



17 August 2023

Market Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Office of the Company Secretary
Level 41, 242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

ELECTRONIC LODGEMENT

- Telstra Group Limited (ACN 650 620 303) – ASX: TLS
- Telstra Corporation Limited (ACN 051 775 556) - ASX: TL1

Telstra Group Limited - Financial results for the full year ended 30 June 2023

In accordance with the Listing Rules, attached are the following materials for release to the market by Telstra Group Limited:

1. Appendix 4E – Full Year Report;
2. Operating and Financial Review for the full year ended 30 June 2023, which accompanies the Directors Report;
3. Directors Report (including the Remuneration Report);
4. Financial Report; and
5. Group Structure.

The materials are also provided for the information of Telstra Corporation Limited noteholders.

Telstra will conduct an analyst and media briefing on its 2023 full year results from 9:15am AEST. The briefings will be webcast live at <https://www.telstra.com.au/aboutus/investors/financial-information/financial-results>.

A transcript of the analyst briefing will be lodged with the ASX when available.

Release of announcement authorised by:

The Telstra Group Limited Board



Telstra Group Limited

Financial results for the year ended 30 June 2023

Financial results

for the year ended

30 June 2023

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Forward-looking statements

These materials include forward-looking statements. The forward-looking statements are based on assumptions and information known by Telstra as at the date of these materials, are provided as a general guide only and are not guarantees or predictions of future performance. Telstra believes the expectations reflected in these statements are reasonable as at the date of these materials, but acknowledges they involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Telstra, which may cause Telstra's actual results, performance and achievements to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include: general economic conditions in Australia; competition in the markets in which Telstra operates; the continuing growth in the markets in which Telstra operates; the inherent regulatory risks in the businesses of Telstra; technological changes taking place in the telecommunications industry; future changes to Telstra's products and services; the risk of cyber and data security issues; the geopolitical environment (including impacts of sanctions and trade controls and broader supply chain impacts); exchange rates; the extent, nature and location of physical impacts of climate change and their impacts on our assets, service continuity and supply chain; electricity grid decarbonisation; and changes to forecast supply chain emissions including but not limited to failure of third parties to achieve contractual environmental targets or milestones that have direct or indirect impact on our environmental modelling.

A number of these risks, uncertainties and other factors are described in the "Chairman & CEO Message", "Our material risks" and "Outlook" sections of our Operating and Financial Review (OFR). The OFR is set out in Telstra's financial results for the year ended 30 June 2023 which is attached and was lodged with the ASX on 17 August 2023, and are available on Telstra's Investor Centre website [telstra.com/investor](https://www.telstra.com/investor).

In addition, there are particular risks and uncertainties in connection with the implementation of Telstra's T25 strategy (T25). Those risks include the response of customers to changes in products and the way Telstra interacts with customers as Telstra moves to a digital operating model, the risks of disruption from changes Telstra's ways of working, and Telstra's ability to execute and manage the

elements of T25 in a sequenced, controlled and effective manner and realise the planned benefits, cost savings and growth opportunities.

Due to the inherent uncertainty and limitations in measuring or quantifying greenhouse gas (GHG) emissions under the calculation methodologies used in the preparation of such data, all GHG emissions data or references to GHG emissions volumes (including ratios or percentages) in these materials are estimates. The accuracy of Telstra's GHG emissions data and other metrics may be impacted by factors, including inconsistent data availability, a lack of common definitions and standards for reporting climate related information, quality of historical emissions data, reliance on assumptions and changes in market practice. These factors may impact Telstra's ability to meet commitments and targets or cause Telstra's results to differ materially from those expressed or implied in these materials. There may also be differences in the manner that third parties calculate or report GHG emissions data compared to Telstra, which means that third party data may not be comparable to our data.

In FY23 Telstra finalised the acquisition of Digicel Pacific. Telstra is working to determine the necessary actions to incorporate Digicel Pacific in its existing climate scenario analysis, climate risk financial quantification, adaptation planning, emissions reduction plans and to gather the relevant activity data to calculate Digicel Pacific's scope 1, 2 and 3 emissions profile in line with the GHG Protocol so that Digicel Pacific can be integrated into emissions disclosures and targets. The disclosures in these materials in relation to the matters noted above do not include Digicel Pacific unless otherwise stated.

Telstra does not provide financial guidance beyond the current financial year. Telstra's financial ambitions to FY25 and growth ambitions across our portfolio are not guidance and there are greater risks and uncertainties in connection with these ambitions.

Investors should not place undue reliance on the forward-looking statements. To the maximum extent permitted by law, Telstra gives no representation, warranty or other assurance in connection with, and disclaims all responsibility for, the currency, accuracy, reliability and completeness of any forward-looking statements, whether as a result of new

information, future events or otherwise. Telstra assumes no obligation to update any forward-looking statements, and to the maximum extent permitted by law, disclaims any obligation or undertaking to release any updates or revisions to the information contained in this document to reflect any change in expectations and assumptions.

Defined terms are set out on the slide "Glossary".

No offer, invitation or advice

These materials are not intended to (nor do they) constitute an offer or invitation by or on behalf of Telstra, its subsidiaries, or any other person to subscribe for, purchase or otherwise deal in any equity, debt instrument or other securities, nor is it intended to be used for the purpose of or in connection with offers or invitations to subscribe for, purchase or otherwise deal in any equity, debt instruments or other securities.

Information in these materials, including forward-looking statements and guidance, should not be considered as investment, tax, legal or other advice. You should make your own assessment and seek independent professional advice in connection with any investment decision.

Unaudited information

All forward-looking figures and proforma statements in these materials are unaudited and based on A-IFRS unless otherwise indicated. Certain figures may be subject to rounding differences. All market share information in these materials is based on management estimates having regard to internally available information unless otherwise indicated.

Other information

All amounts are in Australian Dollars unless otherwise stated.

The 'Telstra InfraCo' trade mark is a registered trade mark of Telstra Corporation Limited. All other trade marks of the Telstra Group are the property of Telstra Limited. nbn co and other nbn logos and brands are trade marks of nbn co limited and used under licence. Other trade marks are the property of their respective owners.

APPENDIX 4E (ASX LISTING RULE 4.3A)

FINAL REPORT

30 June 2023

Telstra Group Limited ABN 56 650 620 303

1. Results for announcement to the market

| Telstra Group | Year ended 30 June | | | |
|--|--------------------|---------------|--------------|-------------|
| | 2023 | 2022 | Movement | |
| | \$m | \$m | \$m | % |
| Revenue (excluding finance income) from ordinary activities | 22,702 | 21,277 | 1,425 | 6.7 |
| Other income | 543 | 768 | (225) | (29.3) |
| Total income | 23,245 | 22,045 | 1,200 | 5.4 |
| Finance income | 101 | 110 | (9) | (8.2) |
| Profit for the year | 2,051 | 1,814 | 237 | 13.1 |
| Profit for the year attributable to equity holders of Telstra Entity | 1,928 | 1,688 | 240 | 14.2 |
| Profit from ordinary activities after tax attributable to equity holders of Telstra Entity | 1,928 | 1,688 | 240 | 14.2 |

2. Telstra Group restructure

During the financial year 2023 we completed a corporate restructure of the Telstra Group (Restructure). The Restructure included, among other transfers and arrangements, the establishment of Telstra Group Limited as the new parent entity of the Telstra Group with effect from 31 October 2022 (Telstra Corporation Limited was the parent entity of the Telstra Group prior to this date). While Telstra Group Limited became the parent entity of the Telstra Group, this did not result in a business combination for accounting purposes and it was accounted for as an internal reorganisation. Accordingly, the consolidated financial statements have been presented as a continuation of the existing financial performance and financial position of the Telstra Group.

Refer to note 1.2 to the financial statements and the Directors' Report for further details about the Restructure, and to note 7.3 to the financial statements for further details about Telstra Group Limited, the new Telstra Entity.

3. Dividend information

| Telstra Entity | Amount per share | Franked amount per share |
|---|-------------------|--------------------------|
| | cents | cents |
| Total interim dividend per share for the year | 8.5 | 8.5 |
| Total final dividend per share for the year | 8.5 | 8.5 |
| Total dividend per share for the year | 17.0 | 17.0 |
| Final dividend dates | | |
| Record date | 31 August 2023 | |
| Payment date | 28 September 2023 | |

The above information is based on the 2023 Financial Report, including the consolidated financial statements and notes thereto, which have been audited by Ernst & Young (EY). Refer to note 4.2 to the financial statements and the Directors' Report for other dividend-related disclosures.

4. Net Tangible Assets per security information

| Telstra Group | Year ended 30 June | |
|----------------------------------|--------------------|----------|
| | 2023 | 2022 |
| | | Restated |
| | cents | cents |
| Net tangible assets per security | 38.2 | 63.5 |

Net tangible assets are defined as the net assets of the Telstra Group less intangible assets and non-controlling interests. The net assets include both right-of-use assets and corresponding lease liabilities.

The number of Telstra Group Limited fully paid ordinary shares on issue as at 30 June 2023 was 11,554,427,353 (2022: 11,554,427,353 fully paid ordinary shares were on issue in Telstra Corporation Limited).

The decrease in net tangible assets per security from 30 June 2022 was mainly driven by the acquisition of intangible assets via business combinations completed during the financial year 2023. Refer to note 6.1.2 to the financial statements for further details about acquisitions completed during the financial year 2023.

Net tangible assets for the financial year 2022 have been restated to reflect prior periods restatement impact disclosed in note 1.7 to the financial statements.

APPENDIX 4E (ASX LISTING RULE 4.3A)

FINAL REPORT

30 June 2023

Telstra Group Limited ABN 56 650 620 303

5. Dividend Reinvestment Plan

In connection with the Restructure, on 20 October 2022 the Board resolved to discontinue Telstra Corporation Limited's Dividend Reinvestment Plan (DRP) and establish a new DRP for Telstra Group Limited.

The Board has determined that the Telstra Group Limited DRP will continue to operate for the final dividend for the financial year 2023. The election date for participation in the DRP is 1 September 2023.

Additional Appendix 4E disclosure requirements and 'Guidance versus Reported Results' reconciliation can be found in the 2023 Financial Report, Directors' Report (including the Operating and Financial Review (OFR) and the Remuneration Report) and 2023 Group Structure lodged with this document.

Chairman and CEO message



Dear Shareholders,

Thank you for your continued support of and investment in Telstra during the 2023 financial year.

During the year we welcomed a transition in our leadership team with Vicki Brady's succession to the role of CEO and Managing Director and Michael Ackland becoming CFO on 1 September 2022.

Our results for the year show continued growth on a reported and underlying basis, with positive momentum across our key indicators. We maintained our disciplined approach, and our financial performance enabled the Board to resolve to pay a final dividend for FY23 of 8.5 cents per share, returning \$2.0 billion to shareholders over FY23 when combined with the interim dividend for FY23. This reflects the principle of our capital management framework to seek to grow our fully franked dividend over time.

This momentum is also reflected in the progress we have made in the first year of delivery against our T25 strategy to improve customer experience, build sustainable growth, enhance our reputation, and further invest in our network and technology leadership.

While our overall trajectory is good, we have some parts of the business performing well, and others where we continue to see challenges. Our mobiles business is at the heart of our organisation, remains central to growth and continues to perform strongly, and our International and Infrastructure businesses are growing.

At the same time, there are aspects of our Enterprise fixed business that are experiencing headwinds. The focus is retaining fibre SIOs, simplifying our products to meet customer needs, reducing costs and driving further growth across Network Applications and Services.

While we still have a lot to deliver, financial year 2023 has been an important year. We re-prioritised the big things that will matter most for customers, continued to invest in our network leadership and infrastructure businesses, and elevated employee engagement and culture to support these ambitions. Additionally, we remain disciplined on costs, particularly considering the external economic environment.

While we have delivered a significant amount and made real progress on our T25 ambitions, we have had to make some difficult choices like raising prices on some of our products and services. There is also hard work ahead to continue improving our customer experience and consumer value propositions, optimise our cost base, and grow returns sustainably. Our T25 goals are ambitious, but the progress we have made and the response we have seen from customers are strong indicators of our early success.

Looking beyond T25, as connectivity increasingly underpins the way our customers live and work, we are in a strong position to play a big role in Australia's digital future.

The infrastructure investments we are making today – from mobile infrastructure to our intercity fibre network – will enable a more digitised future for the nation and see us strategically positioned for growth.

We've made good progress on customer experience, but we know there is more work to do. We have achieved a more than one third reduction in customer complaints and customer satisfaction is at a record high, while we outperformed our episode NPS targets in both C&SB and Enterprise. We have continued to digitise our business, with all pre-paid mobile sales and services and 88% of all C&SB sales using our digital stack.

We have continued to invest in mobile leadership – we achieved our FY23 target of 85% 5G population coverage, expanded regional coverage by 80,000km over the last two years, broke speed records, and made a world-first 100km long-range 5G data call. We continue to look at how new and evolving technologies can improve the experience for our customers and announced agreements with LEO satellite providers OneWeb and Starlink to deliver better services for our consumer customers in regional and rural Australia.

We've made good progress on our intercity fibre network - we now have fibre in the ground and have conducted speed tests that have exceeded our expectations. We also launched our 400Gbps wavelength services between Adelaide, Melbourne, Canberra, Sydney and Brisbane.

We've grown our international operations, welcoming Digicel Pacific to the Telstra family in our largest ever acquisition while Telstra International continued to grow and deliver for customers. Our Telstra Enterprise industry teams are establishing deeper industry expertise across the agriculture, supply chain, retail, mining, energy, banking and finance, and government sectors. We see huge potential in unlocking the value of data and AI, and formed our IT and Data & AI functions to grow our focus in those areas.

Protecting our network and defending our customers is a constantly evolving battle for our expert cyber security teams. We are blocking more email, SMS and phone call scams than ever, including partnering with the Commonwealth Bank to launch a pilot tool to help detect and prevent mobile phone scams for joint customers. We also entered into a new Quantum Telstra venture to combine our leading network solutions with Quantum's AI and data science expertise, helping us identify and react quickly to emerging AI trends.

Our corporate restructure was completed during financial year 2023, and the entities in the Telstra Group continue to work together on creating innovative products and services, supporting customers and delivering an exceptional customer experience. When we established InfraCo and embarked on our Group Restructure, our aim was to: create transparency of our infrastructure business, to run it as a standalone business, and provide optionality. We have achieved these three goals and created a strong digital infrastructure operator. Overall, there is now a clearer understanding of the value of InfraCo within the Telstra Group. As we've demonstrated before, where we see the opportunity to realise value through monetisation, we will. For example, through the 49 per cent sale of Amplitel. After thoroughly examining alternatives, we have concluded that the greatest value to be created for shareholders is by maintaining the current ownership structure of InfraCo Fixed, for at least the medium term.

Our focus remains on delivering long-term, sustainable growth, and the objectives and principles of our capital management framework, including seeking to grow our dividend. In our current structure, InfraCo Fixed plays an important role in enabling this, particularly in an inflationary environment.





As we continue to grow through T25, doing business responsibly has become fundamental to how we work, and we consider our commitment to the environment and our community at all levels of our operations. Telstra is a key contributor to the economy, a major employer and has a significant environmental impact, so we have a responsibility to contribute to the betterment of society and our planet. We outline how we are managing our social and environmental impacts and contributing to a more sustainable and inclusive world in our 2023 Bigger Picture Sustainability Report, which will be available from 1 September 2023.

We have made meaningful contributions to sustainability and community – we've reduced our scope 1+2 emissions by 30% (from a FY19 baseline) exceeding our FY23 target, underwritten investment in additional renewable energy projects, and supported more than 250,000 Australians to build digital skills in FY22 and FY23.

We have continued to support our customers in a period of increased global instability, market volatility, and uncertainty, as the world continues to recover from the effects of the COVID-19 pandemic, deals with a changing climate and faces other geopolitical challenges that create uncertainty around the world.

Telstra shareholders, customers and our people reflect all walks of life, and cost of living pressures and inflation challenges are important to us as they are to our community. We understand the importance of consistent shareholder returns and dividends, and we seek to grow our fully franked dividend over time as part of our approach to capital management. This year we have increased our support for customers in vulnerable circumstances, be that from natural disasters, from domestic and family violence, or financial hardship. This year we have supported more than one million customers facing vulnerable circumstances to stay connected.

Our leadership team remains focused and committed as we continue to position ourselves to respond to the new challenges our transformed business faces. In January 2023, we welcomed Brad Whitcomb as Group Executive, Consumer and Small Business, and Kathryn van der Merwe joined us as Group Executive, People, Culture and Communications in July 2023.

We are very pleased to appoint two new non-executive directors to our board, Ming Long AM and Maxine Brenner, and we thank Nora Scheinkestel who retired from the Board in October 2022 for her years of service and invaluable contributions. We are grateful to former CEO Andrew Penn AO for his leadership as Telstra CEO from May 2015 to September 2022, which has set Telstra up to thrive.

Through the work we have done, Telstra is well positioned to lead through a rapidly changing and evolving time – as it has through disruption before. As our country and our planet grapple with the challenges and opportunities ahead, we will respond and adapt, and we will help our customers do the same

Thank you

The Telstra board and management team would like to sincerely thank our millions of customers for their ongoing support this year. Without you, there would be no Telstra. Thank you also to all our Telstra employees for the great work you have done, and the successes we have achieved together throughout our transformation and shift to growth.

Most importantly, we would like to thank you, our shareholders, for your continued support.

We hope you enjoy reading about the progress we have made to protect and grow your business.

Vicki Brady
CEO and Managing Director

John P Mullen
Chairman

FY23 financial performance

Total income
(excluding finance
income)

\$23.2 billion

Earnings before Interest,
Tax, Depreciation and
Amortisation (EBITDA)

\$7.9 billion

Underlying EBITDA¹ on
a guidance basis²

\$8.0 billion

Net Profit After Tax
(NPAT)

\$2.1 billion



Underlying
Return on
Invested
Capital
(ROIC)³ 8.1%



Earnings
per share
16.7 cents



Total FY23
dividends
17 cents per
share fully
franked



\$2.0 billion
returned to
shareholders



A-/A2 credit
rating from
Moody's and
Standard &
Poors

1. Underlying EBITDA excludes guidance adjustments, and in FY23 and prior years also excludes net one-off nbn DA receipts less nbn net C2C.

2. Guidance adjustments include material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.

3. Underlying ROIC defined as Net Operating Profit After Tax (NOPAT) as a percentage of total capital, excluding net one-off nbn receipts and guidance adjustments (as defined above) less tax.

FY23 highlights

As we progress through T25, our strategic focus is on customer experience, our network, growth, employee engagement, digital leadership and doing business responsibly.

Our customers

-  Our episode NPS is at all time highs, lifting 6 points across C&SB and Enterprise
-  Customer complaints are at a record low, with a 35% fall in TIO escalations
-  We enabled multi-factor authentication for over 5 million customers to keep their Telstra accounts safer
-  We're blocking more email, SMS and phone call scams than ever before
-  We helped more than 1 million customers in vulnerable circumstances to stay connected and expanded our complimentary Pre-Paid credit Top-Up program with our partner Infoxchange
-  We've supported more than 250,000 Australians growing digital skills in the last two years, through customer and community digital ability programs, including senior and First Nations Australians

Our network

-  Our mobile footprint reaches 99.6% of the Australian population, reflecting our ongoing investment in improving regional coverage
-  This year we celebrated five years of 5G, and we've reached more than 85% 5G population coverage and 41% of our mobile traffic on 5G
-  World-first deal announced with Starlink in July 2023 to provide voice service and broadband as a reseller to regional consumer customers
-  Expanded our operations across six countries in the Pacific, welcoming Digicel Pacific to the Telstra family

Our people

-  We are making Telstra the place people want to work – our Experience Pulse results put us in the top 25% of companies globally
-  We achieved 35.2% representation of women across all of Telstra, beating our target of 34%

Our digital leadership

-  88% of C&SB sales are on our new digital stack
-  68% of service interactions are available digitally
-  33% of our core processes have been improved by AI, reducing network energy consumption and solving customer issues faster
-  We've built 89% of our targeted APIs for Adaptive Networks, using Open APIs to reduce cost and time to market

Our community

-  We've made Wi-Fi available for free at selected payphones across the country to help keep disadvantaged Australians and those in vulnerable circumstances connected
-  We responded in times of need, from floods in the south to cyclones in the north – and provided support for customers with friends and family in Türkiye, Syria, Ukraine and the Pacific
-  We launched our 2022–2025 Stretch Reconciliation Action Plan (RAP) based on a theme of truth telling and committing to important steps to talk about our past and the impact of our decisions on First Nations people
-  We recorded our strongest reputation result in 15 years as measured by RepTrak, driven by improvements in customer experience, network leadership, and cyber leadership

Our environment

-  We've reduced our absolute scope 1+2 greenhouse gas emissions by 30% (from a FY19 baseline), to less than 920K tonnes CO₂e¹, beating our FY23 target of a 23% reduction
-  All Telstra branded packaging is now fully recyclable, and made of renewable or recycled material

1. Greenhouse gas emissions are typically measured in tonnes of carbon dioxide equivalent (CO₂e) gases.

Strategy and performance

Strategy and performance

We are one year into T25 and are a simpler, more agile, more customer-focussed and digitised business. As we enter FY24, our goals are clearer and more refined than ever. We know we are on the right path and we see the early results of our work.

Our strategic context and focus

We are approaching the mid-way point in our T25 strategy for sustainable growth, and our ambition remains to improve our core business and improve our customer experience. FY24 will see us continue to deliver our T25 objectives, and we know what to focus on.

T25 is our strategy for growth, with four pillars:

- Provide an exceptional customer experience you can count on
- Provide leading network and technology solutions that deliver your future
- Create sustained growth and value for our shareholders
- Be the place you want to work

T25 scorecard

| | Customer experience | Network & Technology | Growth and value | New ways of working | Digital leadership | Responsible business |
|-----------------------------|---|--|--|---|--|--|
| Our commitments and metrics | <p>Market leading CX with</p> <ul style="list-style-type: none"> ● eNPS >40 by FY25 ● sNPS uplift of +25 by FY25 <p>Getting it right for customers</p> <ul style="list-style-type: none"> ● >90% 'Once and Done' by FY25 (C&SB) ● 90% rating in support and engagement by FY25 (TE) <p>Reduce our complaints</p> <ul style="list-style-type: none"> ● One-third by FY23, 50% by FY25 (C&SB) ● >95% of billing disputes will be resolved in 1 cycle by FY25 (TE) <p>Grow Telstra Plus members (#) and engagement (%)</p> <ul style="list-style-type: none"> ✗ 5.4m and 70% by FY23 ● 6m and 80% by FY25 ● Grow digitally active users by 2m to 8.5m FY25 (C&SB) <p>Improve availability of infra. assets for customers, by FY25</p> <ul style="list-style-type: none"> ● 250 new towers ● 20,000km of fibre deployed¹ | <p>Network leadership; by FY25:</p> <ul style="list-style-type: none"> ● ~95% pop. coverage for 5G ● >80% of traffic on 5G ● 3G closed in FY24 <p>Win majority of key surveys for best fixed/mobile network including</p> <ul style="list-style-type: none"> ● Coverage, and ● Overall customers speeds for mobile FY23-FY25 <ul style="list-style-type: none"> ● Double metro cell sites by FY25 to densify the network¹ <p>Expand regional coverage</p> <ul style="list-style-type: none"> ● 100,000km² new coverage by FY25 | <p>Underlying EBITDA</p> <ul style="list-style-type: none"> ✓ \$7.5-8.0b by FY23 ● Mid-single digit CAGR FY21 to FY25 <p>Underlying ROIC</p> <ul style="list-style-type: none"> ✓ ~8% by FY23 ● Grow beyond to FY25 <ul style="list-style-type: none"> ● Underlying EPS: High-teens CAGR FY21 to FY25 ● Maximise fully-franked dividend and seek to grow over time <p>Maintain cost discipline</p> <ul style="list-style-type: none"> ● \$500m net fixed cost out from FY23 to FY25 while investing for growth ● Maintain leading operating cost metrics for full-service telco <p>Maximise value from infra.</p> <ul style="list-style-type: none"> ● Amplitel EBITDAaL CAGR – low-to-mid single digit ● InfraCo Fixed EBITDAaL CAGR – low-single digit | <ul style="list-style-type: none"> ● Remain at 90th percentile employee engagement (equivalent to high-performance norm) ● Improve agile maturity of teams, with 70% scoring above 4 by FY25 ● Halve our time to market for products and services from FY22 to FY25 ● 50% increase in representation of Data & Analytics workforce by FY25 ● Direct software engineering workforce delivering ~2x the percentage of strategic development work by FY25 | <ul style="list-style-type: none"> ● All key service transactions with customers are capable of being conducted digitally by FY25 ● 100% of key business processes enhanced/improved using AI by FY25 ● Reach top 20% in Digital Capability Index by FY25 ● 100% API-first architecture for customer management, product development, and external monetisation ● Move ~90% of applications to the public cloud by FY25 | <ul style="list-style-type: none"> ● Enable renewable energy generation equivalent to 100% of our consumption by 2025 ● Reduce absolute emissions from FY19 by at least 50% by 2030 ● Increase digitally active customers by 2m, including building digital skills for 500k Australians, by FY25 ● Help keep 1m customers in vulnerable circumstances connected each year from FY22-25 ● 4-7pt uplift in RepTrak reputation score by FY25 |
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Legend

- On track for delivery
- Progress made but below target
- Not on track
- ✓ Completed
- ✗ Not achieved
- Target removed

Note: Commitments are baselined to FY21, except where stated otherwise and see disclaimer slide in relation to financial ambitions.

1. Fibre deployed target removed in August 2023 due to our focus on the highest priority routes. Double metro cell side target removed in August 2023 due to technology review.

Building a better customer experience

This past year, we have focussed closely on improving the experience that our customers have when they interact with us, whether that is through a self-service channel or by contacting our Customer Service team. We beat our Episode NPS targets, improving by six points to reach +43 and exceeded our target of +40. Strategic NPS also increased by four points, however it is still not where we want it to be.

The progress we have made on digitisation has gone on behind the scenes for most of our customers, but the gains we have made mean that 88% of all C&SB sales now occur on our new digital stack. For customers this means simplified billing, as well as faster average activation times for their services. For our teams this means simpler processes freeing up more time to spend with the customer.

Similarly, we completed the migration of our existing mobile pre-paid services over to our new digital stack, which allows customers access to our latest offers and provides them with faster, better support. In total, 43% of all C&SB services are on our new platform and we are on track for all services to be on our new digital stack by FY25.

70% of new Consumer fixed broadband orders are now being placed in our new digital stack, significantly reducing order entry time and delivering strong eNPS results. Through the effects of this combined work, we have seen a 35% fall in Telecommunications Industry Ombudsman escalations. Much of this progress has been achieved through generally improved customer service experiences in the last year, and reductions in assurance- and connection-related issues.

We have launched a customer service platform for Consumer and Small Business customers based on Amazon Connect, enabling us to route customers to the right agent with the right skill based on their needs. It also allows for more self-service capabilities and better integration between telephone support and other channels.

Telstra Enterprise has also made strides in speeding up key processes and delivering for customers faster - 51% of Enterprise service interactions are now through the digital channel.

We are driven every day to help make digital experiences safer and ensure trust in the connectivity we provide. Our cyber security initiatives have included reviewing and changing how we retain personal ID data, and joining forces with the Commonwealth Bank to help protect customers from phone scams with our Scam Indicator pilot program. Through our Cleaner Pipes program, we have also blocked hundreds of millions of scam calls and texts from reaching our customers each year, and enabled a service for Telstra customers who receive scam texts to forward them to 7226 (SCAM) to help us identify and block emerging scam techniques.

We have also helped our customers when natural disasters hit, from floods affecting Australia's southeastern states to cyclones affecting the north. During FY23 we activated disaster relief in 101 postcodes following severe weather events, and activated over 63,000 short and long term packages totalling over \$1.26 million in customer assistance. We also provided support internationally with free calls to Turkiye, Syria and Ukraine, as well as in the Pacific.

Maintaining our network leadership and planning for the future

At the end of financial year 2023 our total mobile coverage was more than 2.72 million square kilometres - an 80,000 square kilometre increase in the last two years. We have around one million square kilometres more mobile network coverage than our nearest competitor.

We've successfully reached our target of 85% 5G population coverage, and now have 41% of our mobile traffic on 5G. The world-first 100km long-range 5G data call we conducted in collaboration with Ericsson in February broke speed records. Our mobile network continues to win the majority of key network surveys in network coverage, performance and resiliency, including umlaut mobile network performance survey wins for 'Best in Test', 'Reliability Score' and the highest 5G availability in all cities tested in its latest results.

We enabled 5G Standalone technology on our mobile network, allowing for end-to-end 5G experiences across customer devices and our network infrastructure and core. This innovation allows for software-defined features like network slicing, letting us customise network access for customers with different requirements, and edge computing, letting us deploy cloud processing power into connected hardware at the edge of our network map closest to the customer.

The decision by the Australian Competition Tribunal and the ACCC to not grant authorisation for our Multi-Operator Core Network agreement with TPG was a disappointing outcome for customers in regional Australia. Despite this, we remain committed to improving customer experience outside metro areas, and we continue to invest in new ways to keep people in remote locations connected. We will continue to advocate for getting the best possible outcomes for regional Australia and will continue to look for commercially negotiated arrangements to deliver better experiences for customers.

Part of our T25 strategy is to assess evolving satellite technologies and use them to deliver better services for customers, especially in rural and remote Australia. After testing in Australia, Telstra and OneWeb have agreed commercial terms and will begin moving hundreds of existing remote mobile base stations currently using satellite backhaul to OneWeb's LEO service, and we will adopt OneWeb LEO services for future sites where satellite backhaul is the preferred or only viable option. We also reached

a world-first reseller agreement with SpaceX to offer Starlink LEO satellite voice and fixed broadband service, also leveraging our local customer support and providing the option for professional installation.

We have begun laying ultra-high capacity, low-latency fibre as part of our intercity fibre network build across Australia – a high performance national network for customers who need reliable, ultra-high bandwidth between capital cities and connections to international submarine cable landing stations. Hyperscale businesses that deal in big data, cloud computing and other enablers of our digital future will rely on this network in coming years.

In a simulated network trial of our planned 1,240 kilometre intercity fibre network between Melbourne and Sydney, speeds recorded reached almost seven times today's typical capacity per fibre pair, enabling us to develop market-leading solutions for our customers today and in the future.

We are approaching another milestone in the transition from our legacy network to the future with almost 10 million premises disconnected from our copper and HFC networks, as a consequence of the nbn network rollout. This work is central to our digitisation efforts and is a huge feat in both the transformation of our business and the enablement of the digital economy.

Unlocking value and sustained growth for our shareholders

Our mobiles business is at the heart of our organisation, remains central to growth and continues to perform very strongly, and our International and Infrastructure businesses are growing. At the same time, there are aspects of our Enterprise fixed business that are experiencing headwinds.

Our corporate restructure was completed during financial year 2023, and the entities in the Telstra Group continue to work together on creating innovative products and services, supporting customers and delivering an exceptional customer experience.

When we established InfraCo and embarked on our Group Restructure, our aim was to: create transparency of our infrastructure business, to run it as a standalone business, and provide optionality. We have achieved these three goals and created a strong digital infrastructure operator. Overall, there is now a clearer understanding of the value of InfraCo within the Telstra Group. As we've demonstrated before, where we see the opportunity to realise value through monetisation, we will. For example, through the 49 per cent sale of Amplitel. After thoroughly examining alternatives, we have concluded that the greatest value to be created for shareholders is by maintaining the current ownership structure of InfraCo Fixed, for at least the medium term.

We are seeing strong customer demand for our infrastructure, while customer needs and long-term demand continue to evolve. This is being shaped by the shift to the cloud and rapid AI adoption driving data centre and edge requirements, along with needs for domestic fibre and undersea cable. Maintaining the current ownership structure provides alignment across the whole of Telstra to best capture and maximise long-term value. First, by providing the flexibility to meet evolving customer needs through how we go to market and deliver products and solutions. Second, by continuing our work on improving the efficiency of InfraCo Fixed, including across our portfolio of fixed network sites. Third, by delivering growth projects including our intercity fibre build, and exploring further growth opportunities, and finally, because we are best able to explore other operating and financial infrastructure partnerships.

Our focus remains on delivering long-term, sustainable growth, and the objectives and principles of our capital management framework, including seeking to grow our dividend. In our current structure, InfraCo Fixed plays an important role in enabling this, particularly in an inflationary environment.

Telstra International continued its growth. We officially welcomed Digicel Pacific to the Telstra family, in our largest ever acquisition. Digicel Pacific is the biggest mobile operator in the South Pacific spanning six countries – Papua New Guinea, Fiji, Samoa, Tonga, Vanuatu and Nauru. We were already one of the biggest providers of voice and data services connecting the South Pacific to the rest of the world through our Southern Cross subsea cable, and we are experienced in delivering and operating mobile networks in Australia's remote north and Torres Strait Islands, so Digicel Pacific has a strong alignment with our core strengths.

Extending our digital leadership

We created a new commercial partnership in our Quantum Telstra venture following our previous memorandum of understanding, combining Quantum's leadership in data science and AI with our leading network, IoT, cloud and edge solutions into a 'whole of tech stack' proposition. Backed by our Telstra Purple technology design and management experts, this venture will explore tailored solutions across cloud, cyber security and software development to solve business challenges.

To enable these innovative solutions to be created at speed, we realigned our network, product, IT and data teams to bolster those capabilities within our business, and separated our IT and Data & AI teams into a standalone function to better serve our future opportunities. Our Global Networks & Technology function will focus on maintaining our network leadership, boosting automation and orchestration capability as well as leading on cyber security.

33% of our core processes have been improved by AI through our digitisation process, reducing network energy consumption and solving customer issues faster, and we've built 89% of our targeted APIs for Enterprise Adaptive Networks using Open APIs to reduce cost and time to market.

Becoming the place where you want to work

Making Telstra the place where you want to work is a central pillar of our T25 strategy, and revolves around us listening to our people to understand their needs. We have focussed our attention on improving customer experience and simplifying our company-wide objectives after asking our teams for their feedback on where we could make maximum impact across our organisation.

We also continued to invest this year in our people as one of the world's largest Agile workforces and to set the standard in hybrid working. Our employee engagement score put us in the top 25% of companies globally, and this year we were named #9 on LinkedIn Top Companies list, which recognises 25 workplaces across Australia investing in talent and helping their people build long-term careers.

Guided by our First Nations Strategy, we have created opportunities to engage our people on the First Nations Voice to Parliament to learn about what it could mean for Australia's future. Other initiatives include in-person cultural learning, on-country immersion opportunities, developing a First Nations employment strategy, and a First Nations procurement policy.

Doing business responsibly

We are committed to doing business responsibly and having a positive social impact on the communities in which we operate. In FY22 and FY23 cumulatively, we reached more than 250,000 Australians through digital ability programs, exceeding our FY23 target and well on the way to 500,000 Australians by FY25. We supported this through initiatives like the NSW State Government's Tech Savvy Seniors program, the Good Things Foundation's Get Online Week and other community-led initiatives that close the digital divide.

We've helped keep more than one million vulnerable customers connected through activities such as providing lower-cost services for people on a low income; offering support during times of financial hardship, including access to safe and secure communications for victims of domestic and family violence; and ensuring we have accessible product and service options for people with disability.

Our material risks

Our material risks

The importance of continuing to identify, measure and monitor the most material risks to our business is more pronounced than ever. We operate under a new normal of greater geopolitical and economic uncertainty, as well as a fresh appetite for growth as part of our T25 strategy.

Managing our material risks is an important part of ensuring the success of our strategy, as well as enhancing customer experience, reputation, financial position, and capacity to pay dividends. We do this through our risk management program, which includes our “Top Risks” and “Watchlist Risks” that have sustained visibility at a leadership level – as well as other risks managed by our risk and compliance community.

Below we describe the material risks that may affect Telstra in this context, and how we seek to manage them. These are not listed in order of significance, nor are they all-encompassing. They reflect the most significant risks identified through our risk management process.

Focus on growth

Our T25 strategy is about delivering growth. This growth ambition include our aspirations to grow in **mobiles** (grow revenue, and differentiate via experience), **Network Applications & Services** (to become a recognised market leader in key digital growth categories including Internet of things, Cybersecurity, Workplace & Digital, and more), **International** (deliver profitable growth and value by leveraging our market leading international connectivity, people and services), **InfraCo** (grow external revenue with a focus on new towers and securing long term tenants, maximising the potential of existing towers and infrastructure, developing new products and driving growth through a better customer experience) the **Small & Medium Business** and **Mid-Market & Business sectors** (through key product optimisations, customer experience improvements through digitisation and strategic channel initiatives, and more) and in our **Health** business.

We acknowledge that our greater focus on growth after a period of transformation poses a level of inherent risk, including the design and delivery of products and services which may not sufficiently meet our customers’ needs. We also recognise that Telstra operates in a competitive environment, and that our competitors have also made their own strides during this time. More generally, while identifying risks to actively mitigate, we are also conscious that managed risk-taking is essential for growth.

To manage these risks, we constantly monitor business performance and forecasts against changes in the external environment, and stress test our approach against various market scenarios. Our agile ways of working allow us to rapidly respond to market challenges. We continue to have a strong focus on maintaining effective governance and leadership so that we can identify, escalate, and manage growth risks and risks within the market segments in which we operate. When our growth is inorganic, we have robust due diligence processes to ensure we make appropriate investments.

Market and competition risks

The telecommunications industry in Australia and internationally is competitive and subject to change (including accelerating technological change). The effect of competitive market conditions, including any decline in the pricing as well as the purchase and use of our products and services, may adversely impact our earnings and assets.

In the market for fixed broadband services provided over the nbn™ network, competition remains significant, including discounted introductory offers. In our mobile and fixed businesses, we face increasing competition from satellite operators, including from Low Earth Orbit satellite services which will, over time, provide alternative services to some mobile and fixed services offered today.

We are also experiencing strong competition in other parts of our business, such as Network Applications & Services, Data & Connectivity, and International. In particular, we note the expansion of NBN Co into the enterprise data and connectivity market, along with increasing adoption by enterprise customers of lower margin SDWAN solutions.

Other key competition risks include:

- Innovation and disruptive technologies that may cause market discontinuity, adversely impacting on business models where there is failure to transition and adapt quickly;
- Competition in the Australian telecommunications market could cause us to lose market share and reduce our prices and profits from current products and services. We may also lose market share and revenue if we don’t adapt to changes in the industry and competitive landscape;
- Hyperscaler growth strategies could result in disintermediating us from the end-customer rather than their partnering with us to grow if we are not able to provide the exceptional end-customer experience that they seek to deliver.

Effective innovation is fundamental in securing revenue streams and withstanding challenges from a changing competition and industry landscape. Our capacity and ability to respond to the innovation challenge are related to the agility of our internal process and the capability and flexibility of our people. To compete effectively, we may be required to make significant investments. However there is no guarantee that such investments will help us maintain or grow market share or address these issues (either fully or at all), and may affect the performance of the Group.

Doing business responsibly

Doing business responsibly means doing the right thing for our customers, our people, and the communities we serve. We believe every company has a responsibility to operate sustainably and actively consider its impact on customers, communities and the environment. This is why ‘doing business responsibly’ is one of the key pillars in our T25 strategy and the foundation of our sustainability strategy.

Our **purpose** is to build a connected future so everyone can thrive. This underpins our belief that Telstra has a real opportunity to play a leadership role in creating a more sustainable and inclusive world. We are harnessing technology to create a better digital world and minimise our impact on the planet, as well as helping our customers, suppliers and communities do the same. The foundational connectivity and digital solutions we provide create value for our customers, people, communities and shareholders.

The risks associated with not conducting our business responsibly are extensive. We risk eroding community and customer trust in our standing as a responsible corporate citizen and damaging our reputation with stakeholders through negative regulatory and financial implications.

In 2023, we began trialling new ways of embedding sustainability into our business, decision making and culture. We know that building organisational resilience and the capacity to respond to emerging challenges will allow us to anticipate and manage the future risk landscape more effectively. It accelerates innovation by driving the development of new products, services and solutions that lead to new customers and market opportunities. As a purpose driven organisation, we attract and retain the best talent, build our reputation and strengthen our stakeholder relationships.

Our responsibility to do the right thing goes to the core of our operational practices, particularly those that have the potential to impact customers in vulnerable circumstances. Acknowledging the shortcomings of the past, we have focused significant attention and resources in the last few years to learn from the past and improve.

We are committed to conducting our business responsibly through a range of measures. This means complying with ethical and responsible business practices such as anti-bribery and anti-corruption, fair competition, compliance, tax practices and transparency. It also includes enabling renewable energy generation, reducing absolute emissions, helping Australians to build their digital skills, focusing on keeping our customers in vulnerable circumstances connected, respecting human rights and embedding a broader culture that supports our people to act responsibly.

People and culture

Our people – and the culture we collectively create and live – are among the cornerstones of our T25 and sustainability strategies. Success will rely upon us building a team with the right talent, but also a culture where those people share our values and expectations and are proud to work. We recognise the criticality of in-demand skill sets and the need to develop a skilled and engaged workforce.

In this regard, we recognise and continue to manage the risk of failing to attract, develop and retain the workforce required to achieve our strategic objectives, as well as the risk of failing to have effective leadership that develops the culture of simplicity, change, accountability and collaboration that we need to embed throughout our organisation.

To manage the risks related to our workforce and talent and succession more generally, we continue to invest strongly in our people and in succession planning. Our Learning Strategy and Capability Investment Plan focuses on developing and upskilling core capabilities through credentials and training for large staff cohorts. Further, we continue to maintain focus on critical role succession through the active development and nurturing of a succession cohort of team members. An organisation-wide talent review is also completed annually and will be revised following the completion of our ongoing T25 roadmap work, ensuring we have the skills and talent to deliver on our strategy. Where we need to recruit externally, we augment these internal programs of work through targeted recruitment, ensuring roles are filled through talent aligned to our values and purpose.

To ensure that we develop a leadership and broader culture that promotes simplicity, accountability and other key strategic priorities, we have developed and rolled out the “Future Ready” framework, which focuses investment on the training of our leaders. These training and skills development programs are focused on developing attributes that align with the ways of working we are seeking to embed into our teams.

In both our internal training and credentials as well as our external recruitment, we prioritise and promote attributes that align with our agile ways of working, which position us to deliver better and faster, and give us the ability to adapt rapidly in times of change as an organisation. Further, we continue to embed the expectations and standards of the broader community – as well as our commitment to responsible business practices – through our commitment to our values and regular internal training that emphasise these to our teams.

Safety and security

Telstra operates in a sector where the safety and security of our teams is often placed at risk. Our teams and contractors are involved in major construction works, working at significant heights and other similarly dangerous situations. As well as the physical safety risks our team members face in our varied and sometimes challenging work locations, we also actively monitor a diverse range of other health, safety and wellbeing outcomes. These include the security of our workplaces and premises, our teams' mental health and wellbeing and the potential for harm to our environment and the communities in which we work. We have zero tolerance for behaviours that lead to potential injury, environmental or reputational damage because of our activities, products, or infrastructure.

We make safety and security a responsibility all our teams, who shoulder responsibility in maintaining a healthy and safe workplace, whatever it may physically look like. We view each team member as forming part of our "first line of defence" for the management of risks relevant to them, and empower both employees and contractors with the training needed to ensure the safe execution of their roles. Our SSW Risk Governance Framework governs the way we manage and report these risks, and aligns with rigorous ISO standards.

We have seen improvement in key performance metrics that measure safety and security and maintain a constant focus on risks that may undermine our aspirations in this regard. We continue to promote our health and wellbeing services to increase awareness and understanding of the services available to employees and contractors, including mental health and wellbeing services. Our continued operationalisation of the Mental Health and Wellbeing Plan helps us manage mental health risks by providing tailored communications and support.

Privacy, data, and cybersecurity

The information and cybersecurity threat environment in which we operate continue to become more complex, both in Australia and globally. This is taking place at a time when the demand for and dependence on being able to live, work and learn online and from anywhere only accelerates. Data privacy, information security and cybersecurity are crucial priorities for us. We understand that if we fail in this respect, it has the potential to allow crime, espionage, data breaches and impact our business operations and those of our customers.

Cyber attacks continue to be a persistent threat in Australia and internationally. The current threat landscape is varied, complex and constantly evolving. Cyber attacks are particularly significant risks to companies like Telstra due to the threat they pose to our network and critical infrastructure. They have the power to undermine networks and the services provided through them. Further, they can also have a devastating impact from a privacy perspective, leading to the breach of personal information and other sensitive data.

We believe it is crucial to do all we can to help our customers and stakeholders to trust the connectivity we provide from a security perspective, while noting that it is not always possible to mitigate for *all* cyber risks all the time. We use a wide range of technologies and security controls to minimise both the likelihood and impact of unauthorised access to our networks and systems, including logging and monitoring capabilities to pre-empt and proactively prepare for internal and external threats, and industry-standard infrastructure configurations. We continuously invest in our security capabilities, maintaining and enhancing existing technologies to stay ahead of new threats.

We also continue to monitor external threats and the geopolitical environment. We have developed comprehensive response plans, reviewed our infrastructure and systems to enhance the integrity of the Telstra network and we work closely with government stakeholders to provide technical capability to help defend the country – and our customers – against cyber-attacks.

More generally, our approach to cybersecurity risk management means appropriate ownership, oversight and ongoing risk management are applied to IT systems, data, and risks. We also have security processes that include technical reviews of projects and solutions and due diligence of third parties to test the presence and effectiveness of security controls at critical points. We deliver programs designed to foster a strong cybersecurity culture, including mandatory annual training for all employees and contractors and regular phishing drills. We regularly review and update our privacy statements and procedures so that we remain compliant with our legal obligations and consider society's expectations in relation to collection, storage and use of our customers' personal information.

Protecting the personal information of our customers and employees is a benchmark of trust, and we continue to strive to meet our legal and regulatory obligations in this regard. Our fraud teams continue to implement changes to respond to the evolving external threat environment and we are proactively working with law enforcement agencies to report fraud scams. We continue to remediate customer accounts that have been affected and help mitigate risk more generally through a new Account Takeover model scheduled for deployment in August 2023.

Data and AI

Artificial intelligence (AI) technology is developing rapidly and is transforming many aspects of modern life. As with almost all companies, Telstra too is exploring ways in which it can leverage AI to better meet our customers' needs. AI presents clear opportunities in our sector, for instance by way of creating dynamic, responsive networks that are more resilient, guarantee better service to our customers and are robust through proactive management and action. As technology continues to evolve, however, it also poses risks in relation to data collection, standards, and protection, as well as the machine learning that underlies the potential of AI. The biggest risks today include threats to consumer privacy, biased programming, danger to humans, and unclear legal regulation. Our focus, therefore, is on balancing opportunities with risk-mitigation in a way that satisfies our regulatory and stakeholder expectations.

We recognise and face risks such as not adequately protecting, securing, and managing our data and AI assets across their lifecycle. Further, inadequate data and AI management policies, controls, systems and practices may result in an inability to trust our data and AI, leading to substandard business decisions & performance. This may in turn result in data breaches, reputational damage and regulatory attention.

Our response to these risks is governed by our Data & AI Framework and key forums (such as our Data & AI Council) which have been set up specifically to respond to these evolving risks. We have in place several controls to manage the risks associated with the adoption of AI by Telstra, and have plans to extend these controls and make our use of AI safer through strategic investments.

As the adoption of AI gathers pace, both within Telstra and by our technology partners and customers, we will focus not just on the management of risk at an individual machine learning model level, but also on how the risk landscape changes when threat actors are operating at scale and interacting with each other and our data. We will operate within defined guardrails when taking strategic opportunities, purposefully leveraging data and AI for growth, but working proactively to identify and respond to emerging risks to high standards of compliance and transparency with regulatory authorities.

Resilient networks and technology

One of Telstra's key competitive advantages continues to be the quality, scale, speed, and resilience of our network. As society continues to expand the ways in which it is ever reliant on connectivity to cater to the evolving nature of work and education, the demand for resilient networks and technology has never been more pronounced. Given so many customers and stakeholders depend on the quality of our network, we recognise the significant impacts that flow from network congestion and outages.

Where they occur, these events can be disruptive and frustrating for customers and enterprises, and significant for Telstra in terms of financial loss, regulatory scrutiny, reputational risk and erosion of trust in our brand. Importantly, they can also be particularly dangerous where they interrupt Emergency 000 services and other health services on which the community may rely. The resilience of our networks can also be undermined by natural disasters, the activity of malicious actors, unforeseen peaks in demand, human error, equipment failure, data quality, or failure in the underlying electricity grid that powers our network.

We assess these scenarios through our risk management approach and respond to them through a range of strategies and processes that seek to prevent or recover from network and technology disruptions.

We have several indicators in place to dynamically monitor network and technology resilience, and we proactively track risk remediations and improvements in our network over time to progressively reduce our risk exposure. The end-to-end resilience of our systems and processes is a key enabler of our T25 Growth Strategy by enhancing resilience for our customers.

Economic downside

Changes financial conditions are contributing to key external macroeconomic uncertainties today. These include weaker than anticipated economic growth, persistent high inflation, a tight labour market, persistent supply disruptions and a decline in non-essential spending within households in response to living cost pressures. As our research has validated, many customers carry the burden of high costs of living into their spending attitudes and behaviours.

We have elevated economic downside to a "Top Risk" for the purposes of our FY24 risk management program and recognise the challenge this could pose to the business. To mitigate its impacts, we are proactively monitoring demand uncertainty and other key indicators to dynamically adjust operating plans and budgets if needed. Last year, we let our customers know we would be doing a yearly review on the prices of our mobile plans, and that the prices of those plans may increase in July each year in line with CPI. This allows us to alter prices as economic pressures act on our business. We have also protected ourselves where possible against supply side price increases, by taking steps such as hedging our energy expenditure and foreign exchange rates.

As part of the T25 strategy, we are looking to transform how we deliver in a way that factors for macroeconomic downside by looking at long-term innovation and opportunities. We are challenging existing workflows and processes, automating where possible and making them faster, simpler, and more agile. In doing so, we are confident we will be able to weather downside scenarios by continuing to deliver as our customers expect us to, while having more efficient operations and processes in place.

Geopolitical environment

The continued and increasing international conflicts, volatility, tension, and uncertainty whilst operating our business in 30+ countries present a heightened risk that we must continue to effectively plan for and respond to. We have elevated geopolitical risk to a "Top Risk" in our risk management program for FY24 and recognise the impact shifts in the global political climate could have on our business, including on safety, security and wellbeing, cybersecurity, supply chain and partner dependencies.

We continue to evolve our mitigation plan, conducting geopolitical risk analysis as relating to our key operating regions and mapping our key risks and obligations in jurisdictions in which we operate. We also utilise a Geopolitical Risk Index and have recourse to independent risk analysis, assessment, and advice, whilst ensuring that we continue to operate in accordance with our policies, standards, and regulations.

While it is impossible to mitigate the effects of unpredictability in the geopolitical environment with certainty, we will continue to actively consider risks that will have material impact on the security and value of our critical physical assets, data, and will seek to capture growth opportunities within our appetite.

To support our mitigation plan, we also undertake several stakeholder workshops and forums with corporate relation peers, Australian government agencies including DFAT & Home Affairs, embassies, regulators and global peers. This ensures we understand government and corporate sentiment more broadly, and factor that into our strategy and operations an ongoing basis.

Compliance and Regulatory Change

Telstra needs to comply with a broad range of obligations, ranging from the way we sell devices to how we maintain our complex network of subsea cables. It is on us as a responsible business to understand and meet these compliance obligations so that we do the right thing by our people, our customers, our communities and our shareholders. Further, Telstra's products and services -- and the way we deliver them -- are subject to constant scrutiny from a range of regulators and agencies.

To maintain our compliance with key regulatory requirements, we continue to maintain proactive relations with relevant regulators, consumer groups and policy makers to ensure balanced and socially appropriate policy decisions are made. Key matters presently relevant to Telstra relate to regulatory compliance, responsible business practices, regulations related to services on the nbn Co network, consumer safeguards, spectrum allocation, government security policies, regional connectivity, and universal service obligations (USOs). Ongoing regulatory reforms that impact us and with which we are presently engaged include the Telecommunications Consumer Protections Code, Privacy Act reforms and cybersecurity regulation.

Failure to comply with our legal and regulatory obligations may lead to adverse impacts to our various stakeholders, as well as to our reputation more broadly. We have several measures in place to manage our compliance risks, including a robust framework which sets out a standardised approach to compliance and regular reporting on material compliance issues to our Audit & Risk Committee (that do or could lead to a breach of our obligations). We also have in place a mandatory compliance training framework which includes monitoring training completion across all teams and consequences for non-completion.

In FY22, we established a Compliance Uplift program to mitigate risks of non-compliance across the whole of Telstra, focusing on uplifting our control environment after several compliance breaches were identified. This Uplift program seeks to embed awareness and ownership of critical compliance obligations (COAs) at all levels of the organisation, improve assurance, governance and oversight, and more promptly report and escalate breaches when identified. While we acknowledge the need for continual improvement, we have made significant progress as an organisation in creating a culture where acting responsibly is core to decision making and delivers compliant and sustainable outcomes. We focus our efforts on mitigating the risk of non-compliance with the obligations that are most impactful for our customers, communities and people, and supporting everyone at Telstra to understand the compliance obligations relevant to them, and to fulfil their compliance responsibilities.

Climate change

Australia is already experiencing more frequent and severe extreme events due to climate change, with an emerging consensus that these are only likely to increase in the medium to long term.

We are committed to strong action to further prepare for and adapt to the impacts of climate change. We have recruited an internal climate risk specialist, evaluated the Intergovernmental Panel on Climate Change (IPCC) guidance, and in FY23 conducted climate scenario analysis on chronic heat impacts to infrastructure and staff. We are also currently progressing with additional flood risk analysis and expanding our climate risk assessment to cover key linear assets such as critical fibre routes.

Our preparation and adaptation to climate change also includes supporting the natural environment. We have developed policies for environmental protection and remediation, and our carbon farming pilot has been an important foray towards developing processes and initiatives for habitat restoration. We also continue to deliver on our external Environment, Social and Governance (sustainability) commitments and adequately plan for and respond to impacts and opportunities in those areas.

