

Corporate Governance and Board Practices

Corporate Objective

The Telstra Board has determined that:

Telstra's corporate objective is to create long-term shareholder value through providing integrated communication, information and entertainment services and customer focussed solutions.

The Telstra Board is committed to best practice in the area of corporate governance. Our main corporate governance and board practices in place during fiscal 2006 are described in this section and, where appropriate, elsewhere in our annual report, as indicated. Further information regarding our corporate governance and board practices (including copies of key policies and charters) can also be found on our website, www.telstra.com.au/abouttelstra/corp/governance.cfm.

We regularly review and update our corporate governance practices. The Board evaluates and, where appropriate, implements relevant proposals with the aim of ensuring that we maintain best practice in corporate governance, having regard to developments in market practice as well as new corporate governance requirements and guidance notes issued by the Australian Stock Exchange (ASX), the New York Stock Exchange (NYSE), the US Securities and Exchange Commission (SEC) and other regulators.

We comply with the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" released in March 2003.

The Board of Directors

Role and responsibilities of the Board

The directors are accountable to shareholders for the management of our business and affairs and the Board is responsible to shareholders for our overall strategy, governance and performance. The Board's role includes:

- determining the corporate objective which is the foundation for all the actions and decisions of the Board and management;
- providing strategic direction to the Company by approving the corporate strategy and associated performance objectives, monitoring developments and approving any variations;
- approving significant business decisions;
- approving the annual corporate plan;
- overseeing the review and update of corporate governance practices and procedures as necessary to support its commitment to best practice corporate governance in Australia and globally;
- appointing, assessing the performance of and determining the remuneration of the CEO, overseeing the performance of senior management and reviewing management succession plans and senior management remuneration arrangements;
- overseeing shareholder reporting and communications;
- requiring appropriate compliance frameworks and controls to be in place and operating effectively;
- monitoring the integrity of internal control and reporting systems and monitoring strategic risk management systems;
- reviewing and approving our statutory accounts and overseeing our financial position;
- approving decisions concerning our capital, including capital restructures and share buybacks, and determining our dividend policy; and
- ensuring we comply with the reporting and other requirements of the Telstra Corporation Act.

The Board has adopted a charter that details the role and responsibilities of the Board and its members.

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The Board has delegated responsibility for day-to-day management of the Company to the CEO and has put a formal delegations structure in place which sets out the powers delegated to the CEO and those specifically retained by the Board.

Board membership, size and composition

The maximum number of directors provided for by our constitution is 13 and we currently have 8 directors on the Board.

A casual vacancy to the Board may be filled or an additional director appointed, up to the maximum number of directors, either by:

- the directors after consulting with the Communications Minister; or
- an ordinary resolution of shareholders.

Any new director appointed by the Board is subject to re-election at the next annual general meeting following his or her appointment.

The tenure of the CEO as a director is linked to his executive office, while one third of all other directors are subject to retirement by rotation each year. In accordance with the ASX Listing Rules, no non-executive director may serve past the third AGM following their most recent re-election or 3 years (whichever is longer) without submitting themselves for re-election. The directors to retire by rotation are those who have been longest in office determined from the date of their last election.

Prior to each annual general meeting, the Board will determine if the Board will recommend to the shareholders that they vote in favour of the re-election of the directors due to stand for re-election, having regard to those directors' annual performance reviews and any other matters it considers relevant.

The Nomination Committee may negotiate the retirement or resignation of individual directors after consultation with the Board. However, the Board's general policy on Board membership for non-executive directors is that, in general, directors are encouraged to retire at 72 years of age and the maximum tenure is 12 years (usually four terms of three years).

A brief biography for each director setting out their experience and expertise, together with details of the year of initial appointment and re-election (where applicable) of each director, is outlined in the Directors' report.

Role of the chairman

The chairman is an independent director and is appointed by the Board. The chairman's principal responsibilities are to ensure that the Board fulfils its obligations under the Board Charter and as required under the relevant legislation and to provide appropriate leadership to the Board and Telstra. The chairman also has specific responsibilities which include:

- representing the views of the Board to all shareholders and maintaining appropriate ongoing contact with major shareholders to ensure the Board understands their views;
- establishing the timetable and working with the CEO and company secretary to agree the agenda for Board meetings;
- chairing Board meetings and shareholder meetings;
- facilitating Board discussions with the aim of ensuring that:
 - the discussions are conducted in an open and professional manner where directors are encouraged to express their views, leading to objective, robust analysis and debate; and
 - the core issues facing us are addressed;

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- working with the CEO to ensure the CEO provides the Board with the information it requires to contribute effectively to the Board decision making process and to monitor the effective implementation of Board decisions;
- guiding and promoting the on-going effectiveness and development of the Board and individual directors; and
- ensuring the meetings of shareholders are conducted in an open and proper manner with appropriate opportunity to ask questions.

