



7 November 2007

The Manager

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**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Statement by the Chairman**

In accordance with the listing rules, attached for your information a copy of a press release for release to the market.

Regards

A handwritten signature in black ink, appearing to read "C. Elliott".

**Claire Elliott**  
Acting Company Secretary

7 November 2007

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## Statement by the Chairman

The Board is disappointed by the vote on the Remuneration Report today. We have heard the views of shareholders and will carefully assess and fully consider those views in planning future remuneration.

The Board has a responsibility to act in the long-term interest of shareholders: a responsibility that we take with the utmost seriousness. We believe the Telstra remuneration plan is serving the long-term interests of shareholders by directly aligning executives' remuneration with shareholder wealth and strong financial results like those announced last week.

When boards are faced with non-standard circumstances – such as implementing the world's largest, fastest and most complex transformation strategy – they are obliged to design remuneration plans that serve the long-term interests of shareholders and drive strong financial results like those announced last week. This is the role of the Board.

We have received institutional and retail support for the plan. In particular, we are pleased with the support of instalment receipt holders – shareholders of less than one year – who support our strategic vision. However, the opposition of the Future Fund has decided the final outcome.

Most opponents of the Remuneration Report did not object to the value of benefits available. Most recognised that, under the 2006/07 long-term incentive plan, 99.7 cents in every dollar of shareholder wealth created would accrue to ordinary shareholders. Opposition was instead often based on the complexity of the plan and the fact that some performance hurdles were not disclosed.

We accept that the scheme is complex: in a transformation of this size, extent and pace, complexity is necessary, especially at the early stage of a transformation, to ensure progress simultaneously on many fronts. We do not accept that further disclosure of performance hurdles would serve shareholders' interests. In fact, we have resisted revealing hurdles that could provide competitors with competitively sensitive information. For instance, we did not disclose competitively sensitive information about the timing and extent of the NextG™ network, even though some advisers desired that.

Detailed discussions with many of our largest shareholders reveal increasing support for company-by-company assessment criteria that can account for particular circumstances, rather than a one-size-fits-all approach. We believe this debate is in its infancy and will continue, involving many corporations, stakeholders and, eventually, proxy advisers.

Telstra is changing the game in telecommunications with benefits for shareholders and the nation. Telstra's transformation is changing the competitive landscape with strategic projects like NextG™ and NextIP™. We are confident shareholders will be well served by the remuneration plan discussed today. This remuneration plan is designed to drive the transformation by linking executive remuneration to the success of the strategy. Ultimately, the Telstra board is prepared to be judged on how effectively the transformation strategy delivers shareholder value.

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Telstra's national media inquiry line is 1300 769 780 and the Telstra Media Centre is located at:

[www.telstra.com.au/abouttelstra/media](http://www.telstra.com.au/abouttelstra/media)

For news, views and discussion on telecommunications in Australia see

[www.nowwearetalking.com.au](http://www.nowwearetalking.com.au)