More broadly, we are increasing our focus on climate-related opportunities. We have capitalised on commercial opportunities including the launch of our carbon neutral certified mobile plans and an option for customers to redeem their Telstra Plus points to drive further investment in Australian and international climate projects. These are in addition to the carbon neutral organisation certification which we have had since 2020.

We continue to deliver towards our existing external environment targets. However, there is a risk to our target to enable renewable energy generation equivalent to 100% of our consumption by 2025. The operational output of the new renewable energy projects we are underwriting may not reach that level by the end of 2025 due to the complexity and long lead times for planning, construction and connection to the electricity grid. In addition, there is a risk to our target to reduce absolute scope 3 greenhouse gas emissions by at least 50% by 2030, while we work through impacts and decarbonisation opportunities from the acquisition of Digicel Pacific. In 2022 we noted that we were assessing the impact of retail energy growth in relation to our scope 3 emissions reduction target. The scaling of our retail energy products has since been paused. We will communicate any material impacts to our scope 3 target from our retail energy product after further guidance is provided to the market in relation to any scaling of those products. The *Understanding our Climate Risk* chapter of the Annual Report will provide more detail on these risks. We will continue to regularly review these targets to ensure we take appropriate steps to reduce our environmental impact in accordance with our stated ambitions.

Outlook

Outlook

For FY24 guidance¹, we anticipate continued underlying business growth:

- Total income \$22.8 to \$24.8 billion
- Underlying EBITDA² of \$8.2 to \$8.4 billion
- Capex³ of \$3.6 to \$3.7 billion
- Free cashflow after lease payments (FCFa)⁴ of \$2.8 to \$3.2 billion

In the year ahead we will reach the midpoint of our T25 strategy. Our focus continues to be on improving the customer experience and how customers see us, maintaining and developing our network leadership, and increasing our employee engagement while conducting our business responsibly and growing returns for shareholders.

We are creating sustainable growth under T25, so we will look to extend our leadership in our mobiles business by differentiating our products and their advantages in an evolving market. We will do this by delivering better experiences.

We will continue to make strides in improving the experience for our customers, with our digitisation process well underway. The year ahead will see crucial progress as we progress the migration of C&SB customers to our new digital stack and deliver further work to digitise the Enterprise business.

We are targeting driving increased revenues and improving operating efficiency, remaining disciplined on reducing our cost base and improving underlying ROIC. While our cost reduction ambition is being challenged by high inflation, we are absolutely committed to delivering our FY25 underlying EBITDA and EPS growth ambitions.

Enhancing our reputation means building and protecting value for your company. We are elevating the importance of growing community support for and understanding of Telstra and its central position in the Australian telecommunications industry. We believe we can improve and demonstrate our customer service, better represent the value for money that Telstra products and services provide, and show our commitment to ethical conduct in everything we do.

Maintaining and extending our network leadership will remain a focus, along with delivering new network experiences for our customers. We are committed to delivering an additional 100,000 square kilometres of mobile coverage by the end of FY25, on top of the around 1 million square kilometres of unique coverage we already offer. We remain committed to improving our customer experience outside metro areas and our arrangements with OneWeb and Starlink will see us deliver new and improved services to consumer customers in regional and remote Australia.

- ¹ This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.
- ² Underlying EBITDA excludes guidance adjustments, and in FY23 and prior years also excludes net one-off nbn DA receipts less nbn net C2C.
- ³ Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.
- ⁴ Free cashflow after lease payments defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities' and excludes spectrum and guidance adjustments.

We will make further progress on reducing our emissions, continue to support the growth of digital skills and the digital economy, and improve how we support vulnerable Australians – both our customers and non-customers – to help keep everyone connected.

We have listened to our people's feedback and have further simplified our company-wide approach to our FY24 objectives, so we can focus on the big things that matter most for our customers. Our roadmap is clearer than ever and includes further engagement with our people by building a culture of customer focus, operational excellence and accountability.

Delivering upon our simplified objectives and iterating further on those objectives will unlock more value for our shareholders and better position your company for continued, sustainable growth.

While our strategic direction is clear and we are sharpening our focus on completing transformational changes and culture shifts, we are navigating a number of challenges and these are detailed in the Material Risks section of this report. These include the continued challenges in the economy from increased cost of living pressures and recent inflation, geopolitical risks, and a variety of other risks we face. The accelerating pace of technological innovation, as well as growth of the digital economy create changing market dynamics that we will need to constantly adapt to.

Within our business we are driving growth in productivity, and developing culture and capabilities that will help us centre our focus on customer experience; we are confident that we will start to see the positive results in these areas in the year ahead. We will be delivering a better customer experience, faster, and this in turn will help us reach our growth and reputation goals.

We are experienced in riding the waves of change and the changes we have made allow us to react more quickly to the uncertainty of modern times. The ever-growing threat of climate change, increasing the frequency and severity of extreme weather events, will continue to impact on our planet.

Keeping our networks secure and heightening our cyber defences is central to our business. Cyber security is crucial for us and our customers, and we already block millions of threats every day through our Cleaner Pipes initiative. We will continue to maintain our cyber defences, develop new approaches to fight scams and monitor for emerging threats.

The purpose and values that we have adopted and held throughout our transformation guide how we operate, and are core to creating long-term value for our shareholders. We are moving into the tech-driven digital future at pace, and we see many opportunities that Telstra is well positioned to fulfil its purpose of building a connected future so everyone can thrive.

Full year results and operations overview

Full year results and operations review

Financial results

| Summary reported results | FY23 | FY22 | Change |
|--|---------------|---------------|-------------|
| | \$m | \$m | % |
| Revenue (excluding finance income) | 22,702 | 21,277 | 6.7 |
| Total income (excluding finance income) | 23,245 | 22,045 | 5.4 |
| Operating expenses | 15,356 | 14,758 | 4.1 |
| Share of net loss from equity accounted entities | (27) | (31) | 12.9 |
| EBITDA | 7,862 | 7,256 | 8.4 |
| Depreciation and amortisation | 4,470 | 4,358 | 2.6 |
| EBIT | 3,392 | 2,898 | 17.0 |
| Net finance costs | 529 | 417 | 26.9 |
| Income tax expense | 812 | 667 | 21.7 |
| Profit for the period | 2,051 | 1,814 | 13.1 |
| Profit attributable to equity holders of Telstra Entity | 1,928 | 1,688 | 14.2 |
| Capex ¹ | 3,597 | 3,042 | 18.2 |
| Free cashflow | 851 | 3,854 | (77.9) |
| Earnings per share (cents) | 16.7 | 14.4 | 16.0 |

¹ Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.

Telstra delivered FY23 results showing continued financial growth and positive momentum through the first year of its T25 strategy.

Financial performance in FY23 included:

- Total income (excluding finance income) up 5.4 per cent to \$23.2 billion
- EBITDA up 8.4 per cent to \$7.9 billion and Underlying EBITDA¹ up 9.6 per cent to \$8.0 billion
- Net Profit After Tax up 13.1 per cent to \$2.1 billion
- ROIC up 0.8 percentage points to 7.9 per cent and Underlying ROIC² up 1.1 percentage points to 8.1 per cent
- Earnings Per Share was up 16.0 per cent to 16.7 cents

Telstra's T25 strategy was on track overall, including its growth ambitions in underlying EBITDA and EPS. Our mobiles business remains central to our growth and continues to perform very strongly. Our infrastructure, international, Consumer and Small Business (C&SB) fixed line and health businesses also grew earnings. At the same time, there are aspects of our Enterprise fixed business that are experiencing headwinds. We remain disciplined on reducing our costs, particularly considering the external economic environment.

On the back of continued growth in the year, the Board resolved to pay a fully franked final dividend of 8.5 cents per share, bringing total dividends for the year to 17.0 cents and representing a 3.0 per cent increase on the prior corresponding period. The final dividend is consistent with Telstra's policy to maximise the fully franked dividend and seek to grow it over time.

The positive progress in the year was reflected in Telstra's T25 scorecard, which showed the company was on track to deliver the majority of T25 objectives. In a few months' time we will hit the halfway point in delivering our strategy and the response from

¹ Underlying EBITDA excludes guidance adjustments, and in FY23 and prior years also excludes net one-off nbn DA receipts less nbn net C2C. Guidance adjustments include material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.

² Underlying ROIC defined as NOPAT as a percentage of total capital, excluding net one-off nbn receipts and guidance adjustments (as defined above) less tax

customers tells us we are absolutely on the right path.

We continue to see the positive impact of product simplification, digitisation, answering consumer and small business calls in Australia, and bringing our retail stores in house. Our Strategic Net Promoter Score increased four points during the year, Episode Net Promoter Score is at historic highs and we achieved our strongest reputation result in 15 years. Australians are beginning to see a change in us, driven by improvements in customer experience, continued network leadership, and our strength in cyber security.

Telstra continues to lead the industry on stopping scams, and our Cleaner Pipes program is detecting and blocking more email, SMS and phone scams than ever before. We are now blocking more than 9 million scam calls and around 20 million scam SMS each month. We have also taken steps to improve the way we collect and retain customer ID data to help reduce the risk of cybercrime for our customers.

As a result of customer experience improvements, customer complaints reduced to a record low in the year. Complaints from Telstra's Consumer & Small Business customers to the Telecommunications Industry Ombudsman reduced by more than a third on the prior year, and 98 per cent of Telstra Enterprise billing disputes are now resolved within one billing cycle.

During the year significant progress on T25 also included:

- 5G population coverage reached the FY23 target of 85 per cent, and 41 per cent of mobile traffic was on 5G. Total mobile coverage at the end of FY23 was 2.72 million square kilometres, after adding 80,000 square kilometres in the last two years.
- Deals signed with Low Earth Orbit satellite providers OneWeb and Starlink mean Telstra will soon deliver new and improved services in regional and remote Australia.
- Construction was well underway on Telstra's new intercity fibre project, with strong interest from hyper-scalers, other operators, satellite providers and national enterprises.
- Absolute scope 1+2 emissions have now been reduced by 30 per cent from an FY19 baseline – a great result towards the ambition to reduce absolute emissions by at least 50 per cent by 2030.

| Results on a guidance basis ¹ | FY23 | FY23 Guidance |
|--|------|---------------|
| | \$b | \$b |
| Total income | 23.2 | 23.0 to 25.0 |
| Underlying EBITDA | 8.0 | 7.8 to 8.0 |
| Capex | 3.6 | 3.5 to 3.7 |
| Free cashflow after lease payments (FCFaL) | 2.8 | 2.6 to 3.1 |

| Guidance basis versus reported results ¹ | FY23 Reported results | FY23 Adjustments | FY23 Guidance basis | FY22 Guidance basis |
|---|-----------------------|------------------|---------------------|---------------------|
| | \$m | \$m | \$m | \$m |
| Total income | 23,245 | - | 23,245 | 21,958 |
| EBITDA | 7,862 | 88 | 7,950 | 7,251 |
| Free cashflow | 851 | 1,933 | 2,784 | 3,961 |

¹ These tables detail adjustments made to the reported results for the current period to reflect the performance of the business on the basis on which we provided guidance to the market, which excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. A detailed reconciliation of our reported results to guidance can be found in the guidance versus reported results schedule. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases. Free cashflow after lease payments defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities', and excludes spectrum and guidance adjustments. Refer to the guidance versus reported results schedule. The adjustments within the tables in this schedule have been reviewed by our auditors.

Dividend

On 17 August 2023, the Directors of Telstra Group Limited resolved to pay a fully franked final dividend of 8.5 cents per share in line with the interim dividend for the first half of this financial year. The total dividend for FY23 is 17.0 cents per share representing a 3.0 per cent increase on the prior corresponding period. Shares will trade excluding entitlement to the final dividend from 30 August 2023 with payment to be made on 28 September 2023.

The total dividend represents a 102 per cent payout ratio on FY23 reported earnings per share and is in line with Principle 2 of our Capital Management Framework to 'maximise fully franked dividend and seek to grow over time'.

Other information

The following commentary is provided for statutory and management financial results. Consistent with information presented for internal management reporting purposes, the result of each segment is measured based on its EBITDA contribution. Refer to Note 2.1.1 in the Financial Report for further detail.

Segment performance

We report segment information on the same basis as our internal management reporting structure as at the reporting date.

Segment comparatives reflect organisational changes that have occurred since the prior reporting period to present a like-for-like view.

Segment total income breakdown (including internal income)



| Total income | FY23 | FY22 | Change |
|---|---------------|---------------|------------|
| | \$m | \$m | % |
| Telstra Consumer and Small Business (C&SB) ^{1,2} | 12,619 | 11,978 | 5.4 |
| Telstra Enterprise ² | 7,929 | 7,132 | 11.2 |
| Networks, IT and Product ² | 413 | 300 | 37.7 |
| Telstra InfraCo ² | 3,775 | 3,638 | 3.8 |
| All Other ² | 552 | 572 | (3.5) |
| Total management reported income | 25,288 | 23,620 | 7.1 |
| Transactions between segments | (2,043) | (1,575) | (29.7) |
| Total income (excluding finance income) | 23,245 | 22,045 | 5.4 |

¹ Includes one-off nbn DA and Connection in FY22.

² Includes internal income.

Total income (excluding finance income) increased by 5.4 per cent to \$23,245 million due to higher mobile services and hardware income, higher International income (including Digicel Pacific income following acquisition), and income growth across C&SB off-net fixed, Enterprise Network Applications and Services, Telstra InfraCo Fixed and Amplitel. Income growth was partly offset by declines across C&SB on-net fixed, Enterprise Data and Connectivity and Active Wholesale.

Total management reported income includes internal income between segments eliminated from Total income. Internal income increased by 29.7% to \$2,043 million including new intercompany agreements post our corporate restructure related to internal charges for infrastructure, power and international capacity. Internal income comprised \$1 million in Telstra C&SB, \$125 million in Telstra Enterprise, \$321 million in Networks, IT and Product, \$1,426 million in Telstra InfraCo and \$528 million in 'All Other'.

Telstra Consumer and Small Business

Telstra Consumer and Small Business provides telecommunications, media and technology products and services to consumer and small business customers in Australia using mobile and fixed network technologies. It also operates contact centres, retail stores, a dealership network, digital channels, distribution systems and the Telstra Plus customer loyalty program in Australia.

Income increased by 5.4 per cent to \$12,619 million including 9.5 per cent growth in mobile income. Mobile services revenue increased with growth in Average Revenue Per User (ARPU) and Services In Operation (SIOs) across mobile products, and higher mobile hardware revenue from increased sales volumes. Fixed product income was relatively stable, decreasing 0.6 per cent, with growth in off-net revenue offset by decline in on-net revenue due to nbn migration.

Telstra Enterprise

Telstra Enterprise provides telecommunication services and advanced technology solutions for government and large enterprise and business customers in Australia and globally. It provides advanced technology solutions through Data and Connectivity (DAC) and Network Applications and Services (NAS) products such as unified communications, cloud, security, industry solutions and integrated services. It provides wholesale services outside of Australia, including voice and data, and provides telecommunication, media and technology products and services to consumer, business and government customers in the South Pacific through Digicel Pacific, the acquisition of which was completed on 13 July 2022.

Income increased by 11.2 per cent to \$7,929 million including \$719 million for Digicel Pacific. Domestic mobile income increased by 2.7 per cent including growth from Internet of Things (IoT) value-add applications. Domestic fixed revenue declined 2.5 per cent, with NAS revenue gains offset by declines in DAC. NAS revenue increased by 2.2 per cent due to growth in professional services, managed services and cloud including from Telstra Purple acquisitions in the prior period (Alliance Automation and Aqura Technologies), partly offset by calling applications legacy decline.

Networks, IT and Product

Networks, IT and Product consists of two operating segments: Global Networks and Technology and Product and Technology. Global Networks and Technology supports the other segments and their respective revenue generating activities by maintaining high level of reliability and security of our global network platforms and cloud infrastructure, maintains our networks, and is accountable for our network intelligence and automation. Product and Technology works with other functions to create and deliver products and solutions for our customers, builds and manages our digital platforms underpinning our customer digital experience, builds and manages software, and provides information technology services to all internal functions.

Income increased by 37.7 per cent to \$413 million including \$105 million increase in internal income.

Telstra InfraCo

Telstra InfraCo provides telecommunication products and services delivered over Telstra networks to other carriers, carriage service providers and internet service providers, and provides other Telstra functions and wholesale customers with access to network infrastructure within Telstra InfraCo’s asset accountabilities. It operates the fixed passive network infrastructure including data centres, exchanges, poles, ducts, pits and pipes and fibre network. It designs and constructs fibre, exchanges and other infrastructure. It provides nbn co with long-term access to certain components of our infrastructure under the Infrastructure Services Agreement and operates the passive and physical mobile tower assets owned or operated by the Amplitel business.

Income increased by 3.8 per cent to \$3,775 million due to growth in recurring nbn Definitive Agreement (DA) receipts in line with CPI, increased internal and external access charges, and growth in wholesale mobility. This was partly offset by expected declines from Fixed – Active Wholesale legacy products and commercial works supporting the nbn rollout.

All Other

Certain items of income and expense relating to multiple functions are recorded by our corporate areas and included in the ‘All Other’ category. This category also includes Global Business Services (GBS), Telstra Health and Telstra Energy generation and markets.

Income decreased by \$20 million including a \$263 million decline in one-off nbn DA and connection income as the nbn migration nears completion. Telstra Health income increased by \$62 million to \$305 million including organic growth and prior year MedicalDirector and PowerHealth acquisitions. Telstra Energy income increased by \$47 million from energy generation revenue and fair value gains on energy firming derivatives. Internal income increased by \$95 million post our corporate restructure.

Product performance

Product income breakdown (including internal income)



| Product income | FY23 | FY22 | Change |
|--|---------------|---------------|------------|
| | \$m | \$m | % |
| Mobile | 10,258 | 9,470 | 8.3 |
| Fixed – C&SB | 4,457 | 4,486 | (0.6) |
| Fixed – Enterprise | 3,636 | 3,729 | (2.5) |
| Fixed – Active Wholesale | 403 | 477 | (15.5) |
| International | 2,429 | 1,501 | 61.8 |
| InfraCo Fixed | 2,556 | 2,456 | 4.1 |
| Amplitel (Towers) | 401 | 368 | 9.0 |
| One-off nbn DA & Connection | 72 | 378 | (81.0) |
| Other | 1,076 | 755 | 42.5 |
| Total management reported income | 25,288 | 23,620 | 7.1 |
| Eliminations | (2,043) | (1,575) | (29.7) |
| Total income (excluding finance income) | 23,245 | 22,045 | 5.4 |

| Product EBITDA margins | FY23 | 2H23 | 1H23 | FY22 |
|-----------------------------|-------|-------|------|------|
| | % | % | % | % |
| Mobile | 44.9 | 46.5 | 43.2 | 42.2 |
| Fixed – C&SB | 3.0 | 3.9 | 2.2 | 1.2 |
| Fixed – Enterprise | 11.3 | 10.6 | 12.0 | 17.9 |
| Fixed – Active Wholesale | 29.0 | 23.7 | 34.0 | 33.3 |
| International | 29.4 | 26.4 | 32.7 | 25.8 |
| InfraCo Fixed | 65.1 | 64.4 | 65.8 | 67.4 |
| Amplitel (Towers) | 79.3 | 77.5 | 81.2 | 79.9 |
| One-off nbn DA & Connection | 51.4 | 42.3 | 56.5 | 61.6 |
| Other | (0.8) | (1.7) | 0.5 | 6.3 |

Mobile

Mobile income increased by 8.3 per cent to \$10,258 million including 7.9 per cent services revenue growth and 12.1 per cent hardware growth. Growth in services revenue was achieved across all mobile sub-products. Retail mobile SIOs increased by 1.7 million to 22.5 million. We have 8.8 million postpaid handheld retail SIOs, an increase of 86,000 in the year.

Postpaid handheld services revenue increased by 6.9 per cent to \$5,391 million with a 1.0 per cent uplift in SIOs and a 5.4 per cent ARPU increase from \$48.53 to \$51.15 driven by price rises and higher international roaming.

Prepaid handheld revenue increased by 16.5 per cent to \$1,076 million with a 247,000 increase in unique users and 9.4 per cent increase in ARPU from increased usage and one-off revenue in the first half this year of \$42 million from product migration. Mobile broadband revenue increased by 1.4 per cent to \$664 million driven by 2.8 per cent uplift in ARPU to \$18.53. Internet of Things (IoT) revenue increased by 5.6 per cent to \$283 million with SIOs increasing by 1.4 million to 7.1 million, and growth in value-add applications for Enterprise customers.

Wholesale revenue increased by 14.6 per cent to \$353 million driven by ARPU growth and 298,000 increase in mobile unique users (including postpaid services in operation and prepaid unique users). Wholesale mobile unique users increased to 2.0 million from the continued popularity of Mobile Virtual Network Operator's (MVNO) plans on the Telstra Wholesale mobile network.

Hardware, interconnect and other revenue increased by 9.8 cent to \$2,473 million largely due to higher hardware volumes.

Mobile EBITDA margin increased by 2.7 percentage points to 44.9 per cent due to increased high-margin service revenue, hardware margin growth and cost-out; partly offset by increased costs associated with internal infrastructure and international roaming.

Fixed – Consumer and Small Business (C&SB)

Fixed – C&SB income decreased by 0.6 per cent to \$4,457 million impacted by nbn migration. Off-net fixed revenue, which is revenue from services for which we are a reseller, increased by 4.6 per cent to \$3,295 million from ARPU growth and as customers continue to migrate onto the nbn network. On-net fixed revenue, which is revenue from services on the Telstra network, decreased by 29.4 per cent to \$331 million. C&SB bundles and standalone data ARPU increased by 3.6% to \$80.15 and SIOs declined by 97,000 in the year to 3.4 million.

Consumer content and services revenue decreased by 1.5 per cent to \$591 million including a decline in Foxtel from Telstra SIOs and revenue, partly offset by growth from our acquisition of a majority stake in Fetch TV this period. Business apps and services revenue decreased by 6.0 per cent to \$158 million due to legacy product decline.

Fixed – C&SB EBITDA margin increased by 1.8 percentage points to 3.0 per cent with off-net fixed revenue growth and cost-out; partly offset by reduction in on-net fixed, and consumer content and services revenue. Off-net nbn resale contribution margin increased by 3 percentage points to over 8 per cent.

Fixed – Enterprise

Fixed – Enterprise income declined by 2.5 per cent to \$3,636 million with declines in DAC partly offset by gains in NAS. DAC income declined by 16.2 per cent to \$801 million driven by ARPU compression from competition, renewals and technology change. DAC SIOs reduced by 10.6 per cent or 19,000 mostly in legacy. Our T-Fibre and nbn Enterprise Ethernet customer base increased with positive momentum in second half net adds.

NAS income increased by 2.2 per cent to \$2,835 million with growth in professional services, managed services, cloud applications and equipment sales, partly offset by decrease in calling applications due to ISDN planned exit and market shift from traditional voice calling applications to integrated video solutions.

Professional services revenue increased by 23.5 per cent to \$542 million due to one-off infrastructure builds on large strategic contracts and Telstra Purple acquisitions in the prior period (Alliance Automation and Aqura Technologies). Managed services and maintenance revenue increased by 4.6 per cent to \$772 million due to an increase in large customers attaching cyber security services and service management. Cloud applications revenue increased by 11.5 per cent to \$311 million from growth in demand for partner cloud products including Amazon Web Services and Microsoft Azure. Equipment sales revenue increased by 3.8 per cent to \$412 million.

Fixed – Enterprise EBITDA margin declined by 6.6 percentage points to 11.3 per cent due to DAC and NAS EBITDA margin declines, and an increased mix of lower margin NAS income. DAC EBITDA margin declined by 15.4 percentage points to 20.8 per cent due to revenue reduction and increased costs. NAS EBITDA margin declined by 2.9 percentage points to 8.6 per cent due to calling applications legacy product decline, partly offset by growth in professional services, managed services and cloud.

Fixed – Active Wholesale

Fixed – Active Wholesale income declined by 15.5 per cent to \$403 million impacted by ongoing migration to the nbn network and legacy product decline. Data and Connectivity revenue decreased by 8.9 per cent to \$276 million reflecting decline in wideband products partly offset by growth in Telstra Wholesale Internet. Legacy calling and fixed revenue declined by 27.0 per cent to \$127 million from continued legacy fixed product decline.

Fixed – Active Wholesale EBITDA margin decreased by 4.3 percentage points to 29.0 per cent due to continued legacy and nbn revenue decline offset partly by cost-out.

International

International income increased by 61.8 per cent to \$2,429 million including \$719 million for Digicel Pacific. We completed our Digicel Pacific on 13 July 2022. Digicel Pacific income was 2 per cent higher than proforma income in constant currency (CC) with growth in average mobile SIOs across all South Pacific markets.

Excluding Digicel Pacific, International income increased by 13.9 per cent to \$1,710 million with growth in Data and Connectivity due to investment in infrastructure, inclusion of internal revenue of \$113 million post corporate restructure, partly offset by expected declines in low margin legacy voice. International income increased by 2.3 per cent in CC excluding Digicel Pacific and internal revenue.

International EBITDA margin increased by 3.6 percentage points to 29.4 per cent due to the inclusion of Digicel Pacific EBITDA margin of 46.8 per cent. Excluding Digicel Pacific, and internal revenue and costs post corporate restructure, International EBITDA margin increased by 0.8 percentage points in CC due to Data and Connectivity revenue growth.

InfraCo Fixed

InfraCo Fixed income increased by 4.1 per cent to \$2,556 million. Recurring nbn DA income increased by 6.1 per cent to \$987 million reflecting CPI linked price increases. Recurring nbn DA income includes infrastructure services across ducts, racks and fibre provided to nbn co. External infrastructure revenue increased by 3.9 per cent to \$266 million including \$122m from disposal of legacy network assets. Internal infrastructure access revenue increased by 9.3 per cent to \$1,067 million. Commercial and recoverable works revenue declined by 19.7 per cent due to the initial nbn rollout nearing completion.

InfraCo Fixed income grew 7.6 per cent excluding commercial and recoverable works and legacy network disposals.

InfraCo Fixed EBITDA margin reduced by 2.3 percentage points to 65.1 per cent reflecting a decline in commercial and recoverable works income, increased power and internal costs, and investment in asset maintenance and growth opportunities; partly offset by growth in recurring nbn DA and internal income.

Amplitel (Towers)

Amplitel income grew by 9.0 per cent to \$401 million due to contracted growth, continued demand for new tower builds and 5G upgrades. Amplitel external revenue grew by 10.0 per cent to \$66 million.

Amplitel EBITDA margin reduced by 0.6 percentage points to 79.3 per cent due to higher asset maintenance costs.

One-off nbn DA & connection

One-off nbn DA & connection income includes receipts from nbn co for disconnecting customers from our legacy network, and one-off income from customers to connect to the nbn network. Income decreased by 81.0 per cent to \$72 million as the nbn migration nears completion.

Other

Other income increased by 42.5 per cent to \$1,076 million including external and internal product income. Other product external income increased by \$84 million to \$548 million including Telstra Health and Telstra Energy. Telstra Health income increased by \$62 million to \$305 million including organic growth and prior year MedicalDirector and PowerHealth acquisitions. Telstra Energy income increased by \$47 million from energy generation revenue and fair value gains on energy firming derivatives.

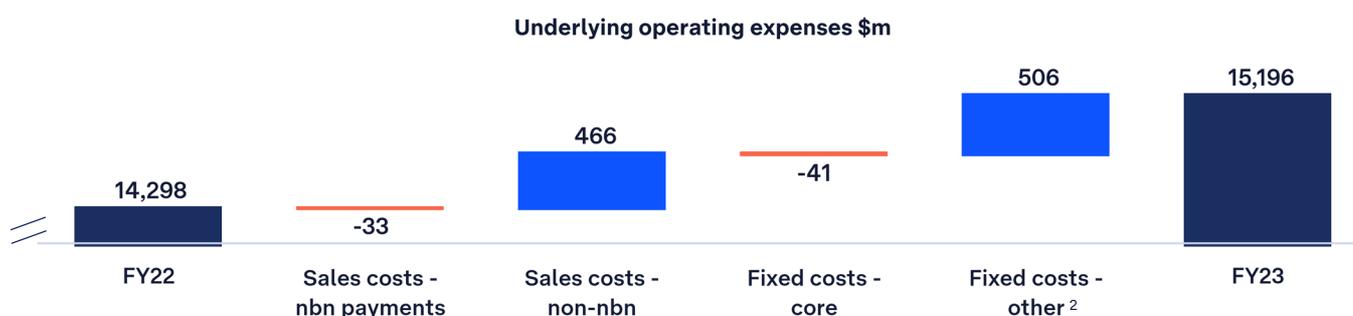
Other product internal income increased by \$237 million to \$528 million post our corporate restructure.

Eliminations

Eliminations for internal income increased to \$2,043m comprising \$1,067 million in InfraCo Fixed, \$335 million in Amplitel, \$113 million in International and \$528 million in Other.

Expense performance

| Operating expenses ¹ | FY23 | FY22 | Change | |
|--|---------------|---------------|------------|------------|
| | \$m | \$m | \$m | % |
| nbn payments | 2,048 | 2,081 | (33) | (1.6) |
| Non-nbn | 5,914 | 5,448 | 466 | 8.6 |
| Sales costs | 7,962 | 7,529 | 433 | 5.8 |
| Core | 6,622 | 6,663 | (41) | (0.6) |
| Other ² | 612 | 106 | 506 | n/m |
| Fixed costs | 7,234 | 6,769 | 465 | 6.9 |
| Underlying | 15,196 | 14,298 | 898 | 6.3 |
| One-off nbn DA and nbn cost to connect | 35 | 145 | (110) | (75.9) |
| Guidance adjustments ³ | 125 | 315 | (190) | (60.3) |
| Total | 15,356 | 14,758 | 598 | 4.1 |



¹ The data in this table includes adjustments to historical numbers to reflect changes in sales and fixed costs. Core fixed costs include commissions.

² Other fixed costs include Telstra Health; and current and prior year acquisitions including Digicel Pacific, Alliance Automation and Aqura Technologies.

³ Guidance adjustments include material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.

Total operating expenses increased by 4.1 per cent to \$15,356 million. Excluding Digicel Pacific, total operating expenses increased by 3.6 per cent. Adjusted for one-off nbn costs and guidance adjustments, underlying operating expenses increased by \$898 million or 6.3 per cent due to higher sales and fixed costs, including \$382 million for Digicel Pacific.

Sales costs, which are direct costs associated with revenue and customer growth, increased by 5.8 per cent to \$7,962 million. This included a \$466 million increase in non-nbn sales costs, associated with higher mobile hardware sales volumes, and including \$126 million of Digicel Pacific sales costs.

Core fixed costs decreased by 0.6 per cent or \$41 million with productivity gains partly offset by cost inflation (labour and non-labour including energy), and costs associated with onshoring of contact centres. Productivity gains included process simplification and improvement across back of house and support functions.

Other fixed costs increased by \$506 million including \$256 million for Digicel Pacific, and fixed costs associated with prior year acquisitions such as Alliance Automation, Aqura Technologies, MedicalDirector and PowerHealth.

One-off nbn DA and nbn cost to connect declined by 75.9 per cent as the nbn migration nears completion.

Guidance adjustments for operating expenses decreased by \$190 million mostly due to prior period transaction costs relating to InfraCo Towers (now Amplitel); and prior period transaction and integration costs related to our MedicalDirector and PowerHealth acquisitions.

Operating expenses on a statutory reported basis

Our progress on achieving our productivity target is reported through the above operating expenses table. The detail below provides commentary on operating expenses as disclosed in our statutory accounts.

| Operating expenses on a statutory reported basis | FY23 | FY22 | Change |
|--|---------------|---------------|------------|
| | \$m | \$m | % |
| Labour | 3,967 | 3,620 | 9.6 |
| Goods and services purchased | 8,511 | 8,228 | 3.4 |
| Net impairment losses on financial assets | 90 | 98 | (8.2) |
| Other expenses | 2,788 | 2,812 | (0.9) |
| Total | 15,356 | 14,758 | 4.1 |

Labour

Total labour expenses increased by 9.6 per cent or \$347 million to \$3,967 million. Salary and associated costs increased by \$351 million due to increased total direct full time staff equivalents (FTE), wage inflation as agreed in our Enterprise Agreement and insourcing of our retail stores. Total direct FTE increased by 9.9 per cent or 2,872 to 31,761 largely due to acquisitions (including Digicel Pacific) and conversion of contact centre workforce from indirect to direct FTE.

Goods and services purchased

Total goods and services purchased increased by 3.4 per cent or \$283 million to \$8,511 million. Cost of goods sold, which includes mobile handsets and accessories, tablets, mobile broadband hardware, modems and other fixed hardware, increased by 7.7 per cent or \$205 million to \$2,853 million mainly due to higher postpaid mobile hardware volumes and inclusion of Digicel Pacific hardware sales costs following acquisition. Network payments increased by 1.6 per cent or \$51 million mostly due to inclusion of Digicel Pacific network payments following acquisition.

Other expenses

Total other expenses decreased by 0.9 per cent or \$24 million to \$2,788 million. Impairment losses (excluding net losses on financial assets) decreased by 10.4 per cent or \$15 million including lower deferred commissions due to insourcing of our retail channel. Excluding impairment, other expenses decreased by \$9 million due to cost reduction initiatives partly offset by higher energy costs and inclusion of Digicel Pacific other expenses following acquisition.

Foreign currency impacts

For the purposes of reporting our consolidated results, the translation of foreign operations denominated in foreign currency to Australian dollars (AUD) increased our sales revenue by \$71 million. This foreign exchange impact was partly offset by an increase in expenses by \$50 million across labour, goods and services purchased, and other expenses resulting in a favourable EBITDA contribution of \$21 million.

Depreciation and amortisation

Depreciation and amortisation increased by 2.6 per cent or \$112 million to \$4,470 million. Amortisation of intangible assets increased by 22.8 per cent or \$273 million due to the inclusion of Digicel Pacific and higher software amortisation associated with the exit of legacy systems. Depreciation of property, plant and equipment decreased by \$148 million including net reduction from an assessment of useful lives and a subset of legacy copper assets being fully depreciated in the prior period. Depreciation of

right-of-use assets decreased by \$13 million.

Net finance costs

Net finance costs increased by 26.9 per cent or \$112 million to \$529 million due to a \$126 million increase in interest on borrowings and \$9 million reduction in finance income; partly offset by a \$23 million net reduction in other financing items (as set out in note 4.4.3 in the Financial Report).

Interest on borrowings increased due to higher interest rates and higher average gross debt. Our average gross borrowing rate increased from 3.7 per cent to 4.6 per cent reflecting higher market interest rates and higher average borrowing rates on the non-recourse borrowing facilities used to fund the majority of the consideration for the Digicel Pacific acquisition. Our borrowing portfolio is around 70 per cent fixed.

Cash flows

| Operating expenses on a reported basis | FY23 | FY22 | Change |
|---|--------------|--------------|---------------|
| | \$m | \$m | % |
| Net cash provided by operating activities | 6,802 | 7,249 | (6.2) |
| Net cash used in investing activities | (5,951) | (3,395) | (75.3) |
| - Capital expenditure (before investments) | (3,870) | (3,094) | (25.1) |
| - Other investing cash flows | (2,081) | (301) | n/m |
| Free cashflow | 851 | 3,854 | (77.9) |
| Net cash used in financing activities | (969) | (3,971) | 75.6 |
| Net decrease in cash and cash equivalents | (118) | (117) | (0.9) |
| Cash and cash equivalents at the beginning of the period | 1,040 | 1,125 | (7.6) |
| Effects of exchange rate changes on cash and cash equivalents | 10 | 32 | (68.8) |
| Cash and cash equivalents at the end of the period | 932 | 1,040 | (10.4) |

Free cashflow used in operating and investing activities was \$851 million representing a decrease of \$3,003 million due to reduction in net cash provided by operating activities and increase in net cash used in investing activities. Significant acquisitions included Digicel Pacific and Fetch TV in this period; and Alliance Automation, Aqura Technologies, MedicalDirector, PowerHealth and Fone Zone in the prior period.

Net cash provided by operating activities decreased by \$447 million to \$6,802 million mainly due to a \$1,653 million increase in payments to suppliers and employees, partly offset by a \$1,320 million increase in receipts from customers. The reduction in net cash provided by operating activities included higher reported EBITDA; offset by a \$33 million investment in working capital this period compared to a \$923 million working capital benefit in the prior period from reduced receivables including lower handset sales.

Net cash used in investing activities increased by \$2,556 million to \$5,951 million. This included a \$1,717 million increase in payments for shares in controlled entities mostly due to the acquisition of Digicel Pacific. Payments for intangible assets increased by \$478 million including increased spend on software and spectrum renewals.

Accrued capital expenditure on a guidance basis was \$3,597 million or 16.1 per cent of sales revenue. This included approximately \$100 million for Digicel Pacific and \$300 million of strategic investment for the inter-city fibre and Viasat infrastructure projects.

Net cash used in financing activities decreased by \$3,002 million to \$969 million. This decrease included an increase in net proceeds from borrowings of \$3,840 million, \$923 million of proceeds from the issue of equity-like securities to Export Finance Australia as part funding for the Digicel Pacific acquisition, and prior period payment of \$1,350 million for share buy back; partly offset by prior period proceeds of \$2,883 million from disposal of a 49 per cent interest in our towers business (now Amplitel).

On a guidance basis, free cashflow after operating lease payments was \$2,784 million. Free cashflow after operating lease payments on a guidance basis excludes mergers and acquisitions (\$2,595 million including Digicel Pacific) and spectrum payments (\$112 million); and includes lease payments (\$774 million).

Debt position

| Debt issuance | FY23 | Debt repayments | FY23 |
|--|--------------|------------------------|--------------|
| | \$m | | \$m |
| Euro bond | 837 | Euro bond | 1,248 |
| AUD bond | 650 | AUD bond | 500 |
| Revolving bank facilities (net) | 904 | Bank loan AUD | 150 |
| Debt facilities with Australian Government | 1,127 | Other loans | 61 |
| Bilateral bank and other loans | 16 | Commercial paper (net) | 15 |
| Total | 3,534 | Total | 1,974 |

Our gross debt position was \$15,350 million comprising borrowings of \$12,675 million, lease liabilities of \$3,191 million, partly offset by \$516 million in net derivative assets.

Gross debt increased by 11.6 per cent or \$1,590 million reflecting debt issuance of \$3,534 million, \$30 million of non-cash increase and net movement in lease liabilities, partly offset by debt repayments of \$1,974 million including commercial paper (net). Debt issuance included 8-year €500 million Euro bond (\$837 million Australian dollar equivalent), 5-year \$650 million Australian dollar bond, \$904 million in revolving bank facilities (net); and \$1,127 million in non-recourse debt facilities entered into with the Australian Government through Export Finance Australia for the funding of the Digicel Pacific acquisition.

Net debt increased by 13.3 per cent or \$1,698 million to \$14,418 million reflecting the increase in gross debt and \$108 million decrease in cash holdings.

| Financial settings | FY23 | Comfort zone |
|-----------------------------|-------|--------------|
| Debt servicing ¹ | 1.8x | 1.5x to 2.0x |
| Gearing ² | 44.7% | 50% to 70% |
| Interest cover ³ | 12.8x | >7x |

¹ Debt servicing ratio is calculated as net debt/EBITDA.

² Gearing ratio is calculated as net debt/total net debt plus equity.

³ Interest cover is calculated as EBITDA/net interest on debt (excluding capitalised interest and non-cash accounting impacts within net finance costs).

We remain within our comfort zones for our credit metrics. Our debt servicing is 1.8 times including impact from our acquisition of Digicel Pacific, gearing ratio is 44.7 per cent and interest cover is 12.8 times.

Financial position

| Summary statement of financial position | FY23 | FY22 | Change |
|---|---------------|------------------------------|-------------|
| | \$m | Restated ¹ \$m | |
| Current assets | 6,733 | 6,260 | 7.6 |
| Non-current assets | 38,296 | 35,368 | 8.3 |
| Total assets | 45,029 | 41,628 | 8.2 |
| Current liabilities | 10,092 | 9,698 | 4.1 |
| Non-current liabilities | 17,121 | 14,954 | 14.5 |
| Total liabilities | 27,213 | 24,652 | 10.4 |
| Net assets | 17,816 | 16,976 | 4.9 |
| Total equity | 17,816 | 16,976 | 4.9 |
| Return on invested capital (%) | 7.9 | 7.1 | 0.8pp |
| Return on average equity (%) | 12.5 | 11.3 | 1.2pp |

¹ The data in this table includes adjustments to historical liabilities, net assets and total equity. Refer to Note 1.7 in the Financial report for further detail.

Our balance sheet is in a strong position with net assets of \$17,816 million. The acquisition of Digicel Pacific increased net assets by \$1,058 million at acquisition date. Refer to Note 6.1.2(a) in the Financial Report for further detail on Digicel Pacific.

Current assets increased by 7.6 per cent to \$6,733 million. Derivative financial assets increased by \$143 million due to instruments maturing in the next 12 months and valuation impacts offset by maturities. Trade and other receivables and contract assets increased by \$142 million due to increased trade receivables from contracts with customers including for Digicel Pacific. The allowance for doubtful debts in respect of all our trade and other receivables and contracts assets reduced by \$17 million in the period. Prepayments increased by \$93 million including for Digicel Pacific and software licences. Current tax receivables increased by \$135 million due to lower taxable profit and higher PAYG instalments compared to prior year. Inventories increased by \$70 million including due to insourcing of Telstra branded retail stores and to mitigate supply chain issues. Cash and cash equivalent decreased by \$108 million.

Non-current assets increased by 8.3 per cent to \$38,296 million. The increase was mostly due to intangible assets increasing by \$2,834 million due to acquisitions including Digicel Pacific. Property, plant and equipment increased by \$484 million due to additions, including Digicel Pacific, exceeding depreciation expenses. Trade and other receivables and contract assets increased by \$156 million consistent with current trade and other receivables. Derivative financial assets decreased by \$179 million mostly due to instruments maturing in the next 12 months and valuation impacts. Deferred contract costs decreased by \$150 million due to a reduction in commissions paid and deferred following the insourcing of retail stores. Investments accounted for using the equity method decreased by \$128 million including reduction in fair value of investments held by Telstra Ventures recognised in other comprehensive income.

Current liabilities increased by 4.1 per cent to \$10,092 million. Trade and other payables increased by \$156 million including for Digicel Pacific, partly offset by payment of stamp duty in the period relating to Amplitel. Other provisions increased by \$167 million including Digicel Pacific.

Non-current liabilities increased by 14.5 per cent to \$17,121 million. The increase was primarily due to borrowings increasing by \$1,721 million including non-recourse debt used for funding the acquisition of Digicel Pacific. Deferred tax liabilities increased by \$434 million due to the inclusion of deferred tax liabilities recognised by Digicel Pacific and resulting business combination adjustments. Contract liabilities and other revenue received in advance increased by \$146 million including Digicel Pacific.

Guidance versus reported results

This schedule details adjustments made to the reported results for the current and comparative periods to reflect the performance of the business on the basis on which we provided guidance to the market, which excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. Free cashflow after lease payments (FCFaL) defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities', and excludes spectrum and guidance adjustments.

The following adjustments provide a detailed reconciliation from reported to guidance results for each guidance measure:

| | Total Income | | | Underlying EBITDA | | | Free Cashflow | |
|---------------------------------------|---------------|---------------|---------------------------------------|-------------------|--------------|---------------------------------------|---------------|--------------|
| | FY22 | FY23 | | FY22 | FY23 | | FY22 | FY23 |
| | \$m | \$m | | \$m | \$m | | \$m | \$m |
| Reported Total Income | 22,045 | 23,245 | Reported EBITDA | 7,256 | 7,862 | Reported Free Cashflow | 3,854 | 851 |
| <i>Adjustments</i> | | | | | | | | |
| M&A adjustment ¹ | (87) | 0 | M&A adjustment ¹ | 157 | 34 | M&A adjustment ¹ | 841 | 2,595 |
| Restructuring costs ² | n/a | n/a | Restructuring costs ² | 71 | 91 | Restructuring costs ² | n/a | n/a |
| Net one-off NBN receipts ³ | n/a | n/a | Net one-off NBN receipts ³ | (233) | (37) | Net one-off NBN receipts ³ | n/a | n/a |
| Spectrum payments ⁴ | n/a | n/a | Spectrum payments ⁴ | n/a | 0 | Spectrum payments ⁴ | 41 | 112 |
| Lease ⁵ | n/a | n/a | Lease ⁵ | 0 | 0 | Lease ⁵ | (775) | (774) |
| Guidance Total Income | 21,958 | 23,245 | Guidance Underlying EBITDA | 7,251 | 7,950 | Guidance Free Cashflow | 3,961 | 2,784 |

The adjustments set out in the above tables have been reviewed by our auditor for consistency with the guidance basis as set out on this page.

Note:

1 Adjustments relating to acquisitions and disposals of controlled entities, joint ventures, associates and other investments and any associated net gains or losses and contingent consideration. Consistent with the guidance we provided to the market we are not adjusting (removing) FY23 Income, EBITDA or Free Cashflow for the trading results of these acquisitions.

During FY22 we disposed of a 49 per cent interest in our towers business to non-controlling interests and acquired:

- Power Solutions Holdings Pty Ltd and its subsidiaries (PowerHealth);
- Clinical Technology Holdings Pty Ltd and its subsidiaries (MedicalDirector);
- Alliance Automation Pty Ltd and its subsidiary;
- Aqura Technologies Pty Ltd; and
- Fone Zone Pty Ltd (Fone Zone) and its controlled entities and multiple individually immaterial retail stores from various licensees.

During FY23 we paid stamp duty relating to Amplitel Pty Ltd (Amplitel) and acquired:

- Digicel Pacific Limited and its subsidiaries (Digicel Pacific);
- Media Innovations Holdings Pty Ltd and its subsidiaries (Fetch TV).

2 Adjustments for the strategic focus (T22 program) to establish a standalone infrastructure business, simplify structure, improve customer experience and cut costs. FY23 adjustments include costs for Telstra's legal restructure including legal and IT costs.

3 Adjustments for net one-off nbn receipts which is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA and Infrastructure Ownership) less nbn net cost to connect.

4 Adjustment relating to the impact on free cashflow associated with our spectrum purchases and renewals for FY23 including:

- \$29M for renewal of our national spectrum licence in the 900 MHz band. We surrendered this licence in December 2022 and received a refund from ACMA of \$16m
- \$57M for renewal of our national spectrum licence in the 26 GHz band
- \$23M for renewal of our national spectrum licence in the 3.6 GHz band
- \$3M spectrum licence in the 850 MHz band
- \$16M payments for spectrum and apparatus licences in various spectrum bands

5 Adjustment to Free Cashflow for payment of lease liabilities and interest.

n/a Adjustment is not relevant to the respective guidance measure.

Directors' Report

Directors' Report

In accordance with a resolution of the Board, the Directors present their report on the consolidated entity (Telstra Group) consisting of Telstra Group Limited (Telstra) and the entities it controlled at the end of, or during, the year ended, 30 June 2023. Financial comparisons used in this report are of results for the year ended 30 June 2023 compared with the results for the year ended 30 June 2022.

The historical financial information included in this Directors' Report has been extracted from the audited Financial Report accompanying this Directors' Report.

Principal activity

Our principal activity during the financial year was to provide telecommunications and information services for domestic and international customers. There has been no significant change in the nature of this activity during the year.

Review and results of operations

Information on the operations and financial position for the Telstra Group is set out in the Operating and Financial Review (OFR), comprising the Chairman and CEO's message, FY23 Financial Performance, FY23 Highlights, Strategy and performance, Our material risks, Outlook and Full year results and operations review sections accompanying this Directors' Report.

Dividend

The objectives of our Capital Management Framework are to maximise returns for shareholders, maintain financial strength and retain financial flexibility. The objectives of our Capital Management Framework are supported by the following principles:

- Committed to balance sheet settings consistent with an A band credit rating
- Maximise fully franked dividend and seek to grow over time¹
- Ongoing business-as-usual capex of circa \$3 billion per annum excluding spectrum²
- Invest for growth and return excess cash to shareholders.

On 16 February 2023, the Directors resolved to pay a fully franked interim dividend for the financial year 2023 of 8.5 cents per share.

On 17 August 2023, the Directors resolved to pay a fully franked final dividend for the financial year 2023 of 8.5 cents per share (\$982 million). The record date for the final dividend will be 31 August 2023, with payment to be made on 28 September 2023. Shares will trade excluding entitlement to the final dividend on 30 August 2023.

Further information regarding the financial year 2023 dividends is set out in the Full year results and operations review accompanying this Directors' Report.

The Board determined that the Dividend Reinvestment Plan (DRP) will continue to operate for the final dividend for the financial year 2023. The election date for participation in the DRP is 1 September 2023.

Dividends paid during the year were as follows:

| Dividend | Date resolved | Date paid | Fully franked dividend per share | Total dividend (\$m) |
|--|---------------|---------------|----------------------------------|----------------------|
| Total final dividend for the year ended 30 June 2022 | 11 Aug 2022 | 21 Sept 2022 | 8.5 cents | 982 |
| Total interim dividend for the year ended 30 June 2023 | 16 Feb 2023 | 31 March 2023 | 8.5 cents | 982 |

¹ The dividend is subject to no unexpected material events and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with the Telstra Group's capital management framework.

² Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.

Significant changes in the state of affairs

During the reporting period, Telstra Corporation Limited implemented a scheme of arrangement (Scheme) to support the restructure of the Telstra Group (Restructure) first announced in November 2020. The Restructure was an internal legal reorganisation and did not, by itself, result in any immediate change to the underlying assets or business activities of the Telstra Group.

The Scheme was comprised of two components: the top hat component which established the Telstra Entity as the parent entity of the Telstra Group, and the business restructure component which was used to transfer certain assets and liabilities within the Telstra Group. The Restructure also involved certain other steps in addition to the Scheme. While these steps were completed over a period of time, for accounting purposes, all the steps should be considered together as they were undertaken in contemplation of the Restructure as a whole.

The top hat component of the Scheme was implemented on 31 October 2022 and the business restructure component of the Scheme was implemented on 1 January 2023.

On implementation of the top hat component, all of the shares in Telstra Corporation Limited (11,554,427,353 in total) were transferred to the Telstra Entity in exchange for the issue of 11,554,427,353 shares in Telstra Group Limited to eligible Telstra Corporation Limited shareholders under the Scheme, and Telstra Group Limited became the parent entity of Telstra Corporation Limited and its controlled entities.

On 31 October 2022, Telstra Group Limited became the new head entity of the Australian tax consolidated group.

On 30 November 2022, Telstra Group Limited became the sponsoring employer in our Telstra Superannuation Scheme.

On 1 January 2023, the final steps of the Restructure (including the business restructure component of the Scheme) were completed. Those steps involved Telstra Corporation Limited transferring the retail and active wholesale business assets and liabilities and related investments to Telstra Limited, and the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities. Telstra Corporation Limited also transferred its interest in Telstra Towerco No.2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited. Following the Restructure, Telstra Corporation Limited continues to operate our passive fixed infrastructure business and service our nbn Definitive Agreements.

The businesses and investments transferred between Telstra Corporation Limited and Telstra Group Limited or other entities within the Telstra Group under the Restructure did not result in business combinations for accounting purposes. Accordingly, the Restructure was accounted for as an internal reorganisation, i.e. assets and liabilities transferred were recognised at their existing values in the statement of financial position. From the Telstra Group perspective, the internal reorganisation transfers eliminate on consolidation, i.e. they do not impact the Telstra Group financial results.

Accordingly, the consolidated financial statements have been presented as a continuation of the existing financial performance and financial position of the Telstra Group. As such, as at and for the period ended 30 June 2023, the consolidated financial statements of the Telstra Group include the historical financial information of the Telstra Group for both the period before and after the Restructure.

Refer to notes 1.2, 6.1 and 7.3 of the 2023 financial report for further details about the Restructure.

Business strategies, prospects and likely developments

The OFR sets out information on Telstra's business strategies and prospects for future financial years, and refers to likely developments in Telstra's operations and the expected results of those operations in future financial years. Information in the OFR is provided to enable shareholders to make an informed assessment of the business strategies and prospects for future financial years of the Telstra Group. Detail that could give rise to likely material detriment to Telstra (for example, information that is commercially sensitive, is confidential or could give a third party a commercial advantage) has not been included. Other than the information set out in the OFR, information about other likely developments in Telstra's operations and the expected results of those operations in future financial years has not been included.

Events occurring after the end of the financial year

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected, or may significantly affect in future years, Telstra's operations, the results of those operations or the state of Telstra's affairs, other than the final dividend for the financial year 2023 and that the DRP will operate in respect of that dividend.

Refer to note 7.5, Events after reporting date, of the 2023 Financial Report for details.

Details of Directors and executives

Changes to the Directors of the parent entity of the Telstra Group (i.e. Telstra Corporation Limited prior to 31 October 2022 and Telstra Group Limited on and from 31 October 2022) during the financial year and up to the date of this report were:

- Andrew R Penn (MBA (Kingston), AMP (Harvard), FCCA, HFAIPM) retired as Managing Director and Chief Executive Officer on 31 August 2022. Mr Penn joined the Board in May 2015.
- Vicki Brady commenced as Managing Director and Chief Executive Officer on 1 September 2022.
- Nora L Scheinkestel (LLB (Hons), PhD, FAICD) retired as a non-executive Director on 11 October 2022. Dr Scheinkestel joined the Board in August 2010 and was a member of the Audit & Risk Committee (previously Chairman Audit & Risk Committee 2012-2019), the Nomination Committee and the People & Remuneration Committee.
- Ming Long joined as a non-executive Director on 1 January 2023.
- Maxine Brenner joined as a non-executive Director on 17 February 2023.

Information about our Directors and Senior Executives is provided as follows:

- names of our current Directors and details of their qualifications, experience, special responsibilities, periods of service and directorships of other listed companies are set out in the Board of Directors section accompanying this Directors' Report
- details of Director and Senior Executive remuneration are set out in the Remuneration Report, which forms part of the Directors' Report.

