

BIGGER PICTURE 2012



OUR CUSTOMERS

PUTTING CUSTOMERS AT THE CENTRE

SUSTAINABILITY
REPORT 2012



IT'S HOW
WE CONNECT

SUSTAINABILITY AT TELSTRA

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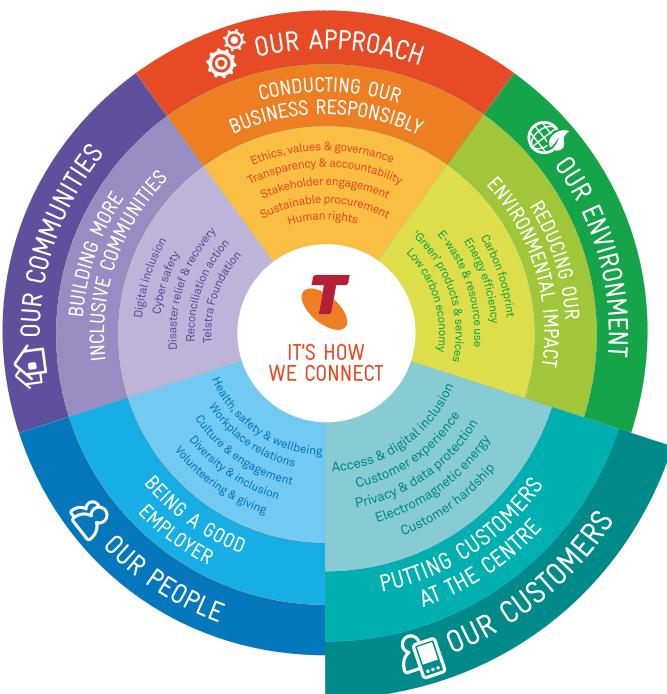
TELSTRA IS AUSTRALIA'S LEADING TELECOMMUNICATIONS AND INFORMATION SERVICES COMPANY. WE OFFER A FULL RANGE OF SERVICES AND COMPETE IN ALL TELECOMMUNICATIONS MARKETS THROUGHOUT AUSTRALIA, PROVIDING 13.8 MILLION MOBILE SERVICES AND SERVING 2.6 MILLION RETAIL FIXED BROADBAND CUSTOMERS. TELSTRA'S INTERNATIONAL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

2011/12 PERFORMANCE SNAPSHOT

32,000 CALLS TO OUR
DISABILITY EQUIPMENT HOTLINE
9,600 SUPPLIED PRODUCTS AS
PART OF OUR DISABILITY
EQUIPMENT PROGRAMME

\$216.4 M
INVESTED IN
EVERYONE CONNECTED
CUSTOMER PROGRAMMES

TELECOMMUNICATIONS
INDUSTRY OMBUDSMAN
(TIO) LEVEL 1
COMPLAINTS DOWN
26%

2,385 MOBILE INFRASTRUCTURE
CONSULTATION PROJECTS
COMPLETED WITH ONLY
3 COMPLAINTS TO THE ACMA

1.15 M
SPECIAL CONCESSIONS
FOR HOME PHONE LINE
RENTALS PROVIDED TO
LOW INCOME HOUSEHOLDS

CUSTOMER SATISFACTION
SCORE OF **7.3**
EXCEEDING THE
TARGET OF 7.2
UP FROM 6.9



CONTEXT

EVERY DAY, WE HELP MILLIONS OF OUR CUSTOMERS TO CONNECT TO THE PEOPLE AND THINGS THAT MATTER MOST TO THEM.

The Australian telecommunications industry is in transition. Structural changes under the National Broadband Network (NBN), rapidly evolving communications technologies and changing consumer preferences are driving a new era of connectivity. In this environment, customer care, privacy, cyber safety and universal access to communications technologies have emerged as key public policy issues.

We have an important role to play in supporting access for all members of the community.

We believe that the more connected people are, the more opportunities they have. We want all Australians, irrespective of age, income, ability, location or disadvantage, to be able to enjoy the everyday benefits that come with being connected. This is what we mean when we talk about digital inclusion. Our focus on digital inclusion utilises Telstra's core capabilities, assets, expertise and national presence. It recognises the fundamental role we play in promoting economic and social inclusion in Australia and beyond.

PUBLIC POLICY AND STAKEHOLDER ENGAGEMENT

We engage with our stakeholders on the material sustainability issues affecting our customers.

We also contribute to the development of public policy on material issues through submissions to public inquiries and participation in government, non-profit and business advisory groups. Our 2011/12 engagement and contributions are set out below.

