

BIGGER
PICTURE
2012



OUR PEOPLE
BEING A GOOD EMPLOYER

SUSTAINABILITY
REPORT 2012



IT'S HOW
WE CONNECT

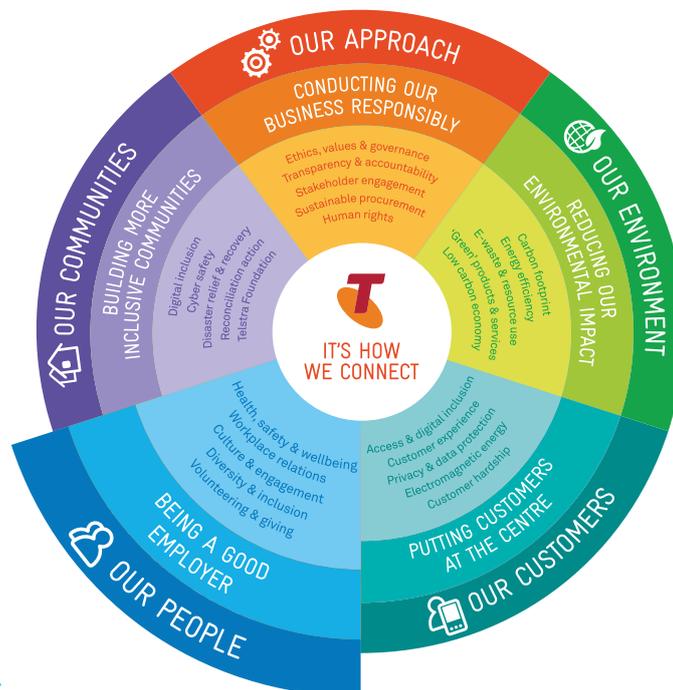
TELSTRA IS AUSTRALIA'S LEADING TELECOMMUNICATIONS AND INFORMATION SERVICES COMPANY. WE OFFER A FULL RANGE OF SERVICES AND COMPETE IN ALL TELECOMMUNICATIONS MARKETS THROUGHOUT AUSTRALIA, PROVIDING 13.8 MILLION MOBILE SERVICES AND SERVING 2.6 MILLION RETAIL FIXED BROADBAND CUSTOMERS. TELSTRA'S INTERNATIONAL BUSINESSES INCLUDE TELSTRA INTERNATIONAL GROUP, THE HONG KONG MOBILE SERVICES 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 (Telstra), 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. Performance information from Sensis, a wholly owned Australian entity, has been incorporated where available. We are progressively incorporating our entities in our reporting.

2011/12

PERFORMANCE SNAPSHOT

1.32 LOST TIME
INJURY
FREQUENCY RATE
ACHIEVING TARGET FOR LESS THAN 1.5

\$1,300
INVESTED IN
LEARNING &
DEVELOPMENT
PER EMPLOYEE (FTE)
ACROSS THE TELSTRA GROUP

25% 
REPRESENTATION
IN EXECUTIVE
MANAGEMENT
UP FROM 23%

39,972 PEOPLE
EMPLOYED (FTE)
ACROSS THE
TELSTRA GROUP

TELSTRA GROUP
EMPLOYEE ENGAGEMENT
77%
UP BY 2
PERCENTAGE
POINTS

1,375
TELSTRA & SENSIS
EMPLOYEE COMMUNITY
VOLUNTEERING DAYS

OUR SUCCESS RELIES ON OUR ABILITY TO ATTRACT AND BUILD A WORLD-CLASS TALENT BASE TO CREATE A HIGH-PERFORMING, CUSTOMER-CENTRIC CULTURE.

We are focused on simplifying the way we operate and have made structural changes to our business to create a more customer-focused operating model. Our success relies on our ability to attract and build a world class talent base with quality leaders at all levels and to create a high-performing, customer-centric culture. We tightly manage our workforce requirements and the mix of skills needed as the business faces a more competitive market.

Increasing employee diversity is vital for attracting and retaining talent in a competitive labour market. Australia's digital economy generates billions of dollars each year however, the number of students studying information and communications technology (ICT) continues to fall and women are under-represented in the sector. Indigenous employment is also lower in telecommunications than in other sectors.

STAKEHOLDER ENGAGEMENT

We engage with our stakeholders on the material issues affecting our people.

Our key 2011/12 stakeholder engagement activities are set out below.

