

RESPONSIBLE BUSINESS

CONDUCTING OUR
BUSINESS ETHICALLY



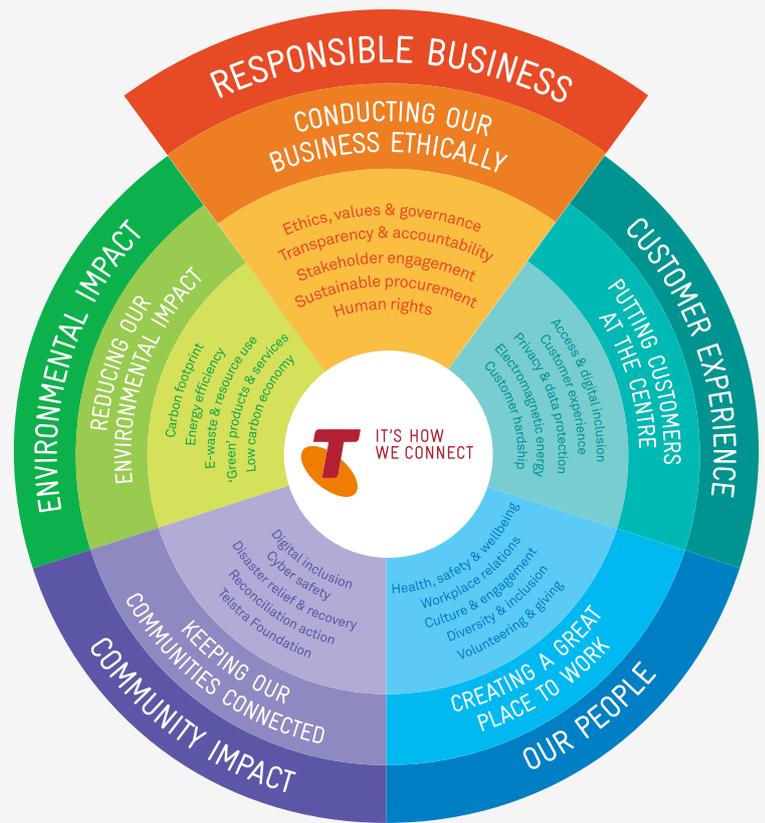
BIGGER PICTURE
TELSTRA 2013 SUSTAINABILITY REPORTING SERIES

IT'S HOW
WE CONNECT



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OUR BUSINESS

Telstra is Australia's leading telecommunications and information services company, offering a full range of communications services and competing in all telecommunications markets. In Australia we provide 15.1 million mobile services, 7.8 million fixed voice services and 2.8 million retail fixed broadband services. Telstra's international businesses include Hong Kong's leading mobile operator CSL New World, Telstra Global's networks and managed services business and Telstra's China-based search and advertising businesses.

ABOUT OUR SUSTAINABILITY REPORTING

Our sustainability reporting comprises the *Bigger Picture Telstra 2013 Sustainability Reporting Series*, our sustainability website and a concise summary of our approach and performance in our 2013 Annual Report. Through our reporting we aim to provide information on sustainability issues relevant to our business and of importance to our stakeholders.

We develop our sustainability reporting with reference to industry and sustainability standards including the United Nations Global Compact Communication on Progress, the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and Telecommunications Sector Supplement (pilot) and AccountAbility's AA1000 Principles Standard 2008. This financial year we apply the GRI framework to application level B+.

For more information visit
www.telstra.com.au/sustainability

SCOPE

Our sustainability reporting covers the 2012/13 financial year (1 July 2012 to 30 June 2013) for Telstra Corporation Limited and Sensis Pty Ltd (Telstra) unless otherwise stated. Aside from Sensis, all other controlled entities are excluded.

FEEDBACK

We welcome your feedback on our sustainability reporting, approach and performance. Please email us at sustainability@team.telstra.com

RESPONSIBLE BUSINESS HIGHLIGHTS

DEVELOPED A SUPPLIER
CODE OF CONDUCT

**SIGNATORY TO THE
UNITED NATIONS
GLOBAL COMPACT
SINCE 2011**

SENT **15.4 MILLION**
CUSTOMERS
MOBILE PHONE SAFETY
INFORMATION VIA SMS

SUPPORTED
WORKFORCE
PROGRAM
**2012
DISABILITY
SERVICES
AUSTRALIA
AWARD**

**EMERGENCY ALERT SYSTEM
PROJECT OF THE YEAR 2012
WORLD COMMUNICATION AWARDS**

**DEVELOPED AN INDUSTRY-FIRST EME
CONSULTATION WEB PORTAL FOR THE
COMMUNITY**

RESPONSIBLE BUSINESS CONTEXT



We're committed to excellence in corporate governance, transparency and accountability.

