance and reporting obligations. Climate change is adding a new set of obligations into the mix, with some variation in approach between jurisdictions. Our policy submissions to government have emphasised the desirability of streamlining regulation, to enable time and cost to be focused on achieving improved outcomes rather than just reporting for the sake of it.

Engaging employees

Our commitment to good environmental stewardship contributes to Telstra's employee value proposition by fostering employee engagement and motivation. Based on this year's employee engagement survey (84 per cent response rate), 78 per cent of employees believe Telstra is an environmentally responsible company, a figure above the Australian National Norm of 74 per cent. Telstra engages with employees on environmental issues to determine their concerns and interests, encourage an active role in public policy, keep abreast of emerging issues, and to ensure that consideration of the environment is integrated at every level of the business.

Greenhouse win for environmental warriors

Case study

Telstra is serious about its environmental performance, and is working on many fronts at a corporate level to reduce its environmental impact. But we also have environmental warriors taking matters into their own hands.

With just a few simple steps, the team at BigPond Operational Support Centre in Ballarat has reduced their greenhouse gas emissions and their levels of water consumption.

The BigPond Centre team shares the Ballarat site with colleagues from Telstra's Consumer Marketing and Channels group. After the formation of an onsite 'Green Team' two years ago, environmental matters have become a high priority for these employees.

According to Helen Van Der Veer, BigPond Business Support Lead, "One of the main actions we took was to reduce greenhouse gas emissions associated with lighting. We realised that our office's internal lighting was programmed to work on Sundays, even though the building was unoccupied."

"Through Telstra Property, we were able to arrange for lights to be turned off on Sundays, which saved over 10 tonnes of carbon emissions each year. As a comparison, the average Australian home emits 14 tonnes of carbon per year (including transport)," Helen said.

"Our building also had 35 down lights on the walls, which existed mostly for decorative purposes. We had most of these permanently turned off, which saved another 10 tonnes of carbon emissions and over $800 a year in power costs.

"With great assistance from our HS&E rep, Simon Marcollo, we've installed a desert cube waterless system in the men's urinals. This was part of Telstra Property's national rollout of waterless urinals.

With Ballarat still on Stage 4 water restrictions, we're really pleased to be able to reduce water consumption in this way."

BigPond Operational Support Centre Manager Russell Dickson said, "It's been a great effort by everyone on site here in Ballarat. As well as our greenhouse gas emission reductions, the teams have taken it on themselves to implement other green initiatives in their own time, including a Planet Ark toner recycling program, plastic and can recycling, moving some paper-based systems online and taking part in Clean Up Australia and Clean Up Office days.

"We've drawn on resources available through BigPond's Vitality program, and really appreciated the great support we've had from senior managers, Telstra Property and the Corporate Environment Group. I'd encourage other Telstra work teams to consider how a few inexpensive and simple steps can help reduce the impact of our work on the environment."

Bronwyn Fleming and Steven Davidson –
BigPond Operational Support Green Team members .

78 per cent of employees believe Telstra is an environmentally responsible company

Climate Change Review Group

Telstra formed a Climate Change Review Group (CCRG) in July 2007. Comprised of senior representatives from business units across the company, the group's task is to develop and implement climate change policy and coordinate activities to reduce to greenhouse gas emissions. The group also monitors resource conservation programs and activities already underway in Telstra, considers opportunities and proposals to enhance resource conservation, and identifies business units and individual performers who are, by virtue of their day-to-day responsibilities, already making important resource conservation decisions. On occasion, experts are engaged to conduct formal risk-assessments and cost benefit analyses of proposals. The Climate Change Review Group reports findings, conclusions and recommendations to Telstra's Policy Council and to the Chief Executive Officer Leadership Team as required.

GreenChallenge@Telstra

In January 2008, Telstra's Corporate Environment Group sought feedback from nearly 800 Telstra employees to ascertain their environmental interests, concerns and behaviours. The information gained from the survey informed the development of the new green office program, GreenChallenge@Telstra, which was launched on World Environment Day in June 2008.

GreenChallenge@Telstra is a joint initiative between the Telstra business units Corporate Health Safety & Environment and Telstra Property. The program challenges Telstra employees to consider how their behaviour at work impacts the environment and to recognise that they can influence much more than recycling or water use. The program aims to:

- raise staff awareness of the environmental impacts that result from daily office activities and practices;

- educate staff on how to reduce their carbon footprint;

- enable staff to make informed decisions about how they commute to work;

- encourage staff to use Telstra's conferencing technology to reduce business air and taxi travel to cut greenhouse gas emissions; and

- engage staff in environmental management and decision-making.

Improving our energy efficiency

The environmental impacts associated with energy consumption through the burning of fossil fuels are widely acknowledged. Energy efficiency brings about opportunities to reduce environmental impacts, reduce costs associated with wasteful energy consumption and deliver social benefits such as cleaner air. The impact of Telstra's energy management programs is considerable. We are one of the largest owners and operators of commercial and network properties, we have the largest automotive fleet of its kind and we are the largest private operator of solar panels in Australia.

We can have a significant positive impact by facilitating greater energy efficiency across our business, supply chain and customer base.

Energy consumption

Telstra's total measured energy consumption for 2007/08 was 6,064,687 GJ. This includes electricity use, natural gas for buildings and the network, LPG, diesel and petrol for vehicles and diesel for power generation.

While fuel consumption in Telstra's fleet was reduced, the graph below shows that our overall energy consumption for 2007/08 increased by 3.7 per cent from 2006/07. This anticipated rise was due to a number of factors.