WORKPLACE CHANGE AND UNION ENGAGEMENT

In Australia, we regularly engage with the Community and Public Sector Union (CPSU), the Communications, Electrical and Plumbing Union of Australia (CEPU) and the Association of Professional Engineers, Scientists and Managers Australia (APESMA).

In 2011/12, we conducted around 20 official consultation meetings with the unions where a workplace change had significant impact on our employees. We included the unions in a policy review, which led to the development of our Performance Support and Managing Conduct policies. We also consulted with the unions during the review of our Internal Resolution policy and process. Our aim in union engagement is to build open and collaborative relationships to achieve fewer workplace relations issues to be dealt with by Fair Work Australia.

ENTERPRISE BARGAINING

In April 2012, we commenced bargaining for a new Telstra Enterprise Agreement which will replace more than 60 existing collective agreements. We held weekly negotiations with the Telstra unions as well as employee bargaining representatives. Key issues discussed included: pay structure and work model, redundancy provisions, hours of work and scheduling, leave, dispute resolution, consultation and delegates' rights. Negotiations are progressing as expected and we anticipate them to be finalised by December 2012. See Employment and workplace relations (p. 14) for more.

EMPLOYEE ENGAGEMENT SURVEYS

We conduct regular employee engagement surveys to help identify areas for improvement. All Telstra, Telstra International Group, Sensis and TelstraClear employees are invited to participate. The last full employee engagement survey was held in June 2011 and included 92 questions across 14 categories. In May 2012, we conducted a shorter survey and achieved an 80% response rate. See Culture and engagement (p. 5) for more.

MAKING TELSTRA A GREAT PLACE TO WORK.

APPROACH

Our aim is to create a workplace culture that enables the individual to prosper and provides a framework to transform Telstra to a more efficient, innovative and customer-centric business.

Employee engagement is a key strategic objective for our business. We know that when our people are engaged, they enjoy greater job satisfaction and are more able to deliver an outstanding customer experience.

We conduct regular employee engagement surveys and use them to identify areas for improvement.

PROGRESS

Employee engagement

In May 2012, we conducted an employee engagement survey and achieved an 80 per cent response rate. We achieved an engagement score of 77 per cent, a two percentage point increase on the previous year. This score puts us two percentage points above the Australian National Norm and five percentage points below the Global High Performing Norm.

Results show that employees have clarity and confidence in Telstra's vision and great belief in the quality of our customer service. The largest improvements were seen in Winning Culture, Strategic Leadership and Developing Our People, key areas identified for improvement last year. The results also tell us that we need to keep focusing on these areas along with Reward and Recognition and Collaborate and Innovate. Company-wide and business unit actions will be put in place to ensure we address employee feedback. The next full census survey will be held in April 2013.

Creating a customer-centric culture

This year, we continued to invest in the capability of our leaders to drive cultural change through Leaders Creating Culture workshops. All top 260 executives have now attended a session. The next phase of our cultural change programme will support the roll out of the Net Promoter System (NPS), in which we are shifting our focus from customer satisfaction to customer advocacy. To create customer advocates, we know we need to foster a way of doing business that drives customer loyalty and support. Training for our people leaders will deepen their understanding of customer advocacy. They will then work with their teams to embed critical skills and behaviours.

Learning and development

This year, we implemented an induction programme for all new employees and contractors of Telstra, Telstra International Group, our wholly owned subsidiaries and industry partners in Australia and overseas. This is the first time an induction programme has been delivered so comprehensively across the business. It was designed to help build a consistent understanding of Telstra's vision, strategy, goals and culture in a learner-centred and engaging way. Induction is delivered through face-to-face or virtual workshops, in online learning modules and through a dedicated social media channel to enhance social learning and networking. Almost 1,000 employees and contractors have completed the new programme.

In 2011/12, we invested \$57.2 million in learning and development across the Telstra Group. This equates to \$1,300 per employee (full time equivalent), an increase of 10 per cent from last year.