Director Independence

It is the Board's current policy that the CEO is the only executive director. It is also the Board's current intention that the non-executive directors are also independent directors as defined in the Board Charter. With the exception of the CEO, all directors are non-executive directors and each non-executive director is considered by the Board to be independent.

Generally speaking, an independent director is a director who is independent of management and free of any interest and business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise of the director's unfettered and independent judgment, and ability to act in our best interests.

The Board, at least annually, assesses the independence of each director. In assessing each director's independence, the Board considers the effect of a director's business and other relationships and interests from both our perspective and that of the director and has regard to a specific set of criteria set out in the Board Charter. These criteria are consistent with the definition of independence set out in the best practice recommendations of the ASX Corporate Governance Council and the requirements of the NYSE. Materiality is assessed on a case-by-case basis from both our perspective and that of the relevant director and having regard to the director's individual circumstances.

Meetings of the Board

The Board meets for both scheduled meetings and on other occasions to deal with specific matters that require attention between scheduled meetings. The regular business of the Board includes strategic matters, governance, oversight, senior executive appointments, performance and remuneration, financial matters, risk management, compliance, and relationships with stakeholders including the Commonwealth. The Board also liaises with senior management as required and may consult with other Telstra employees and advisers and seek additional information.

Details of the number of meetings held by the Board during fiscal 2006 and attendance by Board members are set out in the Directors' report.

Performance Evaluation

The Board regularly reviews its performance (including its performance against the requirements of the Board Charter), the performance of individual committees and the performance of individual directors. In fiscal 2006, the Board engaged an external consultant to facilitate this review.

As noted earlier, the Board makes recommendations to shareholders regarding the re-election of directors having regard to the outcome of such reviews.

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Declaration of Interests

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interest.

The Corporations Act, our constitution and the Board Charter require directors to disclose any conflicts of interest and to generally abstain from participating in any discussion or voting on matters in which they have a material personal interest. A director who believes he or she may have ceased to be independent, or who believes that he or she may have a conflict of interest or material personal interest in a matter, is required to disclose the matter in accordance with the relevant Corporations Act and constitutional requirements and follow the procedures developed by the Board to deal with such circumstances.

Board access to management and independent professional advice

Directors have complete access to our senior management through the chairman, CEO or company secretary at any time. In addition to regular presentations by senior management to Board and Board committee meetings, directors may seek briefings from senior management on specific matters.

The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at Telstra's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties. Further, each director has the right to seek independent professional advice at Telstra's expense, subject to the prior approval of the chairman. All committees of the Board have access to independent professional advice on this basis.

Committees of the Board

The Board committees assist the Board in the discharge of its responsibilities. The role of Board committees is to advise and make recommendations to the Board. There are four standing committees:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee; and
- Technology Committee.

Details of the members of the Board committees during fiscal 2006 and their qualifications, committee meetings held in fiscal 2006 and the attendance of each committee member are set out in the Directors' report. Following each committee meeting, the Board receives a report from the committee on its activities.

Each committee operates in accordance with a written charter approved by the Board. The Board appoints the members and the chairman of each committee. Membership of the Audit, Nomination and Remuneration Committees is confined to directors who are determined by the Board to be independent as defined in the Board Charter.

The role, function, charter, performance and membership of each committee are reviewed on an annual basis as part of the Board's evaluation process. Each committee:

- undertakes an annual assessment of its performance against the requirements of its charter and provides that information to the Board; and
- reviews and assesses the adequacy of its charter annually, discusses any required changes with the Board and ensures any revisions to the charter are approved by the Board.

In accordance with its policy of regular review, revisions to the charters for the Board and each committee were approved by the Board in June 2006.