First, there was an increase in the use of electricity in our network facilities due to concurrent operation of the Next G™ and CDMA systems. The closure of the CDMA network in April 2008 will remove this demand from our energy requirements in 2008/09.

Secondly, there was also substantial growth in internet data centres in CBD sites, and some changes to site functionality.

Thirdly, an estimate for electricity used at unmetered sites was included for the first time in 2007/08. An unmetered site is a piece of equipment such as a roadside cabinet that does not have a meter but is charged a fixed amount based on the equipment energy rating. Consumption for unmetered sites in 2007/08 was estimated at 220,503 GJ. The inclusion of this estimate provides a more accurate picture of Telstra's electricity consumption, and demonstrates Telstra's commitment to transparent and accurate reporting.

Energy consumption 2002 – 2008
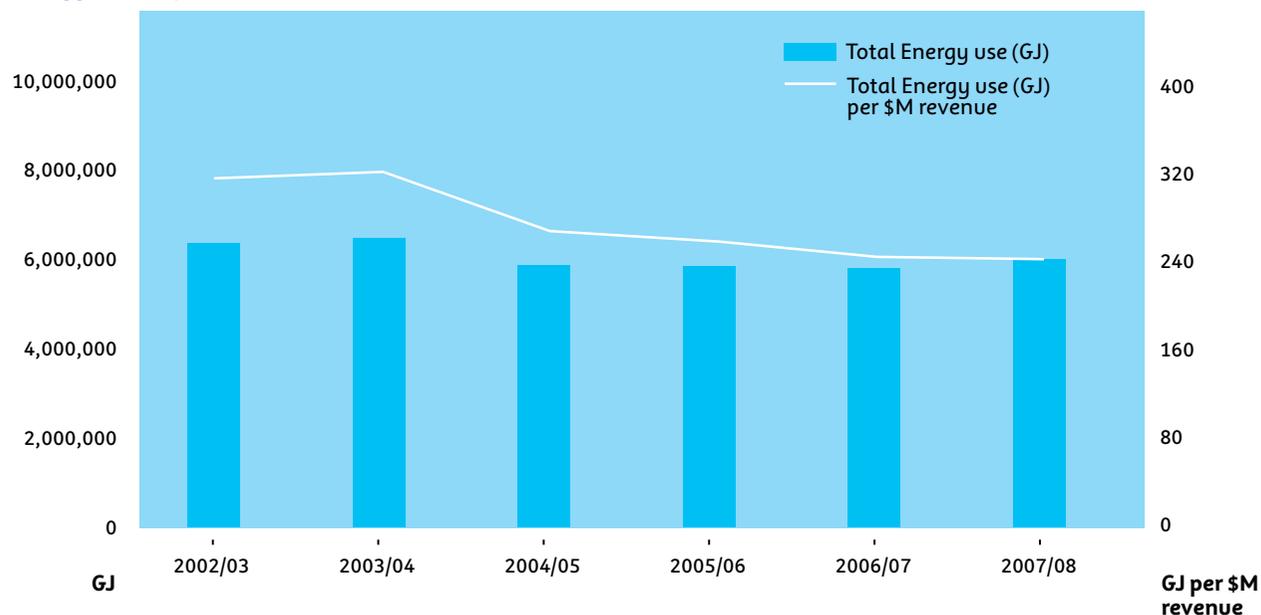
Energy management programs continued to improve energy efficiency in our network, buildings and offices. In 2007/08 we saved 31,924 GJ of energy, or 9,605 tonnes CO_2 equivalent. This is equal to the greenhouse gas emissions from around 680 average Australian homes for an entire year.

In June 2008, Telstra switched off screensavers on around 36,000 computers across the company, reducing Telstra's energy consumption by an estimated 646 tonnes of CO_2 equivalent annually – comparable to the greenhouse gas emissions from 46 average Australian households for a year[4]. Telstra's screensavers were removed from all Windows XP laptops and desktop computers, and replaced with a black screensaver. This simple initiative is part of a wider program that promotes practical ways to conserve energy and contribute to a greener workplace.

Solar energy

Telstra is one of Australia's largest users of solar power with 10,265[5] solar powered sites including exchanges, radio terminals, small repeater stations and payphones. Many of these sites are in remote locations enabling Telstra to provide telecommunication services to these remote areas.

In June 2008 a hydrogen fuel cell test facility was installed at our Melbourne headquarters. The hydrogen fuel cell, and a small set of solar panels, will be trialled by Telstra Property during 2008, and their potential use in Telstra's network and buildings will be assessed.

Transport efficiency

This year we continued to purchase LPG and diesel vehicles as a means of reducing the greenhouse gas emissions from Telstra's fleet. We also continued to install GPS systems in technicians' vehicles to link into the job dispatching system, to improve route efficiency and productivity. In addition, this year we reduced the number of vehicles in the fleet by 17 per cent, reducing fleet energy use by 16.8 per cent.

In 2007/08, Telstra used 42,854,868 litres of fuel (LPG, petrol and diesel) and produced 105,736 tonnes CO_2 equivalent in greenhouse gas emissions, a reduction of 16.7 per cent in litres used and 21 per cent in tonnes CO_2 equivalent from 2006/07. The decrease in transport greenhouse gas emissions is due primarily to the reduction in vehicle numbers and consequent fuel consumption.