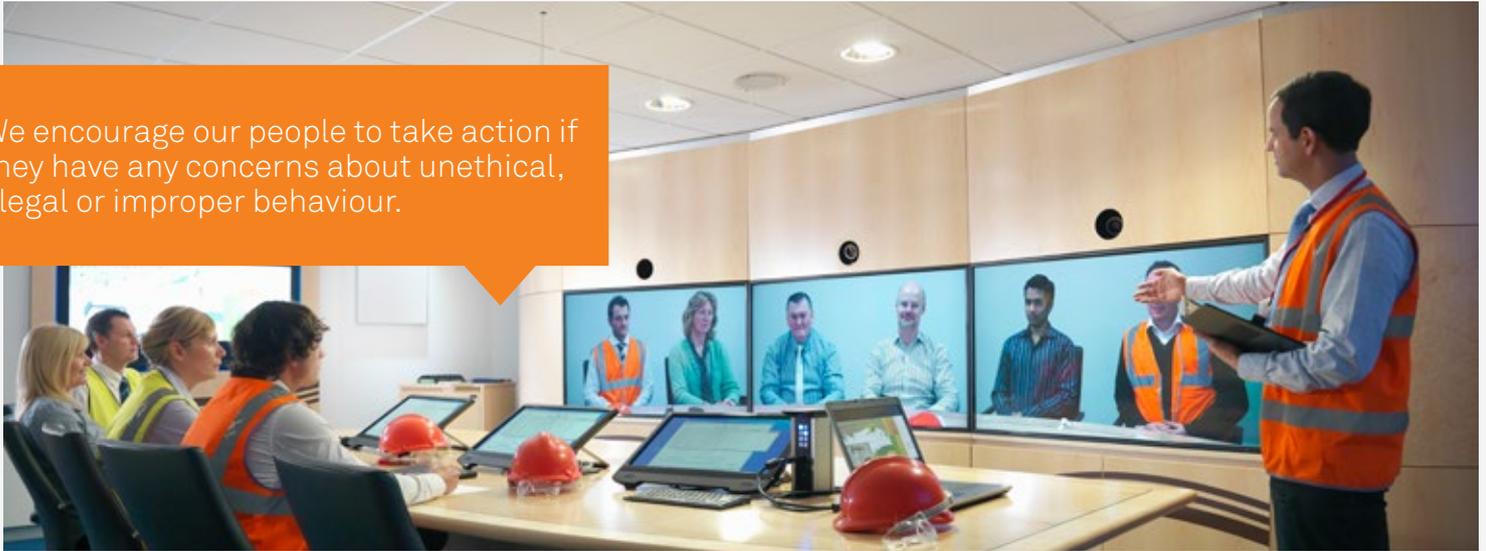
As a large telecommunications company with a presence across Australia and a growing international footprint, we recognise that our long-term ability to prosper is dependent on how we respond to the changing social and environmental expectations of our employees, customers, investors, regulators and the wider public.

These expectations increasingly extend beyond our own operations and into our supply chain and relationships with our business partners, and in our overseas operations.

RESPONSIBLE BUSINESS

ETHICS, VALUES AND GOVERNANCE

We encourage our people to take action if they have any concerns about unethical, illegal or improper behaviour.



APPROACH

The Telstra Group¹ Code of Conduct and Business Principles set out the practices, and standards of behaviour we expect employees and contractors to adopt in performing their work.

They define our commitment to best practice corporate governance, responsible business practice, our customers, our workforce, society and the environment. Company policies expand on expected behaviours and provide specific guidance to give effect to our Business Principles.

Telstra is subject to a range of regulatory requirements in the countries where we operate, including those related to sustainability issues. Our most significant regulatory requirements are outlined in the Corporate Governance Statements of our Annual Report.

To find out more visit
www.telstra.com.au/governance

PROGRESS

GLOBALISATION OF POLICIES

We regularly review our company policies as part of our policy governance program, to ensure they are relevant and comply with the latest laws and regulations.