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Audit Committee

Role and responsibilities of the Audit Committee

The Audit Committee is a committee of the Board established to:

1. assist the Board in discharging its responsibilities by monitoring and advising on:
 - a. financial reporting including:
 - i. the integrity, truth and fairness of the view given by our financial statements;
 - ii. the integrity of our financial systems and processes; and
 - iii. the appropriateness of our accounting policies and practices and consistency with current and emerging accounting standards;
 - b. our overall risk management process and the management of specific risk areas as directed by the Board;
 - c. the effectiveness and operation of our internal controls over financial operations and reporting;
 - d. the effectiveness and operation of other aspects of our internal control environment as it sees fit;
 - e. compliance with legal and regulatory requirements and company policies;
 - f. the external audit including the external auditors' qualifications, scope, independence and performance and the non-audit services disclosures to be made in our annual report including the reasons for being satisfied that the auditors' independence was not compromised by the provision of these services;
 - g. the objectivity and performance of the internal audit function; and
 - h. the structure and operation of our corporate governance framework and related disclosures;
2. provide a forum for communication between the Board, management and both the internal and external auditors; and
3. provide a conduit to the Board for external advice on audit, risk management and compliance matters.

The Audit Committee approves the provision of recurring audit services as part of the annual approval of the audit plan. Additional audit and non-audit services are pre-approved by the Audit Committee provided they fall within a defined list of services specified by the Audit Committee. Those additional audit and non-audit services that are not listed have to be specifically approved by the Audit Committee prior to the commencement of any engagement. In addition, all non-audit services with a value over \$100,000 must be separately approved by the Audit Committee, even if the service is listed as a pre-approved service. This is set out in greater detail in the Directors' report.

Composition and membership of the Audit Committee

It is Board policy that the Audit Committee is comprised of at least three Board members, all of whom are independent as defined in the Board Charter and who will not, other than in his or her capacity as a member of the Board, Audit Committee or any other Board committee:

- accept directly or indirectly any consulting, advisory or other compensatory fee from us or any of our subsidiaries or any Board committee; or
- be an affiliated person of us or any of our subsidiaries.

Each member is required to:

- be financially literate (i.e. able to read and understand financial statements) and have sufficient financial knowledge to allow them to discharge their duties and actively challenge information presented by management, internal and external auditors;

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- have a reasonable knowledge of us, the industries in which we operate and our risks and controls; and
- have the capacity to devote the required time and attention to prepare for and attend committee meetings.

In addition, the chairman of the Audit Committee must not be the chairman of the Board and no director may serve as a member of the Audit Committee if that director serves on the audit committee of more than two other public companies.

Meetings of the Audit Committee

Scheduled Audit Committee meetings are held on a regular basis, as determined annually in advance by the Board, scheduled to correspond with our financial reporting cycle. Additional meetings are also held as required.

Other members of the Board are entitled to attend Audit Committee meetings and the Audit Committee may ask management, the external auditors and/or others to attend meetings and provide such input and advice as required. The Audit Committee regularly meets with the internal auditor and the external auditors in the absence of management.

Audit Governance and Financial Reporting

Relationship with external auditor

In accordance with section 36 of the Telstra Act, it is a legislative requirement that the Auditor-General of Australia is our auditor for the purposes of the Australian Corporations Act. The Auditor-General has appointed an agent, Ernst & Young, to assist in performing independent external audit duties.

The Audit Committee has the authority and responsibility to select, evaluate and, where appropriate, replace the external auditor for filings outside of Australia. Through the Audit Committee, we have appointed Ernst & Young as our external auditor for filings outside Australia and in this respect and for the purposes of these audits, Ernst & Young is responsible for financial reporting purposes rather than the Auditor-General.

The Auditor-General, as our auditor, owes duties to us and our shareholders as a whole. The Auditor-General also owes statutory duties as an independent officer of the Commonwealth. Ernst & Young, as the external auditor appointed by us for filings outside Australia, is accountable to the Board, the Audit Committee and shareholders.

Restrictions on performance of non-audit services and auditor independence

For a summary of the restrictions placed on our auditors providing non-audit services and a summary of the auditors' independence, see the Directors' report.

External Auditor Rotation

As it is a legislative requirement that the Auditor-General is our auditor for the purposes of the Australian Corporations Act, the Auditor-General is not subject to rotation. During fiscal 2004 we, together with the Auditor-General, conducted a tender process in respect of our audit requirements and Ernst & Young was reappointed as the Auditor-General's sub-contractor to assist the Auditor-General with our audit functions in Australia and as our auditor for our US and other overseas auditing requirements. It is our policy that a competitive tender for audit services is conducted every three to five years. The last rotation of the lead audit partner of our audit also occurred in fiscal 2004.