Our partnership with Greenfleet continues. Greenfleet is a not-for-profit organisation that plants trees to help offset vehicle emissions as well as benefiting the environment through increased native habitat and decreased salinity and erosion. As part of our salary sacrifice package for employees, a payment is made to Greenfleet for each vehicle. This was introduced in 2003 and by 1 July 2005, all salary sacrifice vehicles were covered by this payment.

During 2007/08, air travel by Telstra staff was 125,727 sectors (one way flights) or 124,054,956km of flight. This compared with 118,279 sectors for 2006/07. Data was collected on total kilometres travelled for the first time in 2007/08. This will provide a benchmark for future reporting.

[4] To provide a meaningful comparison of greenhouse gas emissions throughout this section, we use information published by the Australian Government Department of Environment, Water Heritage and the Arts in *Global Warming Cool It* (**www.environment.gov.au/settlements/gwci/households.html**). This states that: 'Each year, the average Australian household generates about 14 tonnes of greenhouse gas.'
[5] As at 30 June 2008.

Managing resource efficiency and waste

One of the key environmental issues facing Telstra, and the majority of other large businesses, is the use of resources such as materials, energy and water. Telstra is a major user and purchaser of materials ranging from network equipment and construction materials, such as pits, pipe and cable, to stationery and office paper. Material use has environmental impacts, through consuming natural resources and generating waste that requires disposal. We are committed to improving efficiencies and minimising the impacts of our material use.

Paper

To minimise paper use within Telstra we have introduced new initiatives and improved existing activities to move from paper-based systems to online systems for providing internal information to employees. Telstra employees now have online options for completing internal processes, such as applying for leave and ordering materials, and for more complex processes such as tender applications for supply. As a result, we have decreased the amount of paper required, and improved the efficiency of our internal administration processes.

In 2007/08 the consumption of office paper was reduced by approximately 35,900 reams, which is a 14 per cent reduction from 2006/07. Over the last six years, the number of reams used per employee has decreased from 10.3 in 2002/03 to 6.5 in 2007/08.

Telstra continues to offer customers the choice of online billing, including the ability to send Telstra bills to mobile phones. In addition, following customer research last year Telstra introduced a new look summary paper bill to reduce both complexity and the amount of paper used. This means an environmental benefit is delivered by every customer who switches to online billing or chooses the summary bill.

Office paper consumption 2002-2008
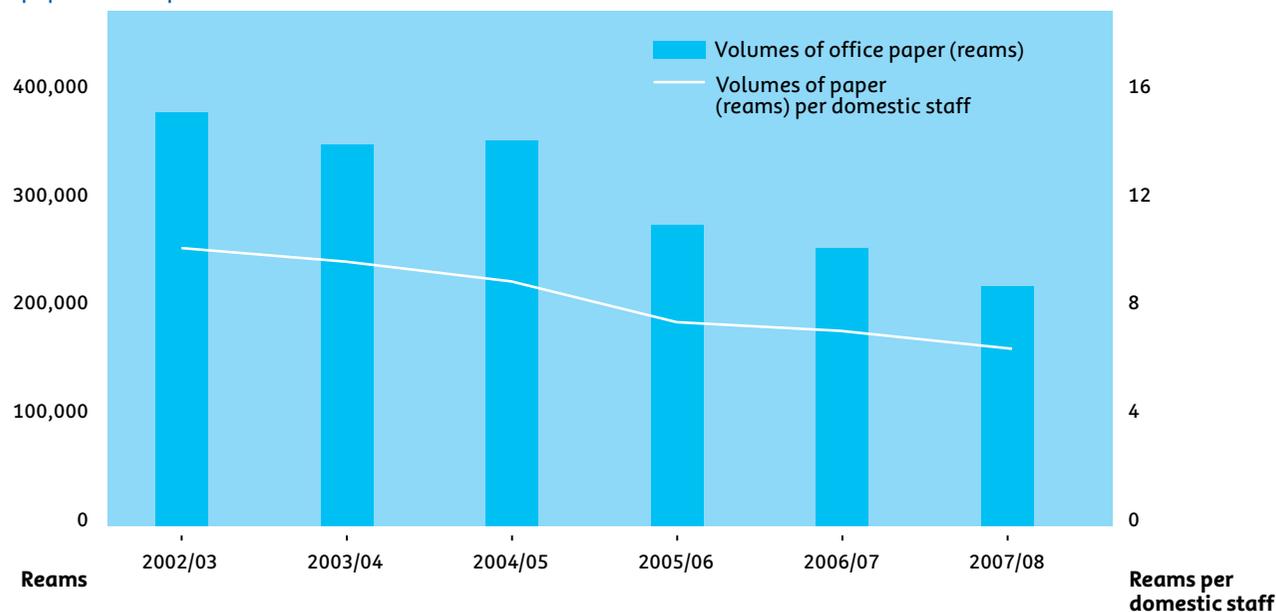
Water

As a telecommunications company our environmental impact relating to water use is relatively low. We use water in our offices, line depots and exchanges, primarily for staff amenities such as kitchens, toilets and showers and for cooling towers. During 2007/08, Telstra consumed 874 megalitres of water at its buildings and sites (this does not include washing of Telstra vehicles at commercial car washes or of home vehicles by employees).

This year, actions to reduce water consumption included the installation of waterless urinals, flow restriction devices on taps and upgrading of toilet cisterns. In addition, some water-cooled cooling towers have been replaced with air-cooling units, and a reduction in water discharge to waste in cooling towers was achieved by increasing cycles of concentration to optimum levels. During 2007/08, water saving actions saved an estimated total of 52 megalitres of water across our office buildings and network sites.

