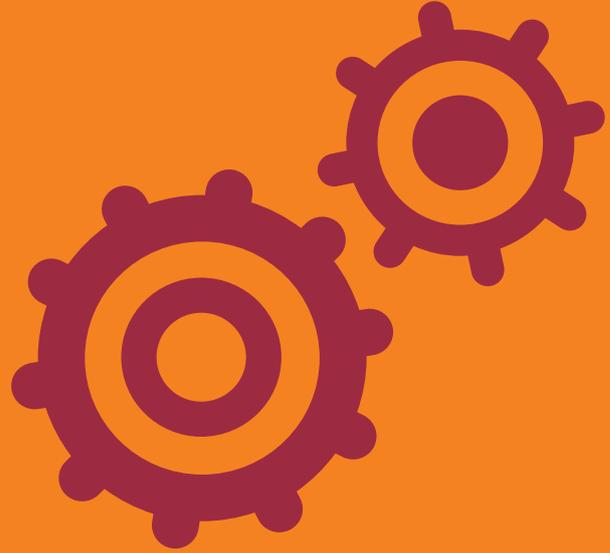


BIGGER PICTURE 2012



OUR APPROACH

CONDUCTING OUR BUSINESS RESPONSIBLY

SUSTAINABILITY
REPORT 2012



IT'S HOW
WE CONNECT

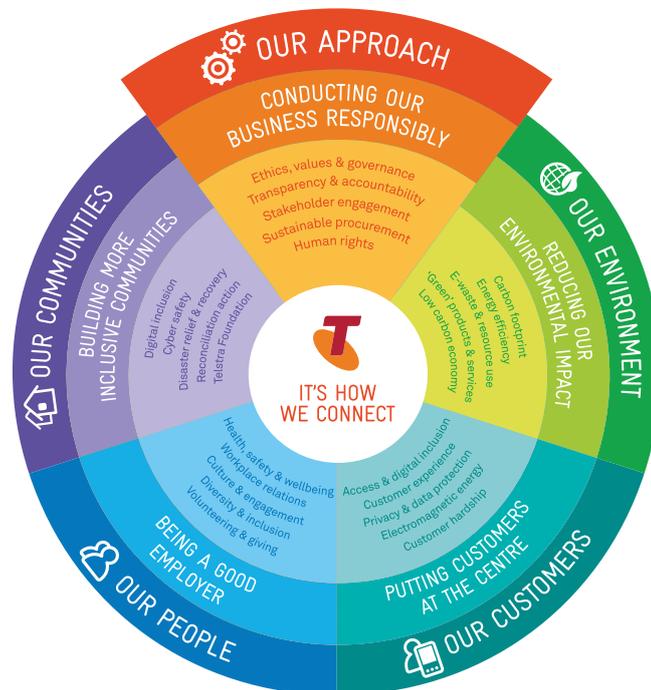
TELSTRA IS AUSTRALIA'S LEADING TELECOMMUNICATIONS AND INFORMATION SERVICES COMPANY. WE OFFER A FULL RANGE OF SERVICES AND COMPETE IN ALL TELECOMMUNICATIONS MARKETS THROUGHOUT AUSTRALIA, PROVIDING 13.8 MILLION MOBILE SERVICES AND SERVING 2.6 MILLION RETAIL FIXED BROADBAND CUSTOMERS. TELSTRA'S INTERNATIONAL BUSINESSES INCLUDE TELSTRA INTERNATIONAL GROUP, THE HONG KONG MOBILE SERVICES COMPANY CSL, AND A NUMBER OF DIGITAL BUSINESSES IN CHINA.

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ABOUT OUR SUSTAINABILITY REPORTING

Through our reporting we aim to provide relevant information about our social and environmental approach and performance, for all of Telstra's stakeholders. Our Annual Review is a concise summary of Telstra's financial and business performance, as well as the material sustainability issues impacting the company. The Bigger Picture sustainability reporting series and our website provide further sustainability information, including additional performance data. www.telstra.com.au/sustainability



SCOPE

Our sustainability reporting covers the 2011/12 financial year for Telstra Corporation Limited, unless otherwise stated. This excludes the following operations that comprised the wider Telstra Group in the reporting period: Sensis, Telstra International Group, our controlled entities CSL, China digital businesses, REACH and TelstraClear, and our 50 per cent ownership of Foxtel.