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External Auditors' Attendance at Annual General Meeting

Our external auditors attend our annual general meeting and are available to answer shareholder questions about the conduct of our audit and the preparation and content of the auditor's report.

Audit Committee Processes

The Audit Committee:

- at least annually meets separately with our external auditors to discuss any matters that the Audit Committee or our auditors believe should be discussed privately;
- reviews the Directors' report section of this annual report and considers whether the information is clearly understood and consistent with the Audit Committee's knowledge about Telstra and its operations. In addition, prior to release, the Audit Committee reviews key elements of other related regulatory filings and discusses them with the external auditors as appropriate; and
- reviews the interim and annual financial statements and preliminary announcements and discusses them with the external auditors prior to their release to determine whether they are complete, reflect appropriate accounting principles, contain appropriate disclosures and are consistent with the information known to the Audit Committee.

Nomination Committee

Role and responsibilities of the Nomination Committee

The Nomination Committee is a committee of the Board established to assist the Board in discharging its responsibilities by monitoring and advising on:

- composition and performance of the Board;
- director independence; and
- appointment of the CEO.

Composition and membership of the Nomination Committee

It is Board policy that the Nomination Committee is comprised of at least three Board members including the chairman of the Board, all of whom are independent as defined in the Board Charter.

Each member is expected to:

- have a reasonable knowledge of us and the industries in which we operate; and
- have the capacity to devote the required time and attention to prepare for and attend committee meetings.

Meetings of the Nomination Committee

Meetings are held on a regular basis, as determined annually in advance by the Board. Additional meetings are also held as required.

Other members of the Board are entitled to attend Nomination Committee meetings and the Nomination Committee may invite other people including any of our employees to its meetings, as it deems necessary. However, if a person has a material personal interest in a matter that is being considered at a meeting, he/she must not be present for consideration of that matter.

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Remuneration Committee

Role and responsibilities of the Remuneration Committee

The Remuneration Committee is a committee of the Board established to assist the Board in discharging its responsibilities by monitoring and advising on:

- remuneration of the Board;
- performance and remuneration of the CEO;
- performance and remuneration of senior management;
- remuneration strategies, practices and disclosures generally; and
- employee share and option plans.

The Committee also exercises the administrative powers delegated to it by the Board under our share option plans and, in certain circumstances, makes offers to employees under those plans.

Composition and membership of the Remuneration Committee

It is Board policy that the Committee is comprised of at least three Board members including the chairman of the Board, all of whom are independent as defined in the Board Charter.

Each member is expected to:

- be familiar with the current legal and regulatory disclosure requirements in relation to remuneration;
- have adequate knowledge of executive remuneration issues, including executive retention and termination policies, and short term and long term incentive arrangements;
- have a reasonable knowledge of us and the industries in which we operate; and
- have the capacity to devote the required time and attention to prepare for and attend committee meetings.

Meetings of the Remuneration Committee

Meetings are held on a regular basis, as determined annually in advance by the Board, scheduled to correspond with our remuneration review and reporting cycle. Additional meetings are also held as required.

Other members of the Board are entitled to attend Remuneration Committee meetings and the Remuneration Committee may invite other people including any of our employees to its meetings, as it deems necessary. However, if a person has a material personal interest in a matter that is being considered at a meeting, he/she must not be present for consideration of that matter.

Telstra's Remuneration Framework

Information in relation to our remuneration framework (including information regarding our remuneration strategy and policies and their relationship to Company performance), together with details of the remuneration paid to Board members and senior executives who were the key management personnel of the Company during fiscal 2006, can be found in the Remuneration report included in the Directors' report.

Each year, the Board reviews our CEO's performance against agreed measures and considers the CEO's compensation and entitlement to performance based remuneration. Each year, the CEO undertakes a similar exercise in relation to senior management. The results of the CEO's annual performance review of senior management are considered by the Board.

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Technology Committee

The Technology Committee is a committee of the Board established as a forum for the Board to review technology developments relevant to us and the industries in which we operate in greater detail than is possible at Board meetings. The Committee's purpose is educative only.