This year, we embarked on a project to globalise our company policies so that they will apply equally to Telstra Corporation

and all of our controlled entities overseas and domestically. The aim is to remove variations between the policies of Telstra and its subsidiaries, so that policies do not require geographic or circumstantial adjustments or amendments. As a result of this work, the Telstra Group¹ of entities will operate under one set of globalised policies, improving governance and streamlining the process for managing company policies for our subsidiaries. We will complete this initiative in 2013/14.

ANTI-BRIBERY AND ANTI-CORRUPTION

With our Anti-Bribery and Anti-Corruption Policy we aim to ensure that Telstra complies with applicable anti-bribery and anti-corruption laws and regulations.

This year, we continued to strengthen our approach to anti-bribery with a workshop focussing on Telstra's bribery risks with representatives from across the Telstra Group. This was facilitated by an external company that specialises in the management of bribery risks worldwide. This work will help us deliver our formal anti-bribery program next year.

Telstra does not make political donations. However, like other major publicly listed companies, we do pay fees to attend events organised by political parties where those events allow for discussion on major policy issues with key opinion leaders and policy makers.

WHISTLEBLOWING

We encourage our people to take action if they have any concerns about unethical, illegal or improper behaviour.

We have a whistleblowing policy and a confidential and anonymous whistleblowing service that enables employees to report such behaviour. The process is supported by an independent service provider specialising in receiving sensitive reports or disclosures. Telstra's Ethics Committee, which consists of senior managers, monitors all reports and disclosures made under this process. This committee also monitors investigations, recommendations and the implementation of actions. The Audit Committee oversees the whistleblowing program, receives reports from the Ethics Committee, and provides an escalation channel for the Ethics Committee where required.

As at 1 July 2012, there were four whistleblowing alerts in progress within Telstra Corporation. During 2012/13, 40 whistleblowing alerts were opened and 30 were closed. As at 30 June 2013, 14 remain in progress.

RESPONSIBLE BUSINESS ETHICS, VALUES AND GOVERNANCE

HUMAN RIGHTS

We recognise the human rights of our employees, customers, suppliers and contractors as well as the individuals and communities affected by our activities. We're a signatory to the United Nations Global Compact (UNGC) and we commit to the principles of human rights set out in the Universal Declaration of Human Rights. Our commitment is defined in our Human Rights Policy and business principle.

We implement our Human Rights Policy through a range of methods, policies, investment programs and participation in voluntary initiatives that reflect the range of diverse conditions our business operates in. Our approach encompasses labour rights, non-discrimination, diversity and inclusion, digital inclusion, customer service and credit management, privacy, stakeholder engagement, whistleblowing, security, compliance with law enforcement and cyber safety, as well as our procurement and environmental management practices.

This year we reviewed our Human Rights Policy as part of the globalisation of Telstra policies initiative. In light of the changing expectations of the community and our customers, we will continue to focus on our approach to human rights in the coming year.

COMPLIANCE TRAINING

Training is an integral element of our compliance framework. It ensures employees are aware of their legal, regulatory and compliance responsibilities. When people start working at Telstra, they are required to complete a suite of online compliance training courses, including on our Telstra Group Code of Conduct and Business Principles, and company policies. Mandatory refresher training is also completed annually, with each compliance topic covered every two years. We have strict mechanisms in place to monitor and report completion rates.

This year we began reviewing the compliance training that is provided to our contractors to ensure consistency across the business. This work will continue next year. As at 30 June 2013, 92 per cent of those enrolled in the refresher training which covers the Telstra

Group Code of Conduct and Business Principles and company policies, have so far completed the course.

To find out more visit

www.telstra.com.au/governance



BUSINESS RECOVERY AT WARRNAMBOOL

A fire at our Warrnambool Exchange in November 2012 highlighted the vital importance of telecommunications to the economy and community services.

The fire caused significant disruption to Telstra's network across south-western Victoria, affecting more than 100,000 people. It impacted 135 exchange service areas, resulting in a loss of telecommunication services, including telephony, mobiles and business services such as EFTPOS, ATMs, internet access and emergency services. The event affected 85 schools, 20 hospitals, 27 police stations, 92 fire stations and 14 SES units.

To restore services to our customers, we mobilised quickly and had more than 110 technicians on site working 24 hours a day to restore services. They were supported by experts in design, data configuration, logistics and project management. We immediately restored high priority services using Telstra's range of mobile infrastructure, including our Cell on Wheels and Mobile Exchange on Wheels.

