

Corporate Social Responsibility

At Telstra we believe that corporate social responsibility is a values-based approach to how we do business, leading us beyond legal compliance to make a positive contribution to the industries and communities in which we participate.

Corporate Social Responsibility (CSR) reporting is managed by the Community Relations Group of Corporate Relations, part of the Public Policy and Communications business unit. However, all parts of the business have accountability for their own CSR activities.

This year, we participated in the second Australian Business in the Community Corporate Responsibility Index, overseen in Australia by the St James Ethics Centre. We were placed sixth out of 26 participating companies and received an almost five percent increase on our previous year's score due to better reporting practices. Our score was 90.21 percent. We also regularly participate in the FTSE4Good and a number of ethical investment surveys and indices.

Our activity over the year included:

The community

Telstra people demonstrated tremendous generosity in donating and raising funds for the Indian Ocean tsunami disaster. Telstra and our employees donated \$1,561,280.27 to Asian tsunami relief aid funds. In addition, we provided approximately \$250,000 of services, which included establishing and staffing call centres for aid agencies, fund-raising drives, providing extra phone lines, waiving call costs where appropriate and providing staff volunteer support.

Telstra Friends, our 4,000-strong volunteer network, donated more than 12,000 hours at 251 community events and raised in excess of \$192,000 for charities. This year we renewed our sponsorship commitment with Telstra Child Flight helicopter retrieval service for \$1.5 million over the next two years, which will assist in providing intensive care transportation for seriously ill babies and children in NSW and ACT. We also ran a fundraising appeal in partnership with Child Flight, which raised more than \$117,000.

Now in its fourth year, the Telstra Foundation continues to support Australian children and young people to reach their potential and build stronger and more cohesive communities. Through the Foundation's Community Development Fund and the Telstra's Kids Fund, we supported 855 community projects and provided grants to the value of \$4.4 million.

Environment

Our environment performance is reported in the 'Environment' section of this annual report.

Workplace

In October 2004, Telstra was awarded the Australian Human Resources Institute (AHRI) National Award for Excellence in People Management in our sector.

Over the fiscal year we introduced a program, "Mental Health - Creating a supportive workplace", to raise awareness of mental health issues and how to assist by providing support in the workplace. Telstra also supported a number of health and wellbeing awareness programs, including National Skin Cancer Action week. Telstra employees celebrated International Women's Day with a series of lunchtime speaker's sessions, International Day for People with a Disability, Harmony Day and NAIDOC Week.

Corporate Social Responsibility

We launched an innovative Life and Career transition program to support employees on individual contract who leave due to retrenchment. Telstra also enhanced flexible leave options for employees on individual contracts, including the ability to purchase additional leave, the ability for employees to take career breaks and provided paid leave for all primary carers. We introduced the new Telstra Business Principles, which set out employee work practices, principles and standards of behaviour, a new code of conduct and the provision of simple tools for employees and managers to resolve issues through a new Internal Resolution Process.

We made a commitment in fiscal 2003 to recruit 150 Aboriginal and Islander trainees over three years. We recruited 60 in fiscal 2005.

Our representation of women in management increased from 19.86 percent in fiscal 2004 to 21.1 percent in fiscal 2005.

Marketplace

This year, Telstra again provided over \$160 million in benefits to low-income Australians through a range of concessions and products and services. A 2005 Low Income Measures Assessment Committee (LIMAC) survey showed an overall improvement in access to telecommunications for low-income transient and homeless people and indigenous Australians. On 20 June 2005, Telstra launched a new service called BudgetPay, which allows customers to spread their estimated yearly home phone costs over equal fortnightly or monthly payments.

Occupational Health and Safety

We believe that workplace disease and injury is preventable and we are committed to providing a safe workplace that is free from injury and disease. Telstra Care, our health and safety management system, focuses on leadership in safety, together with measurable accountabilities, through all levels of management. Each year we undertake an extensive schedule of occupational health and safety audits with the aim of continually improving safety at work. For the last eight years, the results have shown year-on-year improvement, which has a high correlation to our decrease in Lost Time Injuries.