CUSTOMER EXPERIENCE

Telstra responded to the review of the Telecommunications Consumer Protections (TCP) Industry Code (C628:2007). In our submission, we noted that the TCP Code did not adequately address a variety of old and newly-arisen consumer issues in regards to advertising, expenditure management tools and complaint handling.

LOW INCOME MEASURES ASSESSMENT COMMITTEE (LIMAC)

LIMAC provides independent advice on services to customers on low incomes or in financial hardship to guide Telstra's Access for Everyone package. In 2011/12, LIMAC met five times. Key issues this year were:

- the implications of the NBN for the Access for Everyone package
- the impact of the Australian Capital Territory (ACT) Utilities Infrastructure Tax
- calls to 13/1300 and 1800 numbers from a mobile phone
- Telstra residential pricing and product proposals.

LIMAC made recommendations on the future direction of current services based on changing technologies and consumer preferences. It also reported to the Minister for Communications on the effectiveness of current programmes. See p. 9 for more.

RURAL AND REGIONAL ACCESS

Telstra is committed to delivering leading telecommunications products and services to our customers in regional, rural and remote Australia. As required under our Carrier Licence Condition 32(11), Telstra developed a draft Regional and Rural Presence Plan for 2012-2015 and invited submissions from interested stakeholders. The consultation period ran for 42 days over January and February 2012. The Telstra Regional and Rural Presence Plan 2012 has been approved by the Minister for Broadband, Communications and the Digital Economy. We annually report our progress against the plan.

PUBLIC POLICY AND STAKEHOLDER ENGAGEMENT

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DISABILITY ACCESS

We made two submissions to the Productivity Commission's Public Inquiry into a National Disability Insurance Scheme (NDIS), focussing on availability, accessibility and affordability of essential services, including communications services. We also publicly supported the introduction of a NDIS through the Every Australian Counts campaign, including sponsorship of rallies held in April 2012.

We engage on disability access through our Disability Forum which comprises representatives from 13 national peak disability consumer organisations. In 2011/12, the Forum met once. Key issues discussed include:

- considerations for customers with disability at Telstra shops
- impacts of the NBN
- a review of progress on Telstra's fifth Disability Action Plan.

ACCESS FOR SENIOR AUSTRALIANS AND CUSTOMERS WITH SPECIAL NEEDS

We provided a submission to the Department of Broadband, Communications and the Digital Economy (DBCDE) Review of Access to Telecommunications by People with Disability, Older Australians and People Experiencing Illness. Our submission focussed on the efficiency and effectiveness of the National Relay Service, an Australia-wide telephone access service providing phone solutions for people who are deaf or have a hearing or speech impairment.

We responded to the Productivity Commission's consultation on the Economic Potential of Senior Australians. Our submission set out recommendations and steps that government and industry can take to realise the economic potential of senior Australians, including the role that technology plays.

PRIVACY PROTECTION

Telstra made submissions to a number of government reviews concerning privacy, including:

- DBCDE discussion paper on the Integrated Public Number Database review
- Credit Reporting Privacy Code Proposed Amendment (New Zealand)
- Senate Finance and Public Administration Committee – Exposure Drafts of Australian Privacy Amendment Legislation – Credit Reporting
- Senate Committee on The Adequacy of Protections for the Privacy of Australians Online
- Senate Finance and Public Administration Committee on the reform of the TIA (Telecommunications Interception and Access) Act 1979.

In all of our submissions, we aimed to ensure that privacy laws remain consistent and do not increase the compliance burden.

CYBER SAFETY

In November 2011, we provided a submission to the Federal Government's Cyber White Paper which highlighted the need for a more structured and coordinated public education campaign to enable groups such as small businesses to better identify the risks of online transactions.

In February 2012, we made a submission to the Parliamentary Joint Selection Committee on Cyber Safety Inquiry into the Cyber Safety of Senior Australians, providing an overview of how Telstra can help achieve cyber safety awareness among older internet users and our Connected Seniors^v training programme.



IMPROVING THE CUSTOMER EXPERIENCE IS OUR HIGHEST PRIORITY. WE WANT OUR CUSTOMERS TO HAVE A GREAT EXPERIENCE EACH TIME THEY DEAL WITH US.

APPROACH

The Australian Communications Media Authority (ACMA) 2011 Reconnecting the Customer report identified key drivers of customer complaints across the Australian telecommunications industry, including the quality of information available to consumers to make informed decisions about products and services, and unexpectedly high bills ('bill shock'). While our customers tell us that our network is a key point of differentiation, they are concerned that we are not always simple enough to deal with.