NBN retraining programme

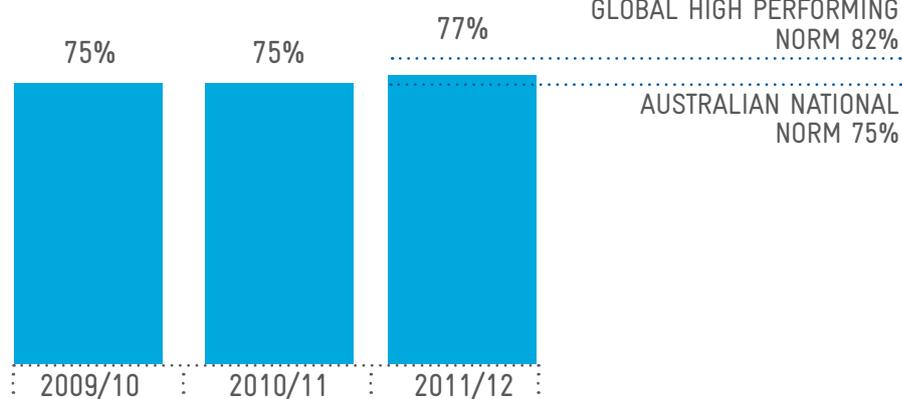
In June 2012, the Federal Government provided Telstra the \$100 million it had committed under the NBN Definitive Agreements to retrain employees whose jobs may be impacted by the rollout of the NBN. The government also approved Telstra's Training Plan that set out how Telstra would use the funding to retrain eligible employees. Approximately 6,500 employees in Telstra Operations and Telstra Wholesale have been identified as being eligible for retraining under the initial Training Plan, which runs to June 2014.

PERFORMANCE

Employee engagement

Score

Year ended 30 June



NEXT STEPS - 2012/13

- › Implement programmes for our people leaders to support the introduction of the Net Promoter System.
- › Achieve a two percentage point increase in employee engagement from 77 to 79 per cent.
- › Implement the NBN Retraining Funding Deed Training Plan.

ATTRACTING, RECRUITING,
AND RETAINING A DIVERSE
TEAM OF TALENTED PEOPLE
ENABLES US TO PROVIDE
THE BEST SERVICE TO OUR
DIVERSE CUSTOMER BASE
AND HELPS TO CREATE A
MORE INCLUSIVE WORKPLACE
AND SOCIETY.

APPROACH

We are committed to embracing and promoting diversity and equal opportunity at all levels of the company. This is supported by our Values and Business Principles, and our Diversity & Inclusion and Discrimination & Bullying policies.

At Telstra, everyone has a role to play in being more inclusive. The Board has responsibility for diversity and has set measurable objectives for promoting gender equality at all levels of the company. Telstra's Diversity Council, established in 2006, is chaired by our Chief Executive Officer (CEO) and involves the full CEO Leadership Team. We provide training to our managers, and all employees complete mandatory training as part of their induction and refresher courses. Our diversity and inclusion programmes target gender equity, Indigenous Australians, other culturally and linguistically diverse (CALD) employees, people with disability, and gay, lesbian, bisexual, transgender and intersex (GLBTI) employees. Initiatives include flexible work and careers, support networks and targeted strategies to reduce inequality.

Our approach to promoting gender equality at all levels of the company was recognised this year with a 'green light' on the Women on Boards 2012 Index and three awards at the 2012 Australian Human Resources (HR) Institute Awards: the CEO Champion, HR Champion and Gender Equity awards. Telstra was also awarded Best Workplace Diversity Strategy at the 2011 Australian HR Awards.

PROGRESS

Improving gender equality

Positive trends were seen in promotion rates, where women exceeded their representation for the majority of business units. The engagement of women, as

measured through the employee engagement survey increased when compared to last year. We also achieved our objective of 25 per cent representation of women in Executive management.

We set a strong objective for gender equality in our 2013 graduate intake of 50 per cent female representation. Despite targeted approaches to recruitment, female representation remained consistent with the 2012 graduate intake at 29 per cent. Based on this result, we have reassessed our ability to attract women into a traditionally male dominated industry and have set a target to achieve 35 per cent female representation in the 2014 graduate intake, with an aspiration to increase this to 50 per cent by 2020. Overall female representation in Telstra and Sensis remained steady this year at 31 per cent and as a result we did not meet our objective of 32 per cent. The objective for female representation will remain at 32 per cent for next year and will be extended to include some employees within the Telstra International Group.

We have work to do to improve diversity at all levels of the company. To attract and retain women in our workforce this year, we embedded expectations in performance objectives for all Telstra leaders to be more inclusive. We also commenced a proactive company-wide education programme to improve the use and application of Telstra's flexible work and careers policies. Next year, we will continue to focus on inclusion as a key priority for all Telstra leaders and promote access to flexible work and careers.