MESSAGE FROM THE CHAIRMAN AND CEO



THE CHALLENGE AND OPPORTUNITY WE FACE AS A COMPANY AND SOCIETY IS HOW WE MAKE THE NEXT GENERATION OF COMMUNICATIONS TECHNOLOGY AVAILABLE TO ALL AUSTRALIANS IN A SUSTAINABLE AND RESPONSIBLE MANNER.

We have seen an unprecedented growth in new 'connectivity' through Smartphones, internet access and mobile broadband that is changing communities, businesses and industries. There are many opportunities to use this next generation of enhanced 'connectivity' in ways that improve the lives of all Australians irrespective of age, education, location, income, gender or race.

While we know we can always do more - we are pleased with the progress we are making on our sustainability agenda at Telstra. We take this responsibility very seriously and we are committed to playing our part as a trusted and respected Australian Corporation.

Our ambition is to bring the *social* and the *environmental* into the heart of how we operate as a business in ways that create value for the company and for our stakeholders.

The 'playing field' is changing dramatically. We have finalised landmark agreements that outline Telstra's participation in the rollout of the National Broadband Network. The telecommunications industry is in a transition driven by the enormous growth in digital connectivity - connected consumers, homes, workplaces and communities. More broadly, businesses are recognising that their ability to prosper over the longer term is dependent on their responses to the changing social and environmental expectations of employees, customers, investors, regulators and the wider public.

Telstra is changing to capitalise on the opportunities this new 'playing field' presents. Our business is focused on improving customer service, retaining and growing our customer numbers, simplifying the business and building new growth businesses.

This year, Telstra established a Chief Sustainability Office to support the company through these significant transformations. It has brought together key functions from across the business to improve the strategic alignment of our activities, and to streamline and improve our sustainability performance into the future. The Chief Sustainability Office is focussing on three key challenges:

Everyone Connected

As Australia's largest and oldest telecommunications company, Telstra has a unique role to play in helping our most vulnerable customers and communities connect and interact safely in the digital world. This year, we have provided support through our Access for Everyone programme, our disability products and services and the Telstra Foundation's Everyone Connected grants.

Involving our employees in sustainability

It is important that we engage and equip our employees to build sustainability thinking, behaviour and practices into their everyday work. This year, we introduced paid volunteer leave and matched payroll giving for Telstra employees. Next year, our focus will be on creating more opportunities for our people to get involved with local communities.

Developing an environmental customer value proposition

This year, the key environmental risks and opportunities for Telstra were identified in an Environment White Paper. Next year, this will be used as the input to the development of a Telstra Environment Strategy and customer value proposition, signalling our commitment to becoming an Australian environmental leader.

MESSAGE FROM THE CHAIRMAN AND CEO

We have also made sound progress in other areas of sustainability this year. Some of our key achievements include:

- > Celebrating 10 years of the Telstra Foundation with over \$40 million in support of 7,000 projects across Australia.
- > Working with over 2,000 community organisations across Australia to deliver \$179.8 million of products and services that help disadvantaged Australians remain connected.
- > Decreasing Telecommunications Industry Ombudsman (TIO) Level 1 complaints by 26 per cent.
- > Increasing our Telstra Group employee engagement score from 75 per cent to 77 per cent.
- > Reducing our carbon emissions intensity by 36 per cent.

While we have made good progress, we know there is more to do.

Regrettably, this year there were a number of privacy incidents that undermined the very good work we have done to rebuild trust and improve customer satisfaction. Protecting our customers' privacy is a complex technical challenge in the new online world of the internet - however we clearly understand that it is a business imperative and we know that we have to do better.

Like all leading companies, Telstra has a responsibility to promote diversity and inclusion. Despite some pleasing gains at Board and executive level, our overall female representation has decreased slightly. In addition, our results on employment of Indigenous trainees fell short of our targets. Promoting diversity will continue to be a priority over the coming year.

This year, we became a signatory to the United Nation Global Compact. We are committed to supporting its ten principles and to promoting them whenever we operate. We have also established a Sustainability Council, comprising the Group's Executive Leadership Team, to ensure that we set ambitious targets that challenge the company to continually improve its performance. Sustainability remains a key focus for the Board and management at Telstra.