Board and Committee meeting attendance

Details of the number of meetings held by the Board and its Committees during financial year 2023², and attendance by Board members, are set out below:

| | Board | | Committees ⁶ | | | | | |
|--------------------------------------|-------|----|-------------------------|-------|------------|-----|-------------------------|-----|
| | | | Audit and Risk | | Nomination | | People and Remuneration | |
| | a | b | a | b | a | b | a | b |
| John Mullen | 12 | 11 | - | (5) | 6 | 6 | - | (1) |
| Vicki Brady ³ | 10 | 10 | - | (8) | - | (5) | - | (3) |
| Andrew R Penn ⁴ | 2 | 2 | - | (2) | - | (1) | - | (1) |
| Eelco Blok | 12 | 12 | - | (2) | 6 | 6 | - | - |
| Maxine Brenner ³ | 4 | 4 | 3 | 3 | 2 | 2 | - | - |
| Roy H Chestnutt | 12 | 12 | 10 | 10 | 6 | 6 | - | - |
| Craig W Dunn | 12 | 12 | 10 | 10 | 6 | 5 | - | - |
| Ming Long ³ | 6 | 6 | 5 | 5 | 3 | 3 | 1 | 1 |
| Bridget Loudon ⁵ | 12 | 12 | - | (2) | 6 | 5 | 2 | 1 |
| Elana Rubin | 12 | 12 | 4 | 6 (2) | 6 | 6 | 4 | 4 |
| Nora L Scheinkestel ⁴ | 3 | 3 | 3 | 3 | 1 | 1 | 2 | 2 |
| Niek Jan van Damme | 12 | 12 | - | (2) | 6 | 6 | 4 | 4 |
| Total number of meetings held | 12 | | 10 | | 6 | | 4 | |

Column a: number of meetings held while a member. Column b: number of meetings attended.

1. Committee meetings are open to all Directors to attend. Where a Director has attended a meeting of a Committee of which he or she was not a member, this is indicated by ().
2. The details of the number of meetings held by the Board and its Committees and attendance by Board members are reflective of Board and Committee meetings of Telstra Corporation Limited prior to 31 October 2022 and Telstra Group Limited on and from 31 October 2022.
3. Vicki Brady commenced as Chief Executive Officer and Managing Director on 1 September 2022, Ming Long joined as a non-executive Director on 1 January 2023, and Maxine Brenner joined as a non-executive Director on 17 February 2023.
4. Andrew R Penn retired as Chief Executive Officer and Managing Director on 31 August 2022. Nora L Scheinkestel retired as a non-executive Director on 11 October 2022.
5. The Board granted Bridget Loudon leave of absence from 1 May to 30 June 2023.
6. From time to time the Board establishes ad hoc committees to support the Board in carrying out its responsibilities. Details of those ad hoc committees have not been included in the table.

Director shareholdings in Telstra

Details of Directors' shareholdings in Telstra as at 17 August 2023 are shown in the table below:

| Director | Number of shares held ¹ |
|--------------------------|------------------------------------|
| John P Mullen | 126,159 |
| Vicki Brady ² | 771,888 |
| Eelco Blok | 75,000 |
| Maxine Brenner | - |
| Roy H Chestnutt | 70,000 |
| Craig W Dunn | 70,073 |
| Ming Long | 51,589 |
| Bridget Loudon | 12,500 |
| Elana Rubin | 67,961 |
| Niek Jan van Damme | 77,000 |

1. The number of shares held refers to shares held either directly or indirectly by Directors as at 17 August 2023. Shares in which the Director does not have a relevant interest, including shares held by the Directors' related parties (including relatives), are excluded. Refer to the Remuneration Report tables for total shares held by Directors and their related parties directly, indirectly or beneficially as at 30 June 2023.

2. Vicki Brady also holds 760,902 Performance Rights.

Group Company Secretary

Sue Laver BA, LLB (Hons) (Monash), GAICD, FGIA

Sue was appointed Company Secretary of Telstra Corporation Limited effective 1 February 2018 and of Telstra Group Limited effective 31 May 2021.

Sue is a senior legal and governance professional with over 20 years' experience advising senior management and boards. Sue reports to the board and her duties include continuous disclosure compliance, corporate governance and communication with Telstra's around 1.2 million shareholders.

Sue joined Telstra in 1997 and has served in senior legal roles throughout the company including as Deputy Group General Counsel, and General Counsel roles across the company including: Dispute Resolution, HR, Finance, Risk and Compliance, Media and Telstra Country Wide.

She holds a Bachelor of Laws (Hons) and a Bachelor of Arts from Monash University.

Directors' and officers' indemnity and insurance

(a) Constitution

Telstra's constitution contains permissive provisions allowing it to indemnify, to the maximum extent permitted by law:

- certain officers of Telstra and its related bodies corporate (Telstra Officers), for any liability and legal costs which they may incur in that capacity;
- certain employees of Telstra and its related bodies corporate (Telstra Employees), for any liability which they may incur in that capacity; and
- Telstra Officers and Telstra Employees, for any liability which they may incur as a director or other officer of a company that is not related to Telstra.

(b) Deeds of indemnity

Telstra has also executed deeds of indemnity in favour of past and present (amongst others):

- directors, secretaries, senior managers and public officers of Telstra and its wholly owned controlled subsidiaries;
- certain directors, secretaries, senior managers and other specified positions of Telstra's partly-owned companies; and
- certain Telstra Group directors, employees and other persons that act as nominee directors or secretaries, or in other positions (at Telstra's request) for entities or industry associations,

in each case as permitted under Telstra's constitution and the Corporations Act 2001 (the Act).

The deeds in favour of Directors of Telstra also give Directors certain rights of access to Telstra's books and require Telstra to use best endeavours to maintain insurance cover for the Directors.

(c) Directors' and officers' insurance

Telstra maintains directors' and officers' insurance policies that, subject to some exceptions, provide worldwide insurance cover to past, present and future directors, secretaries and officers and certain employees of Telstra and its subsidiaries and, in certain limited circumstances, other entities. Telstra has paid the premiums for these policies. The directors' and officers' insurance policies prohibit disclosure of the premiums payable under the policies and the nature of the liabilities insured.

Environmental regulation and performance

Telstra, as a minimum, seeks to be compliant with all applicable environmental laws and regulatory obligations relevant to its operations. Where instances of non-compliance may occur, Telstra has procedures requiring that internal investigations are conducted to determine the cause of the non-compliance and to ensure that any risk of recurrence is minimised. Telstra's procedures further require that the relevant government authorities are notified of any environmental incidents (where applicable) in compliance with statutory requirements. Telstra complies with notices issued by government authorities and regulators.

(a) Prosecutions or convictions

Telstra has not been prosecuted for, or convicted of, any significant breaches of environmental regulation during the financial year.

(b) Energy and greenhouse emissions

In Australia, Telstra is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007, which requires Telstra to report its annual Australian greenhouse gas emissions, energy consumption and energy production. Telstra has implemented systems and processes for the collection and reporting of data and has, in accordance with our obligations, reported to the Clean Energy Regulator on an annual basis. The next report is due on 31 October 2023 and will again be supported with an independent assurance report.

In the United Kingdom, Telstra is subject to the Energy Savings Opportunity Scheme (ESOS) Regulations 2014. Telstra qualifies for ESOS and must carry out energy savings assessments every four years. These assessments are audits of the energy used by our buildings, network facilities and transport to identify cost-effective energy saving measures. Telstra has met its obligations under ESOS for all compliance periods to date, being those first two compliance periods ended 5 December 2015 and 5 December 2019.

For more information on environmental performance, including environmental regulation, refer to the 2023 Sustainability Report, which is available from 1 September 2023 online at telstra.com/sustainability/report.

Non-audit services

During the financial year 2023, Telstra's auditor, Ernst & Young (EY), has been engaged on assignments additional to its statutory audit duties. Details of the amounts paid or payable to EY for audit and non-audit services provided during the financial year are detailed in note 7.1 to the financial statements in our 2023 Financial Report.

The Directors are satisfied, based on advice provided by the Audit & Risk Committee, that the provision of non-audit services during the financial year 2023 is consistent with the general standard of independence for auditors imposed by the Act and that the nature and scope of each type of non-audit service provided did not compromise the auditor independence requirements of the Act for the following reasons:

- all EY engagements, including non-audit services, were approved in accordance with the external auditor services policy adopted by Telstra and subject to confirmation by EY that the provision of these services does not compromise auditor independence;
- the external auditor services policy clearly identifies prohibited services, which include reviewing or auditing the auditor's own work or EY partners or staff acting in a managerial or decision-making capacity for Telstra; and
- the provision of non-audit services by EY is monitored by the Audit & Risk Committee via periodic reporting to the Audit & Risk Committee.

A copy of the auditor's independence declaration is set out in the Auditor's Independence Declaration to the Directors of Telstra Group Limited and forms part of this report.

Message from the People and Remuneration Committee Chair

Dear fellow shareholders,

On behalf of your company's People and Remuneration Committee, I am pleased to present Telstra's FY23 Remuneration Report.

FY23 is the first year of delivery against our T25 strategy to improve customer experience, build sustainable growth, enhance our reputation, and further invest in our network and technology leadership. The Board continues to balance this strategic momentum and the interests of shareholders while motivating and retaining the best management talent that we can attract.

While the Remuneration Report focuses on the remuneration of our senior management, the People and Remuneration Committee has spent much time overseeing the significant investment in talent and skills enhancement in our company that underpins our T25 strategy. We have focused on promoting an environment that is inclusive, accessible and supportive and have elevated employee engagement and culture to support these ambitions.

Senior Executive changes in FY23

During the year our previously announced changes to our Senior Executive team took effect with the departure of Andrew Penn, our former CEO, and Alex Badenoch, our former Group Executive Transformation, Communications and People. We are very grateful for their leadership in their time at Telstra. Other changes were the promotion of Vicki Brady to CEO, Michael Ackland to CFO and the commencement of Brad Whitcomb as Group Executive Consumer and Small Business (C&SB). We were also very pleased to appoint two new non-executive directors to our board, Ming Long and Maxine Brenner, and thank Nora Scheinkestel who retired from the Board in October 2022 for her significant contribution throughout her time on the Board. Further details on these changes are provided in the Key Management Personnel Section of our Remuneration Report.

FY23 executive remuneration outcomes

Telstra's Executive Variable Remuneration Plan (EVP) is designed to ensure a significant portion of remuneration is variable and at-risk. Individual outcomes under the EVP depend on performance against primary performance measures (comprising financial, customer, and strategic measures) and the Performance Rights component is also subject to a secondary performance measure (being Telstra's Relative Total Shareholder Return (RTSR) performance condition).

As we noted in our last Remuneration Report, in FY23 the percentage of variable remuneration payable at target (200%) and maximum performance (300%) was aligned for the CEO and the Group Executives (GEs), and Individual EVP Outcomes were determined by multiplying the EVP Scorecard Outcome by a percentage, based on each Senior Executive's individual performance. Of course, the Board continues to have complete discretion in determining the final outcomes. Further details are provided in Section 2.3 of our Remuneration Report.

The FY23 primary performance measures and targets were selected by the Board to ensure that the CEO and GEs delivered against the first year of our T25 strategy, and their rewards are directly linked to individual contribution, company performance and long-term shareholder value creation. The key remuneration outcomes under the FY23 EVP include:

- The CEO's Individual EVP Outcome was 75.0% of the maximum opportunity.
- The average Individual EVP Outcome for all other Senior Executives (i.e. excluding the CEO) was 62.1% of the maximum opportunity.

Positive outcomes were achieved across many of the financial and non-financial primary performance measures for FY23 demonstrating strong delivery against our FY23 Corporate Plan and T25 strategy. The Board determined that the primary performance measure outcomes and the EVP Scorecard Outcome would be driven by the results achieved and no adjustments were made. Further detail regarding the key FY23 remuneration outcomes for the CEO and other Senior Executives and our non-executive director fees is provided in our Remuneration Report that follows this letter.

Vesting of the FY19 EVP Performance Rights was assessed over the five year performance period of 1 July 2018 to 30 June 2023 against the RTSR metric. The FY19 EVP Performance Rights vested at 100% based on RTSR at the 93rd percentile relative to the

peer group over the performance period. Further details are provided in Section 2.4 of our Remuneration Report.

Diversity, Equity and Inclusion

Telstra recognises that strong diversity, equity and inclusion at work drives strong performance. We remain committed to addressing barriers to achieving greater diversity, equity and inclusion and encourage you to read about our initiatives in our 2023 Corporate Governance Statement when it is released on 1 September 2023.

This year, we were proud to extend our parental leave provisions to non-executive directors. Bridget Louden was the first Telstra non-executive director to access paid parental leave and we look forward to this provision supporting greater diversity of non-executive directors in the future.

Looking ahead

In FY24 we were delighted to welcome our new Group Executive People, Culture and Communications, Kathryn van der Merwe, who commenced on 3 July 2023.

The Board conducts a market review of Senior Executive remuneration and Board fees on an annual basis and there will be some increases in FY24. Further details are provided in Sections 3.1(a) and 4.2 of our Remuneration Report.

We continue to provide market leading transparency and disclosure on our remuneration framework and targets for the coming year. These are disclosed in Section 4 of our Remuneration Report. This provides our shareholders with meaningful information to assess the suitability of our remuneration targets and outcomes. In setting performance measures for FY24, the Board sought to ensure the targets were robust and sufficiently demanding, considering the key deliverables and milestones outlined in our T25 strategy, planned financial outcomes contained within our FY24 Corporate Plan and FY24 guidance (as announced on 17 August 2023).

I especially want to take this opportunity to thank every Telstra employee for the great job you have done delivering the first year of our T25 strategy and positioning Telstra strongly for future growth. On behalf of the People and Remuneration Committee, I would also like to thank you for your support as a Telstra shareholder and invite you to read the full report in detail.



Elana Rubin

People and Remuneration Committee Chair

Remuneration Report

Remuneration Report

This audited report details the remuneration framework and outcomes for Key Management Personnel of Telstra for the year ended 30 June 2023 (FY23).

Remuneration at Telstra and FY23 Remuneration Outcomes – Key Highlights

The following table includes the key highlights and remuneration outcomes for FY23.

| Key area of focus | Highlights / Details |
|---|--|
|  Remuneration structure | <p>The following changes were made to the EVP in FY23:</p> <ul style="list-style-type: none"> • The threshold EVP opportunity for GEs was increased from 90% to 100% of Fixed Remuneration. The at-target EVP opportunity for GEs was increased from 180% to 200% of Fixed Remuneration. This aligns with the CEO's threshold and at-target EVP opportunity of 100% and 200% of Fixed Remuneration respectively. The maximum EVP opportunity of 300% of Fixed Remuneration for all Senior Executives remains unchanged. • We adjusted the way in which the Individual EVP Outcome is determined to better reflect market practice and using an approach that is more consistent with how we determine variable remuneration for other employees under our Short-Term Incentive (STI) plan. <ul style="list-style-type: none"> ○ The Individual EVP Outcome for each Senior Executive is now determined by multiplying the EVP Scorecard Outcome by a percentage reflecting the executive's individual performance relative to their peers in the executive team. ○ For each Senior Executive assessed with a performance rating of 3 (on our 1 to 5 scale), this percentage was in the range 90% to 110%. For those with a performance rating of 4 or 5, the percentage used was higher – as was appropriate to reflect their relative individual performance. <p>In all cases, the maximum possible Individual EVP Outcome is 300% of the executive's Fixed Remuneration.</p> <p>The Board continues to have complete discretion in determining the EVP Scorecard Outcome, each executive's multiplier and therefore each executive's Individual EVP Outcome. In determining any adjustments to the Individual EVP Outcomes in accordance with its decision framework, the Board considers (among other things) any material risk events identified, the severity of their impact, and the executive's accountability for the event.</p> <p>The FY23 EVP scorecard aligned with the Company's T25 Strategy. Refer to Section 2.2 for detail on the metrics and outcomes in FY23.</p> |

Key Management Personnel (KMP) covered in this report

Telstra's KMP are assessed each year and comprise the Directors of Telstra and the Senior Executives. The term "Senior Executives" refers to the CEO and those executives with authority and responsibility for planning, directing and controlling the activities of Telstra and the Group, directly or indirectly. Each KMP held their position for the whole of FY23, unless stated otherwise.

| Non-executive Directors | | Senior Executives | |
|---|--------------------|--|--|
| Current | Current | KMP Position | |
| John P Mullen | Vicki Brady | Chief Financial Officer and Group Executive (GE) Strategy and Finance (CFO) until 31 August 2022 and Chief Executive Officer & Managing Director (CEO) from 1 September 2022 | |
| Eelco Blok | | | |
| Maxine Brenner (from 17 February 2023) | Michael Ackland | GE Telstra Consumer & Small Business (C&SB) until 31 August 2022 and CFO from 1 September 2022 | |
| Roy H Chestnutt | Kim Krogh Andersen | GE Product & Technology (P&T) | |
| Craig W Dunn | David Burns | GE Telstra Enterprise (TE) | |
| Ming Long (from 1 January 2023) | Nikos Katinakis | GE Global Networks & Technology (GN&T) | |
| Bridget Loudon | Brendon Riley | GE and CEO Telstra InfraCo | |
| Elana Rubin | Dean Salter | GE Global Business Services (GBS) | |
| Niek Jan van Damme | Brad Whitcomb | GE C&SB from 16 January 2023 | |
| Former | Former | | |
| Nora L Scheinkestel (retired 11 October 2022) | Andrew Penn | CEO until 31 August 2022 | |
| | Alex Badenoch | GE Transformation, Communications & People (TC&P) until 23 December 2022 | |

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| 3. Non-executive Director remuneration | 3.1 FY23 Fee structure 3.2 Detailed remuneration and interests in Telstra shares |
| 4. Looking forward to FY23 | 4.1 Senior Executive Leadership Changes 4.2 FY24 Senior Executive Remuneration Framework 4.3 FY24 EVP Performance Measures and Targets |
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1.0 Policy

1.1 Remuneration policy, strategy and governance

Our remuneration policy and framework are designed to support our strategy and reinforce our culture and values. Further detail on our strategy is provided in Section C of this Annual Report under Strategy & Performance.

Our governance framework for determining Senior Executive remuneration includes the aspects outlined below.

(a) The People and Remuneration Committee



The People and Remuneration Committee assists the Board in discharging its responsibilities on matters relating to remuneration, people, culture, conduct and diversity and consists only of independent non-executive Directors.

| Among other things, the Committee: | | | | |
|---|---|---|--|--|
| Reviews Telstra's overall remuneration framework and makes recommendations to the Board on non-executive Director and Senior Executive remuneration | Monitors that Telstra's remuneration arrangements and outcomes encourage employees to pursue Telstra's strategy without rewarding conduct that is contrary to Telstra's values or risk appetite | Reviews selected people related risks and the risk management plans in place and monitors whether Telstra is operating within its risk appetite | Monitors the culture within Telstra and the effectiveness of management's initiatives to instil and reinforce Telstra's Values and compliance with Telstra's Code of Conduct | Reviews Senior Executive succession plans and talent development plans |

The Chair of the Audit and Risk Committee attends certain People and Remuneration Committee meetings. This provides an overview of the key issues considered by the Audit and Risk Committee that are likely to be relevant to the People and Remuneration Committee in assessing the remuneration outcomes for the CEO and the performance and remuneration outcomes for other Senior Executives. Information and papers considered by a Committee are also provided to other Committees and the Board as relevant.

Further detail about the People and Remuneration Committee and its responsibilities is provided in our Corporate Governance Statement and in the People and Remuneration Committee Charter, both of which are available at telstra.com/governance.

(b) Remuneration reviews

As part of its role, the People and Remuneration Committee reviews and recommends CEO and other Senior Executive remuneration packages that achieve a balance between fixed and variable pay, reflecting appropriate short and long-term performance objectives.

The People and Remuneration Committee has an established set of principles it follows in making recommendations on Senior Executive remuneration. Either at the time of a Senior Executive's appointment or as a part of an annual or ad-hoc remuneration review, the People and Remuneration Committee will consider a range of factors in making remuneration recommendations. Those considerations include internal and external relativity for roles of a similar size and complexity, any proven and persistent high performance and/or any notable increase in experience and contribution.

The People and Remuneration Committee reviews and makes recommendations to the Board (for final approval) on:

- the CEO's fixed and variable remuneration (having regard to the Board's assessment of the CEO's performance); and
- the fixed and variable remuneration and performance outcomes of other Senior Executives (having regard to the CEO's assessment of their performance).

(c) Incentive design and performance assessment

The People and Remuneration Committee oversees the setting of measures and targets to encourage performance and behaviour that is aligned to Telstra's values, including the primary performance measures for the EVP. The Board determines the EVP Scorecard Outcome by assessing performance against each primary performance measure. The EVP Scorecard Outcome is multiplied by a percentage based on the relevant Senior Executive's individual performance to determine the Senior Executive's Individual EVP Outcome. The Board also has discretion to adjust an outcome to ensure there are no windfall gains or losses. Refer to Section 2.1(c) for further information.

(d) Board decision framework

The Board has a decision framework to provide guidance in exercising its discretion on variable remuneration outcomes and to provide greater consistency in remuneration adjustments. The framework was considered in determining the Individual EVP Outcomes under the FY23 EVP.

(e) Engagement with consultants

During FY23, Telstra did not seek a remuneration recommendation from a remuneration consultant in relation to any of our KMP.

(f) Engagement with shareholders and stakeholders

The Chair of the Board and the Chair of the People and Remuneration Committee engage throughout the year with stakeholders to seek feedback and consider opportunities to further enhance the effectiveness of our reward structure, with a commitment to align the interests of all executives with the generation of long-term shareholder value. During FY23, numerous meetings were held with shareholders and shareholder advisory organisations.

(g) Share ownership policies

Telstra has in place share ownership policies which apply to the Senior Executives and non-executive Directors of Telstra. The intent of these policies is to align the interests of the CEO, GEs and non-executive Directors with the interests of our shareholders.

The recently appointed CEO has five years to meet the shareholding requirement under our policy. Those Senior Executives who have held a Group Executive position for at least five years have met the shareholding requirement as at 30 June 2023. For information on Senior Executives' interests in Telstra shares refer to Section 2.5(e).

All non-executive Directors who have been on the Board for 5 years or more have met their minimum shareholding requirement with the exception of two Directors (including the Chair) who marginally fell below the requirements due to a small increase in the Director base fee in October 2022. The two Directors have confirmed that they will address this as soon as they are permitted to purchase shares in accordance with Telstra's Securities Trading Policy. Directors' shareholdings as at 17 August 2023 are set out in the Directors' Report.

The requirements of our share ownership policies are summarised below:

| Summary of requirements under the share ownership policies | |
|--|---|
| Position | Minimum holding requirement within 5 years of appointment to the position |
| CEO | 200% of Fixed Remuneration |
| GEs | 100% of Fixed Remuneration |
| Chair of the Board | 200% of the annual non-executive Director base fee |
| Non-executive Directors | 100% of the annual non-executive Director base fee |

The following outlines how various Telstra securities are valued in calculating a person's shareholding for the purpose of the policies:

| How Telstra securities are valued under the policies | | |
|--|---|---|
| Position | Securities | Basis of valuation under the policies |
| CEO and GEs | Ordinary shares purchased on-market | Acquisition price |
| | Restricted Shares | The volume weighted average price of Telstra shares used to determine the number of Restricted Shares granted under the relevant employee equity plan |
| | Performance Rights | Not included |
| | Any shares granted upon vesting of Performance Rights | Telstra's closing share price on the date that the Performance Right vests |
| Chair and Non-executive Directors | Ordinary shares purchased on-market | Acquisition price |

Senior Executives must obtain Board or, in certain circumstances, CEO or Chair approval before they sell Telstra shares if they have not yet met their minimum holding requirement. Progress towards the minimum holding requirement is monitored on an ongoing basis.

(h) Securities Trading Policy

All KMP must comply with Telstra's Securities Trading Policy, which includes a requirement that Telstra securities can only be traded during specified trading windows and with prior approval. KMP must also consider how any proposed dealing in Telstra securities could be perceived by the market and must not deal if the proposed dealing could be perceived as taking advantage of their position in an inappropriate way. They are also prohibited from entering into any hedging arrangement that limits the economic risk of holding Telstra securities (including those held under Telstra equity plans). This helps align our KMP's interests with shareholders' interests. KMP are required to confirm on an annual basis that they comply with our Securities Trading Policy, which assists in monitoring and enforcing our policy. Our Securities Trading Policy is available at [telstra.com/governance](https://www.telstra.com/governance).

(i) Clawback (Malus) Policy

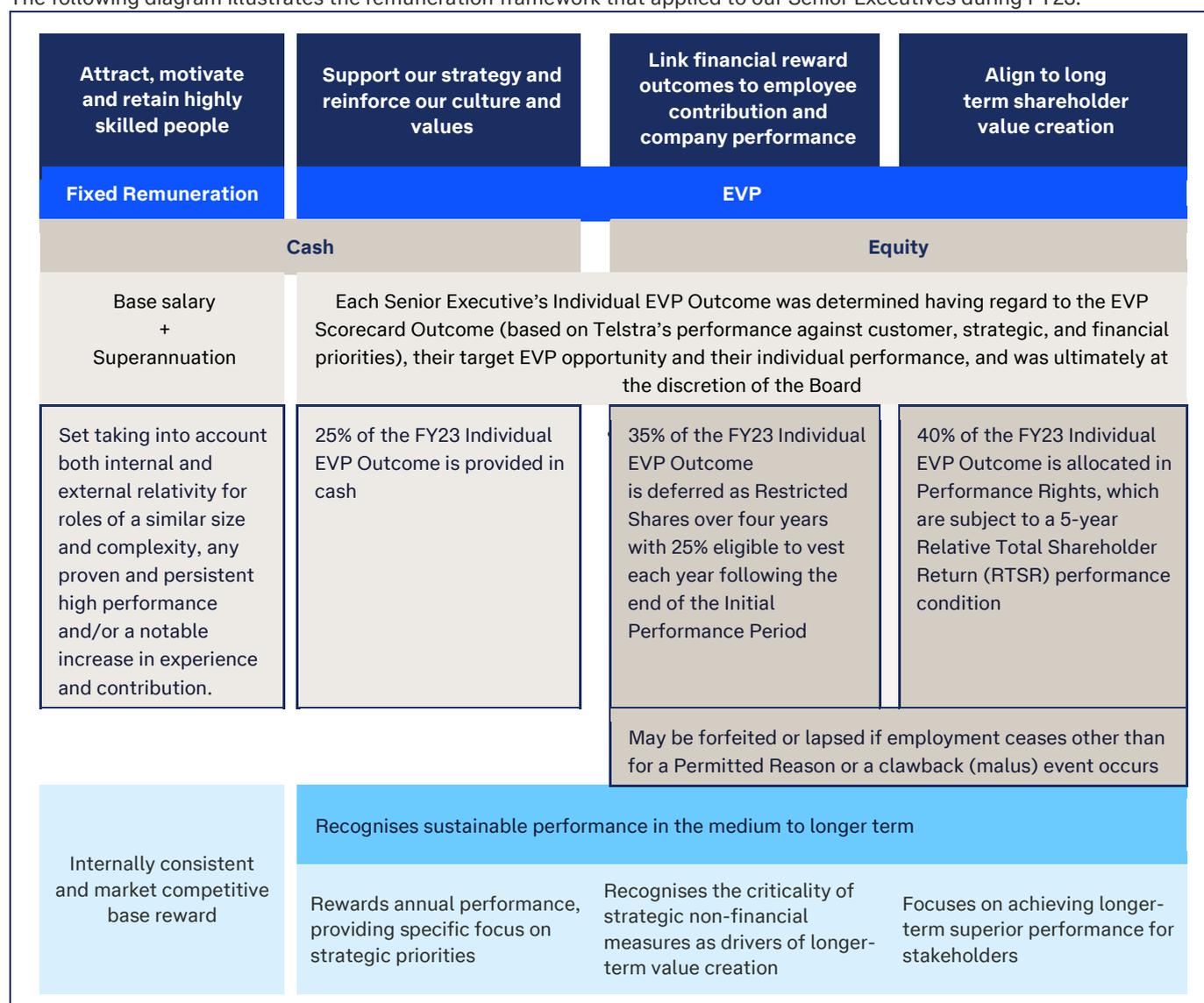
A Clawback Committee oversees the application of the Clawback (Malus) policy. This policy applies to all employees at Telstra and sets out the process that is followed to put the Board in a position to determine, before securities vest, whether a clawback event has occurred and whether to lapse or forfeit unvested Performance Rights, Restricted Shares and Cash Rights. The Clawback Committee meets quarterly and reports to the People and Remuneration Committee twice a year. The Clawback Committee is comprised of the GE People, Culture and Communications (previously the GE TC&P), the CFO, the GE Sustainability, External Affairs and Legal (SEAL) and the Chief Risk Officer. The People and Remuneration Committee subsequently makes recommendations to the Board as to whether to exercise its discretion to claw back any unvested equity. A member of the Clawback Committee is prohibited from being involved in a Clawback Committee recommendation in connection with any awards they hold. If the whole Committee has a conflict of interest, the investigation team bypasses the Committee and takes their recommendations directly to the CEO, the People and Remuneration Committee Chair and/or the Chair of the Telstra Board, as appropriate.

Following the Clawback Committee's review and recommendations, no clawback of unvested securities held by Senior Executives was recommended or approved during FY23.

2.0 Senior Executive remuneration

2.1 FY23 Remuneration Structure

The following diagram illustrates the remuneration framework that applied to our Senior Executives during FY23.



(a) FY23 remuneration mix for Senior Executives

The graph below shows the FY23 remuneration mix for Senior Executives expressed as a percentage of Fixed Remuneration (FR).



1. The percentages shown are calculated from the 25% Cash, 35% Restricted Share and 40% Performance Right components of the FY23 EVP multiplied by the FY23 EVP target opportunity of 200% of Fixed Remuneration

(b) Current Senior Executive Fixed Remuneration and contract details

The following table summarises the Fixed Remuneration and notice and termination payment provisions that apply under the ongoing service contracts for current Senior Executives as of 17 August 2023.

| Name | Title | Fixed Remuneration | Notice Period | Termination Payment |
|--------------------|--------------------------|--------------------------|---------------|------------------------|
| Vicki Brady | CEO | \$2,390,000 ¹ | 6 months | 6 months |
| Michael Ackland | CFO | \$1,250,000 ² | 6 months | 6 months |
| Kim Krogh Andersen | GE P&T | \$1,101,205 ³ | 6 months | 6 months |
| David Burns | GE TE | \$1,151,205 ³ | 6 months | 6 months |
| Nikos Katinakis | GE GN&T | \$1,101,205 ³ | 6 months | 6 months |
| Brendon Riley | GE & CEO Telstra InfraCo | \$1,401,205 ³ | 6 months | 12 months ⁴ |
| Dean Salter | GE GBS | \$951,205 ³ | 6 months | 6 months |
| Brad Whitcomb | GE C&SB | \$1,151,205 | 6 months | 6 months |

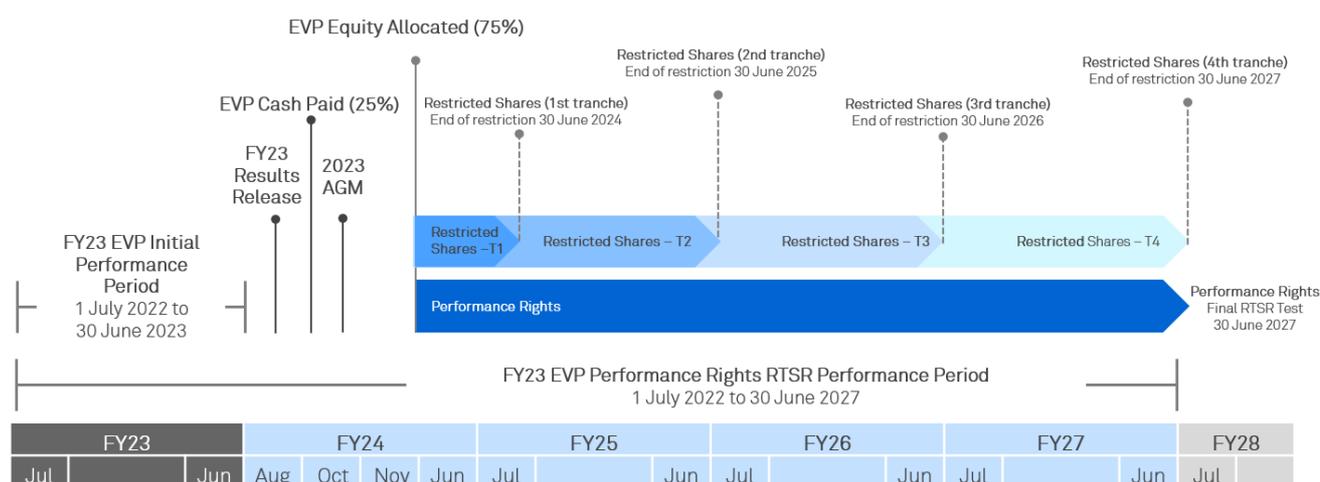
- As announced on 30 March 2022, Vicki Brady's Fixed Remuneration increased to \$2,390,000 when she commenced as CEO on 1 September 2022.
- As disclosed in our FY22 Remuneration Report, Michael Ackland's Fixed Remuneration increased to \$1,250,000 when he commenced as CFO on 1 September 2022.
- Senior Executive Fixed Remuneration increased by \$1,205 on 1 July 2022 to reflect the legislated increase in Superannuation Guarantee Contribution from 10% to 10.5%.
- Brendon Riley has a 12-month termination payment clause in his contract that was negotiated upon commencing employment at Telstra in February 2011. Telstra's current policy is to provide for a six-month termination payment in executive contracts.

Upon notice being given, Telstra can require a Senior Executive to work through the notice period or may terminate employment immediately by providing payment in lieu of notice, or a combination of both. Any payment in lieu of notice is calculated based on the Senior Executive's Fixed Remuneration as at the date of termination.

There is no termination payment if termination is for serious misconduct or redundancy (unless the severance payment under Telstra's redundancy policy would be less than the termination payment, in which case the termination payment applies instead).

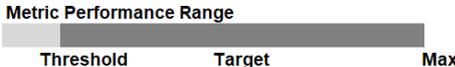
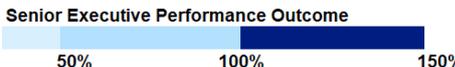
(c) FY23 Executive Variable Remuneration Plan (EVP) structure

The Senior Executives participated in the FY23 EVP. The construct of the FY23 EVP is illustrated in the diagram below:



At the 2023 AGM to be held on 17 October 2023, we will seek shareholder approval for the Restricted Shares and Performance Rights to be allocated to Vicki Brady under the FY23 EVP.

The table below outlines the key features of the FY23 EVP.

| FY23 EVP design attributes | Detail | | | | | | | | | | | | | |
|--|---|--------------------------------|------|------------------------------------|------|---|------|---|---|--|---|--|---|---|
| EVP Reward opportunity | <p style="text-align: center;">As a % of Fixed Remuneration</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Threshold</td> <td style="width: 50%; text-align: center;">100%</td> </tr> <tr> <td>Target</td> <td style="text-align: center;">200%</td> </tr> <tr> <td>Maximum</td> <td style="text-align: center;">300%</td> </tr> </table> | Threshold | 100% | Target | 200% | Maximum | 300% | | | | | | | |
| Threshold | 100% | | | | | | | | | | | | | |
| Target | 200% | | | | | | | | | | | | | |
| Maximum | 300% | | | | | | | | | | | | | |
| Initial Performance Period | 1 year (1 July 2022 to 30 June 2023) | | | | | | | | | | | | | |
| Calculation of Individual EVP Outcomes | <div style="background-color: #1a3d54; color: white; text-align: center; padding: 5px;">Overview</div> <p>Each Senior Executive’s Individual EVP Outcome for FY23 is set out in Section 2.5(c).</p> <p>The CEO and each Group Executive’s Individual EVP Outcome was determined by the Board taking into consideration their ‘at target’ EVP reward opportunity, the EVP Scorecard Outcome, their individual performance (in the case of the GEs including their performance relative to each other) and other factors in accordance with its decision framework including any material risk events identified, the severity of their impact, and the executive’s accountability for the matter.</p> <div style="display: flex; justify-content: space-between; align-items: center; margin: 10px 0;"> <div style="background-color: #f4a460; padding: 5px; text-align: center; width: 30%;"> At Target EVP Reward Opportunity </div> <div style="background-color: #0070c0; color: white; padding: 5px; text-align: center; width: 65%;"> Calculating Individual EVP Outcome </div> </div> <table style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="border: 1px solid black; width: 15%; padding: 5px;">FR \$</td> <td style="border: 1px solid black; width: 10%; padding: 5px;">x</td> <td style="border: 1px solid black; width: 20%; padding: 5px;">Target EVP Opportunity %</td> <td style="border: 1px solid black; width: 10%; padding: 5px;">=</td> <td style="border: 1px solid black; width: 20%; padding: 5px;">Target EVP Opportunity \$</td> <td style="border: 1px solid black; width: 10%; padding: 5px;">x</td> <td style="border: 1px solid black; width: 15%; padding: 5px;"> <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">Primary Performance Measures</div> <div style="font-size: 8px; padding: 2px;">Financial Customer Strategic</div> </td> <td style="border: 1px solid black; width: 15%; padding: 5px;">=</td> <td style="border: 1px solid black; width: 10%; padding: 5px;"> <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">EVP Scorecard Outcome %</div> </td> <td style="border: 1px solid black; width: 10%; padding: 5px;">→</td> <td style="border: 1px solid black; width: 15%; padding: 5px;"> <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">Multiplier used to differentiate individual performance and subject to Board discretion</div> </td> <td style="border: 1px solid black; width: 10%; padding: 5px;">=</td> <td style="border: 1px solid black; width: 10%; padding: 5px;"> <div style="background-color: #1a3d54; color: white; padding: 2px; font-size: 8px;">Individual EVP Outcome</div> </td> </tr> </table> | FR \$ | x | Target EVP Opportunity % | = | Target EVP Opportunity \$ | x | <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">Primary Performance Measures</div> <div style="font-size: 8px; padding: 2px;">Financial Customer Strategic</div> | = | <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">EVP Scorecard Outcome %</div> | → | <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">Multiplier used to differentiate individual performance and subject to Board discretion</div> | = | <div style="background-color: #1a3d54; color: white; padding: 2px; font-size: 8px;">Individual EVP Outcome</div> |
| FR \$ | x | Target EVP Opportunity % | = | Target EVP Opportunity \$ | x | <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">Primary Performance Measures</div> <div style="font-size: 8px; padding: 2px;">Financial Customer Strategic</div> | = | <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">EVP Scorecard Outcome %</div> | → | <div style="background-color: #0070c0; color: white; padding: 2px; font-size: 8px;">Multiplier used to differentiate individual performance and subject to Board discretion</div> | = | <div style="background-color: #1a3d54; color: white; padding: 2px; font-size: 8px;">Individual EVP Outcome</div> | | |
| | <div style="background-color: #1a3d54; color: white; text-align: center; padding: 5px;">EVP Scorecard Outcome</div> <p>The EVP Scorecard Outcome was determined by the Board following an assessment of Telstra’s performance against the primary performance measures (described in detail below) during the 2023 financial year (referred to as the Initial Performance Period).</p> <p>The primary performance measures operated independently, and each measure was given a weighting and defined threshold, target and maximum performance level. If performance fell between any of those levels, the outcome was determined proportionately commensurate with the following range.</p> <div style="margin: 10px 0;"> <p>Metric Performance Range</p>  </div> <div style="margin: 10px 0;"> <p>Senior Executive Performance Outcome</p>  </div> <p>The Board had discretion to adjust the outcome against each primary performance measure to ensure there were no windfall gains or losses. No adjustments were approved by the Board in FY23.</p> <p>The Board also had discretion to adjust the overall EVP Scorecard Outcome if it was considered to be appropriate when taking into account matters including Telstra’s performance, customer experience and shareholder expectations. Such adjustment was not considered appropriate for FY23.</p> <p>The EVP Scorecard Outcome was then multiplied by a percentage based on the Senior Executive’s individual performance, to determine each Senior Executive’s Individual EVP Outcome. Refer to Section 2.3 for further information on discretion exercised in determining FY23 Individual EVP Outcomes.</p> | | | | | | | | | | | | | |

Primary performance measures

The primary performance measures outlined below were selected for FY23 because they provide the critical link between delivering Telstra's T25 strategy and Telstra's Corporate Plan and increasing shareholder value. The Board believes that the strategic, customer and financial measures directly demonstrate the delivery of critical components of the T25 strategy and are fundamental key drivers of long-term value creation.

To assist shareholders' understanding of these measures and their relevance to Telstra's performance, further information on each measure is provided below.

Refer to Section 2.2 for the threshold, target and maximum for each measure and their weightings.

| Primary Performance Measures | | |
|------------------------------|--|--|
| | Measure and metric | Rationale for why chosen |
| Financial (60%) | Total Income Telstra External Income (excluding finance income) | <ul style="list-style-type: none"> Key indicator of financial performance. Ensures continued focus on customer retention and growth. Aligns to the growth and value pillar of our T25 scorecard. |
| | Underlying EBITDA Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, and excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments | <ul style="list-style-type: none"> Key indicator of financial performance. Ensures appropriate focus on profit and cost to deliver. A strong indicator of underlying company profitability. Aligns to the growth and value pillar of our T25 scorecard. |
| | Free Cash Flow (FCF) Free Cash flow after lease payments defined as 'operating cash flows' less 'investing cash flows', less 'payments for lease liabilities, and excludes spectrum and guidance adjustments | <ul style="list-style-type: none"> Key indicator of financial performance. Appropriate for a capital-intensive business and critical in managing the company's ability to pay a dividend and maintain balance sheet strength. Aligns to the growth and value pillar of our T25 scorecard. |
| | Underlying Return on Invested Capital (ROIC) Total NOPAT (net operating profit after tax) less guidance adjustments after tax, less net nbn one-off earnings after tax, divided by Average Invested Capital | <ul style="list-style-type: none"> Key indicator of financial performance. Aligns to the growth and value pillar of our T25 scorecard. |
| Customer (25%) | Episode NPS Measures our customer experience from feedback on each transaction using a Net Promoter Score (NPS) | <ul style="list-style-type: none"> Focuses leaders on continuously improving the customer service experience, driving both customer attraction and retention. Underpins company-wide improvement programs focused on improving our operational excellence by identifying and eliminating the causes of unnecessary customer effort and pain points. Aligns to the customer experience pillar of our T25 scorecard. |
| | RepTrak Measures our reputation score on the RepTrak index | <ul style="list-style-type: none"> Includes the sentiment of customers and non-customers, but also provides a broader, more holistic measure which picks up on all the drivers of company reputation. Focuses leaders on the Company's reputation in the community, with customers and prospective customers, and with prospective employees, driving both customer and employee attractions and retention. Aligns to the responsible business pillar of our T25 scorecard. |
| Strategic (15%) | Responsible Business Our % reduction in absolute scope 1 + 2 greenhouse gas emissions from our FY19 baseline (excludes Digicel Pacific) | <ul style="list-style-type: none"> These are reductions in the emissions caused by the fossil fuels and grid electricity we use. Inclusion of this metric in our scorecard leans into Telstra's contribution to addressing this pressing issue and specifically recognises broad community concern on our changing environment. Aligns to the responsible business pillar of our T25 scorecard. Excludes Digicel Pacific which was acquired during FY23. |
| | Digital Leadership % achievement of our target build of Application Programming Interfaces (APIs) | <ul style="list-style-type: none"> This measure focuses our executives on enablers of Digital Leadership that will halve our new product time to market by building a 100% API-first architecture for customer management and product development. It will drive fundamental and significant change in the way we work, improving offerings to customers whilst reducing cost. Aligns to the digital leadership pillar of our T25 scorecard. |

| | <div style="border: 1px solid black; padding: 10px;"> <div style="display: flex; align-items: flex-start;"> <div style="background-color: #0056b3; width: 30px; height: 30px; margin-right: 10px;"></div> <div> <p>People, Capability & Engagement Maintain employee engagement in the high performing norm</p> </div> <div style="margin-left: 20px;"> <ul style="list-style-type: none"> • Focuses leaders on our employee engagement and the importance of employees as stakeholders. • Supports our ability to have both the key leadership and technical talent required to deliver on our ambitious strategy. • Aligns to the new ways of working pillar of our T25 scorecard. </div> </div> <p>To assess the primary performance measures, the Board reviewed the Group’s results, including the financial statements which are audited by Ernst & Young (EY), our external auditor. It also reviewed other work undertaken by EY on performance against the primary performance measures. Refer to Section 2.2 for further information.</p> </div> | | | | | | | | | | | | | | | | | | | | |
|---|---|-----------------------------------|---|---|--|---|----------|--|--|--|--|---|--|--|--|------------------------------------|---|---|------------|---|-------------------------------------|
| <p>EVP outcome - cash vs equity balance</p> | <p>A Senior Executive’s Individual EVP Outcome is provided as a combination of cash (25%), Restricted Shares (35%) and Performance Rights (40%) which are subject to a Relative Total Shareholder Return (RTSR) performance condition. This results in a 25:75 ratio of cash to equity. On vesting of a Performance Right, the holder receives a share or, at Telstra’s discretion, a cash amount equivalent to the value of a share at vesting.</p> | | | | | | | | | | | | | | | | | | | | |
| <p>Equity allocation methodology</p> | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: left; background-color: #f2f2f2;">Individual EVP Outcome Components</th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> <th style="width: 10%; text-align: right; background-color: #f2f2f2;">Equity Allocation Calculation (face value methodology)</th> </tr> </thead> <tbody> <tr> <td style="background-color: #f2f2f2;">25% Cash</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="background-color: #f2f2f2;">35% Restricted Shares (pro-rata vesting over 4 years)</td> <td></td> <td></td> <td></td> <td style="background-color: #f2f2f2;">No. of Restricted Shares allocated</td> </tr> <tr> <td style="background-color: #f2f2f2;">40% Performance Rights (subject to 5 year RTSR Performance Condition)</td> <td style="text-align: center;">÷</td> <td style="background-color: #f2f2f2;">5 Day VWAP</td> <td style="text-align: center;">=</td> <td style="background-color: #f2f2f2;">No. of Performance Rights allocated</td> </tr> </tbody> </table> <p>The number of Restricted Shares and Performance Rights to be allocated to a Senior Executive is based on the dollar value of their Individual EVP Outcome, multiplied by 35% for Restricted Shares and 40% for Performance Rights, and then divided by the five day volume weighted average price (VWAP) of Telstra shares commencing on the day after the FY23 results announcement (i.e. a face value allocation methodology).</p> | Individual EVP Outcome Components | | | | Equity Allocation Calculation (face value methodology) | 25% Cash | | | | | 35% Restricted Shares (pro-rata vesting over 4 years) | | | | No. of Restricted Shares allocated | 40% Performance Rights (subject to 5 year RTSR Performance Condition) | ÷ | 5 Day VWAP | = | No. of Performance Rights allocated |
| Individual EVP Outcome Components | | | | Equity Allocation Calculation (face value methodology) | | | | | | | | | | | | | | | | | |
| 25% Cash | | | | | | | | | | | | | | | | | | | | | |
| 35% Restricted Shares (pro-rata vesting over 4 years) | | | | No. of Restricted Shares allocated | | | | | | | | | | | | | | | | | |
| 40% Performance Rights (subject to 5 year RTSR Performance Condition) | ÷ | 5 Day VWAP | = | No. of Performance Rights allocated | | | | | | | | | | | | | | | | | |
| <p>Issue/exercise price</p> | <p>As the Restricted Shares and Performance Rights form part of a Senior Executive’s variable remuneration, no amount is payable by the Senior Executive on grant of the Restricted Shares or on grant or vesting of the Performance Rights. Both the Restricted Shares and any shares to be provided on the vesting of Performance Rights will be purchased on-market.</p> | | | | | | | | | | | | | | | | | | | | |
| <p>Restriction and performance periods for equity</p> | <div style="background-color: #002060; color: white; text-align: center; padding: 5px; margin-bottom: 10px;">Restricted Shares</div> <p>Restricted Shares will be eligible to vest in four equal tranches, with 25% eligible to vest each year for the four years following 30 June 2023 (being the end of the Initial Performance Period). i.e. on 30 June 2024, 30 June 2025, 30 June 2026, and 30 June 2027.</p> <div style="background-color: #002060; color: white; text-align: center; padding: 5px; margin-bottom: 10px;">Performance Rights</div> <p>The Performance Rights are subject to an RTSR performance condition, tested over a five-year performance period from 1 July 2022 to 30 June 2027. Refer to the secondary performance measures section outlined below for further information.</p> <p>In certain limited circumstances, such as a takeover event where 50% or more of shares of the Telstra group’s head entity are acquired, the Board may exercise discretion to accelerate vesting of the Performance Rights and accelerate the end of the Restriction Periods for the Restricted Shares.</p> | | | | | | | | | | | | | | | | | | | | |
| <p>Secondary performance measures</p> | <p>In addition to the primary performance measures (which are assessed over the one year period to 30 June 2023) the Performance Rights component of each Senior Executive’s Individual EVP Outcome only vests if, and to the extent that, the RTSR performance condition is satisfied at the end of the five year performance period on 30 June 2027. Any Performance Rights that vest following the testing of the RTSR performance condition will be automatically exercised following the release of Telstra’s annual results for FY27 and any Performance Rights that do not vest following the testing will lapse (and expire) at that time. This means Senior Executives have a double hurdle in relation to the Performance Right component of their Individual EVP Outcome, with performance measured over both the Initial Performance Period and the five-year RTSR Performance Period.</p> <p>RTSR measures the performance of a Telstra share (including the value of any cash dividends and other</p> | | | | | | | | | | | | | | | | | | | | |

shareholder benefits paid during the RTSR Performance Period) relative to the performance of ordinary securities issued by the other entities in the comparator group (being entities in the S&P / ASX100 index as at 1 July 2022 (excluding resources companies)) over the RTSR Performance Period.

The Board believes that RTSR is an appropriate secondary performance measure because it links executive reward to Telstra's share price and dividend performance relative to entities in the comparator group over the long-term. This reinforces the ultimate focus on shareholder value creation and helps align actual pay outcomes with returns delivered to long-term shareholders.

Under the RTSR performance condition, the number of Performance Rights that vest will be determined as follows:

| RTSR Ranking | Vesting |
|---|--|
| Below the 50 th percentile | 0% |
| At the 50 th percentile | 50% |
| Between 50 th and 75 th percentiles | Straight-line vesting from 50% to 100% |
| At the 75 th percentile or above | 100% |

Both the starting price and end price for the purpose of calculating Telstra's RTSR are the average of Telstra's daily closing share price over the 30 day period to 30 June of the relevant year. The starting price that will be used to determine Telstra's RTSR at the end of the RTSR Performance Period for the FY23 EVP is \$3.87.¹

Dividends

Restricted Shares

Participants receive dividends on Restricted Shares during the Restriction Periods consistent with other Telstra shareholders. This is appropriate because these Restricted Shares do not have any further performance conditions. The intent is to mirror the experience of shareholders while deferring the remuneration so that it can be more easily subject to forfeiture if the Participant ceases employment other than for a Permitted Reason or clawback.

Performance Rights

No dividends are paid on Performance Rights prior to vesting. For any Performance Rights that ultimately vest following satisfaction of the RTSR performance condition, a cash payment equivalent to the dividends paid by Telstra during the period between allocation of the Performance Rights and vesting will be made at or around the time of vesting, subject to applicable taxation (Dividend Equivalent Payment).

Leavers

Before the Restricted Shares and Performance Rights are allocated

If a Senior Executive ceases employment for a Permitted Reason, the Senior Executive is eligible for a pro-rata Individual EVP Outcome based on the proportion of time they were employed during FY23. The Senior Executive will receive the cash component of their pro-rata Individual EVP Outcome. The Senior Executive will receive a grant of Cash Rights (or, at the Board's discretion, cash, if the Senior Executive ceases employment due to death, total and permanent disablement or certain medical conditions) in lieu of Performance Rights and Restricted Shares. On vesting, a Cash Right entitles the executive to a cash payment equivalent to the value of a Telstra share at the end of the applicable Restriction Period or the RTSR Performance Period (as applicable). A Cash Right granted in lieu of a Restricted Share also entitles the Senior Executive to receive an amount equal to dividends paid on Telstra shares between the date the Cash Right is allocated and the end of the applicable Restriction Period, at or around the same time that Telstra pays the dividend. A Cash Right granted in lieu of a Performance Right entitles the Senior Executive, if the Cash Right vests, to receive an amount equivalent to dividends paid on Telstra shares between allocation and vesting of the Cash Right after the end of the RTSR Performance Period. Where the Senior Executive receives Cash Rights, there is no change to the Restriction Periods, the RTSR Performance Period or the RTSR performance condition. If the Senior Executive ceases employment for any other reason, their EVP entitlement is forfeited. This ensures equal treatment for all executives and that departing executives continue to make decisions that are aligned to the long-term interests of our shareholders.

After the Restricted Shares and Performance Rights are allocated

If a Senior Executive ceases employment for a Permitted Reason after the Restricted Shares and Performance Rights have been allocated, those Restricted Shares and Performance Rights will remain on foot. There is no change to the Restriction Periods, the RTSR Performance Period, or the RTSR

| | |
|-------------------------|--|
| | performance condition. If the Senior Executive ceases employment for any other reason, their Restricted Shares and Performance Rights are forfeited. |
| Clawback (malus) | The Board has discretion to clawback Performance Rights and Restricted Shares if certain clawback events occur before the Performance Rights vest or the Restricted Shares are transferred to the Senior Executive following the end of the applicable Restriction Period. Clawback events include fraud, dishonesty, gross misconduct or material breach of obligations by the Senior Executive or behaviour that brings Telstra into disrepute or may negatively impact Telstra's long-term financial strength. It also includes where the Senior Executive causes a significant deterioration in Telstra's financial performance or negatively impacts Telstra's standing, reputation or relationship with its key regulators, where the financial results that led to the Performance Rights or Restricted Shares being granted are subsequently shown to be materially misstated, where the Senior Executive fails to fulfil responsibilities under Telstra's risk management framework resulting in a material breach of Telstra's risk management framework, or where the Board determines that the Performance Rights or Restricted Shares are an inappropriate benefit. |

- As a result of the Restructure, Telstra's RTSR performance over the RTSR Performance Period for the FY23 EVP Performance Rights (and for all other Performance Rights on issue) will take into account Telstra Corporation Limited's performance up until 31 October 2022 (the date it was replaced by Telstra Group Limited as the parent entity of the Telstra Group) and Telstra Group Limited's performance after that time.

