



AUDIT & RISK COMMITTEE CHARTER

CONTENTS

- 1 Introduction
- 2 Role of the Audit & Risk Committee
- 3 Membership
- 4 Responsibilities
- 5 Authority
- 6 Reporting Responsibilities
- 7 Review of Audit & Risk Committee Performance and Charter
- 8 Meeting Procedures

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;
 - h) corporate governance developments relevant to the Audit & Risk Committee's responsibilities; and
 - i) matters that may significantly impact the financial condition or affairs of the business.
 - 2.1.2 Provide a forum for communication between the Board, management and both the internal and external auditors.
 - 2.1.3 Provide a conduit to the Board for external advice on audit, risk management and compliance matters.
- 2.2 Management is responsible for the preparation, presentation and integrity of Telstra's financial statements. Management is responsible for 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. The Audit & Risk Committee has primary oversight of management in its performance of these functions.

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 Committee must be comprised of at least three Board members, all of whom are

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.
TELSTRA CORPORATION LIMITED (ABN 33 051 775 556)

determined by the Board to be independent.

- 3.4 The members shall, between them:
- 3.4.1 have sufficient accounting and financial knowledge to allow them to discharge their duties and actively challenge information presented by management, internal and external auditors;
 - 3.4.2 have reasonable knowledge of Telstra, the industries in which it operates and its risks and controls; and
 - 3.4.3 have the capacity to devote the required time and attention to prepare for and attend Committee meetings.

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 key 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 (including the Remuneration Report in respect of the full year), 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 management's design and implementation of Telstra's risk management framework, and reviewing that framework at least annually to satisfy itself that it continues to be sound.
- 4.2.2 Assisting the Board in the review and identification of risks through more detailed consideration of selected risks.
- 4.2.3 Reviewing and monitoring the adequacy and effectiveness of management's processes for identifying, managing, reporting on and responding to risks.
- 4.2.4 Reviewing Telstra's Treasury policy principles.
- 4.2.5 Reviewing insurance and other risk transfer arrangements and considering whether appropriate coverage is in place.
- 4.2.6 Overseeing the process for the management of matters raised by whistleblowers and reviewing significant matters raised through the process.
- 4.2.7 Reviewing and approving the Risk Management Charter.
- 4.2.8 Ensuring the Enterprise Risk Executive has full access to meet with or otherwise liaise with the Chairman of the Audit & Risk Committee.

4.3 Compliance

Overseeing Telstra's compliance with applicable laws and regulatory obligations and overseeing the design and implementation of Telstra's compliance framework to manage our

compliance risk with regard to those laws and regulatory obligations, including:

- 4.3.1 reviewing the results of management's investigation and action in relation to significant identified acts of non-compliance;
- 4.3.2 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;
- 4.3.3 reviewing the findings and recommendations of any examinations by key regulatory agencies; and
- 4.3.4 reviewing Telstra's health, safety and environmental 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 Audit or management are addressed by management on a timely basis.

4.6 Internal Audit

- 4.6.1 Advising the Board on the appointment and, should it be necessary, the termination of the employment of the Group Internal Audit Executive².
- 4.6.2 Overseeing the remuneration reviews for the Group Internal Audit Executive considered or approved by the Remuneration Committee and the results of the annual performance review of the Group Internal Audit Executive. 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

² 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.
TELSTRA AUDIT & RISK CHARTER 1018

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.

- 4.6.3 Reviewing and 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.
- 4.6.4 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.
- 4.6.5 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 Corporate Governance

- 4.8.1 Reviewing significant corporate 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 corporate governance in Telstra's annual report.
- 4.8.3 Overseeing the CEO's delegation 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 Committee or management believe should be discussed privately.
- 4.9.2 If requested, meeting separately with the Group General Counsel to discuss any matters that the Group General Counsel or the Committee believe should be discussed privately and ensuring the Group General Counsel has full access to meet with or otherwise liaise with the Chairman of the Audit & Risk Committee.
- 4.9.3 Performing any other duties and undertaking or overseeing any specific projects as the Board may from time to time request.
- 4.9.4 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

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.

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
 - 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.