C B Livingstone

Catherine B Livingstone, AO
Chairman



D. Thodey

David Thodey
Chief Executive Officer

CONTEXT

WE ARE COMMITTED TO CONDUCTING OUR BUSINESS ETHICALLY, WITH INTEGRITY AND RESPECT FOR OUR STAKEHOLDERS.

As a large telecommunications company with a presence across Australia and a growing international footprint, Telstra's responsibility is to manage our business ethically to produce an overall positive impact for our customers, employees, shareholders and other stakeholders, as well as the wider community and the natural environment.

Telstra's primary corporate responsibilities are to:

- > increase shareholder value and protect shareholder interests
- > serve the needs of our customers
- > make Telstra a great place to work
- > provide good stewardship of the environment
- > contribute resources - people, money, technology, products and services - to support the communities in which we operate
- > advance the national interest by strengthening the capability of the nation's telecommunications infrastructure, and thereby providing a strong foundation for economic growth, productivity improvement, sustainable prosperity and global competitive advantage.

In meeting these responsibilities, we are committed to the highest standards of corporate governance, transparency and accountability. We conduct our activities ethically, in accordance with the law and our regulatory obligations, in ways that are competitive, fair and honest. Our approaches to sustainability, risk management, compliance, ethics and stakeholder engagement are important to achieving this.

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 Statement in our Annual Report.

This can be accessed at www.telstra.com.au/annualreports

UNITED NATIONS GLOBAL COMPACT



WE SUPPORT

In December 2011, Telstra became a signatory to the United Nations (UN) Global Compact, signalling our commitment to the highest levels of responsible business practice in the markets in which we operate.

We are committed to aligning our operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Our commitment to these principles and our communication on progress is reflected in our sustainability reporting.

REFLECTING TELSTRA'S HERITAGE, POSITION AND CAPABILITIES, OUR FOCUS IS TO BRING THE SOCIAL AND THE ENVIRONMENTAL INTO THE HEART OF THE ORGANISATION IN WAYS THAT CREATE VALUE.

APPROACH

For Telstra, sustainability is a business approach that creates long-term value by embracing the opportunities and managing the risks that arise from economic, environmental, social and technological developments. Sustainability is embedded in our approach to our customers, our communities, our people and the environment. It is an important part of how we will achieve our vision to improve the way people live and work.

Material sustainability issues

We undertake a formal and consultative approach to ensure that we identify and respond to key sustainability issues for Telstra. Our material sustainability issues are those that are most important to our business and our stakeholders. Our formal approach includes:

- > reviewing current and emerging sustainability issues impacting Telstra and the wider information and communications technology (ICT) industry
- > identifying economic, social, environmental and ethical issues of concern for our stakeholders
- > assessing our ability to influence the issues
- > ranking issues according to their importance to our stakeholders and significance to our business, including an assessment of risk*
- > seeking feedback through ongoing engagement with key stakeholder groups
- > presenting our findings and reporting on the issues to Telstra's Sustainability Council.

This process is based on AccountAbility's AA1000 Principles Standard (2008), a widely used framework for the identification, prioritisation and response to an organisation's key sustainability challenges. We undertake this annually.

Telstra's sustainability framework (p. 7) is built around five key pillars and indicates our broad goals and key sustainability issues.

For more information on our approach to these issues, our progress and performance for 2011/12, and our commitments for 2012/13, see the Customer, People, Environment and Community Bigger Picture sustainability reports.