Our underground network infrastructure, access pits, manholes and pipes, may periodically be filled with ground water and, when it rains heavily, stormwater. During 2007/08 approximately 26 megalitres of water were removed from network access pits during maintenance activities. Telstra recycled approximately 20 megalitres of this, compared with approximately 16.8 megalitres in 2006/07.

During field construction activity environmental controls are put in place to manage soil, wastes and other materials to prevent them being washed into stormwater drains and natural waterways.

Waste

We use Telstra's National Waste Management System (NWMS) for most of our waste services, including the collection, transportation and processing of general waste, recyclable items, liquid waste and hazardous wastes. The NWMS covers most types of waste generated from offices, field operations and customer premises. Exceptions include the collection of scrap cable, rental phones and mobile phones, which are managed separately under individual programs.

This streamlined approach assists all employees to dispose of waste in an appropriate manner by providing a single point of contact to arrange for collection and disposal.

During 2007/08, Telstra:

- recycled 69 per cent of all solid and liquid waste across the business – an increase from 65 per cent in 2006/07;

- reduced office paper consumption by approximately 35,900 reams – a 14 per cent reduction from 2006/07;

- recycled 250 tonnes of bottles, cans and milk cartons and 2,927 tonnes of paper;

- decreased the volume of our total waste for disposal to landfill or special treatment from 17,527 tonnes in 2006/07 to 15,085 tonnes in 2007/08. This decrease is primarily due to a reduction in general waste and pit water disposed to a treatment facility; and

- diverted organic waste from landfill through recycling, saving 15,727 tonnes of greenhouse gas emissions (CO2 equivalent) during 2007/08, down from 22,377 in 2006/07.

Online billing study

Case study

It is widely assumed that online billing has a lower environmental impact than paper billing. With electricity, fuel and printing consumables used to print paper bills and distribute them by postal services, there are obvious savings of paper and energy by using an online bill. But is this the whole picture?

Behind the scenes, computer servers and home PCs use electricity to generate and access the online bills. A recent study by Telstra's Corporate Environment Group and environmental consultants URS Australia Pty Ltd used a life cycle approach to test this assumption, and to provide greater insight into the broader environmental impacts and benefits of online billing.

The Life Cycle Assessment (LCA) process is a rigorous technique for assessing the environmental inputs and impacts associated with a product or process. The method is guided by an International Organisation for Standardisation standard and requires a peer review by an internationally recognised expert. The study considered inputs such as energy and material use to compare the environmental impacts of online billing and paper billing for bill preparation, distribution and use of the bill by the customer (such as printing the bill at home).

The LCA process showed that there were environmental benefits in the use of online billing. For example, the study found that if one million residential customers were to turn off their monthly paper bill and select online billing only, and assuming that 50 per cent print their online bill at home (average 6.5 printed pages), the environmental benefits would be:

- annual savings of 18.9 tonnes CO2 equivalent;

- annual savings of 39,000 reams of paper; and

- reduced environmental impacts for land use, human toxicity and resource use.

The LCA process also identified the most significant contributors to environmental impact. It found that greenhouse gas emissions savings come from the transport avoided to deliver conventional paper bills and removing the need for bill printing and sorting equipment. This is a new insight into the benefits of online billing and our first quantification of the greenhouse gas emissions saved.

Product stewardship

Telstra understands the importance of good product stewardship and is continuously looking for opportunities to minimise the life-cycle impacts of our products and services.

In 2007/08, Telstra continued as a signatory to the National Packaging Covenant (NPC) and set up a Packaging Innovation Group with cross business representatives to help drive our packaging initiatives. For more information about our packaging initiatives, see Telstra's NPC report, available online from December 2008 at **www.packagingcovenant.org.au**

In 2007/08, Telstra continued to support the MobileMuster program with bins provided in all Telstra shops and the addition of MobileMuster post bags for consumers to send unwanted mobile phones and accessories to the program for recycling. The total collection for the program was 97 tonnes of mobile phone components including almost 790,000 batteries and handsets. Collections from Telstra stores totalled 24 tonnes of mobile phone components including more than 90,000 handsets.

Greenhouse gas emissions

Management of greenhouse gas emissions is an important global issue. Telstra recognises this and has been measuring and managing our own emissions for some years. The nature of our operations means that our greenhouse gas emissions are mainly derived from:

- the use of electricity and gas for lighting, heating and air conditioning in office and network buildings and electricity to operate the network (92 per cent);

- the use of fuel (LPG, petrol, diesel) for vehicles and stand-by generators (seven per cent); and

- by-products of organic waste decomposition (such as paper, cardboard, timber, food scraps) that goes to landfill (one per cent).

Our programs to reduce the company's greenhouse gas emissions focus on the more efficient use of electricity and fuel, and improving our recycling of organic wastes, such as paper and cardboard, in order to divert waste from landfill.

Telstra is also identifying ways in which Telstra's customers and businesses can use telecommunications products and services to reduce their own greenhouse gas emissions.

In 2007/08, Telstra's total greenhouse gas emissions were 1,500,803 tonnes CO_2 equivalent, an increase of 7.9 per cent from 2006/07. This rise reflects the increase in electricity consumption associated with the concurrent operation of the Next G™ and CDMA networks, the growth in internet data centres, and the inclusion of unmetered sites. The estimate for electricity used at unmetered sites, which was included for the first time this year, added 4.8 per cent to the greenhouse gas emissions total.