We want to stand out for superior customer satisfaction and for our customers to be advocates of Telstra. To get there, we are implementing operational and process improvements, embedding customer service into our culture, and enhancing our customer complaint analysis and management. Our strategy, which is led by the CEO, centres on listening to our customers, undertaking root cause analysis when issues arise, and addressing the areas that our customers tell us they are not happy with.

Since 2009/10, we have tied our employee incentive scheme to meeting an annual company-wide customer satisfaction target. For our executives, this is 40 per cent of their short term incentive payment.

While we will continue to measure customer satisfaction, in the coming year we are shifting our focus to customer advocacy through a Net Promoter System. Our own data shows that advocates spend more, stay with us longer, cost less to serve and actively refer us to friends and family. This is much more than just changing how we measure the customer experience. It is about fostering a way of doing business that drives customer loyalty and customer advocacy.

Our approach will involve real-time monitoring of customer experiences to identify what is working well and what isn't, and using this insight to drive learning and improvement across the business.

PROGRESS

Customer satisfaction

We have made significant progress on our strategic objective to have the best customer satisfaction when compared to the rest of the market. This year, we set ourselves a customer satisfaction target of 7.2 and we have exceeded this, achieving 7.3. Customer satisfaction has steadily improved since 2009/10, and we expect to see continued improvements. In line with our move to a Net Promoter System, next year we will use a Net Promoter Score to measure our success. This is a simple metric that shows the likelihood of our customers to recommend Telstra.

Managing bill shock

We have continued to implement initiatives to help reduce bill shock, a key cause of customer dissatisfaction. In November 2011, we commenced proactive SMS notifications to our Freedom Connect (consumer post-paid mobile) customers when they reach 80 per cent and 100 per cent of their voice, SMS and MMS allowance. To date, we have issued over 750,000 alerts. These notifications complement the existing notifications that were already in place for customers when they approach and exceed their mobile data monthly allowance.

We are also working to implement shaping (slower mobile internet speeds) for consumer post-paid mobile plans once customers reach their included data allowance or reach 25MB on 'pay as you go' plans for data usage in Australia.



This project is still in development as we want to ensure it is rigorously tested before we make it available to customers.

Responsible marketing and customer communications

We have also continued to improve the information we provide to our customers. We introduced a simplified bill format for our consumer customers to make their bill and charges easier to understand. As a result, our contact centres are receiving fewer calls. Additionally, we increased the availability of My Offer Summaries, which we introduced last year. Customers are now provided with a one page My Offer Summary in store, as part of their welcome pack and by email. These summaries enable our customers to quickly understand the important things they need to know about their plan, and feel confident that they have the right plan.

Better service online

We have improved our customers' ability to deal with us whenever they want from wherever they want.

This year, we:

- > made assistance on Twitter and Facebook available 24x7, and launched a new online community called CrowdSupport™ where customers help customers
- > released an application for the Apple iPad® and iPhone® and eligible Android devices, where customers can view and pay their bill, recharge their pre-paid service and get help (self serve and LiveChat). It also offers tips to help customers choose the right plan.

Greater control of own account

We have improved our customers' ability to manage their own account. We launched My Plan Manager – a mobile portal that provides consumer post-paid customers with better visibility and control of their data spend directly from their handset. Customers are also able to:

- > check to see whether international roaming is activated and purchase an international roaming data pack

- > purchase a mobile data pack for use in Australia
- > view and manage their MessageBank subscriptions
- > bar premium SMS services.

Telecommunications Industry Ombudsman (TIO) complaints

Our efforts to improve complaint management have helped us achieve a significant reduction in complaints to the TIO this year. In 2011/12, Level 1 complaints decreased by 26 per cent, and escalated complaints (TIO Level 2, 3 and 4 complaints) decreased by 30 per cent from 2010/11. This shows significant progress, reflects our continuing focus on customer service and is consistent with the improvement in customer satisfaction. However, we have not yet reached our end goal.

In 2012/13, we are challenging ourselves to do even better and will continue to set aggressive targets for complaint reduction. To achieve this, our focus is on addressing the root cause of customer calls, dissatisfaction and complaints. Where customers do have an issue, we are focussing on doing a better job to recognise their concerns and improve complaint resolution times.

PLANNED ACTION

STATUS

Improve customer satisfaction to 7.2.



Implement shaping on consumer post-paid mobile plans once customers reach their included data allowance or reach 25MB on 'pay as you go' plans for data usage in Australia.



Extend 24 hour customer support through Twitter, a new customer service facility in Facebook and a new online community, CrowdSupport™, where customers help customers.