(d) Financial performance

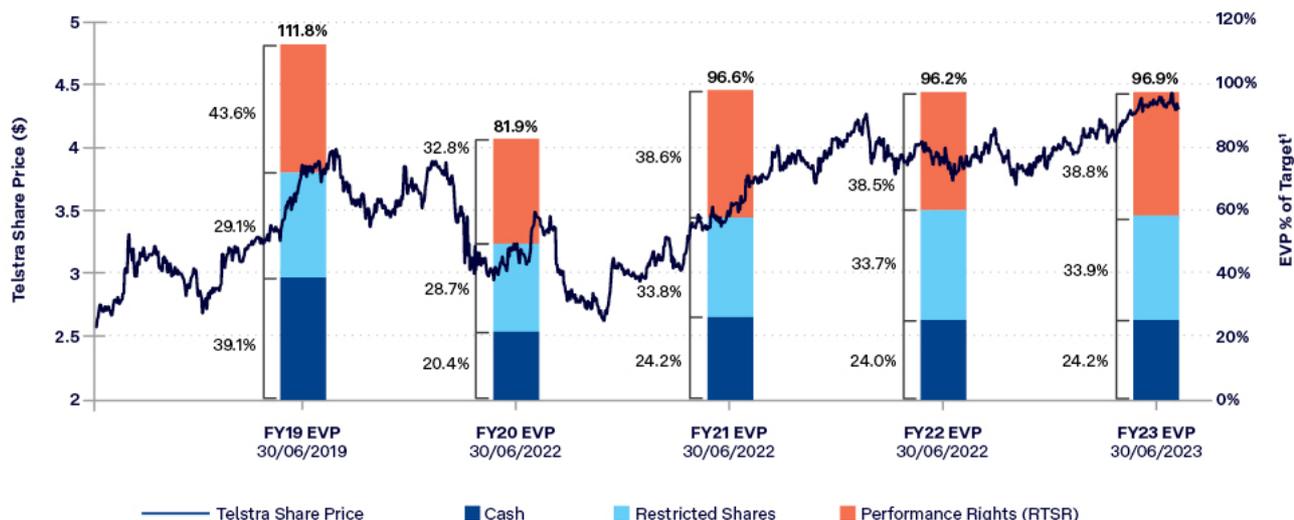
The table below provides a summary of Telstra's key financial results over the past five financial years.

| Financial Performance ¹ | FY23 | FY22 | FY21 | FY20 | FY19 |
|--|--------|--------|--------|--------|--------|
| | \$m | \$m | \$m | \$m | \$m |
| Earnings | | | | | |
| Total Income | 23,245 | 22,045 | 23,132 | 26,161 | 27,807 |
| EBITDA | 7,862 | 7,256 | 7,638 | 8,905 | 7,984 |
| Net Profit ² | 1,928 | 1,688 | 1,857 | 1,819 | 2,154 |
| Shareholder Value | | | | | |
| Share Price (\$) ³ | 4.30 | 3.85 | 3.76 | 3.13 | 3.85 |
| Total Dividend Paid Per Share (cents) ⁴ | 17.0 | 16.0 | 16.0 | 16.0 | 19.0 |

- For the year ended 30 June 2023, Telstra's financial results include the historical financial information of the Telstra Group for both the period before and after the Restructure. Refer to Note 1.2 to the financial statements in the Financial Report for further information about the Restructure. The results for FY19 – FY22 are the consolidated results of Telstra Corporation Limited and its controlled entities when Telstra Corporation Limited was the parent entity of the Telstra Group before the Restructure. These results are not fully comparable due to changes in the accountings standards over the periods. For more details, refer to Note 1.5 to the financial statements in the 2020 Annual Report in relation to the adoption of AASB16: 'Leases'. Prior periods have not been restated for matters referred to in Note 1.7 to the financial statements.
- Net Profit attributable to equity holders of the Telstra entity includes results from continuing and discontinued operations.
- Share prices are as at 30 June for the respective year. The closing share price for FY18 was \$2.62.
- We paid dividends to holders of Telstra's ordinary shares twice each year over the past five financial years, an interim and a final dividend. The amounts included in this table relate to dividends paid during the financial year. Therefore, for each respective year, the amount includes the dividend paid for the previous year final dividend and the current year interim dividend. Refer to Note 4.2 to the financial statements in the Financial Report for further information about dividends paid in FY23.

(e) Historical Individual EVP Outcomes relative to the Telstra share price

The graph below provides a useful comparison of performance and shows the average Individual EVP Outcomes for FY19 through to FY23 as a percentage of the target opportunity, relative to the performance of Telstra’s share price over the past five years. For the purposes of the graph, Telstra means Telstra Corporation Limited up until 31 October 2022 (the date it was replaced by Telstra Group Limited as the head entity of the Telstra group) and Telstra Group Limited after that time.



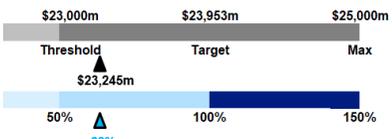
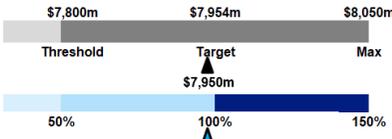
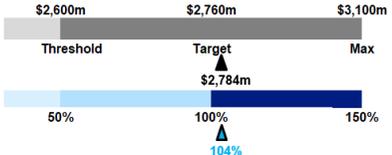
1. The average Individual EVP outcomes as a percentage of target is shown for all Senior Executives (including the CEO and former Senior Executives) for the relevant period. There have been changes to the EVP structure over this period including to the relative proportions of cash, Restricted Shares and Performance Rights.

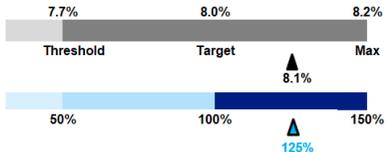
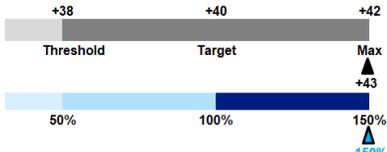
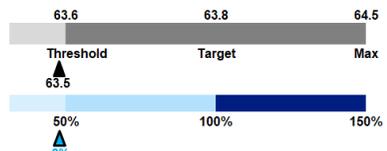
2.2 FY23 EVP Scorecard Outcome

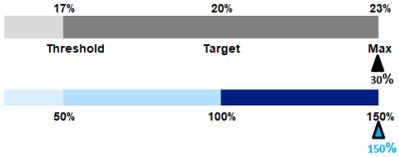
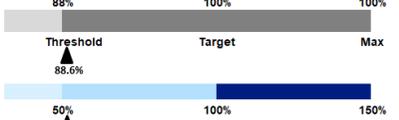
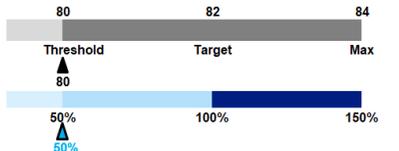
The Board evaluated Telstra's performance against the primary performance measures. The threshold, target and maximum levels for each measure (as outlined in our 2022 Remuneration Report) were set to be robust and appropriately demanding, taking into account the key deliverables and milestones outlined in our T25 strategy, planned financial outcomes contained within our Corporate Plan and FY23 guidance as announced on 11 August 2022. The changes to the EVP scorecard in FY23 were described in our FY22 Remuneration Report. The levels for all financial measures were determined in line with market guidance, with each target level approximating the midpoint of that guidance and each maximum level equal to or above the maximum guidance range. It remains the Board's view that the levels were robust and demanding in the face of an exceptionally challenging market.

The Board maintained absolute discretion to ensure the EVP Scorecard Outcome was appropriate, taking into account matters including Telstra's performance, customer experience and shareholder expectations. The Board determined that the primary performance measure outcomes and the EVP Scorecard Outcome for FY23 would be driven by the results achieved. No adjustments were made.

The EVP Scorecard Outcome for FY23 was 93.7% of the target opportunity (62.5% of maximum).

| Measures | Weighting | Targets and Performance Outcomes | Weighted Result (% of Target) | Additional information |
|--|-----------|--|-------------------------------|--|
|  <p>Total Income (\$m) Is Telstra External Income excluding finance income</p> | 15% |  <p>\$23,000m \$23,953m \$25,000m Threshold Target Max \$23,245m 50% 100% 150% 63%</p> | 9.4% | <p>Total Income of \$23,245m was reported by Telstra for FY23. The calculation of this result was audited by our external auditor, EY.</p> <p>There have been no adjustments to the actual results included for the EVP scorecard outcome.</p> <p>Assessed performance on this measure was therefore \$23,245m, which was between the FY23 EVP threshold and target.</p> |
|  <p>Underlying EBITDA (\$m) is Earnings Before Interest, Tax, Depreciation & Amortisation, and excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments</p> | 15% |  <p>\$7,800m \$7,954m \$8,050m Threshold Target Max \$7,950m 50% 100% 150% 99%</p> | 14.8% | <p>Underlying EBITDA of \$7,950m was reported by Telstra for FY23. The calculation of this result was reviewed by our external auditor, EY.</p> <p>There have been no adjustments to the actual results included for the EVP scorecard outcome.</p> <p>Assessed performance on this measure was therefore \$7,950m, which was between the FY23 EVP threshold and target.</p> |
|  <p>Free Cash Flow (\$m) Free Cash flow after lease payments defined as</p> | 15% |  <p>\$2,600m \$2,760m \$3,100m Threshold Target Max \$2,784m 50% 100% 150% 104%</p> | 15.5% | <p>FCF on a guidance basis of \$2,784m was reported by Telstra for FY23. The calculation of this result was reviewed by our external auditor, EY.</p> <p>There have been no adjustments to the actual results included for the EVP scorecard outcome.</p> |

| Measures | Weighting | Targets and Performance Outcomes | Weighted Result (% of Target) | Additional information |
|--|-----------|--|-------------------------------|--|
| 'operating cash flows' less 'investing cash flows', less 'payments for lease liabilities, and excludes spectrum and guidance adjustments | | | | Assessed performance on this measure was therefore \$2,784m, which was between the FY23 EVP target and maximum. |
|  <p>Underlying Return on Capital Total NOPAT less guidance adjustments after tax, less net nbn one-off earnings after tax, divided by Average Invested Capital</p> | 15% |  | 18.8% | <p>Underlying ROIC of 8.1% was reported by Telstra for FY23. The calculation of this result was reperformed by our external auditor, EY.</p> <p>There have been no adjustments to the actual results included for the EVP scorecard outcome.</p> <p>Assessed performance on this measure was therefore 8.1%, which was between the FY23 EVP target and maximum.</p> |
|  <p>Episode NPS Measures our customer experience from feedback on each transaction using a Net Promoter Score</p> | 15% |  | 22.5% | <p>The overall Episode NPS is a weighted calculation of survey results from Telstra business segments – 65% Consumer and Small Business (combined calculation) and 35% Enterprise (Telstra Enterprise Australia only).</p> <p>At the end of FY23 our Episode NPS was +43, which was above the FY23 EVP maximum. The calculation of this result was reperformed by our external auditor, EY.</p> <p>This result is largely an outcome of the ongoing focus across the business on digitisation, simplification and customers. Migration of customer sales onto our strategic stack has meant our people and customers benefit from faster and improved support using the latest tools and simplified processes. This has improved straight through processing and reduced cycle times, resulting in increased NPS and reduced complaints.</p> |
|  <p>RepTrak Measures our reputation score on the RepTrak index</p> | 10% |  | 0.0% | <p>Telstra's FY23 annual RepTrak Reputation Score was 63.5, measured as the average of four quarters. The calculation of this result was reperformed by our external auditor, EY.</p> <p>Our performance on this measure has been climbing steadily since Q1 and in Q4 we achieved our highest results in 15 years. This improvement was achieved despite a decline of -0.8 points in the year-on-year average of the RepTrak Benchmark 60 (an index of the largest 60 brands in Australia by revenue and market presence).</p> <p>Despite strong second half results, our overall annual average was below the FY23 EVP threshold.</p> |

| Measures | Weighting | Targets and Performance Outcomes | Weighted Result (% of Target) | Additional information | |
|--|-----------|---|-------------------------------|--|-------|
|  <p>Responsible Business</p> <p>Our % reduction in absolute scope 1 + 2 greenhouse gas emissions from our FY19 baseline (excludes Digicel Pacific)</p> | 5% |  <p>17% 20% 23%</p> <p>Threshold Target Max</p> <p>50% 100% 150%</p> <p>30%</p> <p>150%</p> | 7.5% | <p>Telstra's FY23 Responsible Business score was a 30% reduction in absolute scope 1 +2 greenhouse gas emissions from our FY19 baseline. The calculation of this result was reperformed by our external auditor, EY.</p> <p>The assessed performance on this measure was above the FY23 EVP maximum.</p> <p>Our FY23 result of a 30% reduction was driven from grid decarbonisation (reducing emissions from Australian grid electricity consumption) and Telstra's equipment decommissioning and energy efficiency programs.</p> <p>Excludes Digicel Pacific which Telstra acquired during FY23</p> | |
|  <p>Digital Leadership</p> <p>% achievement of our target build of Application Programming Interfaces</p> | 5% |  <p>88% 100% 100%</p> <p>Threshold Target Max</p> <p>50% 100% 150%</p> <p>88.6%</p> <p>53%</p> <p>FY23 target build achieved and first product using APIs being in market</p> | 2.6% | <p>Telstra's FY23 Digital Leadership score was 88.6%. The calculation of this result was reperformed by our external auditor, EY.</p> <p>The assessed performance on this measure was between the FY23 EVP threshold and target.</p> <p>During the year we completed 31 of 35 APIs required to support the launch of Adaptive Networks – SD-WAN (software-defined wide area network). The remaining four APIs are scheduled for delivery in FY24 and we expect the launch of Adaptative Networks during 2024.</p> | |
|  <p>People Capability & Engagement</p> <p>Maintain employee engagement in the high-performing norm (90th percentile)</p> | 5% |  <p>80 82 84</p> <p>Threshold Target Max</p> <p>50% 100% 150%</p> <p>80</p> <p>50%</p> | 2.5% | <p>The employee engagement result for the last quarter of FY23 was 80. The calculation was reperformed by our external auditor, EY.</p> <p>The assessed performance on this measure was at the FY23 EVP threshold.</p> <p>Our employee engagement score of 80 places us above the 75th percentile for engagement (a score of 79), but two points below our target, being in the 90th percentile of global companies (a score of 82).</p> <p>In FY23, company-wide and function-wide action plans were introduced to tackle the main opportunity areas raised by our employees. The actions in these plans were influenced by previous Experience Pulse surveys. An example is our commitment to improving how we support people to build unique and fulfilling careers. We are investing in AI-driven talent technology that delivers clear career paths and promotes job mobility and upskilling.</p> | |
| Total | | % of Target | 93.7% | % of Max | 62.5% |

2.3 Individual performance and the exercise of Board discretion in determining Individual EVP Outcomes

The EVP Scorecard Outcome (outlined above) was an input into each Senior Executive's Individual EVP Outcome. As outlined in Section 2.1, each Senior Executive's Individual EVP Outcome was determined taking into consideration the EVP Scorecard Outcome, their "at target" EVP reward opportunity and their performance (including, in the case of the GEs, their performance relative to each other). The Individual EVP Outcome for each Senior Executive was determined by multiplying the EVP Scorecard Outcome by a percentage reflecting each participant's individual performance relative to their peers in the executive team. For each Senior Executive with a performance rating of 3 (on our 1 to 5 scale), this percentage was in the range 90% to 110%. For those with a performance rating of 4 or 5, the percentage used was higher to reflect their relative individual performance. In all cases the maximum possible Individual EVP Outcome, including both company performance (the EVP Scorecard Outcome) and individual performance (from the multiplier percentage), will always be 300% of the individual's Fixed Remuneration.

The Board also had discretion, in determining a Senior Executive's Individual EVP Outcome, to take into account factors in accordance with its decision framework such as any material risk events identified, the severity of their impact and the executive's accountability for the matter.

At the end of the 2023 financial year:

- the CEO's individual performance was assessed by the Board in accordance with the annual performance evaluation process for the CEO, taking into account a range of considerations including her individual scorecard performance, leadership behaviour and conduct and effective application of risk management practices; and
- each Group Executive's individual performance was assessed by the CEO in accordance with an annual performance evaluation process, taking into account a range of considerations including the Group Executive's individual scorecard performance, leadership behaviour and conduct, effective application of risk management practices and performance relative to the other GEs. The CEO's recommended assessment for each Group Executive was provided to the People and Remuneration Committee for endorsement, and then to the Board for approval.

Please refer to Table 2.5(c) for the FY23 Individual EVP Outcomes.

2.4 FY19 EVP Performance Rights RTSR Outcome

Performance Rights that were awarded under the FY19 EVP and allocated in November 2019, were subject to an RTSR performance condition measured over a five year performance period from 1 July 2018 to 30 June 2023. The Performance Rights were only to vest if Telstra's RTSR ranked at the 50th percentile or greater against a comparator group comprising the ASX100 (excluding resource companies) as at 1 July 2018 over the performance period. Each Performance Right that vested following testing of the performance condition entitled a Senior Executive to one Telstra share (or, at Telstra's discretion, a cash amount equal to the value of one Telstra share).

The RTSR performance condition for the Performance Rights was tested following the conclusion of the performance period on 30 June 2023 and the results and vesting outcome are detailed below. The results were calculated by an external provider.

| FY19 EVP Vesting Outcomes ¹ | | | |
|--|---|-----------------|---------|
| Test date | Performance Condition | Percentile Rank | Vesting |
| 30 June 2023 | RTSR measured against the ASX100 (excluding resource companies) as at 1 July 2018 | 93rd Percentile | 100% |

1. As a result of the Restructure, Telstra's RTSR performance over the performance period took into account Telstra Corporation Limited's performance up until 31 October 2022 (the date it was replaced by Telstra Group Limited as the parent entity of the Telstra Group) and Telstra Group Limited's performance after that time.

The Board had discretion to remove companies from the comparator group in circumstances such as acquisitions, insolvency and de-listings. The Board exercised its discretion under the FY19 EVP terms to remove the following companies from the comparator group prior to the calculation of the vesting results.

| FY19 EVP Peer Group Removals | |
|-------------------------------------|--------------------|
| Company removed from the Peer Group | Reason for removal |
| Investa Office Fund | Acquisition |
| Spark Infrastructure Group | Merger |
| Healthscope | Acquisition |
| Duluxgroup | Acquisition |
| TPG Telecom Limited | Merger |
| Coca-Cola Group Limited | Acquisition |
| Ausnet Services Limited | Merger |
| Sydney Airport | Merger |
| Cimic Group Limited | Acquisition |
| Pendal Group Limited | Acquisition |
| Crown Resorts | Acquisition |

2.5 Detailed remuneration and interests in Telstra shares

The tables in this section disclose Senior Executive information and only represent their time as Senior Executives.

(a) Actual pay which crystallised in FY23 for Senior Executives

As a general principle, the Australian Accounting Standards require the value of share-based payments to be calculated at the time of grant and to be expensed over the performance period and applicable service period. This may not reflect what Senior Executives actually received or became entitled to during the year.

The tables in this section are voluntary disclosures and are not prepared in accordance with Australian Accounting Standards. They are designed to provide greater transparency for shareholders on the pay and benefits the Senior Executives actually received, or became entitled to receive, during FY23 while they were a Senior Executive.

Senior Executives receive a significant portion of their variable remuneration in the form of equity. The value they actually receive from that variable remuneration is tied directly to Telstra's share price performance and whether the variable remuneration vests. We believe this demonstrates that our reward framework effectively aligns with our shareholders' interests and demonstrates the linkage between pay and performance.

The statutory tables for Senior Executive remuneration can be found in Sections 2.5(b) to (e).

The following table details the actual remuneration Vicki Brady (the CEO from 1 September 2022) received, or became entitled to receive, during FY23 in comparison to FY22. The increase in actual remuneration received by Vicki Brady reflects the fact that she was CFO in FY22 and promoted to the CEO role on 1 September 2022 on the Fixed Remuneration of her predecessor. The increase in Vicki Brady's Fixed Remuneration on promotion increased the dollar value of her variable remuneration (EVP) at target. Her leadership performance in FY23 and strong delivery of the first year of our T25 strategy is reflected in her FY23 EVP award. As flagged last year, the new EVP methodology is designed to deliver a higher level of reward at higher levels of individual performance. The value of equity increased year on year due to the vesting of performance rights under the FY19 EVP and more Restricted Shares (relating to variable remuneration earned in prior financial years) became unrestricted in FY23 relative to FY22. Restricted Shares under Tranche 3 of the FY20 EVP, Tranche 2 of the FY21 EVP and Tranche 1 of the FY22 EVP became unrestricted on 30 June 2023. In addition, equity in FY23 is valued at a five year high of \$4.30 per share. In FY22 it was valued at \$3.85 per share.

| Name | Year | Fixed Remuneration (\$000) | Individual EVP Outcome payable as cash (\$000) ² | Value of EVP Restricted Shares that became unrestricted (\$000) ^{3,4} | Value of EVP Performance Rights and other rights that vested (\$000) ^{3,5} | Total (\$000) |
|------------------------|-------------------|----------------------------|---|--|---|---------------|
| Vicki Brady CFO/CEO | 2023 | 2,164 | 1,231 | 637 | 359 | 4,391 |
| CFO | 2022 ¹ | 1,200 | 570 | 381 | - | 2,151 |

- As reported in our 2022 Remuneration Report.
- For FY23, amount relates to the cash component of the FY23 EVP, earned in FY23 and payable in September 2023. For FY22, the amount relates to the cash component of the FY22 EVP, earned in FY22 and paid in September 2022.
- Equity in this table has been valued based on Telstra's share price at 30 June for each respective year. For FY23 this price is \$4.30 and for FY22 this price is \$3.85.
- Amount relates to the value of variable remuneration earned in prior financial years which was provided as Restricted Shares. For the amount reported for FY23, the Restriction Period for these shares ended on 30 June 2023 and relates to Tranche 3 of the FY20 EVP, Tranche 2 of the FY21 EVP and Tranche 1 of the FY22 EVP. For the amount reported for FY22, the Restriction Period for these shares ended on 30 June 2022 and relates to the Tranche 2 of the FY20 EVP and Tranche 1 of the FY21 EVP.
- The outcome of the FY19 EVP was that 100% of the Performance Rights vested.

The following table details the actual remuneration Senior Executives (other than the CEO) received or became entitled to receive during FY23.

| Name | Fixed Remuneration (\$000) | Individual EVP Outcome payable as cash (\$000) ¹ | Value of EVP Restricted Shares that became unrestricted (\$000) ^{2,3} | Value of EVP Performance Rights that vested (\$000) ^{2,4} | Total (\$000) |
|--------------------|----------------------------|---|--|--|---------------|
| Michael Ackland | 1,208 | 703 | 605 | 870 | 3,386 |
| Kim Krogh Andersen | 1,076 | 511 | 442 | - | 2,029 |
| David Burns | 1,126 | 432 | 568 | 873 | 2,999 |
| Nikos Katinakis | 1,076 | 511 | 541 | 706 | 2,834 |
| Brendon Riley | 1,376 | 670 | 731 | 1,177 | 3,954 |
| Dean Salter | 926 | 437 | 197 | - | 1,560 |
| Bradley Whitcomb | 519 | 240 | - | - | 759 |

The table only includes Senior Executives (other than the CEO) who held that position as at 30 June 2023.

- Amount relates to the cash component of the FY23 EVP, earned in FY23 and payable in September 2023.
- Equity in this table has been valued based on the Telstra closing share price on 30 June 2023 of \$4.30.
- Amount relates to the value of Restricted Shares awarded under the FY20 (Tranche 3), FY21 (Tranche 2) and FY22 (Tranche 1) EVPs which were earned in a previous year, but subject to a Restriction Period ending 30 June 2023.
- The outcome of the FY19 EVP was that 100% of the Performance Rights vested.

(b) Senior Executive remuneration (main table)

The table below has been prepared in accordance with the requirements of the Corporations Act and the relevant Australian Accounting Standards and relates only to the periods that the person was a Senior Executive. The figures provided under the equity settled share-based payments columns are based on accounting values and do not reflect actual payments received by Senior Executives. As continuing employment conditions and/or performance conditions apply, not all Restricted Shares, Performance Rights and Cash Rights may vest.

| Name and title | Year | Short-term employee benefits | | | | Post-employment benefits | Termination Benefits | Other long-term benefits | | Share-based payments Accounting value (at risk) (\$) ⁸ | | | Total (\$000) |
|-------------------------------------|-------------|--------------------------------------|-------------------------------|--|----------------------------|--------------------------------------|---|---|---|---|--|-----------------------------------|---------------|
| | | Salary and fees (\$000) ¹ | EVP Cash (\$000) ² | Non-monetary benefits (\$000) ³ | Other (\$000) ⁴ | Super-annuation (\$000) ⁵ | Termination benefits (\$000) ⁶ | Accrued leave benefits ⁷ (\$000) | Dividend Equivalent Payment Accrual (\$000) | Restricted Shares (\$000) ⁹ | Performance Rights (\$000) ¹⁰ | Cash Rights (\$000) ¹¹ | |
| Vicki Brady | 2023 | 2,164 | 1,231 | 50 | 41 | 25 | - | 59 | 110 | 1,025 | 543 | - | 5,248 |
| CEO | 2022 | 1,176 | 570 | 33 | (20) | 24 | - | 30 | 69 | 618 | 321 | - | 2,821 |
| Michael Ackland | 2023 | 1,208 | 703 | - | 24 | 25 | - | 31 | 124 | 786 | 411 | - | 3,312 |
| CFO | 2022 | 1,100 | 600 | 1 | 54 | 24 | - | 28 | 81 | 605 | 309 | - | 2,802 |
| Kim Krogh Andersen | 2023 | 1,076 | 511 | 4 | 21 | 25 | - | 27 | 66 | 596 | 244 | - | 2,570 |
| GE P&T | 2022 | 1,025 | 431 | 120 | 15 | 24 | - | 27 | 31 | 482 | 169 | - | 2,324 |
| David Burns | 2023 | 1,126 | 432 | 10 | (35) | 25 | - | 28 | 123 | 598 | 360 | - | 2,667 |
| GE TE | 2022 | 1,126 | 440 | 3 | (19) | 24 | - | 28 | 85 | 544 | 296 | - | 2,527 |
| Nikos Katinakis | 2023 | 1,076 | 511 | 18 | (51) | 25 | - | 27 | 112 | 614 | 350 | - | 2,682 |
| GE N&IT | 2022 | 1,076 | 410 | 31 | - | 24 | - | 27 | 76 | 520 | 274 | - | 2,438 |
| Brendon Riley | 2023 | 1,376 | 670 | 45 | (16) | 25 | - | 35 | 160 | 828 | 484 | - | 3,607 |
| GE & CEO InfraCo | 2022 | 1,376 | 553 | 38 | (46) | 24 | - | 35 | 110 | 713 | 411 | - | 3,214 |
| Dean Salter | 2023 | 926 | 437 | 10 | (4) | 25 | - | 23 | 23 | 415 | 138 | - | 1,993 |
| GE GBS | 2022 | 926 | 375 | 1 | 21 | 24 | - | 23 | 5 | 258 | 76 | - | 1,709 |
| Brad Whitcomb | 2023 | 519 | 240 | 7 | 111 | 13 | - | 13 | - | 62 | 18 | - | 983 |
| GE C&SB | 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| Andrew Penn | 2023 | 400 | 228 | 18 | (6) | 6 | - | 10 | 54 | 111 | 152 | 978 | 1,951 |
| Former CEO | 2022 | 2,366 | 1,113 | 43 | (26) | 24 | - | 59 | 198 | 1,220 | 1,439 | 1,965 | 8,401 |
| Alex Badenoch | 2023 | 437 | 210 | - | 28 | 19 | 838 | 11 | 58 | 785 | 703 | 225 | 3,314 |
| Former GE TC&P | 2022 | 906 | 495 | 2 | (5) | 24 | - | 23 | 84 | 532 | 313 | - | 2,374 |
| Total current and former KMP | 2023 | 10,308 | 5,173 | 162 | 113 | 213 | 838 | 264 | 830 | 5,820 | 3,403 | 1,203 | 28,327 |
| | 2022 | 11,077 | 4,987 | 272 | (26) | 216 | - | 280 | 739 | 5,492 | 3,608 | 1,965 | 28,610 |

In the table above, EVP Cash, Restricted Shares, Performance Rights and Cash Rights are dependent on the satisfaction of performance conditions (an overview of those performance conditions is included above in Section 2.1(c)). All other items are not related to performance.

1. Includes salary and salary sacrifice benefits (excluding salary sacrifice superannuation which is included under Superannuation), and where applicable is adjusted for leave without pay. Andrew Penn entered into a consultancy agreement to provide ongoing advice and guidance to Telstra for 6 months following his retirement (until 30 March 2023) and received fees of \$10,000 per month. As he was no longer KMP following his retirement, these fees are not included in the table above.
2. For FY23, the amounts relate to performance in FY23 under the FY23 EVP, which will be paid in September 2023. For FY22, the amounts relate to cash amounts paid for performance in FY22 under the FY22 EVP. Those cash amounts were paid in September 2022.
3. Includes the cost of personal use of Telstra products and services, the provision of car parking and where applicable, benefits in accordance with Telstra's relocation policy for those executives who were repatriated or relocated to Australia in recent years. Where applicable, the value of non-monetary benefits has been grossed up for FBT by the relevant FBT rates.
4. Includes the net movement of annual leave entitlement balance and, for Brad Whitcomb a sign on payment of \$70,500.
5. Represents company contributions to superannuation. Telstra does not provide any other post-employment benefits. Includes an increase in super contributions for FY23, partially funded from salary and fees, due to indexation of the Maximum Superannuation Contribution Base.
6. Termination benefits for Alex Badenoch of \$837,792 comprised of a \$362,190 payment in lieu of notice and a \$475,602 termination payment as per her employment contract. No termination benefits were paid to Andrew Penn on retirement, only statutory leave was paid out. The termination benefits provided to Alex Badenoch were paid in compliance with Part 2D.2, Division 2 of the Corporations Act.
7. Includes the net movement of long service leave entitlement balances.
8. The accounting values included in the table relate to the current year amortised value of all Restricted Shares, Performance Rights and Cash Rights that had not yet fully vested at the commencement of the financial year. The value of each equity instrument is calculated by applying valuation methodologies or is based on the market value of Telstra shares at the grant date as described in note 5.2 to the financial statements and is then amortised, based on the maximum achievable allocation, over the relevant vesting period. This value includes an assumption that the instruments will vest at the end of the vesting period unless forfeited during the financial year.
9. This includes the amortised value of the Restricted Share component of the FY23, FY22, FY21 and FY20 EVPs. As the Board exercised discretion to permit Andrew Penn to retain his 404,414 FY21 EVP Restricted Shares in FY22, these shares have been accounted under AASB 2 as a forfeiture and replacement award and their fair value has been remeasured totalling \$1.465 million. The original fair value was \$1.602 million. No Board discretion was exercised in relation to Alex Badenoch's Restricted Shares.
10. This includes the amortised value of the Performance Right component of the FY23, FY21, FY20 and FY19 EVPs.
11. As required under AASB 2, the accounting expense for the FY22 Cash Rights awarded to Andrew Penn and FY23 Cash Rights that will be awarded to Andrew Penn and Alex Badenoch in lieu of Restricted Shares and Performance Rights have been fully recognised in this reporting period even though the EVP Cash Rights will not be eligible to vest until the end of their respective restriction and performance periods. The FY23 Cash Rights are subject to the same time conditions and performance measures as those applying to FY23 Restricted Shares and Performance Rights to be allocated to other Senior Executives.

(c) FY23 EVP Payments (cash and equity)

| Name | Breakdown of FY23 Individual EVP Outcomes ¹ | | | | | | |
|----------------------------|--|----------------------------|--|--|------------------------|---------------------------------|------------------------------------|
| | Maximum potential EVP opportunity (\$000) ² | 25% Cash component (\$000) | 35% Restricted Shares component ³ (\$000) | 40% Performance Rights component (\$000) | Individual EVP Outcome | % of maximum opportunity earned | % of maximum opportunity forfeited |
| Vicki Brady | 6,564 | 1,231 | 1,722 | 1,968 | 4,921 | 75.0% | 25.0% |
| Michael Ackland | 3,750 | 703 | 984 | 1,124 | 2,811 | 75.0% | 25.0% |
| Kim Krogh Andersen | 3,304 | 511 | 715 | 817 | 2,043 | 61.8% | 38.2% |
| David Burns | 3,454 | 432 | 604 | 690 | 1,726 | 50.0% | 50.0% |
| Nikos Katinakis | 3,304 | 511 | 715 | 817 | 2,043 | 61.8% | 38.2% |
| Brendon Riley | 4,204 | 670 | 937 | 1,071 | 2,678 | 63.7% | 36.3% |
| Dean Salter | 2,854 | 437 | 612 | 700 | 1,749 | 61.3% | 38.7% |
| Brad Whitcomb | 1,571 | 240 | 337 | 385 | 962 | 61.2% | 38.8% |
| Andrew Penn ⁴ | 1,219 | 228 | 320 | 365 | 913 | 75.0% | 25.0% |
| Alex Badenoch ⁴ | 1,376 | 210 | 295 | 337 | 842 | 61.2% | 38.8% |

1. The FY23 Individual EVP Outcomes were approved by the Board on 15 August 2023.
2. Represents the maximum potential EVP opportunity specific to their time as Senior Executives for FY23, adjusted for any variation in Fixed Remuneration or any leave without pay taken throughout FY23 that impacts the maximum potential EVP opportunity available. If the minimum threshold performance is not met, the minimum possible EVP payment is nil.
3. The Restricted Shares and Performance Rights awarded are expected to be allocated shortly after Telstra's 2023 Annual General Meeting and are subject to Restriction Periods and performance periods (as set out in Section 2.1(c)) and the Senior Executive's continued employment.
4. As Andrew Penn and Alex Badenoch ceased employment for Permitted Reasons before the allocation of their FY23 Restricted Shares and Performance Rights under the EVP, they will be granted Cash Rights in lieu of those Restricted Shares and Performance Rights.

(d) Number and value of rights over equity instruments allocated, vested and exercised during FY23

As a result of the Restructure, Performance Rights and Restricted Shares under the FY22 EVP were granted by the new parent entity of the Telstra Group, Telstra Group Limited. All Restricted Shares on issue at the time the top hat component of the scheme forming part of the Restructure was implemented (being 31 October 2022) were treated in the same way as shares held by other Telstra shareholders. Telstra Corporation Limited Restricted Shares were exchanged for Telstra Group Limited Restricted Shares on a one-for-one basis. All Performance Rights on issue at the time the top hat component of the scheme was implemented were amended to provide that a Telstra Group Limited share (or cash amount equivalent to such share) will be provided on the vesting of any Performance Right. There was no change to the fair market value of the Performance Rights as a result of the amendment. The closing price of Telstra Group Limited shares on the ASX on 31 October 2022 was \$3.92.

| Name | Equity Movements | | | | | | |
|--------------------|---|---|--|--|---|-------------------------------|--|
| | Total rights held at 1 July 2022 ¹ | Rights allocated during FY23 ² | Value of rights allocated (\$000) ³ | Rights vested / exercised during FY23 ⁴ | Value of rights vested / exercised (\$000) ⁵ | Other changes (lapsed rights) | Total rights held at 30 June 2023 ⁶ |
| Vicki Brady | 535,984 | 224,918 | 551 | (83,562) | 165 | - | 677,340 |
| Michael Ackland | 608,332 | 236,756 | 400 | (202,232) | 400 | - | 642,856 |
| Kim Krogh Andersen | 300,255 | 170,168 | 288 | - | - | - | 470,423 |
| David Burns | 633,796 | 173,621 | 293 | (203,130) | 402 | - | 604,287 |
| Nikos Katinakis | 577,110 | 161,783 | 273 | (164,095) | 325 | - | 574,798 |
| Brendon Riley | 832,639 | 218,013 | 368 | (273,721) | 542 | - | 776,931 |
| Dean Salter | 61,108 | 147,972 | 250 | - | - | - | 209,080 |
| Brad Whitcomb | - | - | - | - | - | - | - |
| Andrew Penn | 1,471,653 | - | - | (558,281) | 1,407 | - | 913,372 |
| Alex Badenoch | 615,277 | 195,324 | 330 | (224,842) | 445 | - | 585,759 |

All service and performance conditions for rights granted in previous financial years are summarised in the Remuneration Report for each relevant year of grant. Each equity instrument granted, vested or exercised in FY23 (where applicable) in the table above was issued by Telstra Corporation Limited (if issued prior to the Restructure) or Telstra Group Limited (if issued after the Restructure) and resulted or will result (on vesting and exercise) in one ordinary Telstra Group Limited share (or, at Telstra Group Limited's discretion, a cash amount equal to the value of one ordinary Telstra Group Limited share) being provided to the holder per equity instrument. No amount is payable by the KMP on grant, vesting or exercise of their rights. Restricted Shares are excluded from this table. Refer to Sections 2.5(c) and (e) for further information.

- The balance reflects the number of equity instruments held on the later of 1 July 2022 or the date on which the executive commenced as a KMP. Refer to the list of KMP at the end of the Key Highlights section of this report for further information.
- Rights allocated during FY23 were the FY22 EVP Performance Rights allocated on 21 November 2022. Approval for the issue of FY22 EVP Performance Rights allocated to Vicki Brady was obtained from shareholders at our 2022 AGM, and as a result the grant date of those awards for accounting purposes is considered to be the date of that AGM as described in note 2 below. The FY23 EVP Performance Rights will be allocated shortly after Telstra's 2023 AGM, refer to Section 2.1 for more information. Approval for the issue of FY23 EVP Performance Rights to be allocated to Vicki Brady will be sought from shareholders at our 2023 AGM, and as a result the grant date of those awards for accounting purposes will be considered to be the date of the 2023 AGM (rather than 12 August 2022).
- The fair value reflects the valuation approach required by AASB 2 using an option pricing model for Performance Rights granted. The fair value of the Performance Rights allocated in FY23 under the FY22 EVP are based on the grant dates of 11 October 2022 for the CEO and 11 August 2021 for all other Senior Executives, respectively. The fair value of Performance Rights granted under the FY22 EVP are \$2.45 for the CEO, and \$1.69 for Senior Executives.
- Rights vested in this column relate to the Performance Rights awarded under the FY19 EVP that was performance tested following the conclusion of the performance period on 30 June 2023 and resulted in 100% of the Performance Rights vesting. These will be provided as shares following the date of this report.
- The fair value reflects the valuation approach required by AASB 2 using an option pricing model for Performance Rights granted. The fair value of the Performance Rights vested under the FY19 EVP are based on the grant dates of 15 October 2019 for Andrew Penn and 11 October 2018 for all other Senior Executives, respectively. The fair value of Performance Rights vested under the FY19 EVP are \$2.52 for Andrew Penn and \$1.98 for all other Senior Executives.
- The balance reflects the number of shares held at 30 June 2023 or, if earlier, the date on which the executive ceased to hold the KMP position. Refer to the list of KMP at the end of the Key Highlights section of this report for further information.

There are no Performance Rights or options held by any KMP's related parties and no Performance Rights or options held indirectly or beneficially by our KMP. As at 30 June 2023, there were no options or Performance Rights vested, or vested and exercisable or vested and unexercisable, except for the FY19 EVP Performance Rights. As outlined in Section 2.4, the secondary performance condition applying to the FY19 EVP Performance Rights was tested following the conclusion of the performance period on 30 June 2023 and 100% of those Performance Rights vested. Shares will be provided in respect of those vested Performance Rights following the date of this report.

(e) Senior Executive interests in Telstra shares

During FY23, our Senior Executives and their related parties held Telstra shares directly, indirectly or beneficially as follows:

| Name | Total shares held at 1 July 2022 ^{1,2} | Restricted Shares allocated ³ | Net shares acquired or disposed of and other changes ⁴ | Total shares held at 30 June 2023 ⁵ | Number of shares held nominally at 30 June 2023 ^{5,6} |
|--------------------|---|--|---|--|--|
| Vicki Brady | 575,085 | 196,803 | - | 771,888 | 441,137 |
| Michael Ackland | 886,513 | 207,161 | (55,000) | 1,038,674 | 1,038,674 |
| Kim Krogh Andersen | 262,723 | 148,897 | - | 411,620 | 325,996 |
| David Burns | 740,018 | 151,918 | (400,000) | 491,936 | 384,967 |
| Nikos Katinakis | 530,785 | 141,560 | - | 672,345 | 366,445 |
| Brendon Riley | 1,507,606 | 190,761 | (500,000) | 1,198,367 | 1,198,367 |
| Dean Salter | 58,969 | 129,476 | - | 188,445 | 175,078 |
| Brad Whitcomb | - | - | - | - | - |
| Andrew Penn | 2,556,435 | - | - | 2,556,435 | 559,505 |
| Alex Badenoch | 597,980 | 170,908 | - | 768,888 | 380,832 |
| Total | 7,716,114 | 1,337,484 | (955,000) | 8,098,598 | 4,871,001 |

- Total shareholdings include shares held by our Senior Executives and their related parties. Unless related to our employee share plans, shares acquired or disposed of by our Senior Executives and their related parties during FY23 were on an arms length basis at market price.
- Reflects the number of shares held on the later of 1 July 2022 or the date on which the executive commenced as a KMP. Refer to the list of KMP at the end of the Key Highlights section of this report for further information.
- Restricted Shares in this column were allocated on 21 November 2022 and relate to the FY22 EVP. The approval for the issue of Restricted Shares allocated to Vicki Brady was obtained from shareholders at our 2022 Annual General Meeting. For his FY22 EVP award, Andrew Penn was awarded Cash Rights and not Restricted Shares. The Restricted Shares under the FY23 EVP will be made after the reporting date of 30 June 2023, therefore they have not been included in the table above.
- For Michael Ackland, David Burns and Brendon Riley the movement relates to sale of shares.
- The balance reflects the number of shares held at 30 June 2023 or, if earlier, the date on which the executive ceased to hold the KMP position. Refer to the list of KMP at the end of the Key Highlights section of this report for further information.
- Nominally refers to shares held either indirectly or beneficially by Senior Executives and shares held by their related parties including certain Restricted Shares held beneficially by Senior Executives. These shares are subject to a Restriction Period, such that the Senior Executive is restricted from dealing with the shares until the Restriction Period ends. Refer to note 5.2 to the financial statements for further details.

Non-executive Director remuneration

3.1 FY23 fee structure

Overview

Our non-executive Directors are remunerated with set fees and do not receive any performance-based pay. This enables non-executive Directors to maintain independence and impartiality when making decisions affecting the future direction of the Company.

Superannuation contributions are included within each non-executive Director's total remuneration, in accordance with the ASX Listing Rules and Telstra policy. Non-executive Directors may choose to increase the proportion of their remuneration taken as superannuation, subject to legislative requirements.

Telstra does not provide retirement benefits for non-executive Directors other than the superannuation contributions noted above.

Sections 1.1(g) and (h) of this report provide details of the share ownership policy and securities trading restrictions that apply to our non-executive Directors. Section 3 provides full details of non-executive Director remuneration for FY23.

Non-executive Directors are remunerated in accordance with Telstra's Constitution, which provides for an aggregate fee pool that is set, and varied, only by approval of a resolution of shareholders at the AGM. The current annual fee pool of \$3.5 million was approved by shareholders at Telstra's 2012 AGM. The total of Board and Committee fees, including superannuation, paid to non-executive Directors in FY23 remained within the approved fee pool.

(a) FY23 Board and standing Committee fees

On an annual basis the Board conducts a market review of Board fees. Before FY23, the Chair fee and non-executive Director annual base fee had not changed since 2014 and 2012 respectively.

As reported in our 2022 Remuneration Report, from 1 October 2022, the Board determined to increase the Board Chair fee from \$775,000 to \$790,000 (1.9% increase) and the non-executive director Board fee from \$235,000 to \$240,000 (2.1% increase). The People and Remuneration Committee member fee had not changed since 2017 and, from 1 October 2022, increased by 1.8% from \$28,000 to \$28,500. The total of Board and Committee fees remains within the approved fee pool.

The Board and standing Committee fee structure (inclusive of superannuation) during FY23 was:

| FY23 Board Fees | Chair | Non-executive Director (annual base fee) |
|-----------------------------------|-----------|--|
| Board | \$790,000 | \$240,000 |
| FY23 Committee Fee | Chair | Committee Member |
| Audit & Risk Committee | \$70,000 | \$35,000 |
| People and Remuneration Committee | \$56,000 | \$28,500 |
| Nomination Committee* | - | - |

*All non-executive Directors are members of the Nomination Committee and do not receive a fee for this Committee.

The Board Chair does not receive Committee fees if he is a Member of a Board Committee. No remuneration for additional or special duties was paid to non-executive Directors in FY23.

Following the FY23 market review of Board fees, from 1 October 2023 the Board has determined to increase the People and Remuneration Committee Chair annual fee from \$56,000 to \$58,000 (3.6% increase) and the People and Remuneration Committee member fee from \$28,500 to \$29,500 (3.5% increase). The total of Board and Committee fees will remain within the approved fee pool.

(b) Changes to the Board and Committee composition

There were a number of changes to Board and Committee composition during FY23.

- Nora Scheinkestel retired as a non-executive Director effective 11 October 2022;
- Bridget Loudon was appointed as a member of the People and Remuneration Committee on 13 October 2022;
- Ming Long was appointed to the Board and as a member of the Nomination Committee on 1 January 2023;
- Ming Long was appointed as a member of the People and Remuneration Committee and as a member of the Audit and Risk Committee on 15 February 2023;
- Maxine Brenner was appointed to the Board and as a member of the Nomination Committee and Audit and Risk Committee on 17 February 2023; and
- Elana Rubin was appointed to the Audit and Risk Committee on 13 October 2022 and ceased to be a member of the Audit and Risk Committee from 17 February 2023.

3.2 Detailed remuneration and interests in Telstra shares**(a) Non-executive Director remuneration**

| Name and title | Year | Short-term employee benefits | | Post-employment benefits | Total (\$000) ⁹ |
|--|-------------|--------------------------------------|--|-------------------------------------|----------------------------|
| | | Salary and fees (\$000) ¹ | Non-monetary benefits (\$000) ² | Superannuation (\$000) ³ | |
| John P Mullen | 2023 | 761 | 15 | 25 | 801 |
| Chair | 2022 | 751 | 11 | 24 | 786 |
| Eelco Blok⁴ | 2023 | 234 | - | 5 | 239 |
| Director | 2022 | 231 | - | 4 | 235 |
| Maxine Brenner⁵ | 2023 | 93 | - | 9 | 102 |
| Director | 2022 | - | - | - | - |
| Roy H Chestnutt⁴ | 2023 | 269 | - | 5 | 274 |
| Director | 2022 | 265 | - | 5 | 270 |
| Craig W Dunn | 2023 | 283 | 1 | 25 | 309 |
| Director | 2022 | 292 | 1 | 24 | 317 |
| Ming Long⁵ | 2023 | 131 | - | 13 | 144 |
| Director | 2022 | - | - | - | - |
| Bridget Loudon⁶ | 2023 | 235 | - | 24 | 259 |
| Director | 2022 | 214 | 1 | 21 | 236 |
| Elana Rubin⁷ | 2023 | 349 | 4 | - | 353 |
| Director | 2022 | 253 | 1 | 6 | 260 |
| Nora L Scheinkestel⁸ | 2023 | 76 | - | 7 | 83 |
| Director | 2022 | 283 | 1 | 24 | 308 |
| Niek Jan van Damme⁴ | 2023 | 262 | - | 5 | 267 |
| Director | 2022 | 258 | - | 5 | 263 |
| Total | 2023 | 2,693 | 20 | 118 | 2,831 |
| | 2022 | 2,547 | 15 | 113 | 2,675 |

1. Includes fees for membership on Board standing committees and remuneration for payroll adjustments, additional or special duties (where applicable). In FY22, the following non-executive Directors received remuneration for additional or special duties: Craig Dunn (\$11,000) and Nora L Scheinkestel (\$9,000). No remuneration for additional or special duties was paid to non-executive Directors in FY23.

2. Includes the provision of car parking as well as the value of Telstra products and services provided to non-executive directors. The value of non-

monetary benefits has been grossed up where required for FBT by the relevant FBT rates.

3. Includes an increase in super contributions for FY23, funded from salary and fees, due to indexation of the Maximum Superannuation Contribution Base.
4. As Eelco Blok, Roy Chestnutt, and Niek Jan van Damme are overseas residents, their superannuation contributions for FY23 and FY22 are less than the contributions for Australian resident non-executive Directors.
5. Maxine Brenner and Ming Long qualified as KMP from 17 February 2023 and 1 January 2023 respectively, when they were appointed as non-executive Directors of Telstra.
6. Includes a period of paid parental leave.
7. Includes \$42,162 payable from payroll reconciliation relating to prior periods. An employer superannuation guarantee shortfall exemption certificate has been granted by the ATO for the 2023 financial year. Based on the exemption approval Telstra has met the required Superannuation Guarantee obligation.
8. Nora L Scheinkestel (Director since August 2010) retired from the Board of Directors on 11 October 2022.
9. The total for FY22 of \$2,675 million in this table is different to the total for FY22 in the FY22 Remuneration Report of \$2,902 million as it does not include remuneration for Peter Hearl of \$147,000 or Margaret Seale of \$80,000.

(b) Non-executive Directors' interests in Telstra shares

During FY23, our non-executive Directors and their related parties held Telstra shares directly, indirectly or beneficially as follows:

| Name | Total shares held at 1 July 2022 ^{1,2} | Net shares acquired or disposed of and other changes ¹ | Total shares held at 30 June 2023 ^{1,3} | Shares held nominally at 30 June 2023 ^{3,4} |
|---------------------|---|---|--|--|
| John P Mullen | 126,159 | - | 126,159 | 100,000 |
| Eelco Blok | 75,000 | - | 75,000 | - |
| Maxine Brenner | - | - | - | - |
| Roy H Chestnutt | 70,000 | - | 70,000 | 70,000 |
| Craig W Dunn | 73,173 | - | 73,173 | 72,473 |
| Ming Long | 26,000 | 25,589 | 51,589 | - |
| Bridget Loudon | 2,500 | 10,000 | 12,500 | 12,500 |
| Elana Rubin | 67,961 | - | 67,961 | - |
| Nora L Scheinkestel | 161,685 | 3,459 | 165,144 | 131,206 |
| Niek Jan van Damme | 77,000 | - | 77,000 | - |
| Total | 679,478 | 39,048 | 718,526 | 386,179 |

1. Total shareholdings include shares held by our non-executive Directors and their related parties. Shares acquired or disposed of by our non-executive Directors and their related parties during FY23 were on an arm's length basis at market price.
2. For Maxine Brenner and Ming Long, the balance as at 1 July 2022 represents shares held as at the date they became KMP.
3. For Nora L Scheinkestel, the balance as at 30 June 2023 represents shares held as at the date on which she ceased to be KMP.
4. Nominally refers to shares held either indirectly or beneficially by non-executive Directors including those shares held by their related parties.

Looking forward to FY24

4.1 Senior Executive Leadership Changes

During the year we were delighted to announce the appointment of Kathryn van der Merwe as Group Executive People, Culture and Communications. Kathryn commenced with Telstra on 3 July 2023.

4.2 FY24 Senior Executive Remuneration Framework

On an annual basis the Board conducts a market review of Senior Executive remuneration along with other factors including internal relativities and any growth in the accountabilities of Senior Executive roles.

Dean Salter commenced with Telstra on 19 February 2021 on a fixed remuneration of \$950,000. With an increase in the Superannuation Guarantee Charge, his fixed remuneration increased to \$951,205 on 1 July 2022. Since commencement, the accountabilities of Dean Salter's role have expanded and have become critical to the delivery of our T25 strategy. Field services and wideband construction teams have moved into Global Business Services to enable consistent investment in our critical field services capabilities and to ensure a consistent customer experience. Dean Salter also plays an increasingly critical role in Telstra delivering net cost reductions through productivity improvements, including the expansion and maturation of our global shared services operations.

The Board has determined to increase the fixed remuneration of Dean Salter, Group Executive Global Business Services, from \$951,205 to \$1,050,000. This change will take effect on 1 October 2023 and, with the exception of the regulated increase in the Superannuation Guarantee Charge, is the first increase in fixed remuneration for Dean Salter since his commencement nearly three years ago.

For FY24 we do not anticipate any other increases in Senior Executive Fixed Remuneration other than on appointment or promotion to a new role or due to a significant increase in accountabilities, nor do we intend on making any significant changes to the EVP remuneration structure.

4.3 FY24 EVP Performance Measures and Targets

It is our intention to continue to provide meaningful information to enable shareholders to assess the appropriateness of our remuneration targets and provide transparency over remuneration outcomes. The Board considers this an imperative as our operating environment requires careful shareholder consideration of the need to appropriately recognise and reward strong management performance for the value created for the Company and its shareholders.

The performance measures and targets selected by the Board are designed to focus the Senior Executives on delivering against the second year of our T25 strategy, and to help ensure that financial rewards are linked directly to their contributions, to company performance and to long-term shareholder value creation.

In setting the primary performance measures and targets for the FY24 EVP, the Board sought to ensure they were robust and sufficiently demanding, taking into account the key deliverables and milestones outlined in our T25 strategy and scorecard, planned financial outcomes contained within our FY24 Corporate Plan and FY24 guidance (as announced on 17 August 2023).

The targets that apply to the FY24 EVP do not constitute market guidance. Subsequent adjustments to guidance throughout the year (for example unplanned one-off events) and their impact on EVP outcomes will be considered both during the financial year as those events may occur and also at the end of the financial year, in accordance with established principles to ensure that outcomes appropriately reflect the performance of Senior Executives. Any adjustments that the Board makes will be fully disclosed to shareholders in next year's Remuneration Report. The Board also has the ability to amend the performance measures themselves if it considers it appropriate having regard to Telstra's business circumstances and priorities.