Greenhouse gas emissions 2002-2008

Greenhouse gas emissions (tonnes CO_2e)

Greenhouse gas emissions (tonnes CO_2e) per $M revenue
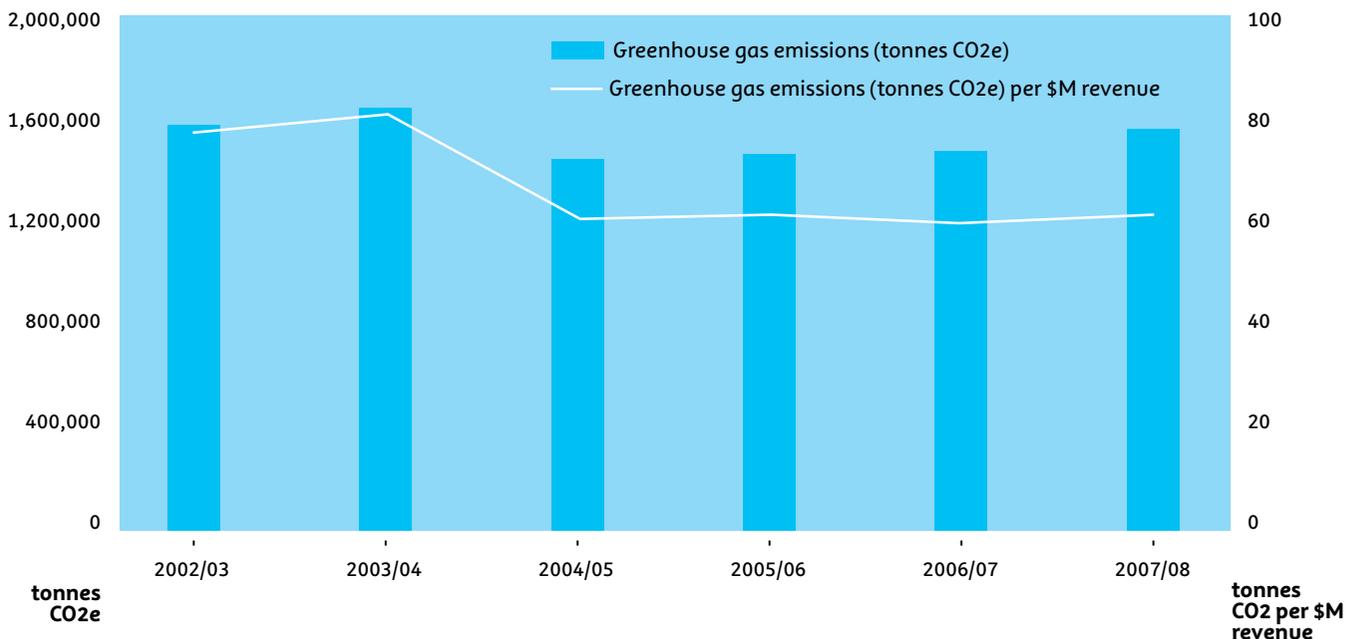
Telstra is one of Australia's largest users of solar power

While the increasing customer use of Telstra's services through our range of fixed and mobile devices will require an increased use of electricity, we are always looking for ways to deliver our services more efficiently.

We continue to implement a range of programs to deliver ongoing greenhouse gas emissions savings, such as efficient use of electricity in buildings, the introduction of LPG vehicles, and recycling of organic wastes such as paper, cardboard and timber.

The total greenhouse gas savings for 2007/08 were 173,686 tonnes CO2 equivalent. This includes savings due to new initiatives implemented this year (25,332 tonnes CO2 equivalent) as well as ongoing savings resulting from initiatives implemented since 2000/01 (148,354 tonnes CO2 equivalent). Total savings are equivalent to the greenhouse gas emissions from approximately 12,400 average Australian households for a year.

Savings due to new initiatives in 2007/08 include 9,605 tonnes CO2 in electricity savings and 15,727 in waste savings.

Greenhouse gas emissions savings (from prior year initiatives and new initiatives) 2002-2008.

Managing our land use appropriately

To provide a world class telecommunications service in Australia we need to design, build, operate and maintain the network infrastructure to support the service. In order to do this, we are required to comply with the relevant legislation.

 Access to land to build telecommunications network infrastructure is legislated by the Telecommunications Act 1997 and related subordinate legislation. The Environment Protection and Biodiversity Conservation Act 1999 (EPBC) requires Telstra to have a process that identifies 'Areas of Environmental Significance' prior to undertaking activity in these areas or accessing certain parts of land.

Telstra employees share top petrol saving tips

Case study
In 2007/08, over 150 Telstra employees learnt how to boost their savings by using less petrol when they participated in an international fuel trial with Shell to minimise the environmental impact of Telstra's fleet operations.

Two-thirds of the participants (68 per cent) achieved fuel economy benefits, with more than a quarter (28 per cent) reducing their fuel consumption by 10 to 30 per cent. The average participant achieved a fuel economy saving of four to five per cent.

"Telstra has the largest commercial fleet of its kind in Australia and has been taking action to reduce the environmental impact of our fleet," said Brendan Stooke, General Manager Telstra Fleet.

"The trial with Shell is yet another example of how we are reducing our carbon footprint and we're pleased to see that over a third (41 per cent) of our drivers in the trial recorded fuel economy improvements in the range of 5 to 20 per cent."

