

## Independent Assurance Statement

### Telstra Sustainability Reporting 2013

To Telstra’s stakeholders,

Banarra was commissioned by Telstra to assure the sustainability content of its 2013 Annual Report and the supporting Bigger Picture sustainability reporting series (collectively referred to herewith as “The Report”) against the AA1000 Assurance Standard 2008 (AA1000AS). Banarra also undertook a review of these documents against the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines. This is Banarra’s fifth reporting cycle with Telstra, so we have built on our understanding of the organisation and its progress.

#### **Assurance Scope**

The assurance scope was a Type 2 engagement under the AA1000AS (2008) and included:

1. Assessment, to a moderate level of assurance, of the nature and extent of Telstra’s adherence to the AA1000 AccountAbility Principles Standard 2008 (AA1000APS) principles of inclusivity, materiality and responsiveness, and how it communicates this adherence in the Report; and
2. Evaluation, to a moderate level of assurance, of the reliability of specified sustainability performance information relating to a selection of material issues.

The performance information was assured using the criteria stated in Table 1 below.

*Table 1: Material issues and performance information included in assurance scope*

Performance area	Assurance Criteria
<b>Customer experience</b> (Net Promoter Score)	GRI G3 PR5 and GRI G3 Reporting Principles
<b>Employee statistics</b> (number of employees by type, region, age, contract type and employment level, coverage by collective bargaining agreements)	GRI G3 LA1, LA4 and GRI G3 Reporting Principles
<b>Employee health and safety</b> (LTIFR, LTI, serious injuries, lost days, days lost per LTI, new/open workers’ compensation claims)	GRI G3 LA7 and GRI G3 Reporting Principles
<b>Employee diversity</b> (representation of women by employment level, age distribution)	GRI G3 LA13 and GRI G3 Reporting Principles
<b>Employee volunteering and giving</b> (volunteering days on Telstra time, payroll giving participation rate, dollars donated)	GRI G3 Reporting Principles
<b>Social and community investment</b> (by focus area and form of contribution)	GRI G3 Reporting Principles

### ***Banarra Assurance Methodology***

Our methodology included:

- Reviewing internal documentation relating to Telstra’s policies, strategy, and processes;
- Interviewing members of Telstra’s Executive Management, stakeholder relationship managers and members of Telstra’s sustainability team;
- Analysing information gathered in the document review and interviews to test the extent and nature to which Telstra has addressed inclusivity, materiality and responsiveness principles;
- Visiting Telstra’s head office to check the reliability, completeness and accuracy of sampled quantitative performance information relating to the material issues described in Table 1;
- Checking the accuracy of selected qualitative statements in the Report relating to the material issues through interviews and document reviews; and
- Checking that the Report appropriately communicates the nature and extent of Telstra’s adherence to the AA1000APS (2008) principles.

### ***Findings and Recommendations***

We believe that the Report adequately communicates the nature and extent of Telstra’s adherence to the AA1000APS (2008) principles.

#### **Inclusivity - does Telstra have an inclusive approach to stakeholders?**

Over the past twelve months Telstra has continued to strengthen its engagement with stakeholders and consequently its commitment to being an accountable and sustainable organisation. A key area of improvement noted has been the increased internal awareness of sustainability and its connection to the roles of Telstra employees. Internal stakeholders interviewed during the assurance process were able to relate key aspects of Telstra’s sustainability strategy to the context of the business and their individual responsibilities. It was apparent that the efforts of the Chief Sustainability Office (CSO) have inspired a greater sense of focus on, and increased internal visibility of, strategic sustainability outcomes.

Engaging suppliers as a key stakeholder group has been a previously identified opportunity for Telstra. In the reporting period, Telstra’s procurement section has improved its collection and response to supplier feedback. Supplier input could still be considered in more depth as part of Telstra’s materiality analysis for this report.

#### **Materiality – has Telstra identified its most important sustainability issues?**

Telstra has added further rigour to its materiality process since its previous sustainability report. The process is underpinned by AccountAbility’s five part materiality approach to enhance the identification of key issues that are relevant to Telstra’s business and its stakeholders. The materiality analysis is well documented, especially the prioritisation of sustainability issues and the application of criteria. Research commissioned by Telstra on key topics, including environmental impact and digital inclusion, supports the identification of material issues and also helps inform a more comprehensive business strategy.

Greater input from suppliers into the materiality process is the major remaining improvement Telstra could adopt. Developing definitions for the material issues identified, would also enhance Telstra's potential to respond more explicitly to those issues.

### **Responsiveness – has Telstra responded to these issues?**

Telstra's sustainability strategy is designed to provide a "whole of business" response to material sustainability issues and to embed sustainability into the fabric of the organisation. Progress has been made by Telstra in delivering its sustainability strategy over the course of the reporting period. The Sustainability Council (comprising the CEO's Leadership Team) provides governance of this strategy and reviews Telstra's sustainability performance using a scorecard approach. Sustainability "ambassador" roles have been created at the executive level for priority focus areas to enable the achievement of key sustainability goals.

To improve the reader's understanding of the significance of its material issues, Telstra should improve the context within each chapter of the Report. The Report could be further enhanced through a more balanced narrative which also addresses and explains particular challenges or under-achievements during the reporting period. The exclusion of certain key performance data from the report (i.e. that relating to customer experience and Sensis employee health and safety) means that readers can't fully assess the effectiveness of Telstra's response in relation to these identified material issues.

### ***Performance Information Verification***

Based on our assurance scope and methodology, we conclude that there is no evidence that performance information in the Report is not correct in all material aspects and is not a fair representation of Telstra's performance in the reporting period in relation to the following material issues: customer experience, employee numbers; employee health and safety; employee diversity; employee volunteering and giving; social and community investment.

However for the purposes of continuous improvement, Telstra's performance information reporting could be strengthened in the following areas:

#### *Employee health and safety*

- GRI LA7 - Include contractor data as part of the health and safety reporting in future sustainability reports. This would enable Telstra to publish a Report that is more comprehensive in its boundary. In addition, extend future health and safety performance reporting to include occupational diseases and absenteeism. Also include employee health and safety data for Sensis as this falls within the stated boundary of the Report.

#### *Employee diversity*

- GRI LA13 - Include the percentage of individuals within Telstra's governance bodies for 'minority groups' and age groups. Similarly, include the percentage of employees in 'minority groups'.

#### *Employee statistics*

- Undertake an independent cross-checking of Telstra's workforce figures as they are collected and reported, for example against turnover data.

### *Customer experience*

- GRI PR5 - As a new measure related to customer satisfaction, the description of the new systems in place to assess the level of customer advocacy (i.e. the Net Promoter System), should be accompanied either by the actual result, or the reason for not disclosing the result.
- Telstra's performance against the TIO complaints target set in the previous year (i.e. to receive no more than level 1.5 TIO complaints per 10,000 services in operation) should be disclosed. Telstra should also disclose the TIO target for the coming period or the reason for not doing so.

### **Responsibilities and Independence**

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

Banarra was paid by Telstra to conduct this assignment. Other than this payment, the assurance team declares itself independent in relation to Telstra and its stakeholders. There is a detailed statement on our independence, impartiality and competencies at [www.banarra.com](http://www.banarra.com).

A handwritten signature in black ink, appearing to read "Paul Davies".

Paul Davies,  
Lead Certified Sustainability Assurance Practitioner (Certification No. L032012004)

A handwritten signature in black ink, appearing to read "Bastien Mignonneau".

Bastien Mignonneau,  
Auditor and Sustainability Assurance Practitioner

Banarra, Sydney, Australia,  
8 August 2013