All of the following measures have been selected on the basis that they are directly linked to our T25 strategy.

| FY24 EVP Performance Measures and Targets | | | | | | | | |
|---|---|---|-------------------|-----------|---|---|--|--|
| Performance Measure | Metric | Weighting | FY23 EVP Actual ^ | FY24 | | | Rationale for why chosen | |
| | | | | Threshold | Target | Max | | |
| Financial 60% of total weighting |  Total Income | Telstra Income (excluding finance income) | 15% | \$23,245m | | | | <ul style="list-style-type: none"> Key indicator of financial performance. Ensures continued focus on income and customer retention and growth. Aligns to the growth and value pillar of our T25 scorecard. |
| |  Underlying EBITDA | Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, and excludes guidance adjustments | 15% | \$7,950m | | | | <ul style="list-style-type: none"> Key indicator of financial performance. Ensures appropriate focus on profit and cost to deliver. A strong indicator of underlying company profitability. Aligns to the growth and value pillar of our T25 scorecard. |
| |  Free Cash Flow | Free Cashflow after lease payments defined as 'operating cash flows' less 'investing cash flows', less 'payments for lease liabilities', and excludes spectrum and guidance adjustments | 15% | \$2,784m | Aligned to bottom end of Market Guidance* | Aligned to Midpoint of Market Guidance* | Aligned to top end of Market Guidance* | <ul style="list-style-type: none"> Key indicator of financial performance. Appropriate for a capital-intensive business and critical in managing the Company's ability to pay a dividend and maintain balance sheet strength. Aligns to the growth and value pillar of our T25 scorecard. |
| |  Underlying Return On Invested Capital | Underlying ROIC is Total NOPAT less guidance adjustments after tax, divided by Average Invested Capital | 15% | 8.1% | | | | <ul style="list-style-type: none"> Key indicator of financial performance. The introduction of this metric in FY23 reflects our T25 strategy focus on growth and financial returns. Aligns to the growth and value pillar of our T25 scorecard. |

| | | | | | | | | |
|-------------------------------------|---|--|-----|--|------|------|------|--|
| Customer 25% of total weighting |  Episode NPS | Measures our customer experience from their feedback on each transaction using a Net Promoter Score | 15% | +43 | +43 | +44 | +45 | <ul style="list-style-type: none"> • Focusses leaders on continuously improving the customer service experience, driving both customer attraction and retention. • Underpins companywide improvement programs focused on improving our operational excellence by identifying and eliminating the causes of unnecessary customer effort and pain points. • Aligns to the customer experience pillar of our T25 scorecard. |
| |  RepTrak | Measures our reputation score on the RepTrak index | 10% | 63.5 | 63.5 | 64.2 | 64.9 | <ul style="list-style-type: none"> • Includes the sentiment of customers and non-customers, but also provides a broader, more holistic measure which picks up on all the key drivers of company reputation. • Focusses leaders on the Company's reputation in the community, with customers and prospective customers, and with prospective employees, driving both customer and employee attraction and retention. • To account for macro changes in consumer sentiment, we will review Telstra's performance against the year-on-year movement in the RepTrak Benchmark 60 average score which measures the reputation of the 60 largest brands in Australia by revenue and market presence. • Aligns to the responsible business pillar of our T25 scorecard. |
| Strategic 15% of total weighting |  Responsible Business | Our % reduction in absolute scope 1 + 2 greenhouse gas emissions and % reduction in absolute scope 3 greenhouse gas emissions, both from our FY19 baseline (excluding Digicel Pacific) | 5% | 30% reduction in scope 1 + 2 emissions 28% reduction in scope 3 emissions | 32% | 33% | 34% | <ul style="list-style-type: none"> • Inclusion of this metric in our scorecard leans into Telstra's contribution to addressing this pressing issue and specifically recognises broad community concern on our changing environment. • Scope 1 + 2 greenhouse gas emissions are those caused by fossil fuels and grid electricity we use. Added for FY24 are scope 3 greenhouse gas emissions which are mainly those from our value chain (e.g. suppliers and customers). Both metrics will be assessed separately and combined with an equal weighting (50% each), as set out below this table. • Aligns to the responsible business pillar of our T25 scorecard. |

| | | | | | | | |
|--|--|----|-----------------------------------|---|------------------------------|------------------------------|---|
|  Digital Leadership | Launching Application Programming Interface (API)-first products | 5% | 89% of FY23 target build achieved | Build 100% of the APIs required to launch our first API-first product | Release 2 API-first products | Release 3 API-first products | <ul style="list-style-type: none"> This measure focuses our executives on enablers of Digital Leadership that will halve our new product time to market by building a 100% API-first architecture for customer management and product development. API-first involves building our underlying network, IT and data capabilities as services that can be used by teams building product and channel experiences. These services will be reusable for multiple products and channels, so we can make changes to them faster and more cheaply. It will drive fundamental and significant change in the way we work, improving offerings to customers whilst reducing cost. Aligns to the digital leadership pillar of our T25 scorecard. |
| | Maintain employee engagement in the high performing norm (90 th percentile) | 5% | 80 | 80 | 81 | 82 | <ul style="list-style-type: none"> Focuses leaders on our employee engagement and the importance of our employees as stakeholders. A highly engaged workforce is critical for attracting and retaining the talent required to deliver on our ambitious strategy. Aligns to the new ways of working pillar of our T25 scorecard. |

^ For metrics continuing from FY23, the FY23 EVP Actual refers to the FY23 EVP performance outcomes as outlined in Section 2.2. For Underlying EBITDA and Underlying ROIC refer to section 2.1 for the FY23 definitions. For Responsible Business the FY23 EVP Actual refers to the actual performance outcomes for the reduction in scope 1, 2 and 3 greenhouse gas emissions in FY23. For metrics that are new in FY24, the FY23 EVP Actual (where available) is our current internal measurement to the end of June 2023 where this provides relevant context to the determination of Threshold, Target and Maximum for FY24.

*Market Guidance means guidance for FY24 as set out in Telstra's ASX announcement dated 17 August 2023. Threshold, Target and Maximum levels for Underlying ROIC align to the corresponding Threshold, Target and Maximum for Underlying EBITDA (which align to Market Guidance as described above).

Calculation of Blended Responsible Business Metric for FY24:

| Reduce emissions | Weight | Threshold | Target | Max |
|--|--------|------------|------------|------------|
| Scope 1 + 2 | 50% | 32% | 33% | 35% |
| Scope 3 | 50% | 31% | 32% | 33% |
| Blended targets (rounded to nearest whole %) | 100% | 32% | 33% | 34% |

5. Glossary

| | |
|------------------------------|---|
| Cash Rights | Rights granted to a Senior Executive who ceases employment for a Permitted Reason before the Restricted Shares and Performance Rights are granted in respect of the EVP in lieu of those Restricted Shares and Performance Rights. The Cash Rights are subject to the same time conditions and performance measures as those applying to those Restricted Shares and Performance Rights. On vesting, a Cash Right will entitle the Senior Executive to a cash payment equivalent to the value of a Telstra share at the end of the applicable Restriction Period or performance period. A Cash Right granted in lieu of a Restricted Share also entitles the Senior Executive to receive an amount equal to dividends paid on Telstra shares between the date the Cash Right is allocated and the end of the applicable Restriction Period, at or around the same time that Telstra pays the dividend. A Cash Right granted in lieu of a Performance Right entitles the Senior Executive, if the Cash Right vests, to receive an amount equivalent to dividends paid between allocation and vesting of the Cash Right after the end of the applicable performance period. |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation. |
| EVP | Executive Variable Remuneration Plan. |
| EVP Scorecard Outcome | The outcome determined by the Board following an assessment of Telstra's performance against the primary performance measures under the EVP during the Initial Performance Period, after making such |

| | |
|---|--|
| | adjustments as it considers necessary to ensure the outcome is appropriate, that is then used as an input for determining each Senior Executive's Individual EVP Outcome. |
| Fixed Remuneration or FR | Base salary plus company and private salary sacrificed superannuation contributions. |
| FY | Financial year |
| Individual EVP Outcome | The individual award earned by a Senior Executive under the EVP taking into consideration their performance, the EVP Scorecard Outcome, their 'at target' EVP reward opportunity and other factors in accordance with the Board's decision framework such as any material risk events identified, the severity of their impact and the Senior Executive's accountability for the matter. |
| Initial Performance Period | 1 year (1 July 2022 – 30 June 2023). |
| KMP | Key Management Personnel, being people with authority and responsibility for planning, directing and controlling the activities of Telstra and the Group, directly or indirectly. |
| NBN Transaction | Agreements with nbn co and the Government in relation to Telstra's participation in the rollout of the nbn access network. This includes the entire definitive agreement receipts and the net negative recurring nbn headwinds on our business. |
| NPS | Net Promoter Score is a non-financial performance metric that we use to measure customer experience at Telstra. The Episode NPS performance measure is based on responses to internal surveys following actual service experiences customers had with Telstra. The overall Episode NPS result for Telstra is a weighted average calculation of the survey results from Telstra business segments – Consumer & Small Business contribute collectively at 65% and Telstra Enterprise at 35%. |
| Performance Right | A right to a share or, at Telstra's discretion, a cash amount equivalent to the value of a share, at the end of a performance period, subject to the satisfaction of certain performance measures and continuing employment conditions. |
| Permitted Reason | Permitted Reason under the EVP means death, total and permanent disablement, certain medical conditions, company initiated separation for a reason unrelated to performance or conduct, redundancy or retirement. Permitted Reason under the EVP Performance Rights and Restricted Share terms also includes mutual separation. |
| Related parties | of a person means: <ul style="list-style-type: none"> • a close member of the person's family; and/or • an entity over which the person or close family member has, directly or indirectly, control, joint control or significant influence |
| Restricted Share | A Telstra share that is subject to a Restriction Period. |
| Restriction Period | A period during which a Telstra share is subject to a continuing employment condition and cannot be traded. Restricted Shares are transferred to a Senior Executive on the first day after the end of the Restriction Period that Senior Executives are able to deal in shares under Telstra's Securities Trading Policy. |
| Restructure | The corporate restructure of the Telstra Group implemented during FY23, which included Telstra Group Limited becoming the new parent entity of the Telstra Group with effect from 31 October 2022 (Telstra Corporation Limited was the parent entity of the Telstra Group prior to that date). |
| Relative Total Shareholder Return (RTSR) | Measures the performance of a Telstra share (including the value of any cash dividend and other shareholder benefits paid during the period) relative to the performance of ordinary securities issued by the other entities in a comparator group over the same period. |
| RTSR Performance Period | The five-year performance period ending on 30 June 2027 over which the RTSR performance condition for the FY23 EVP Performance Rights will be measured. |
| Senior Executive | Refers to the CEO and those GEs who are KMP. |
| Underlying EBITDA | Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation. It excludes guidance adjustments. In FY23 and prior years, it also excluded net one-off nbn DA receipts less nbn net C2C. |

Directors' Report



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Rounding

The Telstra Entity is a company of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, as amended from time to time and issued pursuant to section 341(1) of the Corporations Act 2001. Except where otherwise indicated, the amounts in this Directors' Report and the accompanying financial report have been rounded to the nearest million dollars (\$m) and amounts in the Remuneration Report have been rounded to the nearest thousand dollars (\$000).

This report is made on 17 August 2023 in accordance with a resolution of the Directors.

John P Mullen
Chairman
17 August 2023

Vicki Brady
Chief Executive Officer and Managing Director
17 August 2023

Auditor's Independence Declaration to the Directors of Telstra Group Limited

As lead auditor for the audit of the financial report of Telstra Group Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- (b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- (c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Telstra Group Limited and the entities it controlled during the financial year.

Ernst & Young

Sarah Lowe
Partner
17 August 2023

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Legislation

Board of Directors

John P Mullen

BSc

Non-executive Director since July 2008, Chairman effective 27 April 2016 and last re-elected on 13 October 2020. Chairman of the Nomination Committee and previously Chairman of the Remuneration Committee (2009-2016).

John has extensive experience in international transportation and logistics, with more than two decades in senior positions with some of the world's largest transport and infrastructure companies. He has lived or worked in 13 countries over this time. From 2011 to 2016 John was Chief Executive Officer of Asciano, Australia's largest ports and rail operator. Prior to this, John spent 15 years with DHL Express, a US\$20b company employing over 140,000 people in 220 countries, serving as the global Chief Executive Officer from 2005 to 2009.

Prior to DHL, John spent ten years with the TNT Group, with four years from 1991 to 1994 as Chief Executive Officer of TNT Express Worldwide based in the Netherlands.

Other listed company directorships (past three years)

Chairman, Brambles Limited (Joined 2019, Chair from 2020). Director, Brookfield Infrastructure Partners L.P (from 2021 and previously 2017-2020) and Treasury Wine Estates Limited (from 1 May 2023).

Other directorships and appointments

Chair, Australian National Maritime Museum (Joined 2016 and Chair from 2019).

Senior Advisor – Toll Holdings Pty Ltd (from July 2022).

UNSW Business School Advisory Council Member (from 2005).

Former - Chairman, Toll Holdings Pty Ltd (2017-2022) and the US National Foreign Trade Council in Washington (2008 - 2010).

Member, UNICEF Task Force on Workplace Gender Discrimination and Harassment (2018-2019).

Vicki Brady

MScM (Stanford GSB), B.Com (ANU), CA

Vicki Brady became the CEO and Managing Director of Telstra, Australia's largest telecommunications company, on 1 September, 2022.

Vicki joined Telstra in 2016 and was most recently Chief Financial Officer and Strategy & Finance Group Executive. In this role, Vicki guided the company's financial performance and reporting, led the development of and progress against its corporate strategy, and oversaw its risk and internal audit capabilities, with the aim of delivering shareholder value over the long term.

Before this, Vicki was head of Telstra's Consumer & Small Business function. In this role she led a business unit with \$14.6 billion of income and was one of the architects of the T22 and T25 strategies. She has also held roles as Group Managing Director, Sales & Service and Group Managing Director, Consumer. Before working at Telstra, Vicki gained extensive executive leadership experience in telecommunications and services companies in Australia and internationally, working for organisations including Optus, SingTel and KPMG.

Vicki has a Bachelor of Commerce from the Australian National University and a Master of Science in Management from Stanford University's Graduate School of Business.

She is a member of the Groupe Speciale Mobile Association (GSMA) board; Patron, on behalf of Telstra, of the National Aboriginal and Torres Strait Islander Art Awards (NATSIAA); a member of the Institute of Chartered Accountants ANZ and is a Graduate of the Australian Institute of Company Directors.

Eelco Blok**MS, BBA**

Non-executive Director appointed on 15 February 2019 and last re-elected on 11 October 2022. Member of the Nomination Committee.

Eelco has almost 35 years of telecommunications experience at Dutch-based landline and mobile telecommunications company, KPN, where he was CEO for seven years until April 2018.

Eelco started his career in Finance at KPN before becoming responsible for several businesses including Carrier Services, Corporate Networks and Network Operations. In 2006 he was appointed a member of the KPN Board of Management, where he was consecutively responsible for the Fixed Division, Business Market – Wholesale - Operations and Mobile International. He was appointed CEO in April 2011.

From 2011 to 2017 Eelco was co-chairman of the Dutch National Cyber Security Council an advisory body of the Dutch government. He was also a Director for the international association GSMA from 2017 to April 2018.

Other listed company directorships (past three years)

Director, OTE Group (from 2019). Former – Member of the Supervisory Board of Post NL (2017-2021) and Signify NV (2017 - 2022).

Other directorships and appointments

Member of the Supervisory Boards of Koninklijke VolkerWessels N.V (from 2019) and Fairphone (from 2020). Board Advisor, Glasfaser Plus (from April 2022), Glow Financial Services (from June 2022) and Spotzer Digital (from April 2023). Advisor, Reggeborgh Groep BV (from 2018).

Maxine Brenner**BA, LLB**

Non-executive Director appointed on 17 February 2023. Member of the Audit & Risk Committee and the Nomination Committee.

Maxine is an experienced ASX top-20 director with over 20 years Board experience in some of Australia's most high-profile companies.

Maxine has a diverse background with strong experience in the corporate advisory, finance and regulatory sectors. She has a strong customer perspective and is particularly focused on the changing nature of customer expectations.

Maxine is a former Managing Director of Investment Banking at Investec Bank (Australia) Limited. She also practised as a corporate lawyer with Freehill Hollingdale & Page (now Herbert Smith Freehills) and spent several years as a lecturer in the Faculty of Law at both the University of NSW and the University of Sydney.

Other listed company directorships (past three years)

Director, Woolworths Group Limited (from December 2020), Qantas Airways Limited (from August 2013) and Origin Energy Limited (from November 2013). Former – Director, Orica Limited (April 2013 – December 2022).

Other directorships and appointments

Member of the University of NSW Council.

Roy H Chestnutt**BSc, BA, MBA**

Non-executive Director appointed on 11 May 2018, last re-elected on 12 October 2021. Member of the Audit & Risk Committee and the Nomination Committee.

Roy has more than 30 years of direct telecommunications experience. Most recently he was Executive Vice President, Chief Strategy Officer for Verizon Communications and has held leadership positions with other leading firms including Motorola, Grande Communications, Sprint-Nextel and AirTouch. Roy's last six years with Verizon included almost five as head of strategy responsible for the development and implementation of Verizon's overall corporate strategy, including business development, joint ventures, strategic investments, acquisitions and divestitures.

Roy has been a Director for international industry association GSMA and is a former chair of the Chief Strategy Officers Group including 25 global strategists from the world's leading wireless carriers.

Other listed company directorships (past three years)

Director, Intelsat (from March 2022) and Digital Turbine Inc (from 2018). Board of Advisors, Accenture Luminary (from 2021). Former – Director, Saudi Telecom (2018 – 2021) and Boingo Wireless, Inc (2019 – 2021).

Other directorships and appointments

Non-executive Partner, FTI Consulting Group/Delta Partners. Senior advisor Tillman Global Holdings LLC. Board Advisor, LotusFlare (from 2019).

Craig W Dunn

BCom, FCA

Non-executive Director appointed on 12 April 2016 and last re-elected on 11 October 2022. Chairman of the Audit & Risk Committee and member of the Nomination Committee.

Craig is a highly regarded business leader with more than 20 years' experience in financial services, pan-Asian business activities and strategic advice for government and major companies. Craig was Chief Executive Officer and Managing Director of AMP from 2008 to 2013 and held various roles at AMP in a 13-year career including Managing Director of AMP Financial Services, Managing Director for AMP Bank and head of Corporate Strategy and M&A.

Previously he was at Colonial Mutual Group from 1991 to 2000, including Managing Director for EON CMB Life Insurance in Malaysia and senior roles in Group Strategy, M&A and Finance. He has also served as a member of the Federal Government's Financial System Inquiry in 2014 and the Consumer and Financial Literacy Taskforce.

Other listed company directorships (past three years)

Director, Westpac (2015-2021).

Other directorships and appointments

Chair, ISO Blockchain Standards Committee (from 2017) and The Australian Ballet (Joined 2014, Chair from 2015). Director, MLC Life Insurance (from March 2023), Lion Pty Limited and Lion Global Craft Beverages Pty Limited (from 2021).

Ming Long AM

BEd, LLB, MBA, FCA, GAICD

Non-executive Director effective 1 January 2023. Member of the Audit & Risk Committee, the People & Remuneration Committee and the Nomination Committee.

Ming is an experienced director with over a decade of board experience in areas including real estate, infrastructure, funds and investment management and financial services. She also has a wealth of experience in sustainability and diversity.

Ming has held senior executive and leadership positions in listed and private equity owned organisations leading complex multi-year strategies to transform companies, as well as experience in corporate restructuring. She is passionate about helping Australia drive better economic, social and environmental outcomes.

Ming has played an influential role in industry leadership in Australia and is on the steering committee for the Australian Institute of Company Directors Climate Governance Initiative and is a member of the ASIC Corporate Governance Consultative Panel. In 2020, she was awarded a Member of the Order of Australia for her significant service to the financial and real estate sectors, and to diversity and inclusion.

Other directorships and appointments

Director, IFM Investors (from 2022), QBE Insurance (Auspac) (from 2019), Committee for Economic Development of Australia (CEDA) (from 2019) and Chair of the Diversity Council Australia Limited (from 2017). Previously Chair of AMP Capital Funds Management Limited.

Bridget Loudon

BCom (University College Galway)

Non-executive Director appointed on 14 August 2020 and elected on 13 October 2020. Member of the People & Remuneration Committee and the Nomination Committee.

Bridget is Founder and Chief Executive Officer of Expert360. Expert360 is Australia's number one skilled talent platform, using sophisticated vetting and matching technology to connect more than 1000 companies with more than 30,000 elite consultants, project managers, data analysts and developers. Expert360 has been recognised as a game-changing platform by, among others, Harvard Business Review and the Economist.

Prior to founding Expert360 in 2013, Bridget worked as a management consultant for Bain & Co in Sydney. At Bain, Bridget was part of teams that advised ASX 50 leaders on strategy and transformation across a range of industries such as Retail, Consumer, Mining and Education.

Bridget is a leader in how organisations transform themselves to capture the opportunities presented by developments in technology. She has passion for solving customer problems and an impressive desire to create positive outcomes for society using technology.

Other directorships and appointments

Director, Expert 360 Pty Ltd (from 2013) and E360 Holdings Pty Ltd (from 2019).

Elana Rubin AM

BA (Hons), MA, SF Fin, FAICDLife

Non-executive Director appointed on 14 February 2020 and elected on 13 October 2020. Chair of the People & Remuneration Committee and member of the Nomination Committee.

Elana has more than 20 years Board experience across the financial service sector, including superannuation and funds management as well as the fintech, property, infrastructure and government sectors. Her executive career spanned industrial relations, social and economic policy and superannuation.

Elana is adept at working in consumer facing organisations with a strong customer focus and can balance commercial interests with the complex requirements of regulated sectors.

Elana has strong risk management and regulatory experience, having worked in highly regulated sectors including as Chair of AustralianSuper, one of Australia's largest and innovative super funds, and Chair of Victorian WorkCover Authority, a highly regarded regulator and workplace injury insurer.

Other listed company directorships (past three years)

Director, Dexis Funds Management Limited (from September 2022), Slater and Gordon Limited (from 2018. Acting Chair from August – November 2021). Former – Director, Afterpay Limited (2017-2022, Chair 2020-2022).

Other directorships and appointments

Chair, Australian Business Growth Fund (ABGF) (from March 2023) and Victorian Managed Insurance Authority (from 2016). Director, Reserve Bank of Australia (from 31 August 2023).

Niek Jan van Damme

Drs.

Non-executive Director elected on 16 October 2018, last re-elected on 12 October 2021. Member of the People & Remuneration Committee and the Nomination Committee.

Niek Jan has almost 20 years direct telecommunications experience, with the first part of his career focusing on brand and category management in a range of businesses including consumer goods and retail. Most recently he was a member of the Deutsche Telekom Board of Management, where he was responsible for fixed line and mobile communications in Germany. Niek Jan has held leadership positions with other leading firms including Ben Nederland, later T-Mobile Netherlands, a challenger mobile brand, where he was the Chairman of the Managing Board.

At Deutsche Telekom he led the merger of mobile and fixed line business, laying the foundation for making Deutsche Telekom the leading operator in converged services. He also led a major network modernisation program with the establishment of a new IP core, and high 4G network investments.

Other directorships and appointments

Chairman of the Supervisory Board, NGN Fiber Network (from February 2022). Chairman, Infracore Germany GmbH (Director from November 2021, Chairman from January 2023). Director, Connectivtree Corporation (from June 2023). Board Advisor, Glow Financial Services Ltd (from May 2022) and LotusFlare (from November 2020).

Financial Report

Telstra Group Limited and controlled entities

Telstra Financial Report 2023

Australian Business Number (ABN): 56 650 620 303

Financial report: introduction and contents

As at 30 June 2023

About this report

This is the financial report for Telstra Group Limited (referred to as the Company or Telstra Entity) and its controlled entities (together referred to as we, us, our, Telstra, the Telstra Group or the Group) for the year ended 30 June 2023.

Telstra Group Limited is a 'for profit' company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) following the exchange of shares in Telstra Corporation Limited for shares in Telstra Group Limited under the Telstra Group restructure described in note 1.2 (Restructure).

The Restructure took place during the financial year 2023, with the final steps completed on 1 January 2023. Telstra Group Limited replaced Telstra Corporation Limited as the new parent entity of the Telstra Group on 31 October 2022. Our full year financial report has been prepared as a continuation of the existing financial performance and financial position of Telstra Corporation Limited and its controlled entities. As such, as at and for the year ended 30 June 2023, the consolidated financial statements of the Group include the historical financial information of the Telstra Group for both the period before and after the Restructure.

This financial report was authorised for issue in accordance with a resolution of the Telstra Group Limited Board of Directors on 17 August 2023. The Directors have the power to amend and reissue the financial report.

Reading the financials

Section introduction

The introduction at the start of each section outlines the focus of the section and explains the purpose and content of that section.

Note and topic summary

A summary at the start of certain notes explains the objectives and content of that note, or at the start of certain specific topics clarifies complex concepts, which users may not be familiar with.

Narrative table

Some narrative disclosures are presented in a tabular format to provide readers with a clearer understanding of the information being presented.

Information panel

The information panel describes our key accounting estimates and judgements applied in the preparation of the financial report, which are relevant to that section or note.

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Income Statement

For the year ended 30 June 2023

| Telstra Group | Note | Year ended 30 June | |
|---|------|--------------------|---------------|
| | | 2023 | 2022 |
| | | \$m | \$m |
| Income | | | |
| Revenue (excluding finance income) | 2.2 | 22,702 | 21,277 |
| Other income | 2.2 | 543 | 768 |
| | | 23,245 | 22,045 |
| Expenses | | | |
| Labour | | 3,967 | 3,620 |
| Goods and services purchased | | 8,511 | 8,228 |
| Net impairment losses on financial assets | | 90 | 98 |
| Other expenses | 2.3 | 2,788 | 2,812 |
| | | 15,356 | 14,758 |
| Share of net loss from joint ventures and associated entities | 6.4 | (27) | (31) |
| | | 15,383 | 14,789 |
| | | | |
| Earnings before interest, income tax expense, depreciation and amortisation (EBITDA) | | 7,862 | 7,256 |
| Depreciation and amortisation | 2.3 | 4,470 | 4,358 |
| Earnings before interest and income tax expense (EBIT) | | 3,392 | 2,898 |
| Finance income | 2.2 | 101 | 110 |
| Finance costs | 2.3 | 630 | 527 |
| Net finance costs | | 529 | 417 |
| Profit before income tax expense | | 2,863 | 2,481 |
| Income tax expense | 2.4 | 812 | 667 |
| Profit for the year | | 2,051 | 1,814 |
| Profit for the year attributable to: | | | |
| Equity holders of Telstra Entity | | 1,928 | 1,688 |
| Non-controlling interests | | 123 | 126 |
| | | 2,051 | 1,814 |
| Earnings per share (cents per share) | | cents | cents |
| Basic | 2.5 | 16.7 | 14.4 |
| Diluted | 2.5 | 16.7 | 14.3 |

The notes following the financial statements form part of the financial report.

Statement of Comprehensive Income

Telstra Financial Report 2023

For the year ended 30 June 2023

| Telstra Group | Note | Year ended 30 June | |
|--|------|--------------------|--------------|
| | | 2023 | 2022 |
| | | \$m | \$m |
| Profit for the year attributable to: | | | |
| Equity holders of Telstra Entity | | 1,928 | 1,688 |
| Non-controlling interests | | 123 | 126 |
| | | 2,051 | 1,814 |
| Items that will not be reclassified to the income statement | | | |
| Retained profits | | | |
| Actuarial gain on defined benefit plans attributable to equity holders of Telstra Entity | 5.3 | 28 | 149 |
| Income tax on actuarial gain on defined benefit plans | | (9) | (45) |
| Fair value of equity instruments reserve | | | |
| Share of other comprehensive income of equity accounted investments | | (94) | (189) |
| Income tax on share of other comprehensive income of equity accounted investments | | 71 | 40 |
| Foreign currency translation reserve | | | |
| Translation differences of foreign operations attributable to non-controlling interests | | (3) | 2 |
| | | (7) | (43) |
| Items that may be subsequently reclassified to the income statement | | | |
| Foreign currency translation reserve | | | |
| Translation differences of foreign operations attributable to equity holders of Telstra Entity | | 50 | 49 |
| Cash flow hedging reserve | | | |
| Changes in cash flow hedging reserve | 4.5 | (112) | 204 |
| Share of other comprehensive income of equity accounted investments | | - | 6 |
| Income tax on movements in the cash flow hedging reserve | 4.5 | 33 | (54) |
| Foreign currency basis spread reserve | | | |
| Changes in the value of the foreign currency basis spread | | (13) | 79 |
| Income tax on movements in the foreign currency basis spread reserve | | 4 | (24) |
| | | (38) | 260 |
| Total other comprehensive income | | (45) | 217 |
| Total comprehensive income for the year | | 2,006 | 2,031 |
| Total comprehensive income for the year attributable to: | | | |
| Equity holders of Telstra Entity | | 1,886 | 1,903 |
| Non-controlling interests | | 120 | 128 |

The notes following the financial statements form part of the financial report.

Statement of Financial Position

As at 30 June 2023

| Telstra Group | Note | As at 30 June | |
|--|------|---------------|---------------|
| | | 2023 | 2022 |
| | | | Restated |
| | | \$m | \$m |
| Current assets | | | |
| Cash and cash equivalents | 2.6 | 932 | 1,040 |
| Trade and other receivables and contract assets | 3.3 | 4,216 | 4,074 |
| Deferred contract costs | 3.6 | 114 | 116 |
| Inventories | 3.7 | 546 | 476 |
| Derivative financial assets | 4.4 | 445 | 302 |
| Current tax receivables | 2.4 | 152 | 17 |
| Prepayments | | 328 | 235 |
| Total current assets | | 6,733 | 6,260 |
| Non-current assets | | | |
| Trade and other receivables and contract assets | 3.3 | 1,017 | 861 |
| Deferred contract costs | 3.6 | 1,088 | 1,238 |
| Inventories | 3.7 | 36 | 28 |
| Investments – accounted for using the equity method | 6.4 | 686 | 814 |
| Investments – other | | 22 | 15 |
| Property, plant and equipment | 3.1 | 20,969 | 20,485 |
| Intangible assets | 3.1 | 10,989 | 8,155 |
| Right-of-use assets | 3.2 | 2,825 | 2,926 |
| Derivative financial assets | 4.4 | 333 | 512 |
| Deferred tax assets | 2.4 | 46 | 60 |
| Defined benefit asset | 5.3 | 285 | 274 |
| Total non-current assets | | 38,296 | 35,368 |
| Total assets | | 45,029 | 41,628 |
| Current liabilities | | | |
| Trade and other payables | 3.8 | 4,365 | 4,209 |
| Employee benefits | 5.1 | 684 | 667 |
| Other provisions | 7.2 | 327 | 160 |
| Lease liabilities | 3.2 | 448 | 490 |
| Borrowings | 4.4 | 2,662 | 2,690 |
| Derivative financial liabilities | 4.4 | 73 | - |
| Current tax payables | 2.4 | 38 | 79 |
| Contract liabilities and other revenue received in advance | 3.4 | 1,495 | 1,403 |
| Total current liabilities | | 10,092 | 9,698 |
| Non-current liabilities | | | |
| Other payables | 3.8 | 208 | 233 |
| Employee benefits | 5.1 | 125 | 132 |
| Other provisions | 7.2 | 186 | 119 |
| Lease liabilities | 3.2 | 2,743 | 2,797 |
| Borrowings | 4.4 | 10,013 | 8,292 |
| Derivative financial liabilities | 4.4 | 189 | 305 |
| Deferred tax liabilities | 2.4 | 2,112 | 1,678 |
| Defined benefit liabilities | 5.3 | 11 | 10 |
| Contract liabilities and other revenue received in advance | 3.4 | 1,534 | 1,388 |
| Total non-current liabilities | | 17,121 | 14,954 |
| Total liabilities | | 27,213 | 24,652 |
| Net assets | | 17,816 | 16,976 |

Statement of Financial Position (continued)

Telstra Financial Report 2023

As at 30 June 2023

| Telstra Group | Note | As at 30 June | |
|--|------|---------------|---------------|
| | | 2023 | 2022 |
| | | | Restated |
| | | \$m | \$m |
| Equity | | | |
| Share capital | 4.3 | 3,095 | 3,098 |
| Reserves | 4.3 | 2,196 | 2,333 |
| Retained profits | | 10,116 | 10,057 |
| Equity available to Telstra Entity shareholders | | 15,407 | 15,488 |
| Non-controlling interests | | 2,409 | 1,488 |
| Total equity | | 17,816 | 16,976 |

The notes following the financial statements form part of the financial report.

Statement of Cash Flows

For the year ended 30 June 2023

| Telstra Group | Note | Year ended 30 June | |
|---|------|--------------------|----------------|
| | | 2023 | 2022 |
| | | \$m | \$m |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of goods and services tax (GST)) | | 25,196 | 23,876 |
| Payments to suppliers and employees (inclusive of GST) | | (17,640) | (15,987) |
| Government grants received for operating activities | | 179 | 179 |
| Net cash generated from operations | | 7,735 | 8,068 |
| Income taxes paid | 2.4 | (933) | (819) |
| Net cash provided by operating activities | 2.6 | 6,802 | 7,249 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (2,474) | (2,176) |
| Payments for intangible assets | | (1,396) | (918) |
| Capital expenditure (before investments) | | (3,870) | (3,094) |
| Payments for shares in controlled entities (net of cash acquired) | | (2,488) | (771) |
| Payments for equity accounted investments | | (103) | (30) |
| Payments for other investments | | (4) | (50) |
| Total capital expenditure (including investments) | | (6,465) | (3,945) |
| Proceeds from sale of property, plant and equipment | | 201 | 155 |
| Proceeds from sale of intangibles | | 16 | - |
| Proceeds from sale of equity accounted and other investments | | 51 | 156 |
| Distributions received from equity accounted investments | | 40 | 93 |
| Receipts of the principal portion of finance lease receivables | | 82 | 92 |
| Government grants received for investing activities | | 58 | 24 |
| Interest received | | 37 | 14 |
| Repayment of loans by associated entity | | 25 | - |
| Other | | 4 | 16 |
| Net cash used in investing activities | | (5,951) | (3,395) |
| Operating cash flows less investing cash flows | | 851 | 3,854 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 8,627 | 1,470 |
| Repayment of borrowings | | (7,067) | (3,750) |
| Payment of principal portion of lease liabilities | 3.2 | (675) | (697) |
| Share buy-back | | - | (1,350) |
| Purchase of shares for employee share plans | | (21) | (5) |
| Finance costs paid | | (636) | (534) |
| Dividends/distributions paid to non-controlling interests | | (163) | (100) |
| Dividends paid to equity holders of Telstra Entity | 4.2 | (1,964) | (1,888) |
| Proceeds from issuance of equity-like instrument | 6.1 | 923 | - |
| Proceeds from sale of non-controlling interests | 6.1 | 7 | 2,883 |
| Net cash used in financing activities | | (969) | (3,971) |
| Net decrease in cash and cash equivalents | | (118) | (117) |
| Cash and cash equivalents at the beginning of the year | | 1,040 | 1,125 |
| Effects of exchange rate changes on cash and cash equivalents | | 10 | 32 |
| Cash and cash equivalents at the end of the year | 2.6 | 932 | 1,040 |

The notes following the financial statements form part of the financial report.

Statement of Changes in Equity

Telstra Financial Report 2023

For the year ended 30 June 2023

| Telstra Group | | Share capital | Reserves | Retained profits | Total | Non-controlling interests | Total equity |
|---|------|---------------|--------------|------------------|---------------|---------------------------|---------------|
| | Note | \$m | \$m | \$m | \$m | \$m | \$m |
| Balance at 1 July 2021 (reported) | | 4,436 | 138 | 10,014 | 14,588 | 687 | 15,275 |
| Net effect of a restatement of prior periods | 1.7 | - | - | 139 | 139 | - | 139 |
| Balance at 1 July 2021 (restated) | | 4,436 | 138 | 10,153 | 14,727 | 687 | 15,414 |
| Profit for the year | | - | - | 1,688 | 1,688 | 126 | 1,814 |
| Other comprehensive income | | - | 111 | 104 | 215 | 2 | 217 |
| Total comprehensive income for the year | | - | 111 | 1,792 | 1,903 | 128 | 2,031 |
| Dividends | | - | - | (1,888) | (1,888) | - | (1,888) |
| Share buy-back (net of income tax) | | (1,350) | - | - | (1,350) | - | (1,350) |
| Transactions with non-controlling interests | 6.3 | - | 2,084 | - | 2,084 | 673 | 2,757 |
| Additional shares purchased | 4.3 | (5) | - | - | (5) | - | (5) |
| Share-based payments | | 17 | - | - | 17 | - | 17 |
| Balance at 30 June 2022 (restated) | | 3,098 | 2,333 | 10,057 | 15,488 | 1,488 | 16,976 |
| Profit for the year | | - | - | 1,928 | 1,928 | 123 | 2,051 |
| Other comprehensive income | | - | (61) | 19 | (42) | (3) | (45) |
| Total comprehensive income for the year | | - | (61) | 1,947 | 1,886 | 120 | 2,006 |
| Dividends | | - | - | (1,964) | (1,964) | - | (1,964) |
| Non-controlling interests on acquisitions | | - | - | - | - | 941 | 941 |
| Transactions with non-controlling interests | 6.3 | - | - | - | - | (140) | (140) |
| Transfer of fair value of equity instruments reserve to retained earnings | | - | (76) | 76 | - | - | - |
| Additional shares purchased | 4.3 | (21) | - | - | (21) | - | (21) |
| Share-based payments | | 18 | - | - | 18 | - | 18 |
| Balance at 30 June 2023 | | 3,095 | 2,196 | 10,116 | 15,407 | 2,409 | 17,816 |

The notes following the financial statements form part of the financial report.

Section 1. Basis of preparation

This section explains the basis of preparation of our financial report, describes changes in our accounting policies and provides a summary of our key accounting estimates and judgements.



1.1 Basis of preparation of the financial report

This financial report is a general purpose financial report, prepared by a 'for profit' entity, in accordance with the requirements of the Australian Corporations Act 2001, Accounting Standards applicable in Australia and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). It also complies with International Financial Reporting Standards (IFRS) and Interpretations published by the International Accounting Standards Board (IASB).

The financial report is presented in Australian dollars and, unless otherwise stated, all values have been rounded to the nearest million dollars (\$m) under the option available under the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 as amended from time to time. The functional currency of the Telstra Entity and its Australian controlled entities is Australian dollars. The functional currency of certain non-Australian controlled entities is not Australian dollars. The results of these entities are translated into Australian dollars in accordance with our accounting policy described in note 1.4.1.

The financial report is prepared on a historical cost basis, except for some categories of financial instruments, which are recorded at fair value.

Where relevant, comparative information has been reclassified to ensure comparability with the current year disclosures and presentation.

1.2 Telstra Group restructure

During the financial year 2023, Telstra Corporation Limited implemented a scheme of arrangement (Scheme) to support the restructure of the Telstra Group (Restructure) first announced in November 2020. The Restructure was an internal legal reorganisation and did not, by itself, result in any immediate change to the underlying assets or business activities of the Telstra Group.

The Scheme was comprised of two components: the top hat component which established the Telstra Entity as the parent entity of the Telstra Group, and the business restructure component which was used to transfer certain assets and liabilities within the Telstra Group. The Restructure also involved certain other steps in addition to the Scheme. While these steps were completed over a period of time, for accounting purposes, all the steps were considered together as they were undertaken in contemplation of the Restructure as a whole.

The top hat component of the Scheme was implemented on 31 October 2022 and the business restructure component of the Scheme was implemented on 1 January 2023.

On implementation of the top hat component, all of the shares in Telstra Corporation Limited (11,554,427,353 in total) were transferred to the Telstra Entity in exchange for the issue of 11,554,427,353 shares in Telstra Group Limited to eligible Telstra Corporation Limited shareholders under the Scheme, and Telstra Group Limited became the parent entity of Telstra Corporation Limited and its controlled entities.

On 31 October 2022, Telstra Group Limited became the new head entity of the Australian tax consolidated group. Refer to note 2.4.4 for further details on accounting for the tax consolidated group.

On 30 November 2022, Telstra Group Limited became the sponsoring employer in our Telstra Superannuation Scheme (Telstra Super). Refer to note 5.3.2 for further details on accounting for Telstra Super.

On 1 January 2023, the final steps of the Restructure (including the business restructure component of the Scheme) were completed. Those steps involved Telstra Corporation Limited transferring the retail and active wholesale business assets and liabilities and related investments to Telstra Limited, and the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities. Telstra Corporation Limited also transferred its interest in Telstra Towerco No.2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments, to Telstra Group Limited. Following the Restructure, Telstra Corporation Limited continues to operate our passive fixed infrastructure business and service our nbn Definitive Agreements.

The businesses and investments transferred between Telstra Corporation Limited and Telstra Group Limited or other entities within the Telstra Group under the Restructure did not result in business combinations for accounting purposes and the Restructure was accounted for as an internal reorganisation, i.e. assets and liabilities transferred were recognised at their existing values in the statement of financial position. From the Telstra Group perspective the internal reorganisation transfers are eliminated on consolidation, i.e. they do not impact the Telstra Group financial results.

Accordingly, the consolidated financial statements have been presented as a continuation of the existing financial performance and financial position of the Telstra Group. As such, as at and for the year ended 30 June 2023, the consolidated financial statements of the Telstra Group include the historical financial information of the Telstra Group for both the period before and after the Restructure.

Refer to notes 6.1 and 7.3 for further details about changes in our group structure and for new parent entity disclosures.

1.3 Terminology used in our income statement

EBITDA reflects earnings before interest, income tax, depreciation and amortisation. EBIT is a similar measure to EBITDA, but takes into account depreciation and amortisation.

We believe EBITDA is useful as it is a widely recognised measure of operating performance.

Section 1. Basis of preparation (continued)

1.4 Principles of consolidation

Our financial report includes the consolidated assets and liabilities of the Telstra Entity and its controlled entities as a whole as at the end of the financial year and the consolidated results and cash flows for the year.

An entity is considered to be a controlled entity where we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. We consolidate the results of our controlled entities from the date on which we gain control until the date we cease control.

The effects of intra-group transactions and balances are eliminated from our consolidated financial statements.

Non-controlling interests in the results and equity of controlled entities are shown separately in our income statement, statement of comprehensive income, statement of financial position and statement of changes in equity.

The financial statements of the Group's controlled entities are prepared using consistent accounting policies as the Telstra Entity. Adjustments are made to bring the reporting periods in line with those of the Group where necessary.

1.4.1 Translation of financial reports of foreign operations that have a functional currency other than the Australian dollar

The financial reports of our foreign operations are translated into Australian dollars (our presentation currency) using the following method:

| Foreign currency amount | Exchange rate |
|---|---|
| Assets and liabilities including goodwill and fair value adjustments arising on consolidation | The reporting date rate |
| Equity items | The initial investment date rate |
| Income statements | Average rate (or the transaction date rate for significant identifiable transactions) |

The exchange differences arising from the translation of financial statements of foreign operations are recognised in other comprehensive income.

1.5 Key accounting estimates and judgements

Preparation of the financial report requires management to make estimates and judgements.

1.5.1 Summary of key management judgements

The accounting policies and significant management judgements and estimates used, and any changes thereto, are set out in the relevant notes. The key accounting estimates and judgements are included in the following notes:

| Key accounting estimates and judgements | Note | Page |
|---|------|------|
| Assessment of a significant financing component in mass market contracts | 2.2 | F21 |
| Determining standalone selling prices | 2.2 | F22 |
| Assessment of a significant financing component in Indefeasible Right of Use (IRU) | 2.2 | F22 |
| Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income | 2.2 | F24 |
| Assessment of a significant financing component in nbn DAs | 2.2 | F24 |
| Unrecognised deferred tax assets | 2.4 | F30 |
| Capitalisation of development costs | 3.1 | F35 |
| Useful lives and residual values of tangible and intangible assets | 3.1 | F35 |
| Impairment assessment of our ubiquitous telecommunications network | 3.1 | F36 |
| Determining CGUs and their recoverable amount for impairment assessment of goodwill | 3.1 | F37 |
| Determining lease term for property leases | 3.2 | F39 |
| Determining incremental borrowing rates for property leases | 3.2 | F41 |
| Estimating expected credit losses | 3.3 | F45 |
| Amortisation period of deferred contract costs | 3.6 | F48 |
| Long service leave provision | 5.1 | F69 |
| Defined benefit plan | 5.3 | F75 |
| Equity-like securities issued to the Australian Government | 6.1 | F77 |
| Determining non-controlling interests in Power Health | 6.2 | F79 |
| Joint control of Telstra Ventures Fund II, L.P. | 6.4 | F85 |
| Significant influence over Telstra Super Pty Ltd | 6.4 | F85 |
| Significant influence over Telstra Ventures Fund III, L.P. | 6.4 | F85 |

Section 1. Basis of preparation (continued)

1.6 Other accounting policies

Relevant accounting policies are included in the respective notes to the financial statements. Changes in the accounting policies and impacts from the accounting standards to be applied in future reporting periods, as well as other accounting policies not disclosed elsewhere in the financial report are detailed below.

1.6.1 Changes in accounting policies

In June 2023, the AASB issued AASB 2023-2 'Amendments to Australian Accounting standards - International tax reform - Pillar Two Model Rules', which amends AASB 112 'Income Taxes' and introduces:

- a temporary exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The exception is effective from issue date of the amendment, therefore we have adopted it in the financial year 2023 and relevant disclosures have been included in note 2.4.3.
- requirements for entities to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes, including a separate disclosure of current income tax related to Pillar Two income taxes. These disclosures are effective for the Telstra Group from 1 July 2023 and the impact on our financial report is yet to be assessed. We will continue to monitor developments in tax legislation and assess the impact of the new requirements in the financial year 2024.

In addition to the effective part of AASB 2023-2, a number of other new or amended accounting standards became effective in the current reporting period but none of those had a material impact on our accounting policies.

1.6.2 New accounting standards to be applied in future reporting periods

We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. This includes the parts of AASB 2023-2 'Amendments to Australian Accounting standards - International tax reform - Pillar Two Model Rules' issued by the AASB in June 2023 as detailed in note 1.6.1, the impact of which we are yet to assess.

We do not expect any other recently issued accounting standards to have a material impact on our financial results upon adoption.

1.6.3 Transactions and balances in foreign currency

Foreign currency transactions are translated into the relevant functional currency at the spot exchange rate at the transaction date. At the reporting date, amounts receivable or payable denominated in foreign currencies are translated into the relevant functional currency at market exchange rates as at the reporting date. Any currency translation gains and losses that arise are included in our income statement.

Non-monetary items denominated in foreign currency that are measured at fair value (i.e. certain equity instruments not held for trading) are translated using the exchange rates at the date when the fair value was determined. Differences arising from the translation are reported as part of the fair value gain or loss in line with the recognition of the changes in the fair value of the non-monetary item.

Section 1. Basis of preparation (continued)

1.7 Restatement of prior periods

During the financial year 2023, we have finalised migration of our prepaid customers to a new billing and provisioning system. On completion, a \$219 million current contract liability balance relating to our prepaid legacy plans could not be substantiated, because the services had been provided in the prior periods and this contract liability should have been recognised as revenue at that time. This balance was related to the reporting periods prior to the financial year 2022. Therefore, in the statement of financial position we have restated the related balances, including their tax impacts where relevant, as at 1 July 2021 and as at 30 June 2022. The income statement for the financial year 2022 did not require a restatement because the comparative financial results were not impacted.

Table A summarises the restatement of all impacted line items in the statement of financial position as at 30 June 2022 and 1 July 2021. Adjustments to retained earnings have been reflected in the statement of changes in equity.

| Table A Telstra Group | 30 June 2022 | Adjustments | 30 June 2022 | 1 July 2021 | Adjustments | 1 July 2021 |
|---|---------------|--------------|---------------|---------------|--------------|---------------|
| | Reported | | Restated | Reported | | Restated |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Restated line items in the statement of financial position | | | | | | |
| Current liabilities | | | | | | |
| Trade and other payables | 4,189 | 20 | 4,209 | 3,766 | 20 | 3,786 |
| Contract liabilities and other revenue received in advance | 1,622 | (219) | 1,403 | 1,605 | (219) | 1,386 |
| Current tax payables | 42 | 37 | 79 | 124 | (18) | 106 |
| Total current liabilities | 9,860 | (162) | 9,698 | 10,424 | (217) | 10,207 |
| Non-current liabilities | | | | | | |
| Deferred tax liabilities | 1,655 | 23 | 1,678 | 1,580 | 78 | 1,658 |
| Total non-current liabilities | 14,931 | 23 | 14,954 | 16,826 | 78 | 16,904 |
| Total liabilities | 24,791 | (139) | 24,652 | 27,250 | (139) | 27,111 |
| Net assets | 16,837 | 139 | 16,976 | 15,275 | 139 | 15,414 |
| Equity | | | | | | |
| Retained profits | 9,918 | 139 | 10,057 | 10,014 | 139 | 10,153 |
| Equity available to Telstra Entity shareholders | 15,349 | 139 | 15,488 | 14,588 | 139 | 14,727 |
| Total Equity | 16,837 | 139 | 16,976 | 15,275 | 139 | 15,414 |

Section 2. Our performance

This section explains our results, performance of our segments, which are reported on the same basis as our internal management structure, and our earnings per share for the period. It also provides disaggregated revenue, details of selected income and expense items, information about taxation and a reconciliation of our profit to net cash generated from operating activities.



2.1 Segment information

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations of the Group through the eyes of management.

Our operating segments represent the functions which offer our main products and services in the market. However, only some of our operating segments meet the disclosure criteria for reportable segments.

2.1.1 Operating segments

We report segment information on the same basis as our internal management reporting structure at the reporting date. Segment comparatives reflect any organisational changes that have occurred since the end of the prior financial year to present a like-for-like view.

During the financial year 2023 our IT function moved from Networks and IT to Product and Technology, and Networks and IT was renamed to Global Networks and Technology. Following this realignment, the 'Networks and IT' reportable segment has been replaced by a new reportable segment, 'Networks, IT and Product'. It consists of two operating segments, being Global Networks and Technology and Product and Technology (previously included in the 'All Other' category), which have been combined for reporting purposes as they have similar economic characteristics and provide support functions underpinning operations of the other segments. There were no other changes to our operating segments. The Restructure described in note 1.2 did not change our operating segments as it focused on internal legal reorganisation.

In our segment results, the 'All Other' category includes functions that do not qualify as operating segments as well as the operating segments which are not material to be reported individually.

We have four reportable segments as follows:

| Segment | Operation |
|--|---|
| Telstra Consumer and Small Business (TC&SB) | <ul style="list-style-type: none"> provides telecommunication, media and technology products and services to Consumer and Small Business customers in Australia using mobile and fixed network technologies operates contact centres, retail stores, a dealership network, digital channels, distribution systems and the Telstra Plus customer loyalty program in Australia |
| Telstra Enterprise (TE) | <ul style="list-style-type: none"> provides telecommunication services, advanced technology solutions, network capacity and management, unified communications, cloud, security, industry solutions, integrated and monitoring services to government and large enterprise and business customers in Australia and globally provides telecommunication, media and technology products and services to consumer, business and government customers in the South Pacific through our Digicel Pacific business provides wholesale services outside of Australia, including voice and data manages Telstra's networks outside Australia, including international subsea cables, in conjunction with Networks, IT and Product and Telstra InfraCo segments |
| Networks, IT and Product (NIT&P) | <ul style="list-style-type: none"> Global Networks and Technology supports the other segments and their respective revenue generating activities by maintaining high level of reliability and security of our global network platforms and cloud infrastructure. It maintains our networks and is accountable for our network intelligence and automation. Product and Technology works with other functions to create and deliver products and solutions for customers across all segments. It has accountability for product strategy, life cycle, as well as technology and innovation where products are incubated and brought to scale. It is also accountable for Telstra's IT and Data & AI functions and our digital platforms underpinning our customer digital experience. |
| Telstra InfraCo | <ul style="list-style-type: none"> provides telecommunication products and services delivered over Telstra networks to other carriers, carriage service providers and internet service providers provides other Telstra functions and wholesale customers with access to network infrastructure within Telstra InfraCo's asset accountabilities operates the fixed passive network infrastructure including data centres, exchanges, poles, ducts, pits and pipes and fibre network designs and constructs fibre, exchanges and other infrastructure provides nbn co with long-term access to certain components of our infrastructure under the Infrastructure Services Agreement operates the passive and physical mobile tower assets owned or operated by the Amplitel business |

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.1 Operating segments (continued)

Consistent with information presented for internal management reporting, the result of each segment is measured based on its EBITDA contribution, which differs from our reported EBITDA.