Telstra is the only company in Australia to have taken part in the Global Fuel Economy Study where Shell partnered with 10 multinational companies in eight countries and trained over 1,000 drivers on how to get more out of their fuel.
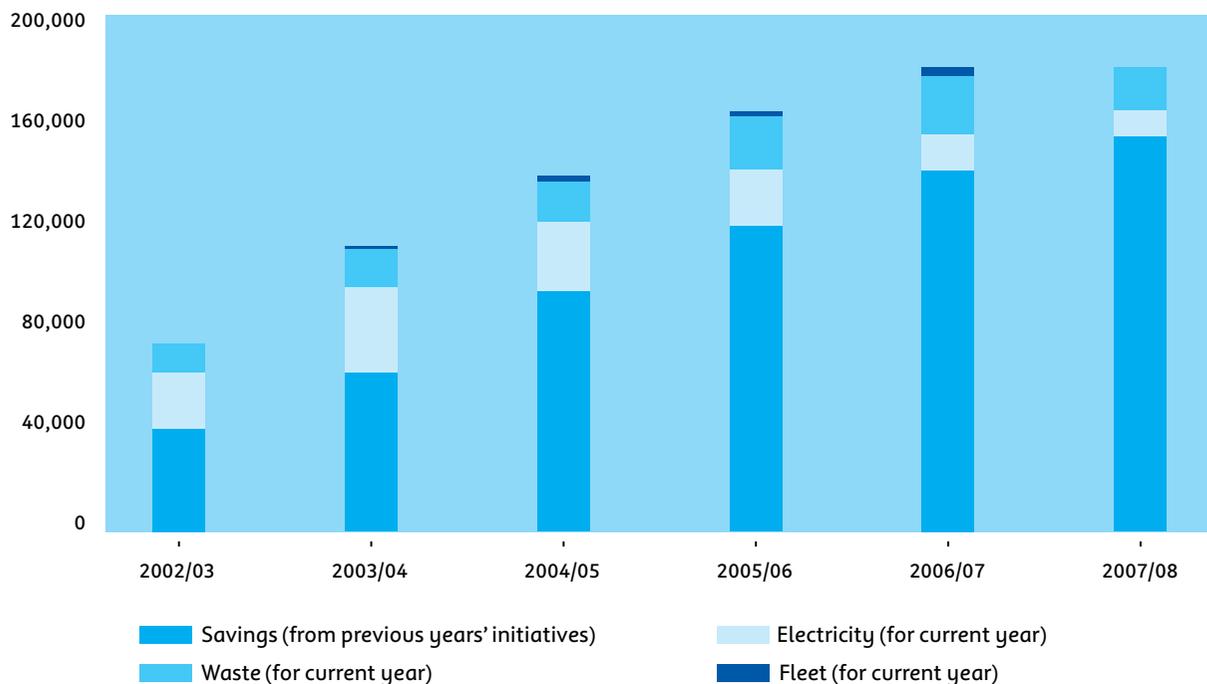
Following the success of the trial, communications will be rolled out to Telstra fleet drivers to encourage 'green' driving techniques to reduce fuel consumption. The program will be promoted using bumper stickers on Telstra fleet vehicles.

Craig White, Telstra Product Management, participates in the trial.

5. Environment matters

Greenhouse gas emissions savings (from prior year initiatives and new initiatives) 2002-2008

Legend:
- Savings (from previous years' initiatives)
- Waste (for current year)
- Electricity (for current year)
- Fleet (for current year)

Each year, Telstra conducts both new and maintenance-based infrastructure projects (numbers vary from year to year). In order to manage the potential environmental impacts of our field activities, we undertake comprehensive pre-design risk identification, design risk assessment and on site risk management processes.

During 2007/08, Telstra issued approximately 53,000 land access notices, and conducted 92 environmental assessments for work in Areas of Environmental significance. Actions required for more significant project work in areas of environmental significance were:

Actions	06/07	07/08
Code Notifications to DEWHA	25	46
EPBC Act referrals to DEWHA	2	8

The increase in the number of Department of the Environment, Water, Heritage and the Arts (DEWHA) notices and referrals between 2006/07 and 2007/08 can be partially attributed to national projects such as the Next G™ network rollout, which extended into more sensitive areas such as national parks.

Visual amenity and noise

Telstra is particularly conscious of the potential impact on visual amenity that is caused by the installation of new mobile facilities in urban Australia. During the planning, design and construction process Telstra follows the Guidelines for Low Impact Mobile Facilities to minimise the impact on visual amenity. Telstra requires all employees, contractors and suppliers of equipment to meet applicable Australian Standards and government regulations for noise emissions.

Fuel storage system

Telstra stores fuel at a large number of network sites to provide back up by diesel generators. A program is in place to monitor underground fuel storage tanks for leaks and other environmental impacts.

Payphones

The majority of our 22,177 payphones are low impact facilities and do not require environmental impact assessment. However, where payphones are to be installed in Areas of Environmental Significance, further planning approval and assessment is undertaken. To minimise the environmental impact from payphones we:

- use solar power in remote areas where there is no readily available source of electricity;
- repair and reuse rather than dispose of faulty electronic modules;
- provide reusable packaging for many payphone spare parts;
- recover and reuse surplus payphone parts;
- reuse whole payphones and booths when relocations or removals occur; and
- break down non-reusable payphones for parts and materials for appropriate recycling.