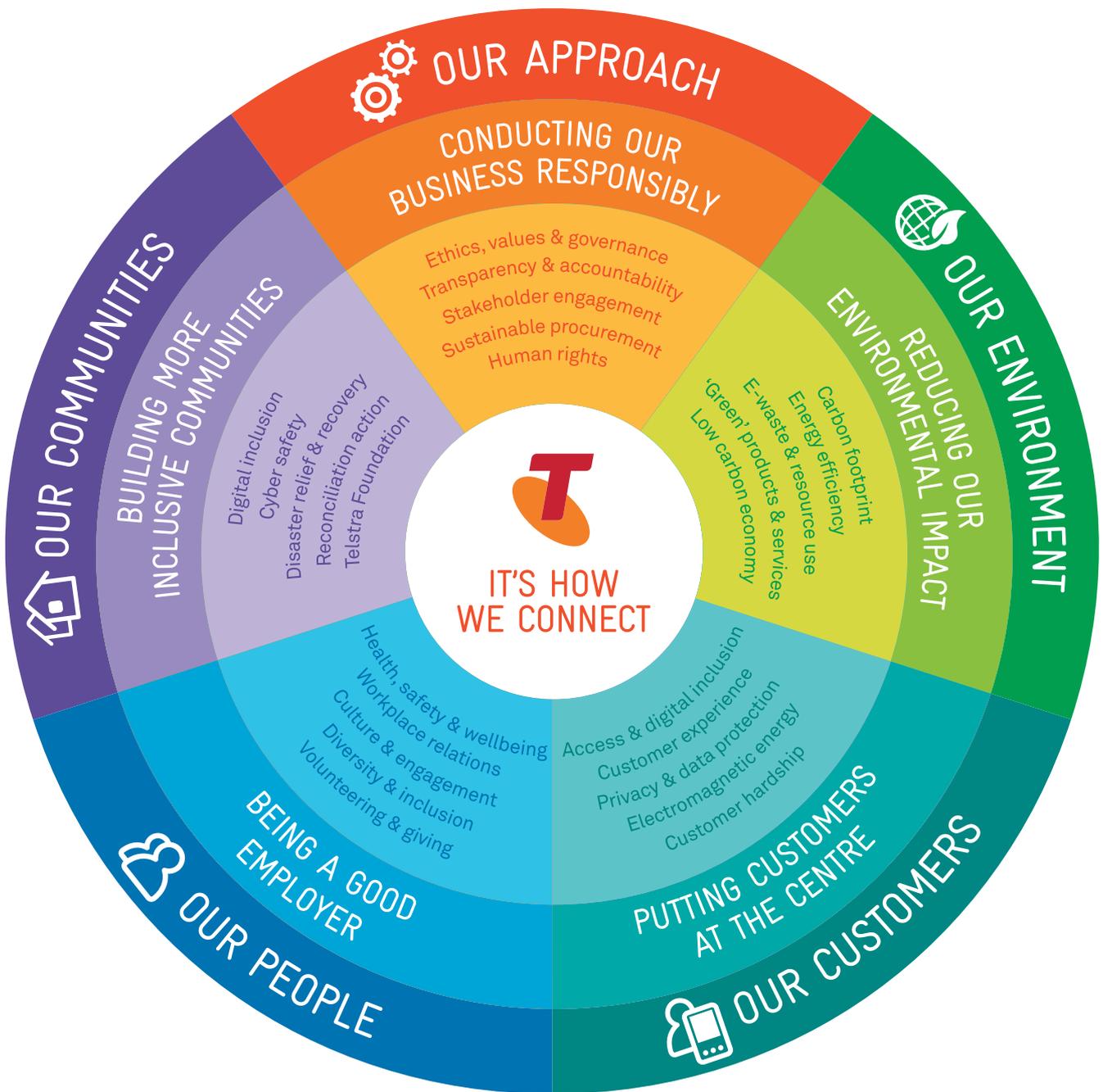
Sustainability governance

The Telstra Sustainability Council is the key governing body for sustainability at Telstra. It is chaired by our Chief Executive Officer, David Thodey, and comprises the Group's Executive Leadership Team. The Council is responsible for the review and monitoring of Telstra's sustainability approach and performance, and normally meets three times a year. Regular reports on progress are provided to the Chief Executive Officer and the Telstra Board.

Telstra's Chief Sustainability Officer provides the strategic leadership for sustainability at Telstra, manages the Chief Sustainability Office (CSO), which was established in late 2011, and is responsible for the implementation of our approach and programmes. During 2011/12, we integrated key functions from across Telstra into the CSO, recruited and appointed key executives, and developed Telstra's first integrated sustainability approach and associated performance scorecard.

* Telstra's risk management framework includes methodology and tools to assist with identifying, evaluating, prioritising and managing risks to Telstra's strategy, including social, ethical and environmental risks. These risks are prioritised in terms of their impact on our customers, employees and other stakeholders, and to our corporate reputation.

SUSTAINABILITY AT TELSTRA – FRAMEWORK



SUSTAINABILITY SCORECARD



MONITORING, MEASURING AND REPORTING OUR PROGRESS HELPS US TO IMPROVE OUR PERFORMANCE.