Enable mobile customers to have greater control of their mobile usage, including reducing bill shock, by setting their own usage limits.



Two TIO Level 1 complaints per month per 10,000 services in operation (SIOs).



ACHIEVED | PARTIALLY ACHIEVED | NOT ACHIEVED

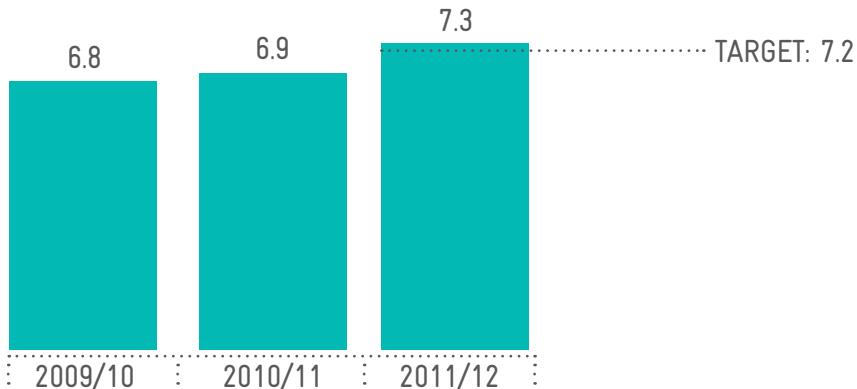


PERFORMANCE

Customer satisfaction

Score

Year ended 30 June



Notes:

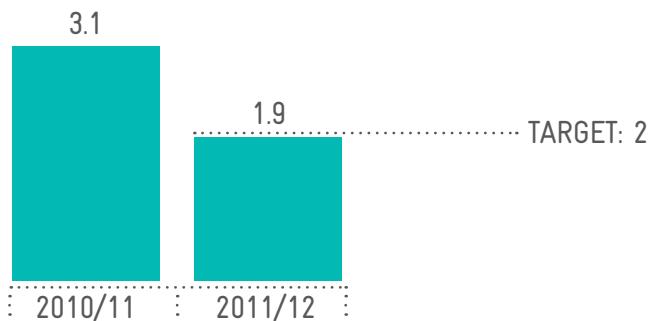
We measure customer satisfaction through customer surveys conducted by independent research companies across our key customer groups. Our customer satisfaction score is based on equal weighting of the three month average of our Consumer and Business customer results, and a biannual survey of Enterprise and Government customers. The customer satisfaction result for 2011/12 and 2010/11 are based on a three month rolling average compared to a monthly average for 2009/10. Customer satisfaction for 2009/10 is 6.7 based on a three month rolling average.

TIO complaints

Number of Level 1 complaints

per month per 10,000 SIOs

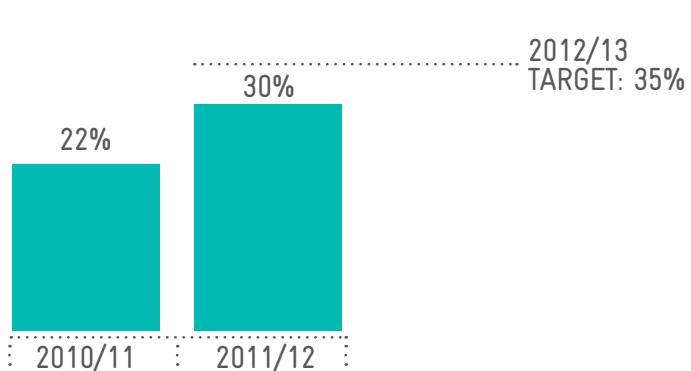
Year ended 30 June



Customer transactions conducted online

Percentage

Year ended 30 June



NEXT STEPS – 2012/13

- › Introduce the Net Promoter System to drive change in the way our customers talk about Telstra.
- › Continue to improve the customer experience through delivering further flexibility for customers to deal with us when and how it suits them, as well as resolving issues promptly.
- › Reduce TIO Level 1 complaints to 1.5 per month per 10,000 services in operation (SIOs).

EVERYONE CONNECTED CUSTOMERS

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WE WANT TO ENSURE THAT ALL AUSTRALIANS ENJOY THE EVERYDAY BENEFITS OF BEING CONNECTED TO MODERN COMMUNICATION TECHNOLOGIES.

APPROACH

At Telstra, digital inclusion means ensuring all Australians enjoy the everyday benefits of being connected to modern communication technologies – irrespective of age, income, ability, location or disadvantage. Our Everyone Connected customer programmes enhance digital inclusion by utilising our core capabilities, assets, expertise and national presence to support access, skills development and safety for those Australians and communities most in need.

