Independent Assurance Statement

Telstra Sustainability Reporting 2012

To Telstra’s stakeholders,

Banarra was commissioned by Telstra to assure the sustainability content of its 2012 Annual Review and the supporting Bigger Picture sustainability reporting series (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 fourth 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;

2. Evaluation, to a moderate level of assurance, of the reliability of specified sustainability performance information relating to a selection of material issues; and

3. Provision of a third-party check of Telstra’s self-declared GRI application level against the G3 Sustainability Reporting Guidelines.

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

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

<table>
<thead>
<tr>
<th>Report Section</th>
<th>Material Issue</th>
<th>Assurance Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Moderate Level of Assurance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Customers</td>
<td>Customer service and satisfaction</td>
<td>GRI PR5</td>
</tr>
<tr>
<td>Our People</td>
<td>Employee statistics</td>
<td>GRI LA1, LA4</td>
</tr>
<tr>
<td></td>
<td>Employee health &amp; safety</td>
<td>GRI LA7</td>
</tr>
<tr>
<td></td>
<td>Employee diversity</td>
<td>GRI LA13</td>
</tr>
<tr>
<td></td>
<td>Employee engagement</td>
<td>AA1000 Inclusivity Principle</td>
</tr>
<tr>
<td>Our Community</td>
<td>Social and community investment</td>
<td>GRI Reporting Principles - Quality</td>
</tr>
</tbody>
</table>
Banarra Assurance Methodology

Our methodology included:

- Visits to Telstra’s head office in Melbourne and office in Sydney;
- Interviews with 10 members of Telstra’s Executive Management and 11 other Telstra managers and employees concerning sustainability management, stakeholder engagement, governance and strategy, policies, material issues and implementation of responses;
- Review of Telstra’s documentation relating to operational planning, risk assessment, sustainability governance, materiality, stakeholder engagement and response management;
- Review of Telstra’s materiality process;
- Review of the sustainability strategy, and responsibilities, priorities and accountabilities of the newly established Chief Sustainability Office;
- Checks of the reliability, completeness and accuracy of sampled quantitative performance information relating to the material issues described in Table 1. In addition, the processes for capturing, aggregating and reporting this data were examined through interviews and document review, comparison with the assurance criteria, re-performing calculations, cross-checks with corroborative evidence and testing of source data;
- Checks of the accuracy of selected qualitative statements in the Report relating to the material issues (such as management assertions and performance claims), through interviews and document review;
- An examination of the Report to check consistency with the GRI application level B+ requirements; and
- A check 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 has adequately communicated the nature and extent of Telstra’s adherence to the AA1000APS (2008) principles. Findings and recommendations on the nature and extent of Telstra’s adherence to these principles are provided below.

Inclusivity - does Telstra have an inclusive approach to stakeholders?

During the reporting period there has been a significant step up in Telstra’s commitment to being an accountable and sustainable organisation. This is supported by Telstra’s Sustainability Council that has a strong focus on accountability in relation to its sustainability performance and impacts. The establishment of the Chief Sustainability Office provides Telstra with greater resource to support these efforts.

Telstra has further enhanced its engagement of stakeholders around key issues identified as focal points for its sustainability strategy. These include digital inclusion, employee community involvement and the environment. To enhance engagement on such issues, Telstra utilises specific working groups and project teams. There has been significant engagement and consultation with internal and external stakeholders to help ensure the digital inclusion programme’s effective ongoing
implementation. Telstra’s Board and CEO Leadership Team also receive stakeholder input both directly and indirectly. One approach utilised in the reporting period has been a series of ‘road shows’ held around Australia to facilitate direct engagement between the CEO and stakeholders.

There are still areas for improvement around engagement, such as ensuring employees have the relevant information they need to engage with particular stakeholder groups. Internal communication is undergoing a significant review to enhance the sharing of information relating to core company goals in a way that is more targeted and focussed. Effective implementation of a stakeholder engagement policy across the organisation should lead to greater discipline in, and create more value from, Telstra's stakeholder engagement. There may also be an opportunity to better engage with employees on stakeholder engagement and sustainability. Doing so could help to increase employees understanding of sustainability to their respective roles in order to create a broader sense of individual ownership within the organisation.