To see Telstra's Diversity & Inclusion policies, visit:
www.telstra.com.au/governance

Indigenous Australians

To attract and retain Indigenous employees at Telstra, we completed an Indigenous Employment Plan, including a feasibility study, which was endorsed by the Australian Government Department of Education, Employment and Workplace Relations. The plan identifies the opportunities we have to increase Indigenous career pathways and job readiness. It also sets out how we will achieve this through traineeships, cadetships and graduate recruitment.

In 2011/12, nine Indigenous trainees commenced employment in Telstra Customer Sales and Service, close to achieving our target of 10. In Telstra Operations, Indigenous trainees comprised 4.4 per cent of the annual intake.

While slightly up from 3.7 per cent in the previous year this was short of our target of 10 per cent. Of the Indigenous employees who joined Telstra during the year, 85 per cent remain employed at Telstra, and voluntary separation of Indigenous employees remains consistently below representation.

Engagement of identified groups*

Engagement is an important indicator of the effectiveness of our inclusion activities. Encouragingly, our May 2012 employee engagement survey (EES) indicates that the engagement of most identified groups (women, CALD and GLBTI employees), is higher than national benchmarks. It also showed that engagement scores were equal to or greater than last year, in all identified groups.

*Identified groups are female employees, Indigenous employees, other culturally and linguistically diverse employees (CALD), employees with a disability, and gay, lesbian, bisexual, transgender and intersex employees (GLBTI).

PLANNED ACTIONS

STATUS

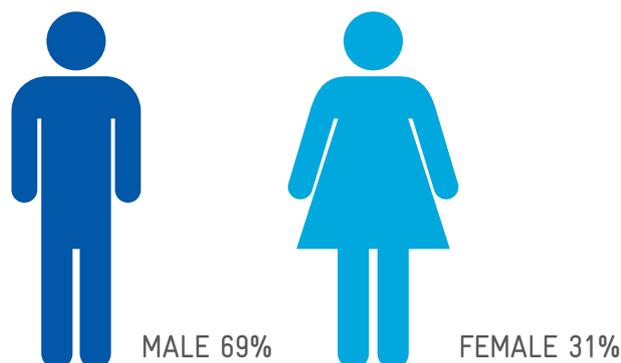
Implement targeted approaches to increase employment applications from diverse candidates, including women and Indigenous people.	
By the end of 2011/12, there will be three women on the Board, representing a female gender representation among non-executive Director's of at least 30%.	
Female representation for 30 June 2012 at 32% (Telstra) and 25% (Executive management).	
50% female representation in 2013 graduate intake.	
Promotion rates for women to exceed their representation at Business Unit level.	
Complete a feasibility study for Indigenous employment at Telstra and have a specific Indigenous Employment Plan.	
Support a sustainable increase in traineeships for Indigenous people at Telstra so that Indigenous trainees comprise at least 10% of the annual intake in Telstra Operations, and at least 10 Indigenous trainees employed in Telstra Customer Sales and Service annual intake.	
Engagement of identified groups equal or greater than national benchmarks.	

ACHIEVED  | PARTIALLY ACHIEVED  | NOT ACHIEVED 

PERFORMANCE

Workforce by gender

Telstra Group
As at 30 June 2012



Notes:

Includes full time and part time staff in Telstra, Sensis and entities within the Telstra International Group. For a list of the entities, please refer to Note 25 to the Financial Statements in the Telstra 2012 Annual Report. This excludes casual staff and agency staff. Measure introduced this year.

Representation of women by employment level

Telstra-paid¹ and Sensis workforce
As at 30 June

	2011/12		2010/11		2009/10	
	NUMBER	%	NUMBER	%	NUMBER	%
Board ²	3	30%	2	22%	2	22%
Executive management	63	25%	56	23%	65	22%
Middle management	2,198	27%	2,064	27%	2,120	28%
Operational level	8,083	33%	8,256	33%	8,437	33%
Total	10,343	31%	10,385	31%	10,622	31%

Notes:

1. Telstra-paid workforce includes full time and part time employees paid by Telstra corporation (excluding casual staff, all controlled entity staff, and agency staff in Australia and internationally). 2. Number and percentage relates to Non-Executive Directors.

Discrimination and bullying complaints

In 2011/12, there were 245 reported cases of discrimination and bullying. As at June 30, 2012, 43 cases were open and 202 cases were closed. Outcomes for the closed cases were:

- › 44 (22 per cent) were substantiated and action was taken against the respondent (this could include verbal warnings, written warnings, final written warnings or dismissals).
- › 158 (78 per cent) were unsubstantiated. In some of these cases other appropriate action such as training or mediation was recommended.