Governance of our largest customer digital inclusion programme, Access for Everyone, is provided by the Low Income Measures Assessment Committee (LIMAC). LIMAC comprises senior representatives from eight national Australian community organisations and the federal Department of Families, Housing, Community Services and Indigenous Affairs. LIMAC annually assesses the effectiveness of Telstra's low-income programmes and reports to the Minister for Communications. We also have a Disability Action Plan, an Indigenous Reconciliation Action Plan, and a Rural and Regional Presence Plan that have been developed through stakeholder consultation. Each is guided by a steering committee or taskforce.

PROGRESS

In 2011/12, the total value of our investment in Everyone Connected customer programmes was \$216.4 million. This comprises the assistance provided to low-income customers through our Access for Everyone and disability support programmes, and discounts for our charity and non-profit customers on fixed line rentals.

Disadvantaged and hardship customers

In 2011/12, the benefit provided by our Access for Everyone package was \$179.8 million. This included special concessions for home phone line rentals for approximately 1.15 million low-income households, rebates on Telstra bills for around 2,600 financial hardship customers every month, and distribution of around 112,000 phone cards. The largest component of our Access for Everyone package is the Pensioner Discount programme. As part of this programme eligible customers can receive up to \$12.25 discount per month on access charges and calls, as well as other concessional benefits. The number of customers utilising this discount on their HomeLine plan has decreased since 2009/10, due mainly to the uptake of bundled plans.

This year, we commissioned an independent social impact study of three Access for Everyone services. It showed that while emergency relief services such as Bill Assistance have a significant positive social impact, changes in consumer preferences mean that there is a gap in services for people on a low income who rely on a pre-paid mobile. LIMAC also identified the need for a pre-paid recharge emergency relief service and an affordable broadband internet service for low-income families with children in school. Next year, we will expand the suite of Access for Everyone services to introduce a mobile pre-paid top up and an online offering for Australians on a low income or in crisis.

To find out more about Access for Everyone visit
telstra.com.au/accessforeveryone

EVERYONE CONNECTED CUSTOMERS

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Celebrating ten years of Access for Everyone



This year marks the tenth anniversary of our Access for Everyone programmes, which assist people on a low income or facing financial hardship to stay connected. Since 2002, we have provided benefits to the value of two billion dollars as part of these programmes. To deliver Access for Everyone, Telstra works with over 2,000 community organisations across Australia - from large national organisations such as The Salvation Army to smaller local community agencies like the Tangentyere Council in Alice Springs (NT).

In 2012, we added the Cancer Council to the list of agencies we support, helping them to ease the financial burden experienced by many people after the news of a cancer diagnosis. Telstra's bill assistance certificates will increase the impact of the Cancer Council's Financial Assistance Program, helping people affected by cancer stay connected and reducing their financial burdens during a time of need.

People with disability

This year, we conducted a mid-term review of our fifth Disability Action Plan 2010-2012. The plan sets out actions to provide a better communications experience to customers with disability and communications challenges. Of the 79 actions in this plan, 75 per cent are complete or significantly progressed, which exceeds this year's target of 66 per cent. We will publish the outcomes of the plan at its completion in March 2013.

Our Disability Enquiry Hotline took around 32,000 calls and processed more than 7,800 successful applications for 9,600 products as part of our Disability Equipment Programme. More than 160,000 calls were made to our Directory Assistance Helpline for customers who cannot, because of their disability, use our printed telephone directories.

In 2011/12, the TIO received 70 customer complaints that included reference to disability access or equipment. All complaints were resolved through the formal TIO complaints processes or directly by Telstra. The majority of complaints related to connection, fault resolution or eligibility for priority assistance. There were also 11 complaints to the Australian Human Rights Commission or state human rights bodies, alleging disability discrimination. Of these complaints, seven were resolved and four remain open pending further investigation.

We revised our mandatory employee disability awareness training to improve the quality of our service. Approximately 11,200 employees completed this training this year.

To find out more about our disability services and Disability Action Plan visit telstra.com.au/disability

Indigenous Australians

Telstra is committed to making our products and services affordable and accessible to people who live in remote Indigenous communities. We recognise the important role telecommunications can play in achieving educational, health and economic outcomes. Our strategy focuses on the unique opportunities we can provide as Australia's largest telecommunications company.

In 2011/12, we completed ADSL2+ (high speed internet) upgrades in four remote Indigenous communities – Kalkaringi, Lajamanu, Papunya and Yuendumu – and partnered with the Torres Strait Island Regional Council to deliver ADSL2+ to 15 islands in the Torres Strait. We also developed simplified calling cards for use on payphones in remote communities.