OUR CUSTOMERS

KPI	2011/12 OBJECTIVE	2011/12	2010/11	2009/10	2012/13 OBJECTIVE
Customer satisfaction Score	7.2	7.3	6.9	6.8	Moving to a Net Promoter System
TIO complaints Level 1 complaints per month per 10,000 SIOs	No more than 2.0	1.9	3.1	-	No more than 1.5
Disability Action Plan Percentage of commitments completed	66%	75%	-	-	100%

OUR PEOPLE

Employee engagement Survey score	77%	77%	75%	75%	79%
Health and safety Lost Time Injury Frequency Rate (LTIFR)	1.5	1.32	1.30	2.32	Achieve our LTIFR target
Gender diversity Women in executive management	25%	25.0%	22.7%	22.4%	25%
Volunteering during Telstra time Number of days	1,500	1,375	-	-	5,000
Payroll Giving Participation rate	3.0%	2.7%	3.5%	-	3.5%

OUR COMMUNITY

Social and community investment Total (millions of dollars)	Ongoing investment	\$239.8	\$248.0	\$262.1	Ongoing investment
Everyone Connected (targeted community programmes) People impacted	Establish baseline measure and target	101,500	-	-	10% increase

OUR ENVIRONMENT

Carbon emissions Tonnes of carbon dioxide equivalent (tCO ₂ e)	Minimise our impact	1,676,925	1,659,714	1,687,777	Minimise our impact
Carbon emissions intensity tCO ₂ e per terabyte of data	15% reduction to 1.64	1.24	1.93	-	15% reduction
e-waste (mobile phones) Tonnes collected	14.5 tonnes collected	14.3	17.3	18.9	14.3 tonnes collected

See our Customer, People, Environment and Community Bigger Picture sustainability reports for more information on our approach to these issues, our progress and performance for 2011/12 and our commitments for 2012/13.

ETHICS, VALUES AND GOVERNANCE



WE STRIVE FOR AN ENVIRONMENT AND CULTURE THAT SETS CLEAR EXPECTATIONS FOR RESPONSIBLE AND ETHICAL BEHAVIOUR.

APPROACH

The Telstra Group Code of Conduct and Business Principles set out the practices, principles 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.

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

TELSTRA VALUES

Service & Respect

Integrity & Trust

Teamwork & Accountability

PROGRESS

Company documents and policies

Our company policies are regularly reviewed and updated, as part of our policy governance programme, to ensure they are relevant, up-to-date and comply with the latest laws and regulations. In 2011/12, we reviewed and enhanced our Conflicts of Interest and Outside Activities Policy, our

Gifts, Prizes and Hospitality Policy and our Privacy Policy. We also formalised a Business Continuity Management Policy to reinforce our commitment to minimising the impact of adverse events, such as natural disasters, on customers and the community.

In 2011/12, each wholly owned subsidiary conducted a review to compare its existing policies to Telstra's policy suite and to implement or update policies, to address any gaps. Changes were communicated to staff in these organisations. Our wholly owned subsidiaries have now adopted the Telstra Group Code of Conduct and Business Principles, as well as company policies consistent with Telstra's company policies as appropriate, subject to the relevant entity's circumstances, the nature of its operations and the jurisdiction in which it operates.

Whistleblowing

Telstra encourages staff to take action if they have any concerns about unethical, illegal or improper behaviour occurring within the organisation. Telstra has a Whistleblowing Policy and a confidential and anonymous whistleblowing service which enables staff 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 programme, receives reports from the Ethics Committee and provides an escalation channel for the Ethics Committee where required.

As at 1 July 2011, there were 12 whistleblowing alerts open. During 2011/12, 37 whistleblowing alerts were received and 45 were closed. As at 30 June 2012, four remain open.

Compliance training

Compliance training is an integral element of Telstra's compliance framework. It ensures employees are aware of their legal, regulatory and compliance responsibilities. All new starters are required to complete a suite of online compliance training courses, including training on our Telstra Group Code of Conduct and Business Principles, and company policies. Mandatory compliance 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.

In 2011/12, we enhanced these courses to improve their effectiveness, make them more user-friendly and interactive, and to ensure they are up-to-date with the latest laws and regulations. 98 per cent of those enrolled in the refresher training which covered our Telstra Group Code of Conduct and Business Principles and our company policies, completed the course.

