



# BOARD CHARTER

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## 1 INTRODUCTION

- 1.1 This Charter has been developed and approved by the Board to outline the manner in which the Board discharges its responsibilities.
- 1.2 The powers and duties of individual Directors are set out in the Constitution and at law. Directors are expected to observe the highest standards of ethical behaviour at all times.

## 2 ROLE OF THE BOARD

The Board is responsible, and is accountable to shareholders, for managing Telstra's business. The central roles of the Board are to set Telstra's strategic direction, select and appoint the Managing Director and Chief Executive Officer (CEO) and to oversee the management, performance and governance of Telstra.

## 3 BOARD RESERVED POWERS AND RESPONSIBILITIES

In addition to the matters required by law to be approved by the Board, the matters set out below are Board reserved powers and key responsibilities:

### 3.1 Board Reserved Powers

Authorising all matters which are within the reserved powers of the Board and responsibility for which has not been delegated to management, which relate to:

- 3.1.1 Significant expenditure and acquisition and divestment transactions in excess of discretionary limits delegated to the CEO by the Board.
- 3.1.2 Material variations to the annual corporate plan.
- 3.1.3 Capital management initiatives including payment of dividends, share issues and buy backs and returns of capital.
- 3.1.4 Related party transactions that require shareholder approval.
- 3.1.5 Transactions between a Telstra Group entity and any director of Telstra Corporation Limited (or an entity controlled by a director), unless the transaction is trivial or domestic in nature.
- 3.1.6 National Broadband Network transaction related matters expressly reserved for the Board.
- 3.1.7 Matters requiring approval by the Board or one of its Committees under the terms of their respective charters.
- 3.1.8 Transactions imposing personal obligations on Directors.
- 3.1.9 Any other matters which the CEO considers ought to be approved by the Board or which the Board asks to be brought to it for approval.

- 3.2 Strategy and Corporate Plan**
- 3.2.1 Approving Telstra's strategy and Telstra's corporate plan.
  - 3.2.2 Monitoring the implementation of Telstra's strategy and performance against the corporate plan.
- 3.3 CEO and Senior Management**
- 3.3.1 Appointing and, should it be necessary, terminating the employment of the CEO.
  - 3.3.2 Approving the appointment, remuneration and, should it be necessary, the cessation of the employment (including payments made upon cessation of employment) of any member of senior management<sup>1</sup> and the Company Secretary.
  - 3.3.3 Approving the appointment of and, should it be necessary, the cessation of the employment of the Group Internal Audit Executive<sup>2</sup>.
- 3.4 Remuneration and Performance**
- 3.4.1 Approving Telstra's overall remuneration framework, including:
    - a) any employee equity plans involving equity in Telstra or in its controlled entities, and
    - b) cash incentive plans which apply to the CEO, senior management<sup>1</sup> or the Company Secretary.
  - 3.4.2 Determining the remuneration of Directors within the limits approved by the shareholders.
  - 3.4.3 Determining and annually reviewing the remuneration of the CEO, senior management<sup>1</sup> and the Company Secretary.
  - 3.4.4 Approving the key accountabilities and performance measures for the CEO, senior management<sup>1</sup> and the Company Secretary.
  - 3.4.5 Assessing the performance of the CEO and Company Secretary, and overseeing the performance of senior management<sup>1</sup> including approving performance reviews for senior management and reviewing succession and talent development plans.
- 3.5 Financial and Risk Management**
- 3.5.1 Overseeing Telstra's financial position and funding strategy.
  - 3.5.2 Approving the annual financial statements, the half year financial statements, the Directors' report and significant related disclosures.
  - 3.5.3 Approving decisions concerning the capital of Telstra, including capital restructures, capital returns and share buy backs, dividend policy and the payment of dividends.
  - 3.5.4 Overseeing Telstra's external audit activities and monitoring Telstra's internal audit activities and internal control and reporting systems.
  - 3.5.5 Approving Telstra's risk management policy, reviewing the risks faced by Telstra that have the potential to have a material impact on Telstra's business and overseeing the risk management framework implemented by management to identify and manage those risks.
- 3.6 Governance and Compliance**
- 3.6.1 Monitoring and influencing Telstra's culture, reputation, ethical standards and legal compliance, and overseeing Telstra's corporate governance framework and the key supporting policies governing the operations of Telstra (including approving the Telstra Group Code of Conduct and Telstra's Treasury policy principles).
  - 3.6.2 Approving Telstra's corporate governance statement.