We continued to promote the use of our dedicated hotline for Indigenous customers, which provides advice on appropriate, targeted and affordable Telstra products and services. This year, calls to the hotline increased six per cent compared to 2010/11, with an average of 200 calls each month.

To find out more about our commitment to Indigenous customers, view Telstra's Reconciliation Action Plan at telstra.com.au/rap

EVERYONE CONNECTED CUSTOMERS

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Rural and regional communities
Telstra is committed to delivering leading telecommunications products and services to our customers in regional, rural and remote Australia. Faster, more reliable connections in rural and regional communities provide better access to education, health and business services, and can contribute to economic growth.

In 2011/12, we enabled greater access to ADSL2+ by upgrading 219 exchange service areas across Australia, primarily in regional and remote areas. We deployed new mobile base stations to expand and improve depth of coverage of our Next G mobile network. This network now has more than 7,500 sites covering 99 per cent of the Australian population across a land area of more than 2.2 million square kilometres.

Our store network has continued to expand to provide easier access to our products, services and expertise. In 2011/12, 22 new stores were opened, 14 are in non-metropolitan areas. One hundred

new Telstra stores will open across Australia over the next three years, making our retail store network one of the largest in the country. We renewed our Regional and Rural Presence Plan, which details how we will meet the needs of regional and rural customers for the next three years.

To view our Regional and Rural Presence Plan visit telstra.com.au/abouttelstra/commitments/regional-rural-presence-plan

Cyber safety

Telstra's Officer of Internet Trust and Safety and the Internet Trust and Safety Working Committee coordinate our approach to cyber safety. We work with industry, government, law enforcement and community organisations to help our customers understand and manage the risks associated with the online world. We support a range of government initiatives to raise awareness, and we provide online education and guidance on our Internet & Cyber Safety consumer website.

This year, we released new research into the key cyber safety concerns for parents and provided advice on how to manage the risks through public announcements, our social media channels and on our website. We also released a new product, Telstra Safe Social™, designed to assist parents in helping to manage their kids' online risks when social networking.

We continue to proactively block the illegal child abuse and exploitation websites identified by the international policing organisation INTERPOL. This year, we revised the websites we block based on updates provided via the Australian Federal Police. We believe that blocking these sites helps protect victims, disrupts the availability of content in Australia and supports international law enforcement in combating this tragic and criminal behaviour.

Visit our Internet & Cyber Safety consumer website:
telstra.com.au/cyber-safety

PLANNED ACTION

STATUS

Conduct a social impact study on three Access for Everyone services for low-income customers.



Review Telstra's low-income package and marketing plan to take account of increasing take-up of and reliance on mobile communications among low-income customers and the increasing reliance upon online information services.



Increase the awareness of Telstra's dedicated hotline for Indigenous customers and consequently increase the number of calls by 10%.



Distribute at least two public announcements on current cyber safety issues and advice for positive online experiences.



Increase the number of visits to Telstra's Internet & Cyber Safety website by 20%.



ACHIEVED ✓ | PARTIALLY ACHIEVED ⊖ | NOT ACHIEVED ✘

EVERYONE CONNECTED CUSTOMERS

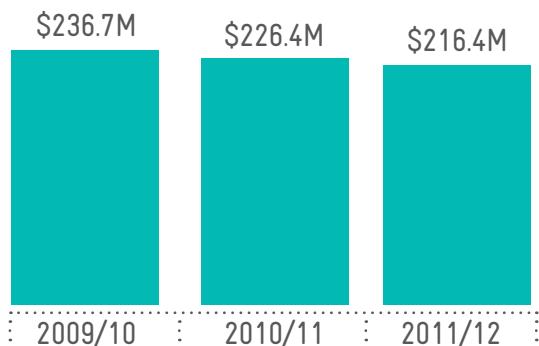
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PERFORMANCE

Total investment

Millions of dollars

Year ended 30 June



Notes:

2011/12 includes disability support packages (value of \$476,000). Decrease since 2009/10 is due to a reduction in the demand for the Access for Everyone Pensioner Discount programme, largely as a result of customers taking up bundled offers.