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

Telstra’s materiality process for this year’s report involved a review of the material issues from the previous reporting period. The process included limited external stakeholder engagement. The issues for this year’s report were then considered and approved by Telstra’s Sustainability Council. Banarra believes the process undertaken this year may have limited the detection of new or emerging issues. We acknowledge that this process was undertaken as a transitional measure in line with a new reporting approach and that Telstra is intending to carry out comprehensive materiality assessments in the first quarter of each financial year in addition to ongoing monitoring of issues.

The involvement of Telstra's CEO and Leadership Team in its Sustainability Council enables sustainability issues to be considered at 'whole of business' level. Sustainability risks are reported to the Board, and Telstra's risk framework now includes sustainability risk factors, moving beyond only incorporating financial considerations. The introduction this year of a balanced scorecard approach is also intended to incorporate materiality outputs into sustainability performance and accountability.

We commend Telstra’s intent to integrate materiality outcomes into its decision-making processes and sustainability strategy development, rather than using materiality solely as a one-off process for reporting.

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

The sustainability strategy is designed to provide a whole of business response to Telstra’s material sustainability issues. The Sustainability Council has ownership of this strategy and undertakes regular reviews of sustainability performance using a balanced scorecard approach, thus strengthening accountability within the organisation. Sustainability is also a mandatory inclusion at all Board meetings, increasing its visibility at the highest level.

The establishment of the Chief Sustainability Office and the development of a robust governance structure are designed to align and coordinate responses to sustainability issues across Telstra's business units. In the past, some sustainability initiatives have been disconnected from Telstra’s core business. In addition, employees were not being sufficiently engaged on certain initiatives. However, initiatives such as the digital inclusion programme suggest that both these aspects are being addressed. We encourage Telstra to continue to develop initiatives that respond to its material...
sustainability issues, make strategic sense for the organisation and reinforce a culture of ownership amongst staff.

The Report presents Telstra’s strategic priorities, progress, performance, planned actions, material issues and key sustainability risks and is a comprehensive account of Telstra’s sustainability endeavours during 2011/12. Banarra applauds the greater transparency and balance evident in this Report compared to past years, with Telstra disclosing information and data that does not always reflect positively. Continuing efforts around fully disclosing areas of partially or not-achieved performance in relation to targets will also support clearer disclosure around sustainability performance.

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 service and satisfaction; employee numbers; employee health and safety; employee diversity; employee engagement; social and community investment.

We are pleased to note Telstra’s efforts this year to further improve their data collection systems and reporting processes overall. We also commend Telstra for setting longer term sustainability performance priorities, based on its new sustainability strategy.

Further improvement opportunities were noted in the following areas:

Social and Community investment

As Telstra further develops its social and community investment, there is an opportunity for a more sophisticated impact measurement approach that moves beyond measuring inputs/outputs; more effectively measuring the impact of Telstra’s operations and services on the community.

Customer service and satisfaction

As Telstra continues to improve its customer satisfaction performance, it could consider a way to capture more effectively initial customer complaints made directly to the organisation, to align the process with that of the TIO.

Boundaries

Banarra notes some improvement in clarity around boundary disclosures. There is still an opportunity for a more consistent approach to setting data boundaries throughout the various report sections.

Sustainability context

There is a need for greater consistency in the Report around providing context regarding the development and implementation of sustainability programs and initiatives, and what they are responding to.
Targets and achievements

Telstra could more clearly account for targets that are either not achieved or partially achieved, as well as ensuring that future performance targets are measureable and clearly aligned with its strategies or objectives.

Data accuracy

Banarra also identified minor inaccuracies across some datasets and statements, which were subsequently rectified. Reviewing data management processes across all Telstra entities to improve consistency and accuracy of collected data is a key opportunity for the future.

Global Reporting Initiative

We concur with Telstra’s own assessment that it has achieved GRI application level B+.

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.

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

Nathan Robertson-Ball
Auditor and Sustainability Assurance Practitioner
Banarra, Sydney, Australia
30 August 2012