Under our Telstra Care health and safety management system, in the 2004-2005 fiscal year we have:

- completed more than 80 external occupational health and safety audits across office and field based areas throughout Australia, taking the total to over 660 since the audit program commenced in December 1997;
- built on our successful office health, safety and environment planning to assist managers in achieving safe workplaces;
- extended our employee wellbeing program to raise awareness of mental health issues in workplaces and at home with:
 - an extensive intranet site and booklet;
 - an interactive online program to assist managers address mental health issues at the workplace; and
 - after-hours awareness sessions for Telstra staff and their partners;
- commenced a major survey of driving safety behaviour to assist us in developing vehicle safety initiatives; and
- implemented an enhanced online incident notification form which incorporates a motor vehicle claim form, hazard notification and environmental incident notification capability.

As a result of the continuous improvement through the Telstra Group's activities, during the 2004-2005 fiscal year:

- Lost-Time Injuries (LTIs) reduced by 25% to 199;
- Lost-Time Injury Frequency Rate (measured by the number of LTIs per million hours worked) reduced from 4.4 to 3.2; and
- the mix of open worker's compensation claims changed with a decrease in Lost Time claims from approximately 60% to 50% and a corresponding increase in Medical Cost claims from 40% to 50%. The number of open claims remained fairly static at 2,471.

In line with Commonwealth OHS Reporting, the following work-related incidents were reported in the 2004-2005 fiscal year:

- 9 employees were absent from work as a result of an incident for more than a month;
- 52 employees required emergency medical treatment or treatment in a hospital; and
- 288 dangerous occurrences were reported. These are work-related incidents that could have caused death, serious injury or incapacity to a person, but did not.

Our focus remains on keeping our people healthy and safe and we are committed to further improvements.

Environment

We aim to achieve a sustainable method of operating that integrates environmental, social and economic considerations.

We are dedicated to setting the standard for environmental performance in our industry by pursuing world's best practice in environmental management. As an organisation, we are open and responsive to the environmental concerns of employees, shareholders, the wider community and Government. We regularly monitor, audit and publicly report on our environmental progress. Key environmental reports produced in the 2004 - 2005 fiscal year include:

- The Telstra Public Environment Report;
- The Telstra National Packaging Covenant Annual Report;
- The Telstra Greenhouse Challenge Progress Report;
- Telstra Carbon Disclosure Project; and
- The National Environmental Protection Measures Report (contaminated sites, diesel and waste).

We aim to improve the environmental performance of our staff, contractors and customers by minimising reliance on transport through the use of online, audio and visual communications and by replacing paper-based and resource-intensive ways of transferring information. We also work with stakeholders to improve management of environmental issues arising from the building and maintenance of our network.

Telstra initiatives in the 2004 - 2005 fiscal year include the following:

- Introducing the Energy Impact Statement (EIS) for land and building capital works. This process ensures energy efficiency is considered within the project delivery stage thereby optimising savings in energy and greenhouse gas and reducing Telstra's impact on the environment;
- Since 1968, Telstra has been proactive in the restoration and rehabilitation of the Perth International Telecommunications Centre (ITC) site to ensure current and future development of environment values. This year's projects included developing a plan to protect and conserve a Banksia attenuata woodlands, classified as a threatened ecological community, and working with a local environment management company and students from Perth's Newman College to rehabilitate an old access road into the ITC site;
- An increase in pit water recycling through a system that collects water in our street pits and treats it for re-use in council parks and sports fields. In fiscal 2005, Telstra recycled approximately 11 million litres from plants in Port Melbourne and Geelong in Victoria, Paramatta in Sydney and Crestmead in Brisbane;
- Reducing waste to landfill by expanding our recycling program to include hard hats. As hard hats expire every two years, it is estimated that approximately 1,500 hard hats will be recycled annually; and
- Telstra's subsidiary, Sensis has demonstrated its commitment towards environmental sustainability by signing a Sustainability Covenant with the Victorian government. The Covenant outlines key projects to reduce Sensis' own environmental impacts and support the efforts of its customers and consumers. Similar commitments are also being pursued in other states.

Environment

We continued:

- At Sensis, to support the Australian community's environmental commitment and efforts through the Sensis Directory Recycling Program. In 2004, 79% of old directories were recycled through the Program, through kerbside and commercial paper collections, recovering over 32,300 tonnes of paper;
- To regularly review our processes to reduce resource use. Telstra's customer service programs are being enhanced to save paper and envelopes, as well as the energy costs associated with delivery of information packs and bills. Telstra's billing options include:
 - ordering a single bill (a consolidated account),
 - online billing for Internet services; and
 - optional electronic bill and email notification for fixed and mobile customers.
- Our Green Purchasing and Vendor Award programs that encourage our suppliers and contractors to achieve sound environmental performance;
- More than a decade's sponsorship of the Banksia Awards, the premier environmental awards in Australia that recognise community members for positive contributions to the environment; and
- To sign up our employees with salary sacrifice vehicles to Greenfleet. Greenfleet is a not-for-profit environmental organisation that specialises in offsetting the environmental impacts of greenhouse gas emissions from vehicles through tree-planting programs.