Total investment by programme 2011/12

Percentage

Year ended 30 June



Access for Everyone

Millions of dollars

Year ending 30 June

PROGRAMME	FORM OF CONTRIBUTION		2011/12	2010/11	% CHANGE
			2010/11	2010/11-11/12	
Pensioner discount	Revenue foregone	Approximately 1.154 million pensioners received a monthly discount on fixed-line home phone services.	\$152.73	\$165.67	-7.8%
InContact service	Value of benefit	Home phone services provided free of charge to approximately 80,000 customers so they can receive incoming calls and make certain outgoing calls.	\$21.42	\$19.33	10.8%
Bill Assistance programme	Revenue foregone	Rebate certificates for the payment of a Telstra bill. Approximately 2,600 certificates are distributed through participating community agencies each month.	\$4.19	\$4.33	-3.2%
	Cash	Cost to produce and distribute certificates to participating community agencies.	\$0.18	\$0.18	-
Phonecard / PhoneAway Card (calling cards)	Value of benefit	\$5 calling cards used to make calls from any Telstra home, business or public payphone.	\$0.56	\$0.92	-39.1%
	Cash		\$0.07	-	-
Centrepay processing cost	Cash	Free access to Centrelink's Centrepay service for Telstra customers.	\$0.42	\$0.4	5.0%
Sponsored access service	Revenue foregone	A secure phone service provided to approximately 1,500 community agency crisis accommodation properties.	\$0.22	\$0.38	-42.1%
TOTAL			\$179.8	\$191.2	-6.0%

EVERYONE CONNECTED CUSTOMERS

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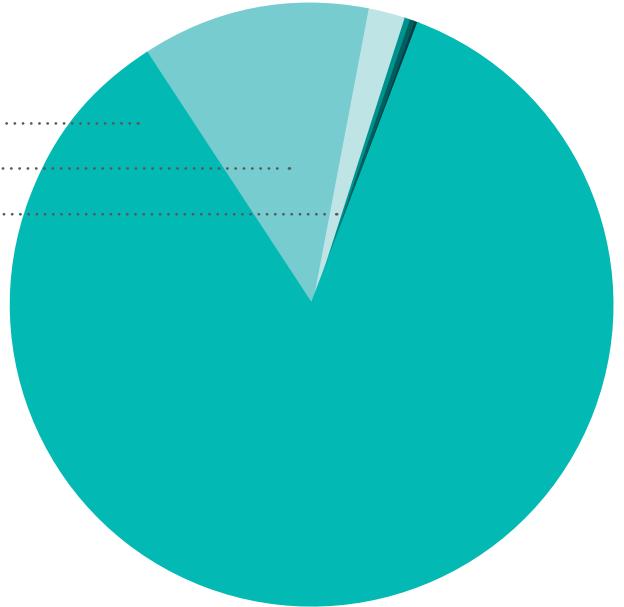


Access for Everyone

% total of investment 2011/12

Year ended 30 June

- Pensioner discount - 85%
- InContact service - 12%
- Bill Assistance programme - 2%
- Phonecard / PhoneAway Card - 0.4%
- Centrepay processing cost - 0.2%
- Sponsored access service - 0.1%



NEXT STEPS – 2012/13

- › Complete a strategic review of Telstra's low-income package, Access for Everyone.
- › Enhance Telstra's low-income package to introduce a mobile pre-paid top up offering for Australians on a low income or in crisis.
- › Complete all actions in the 2010-2012 Disability Action Plan.
- › Develop a new Disability Action Plan for 2013-2015.



PROTECTING AND SECURING CUSTOMER DATA AND INFORMATION IN LINE WITH INCREASING PRIVACY AND INFORMATION SECURITY OBLIGATIONS IS CRITICAL FOR OUR BUSINESS.

APPROACH

We manage significant amounts of personal and commercially sensitive data and information on behalf of our customers. Our objective is to avoid all instances of privacy complaints and incidents. We have extensive privacy controls across our business and supply chain. These include business-wide policies and procedures, a network of privacy officers and mandatory training for all employees.

When a privacy incident is identified, we undertake an immediate and thorough investigation to contain the incident and examine the cause. We directly notify customers impacted by the incident, advise them of the actions that are being undertaken to manage any risk, and undertake remediation activities. Remediation activities can include reviewing procedures and processes, updating training programmes, communications to staff and changing systems where required to prevent similar occurrences. Where necessary, we also notify the regulators.

For more information and access to Telstra's Privacy Policy, visit www.telstra.com.au/privacy

PROGRESS

Incidents and complaints

While this year's privacy complaints remained relatively stable, there were a number of regrettable privacy incidents involving customer data. Our response to these incidents was to immediately contain the breach, identify the source, notify impacted customers and put in place remedial actions. We made four voluntary notifications to the Office of the Australian Information Commissioner (OAIC), the ACMA and the TIO:

› An incident relating to a web-based customer management tool used to track customer orders for bundled products. While the OAIC found Telstra in breach of two National Privacy Principles under the Privacy Act 1988, it was satisfied with the immediacy of our reaction and the remediation activities that we put in place and ceased its investigation. The ACMA found Telstra breached the Telecommunications Consumer Protection Code. We have worked closely with both the OAIC and the ACMA as part of their investigations into this incident. We have made it clear that this particular incident is unacceptable and have taken action to prevent it from happening again.