Risk oversight and management

We are committed to the management of risks throughout our operations. The role of the Board includes monitoring the integrity of internal control and reporting systems and monitoring the effectiveness of our management of strategic, financial, operational and compliance risks. The Audit Committee provides advice to the Board on the status of our business risks. The Audit Committee relies on the work undertaken by the risk management and assurance function, which independently assesses the adequacy and operating effectiveness of the controls in place surrounding the management of risk.

Primary responsibility for risk oversight and management lies with our management, who periodically review and update their significant business risks. The risk management and assurance function also plays a key role in this process by developing, promoting and transferring a common language and approach to the business units. This enables management to proactively identify, manage and control their risks. The Audit Committee regularly receives reports independently prepared by the risk management and assurance function on significant business risks with an evaluation as to the adequacy and effective operation of controls that are in place surrounding the strategies applied by business units to manage these risks.

The financial risk arising from our underlying business activities is largely managed through a central treasury function which applies a prudential approach. The central treasury function manages the liquidity, cash flow, foreign exchange, interest rate, borrowing and other financial terms and conditions, financial support arrangements, counterparty credit risk and derivatives. The treasury function's principal objectives are to minimise the volatility of economic and financial outcomes and to establish sound operational controls.

We use insurance to transfer significant risk exposures arising in the key areas of property, public and product liability, and directors' and officers' liability and this is also managed on a group basis through the central treasury function. In view of our size, we accept substantial 'excess levels' and do not insure for risks that we can readily accommodate. Some risks cannot be effectively insured such as potential claims in relation to electromagnetic energy and business interruption.

Risk Management, internal compliance, control systems and our financial reports

The CEO and CFO have provided the Board with the certifications required by the Corporations Act and those recommended by the ASX Corporate Governance Council Recommendations in relation to our risk management and internal compliance and control systems and our financial reports.

The CEO and CFO have provided the Board with confirmation that, in all material respects, the Company's financial reports for the year ended 30 June 2006 present a true and fair view of the Company's financial position and performance and are in accordance with relevant accounting standards. The CEO and CFO have confirmed this statement is made based on a sound system of risk management and internal compliance and control implemented in accordance with Board policy. In addition, the CEO and CFO have confirmed to the Board that the Company's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects based on the risk management model adopted by the Company.

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Telstra Values, Telstra Business Principles, Code of Conduct and other company policies

We have a number of internal operating policies and principles which promote ethical and responsible decision making and timely and balanced disclosure.

Telstra Values, Telstra Business Principles and company policies

We provide guidance to our directors, senior management and employees on the practices, principles and standards of corporate and personal behaviour required of all of our officers and employees in performing their daily business activities through our Company Values, the Telstra Business Principles and our company policies (including our Code of Conduct). The Telstra Business Principles, the Code of Conduct and other company policies reinforce the standards of appropriate business and ethical behaviour we expect from all employees. We have a mandatory training program for all employees to reinforce these standards.

Whistleblower policy and service

We have in place a whistleblower policy and confidential whistleblower service which provides our staff with an avenue to raise concerns they might have with behaviour that is potentially illegal, improper or unethical. The whistleblowing process is supported by an independent service provider who specialises in receiving sensitive reports or disclosures. All reports or disclosures are treated as confidential and reports can be made anonymously. Reports are referred to Telstra's Ethics Committee, the management committee which oversees the investigation and implementation of any recommendations considered appropriate. In addition to generally supporting Telstra's ethical foundations, the Ethics Committee charter confirms that part of its role is to oversee our whistleblowing policy and process. Our whistleblowing policy reflects the Telstra Values of Accountability, Integrity, and Leadership, supports our Code of Conduct and complements existing management structures and functions.

Share Trading

We have in place a share trading policy that prohibits directors, the CEO, senior management and certain other employees (and their associates) from engaging in short-term trading of our securities (including the acquisition of derivatives and financial and other products issued or created over our shares by us or any third party). This policy also restricts the buying or selling of our securities to three "window" periods (between 24 hours and 1 month following the release of our annual results, the release of our half-yearly results and the close of our annual general meeting) and at such other times as the Board permits. Trading during these window periods is subject to the overriding requirement that buying or selling of our securities is not permitted at any time by any person who possesses price-sensitive information which is not generally available in relation to those securities.

In addition, directors, the CEO, senior management and relevant employees must notify the company secretary before they or their close relatives buy or sell our securities. Changes to the interests of directors in our securities are, as required by law, notified to the ASX.