More information on Telstra's environmental management system, policy and performance is available at www.telstra.com.au/environment.

Freedom of Information

Freedom of Information Act 1982 (Cwth)

This statement is made in accordance with section 8 of the Freedom of Information Act 1982 (Cwth) (FOI Act). The FOI Act gives a right of access, subject to exemptions and exceptions, to documents of the Telstra Entity. We are exempt from the operation of the FOI Act in relation to documents in respect of our commercial activities.

Functions

The particulars and functions of the Telstra Entity are set out in detail in this annual report. From time to time, the Telstra Entity may make decisions regarding the supply of telecommunications services and matters incidental, ancillary or complementary to the supply of telecommunications services that may affect members of the public.

Organisation

An outline of our organisation is given under 'Information on the Company - Organisational structure'.

Consultative arrangements

Consultative arrangements exist between us, a number of groups with specific interests, as well as a wide range of groups including:

- the Telstra Consumer Consultative Council (residential, Small Office and Home Office customers);
- our Disability Forum and Disability Equipment Program Customer Advisory Group (customers with a disability); and
- the Low Income Measures Assessment Committee (low income Australians).

We also liaise with:

- the National Farmers Federation (rural and regional customers); and
- the Australian Telecommunications Users Group (business and general).

Categories of documents

We produce and/or retain numerous documents, including documents that are available to the public free of charge. Documents available to the public free of charge include our Customer Service Charter, Our Customer Terms, product and service brochures and our annual report. These and certain other categories of documents are available from our website, www.telstra.com.

The categories of documents that we produce and/or retain relate to the provision of telephone lines and customer premises equipment to homes and businesses, the provision of local, long distance and international telephone calls, the provision of payphones and provision of mobile, data, Internet and online services. There are also documents relating to wholesale services provided to other carriers and carriage service providers.

Freedom of Information

Freedom of information requests

Initial enquiries concerning requests for access to documents or amendment of personal records under the FOI Act may be directed to:

Telstra's Information Access Unit
Locked Bag 5691
Melbourne Vic 3001

or:

Information Access Unit
Telstra Corporation Limited
Level 38
242 Exhibition Street
Melbourne Vic 3000

Telephone enquiries should be directed to the Information Access Manager on (03) 9632 3376.

Glossary

1xRTT (One Times Radio Transmission Technology): a 3G development of CDMA technology for high speed packet switched data

2.5G: technology designed to expand the bandwidth and data handling capacity of existing mobile telephony systems such as GSM using GPRS

3G: third generation technology designed to further expand the bandwidth and functionality of existing mobile telephony systems beyond 2.5G

ABA: Australian Broadcasting Authority

ACA: Australian Communications Authority

ACCC: Australian Competition and Consumer Commission

Access line: a fixed or wireless local access connection between a customer's premises and a carrier's local switch

ACIF: Australian Communications Industry Forum

ACMA: Australian Communications and Media Authority

ACT: Australian Capital Territory

ADR: American depositary receipt

ADS: American depositary share

ADSL (Asymmetric Digital Subscriber Line): a technology for transmitting digital information at a high bandwidth on existing phone lines

AGAAP: generally accepted accounting principles in Australia

ARPANSA (Australian Radiation Protection and Nuclear Safety Agency): a Commonwealth Government agency responsible for protecting the health and safety of people and the environment from the harmful effects of radiation

ARPU: average revenue per user

ASX: Australian Stock Exchange Limited

ATM (Asynchronous Transfer Mode): a high bandwidth, low delay technology for transmitting voice, data and video signals

Bandwidth: the capacity of a communication link

Broadband network: a network to support subscription television and online services

Carriage service provider: a person that supplies a telecommunications service to the public using Carrier network infrastructure

Carrier: a licensed owner of certain specified transmission infrastructure that is used to supply telecommunications carriage services to the public; any person holding a carrier licence

