



AUDIT & RISK COMMITTEE CHARTER

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1 INTRODUCTION

This Charter has been developed and approved by the Board to outline the manner in which the Audit & Risk Committee discharges its responsibilities.

2 ROLE OF THE AUDIT & RISK COMMITTEE

- 2.1 The Audit & Risk Committee is a Committee of the Board established under rule 26.6 of Telstra's Constitution to:
 - 2.1.1 assist the Board in discharging its responsibilities on matters relating to:
 - a) financial reporting;
 - b) risk management;
 - c) compliance;
 - d) external audit;
 - e) internal control;
 - f) internal audit;
 - g) Telstra's Structural Separation Undertaking (SSU)¹ and Director of Equivalence; and
 - h) corporate governance developments relevant to the Audit & Risk Committee's responsibilities.
 - 2.1.2 assist the Board in discharging its responsibilities on matters that may significantly impact the financial condition or affairs of the business.
 - 2.1.3 provide a forum for communication between the Board, management and both the internal and external auditors.
 - 2.1.4 provide a conduit to the Board for external advice on audit, risk management and compliance matters.
 - 2.2 Management is responsible for, among other things:
 - 2.2.1 the preparation, presentation and integrity of Telstra's financial statements.
 - 2.2.2 maintaining appropriate accounting and financial reporting principles and policies, risk management processes, and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations;
 - 2.2.3 managing risks relevant to Telstra (including the design and implementation of an appropriate and effective risk management framework) and ensuring there is an appropriate risk culture within the organisation; and
 - 2.2.4 ensuring that any circumstances which require Telstra to operate outside of its risk appetite are brought to the attention of the Audit & Risk Committee or the Board.
- The Audit & Risk Committee has primary oversight of management in its performance of these functions.

¹ Telstra's SSU means Telstra's Structural Separation Undertaking accepted by the ACCC on 27 February 2012 under section 577A of the Telecommunications Act as in force from time to time.
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3 MEMBERSHIP

- 3.1 The Board appoints the Audit & Risk Committee members and its Chairman.
- 3.2 The Chairman of the Audit & Risk Committee is to be an independent Director who is not Chairman of the Board.
- 3.3 The Audit & Risk Committee must be comprised of at least three Board members, all of whom are determined by the Board to be independent.
- 3.4 The members shall, between them, have sufficient accounting and financial knowledge to allow them to discharge their duties and actively challenge information presented by management, and internal and external auditors.

4 RESPONSIBILITIES

In performing its role, the responsibilities of the Audit & Risk Committee include, but are not limited to:

4.1 Financial Reporting

- 4.1.1 Reviewing significant accounting and reporting issues, including changes to accounting standards and regulatory requirements and their impact on the financial statements.
- 4.1.2 Overseeing the Telstra Group's periodic external financial reporting and the integrity of the key accounting and corporate reporting processes implemented by management in connection with that reporting.
- 4.1.3 Reviewing the half yearly and annual financial statements of the Telstra Group and Directors' Report (excluding the Remuneration Report in respect of the full year which is reviewed by the People & Remuneration Committee), and discussing them with the external auditor prior to their recommendation to the Board. In discharging this responsibility, the Audit & Risk Committee will consider:
 - a) the consistency in the application of accounting policies and the adherence to accounting standards and policies and other reporting requirements;
 - b) the need for, appropriateness of, and correct disclosure of, any changes made to Telstra's existing accounting policies;
 - c) the accounting treatment for, and disclosure of, complex and/or unusual transactions; and
 - d) significant judgments made by management in preparing the financial statements.
- 4.1.4 Prior to their recommendation to the Board, reviewing key elements of other significant related disclosures and regulatory filings and discussing them with the external auditor as appropriate.