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<sup>1</sup> For the purposes of this section, 'senior management' refers to the executives who report directly to the CEO and any other members of the management team the Board or the Remuneration Committee determines should be subject to its supervision.

<sup>2</sup> 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.

- 3.6.3 Overseeing, and monitoring the effectiveness of, Telstra's sustainability strategy and policies, including the way in which Telstra gives appropriate consideration to the interests of stakeholders.
  - 3.6.4 Overseeing the CEO's delegation of authority to management.
  - 3.6.5 Monitoring Telstra's health, safety and environmental performance.
  - 3.6.6 Overseeing shareholder reporting and communications and Telstra's process for complying with its continuous disclosure obligations.
  - 3.6.7 Monitoring significant litigation in which Telstra is involved.
- 3.7 **Diversity**
- 3.7.1 Approving Telstra's policy in relation to diversity at all levels of Telstra (including the Board) and subsequent amendments to the policy.
  - 3.7.2 Setting and assessing annually measurable objectives in relation to diversity at all levels of Telstra and progress in achieving them.

## 4 BOARD COMPOSITION, INDEPENDENCE AND CONDUCT

### 4.1 Composition

- 4.1.1 The Board determines the size and composition of the Board, subject to the terms of the Constitution and any applicable legislation.
- 4.1.2 The Board formally assesses the appropriate mix of skills, experience, expertise and diversity required on the Board and the extent to which they are represented on the Board (through, among other things, use of a Board skills matrix, which sets out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership).

### 4.2 Independence

- 4.2.1 It is the Board's intention that the CEO is the only executive Director and that all non-executive Directors are also independent Directors.
- 4.2.2 All Directors, whether independent or not, are required to act in the best interests of Telstra and to exercise unfettered and independent judgement.
- 4.2.3 The Board assesses, at least annually, the independence of each Director and includes this information in the annual report.
- 4.2.4 Telstra defines an independent Director as a non-executive Director who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of his or her unfettered and independent judgement and ability to act in the best interests of Telstra.
- 4.2.5 When assessing the independent status of a Director, the Board considers the relationships potentially affecting the independent status of a director as described in Box 2.3 of the ASX Corporate Governance Principles and Recommendations.
- 4.2.6 The Board may determine that a Director is independent notwithstanding the existence of a relationship of the kind referred to above. However, the Board will state the reasons for making its determination in such a case.
- 4.2.7 If at any time during the year a Director ceases or may have ceased to be independent he/she is required to advise the Chairman immediately. Where the Board determines a Director is no longer independent an announcement will be made to the market.

### 4.3 Conduct

Each Director is bound by Telstra's Values and the Telstra Group Code of Conduct. Each Director is also required to comply with the terms of their appointment and the terms and conditions of any arrangements or Telstra policies specifically applying to them.

## **5 ROLE OF THE CHAIRMAN**

- 5.1 The Chairman is an independent Director and is appointed by the Board.
- 5.2 The Chairman's principal responsibilities are to provide appropriate leadership to the Board and Telstra and to ensure the Board fulfils its obligations under this Charter.
- 5.3 The Chairman also has specific responsibilities to:
  - 5.3.1 Chair Board meetings, non-executive Directors' meetings and shareholders' meetings, and facilitate discussion within each meeting.
  - 5.3.2 Represent the views of the Board and Telstra to shareholders and the public and to ensure the Board understands the views of the major shareholders.
  - 5.3.3 Maintain a regular dialogue and mentoring relationship with the CEO and senior management, serving as a primary link between the Board and management and providing continuity between Board meetings.
  - 5.3.4 Work with the CEO in relation to the Board's requirements for information to contribute effectively to the Board decision making process and to monitor the effective implementation of Board decisions.