CDMA (Code Division Multiple Access): a mobile telephone system based on digital transmission

Churn (where expressed as a rate): the rate at which subscribers to a service disconnect from the service. Churn is usually expressed as total disconnects for a period divided by the average number of customers for that period

Glossary

Churn (where expressed as an activity): the transfer of a customer's telecommunications service from one supplier to another. In the case of a transfer involving a resale arrangement, no disconnection occurs and a churn relates to a change in the legal entity responsible for a telecommunications service or account

Communications Minister: the Commonwealth Minister for Communications, Information Technology and the Arts

Commonwealth: Commonwealth of Australia

Corporations Act and Australian Corporations Act: Corporations Act 2001 (Cwth)

CPE: customer premises equipment

CSG: customer service guarantee

CSL: Hong Kong CSL Limited

DDAS: digital data access service

DDN: digital data network

DDS: digital data service

DDSO: digital data service obligation

Declared Services: a particular telecommunications service, or other service that facilitates the supply of services, that is subject to the regulated access regime. The ACCC has the responsibility for determining declared services, based on public inquiries

DSL: digital subscriber line

e-commerce: e-commerce includes buying and selling electronically over a network

EFTPOS: electronic funds transfer at point of sale

EME: electromagnetic energy

EVDO (Evolution Data Optimised): additional service for mobiles supporting high speed packet data transmission

FTTP (Fibre to the Premises): infrastructure technology delivering telephony, broadband data, video and digital subscription television services to customer premises on optical fibre platforms

Frame relay: a packet switching technology for voice, data and video signals which uses packets of varying length, or frames. Frame relay can be used with any data protocol

Government: the Government of the Commonwealth of Australia

GPRS (General Packet Radio Service): a service that will allow compatible mobile phones and mobile data devices to access Internet and other data networks on a packet basis. The devices can remain connected to the net and send or receive data information and email at any time

GSM (Global System for Mobile Communications): a mobile telephone system based on digital transmission

HFC: hybrid-fibre coaxial

IN: intelligent network

INP: inbound number portability

Glossary

IP: Internet protocol

IPND: Integrated Public Number Database

IP-VPN: Internet protocol virtual private network

ISDN (Integrated Services Digital Network): a digital service providing switched and dedicated integrated access to voice, data and video

ISP (Internet Service Provider): an Internet service provider provides the link between an end user and the Internet by means of a dial-up or broadband service. An ISP is also likely to provide help desk, web hosting and email services to the end user. An ISP may connect to the Internet via their own backbone or via services acquired from an Internet access provider

LAN (local area network): a short distance data communications network used to link computers and other equipment

MAN: metropolitan area network

MLPS: multi-protocol label switching

MNP: mobile number portability

Number portability: the ability of end users to keep their telephone number when they change their telephone service provider

PABX (Private Automated Branch Exchange): telephone equipment on a customer's premises seen as terminal equipment on the public network

Preselection: the ability of a customer to choose a service provider to provide a basket of services including national and international long distance and fixed to mobile services. Preselection is on a 'permanent' basis when the customer selects a provider for all calls placed without an override code

PSTN (Public Switched Telephone Network): our national fixed network delivering basic and enhanced telephone service

REACH: Reach Ltd, a 50:50 joint venture with PCCW Limited

RDN: routed data network

Reseller: non-carrier providers of telecommunications services

SDN: switched data network

SIO: services in operation

SME: small and medium enterprises

SMS: short messaging service

SSS: spectrum sharing service

TCW: Telstra Country Wide®

Telecommunications Act: Telecommunications Act 1997 (Cwth)

Telstra or Telstra Group: Telstra Corporation Limited and its controlled entities as a whole

Telstra: a registered trade mark of the Telstra Entity

Telstra Act: Telstra Corporation Act 1991 (Cwth)

Glossary

Telstra Entity: Telstra Corporation Limited

TIO: Telecommunications Industry Ombudsman

TPA: Trade Practices Act 1974 (Cwth)

TSLRIC: total service long run incremental cost

ULL (Unconditioned Local Loop): one or more twisted copper pairs between the exchange and the network boundary at a customer's premises

US: United States of America

USGAAP: generally accepted accounting principles in the US

USO (Universal Service Obligation): obligation imposed on carriers to ensure that standard telecommunications services are reasonably available to all persons in the universal service area