All customer services were up and running by 10 December, 19 days after the fire. The full repair of the site commenced in February 2013 and is expected to be completed at the end of August 2013.

A full investigation of the fire concluded it was caused by a non-suspicious electrical fault, though the extent of the damage meant it was not possible to identify a single ignition source. Investigators believe the fire probably started in the ceiling of the maintenance control room or the maintenance control room.

The internal review of the incident recommended 22 actions which were immediately adopted by Telstra when the investigation report was released. The actions primarily aimed at reducing the risk of future occurrences, improving the preparedness of operational staff and recording methods and processes that can be used in potential future disaster recovery situations. We will continue to work to implement these changes.

RESPONSIBLE BUSINESS

MANAGING ASBESTOS

We are reinforcing our compliance standards with all relevant field employees working with asbestos.

APPROACH

Telstra's network was built over many years and, as with many other types of historical construction, asbestos was used in the concrete for a large number of our pits.

Before we start any work on a pit, we carry out an inspection of the work area to determine the potential presence of asbestos containing material (ACM). This normally includes an inspection of the inside of the pit. Unless the pit is made of plastic it will be assumed to contain ACM and treated appropriately.

Telstra requires its employees and contractors to follow procedures for asbestos handling. We have policies, practices, and processes in place for our employees and contractors when they come into contact with asbestos in our network.

PROGRESS

We were very disappointed there were issues with the asbestos management activities of our contractors during the year.

As a result, we conducted a review of our contractor management and identified a number of areas where improvements could be made. We are in the process of implementing these changes and have already taken a number of steps to improve the asbestos management processes of our employees and contractors. This includes requiring all employees and contractors to undergo additional training, and improving the way we engage with the community before undertaking work that may disturb asbestos containing material.

We have also put a number of other improvements in place. Up to 200 additional inspection and supervisory personnel will be recruited to ensure all asbestos-related remediation activity is supervised by an accredited person. We will reinforce our compliance standards with all relevant field employees working with asbestos, including every manager reminding their staff about the safety measures that need to be adhered to.

RESPONSIBLE BUSINESS

SUSTAINABLE PROCUREMENT



This year we asked our suppliers to provide more sustainability information in their tender responses.

APPROACH

This year, we purchased \$6 billion in goods and services from close to 8,000 suppliers.

Our market position and large supply base puts us in a strong position to influence the environmental and social standards of our suppliers. Telstra's business principles provide an overarching framework to ensure that we operate ethically and with integrity in purchasing goods and services and in conducting business with suppliers. With our Purchasing Ethics Policy and Purchasing Environment Policy, we aim to ensure consideration of environmental and social issues in all purchasing decisions. These have been incorporated into our strategic sourcing and vendor management processes.

PROGRESS

SUPPLIER CODE OF CONDUCT

In January 2013, we introduced a Supplier Code of Conduct which describes the standards required to conduct business with Telstra. The code outlines expectations and supports long term success by ensuring that social and environmental considerations are included when choosing suppliers.

It includes requirements for non-discrimination, respect and dignity, freedom of association, health and safety, environment, ethical dealings, working hours, forced or involuntary labour and child labour.

All new online tenders now require our suppliers to sign up to the code of conduct. Further work on the implementation of the code of conduct, including the development of monitoring tools, will be undertaken in the coming year.

This year we asked our suppliers to provide us with more sustainability information in their tender responses. We now evaluate information on governance and reporting and how the supplier manages their social and environmental impacts every time we choose a new supplier.

In the coming year, we will develop a comprehensive three year sustainable procurement plan, with a focus on best practice standards, supplier engagement, embedding sustainability into processes and procedures, and building capability and partnerships.

SOCIAL IMPACT

In 2010, we made a commitment to increase the diversity of our supply chain by becoming a member of Supply Nation, which links organisations with Indigenous business suppliers. We updated our tendering process with a requirement to consider organisations certified by Supply Nation in the supplier sourcing process. This year we saw an increase in expenditure with Supply Nation suppliers.

Telstra partners with local non-profit groups to create employment opportunities for people with disability or who are disadvantaged. We work with 14 community groups across Australia, as part of the Supported Workforce Program, to clean and maintain Telstra exchanges. We have increased employment by 67 per cent this year with more than 300 people contracted around Australia. In December 2012, the program received a Disability Services Australia award for improving employment opportunities.