The table below details how we determine segment income and EBITDA contribution of each segment.

| Nature of transaction | Description | Measurement basis | Impact on segment results |
|---|---|--|--|
| Transactions with external parties | Any transactions between any of the Telstra Group entities with: <ul style="list-style-type: none"> • an external counterparty, e.g. supplier or customer • any related party which is not controlled by the Telstra Group, i.e. it is not eliminated on consolidation. | Accounted for in accordance with the Australian Accounting Standards. | The effects of all transactions with external parties are included in the segment results. |
| Transactions with other segments | Any transactions between segments arising from: <ul style="list-style-type: none"> • inter-company legal agreements between entities controlled by the Telstra Group • internal notional charges under the arrangements not governed by legal agreements, i.e. those governing internal arrangements prior to the completion of the Restructure. The notional charges were determined based on a variety of internally and externally observable inputs to reflect an arm's length basis. | Different measurement bases apply to our transactions between segments depending on their nature: <ul style="list-style-type: none"> • transactions related to the performance of our infrastructure assets are measured based on a 'management view', i.e. all charges earned/incurred are recognised as either income or expenses. Such recognition may differ from the requirements of the Australian Accounting Standards in a number of areas, for example lease accounting. • any transactions other than those described above are accounted for in accordance with the Australian Accounting Standards. Transactions within the same segment are eliminated within that segment's results. Any transactions with other segments are eliminated on consolidation, therefore the total Telstra Group reported income and total reported EBITDA reconcile to the statutory financial statements. | The effects of the transactions with other segments are included in the segment results and, depending on the nature of the transaction, either measured based on the management view or as accounted under the Australian Accounting Standards. |
| Some transactions which are managed centrally or by one segment | Certain items and transactions are managed centrally or by one of the segments even if they relate to results of multiple segments. | Accounted for in accordance with the Australian Accounting Standards. | The effects of these transactions are included in the segment results as detailed in the table on the following page. |

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.1 Operating segments (continued)

The table below provides further details how some transactions are allocated and managed and, as a result, how they are reflected in our segment results.

| Nature of transaction | TC&SB | TE | NIT&P | Telstra InfraCo | All Other |
|---|--|--|---|--|---|
| Income from nbn disconnection fees and associated expenses | EBITDA contribution does not include these transactions | | n/a | EBITDA contribution does not include these transactions | EBITDA contribution includes these transactions |
| Network service delivery expenses other than those supporting passive infrastructure | EBITDA contribution does not include the network service delivery expense for TC&SB and TE customers | | EBITDA contribution includes network service delivery expenses related to TC&SB, TE and Telstra InfraCo customers | EBITDA contribution does not include the network service delivery expense for customers serviced by Telstra InfraCo's passive infrastructure | EBITDA contribution includes network service delivery expenses related to TC&SB, TE and Telstra InfraCo customers |
| From 1 January 2023 Telstra Limited's redundancy and restructuring expenses | EBITDA contribution does not include those expenses | | | | EBITDA contribution includes those expenses |
| Until 31 December 2022 Telstra Corporation Limited's redundancy and restructuring expenses | EBITDA contribution does not include those expenses | | | | EBITDA contribution includes those expenses |
| From 1 January 2023 inter-company transactions for international connectivity disclosed as internal income and internal expenses | EBITDA contribution includes inter-segment internal expenses recharged by TE | EBITDA contribution includes inter-segment internal income (earned from TC&SB and Telstra InfraCo) | n/a | EBITDA contribution includes inter-segment internal expenses (recharged by TE) | n/a |
| Until 31 December 2022 inter-company transactions for international connectivity disclosed as revenue from external customers and external expenses | EBITDA contribution includes inter-segment expenses recharged by TE | EBITDA contribution includes inter-segment revenue (earned from TC&SB and Telstra InfraCo) and expenses (recharged by Telstra InfraCo) | n/a | EBITDA contribution includes inter-segment revenue (earned from TE) and expenses (recharged by TE) | Elimination of inter-company transactions |

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results

Table A details our segment results and a reconciliation of EBITDA contribution to the Telstra Group's EBITDA, EBIT and profit before income tax expense.

| Table A Telstra Group | TC&SB | TE | NIT&P | Telstra InfraCo | All Other | Subtotal | Elimina- tions | Total |
|---|---------------|--------------|----------------|--------------------|----------------|---------------|-------------------|---------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Year ended 30 June 2023 | | | | | | | | |
| Mobility | 8,156 | 1,721 | - | 381 | - | 10,258 | - | 10,258 |
| Fixed - C&SB | 4,457 | - | - | - | - | 4,457 | - | 4,457 |
| Fixed - Enterprise | - | 3,636 | - | - | - | 3,636 | - | 3,636 |
| InfraCo Fixed | - | - | - | 2,556 | - | 2,556 | (1,067) | 1,489 |
| Amplitel | - | - | - | 401 | - | 401 | (335) | 66 |
| Fixed - Active Wholesale | - | - | - | 403 | - | 403 | - | 403 |
| International | - | 2,534 | - | - | (105) | 2,429 | (113) | 2,316 |
| One-off nbn DA and connection | - | - | - | - | 72 | 72 | - | 72 |
| Other | 6 | 38 | 413 | 34 | 585 | 1,076 | (528) | 548 |
| Total management reported income | 12,619 | 7,929 | 413 | 3,775 | 552 | 25,288 | (2,043) | 23,245 |
| Transactions between segments | (1) | (125) | (321) | (1,426) | (170) | (2,043) | 2,043 | - |
| Total external income | 12,618 | 7,804 | 92 | 2,349 | 382 | 23,245 | - | 23,245 |
| Share of net profit/(loss) from equity accounted entities | - | (4) | (10) | (18) | 5 | (27) | - | (27) |
| EBITDA contribution | 5,729 | 3,152 | (2,466) | 2,628 | (1,181) | 7,862 | - | 7,862 |
| Depreciation and amortisation | | | | | | | | (4,470) |
| Telstra Group EBIT | | | | | | | | 3,392 |
| Net finance costs | | | | | | | | (529) |
| Telstra Group profit before income tax expense | | | | | | | | 2,863 |
| Year ended 30 June 2022 | | | | | | | | |
| Mobility | 7,449 | 1,675 | - | 332 | 14 | 9,470 | - | 9,470 |
| Fixed - C&SB | 4,486 | - | - | - | - | 4,486 | - | 4,486 |
| Fixed - Enterprise | - | 3,729 | - | - | - | 3,729 | - | 3,729 |
| InfraCo Fixed | - | - | - | 2,456 | - | 2,456 | (976) | 1,480 |
| Amplitel | - | - | - | 368 | - | 368 | (308) | 60 |
| Fixed - Active Wholesale | - | - | - | 477 | - | 477 | - | 477 |
| International | - | 1,705 | - | - | (204) | 1,501 | - | 1,501 |
| One-off nbn DA and connection | 43 | - | - | - | 335 | 378 | - | 378 |
| Other | - | 23 | 300 | 5 | 427 | 755 | (291) | 464 |
| Total management reported income | 11,978 | 7,132 | 300 | 3,638 | 572 | 23,620 | (1,575) | 22,045 |
| Transactions between segments | - | - | (216) | (1,284) | (75) | (1,575) | 1,575 | - |
| Total external income | 11,978 | 7,132 | 84 | 2,354 | 497 | 22,045 | - | 22,045 |
| Share of net loss from equity accounted entities | - | (1) | (11) | - | (19) | (31) | - | (31) |
| EBITDA contribution | 5,139 | 3,066 | (2,455) | 2,480 | (974) | 7,256 | - | 7,256 |
| Depreciation and amortisation | | | | | | | | (4,358) |
| Telstra Group EBIT | | | | | | | | 2,898 |
| Net finance costs | | | | | | | | (417) |
| Telstra Group profit before income tax expense | | | | | | | | 2,481 |

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results (continued)

Until 31 December 2022 the effects of the following inter-company transactions with other segments have been reported as external income and expenses in the respective segment EBITDA contribution:

- revenue from external customers in the TE segment includes \$105 million (2022: \$204 million) of inter-segment revenue treated as external expenses in the TC&SB and Telstra InfraCo segments, which is eliminated in the 'All Other' category
- EBITDA contribution in the TE segment reflects \$3 million (2022: \$5 million) of inter-segment expenses treated as external revenue in the Telstra InfraCo and eliminated in the 'All Other' category.

Following the completion of the Restructure, these transactions are governed by the new inter-company agreements, reported as internal revenue in the TE segment and eliminated at the Group level.

The transactions between segments in 'All Other' category exclude \$163 million inter-company revenue and \$163 million inter-company expenses reflecting costs of employees transferred to Telstra Limited on 8 December 2022 in contemplation of the retail and active wholesale business transfer completed on 1 January 2023.

Negative revenue amounts in 'All Other' category related to certain corporate level adjustments.

Information about our non-current assets by geographical market is presented in Table B.

| Table B Telstra Group | As at 30 June | |
|--|---------------|---------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Carrying amount of non-current assets | | |
| Located in Australia | 30,374 | 30,630 |
| Located offshore | 5,095 | 1,750 |
| | 35,469 | 32,380 |

Our geographical operations are split between our Australian and offshore operations. No individual foreign country within our offshore operations has material revenue or non-current assets.

The carrying amount of our segment non-current assets excludes financial assets, inventories, defined benefit assets, deferred contract costs and deferred tax assets.

Section 2. Our performance (continued)

2.2 Income

| Table A Telstra Group | Year ended 30 June | |
|---|--------------------|---------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Revenue from contracts with customers | 22,365 | 20,920 |
| Revenue from other sources | 337 | 357 |
| Total revenue (excluding finance income) | 22,702 | 21,277 |
| Other income | | |
| Net gain on disposal of property, plant and equipment and intangible assets | 178 | 158 |
| Net gain on disposal of businesses and investments | 6 | 7 |
| Net gain related to lease arrangements | 14 | 3 |
| nbn disconnection fees | 69 | 329 |
| Government grants | 222 | 223 |
| Net gain on derivative financial instruments not related to financing | 11 | - |
| Other miscellaneous income | 43 | 48 |
| | 543 | 768 |
| Total income (excluding finance income) | 23,245 | 22,045 |
| Finance income | | |
| Finance income (excluding income from finance leases) | 91 | 102 |
| Finance income from finance leases (Telstra as a lessor) | 10 | 8 |
| | 101 | 110 |
| Total income | 23,346 | 22,155 |

Revenue from other sources includes income from:

- customer contributions to extend, relocate or amend our network assets, where the customer does not purchase any ongoing services under the same (or linked) contract(s)
- late payment fees
- our lease arrangements, including finance leases where Telstra is a dealer-lessor and operating leases (refer to note 3.2.2 for further details).

nbn disconnection fees earned under the Subscriber Agreement with nbn co are recognised as other income because they do not relate to our ordinary activities. We recognise this income when we have met our contractual obligations under this agreement.

Government grants include income under the Telstra Universal Service Obligation Performance Agreement, the Federal Government's Mobile Black Spot Program and other individually immaterial government grants. There are no unfulfilled conditions or other contingencies attached to these grants.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue

Table B presents the disaggregated revenue from contracts with customers based on the nature and the timing of transfer of goods and services.

We recognise revenue from contracts with customers when the control of goods or services has been transferred to the customer. Revenue from sale of services is recognised over time, whereas revenue from sale of goods is recognised at a point in time.

Other revenue from contracts with customers includes licensing revenue (recognised either at a point in time or over time) and agency revenue (recognised over time). Refer to note 2.2.2 for further details about our contracts with customers.

| Table B Telstra Group | TC&SB | TE | NIT&P | Telstra InfraCo | All Other | Total |
|--|---------------|--------------|-----------|--------------------|--------------|---------------|
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Year ended 30 June 2023 | | | | | | |
| Revenue from contracts with customers | | | | | | |
| Sale of services | 10,239 | 6,878 | - | 1,981 | 227 | 19,325 |
| Sale of goods | 2,079 | 797 | 66 | - | 27 | 2,969 |
| Other revenue from contracts with customers | 18 | 52 | - | - | 1 | 71 |
| | 12,336 | 7,727 | 66 | 1,981 | 255 | 22,365 |
| Year ended 30 June 2022 | | | | | | |
| Sale of services | 9,767 | 6,267 | - | 2,007 | 133 | 18,174 |
| Sale of goods | 1,881 | 734 | 52 | 2 | 9 | 2,678 |
| Other revenue from contracts with customers | 18 | 47 | - | - | 3 | 68 |
| | 11,666 | 7,048 | 52 | 2,009 | 145 | 20,920 |

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue (continued)

Table C presents total revenue from external customers disaggregated by major products and by geographical markets.

Our geographical operations are split between our Australian and offshore operations. No individual foreign country within our offshore operations has material revenue.

| Table C Telstra Group | TC&SB | TE | NIT&P | Telstra InfraCo | All Other | Total |
|---|---------------|--------------|-----------|--------------------|--------------|---------------|
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Year ended 30 June 2023 | | | | | | |
| Total revenue from external customers by product | | | | | | |
| Mobile | 8,156 | 1,721 | - | 381 | - | 10,258 |
| Revenue from contracts with customers | 8,120 | 1,721 | - | 381 | - | 10,222 |
| Revenue from other sources | 36 | - | - | - | - | 36 |
| Fixed - C&SB | 4,263 | - | - | - | - | 4,263 |
| Revenue from contracts with customers | 4,206 | - | - | - | - | 4,206 |
| Revenue from other sources | 57 | - | - | - | - | 57 |
| Fixed - Enterprise | - | 3,635 | - | - | - | 3,635 |
| Revenue from contracts with customers | - | 3,613 | - | - | - | 3,613 |
| Revenue from other sources | - | 22 | - | - | - | 22 |
| InfraCo Fixed | - | - | - | 1,341 | - | 1,341 |
| Revenue from contracts with customers | - | - | - | 1,125 | - | 1,125 |
| Revenue from other sources | - | - | - | 216 | - | 216 |
| Amplitel | - | - | - | 62 | - | 62 |
| Revenue from contracts with customers | - | - | - | 62 | - | 62 |
| Fixed - Active Wholesale | - | - | - | 403 | - | 403 |
| Revenue from contracts with customers | - | - | - | 403 | - | 403 |
| International | - | 2,407 | - | - | (105) | 2,302 |
| Revenue from contracts with customers | - | 2,407 | - | - | (105) | 2,302 |
| Other products and services | 10 | (14) | 66 | 10 | 366 | 438 |
| Revenue from contracts with customers | 10 | (14) | 66 | 10 | 360 | 432 |
| Revenue from other sources | - | - | - | - | 6 | 6 |
| Total revenue from contracts with customers | 12,336 | 7,727 | 66 | 1,981 | 255 | 22,365 |
| Total revenue from other sources | 93 | 22 | - | 216 | 6 | 337 |
| | 12,429 | 7,749 | 66 | 2,197 | 261 | 22,702 |
| Other income | 189 | 55 | 26 | 152 | 121 | 543 |
| | 12,618 | 7,804 | 92 | 2,349 | 382 | 23,245 |
| Total revenue from external customers by geographical market | | | | | | |
| Australian customers | 12,429 | 5,573 | 66 | 2,197 | 363 | 20,628 |
| Revenue from contracts with customers | 12,336 | 5,551 | 66 | 1,981 | 357 | 20,291 |
| Revenue from other sources | 93 | 22 | - | 216 | 6 | 337 |
| Offshore customers | - | 2,176 | - | - | (102) | 2,074 |
| Revenue from contracts with customers | - | 2,176 | - | - | (102) | 2,074 |
| Total revenue from contracts with customers | 12,336 | 7,727 | 66 | 1,981 | 255 | 22,365 |
| Total revenue from other sources | 93 | 22 | - | 216 | 6 | 337 |
| | 12,429 | 7,749 | 66 | 2,197 | 261 | 22,702 |
| Other income | 189 | 55 | 26 | 152 | 121 | 543 |
| | 12,618 | 7,804 | 92 | 2,349 | 382 | 23,245 |

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue (continued)

| Table C (continued) Telstra Group | TC&SB | TE | NIT&P | Telstra InfraCo | All Other | Total |
|---|-------------------------|--------------|-----------|--------------------|--------------|---------------|
| | \$m | \$m | \$m | \$m | \$m | \$m |
| | Year ended 30 June 2022 | | | | | |
| Total revenue from external customers by product | | | | | | |
| Mobile | 7,449 | 1,675 | - | 332 | 14 | 9,470 |
| Revenue from contracts with customers | 7,368 | 1,674 | - | 332 | 14 | 9,388 |
| Revenue from other sources | 81 | 1 | - | - | - | 82 |
| Fixed - C&SB | 4,296 | - | - | - | - | 4,296 |
| Revenue from contracts with customers | 4,255 | - | - | - | - | 4,255 |
| Revenue from other sources | 41 | - | - | - | - | 41 |
| Fixed - Enterprise | - | 3,729 | - | - | - | 3,729 |
| Revenue from contracts with customers | - | 3,702 | - | - | - | 3,702 |
| Revenue from other sources | - | 27 | - | - | - | 27 |
| InfraCo Fixed | - | - | - | 1,316 | - | 1,316 |
| Revenue from contracts with customers | - | - | - | 1,135 | - | 1,135 |
| Revenue from other sources | - | - | - | 181 | - | 181 |
| Amplitel | - | - | - | 60 | - | 60 |
| Revenue from contracts with customers | - | - | - | 60 | - | 60 |
| Fixed - Active Wholesale | - | - | - | 477 | - | 477 |
| Revenue from contracts with customers | - | - | - | 477 | - | 477 |
| International | - | 1,697 | - | - | (204) | 1,493 |
| Revenue from contracts with customers | - | 1,677 | - | - | (204) | 1,473 |
| Revenue from other sources | - | 20 | - | - | - | 20 |
| One-off nbn DA and connection | 43 | - | - | - | - | 43 |
| Revenue from contracts with customers | 43 | - | - | - | - | 43 |
| Other products and services | 2 | (5) | 52 | 5 | 339 | 393 |
| Revenue from contracts with customers | - | (5) | 52 | 5 | 335 | 387 |
| Revenue from other sources | 2 | - | - | - | 4 | 6 |
| Total revenue from contracts with customers | 11,666 | 7,048 | 52 | 2,009 | 145 | 20,920 |
| Total revenue from other sources | 124 | 48 | - | 181 | 4 | 357 |
| | 11,790 | 7,096 | 52 | 2,190 | 149 | 21,277 |
| Other income | 188 | 36 | 32 | 164 | 348 | 768 |
| | 11,978 | 7,132 | 84 | 2,354 | 497 | 22,045 |
| Total revenue from external customers by geographical market | | | | | | |
| Australian customers | 11,790 | 5,645 | 52 | 2,190 | 351 | 20,028 |
| Revenue from contracts with customers | 11,666 | 5,603 | 52 | 2,009 | 347 | 19,677 |
| Revenue from other sources | 124 | 42 | - | 181 | 4 | 351 |
| Offshore customers | - | 1,451 | - | - | (202) | 1,249 |
| Revenue from contracts with customers | - | 1,445 | - | - | (202) | 1,243 |
| Revenue from other sources | - | 6 | - | - | - | 6 |
| Total revenue from contracts with customers | 11,666 | 7,048 | 52 | 2,009 | 145 | 20,920 |
| Total revenue from other sources | 124 | 48 | - | 181 | 4 | 357 |
| | 11,790 | 7,096 | 52 | 2,190 | 149 | 21,277 |
| Other income | 188 | 36 | 32 | 164 | 348 | 768 |
| | 11,978 | 7,132 | 84 | 2,354 | 497 | 22,045 |

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue (continued)

Revenue from other products and services includes miscellaneous income, revenue generated by Telstra Health, and revenue from the sale of energy under our power purchase agreements.

'All Other' category includes eliminations of the inter-segment transactions described in the segment results in note 2.1.2.

Negative revenue amounts disclosed in the tables above related to certain corporate level adjustments and consolidation eliminations.

2.2.2 Our contracts with customers

We generate revenue from external customer contracts, which vary in their form (standard or bespoke), term (casual, short-term and long-term) and customer segment (consumer, small to medium business, government and large enterprise), with the main contracts being:

- retail consumer contracts (mass market prepaid and post-paid mobile, fixed and media plans)
- retail small to medium business contracts (mass market and off-the-shelf technology solutions)
- retail enterprise and government contracts (carriage, standardised and bespoke technology solutions and their management)
- network capacity contracts, mainly Indefeasible Right of Use (IRU)
- wholesale contracts for telecommunication services
- nbn Definitive Agreements (nbn DAs) and related arrangements.

The nature and type of contracts with customers are further described below.

We sell a wide range of goods and services, which are provided either directly by us or by third parties. Generally, we act as principal rather than an agent in our contracts with customers.

(a) Telstra Consumer and Small Business (TC&SB) contracts

We offer prepaid and post-paid services to our mass market customers. Our mass market contracts are homogeneous in nature and sold directly by us or via our dealer channel. These contracts often offer a bundle of goods and services, including products such as hardware, voice, text and data services, media content and others. Some also include options to purchase additional goods or services free of charge or at a discount (i.e. material rights).

We currently offer no-lock-in (month to month) post-paid service plans to our fixed and mobile mass market customers. In those arrangements, our customers can purchase a device, either outright or on a device repayment contract, together with a no-lock-in service plan. If a customer cancels their no-lock-in service plan, any outstanding device balance becomes payable immediately.

Where we sell a service plan and a device on a device repayment contract together with that plan, and offer a discount to the customer who takes up that bundle and purchases directly from us, or through a dealer that is acting as our agent, we allocate the discount between the device and services based on their relative standalone selling prices. For our service bundle plans sold via dealers, who in their own right also sell the device to the customer, the whole discount is allocated to services only.

Generally, we allocate the consideration, and any relevant discounts, to all products in the bundle based on a mixture of observable and estimated standalone selling prices of these products.

By and large we recognise revenue from the sale of goods on their delivery and from sale of services based on the passage of time. The consideration allocated at contract inception to material rights is recognised as revenue either when the customer exercises the option and benefits from the free or discounted products or when the rights are forfeited.

We offer deferred payment terms when customers purchase certain handsets and other devices under a device repayment contract.

Assessment of a significant financing component in mass market contracts

We have applied judgement to determine that no significant financing component exists in our bundled arrangements offering no-lock-in mobile plans and device repayment contracts sold directly by us. We considered factors such as significance of financing in the context of the contract as a whole, commercial objectives of our offers, the duration of deferred payment terms and interest rates prevailing in the marketplace.

We offer a loyalty program, Telstra Plus, under which our consumer and small business customers can earn points redeemable in the future for certain goods and services. The program also provides customers access to tier benefits in the form of free or discounted services like entertainment or technical support. Points awarded for purchases of Telstra goods and services are accounted for as material rights, with any amount allocated to the points initially recognised as a contract liability in the statement of financial position. When a customer redeems the points or they expire we recognise revenue from sale of goods or services transferred or from forfeiture of the material rights. We also recognise revenue when, based on customers redemption patterns, we expect that the likelihood of the customers utilising the points is remote (i.e. breakage). Discretionary bonus points that do not relate to accounting contracts are classified as a marketing offer and expensed at the time the points are awarded. Tier benefits reduce revenue of the related accounting contracts.

Generally, mass market contracts are not modified due to their homogeneous nature. However, because our no-lock-in mass market fixed and mobile post-paid service plans are month to month contracts, customers can change plans once each month or cancel their services altogether.

(b) Telstra Enterprise (TE) contracts

TE transacts with medium to large enterprise and government customers. Large and complex TE contracts are usually bespoke in nature as they deliver tailored solutions and services. Outside of the large customers, the contracts are mostly standard.

Our TE legal contracts often are in a form of multi-year framework agreements under which customers can order goods and services, include performance conditions and grant different types of discounts or incentives. Such framework agreements are rarely considered contracts for accounting purposes. Instead, revenue recognition rules are applied to goods and services ordered under each valid purchase order or a statement of work raised under the terms of the framework agreement.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(b) Telstra Enterprise (TE) contracts (continued)

In some of our TE contracts we also act as a dealer-lessor for certain customer premise equipment used by our customers as part of the solutions management and outsourcing services. Leases embedded in those contracts are separately accounted for, usually as dealer-lessor finance leases with finance lease receivables recognised in the statement of financial position.

Some of our TE contracts include two phases: a build phase followed by the management of the technology solutions. Due to the complex nature of those arrangements, we analyse the facts and circumstances of each contract in order to determine goods and services ordered and timing of revenue recognition. If the build phase (or its components) qualifies as a separate service, we recognise the build phase revenue over the term of the build or at its completion depending on when the customer obtains control over the technology solution.

From time to time our bespoke TE contracts are varied or renegotiated. When this happens, we assess the scope of the modification or its impact on the contract price in order to determine whether the amendment must be treated as a separate contract, as if the existing contract were terminated and a new contract signed, or whether the amendment must be considered as a change to the existing contract.

Under some of our enterprise arrangements, we receive customer contributions to extend or amend our network assets to ultimately enable delivery of telecommunication services to that customer. Where the counterparty makes a contribution for network construction activities and purchases ongoing services under the same (or linked) contract(s), the upfront contribution is added to the total consideration in the customer contract and is allocated to the goods and services to be delivered under that contract.

Our TE accounting contracts include multiple goods and services. Generally we allocate the consideration and any relevant discounts to all the products in the accounting contract based on the standalone selling prices. However, some discounts granted under the framework agreements may be allocated to selected goods or services only if specific performance conditions apply. Any consideration allocated to a lease component is based on the relative standalone selling price of the lease.

Determining standalone selling prices

We have applied judgement to determine standalone selling prices in order to allocate the consideration to goods and services sold under the same customer contract.

In the absence of observable prices, we use various estimation methods, including an adjusted market assessment and cost plus margin approach, to arrive at a standalone selling price. We have determined that the negotiated prices are largely aligned to the standalone selling prices.

We recognise revenue from management services or fixed fee services based on passage of time and from usage-based carriage contracts when the services have been consumed.

Some of our framework agreements offer enterprise loyalty programs and technology funds under which a customer can obtain additional free products. At contract inception, a portion of the consideration is allocated to such products and recognised as a contract liability in the statement of financial position. We recognise revenue when the customer either exercises the option and benefits from the free products or when the rights are forfeited.

Our large commercial arrangements often incorporate service level agreements, e.g. agreed delivery time or service reinstatement time. If we fail to comply with these commitments, we will compensate the customer. The expected amount of such compensation reduces the revenue for the period in which a service level commitment has not been met, and it is recognised as soon as not meeting the commitment becomes probable. Some arrangements also include benchmarking or consumer price index clauses, which are accounted for as variable consideration, usually from the time the price changes take effect.

Our international TE arrangements include long-term network capacity arrangements (some being take-or-pay arrangements) as well as managed services such as security and backups, for which revenue is usually recognised based on passage of time. IRU arrangements often include upfront payments for services which will be delivered over multiple years.

Assessment of a significant financing component in Indefeasible Right of Use (IRU)

We have applied judgement to assess if a financing component is significant in the context of the contract as a whole and, where relevant, to determine appropriate discount rates.

We account for a significant financing component in our domestic and international bespoke network capacity agreements, i.e. IRUs, where customers make an upfront payment in advance of receiving services. These contracts have an average legal contract term between 10 and 25 years.

Where Telstra receives financing from the customer, revenue recognised over the contract term exceeds the cash payment received in advance of performance by the amount of interest expense recognised in net finance costs.

During the financial year 2023, we recognised \$41 million (2022: \$46 million) interest expense for our IRU arrangements.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(b) Telstra Enterprise (TE) contracts (continued)

During the financial year 2023, TE earned revenue through our new acquisition, Digicel Pacific, which mainly offers prepaid and post-paid mobile services to consumer, and small to medium business customers, as well as technology solutions to business customers. Where goods and services are provided as a bundle, we allocate the consideration and any relevant discounts to all products in the bundle based on their estimated relative standalone selling prices. Where observable prices are not available, we estimate standalone selling prices based on the cost plus margin approach. Refer to note 6.1.2 for further details on the acquisition of Digicel Pacific.

(c) Telstra InfraCo contracts (excluding contracts with nbn co)

Telstra InfraCo typically transacts with carriage services providers and internet service providers, who in turn sell their services to their end users.

Revenue arises from fixed network service contracts, including usage-based contracts and fixed bundles, with a term of up to three years. Other contracts provide data and IP and mobile products such as interconnect, bulk SMS and post-paid mobile services.

Telstra InfraCo legal contracts are generally signed as multi-year framework agreements, which set out pricing for the agreed services, the term and any renewal options, incentives, discounts and one-off fees.

Some of our framework agreements specify a minimum spend commitment (i.e. a take-or-pay arrangement), in which case the accounting contract may exist also at the framework agreement level.

Customer contributions to extend or amend our network assets to ultimately enable delivery of telecommunication services are recognised when those services are delivered.

Telstra InfraCo's service revenue is generally recognised over time during the period over which the services are rendered, mostly based on passage of time as the service provider (i.e. our customer) receives unlimited calls and data.

Some of Telstra InfraCo contracts include multiple goods and services. We allocate the consideration, and any relevant discounts, generally to all the products in the accounting contract based on the negotiated prices, which are largely aligned to the estimated standalone selling prices of goods and services promised under the contracts. However, some discounts granted under the framework agreements may be allocated only to selected goods or services based on the specific performance conditions in the framework agreement.

Some of our Telstra InfraCo contracts grant customers access to our passive infrastructure assets. Lease component(s) in those contracts are largely classified as operating leases and we recognise revenue from other sources for those leases.

(d) Agreements with nbn co

The main contracts with nbn co are nbn DAs and related arrangements.

Revenue from contracts with nbn co is reported within the Telstra InfraCo segment. Amounts recognised as other income are recorded in the TC&SB segment and in 'All Other' category.

Our nbn DAs and related arrangements include a number of separate legal contracts with both nbn co and the Commonwealth Government which have been negotiated together with a common commercial objective. These contracts have been combined for revenue assessment. The combined contract has a minimum term of 30 years for accounting purposes.

The combined nbn DAs and related arrangements include a number of separately priced elements, some of which are not accounted for under the revenue recognition standard. For example, nbn disconnection fees are presented as other income as they do not relate to our ordinary activities and there is no price dependency on other nbn DAs.

Services provided under the Infrastructure Services Agreement (ISA) are accounted for under the revenue recognition standard. We recognise revenue from providing long-term access to our infrastructure, including ducts and pits, dark fibre and exchange rack spaces, over time, initially based on the cumulative nbn network rollout percentage and after rollout completion based on passage of time.

The build of nbn related infrastructure is not considered a separate service, therefore payments received for it under a separate legal agreement have been combined and accounted for together with the ISA long-term access services. These upfront payments have been recorded as a contract liability in the statement of financial position and are recognised as services transfer over the ISA average contracted period of 35 years.

ISA also includes payments for the sale of our infrastructure assets, with the net gain on sale of those assets recognised in other income at a point in time when the control passes to nbn co based on the incremental nbn network rollout percentage.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(d) Agreements with nbn co (continued)

We deliver a number of different services under these arrangements and the consideration includes a number of fixed and variable components as described below.

Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income

Under the ISA, we receive the following payments from nbn co:

- Infrastructure Access Payment (IAP) for long-term access to ducts and pits
- Infrastructure Ownership Payment (IOP) for the progressive transfer of infrastructure assets
- payments for long-term access to other infrastructure, including dark fibre and exchange rack spaces.

IAP are indexed to consumer price index (CPI) and will grow in line with the nbn network rollout until its completion (as defined under the DAs). Subsequently, IAP will continue being indexed to CPI for the remaining average contracted period of 24 years.

IOP are received over the duration of the nbn network rollout, CPI adjusted and linked to the progress of the nbn network rollout.

IAP and IOP are classified in the income statement as revenue and other income, respectively, and are recognised on a percentage rollout basis of the nbn network footprint.

For any given period, the IAP and IOP amounts ultimately received from nbn co may vary from the amounts recognised in the income statement depending on the progress of the nbn network rollout and the final number of our existing fixed line premises as defined and determined under the ISA. A change in the nbn network rollout progress and/or the final number of these premises could result in a material change to the amount of IAP and IOP recognised in the income statement and the associated cash flows. Some of these adjustments cannot be finalised and the related amounts cannot be settled until the completion of the rollout and are subject to compounding interest calculated from the historical period applicable to the adjustments.

The nbn network rollout is substantially complete but its progress and its completion date are controlled by nbn co and the final number of the fixed line premises may continue to change even after all the relevant assets have been transferred to nbn co. Therefore, the final price adjustments and the resulting cash flows, including interest payable where relevant, will not be known until the nbn network rollout is complete in accordance with the DAs. nbn co may also choose to negotiate an earlier effective date for the final price adjustments. Should that date extend past our current assumption, additional interest payable by us of approximately \$30 million would accrue annually. However, these amounts whilst paid upon settlement would be recognised in the income statement over the remaining average contracted period of 24 years. Upon the final price adjustments, we expect to incur a significant cash outflow. Had the cash settlement occurred as at 30 June 2023, the estimated cash outflow would have been approximately \$200 million.

As described above, we have applied judgement in determining the amounts of IAP and IOP recognised for the financial year 2023 and related balance sheet positions. We did not identify material impacts resulting from reassessment of the assumptions described above. Should evidence exist in future reporting periods that changes these judgements and estimates, revenue and other income will be adjusted in the future reporting periods.

Given significant variability in the overall ISA consideration, the legal contract includes specific clauses as to if, when and how an interest receivable or an interest payable should be calculated.

Assessment of a significant financing component in nbn DAs

We have applied judgement to assess if a financing component is significant in the context of the contract as a whole and, where relevant, to determine appropriate discount rates.

We do not separately account for the financing component in our nbn DAs and related arrangements because it is not significant to the accounting contract.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.3 Revenue for contracted goods and services yet to be delivered

Sometimes goods and services purchased under the same customer contract will be transferred to the customer over multiple reporting periods.

Table D presents aggregate consideration allocated to the remaining goods, services and material rights promised under the contracts where a customer has made a firm commitment before the balance date but goods and services will be transferred after 30 June 2023. Any future amounts arising from contracts where the customer has not made a firm commitment, such as usage-based contracts, are not included in the disclosed amounts. Presented time bands best depict the future revenue recognition profile.

| Table D Telstra Group | As at 30 June | |
|--------------------------|---------------|---------------|
| | 2023 | 2022 |
| | | Restated |
| | \$m | \$m |
| Less than 1 year | 4,455 | 4,141 |
| Between 1 to 2 years | 2,811 | 2,394 |
| Between 2 to 5 years | 4,900 | 4,100 |
| Between 5 to 10 years | 7,491 | 6,988 |
| Between 10 to 20 years | 15,460 | 14,385 |
| More than 20 years | 7,116 | 8,368 |
| | 42,233 | 40,376 |

The comparative amounts have been restated as a result of the prior period restatement of contract liabilities as detailed in note 1.7.

Future revenue arising from nbn DAs is estimated based on a number of assumptions which are reassessed at each reporting period. However, given its size, long-term nature and a number of variable components impacting the contract consideration (refer to note 2.2.2 for details), the actual amounts recognised in the future periods may still materially differ from our estimates.

Any amounts arising from our existing customer contracts which will be recognised as 'revenue from other sources' or 'other income', for example operating lease income or net gain on sale of assets, are excluded from revenue for contracted goods and services yet to be delivered.

2.2.4 Recognition and measurement

Our revenue recognition accounting policies are described below.

(a) Revenue from contracts with customers

Revenue from contracts with customers arises from goods and services sold as part of our ordinary activities.

(i) Accounting contracts with customer

Revenue recognition principles are applied to accounting contracts which are agreements between two or more parties that create enforceable rights and obligations.

The accounting contract may not align with the legal contract and in some cases multiple legal contracts may need to be combined to form one accounting contract. In other instances, a legal contract may only provide a framework agreement (i.e. an offer) and an accounting contract only exists when the customer commits to purchase goods or services.

Any components of the contract which are accounted for under other accounting standards are separated out and accounted for under those other standards.

(ii) Goods, services and/or material rights

Revenue is recognised when Telstra fulfils its contractual obligation to deliver promised goods and services (or a bundle of goods and services) to the customer.

A contractual promise giving the customer an option to purchase additional goods and services at a discount (i.e. material right) is accounted for separately if the incremental discount is at least five per cent compared to other customers.

A good or service is separately accounted for if a customer can benefit from it on its own or together with other readily available resources, and no transformative relationship exists with other promised goods or services.

(iii) Variable consideration

If a contractual amount includes a variable component, we estimate the amount to which we will be entitled in exchange for promised goods and services. Examples of variable consideration include discounts, rebates, refunds, credits and price concessions. To estimate an amount of variable consideration, we use either the most likely amount or the expected value method depending on which better predicts the variable amount. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant reversal of cumulative revenue recognised will not occur.

(iv) Significant financing component

If the period between when we would transfer the good or service to the customer and when the customer would pay for them is expected to be greater than one year, we assess whether revenue should be adjusted for significant financing component, i.e. reduced if we offer deferred payment terms or increased if we receive an advance payment from customer. The significance of financing is assessed relative to the total contract value and interest rates used reflect credit characteristics of the counterparty receiving financing.

(v) Allocation of revenue to goods and services

We allocate the consideration to the goods and services based on their relative standalone selling prices. Standalone selling price is the price for which we would sell the goods or services on a standalone basis, i.e. not in a bundle. We determine standalone selling price at contract inception using an observable price for a standalone sale of substantially the same good or service under similar circumstances and to a similar class of customers. If no observable price is available, we estimate the standalone selling price using an appropriate method, e.g. adjusted market assessment approach, expected cost plus a margin approach or a residual approach.

In some instances, in order to correctly reflect the amount of revenue we expect to be entitled to, we allocate variable consideration, discounts or a significant financing component to some but not all goods, services and/or material rights.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.4 Recognition and measurement (continued)

(a) Revenue from contracts with customers (continued)

(vi) Timing of revenue recognition

Revenue is recognised when control of the good or service is transferred to the customer, i.e. when the customer can benefit from the good or service and decide how to use them.

We recognise revenue over time when the customer simultaneously receives and consumes the benefits provided to them or we create or enhance an asset controlled by the customer. Otherwise, we recognise revenue at a point in time.

We use either input or output methods to measure progress when selling goods or services. Output methods use direct measurements of the value to the customer, for example, milestones reached. Input methods use our efforts or inputs in measuring the performance, for example, our labour hours used relative to the total expected labour hours.

When revenue is recognised at a point in time, the allocated consideration is recognised when control over a good is transferred to the customer. In determining this, we consider the customer's obligation to pay, transfer of legal title to the good, physical possession of the good, the customer's acceptance, and risks and rewards of ownership.

(vii) Contract modifications

From time to time, our contracts are renegotiated after contract inception and their scope and/or price change. A contract modification will result in a cumulative change to revenue already recognised only when the remaining goods and services are not separate from those already delivered.

(viii) Gross versus net presentation

When we control the promised goods and services before they are transferred to the customer and we have primary obligation for their delivery, we act as principal in the contract with a customer and recognise revenue at gross amounts. When we act as an agent of a third-party provider, we recognise revenue net of amounts payable to that third party.

(b) Revenue from other sources

Revenue from other sources includes income arising from arrangements other than those accounted for under the revenue recognition standard.

Contract terminations generally trigger different rights and obligations. These rights and obligations are not related to our performance and were not considered at inception of the accounting contract. Therefore, where relevant, any income over and above the recovery of the consideration due for the delivered goods or services is not classified as revenue from customer contracts. Instead, we classify it as revenue from other sources.

We earn revenue from some of our lease arrangements described in note 3.2, in particular from finance leases where Telstra is a dealer- lessor of customer premise equipment. We recognise revenue from sale of these goods at a point in time at the commencement date of the lease.

Where a (combined) accounting contract includes lease and non-lease components and Telstra is a lessor, we allocate the consideration to lease and non-lease components applying the relative standalone selling prices requirements for revenue from contracts with customers.

We receive contributions to extend, relocate or amend our network assets. Where the counterparty makes a contribution for network construction activities that is neither a government grant nor relates to the purchase of ongoing services under the same (or linked) contract(s), we recognise revenue over the period of the network construction activities.

Revenue from other sources also includes late payment fees, which are recognised when charged and their collectability is reasonably assured.

(c) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and Telstra will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement as other income over the period necessary to match them with the costs that they are intended to compensate.

Section 2. Our performance (continued)

2.3 Expenses

We classify expenses (apart from finance costs) by nature as this classification more accurately reflects the type of operations we undertake.

| Telstra Group | Year ended 30 June | |
|---|--------------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| <i>Included in our labour expenses are the following:</i> | | |
| Employee redundancy | 80 | 80 |
| Share-based payments | 20 | 19 |
| Defined contribution plan expense | 240 | 215 |
| Defined benefit plan expense | 45 | 45 |
| <i>Included in our goods and services purchased are the following:</i> | | |
| Network payments | 3,274 | 3,223 |
| Cost of goods sold | 2,853 | 2,648 |
| <i>Other expenses</i> | | |
| Impairment losses (excluding net losses on financial assets) | 129 | 144 |
| General and administration | 1,060 | 915 |
| Service contracts and other agreements | 1,056 | 1,167 |
| Promotion and advertising | 272 | 248 |
| Expenses related to lease arrangements | 16 | 21 |
| Stamp duty expenses | 12 | 95 |
| Other operating expenses | 243 | 222 |
| | 2,788 | 2,812 |
| <i>Depreciation and amortisation</i> | | |
| Depreciation of property, plant and equipment | 2,424 | 2,572 |
| Depreciation of right-of-use assets | 574 | 587 |
| Amortisation of intangible assets | 1,472 | 1,199 |
| | 4,470 | 4,358 |
| <i>Finance costs</i> | | |
| Interest on borrowings | 570 | 444 |
| Interest on lease liabilities (Telstra as a lessee) | 99 | 78 |
| Other | 32 | 61 |
| | 701 | 583 |
| Less: interest on borrowings capitalised | (71) | (56) |
| | 630 | 527 |

The following paragraphs provide further information about our expenses and finance costs:

- share-based payments expense relates to both cash-settled and equity-settled share plans. Refer to note 5.2 for further details.
- impairment losses include \$95 million (2022: \$107 million) impairment of deferred contract costs
- interest on borrowings has been capitalised using a capitalisation rate of 4.6 per cent (2022: 3.7 per cent)
- other finance costs include unrealised valuation impacts on our borrowings and derivatives. These include net losses which arise from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not effective or the hedge accounting criteria are not met. These fair values increase or decrease because of changes in financial indices and prices over which we have no control. All unrealised amounts unwind to nil at maturity of the underlying instrument.

Section 2. Our performance (continued)

2.4 Income taxes

This note sets out our tax accounting policies and provides an analysis of our income tax expense and deferred tax balances, including a reconciliation of tax expense to accounting profit.

Current income tax is based on the accounting profit adjusted for differences in accounting and tax treatments of income and expenses (i.e. taxable income).

Deferred income tax, which is accounted for using the balance sheet method, arises because the accounting income is not always the same as taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, a deferred tax asset or liability must be recognised in the statement of financial position.

This note also provides disclosures which form part of the requirements of the Australian Board of Taxation's Voluntary Tax Transparency Code.

2.4.1 Income tax expense

Table A provides a reconciliation of notional income tax expense to actual income tax expense.

| Table A Telstra Group | Year ended 30 June | |
|---|--------------------|------------|
| | 2023 | 2022 |
| | | Restated |
| | \$m | \$m |
| Major components of income tax expense | | |
| Current tax expense | 748 | 752 |
| Deferred tax resulting from the origination and reversal of temporary differences | 54 | (78) |
| Under/(over) provision of tax in prior years | 10 | (7) |
| | 812 | 667 |
| Reconciliation of notional income tax expense to actual income tax expense | | |
| Profit before income tax expense | 2,863 | 2,481 |
| Notional income tax expense calculated at the Australian tax rate of 30% (2022: 30%) | 859 | 744 |
| Notional income tax expense differs from actual income tax expense due to the tax effect of: | | |
| Net non-deductible and (non-taxable) items | 5 | (5) |
| Deferred tax liabilities derecognised | (10) | (15) |
| Amended assessments | (9) | (18) |
| Under/(over) provision of tax in prior years | 10 | (7) |
| Different tax rates in overseas jurisdictions | (43) | (32) |
| Income tax expense on profit | 812 | 667 |
| Income tax (benefit)/expense recognised during the year directly in other comprehensive income or equity | (99) | 83 |

The comparative amounts have been restated to reflect the different split between our current income tax expense and the deferred income tax expense resulting from the restatement of contract liabilities (refer to note 1.7 for details), however the total income tax expense for the financial year 2022 has not changed.

Section 2. Our performance (continued)

2.4 Income taxes (continued)

2.4.1 Income tax expense (continued)

Tables B and C include disclosures which form part of the requirements of the Australian Board of Taxation's Voluntary Tax Transparency Code. Any disclosed amounts are determined in accordance with the Australian Accounting Standards.

Table B provides a breakdown of effective income tax rates and Tax Transparency Code effective income tax rates (TTC ETR) for both the Australian Economic Group (the Telstra Entity and its Australian resident controlled entities) and the Telstra Group.

| Table B Telstra Group | Year ended 30 June | | | |
|---|--------------------|-----------|-------|-----------|
| | 2023 | | 2022 | |
| | Group | Australia | Group | Australia |
| Effective income tax rate | 28.4% | 26.2% | 26.9% | 28.4% |
| Tax Transparency Code effective income tax rate | 28.3% | 26.5% | 28.3% | 29.3% |

The effective income tax rate for the Telstra Group of 28.4 per cent (2022: 26.9 per cent) was calculated as income tax expense divided by profit before income tax expense. Refer to the key non-taxable and non-deductible items impacting our effective tax rate as detailed below.

The TTC ETR for the Telstra Group of 28.3 per cent (2022: 28.3 per cent) differs from the effective income tax rate due to excluding the impact of under or over provision of tax in prior years and amended assessments. The 2022 TTC ETRs have been updated to include the impact of the net over provision of tax and amended 2022 assessments reflected in the current year income tax expense.

The TTC ETR forms part of the requirements of the Voluntary Tax Transparency Code to disclose the income tax expense borne by Telstra in respect of the Australian and global operations for the individual year.

Non-taxable and non-deductible items include the tax effect of:

- \$145 million of overseas profits taxed at lower corporate tax rates (i.e. below 30%)
- \$72 million related to withholding taxes with no tax offset
- \$66 million lease termination deductions relating to the acquisition of Telstra dealership stores in the prior reporting period
- \$55 million non-assessable gains on property disposals
- \$33 million non-deductible amortisation of intangibles.

Table C provides a reconciliation of income tax expense to income tax paid during the year.

| Table C Telstra Group | Year ended 30 June | |
|---|--------------------|------------|
| | 2023 | 2022 |
| | | Restated |
| | \$m | \$m |
| Income tax expense | 812 | 667 |
| (Under)/over provision in prior years | (10) | 7 |
| Temporary differences recognised in deferred tax expense | | |
| Trade and other receivables and contract assets | 13 | 3 |
| Deferred contract costs | 44 | 52 |
| Investments | - | (1) |
| Property, plant and equipment | (28) | 62 |
| Right-of-use assets | 38 | 50 |
| Intangible assets | (7) | (84) |
| Trade and other payables | (28) | 26 |
| Provision for employee entitlements | (2) | (4) |
| Lease liabilities | (53) | (50) |
| Borrowings and derivative financial instruments | 2 | (5) |
| Contract liabilities and other revenue received in advance | (17) | 50 |
| Other | (16) | (21) |
| | (54) | 78 |
| Current tax expense | 748 | 752 |
| Income tax payments for prior years | 66 | 130 |
| Income tax receivable/(payable) next year | 114 | (62) |
| Other | 5 | (1) |
| Income tax paid | 933 | 819 |

The comparative amounts have been restated to reflect tax impacts of the restatement of contract liabilities detailed in note 1.7.

Section 2. Our performance (continued)

2.4 Income taxes (continued)

2.4.2 Deferred tax assets/(liabilities)

Table D details the amount of deferred tax assets and liabilities recognised in the statement of financial position, which include impact of foreign exchange movements.

| Table D Telstra Group | Year ended/as at 30 June | |
|--|-----------------------------|----------------|
| | 2023 | 2022 |
| | | Restated |
| | \$m | \$m |
| Deferred tax items recognised in the income statement | | |
| Trade and other receivables and contract assets | (203) | (217) |
| Allowance for doubtful debts | 40 | 52 |
| Deferred contract costs | (284) | (318) |
| Investments | (8) | (12) |
| Property, plant and equipment | (1,844) | (1,545) |
| Right-of-use assets | (736) | (600) |
| Intangible assets | (819) | (688) |
| Trade and other payables | 177 | 196 |
| Provision for employee entitlements | 240 | 244 |
| Other provisions | 104 | 99 |
| Lease liabilities | 776 | 665 |
| Defined benefit asset | 128 | 123 |
| Borrowings and derivative financial instruments | 46 | 44 |
| Contract liabilities and other revenue received in advance | 473 | 569 |
| Capital tax losses | 10 | 26 |
| Income tax losses | 5 | 8 |
| Undistributed reserves and withholding taxes | (96) | - |
| Other | 1 | (5) |
| | (1,990) | (1,359) |
| Deferred tax items recognised in other comprehensive income or equity | | |
| Investments | 2 | (69) |
| Defined benefit asset | (215) | (206) |
| Borrowings and derivative financial instruments | 131 | 94 |
| Other | 6 | - |
| | (76) | (181) |
| Tax impact of restatement of retained earnings | - | (78) |
| Net deferred tax liability | (2,066) | (1,618) |
| Comprising: | | |
| Deferred tax assets | 46 | 60 |
| Deferred tax liabilities | (2,112) | (1,678) |
| | (2,066) | (1,618) |

The comparative amounts have been restated to reflect tax impacts of the restatement of contract liabilities detailed in note 1.7.

Unrecognised deferred tax assets

We apply judgement to recognise a deferred tax asset and review its carrying amount at each reporting date. The carrying amount is only recognised to the extent that it is probable that sufficient taxable profit will be available in the future to utilise this benefit. Any amount unrecognised could be subsequently recognised if it has become probable that future taxable profit will allow us to benefit from this deferred tax asset.

Table E details deferred tax assets not recognised in the statement of financial position.

| Table E Telstra Group | Year ended 30 June | |
|---|--------------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Deferred tax assets not recognised | | |
| Capital tax losses | 2,622 | 1,253 |
| Income tax losses | 213 | 255 |
| Deductible temporary differences | 99 | 111 |
| | 2,934 | 1,619 |

As at 30 June 2023, deferred tax assets on capital tax losses not recognised in the statement of financial position include capital tax losses crystallised during the financial year 2023 on liquidation of an offshore dormant controlled entity.

2.4.3 International tax reform - Pillar Two income taxes

The Telstra Group is expected to be within the scope of the Pillar Two top up tax being implemented in Australia as it will apply to entities with revenues exceeding EUR750 million and the Telstra Group revenues exceed this threshold. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as detailed in note 1.6.1.

2.4.4 Tax consolidated group

Under the Australian taxation law, the Telstra Entity and its eligible Australian resident wholly-owned entities (members) form a tax consolidated group and are treated as a single entity for income tax purposes. The Telstra Entity is the head entity of the group and, in addition to its own transactions, it recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits for all members in the tax consolidated group.

As detailed in note 1.2, on 31 October 2022, Telstra Group Limited replaced Telstra Corporation Limited as the new head entity of the Australian tax consolidated group. Under Australian taxation law and confirmed by a ruling of the Australian Tax Office, Telstra has elected that the tax consolidated group will continue in existence, with Telstra Group Limited as the head company. This has been accounted for as a continuation of the antecedent tax consolidated group with Telstra Corporation Limited as the head entity, with the franking credits account being inherited by Telstra Group Limited. There were no income tax implications to the tax consolidated group resulting from the Restructure.

Entities within the tax consolidated group have entered into a new tax sharing agreement and a tax funding agreement with Telstra Group Limited as the head entity.

Section 2. Our performance (continued)

2.4 Income taxes (continued)

2.4.4 Tax consolidated group (continued)

The tax sharing agreement specifies methods of allocating any tax liability in the event the head entity defaults on its group payment obligations and the treatment where a member exits the tax consolidated group.

Under the tax funding agreement, the head entity will pay the tax consolidated group liabilities to the Commissioner of Taxation and each of the members has agreed to pay/receive a current tax payable to/receivable from the head entity based on the current tax liability or current tax asset recorded in the financial statements of the relevant member. The Telstra Entity will also compensate the members for any deferred tax assets relating to unused tax losses and tax credits.

Amounts receivable (net of allowance for doubtful debts) by the Telstra Entity of \$624 million (2022: \$74 million receivable by Telstra Corporation Limited) and payable by the Telstra Entity of \$76 million (2022: \$87 million payable by Telstra Corporation Limited) under the tax funding agreement are due in the next financial year upon final settlement of the current tax payable for the tax consolidated group.

2.4.5 Recognition and measurement

Our income tax expense is the sum of current and deferred income tax expenses. Current income tax expense is calculated on accounting profit after adjusting for non-taxable and non-deductible items based on rules set by the tax authorities. Deferred income tax expense is calculated at the tax rates that are expected to apply for the period in which the deferred tax asset is realised or the deferred tax liability is settled. Both our current and deferred income tax expenses are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Our current and deferred taxes are recognised as an expense in the income statement, except when they relate to items that are directly recognised in other comprehensive income or equity. In this case, our current and deferred tax expenses are also recognised directly in other comprehensive income or equity.

Our current and deferred taxes must also recognise the impact of any uncertain tax positions. If it is probable that a relevant tax authority would accept our tax treatment, our tax balances are recognised under that tax treatment. Otherwise, for each uncertain tax position for which it is not probable that the relevant tax authority will accept the tax treatment, we use the most likely amount or the expected value to estimate our tax balances.

We apply the balance sheet method for calculating our deferred tax balances. Deferred tax is the expected tax payable or recoverable on all taxable and deductible temporary differences determined with reference to the tax bases of assets and liabilities and their carrying amount for financial reporting purposes as at the reporting date.

We generally recognise deferred tax liabilities for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill
- the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither our accounting profit nor our taxable income at the time of the transaction (single transactions where both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount are excluded from this exemption).

For our investments in controlled entities, joint ventures and associated entities, recognition of deferred tax liabilities is required unless we are able to control the timing of our temporary difference reversal and it is probable that the temporary difference will not reverse.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carried forward unused tax losses and tax credits, can be utilised.

Deferred tax assets and deferred tax liabilities are offset in the statement of financial position where they relate to income taxes levied by the same taxation authority and to the extent that we intend to settle our current tax assets and liabilities on a net basis.

2.5 Earnings per share

This note outlines the calculation of Earnings per Share (EPS), which is the amount of post-tax profit attributable to each share. EPS excludes profit attributable to non-controlling interests and takes into account the average number of shares weighted by the number of days on issue.

We calculate basic and diluted EPS. Diluted EPS reflects the effects of the equity instruments allocated to our employee share schemes under the Telstra Growthshare Trust.

| Telstra Group | Year ended 30 June | |
|--|------------------------------------|---------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Earnings used in the calculation of basic and diluted EPS | | |
| Profit for the year attributable to equity holders of Telstra Entity | 1,928 | 1,688 |
| Weighted average number of ordinary shares | Number of shares (millions) | |
| Weighted average number of ordinary shares used in the calculation of basic EPS | 11,543 | 11,755 |
| Dilutive effect of certain employee share instruments | 11 | 9 |
| Weighted average number of ordinary shares used in the calculation of diluted EPS | 11,554 | 11,764 |
| | cents | cents |
| Basic EPS | 16.7 | 14.4 |
| Diluted EPS | 16.7 | 14.3 |

When we calculate the basic EPS, we adjust the weighted average number of ordinary shares to exclude the shares held in trust by Telstra Growthshare Trust (Growthshare).

Information about equity instruments issued under Growthshare can be found in note 5.2.