PLANNED ACTION

Undertake a full review of the Telstra policy suite in conjunction with the subsidiary company policies in all of Telstra's 100% owned on-shore and off-shore subsidiaries to ensure consistency and address gaps.

STATUS



ACHIEVED ☑ | PARTIALLY ACHIEVED ☐ | NOT ACHIEVED ☒

NEXT STEPS – 2012/13

› Review the compliance training that is provided to our contractors to ensure consistency across the business.

ANTI-BRIBERY AND ANTI-CORRUPTION

TELSTRA HAS ZERO TOLERANCE OF BRIBERY AND CORRUPTION.

APPROACH

Telstra's Anti-Bribery and Anti-Corruption Policy states that bribes, pay-offs, secret commissions, kick-backs and any like payments (including facilitation payments) are strictly prohibited. Staff should never make, accept, or agree to make or accept, such payments. The policy also states that when staff give or receive a gift, prize or hospitality, they must consider the implications to ensure that it cannot reasonably be considered a bribe, pay-off or kick-back, or be construed as being likely to improperly influence a business outcome. The policy aims to ensure that Telstra complies with applicable anti-bribery and anti-corruption laws and regulations.

Our Fraud, Criminal and Corrupt Conduct Policy provides a framework and specific processes for dealing with fraudulent, criminal and corrupt conduct.

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.

PROGRESS

In 2011/12, we continued to improve our systems and increase awareness of the ethical standards we expect of our employees. In response to legislation introduced in the UK and our exposure to US legislation through ownership of securities, we conducted a bribery risk workshop with representatives from across the Telstra Group and undertook an internal awareness-raising campaign. The risk workshop resulted in the development of a risk register and an action plan to address the risks identified.

NEXT STEPS – 2012/13

› Establish a stand-alone bribery programme under Telstra's Compliance and Corporate Ethics framework.

TELSTRA VALUES AND RESPECTS HUMAN RIGHTS.

APPROACH

We recognise the human rights of our employees, customers, suppliers and contractors as well as the individuals and communities affected by our activities. We commit to support and respect the principles of human rights set out in the UN Global Compact and the Universal Declaration of Human Rights. This commitment is defined in our company-wide Human Rights Policy and is supported by our Values and Business Principles.

Telstra's Human Rights Policy recognises that our efforts to respect human rights take place in varying socio-economic conditions, in different countries, and amongst diverse individuals and communities. These social considerations can affect parts of our business in different ways. As such, the effectiveness of our commitment to respect human rights depends on the relationship of our company policies, management methods, community investment programmes and participation in voluntary initiatives. Accordingly, our approach does not consist of a single action or initiative but of the entirety of our actions in

potentially different business and social contexts. 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, cyber safety as well as our procurement practices and environmental management practices.

PROGRESS

With the UN Human Rights Council endorsement of the Guiding Principles on Business and Human Rights and various corporate responses to this, in 2012/13 we will be reviewing our approach to human rights. This is to ensure that we continue to live up to the standards in our Business Principles and that we have effective communications and compliance mechanisms in place.

See our Customer, People, Environment and Community Bigger Picture sustainability reports for more specific information on our approach to these issues, our progress and performance for 2011/12 and our commitments for 2012/13.

NEXT STEPS – 2012/13

- › Review Telstra's Human Rights Policy and approach, including an assessment of risk, systems for compliance, employee training, communication and reporting.

STAKEHOLDER ENGAGEMENT

EFFECTIVE STAKEHOLDER ENGAGEMENT IS AN IMPORTANT VALUE-CREATING ACTIVITY FOR TELSTRA.

APPROACH

Developing high quality relationships with key stakeholders, communicating with them regularly, and actively seeking and considering their views helps us to learn and innovate, informs strategic direction, drives operational excellence, and helps align our operations with societal expectations.

We define our key stakeholders as individuals or groups who have a significant and ongoing influence on, or are significantly impacted by, Telstra's operations and activities. Our Stakeholder Engagement Policy describes the principles that underpin Telstra's approach to stakeholder engagement (inclusivity, materiality, responsiveness and transparency) and principles for developing quality relationships with our stakeholders (trust, mutuality, commitment and satisfaction).