NEXT STEPS – 2012/13

- › Deliver at least four pilot initiatives to introduce new approaches to flexible work and careers at Telstra.
- › Deliver an Indigenous cultural appreciation programme.
- › Support an increase in targeted Indigenous traineeships.
- › 35 per cent female representation in 2014 graduate intake.
- › Female representation for 30 June 2014 at 32 per cent (Telstra Group) and 25 per cent (Executive Management).
- › Promotion rates for women to exceed their representation at Business Unit level.
- › Engagement of identified groups equal to or greater than Telstra-wide engagement score, with any negative differences not statistically significant.

A SAFE AND HEALTHY WORKPLACE IS FUNDAMENTAL TO THE OPERATION OF A SUCCESSFUL BUSINESS.

APPROACH

Our aspiration is a zero injury workplace. Our strategy is to build resilience and drive an early intervention culture to prevent injuries and illness, minimise business impacts and return employees to pre-injury duties. Telstra's Health and Safety policy defines our commitment to providing a healthy, safe and supportive work environment. We have governance structures and processes at Board, senior leadership and business unit levels that guide and monitor performance, and mandatory employee training. Our global health and safety management system is designed to eliminate workplace injuries and reduce business and reputational risks. Telstra is a Safety, Rehabilitation and Compensation Commission (SRCC) approved self insurer licensee and maintains a Comcare Tier 3 status (the highest possible) under this scheme.

PROGRESS

Driver safety

In January this year, a Telstra vehicle was involved in an incident that resulted in two fatalities of members of the public. The incident was investigated, and the Telstra driver was found not to be at fault and the accident unavoidable. Since the incident, we have reinforced the importance

of driver safety in high risk conditions such as driving at night, dawn and dusk and in remote areas through targeted employee communications. We will continue to review and strengthen our strategies to promote driver and public safety.

Management systems

This year we continued to develop our health and safety management systems to attain industry recognised certification and accreditation. We achieved business-wide AS/NZS 4801:2001 certification and revised our audit tool to include AS/NSZ 4801 and Federal Safety Commission (FSC) requirements.

Early intervention

We implemented a range of injury early response training and promotion programmes with a focus on musculoskeletal and psychological injuries (our main injury types). These programmes have resulted in improved rehabilitation and return-to-work outcomes. Early intervention initiatives have also helped us to meet our targets we set for lost time injury frequency rates (LTIFR) and serious injury rates. Next year's planned activities include the implementation of a new early injury support service, InjuryAssist.

PLANNED ACTIONS

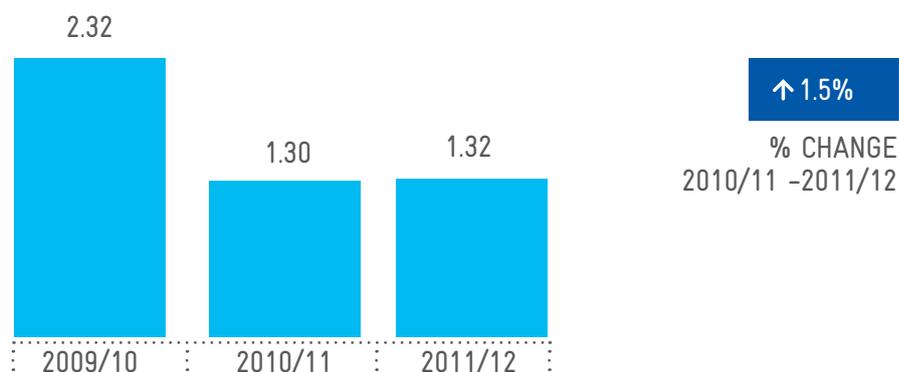
STATUS

Achieve business-wide AS/NZS 4801 certification.	
Revise audit tool to include AS/NZS 4801 and FSC requirements.	
Achieve LTIFR of 1.5.	
No more than five serious injuries where a serious injury is defined as a claim that requires an absence from work of one working week or more per 1,000 full time equivalent employees.	

ACHIEVED  | PARTIALLY ACHIEVED  | NOT ACHIEVED 

PERFORMANCE

Lost time injury frequency rate (LTIFR)
Telstra-paid workforce
As at 30 June



Note:

An LTIFR is the reported number of occurrences of lost time arising from work-related injury or disease for each million hours worked.