Our share trading policy also prohibits our directors, the CEO, senior management, other employees and contractors from buying or selling securities of other companies (including shares, derivatives and financial and other products issued or created over those securities by the company or any third party) when in possession of price-sensitive information relating to that other company which is not generally available. This is so if the information is price-sensitive to the other company (and not generally available), even though it may not be price-sensitive information to us.

Further, directors, the CEO, senior management and relevant employees are also restricted from entering into arrangements which effectively operate to limit the economic risk of their security holdings in shares allocated under our share plans during the period the shares are held in trust.

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Market disclosure

We have established procedures intended to ensure that we comply with our market disclosure obligations. In particular, we have in place a comprehensive continuous disclosure procedure which is reviewed and updated on a regular basis. The aim of this procedure is to ensure that we release price-sensitive information in a timely fashion to the various stock exchanges on which our shares and debt securities are listed.

Our procedure provides that:

- ultimate management responsibility for continuous disclosure rests with the CEO and the Chief Financial Officer (CFO);
- the responsibilities of the Continuous Disclosure Committee (Committee), which is chaired by the company secretary, include:
 - ensuring that there is an adequate system in place for the disclosure of all material information to the ASX;
 - advising the CEO and the CFO in relation to the disclosure of information reported to the Committee;
- the Committee's membership includes the company secretary, a representative of Public Policy and Communications, the General Counsel - Finance & Administration, a representative from Finance & Administration and the General Manager - Investor Relations or their delegates;
- senior management (including Group Managing Directors other than the CFO and their direct reports, all financial controllers and certain legal and regulatory counsel) must immediately inform the Committee of any potentially price-sensitive information or proposal as soon as they become aware of it;
- in cases where material information has originated in the office of the CEO or the CFO or has been reported directly to them, the CEO or CFO may, in his or her discretion, seek the advice of, or a recommendation from, the Committee in deciding whether to make or approve an ASX announcement in relation to that material information;
- if the matter is disclosable, an announcement is prepared and immediately sent via the company secretary's office electronically to all relevant stock exchanges.

We implement several practices internally to reinforce the importance of our continuous disclosure obligations and the need to keep the Committee informed about potentially disclosable matters. These practices are reviewed regularly and include the following:

- every director is made aware of our continuous disclosure obligations upon taking office and each member of senior management undertakes training with the General Counsel - Finance and Administration, in relation to our continuous disclosure obligations;
- a weekly email is sent to all senior management reminding them to notify the Committee immediately if they become aware of any potentially price-sensitive information or proposals;
- the Committee maintains a list of issues which, although not yet disclosable, are monitored in case they become disclosable;
- all proposed media releases and external speeches and presentations to be made by senior management are reviewed by internal legal counsel to determine whether they should be disclosed;

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- a specific information paper is prepared for each Board meeting summarising ASX announcements and details of significant matters considered by the Committee but judged not to be disclosable; and
- the Office of the Company Secretary maintains a record of all market announcements made. The announcements are also posted on our website after market release is confirmed.

We also have in place an investor relations policy governing communications and the provision of information to external parties, including shareholders, brokers and analysts. The aim of this policy is to ensure that we provide investors and the financial community with appropriate and timely information whilst at the same time ensuring that we fulfil our statutory reporting obligations under the Corporations Act and the ASX Listing Rules.

Legal and Regulatory Compliance

We are committed to conducting our business in compliance with our legal and regulatory obligations. Compliance with these obligations is not just a legal requirement but is integral to our commitment to our employees, customers, shareholders and the community. Compliance is a key element of the Telstra Values which are the foundation for our cultural priorities and the way we pursue Telstra's vision and mission.

The Board and the senior management team are committed to ensuring there is an appropriate compliance framework and complementary controls in place to provide an appropriate level of confidence that the Company is operating in compliance with relevant laws, regulations and industry codes. The Board has given the Audit Committee specific responsibility for reviewing our approach to achieving compliance with laws, regulations and associated industry codes in Australia and overseas and for the general oversight of compliance issues. This oversight is facilitated by the preparation of a regular and comprehensive compliance report summarising our compliance initiatives and issues.

We have recently reviewed and refined our internal approach to compliance and from the start of the 2007 fiscal year we have moved to combine our compliance activities and the related activities supporting our corporate ethics under a single Compliance and Corporate Ethics Framework. This framework brings together our business units and the individual subject matter specific compliance programs in a more integrated, consistent and collaborative way than we have in the past.