Compliance

During 2007/08, Telstra's energy and greenhouse data, which form a significant part of the environmental data, was subject to the verification process of the Greenhouse Challenge Plus Program. This rigorous process is carried out by an independent auditor and provides valuable feedback to Telstra on the management and accuracy of its extensive data from over 14,000 sites and 12,000 vehicles. Details of the verification process can be found at **www.greenhouse.gov.au/ greenhousefriendly/business/verification.html**

The verification report noted that "the overall process for tracking and recording electricity consumption appears comprehensive and is effectively managed". A discrepancy was found in the tracking of energy consumption from unmetered sites. In 2008/09 Telstra will focus on this area to further improve data accuracy.

Systems for monitoring and measuring transport fuels were also subject to the verification. The report noted that "the overall rigour of the financial elements of the system and the detailed review of relative fuel consumption statistics provides a high level of confidence that the total consumption is accurate".

In 2007/08, Telstra had no material breaches of any environmental laws.

Planned actions for 2008/09

- Calculate the carbon footprints of all business units and corporate groups.

- Determine the carbon intensity (tonnes of CO2e/unit of service) of Telstra's Enterprise and Government service offerings.

- Increase the 2009 employee engagement survey score for the 'environment responsibility' question.

- Complete a study on the hydrogen fuel cell facility and solar panels installed at our Melbourne headquarters to assess their potential use in Telstra's network and buildings.

- Enhance Telstra's driver education program with an awareness program to encourage our fleet drivers to adopt green driving techniques to reduce fuel consumption and CO2 emissions.

Network Construction Carbon Footprint

Case study

Telstra's Network Construction group is the first line of business within the company to estimate and compile a greenhouse gas (GHG) inventory.

The methodology used for calculating their carbon footprint was derived from the Australian Government's Department of Climate Change National Greenhouse Accounts Factors, which provides guidance on the emission sources to include in a GHG inventory, and how to quantify these emissions.

The estimated carbon footprint resulting from the activities of the Network Construction group is 27,840 tonnes carbon dioxide equivalent (CO2e), which equates to 2 per cent of Telstra's total greenhouse gas emissions. Emissions from their fleet activities are the largest contributor to their carbon footprint.

The report presented a baseline assessment of the carbon footprint of Network Construction and provided recommendations, including promotion of fuel efficient driving and developing carbon reduction measures and targets.

Network Construction now has an opportunity to target and reduce their energy costs and their carbon impact and will be measuring their footprint year on year.

Smarter, greener, together, for Australia

This year Telstra stores collected 24 tonnes of mobile phone components for recycling

Environment data

Waste

Measure	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total waste to landfill/treatment (tonnes)	41,931	41,956	45,872	32,822	17,527	15,085
Total waste (tonnes) per staff member	1.13	1.16	1.16	0.87	0.49	0.44
Total waste recycled (tonnes)	11,134	31,307	21,169	29,635	33,266	32,981
Recycling as % of total waste (tonnes)	21%	43%	32%	47%	65%	69%

Volume of waste: general and special

Waste	Unit	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General Waste	(tonnes)	16,265	15,182	11,569	9,002	9,874	8,380
Asbestos	(tonnes ^)	490	64	195	61	52	84
Medical	(tonnes ^)	60	7	9	8	7	0
Miscellaneous Hazardous Waste	(tonnes ^)	225	99	29	15	18	25
Equipment containing PCBs & PCNs*	(tonnes)	1,484	0	0	0	0	0
Weight of recovered PCBs & PCNs waste	(tonnes)	27	36	7	1	2	0
Water from pits	(tonnes)	23,945	26,568	33,910	19,202	7,064	6,089
Other#	(tonnes)		2	153	381	508	507
Total waste	(tonnes)	41,931	41,956	45,872	32,822	17,527	15,085

* This figure now incorporated in the scrap metal data in wastes returned to process or market.
# This figure includes waste materials from payphones, rental phones, phonecards and e-waste.
^ Data in 2002-03 reported as m3.

5. Environment matters

Waste returned to process or market

Waste	Measure	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Commingled (eg bottles, cans, milk cartons)	(tonnes ^)	1,535	100	182	314	338	250
Electrical components (eg circuit boards, test equipment) *	(tonnes ^)	5,000	–	–	–	–	–
Mixed metal	(tonnes ^)	60	10,577 **	1,284	576	730	543
Mixed paper	(tonnes)	1,824	2,584	2,803	4,369	3,811	2,927
Furniture sold	(tonnes ^)	0	149	140	6	0	8
Cardboard	(tonnes)	1,021	2,527	2,631	3,533	4,737	3,147
Timber	(tonnes)	133	192	257	192	315	201
Scrap cable	(tonnes)	1,874	11,921	166	317	222	131
Rental telephones	(tonnes)	152	211	122	228	133	146
Payphones	(tonnes)	–	–	27	0	735	46
Batteries	(tonnes ^)	251	795	2,121	4,655	5,226	5,440
Water recycled	(tonnes)	–	2,189	11,436	15,440	16,887	20,032
Other ***	(tonnes)	–	62	100	4	131	111
Total waste recycled	(tonnes)	11,134	31,307	21,169	29,635	33,266	32,981

Greenhouse gas emissions

Measure	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Greenhouse gas emissions (tonnes CO2e)	1,512,564	1,603,042	1,338,221	1,360,358	1,390,306	1,500,803
Greenhouse gas emissions (tonnes CO2e) per $M revenue	73.8	77.3	60.4	59.8	58.7	60.4†

* From 2003-04 this figure is included in 'mixed metal' and not reported separately.
** Scrap metal collected from exchanges not previously recorded, has been included in this year.
*** Includes combined glass and metal from construction activities.
^ Data in 2002-03 reported as m3.
† Includes unmetered sites.