## **6 ROLE OF THE COMPANY SECRETARY**

- 6.1 The Company Secretary reports directly to the Board through the Chairman on matters relating to the proper functioning of the Board and all Directors have access to the Company Secretary.
- 6.2 The Company Secretary's role includes:
  - 6.2.1 Advising the Board and its Committees on governance matters.
  - 6.2.2 Monitoring that Board and Committee policies and procedures are followed.
  - 6.2.3 Coordinating all Board business including meetings, agendas, Board and Committee papers and minutes, and monitoring the completion of actions arising from Board and Committee meetings.
  - 6.2.4 Providing a point of reference for dealings between the Board and management.
  - 6.2.5 Retaining independent professional advisors at the request of the Board, Board Committee or as permitted under this Charter.
  - 6.2.6 Helping to organise and facilitate the induction and professional development of Directors.

## **7 DELEGATION TO MANAGEMENT**

- 7.1 Subject to formal delegations of authority, the Board has delegated the management function to the CEO.
- 7.2 The CEO is responsible to the Board for the development and implementation of strategy, for managing the organisation in accordance with the strategy and corporate plan, and for the day to day management and performance of Telstra. However, ultimate responsibility for strategy rests with the Directors.
- 7.3 The CEO is accountable to the Board for the exercise of the delegated authority. The CEO must report to the Board on the exercise of the delegated authority through the provision of reports, briefings and presentations to the Board on a regular basis throughout the year.

## **8 COMMITTEES**

- 8.1 The Board may from time to time establish appropriate committees of Directors to assist it by focussing on specific responsibilities in greater detail than is possible for the Board as a whole, reporting to the Board and making any necessary recommendations.
- 8.2 There are three standing committees:
  - 8.2.1 Audit & Risk Committee
  - 8.2.2 Nomination Committee
  - 8.2.3 Remuneration Committee
- 8.3 It is a Board requirement that all members of the Audit & Risk Committee, the Nomination Committee and Remuneration Committee are independent Directors.

- 8.4 Each formally constituted Committee has a written Charter, approved by the Board, and reviewed annually.
- 8.5 Formal minutes of each Committee meeting are prepared and circulated to the Directors. A verbal report is also provided to the next Board meeting.
- 8.6 The Board may also delegate specific functions to ad hoc committees on an “as needs” basis.

## **9 MEETINGS**

The Board has established procedures for conducting Board meetings and meetings of Board Committees and Directors.

## **10 DECLARATION OF INTERESTS**

- 10.1 Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests.
- 10.2 Each Director will comply with Telstra’s Directors’ Interests Policy, and any other relevant Board policy.

## **11 ACCESS TO MANAGEMENT**

Directors have complete access to Telstra’s senior management through the Chairman, CEO or Company Secretary at any time. In addition to regular presentations by senior management to Board meetings, Directors may seek briefings from senior management on specific matters.

## **12 ACCESS TO INDEPENDENT PROFESSIONAL ADVICE**

- 12.1 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.
- 12.2 All Committees of the Board have access to independent professional advice on this basis.
- 12.3 In certain circumstances, each Director has the right to seek independent professional advice at Telstra’s expense within specified limits.

## **13 INDUCTION AND TRAINING**

- 13.1 All new Directors undertake an induction program.
- 13.2 Director education is conducted regularly and is incorporated into the annual Board cycle.
- 13.3 All Directors are given the opportunity to undertake professional development education activities to assist them in fulfilling their duties and responsibilities and keeping up to date with relevant issues.

## **14 REVIEW OF BOARD PERFORMANCE AND CHARTER**

- 14.1 The Board undertakes an annual assessment of its performance including its performance against the requirements of this Charter, the performance of individual Committees and the performance of individual Directors.
- 14.2 Prior to each annual general meeting, the Board determines 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.
- 14.3 The Board reviews and assesses the adequacy of this Charter annually and makes any appropriate changes.