PROGRESS

The tables following provide an overview of our key stakeholder groups, their interests and concerns and the ways in which we engage with each of them. For more specific information on how we engaged with key stakeholders on our material sustainability issues in 2011/12, see our Customer, People, Environment and Community Bigger Picture sustainability reports.

COMMUNITIES	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
Telstra operates in communities across the metropolitan, regional and remote areas of Australia. Our communities include non-profit organisations.	Communities are concerned about access to services and the impact of our business on local communities.	Telstra Foundation engages on issues impacting the lives of children and young people. Consultation on mobile phone base station siting. We engage with key government and other stakeholders at a local level via Telstra Country Wide.

CUSTOMERS	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
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 Programme Consumer Advisory Group. Low Income Measures Assessment Committee provides advice on the effectiveness of Telstra's low-income package. Telstra stores, contact centres, Telstra.com and Customer Experience Centres. Ongoing marketing and research.

EMPLOYEES	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
Telstra's workforce is large and diverse with close to 40,000 employees.	Our employees have a broad range of concerns, including working conditions, development opportunities and health and safety and issues affecting their local communities.	Annual Employee Engagement Survey. Employees can raise and discuss ideas and solve issues via T[ideas]. Networks including The Bigger Picture Network, Gender Equality Network and EcoChamps. Direct feedback to the CEO via the internal blog – the 'CEO's Desk'.

STAKEHOLDER ENGAGEMENT

GOVERNMENT	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
<p>Our government stakeholders are at local, state and national levels, from ministers and leaders to department staff.</p>	<p>Telstra communicates regularly with governments on a range of commercial, policy, regulatory and other matters in the interests of its shareholders, customers and employees.</p>	<p>Telstra senior leadership, Government and Corporate Affairs teams and Telstra Country Wide.</p> <p>Our Regulatory Affairs team manages our relationship with statutory regulators and industry bodies.</p> <p>We participate in regular discussions with local, state and federal government agencies.</p> <p>Our Enterprise & Government business unit engages with government customers.</p>
INDUSTRY	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
<p>These stakeholders include information and communication technology (ICT) and telecommunications specific associations.</p>	<p>Industry stakeholders are interested in issues impacting the telecommunications industry, including regulation, market trends, consumer protection, and technology and service developments.</p>	<p>Telstra is a member of key ICT industry groups, including the Communications Alliance and the Australian Mobile Telecommunications Association.</p> <p>As a member of the Mobile Carriers Forum, we engage on social and environmental issues related to mobile phone networks.</p> <p>Telstra is a member of the Australian Industry Group and the Business Council of Australia.</p>
INVESTMENT COMMUNITY	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
<p>This stakeholder group includes institutional investors and sell-side analysts.</p>	<p>Investors and analysts are concerned with the risk and return of their investment, and the ability of the company to meet its objectives.</p>	<p>Annual Investor Day.</p> <p>The Investor Centre is a dedicated resource for shareholders and potential investors.</p> <p>Our Investor Relations team.</p>
MEDIA	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
<p>Includes representatives from print, radio, TV and online media.</p>	<p>Telstra is one of the most widely scrutinised and reported companies in Australia.</p>	<p>Telstra engages regularly with the media through our Chief Executive Officer, senior executives, media spokespeople and corporate affairs managers.</p>
SHAREHOLDERS	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
<p>Telstra has 1.4 million shareholders.</p>	<p>Shareholders are interested in financial returns, company performance and governance issues.</p>	<p>Telstra keeps shareholders informed through Annual General Meetings, an annual report and shareholder updates.</p> <p>The Investor Centre is a dedicated resource for shareholders.</p>

STAKEHOLDER ENGAGEMENT

SUPPLIERS	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
Telstra engages with around 8,000 suppliers each year with total spend around \$6.2 billion.	Suppliers are interested in secure and stable relationships with Telstra.	Our vendor managers engage with suppliers throughout and after the sourcing process. The Supplying to Telstra website provides advice to prospective and current suppliers.

UNIONS	INTERESTS AND CONCERNS	ENGAGEMENT METHODS
Telstra engages with its relevant employee trade unions.	Unions are interested in employee rights and entitlements, and mitigating the impact of workplace change on employees.	Telstra regularly engages with employee trade unions and their representatives under the Fair Work Act 2009 and our collective agreements. Unions and other bargaining representatives are also engaged in good faith bargaining for new employee enterprise agreements.