Additional workplace health and safety indicators

Telstra-paid workforce
As at 30 June

	2011/12	2010/11	2009/10	% CHANGE 2010/11-2011/12
Lost time injury (LTI) ¹ <i>Number of occurrences of lost time</i>	64	62	126	3.1%
Serious injuries ² <i>Rate of claims resulting in greater than one week lost time</i>	2.7	-	-	-
Lost days <i>Total days lost</i>	802	1,189	2,142	-32.5%
Days lost per LTI <i>Average days lost</i>	12.5	19.2	17.0	-34.9%
New workers' compensation claims <i>Number</i>	576	650	661	-11.4%
Open workers' compensation claims <i>Number</i>	1,456	1,335	1,231	9.1%

Notes:

1. An LTI is the reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers' compensation claim.
2. As at 31 April 2012 (latest available result from Comcare). A serious injury is defined as a claim that requires an absence from work of one working week or more per 1,000 full time equivalent employees. This was introduced as a measure in 2011/12.

NEXT STEPS – 2012/13

- › Implement a new early injury support service and new musculoskeletal health programme.
- › Achieve our Lost Time Injury Frequency Rate (LTIFR) target.

WE PROVIDE OUR EMPLOYEES WITH OPPORTUNITIES TO ENGAGE WITH LOCAL COMMUNITIES. THIS HELPS TO MAKE TELSTRA A GREAT PLACE TO WORK, ENHANCES OUR REPUTATION AND STRENGTHENS THE COMMUNITIES IN WHICH WE OPERATE.

APPROACH

We provide individual and team volunteering opportunities for Telstra people. We also implement whole-of-company campaigns to raise awareness and funds to support key community causes. Additional employee community involvement is supported through the Telstra's Kids Fund grants. This employee-directed giving programme provides grants of \$1,200 to local community organisations that involve the participation of a child or young person directly related to a permanent Telstra employee.

PROGRESS

Employee volunteering

In December 2011, we introduced paid volunteer leave for Telstra employees. Since then, we have focussed on building momentum across the company, targeting skilled and team volunteering. To drive high volume volunteering, we established a small number of strategic community partnerships, including with Habitat for Humanity Victoria and Goodcompany. We also held volunteering information sessions that were attended by more than 1,100 employees.

In 2011/12, we achieved a total of 1,375 days of employee community volunteering at Telstra and Sensis, close to achieving our target of 1,500 days. We increased employee participation in Telecross, a Red Cross social inclusion programme, by 50 per cent, from 80 to 121 participants. Next year, we have set a target to achieve 5,000 volunteer days.

Telstra Volunteers lend a hand to the Red Cross



Lasily Thomas and his team from Telstra Operations took advantage of Telstra's new paid volunteer leave, heading to the Australian Red Cross distribution centre in Altona (VIC), to sort and pack donated clothing. Thanks to our volunteers, donated items were prepared for distribution to Australian Red Cross stores across the country.

The day provided an opportunity for the team to bond outside of its usual work environment, while contributing to a community cause. According to Telstra volunteer Irene Law, "it was a humbling experience volunteering at Red Cross Australia. Understanding the contribution of the Red Cross in reaching out to those who are coping with really significant issues simply reinforced how fortunate most of us are, and how important it is to give back in some way to those doing it tough".

This year, almost 100 Telstra employees from 13 teams participated in volunteering opportunities with the Australian Red Cross.

EMPLOYEE VOLUNTEERING AND GIVING

Community campaigns and Payroll Giving

We focussed on rationalising our community sponsorships and developing a schedule of community campaigns for Telstra to support. These campaigns link to strategic sustainability priorities and help us drive employee community engagement. In 2011/12, Telstra, along with our people and customers, supported MobileMuster, the Cancer Council's Pink Ribbon campaign and Legacy Week.

During 2011/12, almost 800 employees made donations through Telstra's Payroll Giving programme, contributing more than \$221,000 to 16 charities. This is a participation rate of 2.7 per cent, close to meeting our target of three per cent. At Sensis, 215 employees contributed around \$59,000 to 20 charities via payroll giving donations, which were matched by Sensis dollar for dollar. This is a participation rate of 6.6 per cent.

Next year, we aim to grow Telstra's Payroll Giving programme and have set a target for a 3.5 per cent participation rate. In 2012/13, with funding support from the Telstra Foundation, we will introduce dollar for dollar matched payroll

giving (up to \$1,000 per employee annually) and enable employees to give to any registered charity in Australia. This will provide an incentive for our people to donate and help to increase participation rates.