4.2 Risk Management

In addition to the risk management processes outlined elsewhere in this Charter:

- 4.2.1 Overseeing the design, implementation and effectiveness of Telstra's risk management framework (including risk culture). This includes:
 - a) reviewing Telstra's risk management framework at least annually to satisfy itself that it continues to be sound and effective, and that Telstra is operating with due regard to the risk appetite set by the Board;
 - b) making recommendations to the Board in relation to changes to the risk appetite set by the Board; and
 - c) reviewing reports from management on risk culture and any conduct that is materially inconsistent with the Telstra Values or Code of Conduct (including material breaches and the action taken, or proposed to be taken, in response to those breaches) which are of relevance to the Audit & Risk Committee's responsibilities.
- 4.2.2 Assisting the Board in the review and identification of risks through more detailed consideration of selected risks, and reviewing reports from management on emerging and escalating sources of risk and the risk management plans management has put in place to deal with those risks.
- 4.2.3 Reviewing Telstra's Treasury policy principles.
- 4.2.4 Overseeing Telstra's insurance program, having regard to Telstra's business and the insurable risks associated with its business.

- 4.2.5 Overseeing the process for the management of matters raised by whistleblowers and reviewing significant matters raised through the process.
- 4.2.6 Overseeing the remuneration review outcomes for the Chief Risk Officer² considered or approved by the People & Remuneration Committee, and the results of his or her annual performance review.

4.3 Compliance

Overseeing Telstra's compliance with applicable laws and regulatory obligations, including the design, implementation and effectiveness of Telstra's compliance framework to manage its compliance risk with regard to those laws and regulatory obligations. This includes:

- 4.3.1 reviewing the design, implementation and effectiveness of key compliance programs operating within the compliance framework;
- 4.3.2 reviewing the results of management's investigation and action in relation to significant identified acts of non-compliance;
- 4.3.3 reviewing updates from management, the Group General Counsel and the Company Secretary regarding compliance matters that may have a material impact on Telstra's reputation or financial statements;
- 4.3.4 reviewing the findings and recommendations of any examinations by key regulatory agencies; and
- 4.3.5 reviewing Telstra's health, safety and environmental (including climate change) performance, including monitoring the effectiveness of Telstra's health, safety and environmental management system and considering significant issues relating to health, safety and the environment.

4.4 External Audit

- 4.4.1 Recommending and overseeing the appointment and, if necessary, the removal of the external auditor.
- 4.4.2 Reviewing and agreeing on the terms of engagement and fees for the external auditor, and reviewing the external auditor's proposed annual audit scope and approach, including materiality levels.
- 4.4.3 Reviewing reports of the external auditor and assessing the findings and recommendations contained in those reports, and seeking confirmation that management has appropriately addressed the significant findings and recommendations from the external auditor.
- 4.4.4 Reviewing and assessing the performance, independence and objectivity of the external auditor.
- 4.4.5 Periodically meeting separately with the external auditor to discuss any matters that the Audit & Risk Committee or auditors believe should be discussed privately and ensuring the external auditor has full access to meet with or otherwise liaise with the Chairman of the Audit & Risk Committee.
- 4.4.6 Reviewing and approving the external auditor's arrangements for the rotation and succession of audit and review partners or their equivalents, including their approach to managing the transition.
- 4.4.7 Monitoring management's adherence to the policy on audit and non-audit services provided by the external auditor, and advising the Board on whether the provision of non-audit services is compatible with the general standard of independence.

4.5 Internal Control

- 4.5.1 Overseeing management's design and implementation of Telstra's internal control systems and processes, and the process for assessing the effectiveness of Telstra's internal controls.
- 4.5.2 Periodically assessing the overall adequacy and effectiveness of Telstra's internal control systems and processes and assurance activities.
- 4.5.3 Monitoring whether any significant internal control issues identified by Group Internal

² For the purposes of this Charter, reference to "Chief Risk Officer" includes the equivalent position or office in the event that the position or office is described in another manner.
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Audit or management are addressed by management on a timely basis.

4.6 Internal Audit

4.6.1 In respect of the Group Internal Audit Executive³:

- a) advising the Board on the appointment and, should it be necessary, the termination of his or her employment; and
- b) overseeing his or her remuneration review outcomes considered or approved by the People & Remuneration Committee and the results of his or her annual performance review.

4.6.2 Approving:

- a) the Group Internal Audit Plan, its coverage of key risks and the level of co-ordination with the external auditor;
- b) Group Internal Audit's resource plan and budget; and
- c) the Group Internal Audit Charter.