This year we introduced Jasper Fair Trade coffee and Tradewinds Fair Trade coffee as the standard for all coffee purchased for Telstra offices around the country. Fair trade coffee is grown by small accredited farms and supports sustainable prices, decent working conditions and fair terms of trade for farmers and workers in the developing world.

RESPONSIBLE BUSINESS

MOBILE PHONES, TOWERS AND HEALTH

Telstra acknowledges some community concern that electromagnetic energy (EME) from mobile phone handsets and base stations could lead to adverse health effects.

APPROACH

We comply with the standards set by regulators and are committed to being proactive, transparent and fact-based in our communication regarding EME.

We rely on the expert advice of national and international health authorities including the World Health Organisation (WHO). We provide information on EME on our website, and to all new mobile customers by SMS and in their welcome pack.

Telstra has a dedicated EME help desk and a team that actively reviews new site proposals, develops suitable community consultation plans and works with the community to determine acceptable sites for new base stations. This proactive community engagement continues to result in a very low number of complaints relative to our construction of base stations.

To find out more about EME visit www.telstra.com/eme

PROGRESS

KEEPING OUR CUSTOMERS INFORMED

Helping our customers and the community keep abreast of the latest information is important to us.

In addition to our own website, we invite customers to go directly to the authorities and organisations we rely on for expert advice or general information, such as

World Health Organisation, Australian Radiation Protection and Nuclear Safety Agency, and (Electromagnetic Frequency) EMF Explained.

This year we introduced a number of initiatives to keep our customers and community informed. This included providing all new mobile customers with EME information in their welcome pack and by SMS when they join Telstra, sending an annual mobile safety SMS to all customers, and publishing a 'back of bill' message. We also established a consultation web portal on behalf of the industry.

COMMUNITY CONSULTATION FOR BASE STATION LOCATIONS

This year a number of communities, including Balgowlah Heights and Winmalee in New South Wales and Longford in Tasmania, expressed concern about EME through the consultation process.

We responded to these concerns through extended community consultation, individual meetings and proactive community engagement. We continually review how we engage with the community.

In July 2012 we achieved an industry first - a consultation web portal available to all members of the community via the website www.rfnsa.com.au. This new web portal facilitates better consultation as it gives everyone access to information on proposals currently underway. It also allows the service provider to keep

the community up-to-date with the latest information about base station sites, as well as a way to provide feedback and submissions. We created this website on behalf of industry group Mobile Carriers Forum, and it is now run under the auspices of industry body, the Australian Mobile Telecommunications Association.

In 2012/13, Telstra completed 2,945 mobile infrastructure consultation projects of which 182 were new development applications (173 were approved) and 2,763 Australian Communication Industry Forum consultation proposals. The Australian Communications and Media Authority (ACMA) confirmed that they received two complaints regarding Telstra proposals in 2012/13, compared to three in 2011/12, and five in 2010/11.

MOBILE PHONE SAFETY

All mobile phone handsets sold by Telstra in 2012/13 met national and international safety standards.

In Australia, the standard is the ACMA's Radio Communications (Electromagnetic Radiation-Human Exposure) Standard 2003. It is designed to offer protection against identified health effects of EME with a large built-in safety margin.

RESPONSIBLE BUSINESS NEXT STEPS AND PERFORMANCE



NEXT STEPS

CONDUCT a social and environmental risk assessment of Telstra's supply chain

DEVELOP a comprehensive three year sustainable procurement strategy

REVIEW Telstra's progress on support of the United Nations Global Compact principles

PERFORMANCE

PROGRESS ON 2012/13 COMMITMENTS	RESULT
Review the compliance training that is provided to our contractors to ensure consistency across the business	In progress
Establish a formal anti-bribery program under Telstra's Compliance and Corporate Ethics framework	In progress
Enhance community engagement on proposed new base stations by implementing an online community consultation process	Achieved
Complete and implement Telstra's Supplier Code of Conduct	Achieved
Integrate consideration of minority suppliers into our tender processes	Achieved
Review Telstra's Human Rights Policy	Achieved
Review Telstra's Stakeholder Engagement Policy	Achieved

END NOTES

¹ Telstra Group includes Telstra Corporation and controlled entity full time employees and equivalents, contractors and staff employed through agency arrangements in Australia and internationally.