In 2011/12, the Telstra Foundation distributed 625 Telstra's Kids Fund grants to the value of \$750,000. These grants supported a broad range of initiatives and projects across education, sports and recreation, arts and culture, environment, health, disability and cultural diversity organisations that involve the participation of a child or young person directly related to a permanent Telstra employee.

PLANNED ACTIONS

STATUS

Introduce and promote one day of paid volunteer leave for Telstra employees.	
Establish three new employee engagement initiatives.	
Increase participation in Telecross by 50%.	
Achieve 3% participation rate in Payroll Giving.	

ACHIEVED  | PARTIALLY ACHIEVED  | NOT ACHIEVED 

PERFORMANCE

Employee volunteering and giving
Telstra-paid workforce
Year ended 30 June

	2011/12	2010/11
Volunteering on Telstra time ¹ <i>Number of days</i>	1,375	-
Payroll Giving ² <i>Participation rate</i>	2.7%	3.5%
Fundraising ³ <i>Dollars donated</i>	\$664,169	\$1,251,501

Notes:

1. 2011/12 is the first year that we have been able to track Telstra employee community volunteering through the leave approval process. Includes Sensis-paid employees. 2. The 2010/11 rate was at 3.5 per cent due to a disaster relief campaign in support of one of our charity giving partners. 3. Includes funds raised through payroll giving and community campaigns – Legacy and Pink Ribbon. In 2011/12, the employee contribution was 42.2 per cent. In 2010/11, approximately \$890,000 of the total was given in response to a series of devastating natural disasters in Australia and abroad.

NEXT STEPS – 2012/13

- > Drive employee giving by implementing dollar for dollar matched Payroll Giving.
- > Implement an interactive employee community portal and achieve 5,000 employee volunteer days.

EMPLOYMENT AND WORKPLACE RELATIONS

TELSTRA IS ONE OF THE LARGEST EMPLOYERS IN AUSTRALIA, WITH A TOTAL WORKFORCE OF CLOSE TO 40,000 PEOPLE AND PAYING MORE THAN THREE BILLION DOLLARS IN WAGES AND SALARIES.

APPROACH

Telstra is undergoing a significant change to become a more customer-focused organisation. We tightly manage our workforce requirements and, in particular, the mix of skills needed as the business faces a more competitive market. Our Redeployment Policy ensures people in redundant roles are given priority for job vacancies in Telstra, and our Internal Resolution Policy allows employees to seek the review of decisions that impact them.

PROGRESS

Workforce profile

As at 30 June 2012, Telstra's total workforce was 39,972 people (full-time equivalent). This is a decrease of 2.3 per cent compared to last year. Declines were seen in Sensis, Directory Assistance and Telstra Innovation Products and Marketing. Increases were seen in Telstra Operations, business support and Telstra International Group.

Collective agreements

Around 20,000 of our employees are covered by collective agreements that will expire in the 2012 calendar year. In April 2012, we started negotiations with our employees and the unions for a new enterprise agreement that will replace these agreements. The aim is to negotiate a simple and fair agreement that will support our move to a sales and marketing organisation in a more competitive market driven by the NBN. We expect the agreement to be finalised by the end of 2012.

In 2011/12, eligible employees were recruited on our collective agreements. As a result, the percentage of employees on collective agreements has increased to approximately 53 per cent. The remaining 47 per cent are employed on individual contracts or individual statutory agreements. Once these expire, employees can elect to revert to the collective agreement that applies to them. We expect the large majority of operational level employees to be on a collective agreement by the end of 2013.

Sensis has negotiated new enterprise agreements with the Community and Public Sector Union (CPSU) and the Australian Manufacturing Workers Union (AMWU). In principle, agreement was reached with both unions in June 2012. Following an employee vote, Sensis will seek Fair Work Australia approval.