Section 2. Our performance (continued)

2.6 Notes to the statement of cash flows

2.6.1 Reconciliation of profit to net cash provided by operating activities

| Table A Telstra Group | Year ended 30 June | |
|--|--------------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Profit for the year | 2,051 | 1,814 |
| Add/(subtract) items classified as investing/financing activities | | |
| Finance income | (101) | (110) |
| Finance costs | 630 | 527 |
| Net gain on disposal of property, plant and equipment and intangible assets | (178) | (158) |
| Net gain on disposal of businesses, controlled entities and equity accounted investments | (6) | (7) |
| Revenue of a dealer-lessor | (18) | (15) |
| Net gain on lease related transactions | (14) | (2) |
| Government grants received relating to investing activities | (26) | (22) |
| Add/(subtract) non-cash items | | |
| Depreciation and amortisation | 4,470 | 4,358 |
| Share-based payments | 20 | 19 |
| Defined benefit plan expense | 45 | 45 |
| Share of net loss from joint ventures and associated entities | 27 | 31 |
| Impairment losses (excluding inventories, trade and other receivables) | 13 | 26 |
| Effects of exchange rate changes | 28 | (31) |
| Other | 18 | 3 |
| Cash movements in operating assets and liabilities | | |
| (Increase)/decrease in trade and other receivables and contract assets | (42) | 620 |
| Increase in inventories | (69) | (101) |
| (Increase)/decrease in prepayments and other assets | (65) | 56 |
| Decrease in deferred contract costs | 151 | 104 |
| (Decrease)/increase in trade and other payables | (48) | 241 |
| Increase/(decrease) in contract liabilities and other revenue received in advance | 51 | (12) |
| Decrease in net taxes liability | (124) | (152) |
| (Decrease)/increase in provisions | (11) | 15 |
| Net cash provided by operating activities | 6,802 | 7,249 |

2.6.2 Cash and cash equivalents

| Table B Telstra Group | Year ended 30 June | |
|---|--------------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Cash at bank and on hand | 497 | 417 |
| Bank deposits and negotiable certificates of deposit | 435 | 623 |
| Cash and cash equivalents in the statement of cash flows | 932 | 1,040 |

2.6.3 Recognition, measurement and presentation

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, bank deposits and negotiable certificates of deposit that are held to meet short-term cash commitments rather than for investment purposes.

Bank deposits and negotiable certificates of deposit are classified as financial assets held at amortised cost.

(b) Short-term borrowings in financing cash flows

Where our short-term borrowings are held for the purposes of meeting short-term cash commitments, we report the cash receipts and subsequent repayments in financing activities on a net basis in the statement of cash flows.

(c) Goods and Services Tax (GST) (including other value-added taxes)

We record our revenue, expenses and assets net of any applicable GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivable and payable balances in the statement of financial position, and receipts from customers and payments to suppliers in the statement of cash flows include GST where we have either included GST in our price charged to customers or a supplier has included GST in their price charged to us. The net amount of GST due to the ATO but not paid is included in our current trade and other payables.

Section 3. Our core assets, lease arrangements and working capital

This section describes our core long-term tangible (owned and leased) and intangible assets underpinning the Group's performance and provides a summary of our asset impairment assessment. This section also describes our short-term assets and liabilities, i.e. our working capital supporting the operating liquidity of our business.



3.1 Property, plant and equipment and intangible assets

This note provides details of our tangible and intangible assets, including goodwill, and their impairment assessment.

Our impairment assessment compares the carrying values of our cash generating units (CGUs) with their recoverable amounts determined using a 'value in use' calculation. The value in use calculations use key assumptions such as cash flow forecasts, discount rates and terminal growth rates.

3.1.1 Property, plant and equipment

Table A shows movements in the net book value of our property, plant and equipment (PPE) assets during the financial year.

| Table A Telstra Group | Land and buildings | Communication assets | Other plant and equipment | Total property, plant and equipment |
|--|--------------------|----------------------|---------------------------|-------------------------------------|
| | \$m | \$m | \$m | \$m |
| Net book value at 1 July 2021 | 588 | 20,057 | 218 | 20,863 |
| Additions | 59 | 2,093 | 79 | 2,231 |
| Additions due to acquisitions of controlled entities | 27 | - | 6 | 33 |
| Depreciation expenses | (60) | (2,433) | (79) | (2,572) |
| Other movements | 1 | (53) | (18) | (70) |
| Net book value at 30 June 2022, comprising: | 615 | 19,664 | 206 | 20,485 |
| Cost | 1,274 | 62,475 | 1,130 | 64,879 |
| Accumulated depreciation and impairment | (659) | (42,811) | (924) | (44,394) |
| Net book value at 1 July 2022 | 615 | 19,664 | 206 | 20,485 |
| Additions | 52 | 2,286 | 90 | 2,428 |
| Additions due to acquisitions of controlled entities | 33 | 469 | 21 | 523 |
| Depreciation expenses | (74) | (2,253) | (97) | (2,424) |
| Other movements | (30) | (8) | (5) | (43) |
| Net book value at 30 June 2023, comprising: | 596 | 20,158 | 215 | 20,969 |
| Cost | 1,184 | 62,453 | 1,159 | 64,796 |
| Accumulated depreciation and impairment | (588) | (42,295) | (944) | (43,827) |

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.1 Property, plant and equipment (continued)

The following paragraphs provide further information about our fixed asset classes:

- additions to PPE include \$46 million (2022: \$42 million) of capitalised borrowing costs directly attributable to qualifying assets
- land and buildings include leasehold improvements related to right-of-use assets recognised under our leasing arrangements (Telstra as a lessee)
- communication assets include network land and buildings that are essential to the operation of our communication assets
- our buildings and communication assets are mainly used by us to generate revenue, however we also generate rental income from these assets. Given their dual purpose, it is impractical to separately present the assets under the operating lease arrangements. As at 30 June 2023, the total net book value of the assets used for dual purpose was \$2,826 million (2022: \$2,998 million).
- as at 30 June 2023, \$1,338 million (2022: \$1,137 million) of PPE was under construction and not installed nor ready for use
- other movements include \$54 million (2022: \$83 million) net transfers to intangible assets, \$42 million (2022: \$44 million) increase due to net foreign exchange differences, and other individually insignificant transactions.

3.1.2 Goodwill and other intangible assets

Table B shows movements in the net book value of our intangible assets during the financial year.

| Table B | Goodwill | Software assets | Licences | Other intangible assets | Total intangible assets |
|--|--------------|-----------------|--------------|-------------------------|-------------------------|
| Telstra Group | \$m | \$m | \$m | \$m | \$m |
| Net book value at 1 July 2021 | 1,052 | 3,455 | 2,043 | 581 | 7,131 |
| Additions | - | 891 | 238 | 42 | 1,171 |
| Additions due to acquisitions of controlled entities | 676 | 103 | - | 147 | 926 |
| Amortisation expense | - | (823) | (282) | (94) | (1,199) |
| Other movements | 41 | 83 | (4) | 6 | 126 |
| Net book value at 30 June 2022, comprising: | 1,769 | 3,709 | 1,995 | 682 | 8,155 |
| Cost | 1,856 | 12,048 | 3,547 | 1,735 | 19,186 |
| Accumulated amortisation and impairment | (87) | (8,339) | (1,552) | (1,053) | (11,031) |
| Net book value at 1 July 2022 | 1,769 | 3,709 | 1,995 | 682 | 8,155 |
| Additions | - | 1,272 | 100 | 39 | 1,411 |
| Additions due to acquisitions of controlled entities | 1,633 | 10 | - | 1,147 | 2,790 |
| Amortisation expense | - | (998) | (296) | (178) | (1,472) |
| Other movements | 62 | 52 | (37) | 28 | 105 |
| Net book value at 30 June 2023, comprising: | 3,464 | 4,045 | 1,762 | 1,718 | 10,989 |
| Cost | 3,555 | 13,050 | 3,523 | 2,929 | 23,057 |
| Accumulated amortisation and impairment | (91) | (9,005) | (1,761) | (1,211) | (12,068) |

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.2 Goodwill and other intangible assets (continued)

The following paragraphs detail further information about our intangible asset classes:

- additions to software assets include \$25 million (2022: \$14 million) of capitalised borrowing costs directly attributable to qualifying assets
- software assets mostly comprise internally generated assets
- licences comprise of spectrum and apparatus licences obtained to operate a range of radiocommunications devices
- other movements include \$54 million (2022: \$83 million) net transfers from property, plant and equipment to intangible assets, \$92 million (2022: \$48 million) increase due to net foreign exchange differences, \$45 million disposal of licence and other individually insignificant transactions.

Capitalisation of development costs

We apply judgement to determine whether to capitalise development costs.

Development costs are only capitalised if the project is assessed to be technically and commercially feasible, we are able to use or sell the asset, and we have sufficient resources and intent to complete the development.

As at 30 June 2023, \$638 million (2022: \$434 million) of software assets were not installed and ready for use.

3.1.3 Depreciation and amortisation

Table C presents the weighted average useful lives of our property, plant and equipment and identifiable intangible assets with a definite useful life.

| Table C Telstra Group | Expected benefit (years) | |
|--------------------------------------|--------------------------|------|
| | As at 30 June | |
| | 2023 | 2022 |
| Property, plant and equipment | | |
| Buildings | 30 | 30 |
| Communication assets | 27 | 25 |
| Other plant and equipment | 7 | 7 |
| Intangible assets | | |
| Software assets | 8 | 9 |
| Licences | 14 | 14 |
| Other intangibles | 19 | 17 |

Useful lives and residual values of tangible and intangible assets

We apply judgement to estimate useful lives and residual values of our assets and review them each year. If useful lives or residual values need to be modified, the depreciation and amortisation expense changes from the date of reassessment until the end of the revised useful life for both the current and future years.

Assessment of useful lives and residual values includes a comparison with international trends for telecommunication companies and, in relation to communication assets, a determination of when the asset may be superseded technologically or made obsolete. For intangible assets, specifically business software, useful lives are adjusted to align with expected retirement dates of the relevant applications under the current corporate strategies.

During the financial year 2023, the net effect of the assessment of useful lives was \$35 million and \$33 million decrease in depreciation and amortisation expenses, respectively. There was no material net effect of assessment of useful lives in the financial year 2022.

3.1.4 Impairment assessment

All non-current tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Goodwill and intangible assets with an indefinite useful life are not subject to amortisation and are assessed for impairment at least annually. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount.

The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. Fair value less cost of disposal is measured with reference to quoted market prices in an active market. Value in use represents the present value of the future amount expected to be recovered through the cash inflows and outflows arising from the asset's continued use and subsequent disposal.

We identify CGUs, the smallest groups of assets that generate largely independent cash inflows from other assets or groups of assets. CGUs to which goodwill is allocated cannot be larger than an operating segment.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.4 Impairment assessment (continued)

(a) Telstra Entity ubiquitous telecommunication network

An impairment assessment is performed at the level of our Telstra Entity ubiquitous telecommunications network CGU.

Impairment assessment of our ubiquitous telecommunications network

We have determined that assets which form part of the Telstra Entity ubiquitous telecommunications network, comprising the customer access network and the core network, are working together to generate independent cash inflows. No one item of telecommunications equipment is of any value without the other assets to which it is connected to deliver our products and services.

Indicators of impairment may include changes in our operating and economic assumptions or possible impacts from risks such as changing economic and market conditions and climate change. We apply judgement in determining whether certain trends with an adverse impact on our cash flows are considered impairment indicators.

We continue to operate in uncertain economic environments with rising inflation and other economic pressures. However, given the long-lived nature of the majority of our assets and the nature of the services we provide, the expected return on the assets is not significantly impacted. As a result, we did not consider the uncertain economic environment as an impairment indicator of our ubiquitous telecommunications network.

We continue to assess the potential impacts of climate change, including physical climate risks on our assets associated with bushfires, cyclones, coastal inundation, urban flash flooding and increasing temperatures, as well as the impact of extreme weather events on our operations and service delivery.

While we have already incorporated in our management forecasts some financial impacts related to our short-medium term environmental goals associated with both maintaining our carbon neutral operational certification, and with enabling renewable energy generation equivalent to 100 per cent of our consumption by 2025, work is ongoing to incorporate the potential long-term financial impacts of climate change and our relevant adaptation strategies in our forward plans.

Based on our experience with extreme weather events, and considering the diverse location and nature of our assets as well as our continued focus on network resiliency and business continuity programs, we do not consider the potential impacts of climate change and the transition to a lower carbon economy to be an impairment indicator at this stage. In addition, based on the sensitivity analysis performed, the range of financial impacts identified and quantified to date for possible climate scenarios, namely the service disruption payments and asset loss/replacement costs, is not significant compared to the excess of the recoverable amount over the carrying value of our ubiquitous telecommunications network.

As we continue to assess climate impacts to our business, we will incorporate any identified financial impacts into our impairment assessment. Should we identify material adverse effects of climate change or transition to a lower carbon economy on our cash flows, we may deem it an impairment indicator in the future.

Management forecasts require significant judgements and assumptions and are subject to risk and uncertainty that may be beyond our control. Hence, there is a possibility that changes in circumstances will materially alter projections, which may impact our assessment of impairment indicators and the recoverable amount of assets at each reporting date.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.4 Impairment assessment (continued)

(b) Goodwill

The carrying amount of goodwill has been allocated to the CGUs as detailed in Table D.

| Table D Telstra Group | As at 30 June | |
|---|---------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Digicel Pacific ¹ | 1,614 | - |
| Telstra Enterprise International Group ^{1,2} | 612 | 585 |
| Telstra Enterprise Australia Group ² | 437 | 437 |
| Telstra Consumer & Small Business Group ² | 341 | 323 |
| Health Group (including MedicalDirector) ^{2,3} | 251 | - |
| MedicalDirector Group | - | 224 |
| PowerHealth Group | 89 | 89 |
| Fetch TV | 32 | - |
| Other ⁴ | 88 | 111 |
| | 3,464 | 1,769 |

1 These CGUs operate in overseas locations. Therefore, the goodwill allocated to these CGUs will fluctuate in line with movements in applicable foreign exchange rates.

2 The Telstra Enterprise International Group, Telstra Enterprise Australia Group, Telstra Consumer and Small Business, and Health Group include goodwill from past acquisitions integrated into these businesses.

3 During the financial year 2023, the operations of MedicalDirector were integrated into Health Group to generate combined cash inflows for the Group.

4 Other includes individually immaterial CGUs.

In regard to goodwill recognised on acquisitions completed during the financial year 2023, there were no impairment indicators in relation to these assets since their acquisition date. For all other CGUs including Digicel Pacific with allocated goodwill, we used a value in use calculation to determine the recoverable amount.

Determining CGUs and their recoverable amount for impairment assessment of goodwill

We apply judgement to identify our CGUs and determine their recoverable amounts using a value in use calculation. These judgements include cash flow forecasts, as well as the selection of growth rates, terminal growth rates and discount rates based on experience and our expectations for the future.

Our cash flow projections are based on five-year management-approved forecasts unless a different period is justified. The forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each asset and CGU.

We have concluded that the discounted cash flows generated continue to support the carrying values of our CGUs, thus no impairment has been identified.

We have used the following key assumptions in determining the recoverable amount of our material CGUs to which goodwill has been allocated:

| Table E Telstra Group | Discount rate | | Terminal value growth rate | |
|--|---------------|------|----------------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| | % | % | % | % |
| Digicel Pacific | 13.4 | n/a | 3.0 | n/a |
| Telstra Enterprise International Group | 8.5 | 9.9 | 2.0 | 2.0 |
| Telstra Enterprise Australia Group | 13.3 | 14.0 | 2.5 | 2.5 |
| Telstra Consumer & Small Business Group | 12.2 | n/a | 2.5 | n/a |
| Health Group (including MedicalDirector) | 13.3 | n/a | - | n/a |
| PowerHealth Group | 15.9 | n/a | 2.5 | n/a |

The discount rate represents the pre-tax discount rate applied to the cash flow projections. The discount rate reflects the market determined, risk-adjusted discount rate that is adjusted for specific risks relating to the CGU and the countries in which it operates.

The terminal value growth rate represents the growth rate applied to extrapolate our cash flows beyond the forecast period. These growth rates are based on our expectation of the CGUs' long-term performance in their markets.

We also perform a sensitivity analysis to examine the effect of a change in a key assumption on the remaining CGUs. The pre-tax discount rate would need to increase by 90 basis points (2022: 364 basis points) or the terminal value growth rate would need to decrease by 135 basis points (2022: 697 basis points) before the recoverable amount of any of the CGUs would equal its carrying value. No other changes in key assumptions will result in a material impairment charge for any of the CGUs.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.5 Recognition and measurement

| Asset class | Recognition and measurement |
|---|---|
| Property, plant and equipment | <p>Property, plant and equipment, including assets under construction, is recorded at cost less accumulated depreciation and impairment. Cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use.</p> <p>We capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. All other borrowing costs are recognised as an expense in our income statement when incurred.</p> <p>Property, plant and equipment other than freehold land are depreciated on a straight-line basis in the income statement from the time when the assets are installed and ready for use. Items of property, plant and equipment excluding leasehold improvements are depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term and the useful life of the assets.</p> |
| Goodwill | <p>Goodwill acquired in a business combination is measured at cost. Cost represents the excess of what we pay for the business combination over the fair value of the identifiable net assets acquired at the date of acquisition.</p> <p>Goodwill is not amortised but is tested for impairment on an annual basis or when an indication of impairment arises.</p> <p>Goodwill arising on the acquisition of joint ventures or associated entities constitutes part of the cost of the investment.</p> |
| Internally generated intangible assets | <p>Internally generated intangible assets include mainly IT development costs incurred in design, build and testing of new or improved IT products and systems.</p> <p>Research costs are expensed when incurred.</p> <p>Capitalised development costs include:</p> <ul style="list-style-type: none"> • external direct costs of materials and services consumed • payroll and payroll-related costs for employees (including contractors) directly associated with the project • borrowing costs that are directly attributable to the qualifying assets. <p>Internally generated intangible assets have a finite life and are amortised on a straight-line basis over their useful lives.</p> |
| Acquired intangible assets | <p>We acquire other intangible assets either as part of a business combination or through a separate acquisition. Intangible assets acquired in a business combination are recorded at their fair value at the date of acquisition and recognised separately from goodwill. Intangible assets acquired through a specific acquisition are recorded at cost.</p> <p>Intangible assets that are considered to have a finite life are amortised on a straight-line basis over the useful lives. Intangible assets that are considered to have an indefinite life are not amortised but tested for impairment on an annual basis or when an indication of impairment exists.</p> |

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements

This note provides details about our leasing arrangements, where Telstra is either a lessee or a lessor, including arrangements where Telstra is an intermediate lessor (i.e. subleases).

3.2.1 Telstra as a lessee

Our most significant lease contracts relate to network and non-network properties, including:

- land and buildings supporting our network assets and data centres
- office buildings, retail spaces and warehouses.

Other lease arrangements include:

- communication assets dedicated to solution management that we provide to our enterprise customers
- spaces on mobile towers
- renewable energy plants
- modem devices
- motor vehicles
- laptops, personal computers and printers.

None of our leases include residual value guarantees. Other features of our leases are described below.

(a) Leases with extension, termination and purchase options

We do not have any significant purchase options in our property leases.

Extension options are included in a number of commercial and network property leases and are taken up to maximise the operational flexibility in terms of managing the assets used in our core business operations.

The majority of extension and termination options within our lease contracts are exercisable only by us and not by the respective lessor, with the exception of 'holdover periods' in our property leases, where generally either party can terminate the lease.

The extension, termination and purchase options are considered when determining lease term.

Determining lease term for property leases

We apply judgement to determine a lease term for leases with extension, termination or purchase options. We also consider lease modifications where we continue to use the same underlying asset for an extended term.

Our property lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, with typical fixed term periods between one and 15 years.

In determining the lease term, we consider all facts and circumstances that create an economic incentive to exercise an extension, termination or purchase option, including holdover periods where relevant.

In particular, we consider contractual terms under which the lease term can be extended or terminated, potential relocation costs, asset specific factors and any relevant leasehold improvements or our wider strategy and policy decisions.

We also consider long-term inter-company arrangements to access tower sites and exchanges located on land leased from third parties.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. Periods beyond termination options are only included in the lease term if it is reasonably certain that the lease will not be terminated.

The longer the fixed lease term, the less certain a lessee is to exercise an option to extend the lease.

The extension options for leases of office buildings have generally not been included in the lease term due to a competitive marketplace and our commercial ability to either substantially renegotiate or replace these assets instead of exercising the extension options.

None of our termination options have been considered reasonably certain to be exercised; therefore, the lease terms have not been shortened and all future cash flows have been included in the measurement of the lease liability.

The lease term assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and that is within our control as a lessee.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.1 Telstra as a lessee (continued)

(b) Leases with lease payment increases

Under most of our lease arrangements, we pay fixed lease payments, which are included in the measurement of lease liabilities at initial recognition or at the time of reassessment. Fixed lease payments in our property leases usually include fixed increases. However, some of our property leases contain other escalation clauses, including increases subject to the consumer price index, the greater of fixed increase or the consumer price index or increases subject to market rates. Market rent review terms are used to respond to competitive market trends and to minimise our fixed costs. No material remeasurement to lease liabilities resulting from such escalation clauses were recognised during the financial year 2023.

(c) Leases with variable lease payments that do not depend on an index or a rate

Some of our leases, such as leases of renewable energy plants, include variable lease payments that do not depend on an index or a rate. Such payments are not included in the measurement of the lease liability and are expensed as incurred in 'other expenses' in the income statement.

(d) Right-of-use assets

Table A shows movements in net book value of our right-of-use assets during the financial year.

| Table A Telstra Group | Right-of-use assets for underlying assets | | |
|---|---|------------|----------------|
| | Land and buildings | Other | Total |
| | \$m | \$m | \$m |
| Net book value at 1 July 2021 (reclassified) | 2,044 | 808 | 2,852 |
| Additions | 472 | 162 | 634 |
| Additions due to acquisitions of controlled entities and businesses | 96 | - | 96 |
| Depreciation expense | (406) | (181) | (587) |
| Terminations | (32) | (13) | (45) |
| Other movements | 1 | (25) | (24) |
| Net book value at 30 June 2022 (reclassified), comprising: | 2,175 | 751 | 2,926 |
| Cost | 3,361 | 1,139 | 4,500 |
| Accumulated depreciation and impairment | (1,186) | (388) | (1,574) |
| Net book value at 1 July 2022 (reclassified) | 2,175 | 751 | 2,926 |
| Additions | 295 | 275 | 570 |
| Additions due to acquisitions of controlled entities and businesses | 55 | 2 | 57 |
| Depreciation expense | (407) | (167) | (574) |
| Terminations | (23) | (17) | (40) |
| Derecognition due to finance subleases | (17) | (70) | (87) |
| Other movements | 3 | (30) | (27) |
| Net book value at 30 June 2023, comprising: | 2,081 | 744 | 2,825 |
| Cost | 3,437 | 1,265 | 4,702 |
| Accumulated depreciation and impairment | (1,356) | (521) | (1,877) |

We reclassified right-of-use assets related to leases of towers and tower-like structures from 'land and buildings' to 'other' class of underlying assets to best reflect the nature of such right-of-use assets.

The following amounts have been reclassified:

- \$649 million of net book value as at 1 July 2021
- \$41 million of additions during the financial year 2022
- \$76 million of depreciation expense during the financial year 2022
- \$614 million of net book value as at 1 July 2022.

This change in presentation did not impact our reported results.

Other movements include other individually insignificant transactions.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.1 Telstra as a lessee (continued)

(d) Right-of-use assets (continued)

Table B provides information about the weighted average useful lives of our right-of-use assets.

| Table B Telstra Group | Weighted average useful life (years) | |
|----------------------------|--------------------------------------|------|
| | As at 30 June | |
| | 2023 | 2022 |
| Right-of-use assets | | |
| Land and buildings | 11 | 9 |
| Other | 9 | 3 |

(e) Lease liabilities

Lease liabilities do not include liabilities for leases of low value assets or leases with variable payments which do not depend on an index or a rate, for which associated outstanding rental payments as at balance date continue to be included in trade and other payables.

Determining incremental borrowing rates for property leases

We apply judgement to determine incremental borrowing rates for our property leases because the interest rates implicit in leases are not readily determinable for those arrangements.

The incremental borrowing rates are determined with reference to rates sourced from market-based credit adjusted yield curves which are independently derived and reasonably reflect the credit risk of the lessee. The discount rates also reflect:

- the lease term (based on the weighted average repayment term)
- any guarantees which may be in place
- the impact of any security if significant to pricing.

As at 30 June 2023, the weighted average incremental borrowing rate was 3.0 per cent (2022: 2.4 per cent).

Table C presents maturity analysis of our lease liabilities.

| Table C Telstra Group | As at 30 June | |
|---|---------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Undiscounted future cash flows | | |
| Less than 1 year | 539 | 550 |
| 1 to 2 years | 591 | 546 |
| 2 to 5 years | 1,021 | 1,196 |
| More than 5 years | 1,571 | 1,394 |
| Total undiscounted lease liabilities | 3,722 | 3,686 |
| Future finance charges | (531) | (399) |
| Present value of lease liabilities | 3,191 | 3,287 |
| Comprising: | | |
| Current | 448 | 490 |
| Non-current | 2,743 | 2,797 |
| | 3,191 | 3,287 |

Measurement of lease liabilities reflects judgements made about discounted future cash flows arising from reasonably certain extension options and lease modifications, which must be reassessed should the circumstances change.

Potential future cash outflows of \$1,776 million (2022: \$1,961 million) are not reflected in the measurement of lease liabilities as they relate to leases which are yet to commence and/or extension options that we assessed as not reasonably certain. Almost 85 per cent of those cash flows will occur after five years. These outflows represent contractual undiscounted future cash flows estimated based on fixed lease payments only, payable over:

- for leases yet to commence - the legally non-cancellable lease term
- for leases already recognised in the statement of financial position and for those yet to commence - all extension options exercisable only by us (i.e. excluding holdover periods).

Such cash flows are not contractually payable until options have been legally exercised (if at all) and/or until the effective dates of already executed new contracts.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.1 Telstra as a lessee (continued)

(f) Amounts recognised in the income statement and cash outflows for leases

Table D presents amounts recognised in the income statement and the cash outflows related to our lease arrangements.

| Table D Telstra Group | Year ended 30 June | |
|--|--------------------|-------|
| | 2023 | 2022 |
| | \$m | \$m |
| Amounts recognised in the income statement | | |
| Income from operating subleases (in revenue from other sources) | 8 | 40 |
| Depreciation of right-of-use assets (in depreciation and amortisation expense) | (574) | (587) |
| Interest expense on lease liabilities (in net finance costs) | (99) | (78) |
| Net gain on disposal due to finance (sub)lease (in other income) | 14 | 1 |
| Expense for leases of low value assets and variable payments (in other expenses) | (14) | (21) |
| Cash outflows for leases | | |
| In cash flows from operating activities | (14) | (21) |
| In cash flows from financing activities (principal portion) | (675) | (697) |
| In cash flows from financing activities (interest portion) | (99) | (78) |

3.2.2 Telstra as a lessor (including a dealer-lessor and an intermediate lessor)

Our lease arrangements where Telstra is a lessor, including a dealer-lessor and intermediate lessor, include the following main categories:

- leases and subleases of property assets, including office and network buildings
- finance leases where Telstra is a dealer-lessor of communication assets dedicated to solution management
- leases of modem devices to our consumer and small business customers
- leases of dark fibre and exchange buildings.

Our key finance and operating leases are described below.

(a) Finance leases

(i) Finance leases where Telstra is a dealer-lessor

We enter into finance lease arrangements with our customers predominantly for communication assets dedicated to solution management. At lease commencement date, we recognise revenue and a selling profit from these transactions as we have no risks associated with the remaining rights in the underlying assets. The weighted average remaining term of the finance leases in our customer contracts is eight years (2022: four years).

(ii) Subleases

Generally, we rent office and network buildings for our own use and not with the intention to earn rental income. However, where our needs or the intended use of the rented properties change and we have assessed that exiting a lease is uneconomical, we sublease property assets on market terms for the remaining non-cancellable lease term of the head lease.

These subleases are either classified as operating lease or finance lease. For finance subleases, at lease commencement date, we record a net gain or loss on the derecognised right-of-use asset and recognise a finance lease receivable. We have no risks associated with any retained rights in the underlying assets as the properties are vacated and returned to the landlords at the end of the non-cancellable lease term.

(iii) Leases of passive infrastructure assets

Generally, we hold our infrastructure assets for our own use and not with the intention to earn rental income. However, we also generate some revenue from rental of dark fibre and exchange building floorspace mainly to our wholesale customers.

These leases are classified as operating leases and we recognise revenue from other sources for the rental payments.

(iv) Finance lease receivable maturity analysis

Table E sets out the maturity analysis of undiscounted lease payments receivable and the unearned finance income for our finance lease receivables. No unguaranteed residual values accrue under our finance leases.

| Table E Telstra Group | As at 30 June | |
|--|---------------|------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Undiscounted lease payments receivable under finance leases | | |
| Less than 1 year | 74 | 70 |
| 1 to 2 years | 22 | 46 |
| 2 to 3 years | 39 | 26 |
| 3 to 4 years | 31 | 20 |
| 4 to 5 years | 24 | 13 |
| More than 5 years | 86 | 17 |
| Total undiscounted lease payments receivables | 276 | 192 |
| Less: unearned finance income | (55) | (16) |
| Net investment in the lease | 221 | 176 |
| Allowance for doubtful debts | (1) | (1) |
| | 220 | 175 |
| Comprising | | |
| Current | 63 | 63 |
| Non-current | 157 | 112 |
| | 220 | 175 |

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.2 Telstra as a lessor (including a dealer-lessor and an intermediate lessor) (continued)

(a) Finance leases (continued)

(iv) Finance lease receivable maturity analysis (continued)

During the financial year 2023, we added \$126 million (2022: \$31 million) new finance lease receivables and recognised interest income of \$10 million (2022: \$8 million).

Refer to note 3.3.1 for details regarding impairment assessment of our finance lease receivables.

(b) Operating leases

The undiscounted future lease payments receivable under our operating leases totalled \$211 million (2022: \$67 million), with 65 per cent (2022: 70 per cent) of that amount maturing within the next two years.

(c) Amounts recognised in the income statement

Table F presents amounts relating to our lease arrangements where Telstra is a lessor (including an intermediate lessor) recognised in the income statement during the financial year.

| Telstra Group | As at 30 June | |
|---|---------------|------|
| | 2023 | 2022 |
| | \$m | \$m |
| Revenue from dealer-lessor finance leases (in revenue from other sources) | 18 | 22 |
| Income from operating leases, including subleases (in revenue from other sources) | 66 | 73 |

3.2.3 Recognition and measurement

(a) Lease identification and lease term

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset, including a physically distinct portion of an asset, for a period of time in exchange for consideration. The customer has the right to control the use of an identified asset if the supplier has no substantive substitution rights, and the customer obtains substantially all of the economic benefits from use of the identified asset and has the right to direct its use.

A contract may include lease and non-lease components, which are accounted for separately. We allocate the consideration to lease and non-lease components based on their relative standalone (selling) prices.

If a lease has been identified at inception of the arrangement, a lease term is determined considering a non-cancellable period and reasonably certain extension, termination or purchase options.

(b) Telstra as a lessee

A lessee recognises a right-of-use asset and a lease liability at lease commencement date. The lease liability is initially measured as a present value of the following lease payments:

- fixed payments (including any in-substance fixed lease payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially using the index or rate as at the commencement date
- the exercise price of a purchase option, if the purchase option was assessed as reasonably certain to be exercised
- payments for penalties for terminating the lease, if the lease term reflects that the lessee will exercise that option.

Lease payments expected to be made under a reasonably certain extension option are also reflected in the measurement of the lease liability.

Where lease arrangements include market rent review clauses, lease liabilities are measured excluding any expected impacts from market rent reviews until they are legally binding and can be reliably measured.

The lease payments are discounted using the interest rate implicit in the lease, unless that rate is not readily determinable, in which case the lessee's incremental borrowing rate is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that do not depend on an index or a rate are recognised in the income statement in the period in which the event or condition that triggers those payments occurs.

Payments associated with leases of low value assets are recognised on a straight-line basis as an expense in the income statement.

At the commencement of the lease, right-of-use assets are measured at cost, which comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. Where an obligation exists to dismantle, remove or restore a leased asset or the site it is located on and a provision has been raised, the right-of-use asset also includes these restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that we will exercise the purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The depreciation starts at the commencement date of the lease.

Right-of-use assets are reviewed for impairment under the same policy as our property, plant and equipment assets. Refer to note 3.1.4 for further details regarding impairment testing.

Costs of improvements to the leased properties are capitalised as leasehold improvements and usually depreciated over the shorter of the useful life of the improvements and the term of the lease.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.3 Recognition and measurement (continued)

(b) Telstra as a lessee (continued)

We reassess lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed (reflecting reassessment of or exercise of an extension or termination options previously not included in the measurement of the lease liability) or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the future lease payments change due to changes in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(c) Telstra as a lessor (including a dealer-lessor and an intermediate lessor)

We distinguish between finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased asset from the lessor to the lessee, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Lease classification is made at the inception date and is only reassessed if a lease is modified.

Where we are an intermediate lessor, we account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Where we lease assets via a finance lease, a finance lease receivable (i.e. a net investment in the lease) is recognised at the lease commencement date and measured at the present value of the lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term and discounted using the interest rate implicit in the lease.

Finance lease receipts are allocated between finance income and a reduction of the finance lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Where we are a dealer-lessor, at the commencement of the lease, in addition to the finance lease receivable we also recognise a selling profit or loss (being the difference between revenue from other sources and the cost of sale) from the sale of the underlying asset.

Income from operating leases is recognised on a straight-line basis over the term of the relevant lease and presented in the income statement as revenue from other sources.

(d) Sale and leaseback transactions

When we sell and lease back the same asset, the accounting treatment depends on whether the control of the asset has been transferred to the buyer:

- if yes, we measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the rights retained by us as a seller-lessee. Accordingly, we recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.
- if not, as a seller-lessee we continue to recognise the transferred asset and we recognise a financial liability equal to the transfer proceeds.

3.3 Trade and other receivables and contract assets

3.3.1 Current and non-current trade and other receivables and contract assets

| Table A Telstra Group | Note | As at 30 June | |
|--|------|---------------|--------------|
| | | 2023 | 2022 |
| | | \$m | \$m |
| Current | | | |
| Trade receivables from contracts with customers | | 2,693 | 2,755 |
| Finance lease receivables | 3.2 | 63 | 63 |
| Accrued revenue | | 247 | 260 |
| Other receivables | | 387 | 166 |
| | | 3,390 | 3,244 |
| Contract assets | 3.5 | 826 | 830 |
| | | 4,216 | 4,074 |
| Non-current | | | |
| Trade receivables from contracts with customers | | 577 | 412 |
| Finance lease receivables | 3.2 | 157 | 112 |
| Amounts owed by joint ventures and associated entities | 6.4 | 143 | 132 |
| Other receivables | | 16 | 47 |
| | | 893 | 703 |
| Contract assets | 3.5 | 124 | 158 |
| | | 1,017 | 861 |

The majority of our receivables are in the form of contracted agreements with our customers. In general, the terms and conditions of these contracts require settlement between 14 and 30 days from the date of invoice. Credit risk associated with trade and other receivables and contract assets has been provided for.

Our trade receivables include receivables with deferred payment terms over 12, 24 or 36 months arising from mass market plans of hardware and services. Amounts expected to be collected within 12 months from the reporting date are presented as current assets.

Trade receivables from contracts with customers represent an unconditional right to receive consideration (primarily cash) which normally arises when the goods and services have been delivered and/or a valid invoice has been issued. By contrast, contract assets relate to our rights to consideration for goods or services provided to the customer but for which we do not have an unconditional right to payment at the reporting date.

In general, we invoice customers in advance for services provided under our prepaid or fixed fee (usually monthly) contracts and in arrears for usage-based contracts (e.g. carriage services under enterprise contracts). In those cases, we would recognise a contract liability and a contract asset, respectively.

Refer to note 3.5 for movements in net contract assets and contract liabilities.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.3 Trade and other receivables and contract assets (continued)

3.3.1 Current and non-current trade and other receivables and contract assets (continued)

(a) Impairment of trade and other receivables and contract assets

Trade and other receivables and contract assets are exposed to customers' credit risk and are subject to impairment assessment.

If a credit loss (i.e. a shortfall between the contractual and expected cash flows) is expected, an allowance for doubtful debt is raised to reduce the carrying amount of trade and other receivables and contract assets. For both receivables and contract assets we estimate the expected credit loss using one or a combination of a portfolio approach and/or an individual account by account assessment as detailed below.

(i) Portfolio approach

The portfolio approach is based on historical credit loss experience and, where appropriate, adjusted to reflect current conditions and estimates of future economic outlook. This approach is mostly applied to balances arising from our consumer and small business customer contracts. Under this approach, receivables and contract assets are grouped based on shared credit risk characteristics, such as:

- account status (services still active or not)
- customers' payment history
- the days past due.

For each grouping, the expected credit loss is then calculated on the probability that an account within the group will default (i.e. it will become past due by more than 90 days, or when an invoice will be overdue for our no-lock-in consumer plans) and the expected loss rate when they default, both represented as a percentage of the exposure at default and determined at the customer account level.

Our provision rates range from 0.1 per cent (2022: 0.1 per cent) for balances not past due to 91.0 per cent (2022: 92.0 per cent) for balances where the payment is overdue by more than 90 days and the customer's services have been deactivated.

(ii) Individual approach

The individual approach is an account by account assessment based on credit history, knowledge of debtor's financial situation, such as insolvency or entering a payment plan, or other known credit risk specific to the debtor, such as judgement based on the debtor's industry. This approach is applied to balances arising from contracts with large enterprise and government customers as well as to other accounts in TE, Telstra InfraCo and TC&SB segments where some detrimental change in payment behaviour has been noticed or certain thresholds have been exceeded by a customer.

Balances arising from our transactions with nbn co (reported in Telstra InfraCo and TC&SB segments and in 'All Other' category) are separately assessed based on the Australian government credit risk rating.

We estimate our allowance for impairment as detailed below.

Estimating expected credit losses

We apply judgement to estimate the expected credit losses for our trade and other receivables measured at amortised cost and for contract assets.

For trade receivables and contract assets arising from our TC&SB and TE Australian customers, we have implemented a scenario-based approach incorporating base, good and bad economic scenarios. The overall expected credit loss was calculated as a weighted average of the three scenarios.

Our analysis has shown that generally overall macroeconomic factors, such as unemployment rates, interest rates or gross domestic product have no strong correlation with our bad debt losses unless certain thresholds are exceeded. As at 30 June 2023, those macroeconomic factors were within the relevant thresholds.

The aging analysis and loss allowance in relation to trade receivables from contracts with customers, finance lease receivables and contract assets are detailed in Table B. The analysis is based on the original due date of the receivables, including where repayment terms for certain long outstanding receivables have been renegotiated. Contract assets are not yet due for collection, thus the entire balance has been included in the 'not past due' category.

| Table B Telstra Group | As at 30 June | | | |
|--------------------------------------|---------------|----------------|--------------|----------------|
| | 2023 | | 2022 | |
| | Gross | Allow- ance | Gross | Allow- ance |
| | \$m | \$m | \$m | \$m |
| Not past due, including measured at: | | | | |
| - amortised cost | 3,978 | (50) | 3,688 | (43) |
| - fair value | - | - | 65 | - |
| | 3,978 | (50) | 3,753 | (43) |
| Past due 1 - 30 days | 273 | (8) | 330 | (10) |
| Past due 31 - 60 days | 119 | (9) | 118 | (9) |
| Past due 61 - 90 days | 49 | (13) | 50 | (10) |
| Past 91 days | 207 | (106) | 281 | (130) |
| | 4,626 | (186) | 4,532 | (202) |

Aging analysis for the financial year 2022 has been amended to provide a like-for-like view with the financial year 2023 and reflect a change in the way we allocate credit balances to aging categories.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.3 Trade and other receivables and contract assets (continued)

3.3.1 Current and non-current trade and other receivables and contract assets (continued)

(a) Impairment of trade and other receivables and contract assets (continued)

Accrued revenue, amounts owed by joint ventures and associated entities, and other receivables (before allowance for doubtful debts) totalling \$800 million (2022: \$613 million) are subject to impairment assessment using the general approach and include 35 per cent (2022: 49 per cent) of balances with counterparties with an external credit rating of A- or above, and 30 per cent (2022: 28 per cent) of balances with counterparties with an external credit rating between BBB- and A-. The remaining balance is related to individually insignificant debtors, and there is no concentration of credit risk in those amounts.

We hold security for a number of trade receivables, including past due or impaired receivables, in the form of guarantees, letters of credit and deposits. During the financial year 2023, the securities we called upon were insignificant. These trade receivables, along with our trade receivables that are neither past due nor impaired, comprise customers who have a good debt history and are considered recoverable. Further, we limit our exposure to credit risk from trade receivables by establishing a maximum payment period and, in certain instances, cease providing further services after 90 days from the past due date (or 30 days for our no-lock-in consumer plans).

Movements in the allowance for doubtful debts in respect of all our trade and other receivables and contracts assets, regardless of the method used in measuring the impairment allowance, are detailed in Table C.

| Table C Telstra Group | Year ended 30 June | |
|---------------------------------|--------------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Opening balance 1 July | (210) | (208) |
| Additional allowance | (130) | (122) |
| Amount used | 62 | 25 |
| Amount reversed | 85 | 90 |
| Disposal of controlled entities | - | 5 |
| Closing balance 30 June | (193) | (210) |

Impairment allowance related to accrued revenue, amounts owed by joint ventures and associated entities, and other receivables (i.e. balances not presented in Table B) amounted to \$7 million (2022: \$8 million).

3.3.2 Recognition and measurement

Trade and other receivables and contract assets are financial assets which are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method.

Contract assets are initially recorded at the transaction price allocated as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other goods or services under the same contract (or group of contracts) and/or we are yet to issue a valid invoice. Contract assets are subsequently measured to reflect relevant transaction price adjustments (where required) and are transferred to trade receivables when the right to payment becomes unconditional.

(a) Impairment of financial assets

We estimate the expected credit losses for our financial assets (including contract assets) measured at amortised cost depending on their nature on either of the following basis:

- for accrued revenue, amounts owed by joint ventures and associated entities, and other receivables - using a general approach, i.e. 12-month expected credit loss which results from all possible default events within the 12 months after the reporting date. However, if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, loss allowance is calculated based on lifetime expected credit losses.
- for trade receivables from contracts with customer, contract assets and lease receivables - using a simplified approach, i.e. lifetime expected credit loss which results from all possible default events over the expected life of a financial instrument.

Any expected credit loss is discounted at the original effective interest rate.

Any customer account with debt more than 90 days past due (or when an invoice is overdue for our no-lock-in consumer plans) is considered to be in default.

Trade and other receivables and contract assets are written off against the impairment allowance or directly against their carrying amounts and expensed in the income statement when all collection efforts have been exhausted and the financial asset is considered uncollectable. Factors indicating there is no reasonable expectation of recovery include insolvency and significant time period since the last invoice was issued.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.4 Contract liabilities and other revenue received in advance

Contract liabilities arise from our contracts with customers and represent amounts paid (or due) to us by customers before receiving the goods and/or services promised under the contract.

Revenue received in advance comprises upfront consideration under contracts giving rise to revenue from other sources or other income, for example from sale of assets.

Amounts expected to be recognised as revenue within 12 months from the reporting date are presented as current liabilities.

Table A presents customer payments received in advance under different types of our commercial arrangements.

| Table A Telstra Group | Note | As at 30 June | |
|-----------------------------------|------|---------------|--------------|
| | | 2023 | 2022 |
| | | | Restated |
| | | \$m | \$m |
| Current | | | |
| Contract liabilities | 3.5 | 1,366 | 1,342 |
| Other revenue received in advance | | 129 | 61 |
| | | 1,495 | 1,403 |
| Non-current | | | |
| Contract liabilities | 3.5 | 1,000 | 987 |
| Other revenue received in advance | | 534 | 401 |
| | | 1,534 | 1,388 |

The comparative amounts have been restated as a result of the prior period restatement of contract liabilities as detailed in note 1.7.

3.5 Net contract assets and contract liabilities

Contract assets and contract liabilities arise due to the timing differences between revenue recognition and customer invoicing. Our billing arrangements for goods and services as well as different types of discounts, credits or other incentives can vary depending on the type and nature of the contracts with customers. As a result, at times under the same accounting contract, we may recognise both a contract asset and a contract liability. At each reporting date, any balances arising from the same accounting contract are presented net in the statement of financial position as either a net contract asset or a net contract liability.

The net presentation mainly impacts our small business and enterprise framework arrangements that offer loyalty programs and technology funds, and nbn Definitive Agreements, where multiple legal contracts have been combined as one accounting contract.

Table A presents opening and closing balances of our current and non-current contract assets and contract liabilities and their total net movement for the period.

| Table A Telstra Group | As at 30 June | |
|--|----------------|----------------|
| | 2023 | 2022 |
| | | Restated |
| | \$m | \$m |
| Current contract assets | 826 | 830 |
| Non-current contract assets | 124 | 158 |
| Total contract assets | 950 | 988 |
| Current contract liabilities | (1,366) | (1,342) |
| Non-current contract liabilities | (1,000) | (987) |
| Total contract liabilities | (2,366) | (2,329) |
| Total net contract liabilities | (1,416) | (1,341) |
| Increase in net contract liabilities for the year | (75) | (19) |

The comparative amounts have been restated as a result of the prior period restatement of contract liabilities as detailed in note 1.7.

Generally, contract assets increase when we recognise revenue for goods and services transferred to the customer before billing and decrease when we invoice customers for already provided goods and services.

On the other hand, contract liabilities increase when we receive consideration in advance of transferring the goods and services to the customer, and decrease when we recognise revenue for the goods and services previously prepaid by the customer.

Other changes in our contract assets and contract liabilities represent movements resulting from changes in the transaction prices due to timing of invoicing and recognition of discounts, credits and other incentives.

The following selected movements contributed to the overall increase of \$75 million (2022: \$19 million) in the net contract liabilities:

- \$1,422 million (2022: \$1,628 million) revenue recognised in the reporting period that was included in the contract liabilities balance at the beginning of the reporting period
- \$19 million (2022: \$47 million) cumulative catch-up adjustments to revenue recognised in the prior reporting periods
- \$55 million (2022: \$5 million) changes due to business acquisitions.

Refer to note 3.3.1 for details regarding impairment assessment of contract assets.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.6 Deferred contract costs

We pay dealer commissions to acquire customer contracts and we incur upfront set-up and other costs related to customer contracts. When those costs support the delivery of goods and services in the future and are expected to be recovered, they are deferred in the statement of financial position and amortised on a basis consistent with the transfer of goods and services to which these costs relate.

Table A provides movements in net book values of the deferred contract costs.

| Table A Telstra Group | Costs to obtain a contract | Costs to fulfil a contract | | | Total deferred contract costs |
|--|----------------------------|----------------------------|---------------------------|------------|-------------------------------|
| | Commissions | Set-up costs | Costs of service provider | Total | |
| | \$m | \$m | \$m | \$m | |
| Net book value at 1 July 2021, comprising: | 1,146 | 41 | 268 | 309 | 1,455 |
| Current | n/a | - | 113 | 113 | 113 |
| Non-current | 1,146 | 41 | 155 | 196 | 1,342 |
| Additions | 365 | 11 | 809 | 820 | 1,185 |
| Amortisation expense | (382) | (9) | (788) | (797) | (1,179) |
| Impairment losses | (107) | - | - | - | (107) |
| Net book value at 30 June 2022, comprising: | 1,022 | 43 | 289 | 332 | 1,354 |
| Current | n/a | - | 116 | 116 | 116 |
| Non-current | 1,022 | 43 | 173 | 216 | 1,238 |
| Net book value at 1 July 2022 | 1,022 | 43 | 289 | 332 | 1,354 |
| Additions | 268 | 8 | 653 | 661 | 929 |
| Amortisation expense | (320) | (8) | (658) | (666) | (986) |
| Impairment losses | (95) | - | - | - | (95) |
| Net book value at 30 June 2023, comprising: | 875 | 43 | 284 | 327 | 1,202 |
| Current | n/a | - | 114 | 114 | 114 |
| Non-current | 875 | 43 | 170 | 213 | 1,088 |

Amortisation period of deferred contract costs

We apply judgement to estimate the amortisation period of deferred contract costs to obtain a contract.

For sales commissions paid on acquisition of the initial contract which are not commensurate with recontracting commissions, the amortisation period reflects the average estimated customer life for respective types of contracts.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.6 Deferred contract costs (continued)

3.6.1 Recognition and measurement

We capitalise costs to obtain an accounting contract when the costs are incremental, i.e. would not have been incurred if the contract had not been obtained and are recoverable either directly via reimbursement by the customer or indirectly through the contract margin.

We immediately expense the incremental costs of obtaining contracts if the period of benefit is one year or less.

Costs to fulfil a contract relate directly to an identified good or service or indirectly to other activities that are necessary under the contract but that do not result in a transfer of goods or services.

Costs to fulfil a contract include set-up costs and prepaid costs of a service provider related to goods and services which will be transferred in the future reporting periods.

We capitalise costs to fulfil a contract if:

- the costs relate directly to a contract or a specifically identified anticipated contract
- the costs generate or enhance resources that we control and will use when transferring future goods and services
- we expect to recover the costs.

We amortise deferred contract costs in 'goods and services purchased' expense over the term that reflects the expected period of benefit of the expense. This period may extend beyond the initial contract term to the estimated customer life or average customer life of the class of customers. We use the amortisation pattern consistent with the method used to measure progress and recognise revenue for the related goods or services.

We assess whether deferred contract costs are impaired whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We recognise impairment losses in 'other expenses'.

3.7 Inventories

| Telstra Group | As at 30 June | |
|-----------------------------|---------------|------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Current | | |
| Goods for resale | 479 | 400 |
| Network and other inventory | 67 | 76 |
| | 546 | 476 |
| Non-current | | |
| Network and other inventory | 36 | 28 |
| | 36 | 28 |

3.7.1 Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. For the majority of inventory items, we assign cost using the weighted average cost basis.

Net realisable value of items expected to be sold is the estimated selling price less the estimated costs incurred in marketing, selling and distribution.

Net realisable value of items expected to be consumed, for example used in the construction of another asset, is the net value expected to be earned through future use.

3.8 Trade and other payables

| Telstra Group | As at 30 June | |
|-----------------------------|---------------|--------------|
| | 2023 | 2022 |
| | | Restated |
| | \$m | \$m |
| Current | | |
| Trade payables | 1,591 | 1,317 |
| Accrued expenses | 1,691 | 1,877 |
| Accrued capital expenditure | 314 | 316 |
| Accrued interest | 143 | 142 |
| Contingent consideration | 107 | 19 |
| Other payables | 519 | 538 |
| | 4,365 | 4,209 |
| Non-current | | |
| Contingent consideration | 144 | 53 |
| Other payables | 64 | 180 |
| | 208 | 233 |

The comparative amounts have been restated as a result of the prior period restatement of contract liabilities as detailed in note 1.7.

Trade payables and other payables are non-interest bearing liabilities. Our payment terms vary, however payments are generally made within 20 days to 90 days from the invoice date.

Contingent consideration relates to payment obligations arising from our acquisitions of controlled entities and is measured at fair value. Refer to note 4.5.6 for further details.

3.8.1 Recognition and measurement

Trade and other payables, including accruals, are recorded when we are required to make future payments as a result of purchases of assets or services. Trade and other payables are financial liabilities initially recognised at fair value and carried at amortised cost using the effective interest method.

Section 4. Our capital and risk management

This section provides information on our approach to capital management and our capital structure. Our total capital is defined as equity and net debt. Also outlined in this section are the financial risks that we are exposed to and how we manage these financial risks.



4.1 Capital management

Capital management is undertaken in accordance with the financial parameters regularly reviewed and approved by the Board.

We manage our capital structure with the aim to provide returns for shareholders and benefits for other stakeholders, while:

- safeguarding our ability to continue as a going concern
- maintaining an optimal capital structure and cost of capital that provides flexibility for strategic investments.

In order to maintain or adjust our capital structure, we may issue or repay debt, adjust the amount of dividends to be paid to shareholders or return capital to shareholders.

Notes 4.3 and 4.4 provide further details on each component of capital, being equity and net debt.

4.2 Dividend

This note includes the previous year final dividend and the current year interim dividend paid.

We currently pay dividends to equity holders of the Telstra Entity twice a year, an interim and a final dividend. Table A below provides details about the dividends paid during the financial year.

| Table A Telstra Entity | Year ended 30 June | | | |
|-----------------------------------|--------------------|--------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$m | \$m | cents | cents |
| Previous year final dividend paid | 982 | 951 | 8.5 | 8.0 |
| Interim dividend paid | 982 | 937 | 8.5 | 8.0 |
| | 1,964 | 1,888 | 17.0 | 16.0 |

On 17 August 2023, the Directors of Telstra Group Limited resolved to pay a fully franked final dividend for the financial year 2023 of 8.5 cents per ordinary share. The final dividend will be fully franked at a tax rate of 30 per cent. The record date for the final dividend will be 31 August 2023, with payment to be made on 28 September 2023. From 30 August 2023, shares will trade excluding entitlement to the dividend.

In connection with the Restructure, Telstra Corporation Limited's Dividend Reinvestment Plan (DRP) was discontinued and a new DRP established by Telstra Group Limited. On 17 August 2023, the Board determined that the Telstra Group Limited DRP will continue to operate for the final dividend for the financial year 2023. The election date for participation in the DRP is 1 September 2023.

As at 30 June 2023, the final dividend for the financial year 2023 was not determined or publicly recommended by the Board. Therefore, no provision for the dividend had been raised in the statement of financial position. A \$982 million provision for the final dividend payable has been raised as at the date of resolution.

There are no income tax consequences for the Telstra Group resulting from the resolution and payment of the final dividend, except for \$421 million of franking debits arising from the payment of this dividend that will be adjusted in our franking account balance.

Table B provides information about franking (debits)/credits available for use in subsequent reporting periods.

| Table B Telstra Group | Year ended 30 June | |
|---|--------------------|-----------|
| | 2023 | 2022 |
| | \$m | \$m |
| Franking account balance | 5 | 24 |
| Franking (debits)/credits that will arise from the (receipt)/payment of income tax (receivable)/payable as at 30 June (at a tax rate of 30% on a tax (received)/paid basis) | (136) | 24 |
| | (131) | 48 |

We believe that our current balance in the franking account, combined with the franking credits that will arise on income tax instalments expected to be paid in the financial year 2024, will be sufficient to fully frank our 2023 final dividend.

Section 4. Our capital and risk management (continued)

4.3 Equity

This note provides information about our share capital and reserves presented in the statement of changes in equity.