NEXT STEPS – 2012/13

› Review Telstra’s Stakeholder Engagement policy and approach, including systems for compliance, employee training, communication and reporting.

IN 2011/12, TELSTRA PURCHASED \$6.2 BILLION IN GOODS AND SERVICES FROM MORE THAN 8,000 SUPPLIERS.

APPROACH

The sheer number of suppliers and the size of spend puts Telstra 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. Our Environmental Purchasing Guidelines and Ethical Purchasing Policy aim to ensure consideration of environmental and social issues in all purchasing decisions. These have been incorporated into Telstra's Strategic Sourcing and Vendor Management processes.

PROGRESS

In 2011/12, we reviewed Telstra's Environmental Guidelines for Packaging to ensure they meet the Australian Packaging Covenant design, recycling and product stewardship requirements. As a result, we consolidated and simplified our Environmental Packaging Checklist for suppliers.

As part of our standard suite of tendering questions, we have now mandated that for our office ICT equipment, products provided must meet Electronic Product Environmental Assessment Tool (EPEAT®) silver standard or equivalent. EPEAT® is a comprehensive environmental rating that helps identify greener desktop computers and laptops.

In 2011/12, we also established a Sustainable Procurement Working Group to help advance sustainability initiatives in procurement at Telstra. The priorities for this group in the coming year are to build procurement employees'

sustainability awareness and to develop a Telstra Supplier Code of Conduct.

We were not able to provide training this year as planned for our Indigenous suppliers. We are committed to ensuring a diverse supply chain, and next year we will embed consideration of all minority suppliers into our tender processes. We will also ensure that implementing our supplier code of conduct does not adversely impact minority suppliers.

Through our Supported Workforce Project, we partner with local non-profit groups to create employment opportunities for people with disability or who are otherwise disadvantaged. We now have 12 community organisations employing more than 180 people contracted at Telstra sites around Australia, to clean and maintain Telstra exchanges. The project provides meaningful employment to community members with disability and meets a business need for Telstra.

PLANNED ACTION

STATUS

Review guidelines supporting Telstra Purchasing Environment Policy to incorporate consideration of packaging.



Provide training for Indigenous suppliers on how best to respond to Telstra tendering requirements.



ACHIEVED ✓ | PARTIALLY ACHIEVED ⊖ | NOT ACHIEVED ✗

NEXT STEPS – 2012/13

- › Complete Telstra's Supplier Code of Conduct and implementation plan.
- › Integrate consideration of minority suppliers into our tender processes.

REPORTING FRAMEWORKS

We develop our reporting with reference to industry and sustainability standards including the United Nations Global Compact Communication on Progress (UNGC CoP), Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and Telecommunications Sector Supplement (pilot); and the London Benchmarking Group Corporate Community Investment Guidelines. This year, we apply the GRI framework to a level B+. You can access our GRI Index, including how we meet our UNCG commitments at www.telstra.com.au/sustainability

ASSURANCE

To provide confidence to our stakeholders in our reporting:

- › We use the AA1000 Principles Standard 2008 to prepare our 2011/12 reporting and establish control processes and quality checks to manage the accuracy of information.
- › Banarra provides moderate assurance, in accordance with the AA1000 Assurance Standard 2008, of the sustainability component of our 2012 Annual Review and of the Bigger Picture sustainability reporting series.
- › Ernst & Young provides limited assurance, in accordance with the ISAE3000 standard, over environment data included in the 2012 Annual Review and Bigger Picture sustainability series.

You can access these assurance statements at www.telstra.com.au/sustainability

VOLUNTARY SUSTAINABILITY INITIATIVES

Telstra participates in the following voluntary initiatives to guide, benchmark or measure our sustainability performance:

- › Australian Packaging Covenant (since 2001)
- › Carbon Disclosure Project (since 2003)
- › Dow Jones Sustainability Index (since 2001)
- › FTSE4Good Index (included since 2002)
- › Global Reporting Initiative (framework applied since 2008)
- › London Benchmarking Group (since 2007)
- › United Nations Global Compact (since 2011)

FEEDBACK

We welcome your feedback on our sustainability reporting. Please contact Natalie Falzon at sustainability@team.telstra.com