PERFORMANCE

Workforce profile

Telstra Group, Telstra-paid and Sensis
As at 30 June

	2011/12	2010/11	2010/09	% CHANGE 2010/11 - 2011/12
Telstra Group ² Full time equivalent	39,972	40,912	45,220	-2.3%
Full time staff and employed equivalent ³ Full time equivalent	36,039	36,072	41,690	-0.1%
Domestic full time staff ⁴ Headcount	30,203	30,229	31,157	-0.1%
Telstra paid workforce ⁵ Headcount	29,552	29,060	30,372	1.7%

Notes:

1. 2010/11 full time equivalents have been adjusted to reflect an additional 282 staff within the Reach business not previously recognised in our reported results, including 108 domestic full time staff. 2. Includes Telstra Corporation and controlled entity full time employees and equivalents, contractors and staff employed through agency arrangements in Australia and internationally. 3. Domestic full time employees plus casual and part time employees and employees in our offshore subsidiaries. 4. Domestic full time staff, domestic fixed term contracted staff and expatriate staff in overseas subsidiary entities (includes Sensis). 5. Includes full time and part time employees paid by Telstra Corporation (excluding casual staff, all controlled entity-paid staff, and agency staff in Australia and internationally). This definition is used in our reporting of: employment, band and contract type; training; age distribution; diversity; new hires; turnover; absenteeism; and health, safety and wellbeing performance, unless otherwise noted.

EMPLOYMENT AND WORKPLACE RELATIONS

Significant geographic locations

Telstra Group workforce
As at 30 June

	2011/12	2010/11	2009/10
Australia	88.8%	88.3%	79.5%
China	2.2%	4.3%	14.0%
Hong Kong	4.2%	3.5%	2.9%
New Zealand	3.5%	3.2%	2.9%
Other	1.3%	0.7%	0.7%

Age distribution

Telstra-paid workforce
As at 30 June

	2011/12	2010/11	2009/10
18 - 24	6.5%	7.4%	8.2%
25 - 34	24.4%	24.4%	24.3%
35 - 44	29.5%	29.9%	30.5%
45 - 54	26.5%	26.3%	25.9%
55+	13.1%	12.0%	11.1%

Workforce by employment level

Telstra-paid workforce
As at 30 June

	2011/12	2010/11	2009/10
Executive management (Bands A, B and C)	0.9%	0.9%	1.0%
Middle management (Bands 1 and 2)	27.3%	24.9%	23.8%
Operational (Bands 3 and 4)	71.8%	74.2%	75.2%

Workforce by employment level

Telstra-paid workforce
As at 30 June

	2011/12	2010/11	2009/10
Permanent full-time	92.8%	92.5%	92.1%
Permanent part-time	6.3%	6.8%	7.3%
Fixed term full-time	0.9%	0.6%	0.6%
Fixed term part-time	<0.1%	<0.1%	<0.1%

Workforce by contract type

Telstra-paid workforce
As at 30 June

	2011/12	2010/11	2009/10
Individual contracts or statutory agreements	47%	53%	63%
Collective agreements	53%	47%	37%

EMPLOYMENT AND WORKPLACE RELATIONS

Sensis workforce
As at 30 June

	2011/12	2010/11	2009/10
Individual contracts or statutory agreements	27%	29%	28%
Collective agreements	73%	71%	72%

Notes:

Individual contracts or statutory agreements include Australian Workplace Agreements (AWAs) and Individual Transitional Employment Agreements (ITEAs) and Common Law Contracts. Collective agreements include Employee Agreements (EAs) and Employee Collective Agreements (ECAs). 82% of Telstra-paid employees on individual contracts or statutory agreements are eligible for performance based pay. Incentive arrangements have been extended to include some employees on Telstra's collective agreements.

Total new hires
Telstra-paid workforce
Year ending 30 June

	2011/12	2010/11
Number	3,956	3,779
Rate	13.6%	13.0%

New hires by gender and age group
2011/12
Telstra-paid workforce
Year ending 30 June

	NUMBER	RATE
Male	2,475	12.0%
Female	1,481	17.4%
18 - 24	1,084	50.6%
25 - 34	1,530	21.6%
35 - 44	864	9.9%
45 - 54	359	4.7%
55+	119	3.4%

Total turnover
Telstra-paid workforce
Year ending 30 June

	2011/12	2010/11
Number	3,363	4,881
Rate	11.6%	16.8%

Notes:

Turnover includes retrenchment, resignation, fixed term expiry and other.

Turnover by gender and
age group 2011/12
Telstra-paid workforce
Year ending 30 June

	NUMBER	RATE
Male	1,986	9.7%
Female	1,377	16.2%
18 - 24	646	30.2%
25 - 34	1,126	15.9%
35 - 44	759	8.7%
45 - 54	444	5.8%
55+	388	11.1%

Notes:

Turnover includes retrenchment, resignation, fixed term expiry and other.

NEXT STEPS - 2012/13

› Complete negotiations and obtain majority vote in favour of new Telstra and Sensis enterprise agreements.

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