Greenhouse gas emissions (tonnes) CO2*e*

Energy Type	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2007-08 Scope 1	2007-08 Scope 2	2007-08 Scope 3
Buildings and network									
Electricity									
- Commercial sites	212,552	209,095	189,152	178,691	170,574	171,621	–	152,754	18,867
- Network	1,149,545	1,236,961	980,806	1,008,177	1,063,900	1,140,419	–	1,004,419	136,000
- Other (unmetered sites) **	–	–	–	–	–	66,271	–	58,367	7,903
- Sub-total	1,362,097	1,446,056	1,169,957	1,186,868	1,234,473	1,378,311	–	1,215,540	162,770
Natural gas	Not available	Not available	416	805	557	1,265	982	–	283
- Diesel (Standby Power Generation)	3,577	2,586	2,384	2,929	2,250	1,581	1,469	–	112
Fleet									
- Petrol	111,432	100,279	106,767	110,692	80,805	52,369	48,530	–	3,839
- Diesel	34,629	31,780	36,649	39,227	39,549	39,630	36,833	–	2,797
- LPG	829	4,057	8,164	11,735	13,909	13,737	12,626	–	1,112
- Sub-total	146,890	136,116	151,581	161,654	134,263	105,736	97,989	–	7,747
Waste *	–	18,283	13,883	8,102	18,761	13,910	–	–	13,910
Total	1,512,564	1,603,042	1,338,221	1,360,358	1,390,306	1,500,803	100,440	1,215,540	184,822

*Emissions due to waste included from 2003-04 onwards.
** Emissions due to unmetered sites included from 2007-08 onwards.

5. Environment matters

Greenhouse gas emissions savings (tonnes) CO2e

Measure	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
New savings from current year initiatives						
- Electricity	20,018	31,915	24,442	20,031	13,182	9,605
- Fleet	317	695	1,862	2,112	3,267	0
- Waste	10,757	14,711	15,755	20,122	22,377	15,727
Ongoing savings from prior years initiatives (electricity only)	38,766	58,784	90,699	115,141	135,172	148,354
Total	69,858	106,105	132,758	157,406	173,998	173,686

Energy use (GJ)

Energy Type	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Buildings and network						
Electricity						
- Commercial sites	637,352	644,566	579,717	544,847	541,239	547,705
- Network	3,733,405	3,986,286	3,212,663	3,261,562	3,512,551	3,794,539
Other (unmetered sites) ****	–	–	–	–	–	220,503
- Sub-total *	4,370,757	4,630,852	3,792,380	3,806,409	4,053,789	4,562,748
Natural gas	N/A	N/A	6,541	11,296	7,821	19,139
Diesel ((Standby Power Generation))	49,305	36,977	34,085	37,447	29,008	21,052
Solar	**	**	**	**	**	**
Fleet *						
- Petrol	1,524,389	1,371,816	1,460,578	1,362,869	1,047,244	724,323
- Diesel	495,071	454,342	523,941	501,491	509,913	527,697
- LPG	13,315	65,173	131,141	171,916	200,826	209,729
- Sub-total	2,032,775	1,891,331	2,115,661	2,036,276	1,757,983	1,461,749
Total	6,452,837	6,559,160	5,948,666	5,891,428	5,848,601	6,064,687

* Data measurement methodology changed from 2003 to 2004 to improve data accuracy.
** The energy generated by Telstra's solar powered network sites is not directly measured.
*** Fleet fuel vehicles are for all Telstra vehicles and mechanical aids (includes Telstra operational vehicles, salary sacrifice vehicles and vehicles leased to subsidiaries/other companies).
**** Energy use due to unmetered sites included from 2007-08 onwards.

Fuel use (litres)

Fuel type	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fleet						
- Petrol	44,572,768	40,111,581	42,706,972	39,849,970	30,621,170	21,165,825
- Diesel	12,825,668	11,770,514	13,573,613	12,992,000	13,210,176	13,670,894
- LPG	518,199	2,535,929	5,102,779	6,689,319	7,665,126	8,004,932
- E10	–	–	–	–	–	13,217
- Sub-total	57,916,635	54,418,024	61,383,364	59,531,289	51,496,472	42,854,868
Buildings and network						
Diesel (Standby Power Generation)	1,277,340	957,955	883,020	970,135	751,498	545,384
Total	59,193,975	55,375,979	62,266,384	60,501,424	52,247,970	43,400,252

Materials

Measure	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Volumes of office paper (reams)	383,000	353,112	358,243	278,678	256,774	220,856
Volume of paper (reams) per staff member	10.3	9.8	9.0	7.4	7.2	6.5

Miscellaneous

	2005-06	2006-07	2007-08
Network Construction Environmental training courses delivered	1,600	1,400	841
Solar sites	10,450	10,693	10,265
Telstra Environmental Incidents Nationally	34	22	12
Code Notifications to Department of Environment, Water, Heritage and the Arts	50	25	46
Environmental Assessments for work in Areas of Environmental Significance	51	61	92
EPB Act referrals (Department of Environment, Water, Heritage and the Arts)	18	2	8

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Fully addressed – ◼ Partially addressed – ◼

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	EN22	Total weight of waste by type and disposal method	Environment matters	69	◼
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	EN27	Products reclaimed at the end of their life	Environment matters	64	🟩
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Telecommunications specific indicators

Fully addressed – ■ Partially addressed – ■

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