We have continued our comprehensive program based approach to compliance. This has been fundamental to our approach to compliance for many years and this continues to be a key element of our compliance framework with subject matter experts helping us to understand our many legal and regulatory obligations and responsibilities and translate them into practice. The programs include health, safety and environment, equal employment opportunity, privacy, trade practices and industry regulation.

This program based approach at a corporate level is supported by a newly established network of senior personnel appointed to the role of Business Unit Compliance Manager. These Compliance Managers are supported by other personnel at the business unit level with specific responsibility for the implementation of the compliance programs within their business unit. This structure has been designed with the aim of ensuring that each business unit's operations are conducted in accordance with our obligations in an efficient, effective and integrated manner. We seek to achieve this through a focus on policies, procedures, work instructions and controls that is intended to ensure that our actions, and those of our employees, are in accordance with these requirements.

A number of programs, including the privacy compliance program, are subject to periodic, independent external audits which are intended to:

- ensure that our approach is comprehensive, robust and rigorous; and
- to provide an objective view of area for further improvement.

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Corporate Social Responsibility

At Telstra our corporate social responsibility vision is to connect with our people, customers, communities and suppliers in an accessible, healthy and environmentally sound way. Telstra is proud of its record supporting the community. Further information regarding corporate social responsibility can be found in the 'Corporate Social Responsibility'.

Political and Other Donations

We do not make political donations. However, in line with other major publicly listed companies, we do pay fees to attend events organised by political parties where those events allow for discussion on major policy issues with key opinion leaders and policy makers.

We make donations and contribute funds to community and other organisations as part of our approach to corporate social responsibility.

Shareholder Communications Strategy

We have implemented a number of initiatives to promote effective communication with our shareholders. These include:

- maintaining an investor relations website and introducing an alternate website – nowwaretalking.com. nowwaretalking.com is designed to provide shareholders and other interested parties with information about the digital revolution and how it can improve our quality of life in the 21st century. nowwaretalking.com is also designed to increase the level of public dialogue about the future of telecommunications in Australia;
- communicating directly with shareholders twice a year through our half-year and annual review;
- placing all announcements made to the market, including transcripts of investor and media briefings, and related information on our website;
- webcasting certain events such as briefings and our annual general meeting;
- using electronic communications to advise investors, who have provided us with their email address, of significant matters that may be of interest to them; and
- writing directly to our shareholders on issues that affect their investment. For example, when we announced the transformation strategy in November 2005 we followed this up with a letter to shareholders from the CEO and a six page brochure explaining what the transformation strategy would deliver for our shareholders.

We are also seeking to encourage our shareholders to receive their communications from us electronically through our participation in the eTree program, of which we are a foundation member. Through the eTree program, we currently donate to Landcare Australia:

- \$2 for every shareholder who chooses to receive all of their communications from us electronically; and
- \$1 for those shareholders who choose just to receive electronic shareholder reports and notices of meetings from us.

During fiscal 2006, we donated over \$56,000 to Landcare Australia through this initiative.

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Compliance with NYSE requirements

The NYSE has corporate governance requirements for companies listed on the NYSE. The NYSE has granted foreign private issuers such as Telstra a “home country” exemption from most of these requirements. We are, however, required to provide a brief description of the material differences between our corporate governance practices and the NYSE corporate governance requirements. These differences are described below.

Corporate Governance Committee

Under the NYSE listing rules, each listed company must have a nominating/corporate governance committee with a written charter that requires the committee to, among other matters, develop and recommend to the board of directors a set of corporate governance principles applicable to the company. We have determined that this function is best served by the Board of directors as a whole supported by our Audit Committee, rather than our Nomination or Remuneration Committees. Accordingly, our Nomination and Remuneration Committees’ charters do not require the Committees to perform this function.

Equity Compensation Plans

Under the NYSE listing rules, each listed company must give its shareholders the opportunity to vote on the adoption of, or material revisions to, equity compensation plans. Under the ASX Listing Rules, shareholders are only provided with the opportunity to vote on new equity compensation plans or material revisions to existing equity compensation plans in limited circumstances, including an issue of shares under an employee incentive scheme to a director. In accordance with the home country exemption, we only seek shareholder approval in relation to equity compensation plans in the circumstances required under Australian law.