4.6.3 Monitoring and reviewing Group Internal Audit's performance and progress against the annual Group Internal Audit Plan including:

- a) the independence of Group Internal Audit; and
- b) the results of any significant internal audits undertaken and the issues raised by them.

4.6.4 Monitoring management's responsiveness to internal audit findings and recommendations.

4.7 SSU and Director of Equivalence

4.7.1 Approving the appointment and, should it be necessary, the cessation of the appointment of, Telstra's Director of Equivalence.

4.7.2 Overseeing Telstra's compliance with the SSU and overseeing and monitoring the activities of the Director of Equivalence.

4.7.3 Receiving Telstra's Annual Equivalence Report which is to be submitted to the Audit & Risk Committee not more than 90 business days after the last business day of each financial year.

4.8 Governance

4.8.1 Reviewing significant governance developments relevant to the Audit & Risk Committee's responsibilities.

4.8.2 Reviewing Telstra's corporate governance statement and any other disclosures made about governance in Telstra's annual report.

4.8.3 Overseeing the CEO's general delegations of authority to management.

4.9 Other

4.9.1 Periodically meeting separately with the CEO and senior management to discuss any matters that the Audit & Risk Committee or management believe should be discussed privately.

4.9.2 Periodically meeting separately with the Group Internal Audit Executive to discuss any matters that the Group Internal Audit Executive or the Audit & Risk Committee believe should be discussed privately and ensuring the Group Internal Audit Executive has full access to meet with or otherwise liaise with the Chairman of the Audit & Risk Committee

4.9.3 For each of the Group General Counsel and Chief Risk Officer:

- a) meeting separately with the relevant executive if requested to discuss any matters that the executive or the Audit & Risk Committee believe should be discussed privately; and
- b) ensuring the executive has full access to meet with or otherwise liaise with the

³ For the purposes of this Charter, reference to "Group Internal Audit Executive" includes the equivalent position or office in the event that the position or office is described in another manner.
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Chairman of the Audit & Risk Committee.

- 4.9.4 Performing any other duties and undertaking or overseeing any specific projects as the Board may from time to time request.
- 4.9.5 Addressing any other reporting responsibilities of an Audit & Risk Committee (or of a committee with equivalent duties and authority as the Audit & Risk Committee).

5 AUTHORITY

The Audit & Risk Committee has full delegated authority from the Board to fulfil its responsibilities as set out in section 4 above. The Audit & Risk Committee has rights of access to adequate internal and external resources, including:

- 5.1 having:
 - 5.1.1 access to, and meeting with, the external and internal auditors without executives or management of the Telstra Group being present, and
 - 5.1.2 unrestricted access to management, employees and information the Audit & Risk Committee considers relevant to its responsibilities under this Charter; and
- 5.2 obtaining independent advice, at Telstra's expense, including engaging and receiving advice and recommendations from appropriate independent experts.

6 REPORTING RESPONSIBILITIES

- 6.1 The Chairman of the Audit & Risk Committee updates the Board regularly about matters relevant to the Audit & Risk Committee's role, responsibilities, activities, and matters considered, discussed and resolved at Committee meetings.
- 6.2 Information and papers considered by the Audit & Risk Committee are provided to other Committees and/or the Board as relevant.
- 6.3 For each half year and full year, the Chairman of the Audit & Risk Committee will report to the People & Remuneration Committee providing an overview of the key issues considered by the Audit & Risk Committee that are likely to be relevant to assessing the performance and remuneration outcomes for the CEO and Senior Management by the People & Remuneration Committee.

7 REVIEW OF AUDIT & RISK COMMITTEE PERFORMANCE AND CHARTER

- 7.1 In order to ensure that the Audit & Risk Committee is fulfilling its duties, it:
 - 7.1.1 undertakes an annual self-assessment of its performance against the requirements of this Charter and provides that information to the Board; and
 - 7.1.2 provides any information the Board may request to facilitate its review of the Committee's performance and its members.
- 7.2 The Audit & Risk Committee reviews and assesses the adequacy of this Charter annually, and seeks Board approval for any changes.

8 MEETING PROCEDURES

The Board and Board Committee Procedural Rules set out the procedures for meetings of the Audit & Risk Committee.