› An incident involving one of our third-party service providers inappropriately making some spreadsheets available through an online file sharing website containing Telstra customer data. The OAIC was satisfied with our response to this incident and ceased its investigation.

› Our internal audit revealed a misalignment of data resulting in delays in applying the silent line feature for some customers. We remediated the misalignment and advised the OAIC and TIO.

› A third-party provider to Telstra suffered a malicious hacking attack impacting two BigPond Games sites. The hackers obtained the usernames and encrypted passwords of more than 30,000 games site users, but no financial information. Telstra responded through proactive customer communications and as a precaution reset 230,000 user passwords. The OAIC has commenced an investigation in relation to this matter.



Protecting our customers' privacy is a business imperative, and we know that we have to do better. These incidents and investigations create an inaccurate impression that Telstra does not care enough about the privacy of our customers, and they undermine the very good work we have done to improve customer satisfaction. We care deeply about customer privacy. It is our license to operate.

We are implementing strong and proactive measures to prevent such an incident from happening again. To ensure that privacy and security controls are properly implemented we have:

- › undertaken a review of information technology development and deployment processes
- › committed to improving staff training.

Online behavioural advertising

We are a signatory to the Australian Best Practice Guideline for Online Behavioural Advertising. The Australian Digital Advertising Alliance developed this guideline to set a best practice framework for organisations engaged in third party online behavioural advertising. Put simply, online behavioural advertising uses the internet activity of a web user to deliver targeted advertising. This year, we have taken a number of steps to ensure consumers are aware of our online behavioural advertising practices. We published a dedicated policy for online advertising on our website and established a mechanism that enables consumers to opt out. We also worked with our third party advertising partners to ensure that they are compliant with the guidelines.

Strengthening international privacy controls

This year we continued to strengthen our global frameworks for privacy controls. We developed a Privacy Policy for the Telstra International Group (TIG) tailored to meet the specific legal and regulatory obligations of the various jurisdictions in which the TIG operates, and established a privacy compliance framework.

PLANNED ACTION

STATUS

Establish appropriate frameworks for privacy compliance in all offices operating under Telstra globally.



ACHIEVED | PARTIALLY ACHIEVED | NOT ACHIEVED

NEXT STEPS – 2012/13

- › Review and strengthen Telstra's privacy framework.

ELECTROMAGNETIC ENERGY (EME) AND BASE STATION LOCATION

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TELSTRA ACKNOWLEDGES COMMUNITY CONCERN THAT 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 communications regarding EME. We rely on the expert advice of national and international health authorities including the World Health Organisation (WHO). We provide information about 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.

For more information about EME visit www.telstra.com/eme

PROGRESS

Keeping our customers informed

This year, we revised our online information - How Australia Communicates - based on updates from the WHO and made it easier for customers to access and understand this through videos and tips. We also sent an SMS to all customers advising them of how to access information about EME and exposure reduction options. We informed our business, enterprise and government customers through newsletters and information bulletins.

Community consultation for base station location

A number of communities, including Quakers Hill in NSW, Sellicks Beach in WA and Hastings West in Victoria, expressed concern about EME in response to new mobile base station proposals. Telstra responded to these concerns through extended community consultation, individual meetings and proactive community engagement. We continually review how we engage with the community, for example through pre-consultation information flyers, community surveys and individual engagement.

In 2011/12, Telstra completed 2,385 mobile infrastructure consultation projects consisting of 148 new development applications (of which 135 were approved) and 2,237 Australian Communication Industry Forum consultation proposals. The ACMA confirmed that it received three complaints regarding Telstra proposals in 2011/12, compared to five in 2010/11 and four in 2009/10.

Mobile phone safety

All mobile phone handsets sold by Telstra in 2011/12 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.

PLANNED ACTION

Incorporate EME information into Consumer Mobile Advice.

Update Telstra's How Australia Communicates online series.

Send SMS to all existing mobile phone customers advising them of how to access information about EME and exposure reduction options.

STATUS



ACHIEVED | PARTIALLY ACHIEVED | NOT ACHIEVED

NEXT STEPS – 2012/13

- › Enhance community engagement on proposed new base stations by implementing an online community consultation process.



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 UNGC 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