VoBB: Voice over broadband

VoIP: Voice over Internet Protocol

VPN: virtual private network

WAN: wide area network

WAP: wireless application protocol

WDM: wave division multiplexing

WHO: World Health Organisation

Wireless Local Loop: a range of radio technologies used to provide fixed access to customers in lieu of copper

xDSL: term used to describe various forms of digital subscriber line technologies that can provide very high speed service using existing copper lines

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Total Year Financial Summary

	2005	2004	2003	2002	2001
	A\$m	A\$m	A\$m	A\$m	A\$m
Sales revenue	22,161	20,737	20,495	20,196	18,679
Total revenue from ordinary activities (including interest)	22,760	21,335	21,700	20,928	23,086
EBITDA ⁽¹⁾	10,771	10,175	9,170	9,483	9,834
Profit before income tax expense	6,269	5,848	4,928	5,446	6,297
Net profit available to Telstra Entity shareholders	4,447	4,118	3,429	3,661	4,058
Dividends declared for the fiscal year	4,978	3,284	3,474	2,830	2,445
Dividends declared per share (cents per share)	40.0	26.0	27.0	22.0	19.0
Total assets	36,310	34,993	35,599	38,219	38,003
Gross debt	13,330	11,854	12,272	13,726	13,990
Net debt	11,790	11,167	10,972	12,268	12,505
Shareholders' equity	14,881	15,361	15,422	14,106	13,722
Capital expenditure and investments (including capitalised interest)	4,219	3,757	3,437	3,777	7,712
Operating cash flows less investing cash flows (free cash flow)	4,354	4,163	4,565	3,840	229
Financial ratios					
Return on average assets	20.4%	19.4%	16.3%	17.5%	21.6%
Return on average equity	29.4%	26.8%	23.2%	26.8%	32.7%
EBIT interest cover (times) ⁽¹⁾	8.5	8.3	6.4	7.0	9.0
EBITDA interest cover (times) ⁽¹⁾	13.0	12.9	10.2	10.7	12.7
Gross debt to capitalisation ⁽²⁾	47.3%	43.6%	44.3%	49.3%	50.5%
Net debt to capitalisation ⁽³⁾	44.2%	42.1%	41.6%	46.5%	47.7%
Net debt to EBITDA (times) ⁽¹⁾	1.1	1.1	1.2	1.3	1.3

⁽¹⁾ Earnings before interest, income tax expense, depreciation and amortisation (EBITDA) reflects our net profit prior to including the effect of interest revenue, borrowing costs, income taxes, depreciation and amortisation. Similarly, earnings before interest and income tax expense (EBIT) reflects our net profit prior to including the effects of interest revenue, borrowing costs and income taxes. EBITDA and EBIT are not USGAAP measures of income or cash flow from operations and should not be considered as an alternative to net income as an indication of our financial performance or as an alternative to cash flow from operating activities as a measure of our liquidity. EBITDA and EBIT are useful to investors because analysts and other members of the investment community largely view them as key and widely recognised measures of operating performance.

⁽²⁾ Based on gross debt (total current and non current interest-bearing liabilities including cross currency swap hedge receivables) as a percentage of gross debt plus shareholders' equity.

⁽³⁾ Based on net debt (gross debt including cross currency swap hedge receivables less liquid interest-bearing assets) as a percentage of net debt plus shareholders' equity.

investor information

Financial Calendar 2006

- 9 **Feb** Half year results announcement
- 20 **Feb** Ex-dividend share trading commences
- 24 **Feb** Record date for interim dividend
- 24 **Mar** Interim dividend paid
- 10 **Aug** Annual results announcement
- 21 **Aug** Ex-dividend share trading commences
- 25 **Aug** Record date for final dividend
- 22 **Sep** Final dividend paid
- 14 **Nov** Annual General Meeting

Note: Timing of events may be subject to change

contact details

Telstra Corporation Limited

Incorporated in the Australian Capital Territory

Telstra is listed on Stock Exchanges in Australia, New Zealand (Wellington), and USA (New York)

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The Telstra Share Registrar

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Annual Report Hotline

To receive copies of the Annual Report or Annual Review, please call 1300 88 66 77

Website

The Annual Review and Annual Report may also be found via Telstra's Investor Relations home page at: <http://www.telstra.com.au/abouttelstra/investor>

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wireless connectivity

broadband internet