We have established the Telstra Growthshare Trust to administer the Company's employee share schemes. The trust is consolidated as it is controlled by us. Shares held within the trust are used to satisfy future vesting of entitlements in these employee share schemes and reduce our contributed equity.

4.3.1 Share capital

Table A details components of our share capital balance.

| Table A Telstra Group | As at 30 June | |
|--|---------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Contributed equity | 3,130 | 3,180 |
| Shares held by employee share plans | (46) | (36) |
| Net services received under employee share plans | 11 | (46) |
| | 3,095 | 3,098 |

(a) Contributed equity

As detailed in note 1.2, on implementation of the top hat component of the Restructure, eligible shareholders of Telstra Corporation Limited exchanged their shares in that company for shares in Telstra Group Limited. As a result, Telstra Group Limited became the parent entity of the Telstra Group. As at 31 October 2022, there were 11,554,427,353 fully paid ordinary shares of Telstra Corporation Limited on issue. Refer to note 7.3 for further details about the parent entity.

As at 30 June 2023, there were 11,554,427,353 authorised fully paid ordinary shares of Telstra Group Limited on issue (2022: 11,554,427,353 fully paid ordinary shares were on issue in Telstra Corporation Limited, the then parent entity of the Telstra Group). Each of our fully paid ordinary shares carries the right to one vote on a poll at a meeting of the Company.

Holders of our shares also have the right to receive dividends and to participate in the proceeds from sale of all surplus assets in proportion to the total shares issued in the event of the Company winding up.

(b) Shares held by employee share plans

On 30 November 2022, Telstra Corporation Limited transferred its shares in Telstra Growthshare Pty Ltd to Telstra Group Limited. As at 31 October 2022 (when eligible shareholders of Telstra Corporation Limited exchanged their shares in that company for shares in Telstra Group Limited), the number of shares held by employee share plans totalled 12,585,314 shares of Telstra Corporation Limited. Refer to note 5.2.1 for further details about the Restructure impact on our employee share plans.

As at 30 June 2023, the number of shares held by employee share plans totalled 12,571,257 shares of Telstra Group Limited (2022: 10,132,961 shares of Telstra Corporation Limited).

During the financial year 2023, Telstra Growthshare Pty Ltd (the trustee of the Telstra Growthshare Trust that administers our employee share schemes) purchased on-market 5,454,684 shares of Telstra Corporation Limited (subsequently exchanged for shares in Telstra Group Limited as part of the Restructure) for the purposes of the employee incentive schemes for a total consideration of \$21 million and at the average price per share of \$3.90.

(c) Net services received under employee share plans

We measure the fair value of services received under employee share plans by reference to the fair value of the equity instruments granted. The net services received under employee share plans represent the share-based payment expense recognised after the establishment of Telstra Group Limited as the new parent entity (2022: the cumulative value of all instruments issued by Telstra Corporation Limited).

Section 4. Our capital and risk management (continued)

4.3 Equity (continued)

4.3.2 Reserves

Table B details our reserve balances.

| Table B Telstra Group | Foreign currency transla- tion reserve | Cash flow hedging reserve | Foreign currency basis spread reserve | Fair value of equity instru- ments reserve | General reserve | Total reserves |
|---|--|---------------------------------|---|--|--------------------|-------------------|
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Balance at 1 July 2021 | 35 | (126) | (63) | 299 | (7) | 138 |
| Other comprehensive income | 49 | 156 | 55 | (149) | - | 111 |
| Transactions with non-controlling interests | - | - | - | - | 2,084 | 2,084 |
| Balance at 30 June 2022 | 84 | 30 | (8) | 150 | 2,077 | 2,333 |
| Other comprehensive income | 50 | (79) | (9) | (23) | - | (61) |
| Transfer of fair value of equity instruments reserve to retained earnings | - | - | - | (76) | - | (76) |
| Balance at 30 June 2023 | 134 | (49) | (17) | 51 | 2,077 | 2,196 |

The table below details the nature and purpose of our reserves.

| Reserve | Nature and purpose |
|---|---|
| Foreign currency translation reserve | Represents exchange differences arising from the conversion of the non-Australian controlled entities' financial statements into Australian dollars. This reserve is also used to record our percentage share of exchange differences arising from our equity accounted non-Australian investments in joint ventures and associated entities. |
| Cash flow hedging reserve | Represents the effective portion of gains or losses on remeasuring the fair value of hedge instruments, where a hedge qualifies for hedge accounting. |
| Foreign currency basis spread reserve | Represents changes in the fair value of our derivative financial instruments attributable to movements in foreign currency basis spread. Currency basis is included in interest on borrowings in the income statement over the life of the borrowing. |
| Fair value of equity instruments reserve | Represents changes in fair value of equity instruments we have elected to measure at fair value through other comprehensive income. |
| General reserve | Represents other items we have taken directly to equity. |

4.3.3 Recognition and measurement

Issued and paid-up capital is recognised at the fair value of the consideration received by the Telstra Entity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity, net of income tax, as a reduction of the share proceeds received.

Services received under employee share plans (i.e. share-based payments) increase our share capital balance and vested employee share plans decrease the share capital balance resulting in a net movement in our equity.

We record purchases of the Telstra Entity shares underpinning our employee share plans as a reduction in share capital.

Section 4. Our capital and risk management (continued)

4.4 Net debt

As part of our capital management we monitor net debt. Net debt equals total borrowings and derivative financial instruments, less cash and cash equivalents.

This note provides information about components of our net debt and related finance costs.

Table A lists the carrying value of our net debt components (both current and non-current balances).

| Table A Telstra Group | As at 30 June | |
|--------------------------------------|-----------------|-----------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Lease liabilities | (3,191) | (3,287) |
| Borrowings | (12,675) | (10,982) |
| Net derivative financial instruments | 516 | 509 |
| Gross debt | (15,350) | (13,760) |
| Cash and cash equivalents | 932 | 1,040 |
| Net debt | (14,418) | (12,720) |

No components of net debt are subject to any externally imposed capital requirements except for a \$200 million non-recourse facility entered into by Telstra PM Pty Ltd with Export Finance Australia. The facility contains a covenant for Telstra PM Pty Ltd to maintain a minimum debt service cover ratio (subject to cure rights).

All amounts owing under or in relation to the borrowing facilities with Export Finance Australia in respect of the Digicel Pacific acquisition (referred to as 'non-recourse borrowing facilities' in Table B) are secured by:

- substantially all of the assets (including any shares) and undertakings of substantially all of the acquired entities, comprising Digicel Pacific Limited and each of its wholly-owned subsidiaries
- the assets (including any shares) and undertakings of Telstra PM Pty Ltd and BidCo (S) Pte. Ltd
- the shares in Telstra PM Pty Ltd held by Telstra PM Holdings Pty Ltd.

Refer to note 6.1.2 for further details on the acquisition of Digicel Pacific.

We did not have any defaults or breaches under any of our agreements with our lenders during the financial year 2023.

Table B summarises the key movements in net debt during the financial year and provides our gearing ratio. Our gearing ratio equals net debt divided by total capital, where total capital equals equity, as shown in the statement of financial position, plus net debt.

| Table B Telstra Group | Year ended 30 June | |
|--|--------------------|-----------------|
| | 2023 | 2022 |
| | | Restated |
| | \$m | \$m |
| Opening net debt at 1 July | (12,720) | (15,263) |
| Non-recourse borrowing facilities | (1,127) | - |
| Debt issuance | (1,487) | - |
| Drawings (bilateral bank loans) | (2) | (901) |
| Commercial paper (net) | 15 | 415 |
| Revolving bank facilities (net) | (904) | (14) |
| Debt repayments | 1,959 | 2,795 |
| Other borrowings | (14) | (15) |
| Lease liability payments | 675 | 697 |
| Net cash (inflow)/outflow | (885) | 2,977 |
| Fair value (loss)/gain impacting: | | |
| Equity | (127) | 284 |
| Other expenses | (25) | 1 |
| Finance costs | 24 | 23 |
| Other non-cash movements | | |
| Lease liability (Telstra as a lessee) | (579) | (679) |
| Other loans and derivatives | 2 | 22 |
| Total non-cash movements | (705) | (349) |
| Total (increase)/decrease in gross debt | (1,590) | 2,628 |
| Net decrease in cash and cash equivalents (including effects of foreign exchange rate changes) | (108) | (85) |
| Total (increase)/decrease in net debt | (1,698) | 2,543 |
| Closing net debt at 30 June | (14,418) | (12,720) |
| Total equity | (17,816) | (16,976) |
| Total capital | (32,234) | (29,696) |
| | % | % |
| Gearing ratio | 44.7 | 42.8 |

The comparative amounts have been restated as detailed in note 1.7.

During the financial year 2023 we issued debt of \$2,614 million (Australian dollar equivalent), comprised of:

- non-recourse borrowing facilities of \$1,127 million comprised of borrowing facilities from the Australian Government, through Export Finance Australia, which were used to fund part of the consideration for the acquisition of Digicel Pacific. Refer to note 6.1.2 for further details on the acquisition of Digicel Pacific. These debt facilities are held by our wholly-owned subsidiary Telstra PM Pty Ltd.
- 8 year €500 million Euro bond (\$837 million Australian dollar equivalent)
- 5 year \$650 million Australian dollar bond.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.1 Borrowings

Table C details the carrying and fair values of borrowings included in the statement of financial position.

| Table C Telstra Group | As at 30 June 2023 | | As at 30 June 2022 | |
|-----------------------------------|--------------------|---------------|--------------------|---------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| | \$m | \$m | \$m | \$m |
| Current borrowings | | | | |
| Unsecured notes | 1,814 | 1,812 | 2,035 | 2,033 |
| Bank and other loans - unsecured | 410 | 411 | 206 | 208 |
| Commercial paper - unsecured | 431 | 432 | 448 | 448 |
| Non-recourse borrowing facilities | 6 | 6 | - | - |
| Other financial liabilities | 1 | 1 | 1 | 1 |
| | 2,662 | 2,662 | 2,690 | 2,690 |
| Non-current borrowings | | | | |
| Unsecured notes | 7,198 | 7,044 | 7,137 | 7,177 |
| Bank and other loans - unsecured | 1,257 | 1,336 | 739 | 751 |
| Non-recourse borrowing facilities | 1,143 | 1,114 | - | - |
| Other financial liabilities | 415 | 297 | 416 | 346 |
| | 10,013 | 9,791 | 8,292 | 8,274 |
| Total borrowings | 12,675 | 12,453 | 10,982 | 10,964 |

Unsecured notes comprise bonds and private placements.

Our commercial paper is used principally to support working capital and short-term liquidity and continues to be supported by a combination of liquid financial assets, and access to committed bank facilities.

Other financial liabilities represent amounts arising from sale and leaseback transactions accounted as financial liabilities under the accounting standards.

(a) Recognition and measurement

| Recognition and measurement | |
|--|--|
| Initial recognition and measurement | <p>Borrowings are recognised initially on the trade date (the date on which we become a party to the contractual provisions of the instrument).</p> <p>All loans and borrowings are initially recorded at fair value, which typically reflects the proceeds received, net of directly attributable transaction costs.</p> |
| Subsequent measurement | <p>After initial recognition, all borrowings are stated at amortised cost, using the effective interest method. Any difference between proceeds received net of direct transaction costs and the amount payable at maturity is recognised over the term of the borrowing using the effective interest method.</p> <p>Borrowings that are in designated fair value hedge relationships are adjusted for fair value movements attributable to the hedged risk.</p> |
| Derecognition | <p>Borrowings are derecognised when our contractual obligations are discharged, cancelled or expired. A gain or a loss is recognised in the income statement when the borrowing is derecognised.</p> |

Borrowings are classified as non-current borrowings except for those that mature in less than 12 months from the reporting date, which are classified as current borrowings.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.2 Derivatives

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rate, foreign currency exchange rate, credit spread or other index.

We enter into derivative transactions in accordance with policies approved by the Board to manage our exposure to market risks and volatility of financial outcomes that arise as part of our normal business operations. We do not speculatively trade in derivative financial instruments.

Table D shows the carrying value of each class of derivative financial instruments.

| Table D Telstra Group | As at 30 June 2023 | | As at 30 June 2022 | |
|---|--------------------|--------------|--------------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| | \$m | \$m | \$m | \$m |
| Current derivative financial instruments | | | | |
| Cross currency swaps | 389 | (68) | 267 | - |
| Interest rate swaps | 23 | (5) | 8 | - |
| Other derivatives | 33 | - | 27 | - |
| | 445 | (73) | 302 | - |
| Non-current derivative financial instruments | | | | |
| Cross currency swaps | 286 | (187) | 486 | (292) |
| Interest rate swaps | 33 | (2) | 26 | (13) |
| Other derivatives | 14 | - | - | - |
| | 333 | (189) | 512 | (305) |
| Total derivative financial instruments | 778 | (262) | 814 | (305) |

The terms of a derivative contract are determined at inception, therefore any movements in the price of the underlying item over time will cause the contract value to fluctuate, which is reflected in the change in fair value of the derivative.

Where the fair value of a derivative is positive, it is carried as an asset, and where negative, as a liability. Both parties are therefore exposed to the credit quality of the counterparty. We are exposed to credit risk on derivative assets as a result of the potential failure of the counterparties to meet their contractual obligations.

Refer to note 4.5.3 for information about our credit risk policies.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.2 Derivatives (continued)

(a) Recognition and measurement

| Recognition and measurement | |
|---|---|
| Initial recognition and subsequent measurement | <p>Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value at each reporting date.</p> <p>Recognition of resulting gains or losses depends on the designation of the derivative as a hedging instrument and the nature of the item being hedged.</p> |
| Right to set-off | <p>We record derivative financial instruments on a net basis in our statement of financial position where we have a legally recognised right to set-off the derivative asset and the derivative liability, and we intend to settle on a net basis or simultaneously.</p> |
| Derecognition | <p>Derivative assets are derecognised when the rights to receive cash flows from the derivative assets have expired or have been transferred and we have transferred substantially all the risks and rewards of the asset.</p> <p>Derivative liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.</p> |

Derivative financial instruments are included as non-current assets or liabilities, except for those that mature in less than 12 months from the reporting date, which are classified as current.

Derivatives embedded in host contracts that are financial assets are not separated from financial asset hosts and a hybrid contract is classified in its entirety at fair value.

Derivatives embedded in other financial liabilities or host contracts are treated as separate financial instruments when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.3 Finance costs

Table E presents our net finance costs. Interest expense on borrowings are net amounts after offsetting interest income and interest expense on associated derivative instruments.

| Table E Telstra Group | Year ended 30 June | |
|---|--------------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Interest income | 45 | 15 |
| Finance income from finance leases (Telstra as a lessor) | 10 | 8 |
| Finance income from contracts with customers | 34 | 84 |
| Net interest income on defined benefit plan | 12 | 3 |
| Total finance income | 101 | 110 |
| Interest expense on borrowings | (570) | (444) |
| Interest expense on lease liabilities | (99) | (78) |
| Gross interest on debt | (669) | (522) |
| Finance costs from contracts with customers | (62) | (100) |
| Net gains on financial instruments included in remeasurements | 30 | 39 |
| | (32) | (61) |
| Interest capitalised | 71 | 56 |
| Total finance costs | (630) | (527) |
| Net finance costs | (529) | (417) |

Net gains on derivative financial instruments included in remeasurements within net finance costs comprise unrealised valuation impacts on our borrowings and derivatives. These include net unrealised gains or losses which arise from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective. These fair values increase or decrease because of changes in financial indices and prices over which we have no control.

4.5 Financial instruments and risk management

Our underlying business activities result in exposure to operational risks and financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk.

Our overall risk management program seeks to mitigate these risks in order to reduce volatility of our financial performance and to support the delivery of our financial targets. Financial risk management is carried out centrally by our treasury department under policies approved by the Board.

Our financial risk management strategies ensure that we can withstand market disruptions for extended periods.

This note summarises how we manage these financial risks. There have been no material changes to our risk management policies since 30 June 2022.

4.5.1 Managing our interest rate risk

Interest rate risk arises from changes in market interest rates. Borrowings issued at fixed rates expose us to fair value interest rate risk. Variable rate borrowings give rise to cash flow interest rate risk, which is partially offset by cash and cash equivalents balances held at variable rates.

We manage interest rate risk on our net debt portfolio by:

- setting a target ratio of fixed interest debt to variable interest debt, as required by our debt management policy
- ensuring access to diverse sources of funding
- reducing risks of refinancing by establishing and managing our target maturity profiles
- entering into cross currency and interest rate swaps. Refer to note 4.4.2 for further details on derivatives.

(a) Exposure

The use of cross currency and interest rate swaps allows us to manage the level of exposure our borrowings have to interest rate risks. Table A shows our fixed to floating ratio based on the carrying value of our borrowings. The post hedge position differs from the pre hedge position where we have derivative hedging instruments in place.

| Table A Telstra Group | As at 30 June | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 | | 2022 | |
| | Pre hedge | Post hedge | Pre hedge | Post hedge |
| | \$m | \$m | \$m | \$m |
| Floating rate borrowings | (3,105) | (3,660) | (1,217) | (3,611) |
| Fixed rate borrowings | (9,151) | (8,596) | (9,348) | (6,954) |
| Other financial liabilities | (419) | (419) | (417) | (417) |
| Total borrowings | (12,675) | (12,675) | (10,982) | (10,982) |

Refer to note 4.4.1 for further details on our borrowings.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.1 Managing our interest rate risk (continued)

(a) Exposure (continued)

As at 30 June 2023, we held some floating rate derivative instruments hedging term debt issuances and bank facilities which have a reference to a benchmark rate.

We continue to monitor the developments of international regulations to ensure preparedness for any future changes relating to Interest Rate Benchmark Reform. None of these implemented amendments impacted the Telstra Group's financial results for the financial year 2023.

Table B summarises as at 30 June our floating rate derivative instruments showing estimated gross nominal floating rate interest cash flows until maturity, associated nominal amounts in the underlying currency and weighted average maturity.

| Table B Telstra Group | | | As at 30 June 2023 | | | As at 30 June 2022 | | |
|-----------------------------|-----------------|----------------|------------------------|----------------------------|---------------------------|------------------------|----------------------------|---------------------------|
| | Native currency | Receive/ (pay) | Nominal interest flows | Nominal/ Principal amounts | Weighted average maturity | Nominal Interest flows | Nominal/ Principal amounts | Weighted average maturity |
| | | | \$m | \$m | years | \$m | \$m | years |
| Interest rate swaps | | | | | | | | |
| 3MBBSW | AUD | Receive | 90 | 1,568 | 1.1 | 50 | 1,268 | 1.2 |
| 3MBBSW | AUD | Pay | (104) | (450) | 4.2 | (4) | (50) | 1.5 |
| 3MEURIBOR | EUR | Pay | - | - | - | (3) | (1,000) | 0.2 |
| 3MLIBOR | USD | Receive | 18 | 100 | 4.7 | - | - | - |
| 6MLIBOR | USD | Receive | 60 | 450 | 2.8 | 36 | 300 | 3.8 |
| Cross currency swaps | | | | | | | | |
| 3MBBSW | AUD | Pay | (604) | (2,709) | 3.5 | (513) | (3,538) | 2.5 |
| 3MEURIBOR | EUR | Receive | - | - | - | 3 | 1,000 | 0.2 |

(b) Sensitivity

We have performed a sensitivity analysis based on the interest rate risk exposures of our financial instruments as at 30 June. In accordance with our policy to swap foreign currency borrowings into Australian dollars, interest rate sensitivity relates primarily to movements in the Australian interest rates.

We have selected a sensitivity range of plus 100 basis points (2022: 100 basis points) and minus 25 basis points (2022: 25 basis points) as a reasonably possible shift in interest rates taking into account the current level of both short-term and long-term interest rates, historical volatility and market expectations of future movements. The sensitivity reflects a change in benchmark rates only. This is not a forecast or prediction of future market conditions.

Table C shows the results of our sensitivity analysis on the impacts to profit after tax and on equity.

| Table C Telstra Group | As at 30 June | | | |
|--------------------------|---------------|--------|------------|--------|
| | 2023 | | 2022 | |
| | Gain/(loss) | | | |
| | Net profit | Equity | Net profit | Equity |
| | \$m | \$m | \$m | \$m |
| Interest rates (+100bp) | (31) | 2 | (20) | (2) |
| Interest rates (-25bp) | 8 | - | 5 | 1 |

The results of the sensitivity analysis are driven primarily from the following factors:

- any increase or decrease in interest rates will impact our net unhedged floating rate financial instruments and therefore will directly impact profit or loss
- changes in the fair value of derivatives which are part of effective cash flow hedge relationships are deferred in equity.

The analysis does not include the impact of any management action that might take place if the interest rate shifts were to occur.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.2 Managing our foreign currency risk

Foreign currency risk is our risk that the value of a financial commitment, forecast transaction, recognised asset or liability will fluctuate due to changes in foreign exchange rates. We issue debt offshore and operate internationally and hence we are exposed to foreign exchange risk from various currencies.

This risk exposure arises primarily from:

- borrowings denominated in foreign currencies
- trade and other creditor balances denominated in foreign currencies
- firm commitments or highly probable forecast transactions for receipts and payments settled in foreign currencies or with prices dependent on foreign currencies
- translation risk associated with our net investments in foreign controlled entities (foreign operations).

(a) Borrowings

We mitigate the foreign currency exposure on foreign currency denominated borrowings by converting these borrowings to Australian dollars using cross currency swaps.

Table D shows the cross currency swaps that are hedging our unsecured notes and forward foreign exchange contracts that are hedging United States dollar denominated commercial paper.

| Table D Telstra Group | As at 30 June 2023 | | | | As at 30 June 2022 | | | |
|--|--------------------|--|----------------|----------------|--------------------|--|----------------|----------------|
| | Exposure | Cross currency swap/forward foreign exchange contract receive/ (pay) | | Carrying value | Exposure | Cross currency swap/forward foreign exchange contract receive/ (pay) | | Carrying value |
| | | Local currency | | | | Australian dollars | | |
| | m | m | \$m | \$m | m | m | \$m | \$m |
| Euro | (3,425) | 3,425 | (5,159) | (5,457) | (3,925) | 3,925 | (5,569) | (5,849) |
| United States dollars | (1,500) | 1,500 | (1,958) | (2,265) | (1,500) | 1,500 | (1,958) | (2,177) |
| Japanese yen | (5,000) | 5,000 | (62) | (53) | (5,000) | 5,000 | (62) | (54) |
| Unsecured notes denominated in foreign currency | | | (7,179) | (7,775) | | | (7,589) | (8,080) |
| United States dollars | - | - | - | - | (310) | 310 | (443) | (448) |
| Commercial paper | | | - | - | | | (443) | (448) |

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.2 Managing our foreign currency risk (continued)

(b) Trading

We have some exposure to foreign currency risk from our operating (transactional) activities. We manage this risk by:

- hedging a proportion of the exposure of foreign exchange transaction risk arising from firm commitments or highly probable forecast transactions denominated in foreign currencies in accordance with our risk management policy. These transactions may be physically settled in a foreign currency or in Australian dollars but with direct reference to quoted currency rates in accordance with a contractual formula.
- economically hedging a proportion of foreign currency risk associated with trade and other creditor balances.

We hedge the above risks using forward foreign exchange contracts.

Table E summarises forward foreign exchange contracts that are hedging our transactional currency exposures.

| Table E Telstra Group | As at 30 June 2023 | | | | As at 30 June 2022 | | | |
|--------------------------------------|--------------------|-------|---|-----------------------|--------------------|-------|---|-----------------------|
| | Exposure | | Forward foreign exchange contract receive/(pay) | | Exposure | | Forward foreign exchange contract receive/(pay) | |
| | Local currency | | Australian dollars | Average exchange rate | Local currency | | Australian dollars | Average exchange rate |
| | m | m | \$m | \$ | m | m | \$m | \$ |
| Transactions to and from WOCE | | | | | | | | |
| British pounds sterling | (43) | 22 | (41) | 0.54 | (38) | 18 | (32) | 0.57 |
| Other (various currencies) | - | - | 16 | - | - | - | 14 | - |
| Forecast transactions | | | | | | | | |
| United States dollars | (391) | 231 | (333) | 0.69 | (266) | 165 | (227) | 0.72 |
| Indian rupee | (11,966) | 5,828 | (104) | 55.99 | (8,607) | 4,165 | (72) | 57.99 |
| Philippine peso | (1,136) | 454 | (12) | 38.06 | (770) | 308 | (8) | 39.84 |
| Trade payables | | | | | | | | |
| United States dollars | (19) | 19 | (29) | 0.67 | (85) | 85 | (122) | 0.70 |

At 30 June 2023, we also had a \$710 million United States dollar (2022: \$442 million United States dollar) liability exposure relating to transactions with wholly-owned controlled entities (WOCE) that is economically hedged with a \$175 million (2022: \$175 million) bank deposit in the same currency.

(c) Natural offset

Our direct foreign exchange exposure arising from the impact of translation of the results of our foreign entities to Australian dollars is, in part, naturally offset at the Group level by foreign currency denominated operating and capital expenditure of functions, for which we do not have hedges in place.

(d) Sensitivity

We have performed a sensitivity analysis based on our foreign currency risk exposures existing at balance date. Table F shows the impact that a 10 per cent shift in applicable exchange rates would have on our profit after tax and on equity.

| Table F Telstra Group | As at 30 June | | | |
|--------------------------|---------------|--------|------------|--------|
| | 2023 | | 2022 | |
| | Gain/(loss) | | | |
| | Net profit | Equity | Net profit | Equity |
| \$m | \$m | \$m | \$m | |
| Exchange rates (+10%) | 76 | 16 | 42 | 3 |
| Exchange rates (-10%) | (87) | (20) | (47) | (3) |

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.2 Managing our foreign currency risk (continued)

(d) Sensitivity (continued)

A shift of 10 per cent has been selected as a reasonably possible change taking into account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations of future movements. This is not a forecast or prediction of future market conditions. We have disclosed the sensitivity analysis on a total portfolio basis and not separately by currency.

Any unhedged foreign exchange positions associated with our transactional exposures will directly affect profit or loss as a result of foreign currency movements.

There is no significant impact on profit or loss from foreign currency movements associated with our borrowings portfolio that are swapped to Australian dollars as an offsetting entry will be recognised on the associated hedging instrument.

We are exposed to equity impacts from foreign currency movements associated with our offshore investments and our derivatives in cash flow hedges. The translation of our foreign entities' results into the Group's presentation currency has not been included in the above sensitivity analysis as this represents translation risk rather than transaction risk.

The analysis does not include the impact of any management action that might take place if these events occurred.

4.5.3 Managing our credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss. We are exposed to credit risk from our operating activities (primarily customer credit risk) and financing activities.

We manage credit risk by:

- applying Board approved credit policies
- monitoring exposure to high-risk debtors
- requiring collateral where appropriate
- assigning credit limits to all financial counterparties.

We may also be subject to credit risk on transactions not included in the statement of financial position, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in notes 7.3.1 and 7.4.2.

(a) Customer credit risk

Trade and other receivables and contract assets consist of a large number of customers, spread across the consumer, business, enterprise, government and international sectors. Our credit management team assesses customers' credit quality, and defines and monitors credit limits by customer. Sales to overdue customers are prohibited unless appropriately approved. Compliance with credit limits and approval process is regularly monitored. Other than nbn co, we do not have any significant credit risk exposure to a single customer or group of customers.

Refer to note 3.3 for details about our trade and other receivables and contract assets.

(b) Treasury credit risk

We are exposed to credit risk from the investment of surplus funds (primarily deposits) and from the use of derivative financial instruments.

We have a number of exposures to individual counterparties. To manage this risk, we have Board approved policies that limit the amount of credit exposure to any single counterparty. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilisation adjusted where appropriate.

We also manage our credit exposure using a value at risk (VaR) methodology, which is an industry standard measure that estimates the maximum potential exposure of our risk positions as a result of future movements in market rates. This helps to ensure that we do not underestimate credit exposure with any single counterparty. Using VaR analysis at 30 June 2023, 100 per cent (2022: 100 per cent) of our derivative credit exposure was with counterparties that have a credit rating of A- or better.

4.5.4 Managing our liquidity risk

Our objective is to maintain a balance between continuity and flexibility of funding through the use of liquid financial instruments, long-term and short-term borrowings, and committed available bank facilities.

We manage liquidity risk by:

- defining minimum levels of cash and cash equivalents
- defining minimum levels of cash and cash equivalents plus undrawn bank facilities
- closely monitoring rolling forecasts of liquidity reserves on the basis of expected business cash flows
- using instruments which trade in highly liquid markets with highly rated counterparties
- investing surplus funds in liquid instruments.

Our access to commercial paper programs continue to be supported by a combination of liquid financial assets, and access to committed bank facilities.

Table G shows our total and undrawn committed bank facilities. As at 30 June 2023, we had total available facilities of \$3,613 million, the majority of which were held by Telstra Corporation Limited, a wholly-owned subsidiary of Telstra Group Limited. Refer to note 1.2 for further details on the Telstra Group restructure.

Our committed facilities mature on a staggered basis over the next 5 years with \$3,600 million maturing beyond 12 months. Drawings under our bank facilities and commercial paper issues are shown on a gross basis in the statement of cash flows.

| Table G Telstra Group | As at 30 June | |
|--------------------------|---------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Facilities available | 3,613 | 3,800 |
| Facilities used | (918) | (14) |
| Facilities unused | 2,695 | 3,786 |

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.4 Managing our liquidity risk (continued)

Table H shows the maturity profile of our financial liabilities including estimated interest payments. We reduce refinancing risk by ensuring that our borrowings mature in different periods. Table H also includes derivative financial assets as these assets have a direct relationship with an underlying financial liability and both the asset and the liability are managed together.

The amounts disclosed are undiscounted contractual future cash flows and therefore do not reconcile to the amounts in the statement of financial position.

| Table H Telstra Group | Contractual maturity | | | | | | | | | |
|--|----------------------|----------------|----------------|-------------------|-----------------|-------------------------------|----------------|----------------|-------------------|-----------------|
| | As at 30 June 2023 | | | | | As at 30 June 2022 (restated) | | | | |
| | Less than 1 year | 1 to 2 years | 2 to 5 years | More than 5 years | Total | Less than 1 year | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Unsecured notes | (1,814) | (1,564) | (3,187) | (2,627) | (9,192) | (2,017) | (1,681) | (3,195) | (2,396) | (9,289) |
| Commercial paper | (433) | - | - | - | (433) | (451) | - | - | - | (451) |
| Bank and other loans | (410) | (906) | (351) | - | (1,667) | (207) | (415) | (323) | - | (945) |
| Non-recourse borrowing facilities | (6) | (5) | (86) | (1,052) | (1,149) | - | - | - | - | - |
| Other financial liabilities | (18) | (20) | (63) | (729) | (830) | (20) | (17) | (59) | (719) | (815) |
| Interest on unsecured notes, non-recourse facilities, bank and other loans | (362) | (294) | (523) | (530) | (1,709) | (261) | (191) | (294) | (60) | (806) |
| Lease liabilities | (539) | (591) | (1,021) | (1,571) | (3,722) | (550) | (546) | (1,196) | (1,394) | (3,686) |
| Trade/other payables and accrued expenses | (4,365) | (208) | - | - | (4,573) | (4,209) | (233) | - | - | (4,442) |
| Derivative financial assets | 2,529 | 1,753 | 2,321 | 2,750 | 9,353 | 2,668 | 1,787 | 2,860 | 2,456 | 9,771 |
| Derivative financial liabilities | (2,203) | (1,675) | (2,373) | (2,939) | (9,190) | (2,463) | (1,619) | (2,996) | (2,718) | (9,796) |
| Total | (7,621) | (3,510) | (5,283) | (6,698) | (23,112) | (7,510) | (2,915) | (5,203) | (4,831) | (20,459) |

The comparative amounts have been restated as a result of the prior period restatement of contract liabilities and related balances as detailed in note 1.7.

4.5.5 Hedge accounting

Hedging refers to the way in which we use financial instruments, primarily derivatives, to manage our exposure to financial risks. The gain or loss on the underlying item (the 'hedged item') is expected to move in the opposite direction to the gain or loss on the derivative (the 'hedging instrument'), therefore offsetting our risk position. Hedge accounting allows the matching of the gains and losses on hedged items and associated hedging instruments in the same accounting period to minimise volatility in the income statement.

In order to qualify for hedge accounting, prospective hedge effectiveness testing must meet all of the following criteria:

- an economic relationship exists between the hedged item and hedging instrument
- the effect of credit risk does not dominate the value changes resulting from the economic relationship
- the hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

To the extent permitted by Australian Accounting Standards, we formally designate and document our financial instruments by hedge type as follows:

| | Fair value hedges | Cash flow hedges |
|---|---|--|
| Objectives of this hedging arrangement | To hedge the exposure to changes in the fair value of borrowings which are issued at a fixed rate, or denominated in foreign currency, by converting to floating rate borrowings denominated in Australian dollars. | To hedge the exposure to changes in cash flows from borrowings that bear floating interest rates or are denominated in foreign currency. Cash flow hedging is also used to mitigate the foreign currency exposure arising from highly probable and committed future foreign currency cash flows. |
| Instruments used | We enter into cross currency and interest rate swaps to mitigate our exposure to changes in the fair value of our long-term borrowings. | We enter into cross currency and interest rate swaps to hedge future cash flows arising from our borrowings. We use forward foreign exchange contracts to hedge a portion of firm commitments and highly probable forecast transactions. |
| Economic relationships | In all our hedge relationships, the critical terms of the hedging instrument and hedged item (including face values, cash flows and currency) are generally aligned. | |
| Discontinuation of hedge accounting | Hedge accounting is discontinued when a hedging instrument expires, is sold, terminated, or no longer meets the criteria for hedge accounting. At that time, any cumulative gains or losses relating to cash flow hedges recognised in equity are initially retained in equity and subsequently recognised in the income statement as the previously hedged item affects profit or loss. For fair value hedges, the cumulative adjustment recorded against the carrying value of the hedged item at the date hedge accounting ceases is amortised to the income statement using the effective interest method. | |

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

Table I shows the carrying value of each component of our gross debt including derivative financial instruments categorised by hedge type.

| Table I Telstra Group | As at 30 June | |
|--|-----------------|-----------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Borrowings by hedge designation | | |
| Fair value hedges | (1,391) | (2,392) |
| Cash flow hedges | (6,526) | (5,733) |
| Not in an accounting hedge relationship | (4,758) | (2,857) |
| Total borrowings | (12,675) | (10,982) |
| Lease liabilities | (3,191) | (3,287) |
| Total borrowings and lease liabilities | (15,866) | (14,269) |
| Derivative assets by hedge designation | | |
| Fair value hedges | 24 | 293 |
| Cash flow hedges | 713 | 511 |
| Not in an accounting hedge relationship | 41 | 10 |
| Total derivative assets | 778 | 814 |
| Derivative liabilities by hedge designation | | |
| Fair value hedges | (242) | (240) |
| Cash flow hedges | (17) | (65) |
| Not in an accounting hedge relationship | (3) | - |
| Total derivative liabilities | (262) | (305) |
| Total gross debt | (15,350) | (13,760) |

The principal value of our gross debt on an equivalent basis was \$15,260 million (2022: \$13,758 million). Principal value represents contractual obligations less future finance charges, excluding fair value remeasurements and for foreign denominated balances equates to the principal value in the underlying currency converted at the spot exchange rate as at 30 June 2023.

(a) Derivatives not in an accounting hedge relationship

Some derivatives may not qualify for hedge accounting or are specifically not designated as a hedge as natural offset achieves substantially the same accounting results. This includes forward foreign currency contracts that are used to economically hedge exchange rate fluctuations associated with trade payables or other liability and asset balances denominated in a foreign currency.

(b) Fair value hedges

All changes in the fair value of the underlying item relating to the hedged risk are recognised in the income statement together with the changes in the fair value of derivatives. The net difference is recorded in the income statement as ineffectiveness. The carrying value of borrowings in effective fair value hedge relationships is adjusted for gains or losses attributable to the risk(s) being hedged.

Table J outlines the cumulative amount of fair value hedge adjustments that are included in the carrying amount of borrowings in the statement of financial position.

| Table J Telstra Group | As at 30 June | |
|---|----------------|----------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Principal value | (1,557) | (2,493) |
| Unamortised discounts/premiums | 8 | 7 |
| Amortised cost | (1,549) | (2,486) |
| Cumulative fair value hedge adjustments | 158 | 94 |
| Carrying amount | (1,391) | (2,392) |

Table K shows the ineffectiveness recognised in the income statement. We have excluded foreign currency basis spreads from our designated fair value and cash flow hedge relationships.

| Table K Telstra Group | Year ended 30 June | |
|--|--------------------|-----------------|
| | 2023 | 2022 |
| | (Gain)/ loss | (Gain)/ loss |
| | \$m | \$m |
| Remeasurement of hedged item used to measure ineffectiveness | 1 | (325) |
| Change in value of hedging instruments | (6) | 302 |
| Net gain before tax from ineffectiveness | (5) | (23) |
| Net gain after tax | (4) | (16) |

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

(c) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is effective (i.e. offsets the movement on the hedged item) is recognised directly in the cash flow hedging reserve in equity and any ineffective portion is recognised within net finance costs directly in the income statement.

Gains or losses deferred in the cash flow hedging reserve are subsequently:

- transferred to the income statement when the hedged transaction affects profit or loss
- included in the measurement of the initial cost of the assets where the hedged item is for purchases of property, plant and equipment
- transferred immediately to the income statement if a forecast hedged transaction is no longer expected to occur.

During the current and prior financial years, there was no material impact on profit or loss resulting from ineffectiveness of our cash flow hedges or from discontinuing hedge accounting for forecast transactions no longer expected to occur.

Table L presents the hedge gains or losses transferred to and from the cash flow hedging reserve.

| Table L Telstra Group | Year ended 30 June | |
|--|--------------------|------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Changes in fair value of cash flow hedges | 193 | 152 |
| Changes in fair value transferred to other expenses | (389) | (43) |
| Changes in fair value transferred to goods and services purchased | (10) | (11) |
| Changes in fair value transferred to finance costs | 98 | 107 |
| Changes in fair value transferred to property, plant and equipment | (4) | (1) |
| Cash flow hedging reserve | (112) | 204 |
| Income tax on movements in the cash flow hedging reserve | 33 | (54) |
| | (79) | 150 |

Table M shows when the cash flows are expected to occur with respect to items in cash flow hedges (i.e. notional cash outflows). These amounts are the undiscounted cash flows reported in Australian dollars.

| Table M Telstra Group | As at 30 June | |
|--------------------------|----------------|----------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Non-capital items | | |
| Within 1 year | (695) | (466) |
| Within 1 to 5 years | (13) | - |
| Capital items | | |
| Within 1 year | (132) | (99) |
| Within 1 to 5 years | (2) | - |
| Borrowings | | |
| Within 1 year | (1,798) | (132) |
| Within 1 to 5 years | (3,776) | (4,421) |
| After 5 years | (1,455) | (1,674) |
| | (7,871) | (6,792) |

Non-capital items will be recognised in the income statement in the same period in which the cash flows are expected to occur. For capital items, the hedged assets affect the income statement as the assets are depreciated over their useful lives.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.6 Valuation and disclosures within fair value hierarchy

The financial instruments included in the statement of financial position are measured either at fair value or their carrying value approximates fair value, with the exception of borrowings, which are held at amortised cost.

To determine fair value, we use both observable and unobservable inputs. We classify the inputs used in the valuation of our financial instruments according to a three level hierarchy as shown below. The classification is based on the lowest level input that is significant to the fair value measurement as a whole.

During the financial year 2023, there were no changes in valuation techniques for recurring fair value measurements of our financial instruments. There were also no transfers between fair value hierarchy levels.

The table below summaries the methods used to estimate the fair value of our financial instruments. As at 30 June 2023, there were no financial instruments measured using level 1 inputs.

| Level | Financial instrument | Fair value |
|---|--|--|
| Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities | Listed investments in equity instruments | Quoted prices in active markets. |
| Level 2: the lowest level input that is significant to the fair value measurement is directly (as prices) or indirectly (derived from prices) observable | Borrowings, cross currency and interest rate swaps | Valuation techniques maximising the use of observable market data. Present value of the estimated future cash flows using appropriate market-based yield curves, which are independently derived. Yield curves are sourced from readily available market data quoted for all major currencies. |
| | Forward contracts | Quoted forward rates at reporting date for contracts with similar maturity profiles. |
| Level 3: one or more key inputs for the instrument are not based on observable market data (unobservable inputs) | Unlisted investments in equity instruments | Valuation techniques (where one or more of the significant inputs is not based on observable market data) include reference to discounted cash flows and fair values of recent orderly sell transactions between market participants involving instruments that are substantially the same. |
| | Contingent consideration | Initial recognition: expectations of future performance of the business. Subsequent measurement: present value of the future expected cash flows. |

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.6 Valuation and disclosures within fair value hierarchy (continued)

Table N categorises our financial instruments which are measured at fair value, according to the valuation methodology applied.

| Table N Telstra Group | As at 30 June 2023 | | | As at 30 June 2022 | | |
|------------------------------------|--------------------|--------------|--------------|--------------------|-------------|--------------|
| | Level 2 | Level 3 | Total | Level 2 | Level 3 | Total |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Assets | | | | | | |
| Derivative financial instruments | 767 | 11 | 778 | 814 | - | 814 |
| Investments in unlisted securities | - | 22 | 22 | - | 15 | 15 |
| | 767 | 33 | 800 | 814 | 15 | 829 |
| Liabilities | | | | | | |
| Derivative financial instruments | (262) | - | (262) | (305) | - | (305) |
| Contingent consideration | - | (251) | (251) | - | (72) | (72) |
| | (262) | (251) | (513) | (305) | (72) | (377) |
| Total | 505 | (218) | 287 | 509 | (57) | 452 |

Fair value of borrowings presented in Table C in note 4.4.1 was measured using level 2 inputs.

Table O details movements in contingent consideration measured using level 3 inputs.

| Table O Telstra Group | Year ended 30 June | |
|--|--------------------|-------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Opening balance at 1 July | (72) | (4) |
| Amounts recognised on acquisition | (243) | (60) |
| Cash settlements made during the period | 88 | - |
| Remeasurements recognised in the income statement | (10) | (8) |
| Interest recognised in the income statement | (10) | - |
| Translation impacts recognised in foreign currency translation reserve | (4) | - |
| Closing balance at 30 June | (251) | (72) |

Additions in contingent consideration measured using level 3 inputs resulted from \$243 million recognised on the acquisition of Digicel Pacific. Refer to note 6.1.2 for further details.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.7 Offsetting and netting arrangements

Table P presents financial assets and financial liabilities that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset.

The column 'net amounts' shows the impact on the statement of financial position if all set-off rights were exercised. 'Related amounts not offset in the statement of financial position' reflect amounts subject to conditional offsetting arrangements.

| Table P Telstra Group | Effects of offsetting in the statement of financial position | | | Related amounts not offset in the statement of financial position | | |
|---|--|---|--|---|--------------------------------|-------------|
| | Gross amounts | Gross amounts offset in the statement of financial position | Net amounts presented in the statement of financial position | Financial instruments | Collateral received or pledged | Net amounts |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| | A | B | C=A-B | D | E | F=C-D-E |
| | As at 30 June 2023 | | | | | |
| Cash and cash equivalents | 250 | 204 | 46 | - | - | 46 |
| Borrowings | (204) | (204) | - | - | - | - |
| Trade and other receivables and contract assets | 319 | 102 | 217 | 50 | 8 | 159 |
| Trade and other payables | (207) | (102) | (105) | (50) | - | (55) |
| Derivative financial assets | 752 | - | 752 | 171 | - | 581 |
| Derivative financial liabilities | (262) | - | (262) | (171) | - | (91) |
| Total | 648 | - | 648 | - | 8 | 640 |
| As at 30 June 2022 | | | | | | |
| Trade and other receivables and contract assets | 309 | 68 | 241 | 53 | 9 | 179 |
| Trade and other payables | (210) | (68) | (142) | (53) | - | (89) |
| Derivative financial assets | 814 | - | 814 | 204 | - | 610 |
| Derivative financial liabilities | (305) | - | (305) | (204) | - | (101) |
| Total | 608 | - | 608 | - | 9 | 599 |

During the financial year 2023, a number of the Telstra Group wholly-owned subsidiaries entered into customary multi-entity bank account set-off facilities, under which bank accounts are managed on an aggregated basis. As a result, as at 30 June 2023 cash and overdraft balance sheet positions of different legal entities were presented net in the statement of financial position.

Our rights of set-off that are not otherwise included in column B of Table P, related to:

- our inter-operative tariff arrangements with some of our international roaming partners, where we have executed agreements that allow the netting of amounts payable and receivable by us on cessation of the contract
- our wholesale customers, where we have executed Customer Relationship Agreements that allow for the netting of amounts payable and receivable by us in certain circumstances where there is a right to suspend the supply of services or on the expiration or termination of the agreement
- our derivative financial instruments, where we have executed master netting arrangements under our International Swaps and Derivatives Association agreements. These agreements allow for the netting of amounts payable and receivable by us or the counterparty in the event of default or a credit event. In line with contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability.

Section 5. Our people

We are working to attract and retain employees with the skills and passion to best serve our markets. This section provides information about our employee benefits obligations. It also includes details of our employee share plans and compensation paid to key management personnel.



5.1 Employee benefits

5.1.1 Aggregate employee benefits

Our employee related obligations include:

- liabilities for wages and salaries and related on-costs (presented within current trade and other payables)
- annual leave, long service leave and employee incentives (presented within current and non-current employee benefits) and
- redundancy provisions (presented within current other provisions).

Table A provides a summary of all these employee obligations.

| Table A Telstra Group | As at 30 June | |
|-------------------------------|---------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Accrued labour and on-costs | 520 | 489 |
| Current employee benefits | 684 | 667 |
| Non-current employee benefits | 125 | 132 |
| Current redundancy provisions | - | 11 |
| | 1,329 | 1,299 |

Long service leave provision

We applied judgement to determine the following key assumptions used in the calculation of long service leave entitlements:

- 3.8 per cent (2022: 3.5 per cent) weighted average projected increases in salaries
- 5.6 per cent (2022: 5.2 per cent) discount rate.

The discount rate used to calculate the present value has been determined by reference to market yields at 30 June 2023 on nine year (2022: nine year) high quality corporate bonds which have due dates similar to those of our liabilities.

For the amounts of the provision presented as current, we do not have the right at the end of the financial year to defer settlement for any of these obligations. However, based on experience, we do not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Amounts disclosed in Table B have been determined in accordance with an actuarial assessment and reflect leave that is not expected to be taken or paid within the next 12 months.

| Table B Telstra Group | As at 30 June | |
|--|---------------|------|
| | 2023 | 2022 |
| | \$m | \$m |
| Leave obligations expected to be settled after 12 months | 363 | 354 |

5.1.2 Recognition and measurement

The liabilities for employee benefits relating to wages and salaries, annual leave and other current employee benefits are accrued at their nominal amounts. These are calculated based on remuneration rates expected to be current at the settlement date and include related costs.

Certain employees who have been employed by Telstra for at least 10 years are entitled to long service leave of three months or more depending on the actual length of employment. We accrue liabilities for long service leave not expected to be paid or settled within 12 months of the reporting date at present values of future amounts expected to be paid. This is based on the projected increases in wage and salary rates over an average of 10 years, experience of employee departures and periods of service.

Provisions are recognised when:

- the Telstra Group has a present legal or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events
- it is probable that a future sacrifice of economic benefits will arise
- a reliable estimate can be made of the amount of the obligation.

We recognise a provision for redundancy costs when a detailed formal plan for the redundancies has been developed and a valid expectation has been created that the redundancies will be carried out in respect of the employees likely to be affected.

Section 5. Our people (continued)

5.2 Employee share plans

We have a number of employee share plans pursuant to which equity is awarded to executives as part of their total remuneration. Active share plans are conducted through the Telstra Growthshare Trust (Growthshare). Telstra wholly owns Telstra Growthshare Pty Ltd, the corporate trustee for Growthshare (the Trustee). The results of the Trustee are consolidated into our Telstra Group Financial Report.

A transaction will be classified as share-based compensation where the Group receives services from employees and pays for these either in shares or similar equity instruments or in cash but the amounts due are based on the Telstra share price.

This note summarises the primary employee share plans conducted through Growthshare and the key events in the share-based payment arrangements that have occurred during the financial year.

We have granted the following types of equity instruments as part of our equity-settled employee share plans:

- restricted shares
- performance rights.

Restricted shares are Telstra shares that are subject to a restriction period.

Performance rights are rights to Telstra shares subject to the satisfaction of certain performance measures and service conditions over a defined performance period.

Telstra has discretion to provide the holder of a performance right with a share or a cash amount equivalent to the value of a share on vesting of a performance right. Further information can be found in note 5.2.2.

The table below provides a summary of the instruments granted under the main equity-settled employee share plans outstanding at 30 June 2023.

| Type of equity instrument | Financial year granted | Restriction period | Date of testing against performance hurdles | Performance hurdles | Number of instruments allocated and outstanding at 30 June 2023 |
|--|------------------------|---|---|---------------------|---|
| Executive Variable Remuneration Plan (EVP) restricted shares | FY23 | Four equal tranches with the respective tranches restricted from one to four years from the end of the initial performance period | n/a | n/a | The restricted shares for FY23 are expected to be allocated in the first half of FY24 |
| | FY22 | | n/a | n/a | 1,471,276 |
| | FY21 | | n/a | n/a | 1,448,708 |
| | FY20 | | n/a | n/a | 847,394 |

Section 5. Our people (continued)

5.2 Employee share plans (continued)

| Type of equity instrument | Financial year granted | Restriction period | Date of testing against performance hurdles | Performance hurdles | Number of instruments allocated and outstanding at 30 June 2023 |
|--|------------------------|---|---|--|---|
| Short-term incentive (STI) restricted shares | FY23 | Three equal tranches with the respective tranches restricted from one to three years from the end of the performance period | n/a | n/a | The STI restricted shares for FY23 are expected to be allocated in the first half of FY24 |
| | FY22 | | n/a | n/a | 1,804,327 |
| | FY21 | One tranche restricted for three years from the end of the performance period | n/a | n/a | 1,914,950 |
| | FY20 | | n/a | n/a | 2,031,844 |
| EVP performance rights | FY23 | n/a | 30 June 2027 | Relative Total Shareholder Return (RTSR) | The performance rights for FY23 are expected to be allocated in the first half of FY24 |
| | FY22 | n/a | 30 June 2026 | RTSR | 1,681,460 |
| | FY21 | n/a | 30 June 2025 | RTSR | 2,207,550 |
| | FY20 | n/a | 30 June 2024 | RTSR | 1,936,886 |
| | FY19 | n/a | 30 June 2023 | RTSR | 1,878,032 |

We will also grant cash rights in lieu of restricted shares and performance rights under the FY23 EVP to Andrew Penn and Alex Badenoch, who ceased employment as CEO and Group Executive, Transformation, Communications and People respectively during the financial year 2023. The cash rights are expected to be allocated in the first half of the financial year 2024. The cash rights provided in lieu of restricted shares are subject to the same time condition as restricted shares and the cash rights provided in lieu of performance rights are subject to the same performance hurdle as performance rights.

Provided they have not been forfeited earlier, the EVP and STI restricted shares, as well as shares allocated on the vesting of EVP performance rights, will be transferred to the relevant executive on the first day of the first trading window occurring under Telstra's Securities Trading policy following the end of the relevant restriction period or the vesting date, as applicable.

The definition of Relative Total Shareholder Return (RTSR) is set out in the Remuneration Report Glossary (the Remuneration Report forms part of the Directors' Report).

5.2.1 Telstra Group restructure

Following the establishment of Telstra Group Limited as the new parent entity of the Telstra Group, on 30 November 2022 Telstra Corporation Limited transferred all of its shares in Telstra Growthshare Pty Ltd, to Telstra Group Limited, so that Telstra Group Limited wholly owns Telstra Growthshare Pty Ltd.

Section 5. Our people (continued)

5.2 Employee share plans (continued)

5.2.1 Telstra Group restructure (continued)

There were no changes to the restriction periods, performance periods and performance measures applying to our employee share plans as a result of the Restructure. However, from 31 October 2022 performance rights and restricted shares have been granted by Telstra Group Limited (the new parent entity) and a fully paid ordinary share in Telstra Group Limited (or at Telstra Group Limited's discretion, a cash amount equivalent to the value of a Telstra Group Limited share) will be provided on vesting of a performance right. For the purpose of assessing the RTSR performance condition applying to performance rights, Telstra Corporation Limited is the relevant entity for the portion of the performance period up to (but excluding) 31 October 2022 and Telstra Group Limited will be the relevant entity for the portion of the performance period from and including 31 October 2022.

We continue to account for the employee share plans using the original grant date fair value as there is no overall change to these awards as a result of the Restructure.

The results of the Trustee continue to be consolidated into the Telstra Group Financial Report.

5.2.2 Description of share-based payment arrangements

(a) Executive Variable Remuneration Plan (EVP)

Under the EVP, the amount earned by the CEO and eligible Group Executives is determined at the end of an initial one year performance period based on certain factors, including Telstra's performance against certain predetermined performance measures and the executive's individual performance (including their performance relative to other executives), with the Board retaining discretion to adjust the outcome to ensure it is appropriate. A component of the amount earned under the EVP is provided in restricted shares and a component in performance rights.

Refer to the Remuneration Report for further details on the FY23 EVP structure.

The allocation of restricted shares and performance rights under the FY23 EVP is expected to be made shortly after the 2023 Annual General Meeting. Shareholder approval will be sought at the 2023 Annual General Meeting for the CEO's FY23 EVP equity allocation.

If an executive leaves Telstra other than for a Permitted Reason (the definition of which is set out in the Remuneration Report Glossary) before the end of the relevant performance or restriction period, their performance rights will lapse and restricted shares will be forfeited. Performance rights and restricted shares may also lapse or be forfeited if certain clawback (malus) events occur before the performance rights vest or restricted shares are transferred to the executive following the end of the relevant restriction period.

(i) Restricted shares (equity-settled)

The table summarising the instruments granted under the employee share plans lists the restriction periods for each EVP restricted share plan. No further performance hurdles will apply once the restricted shares are allocated. During the restriction period, executives are entitled to vote and earn dividends on their restricted shares from the actual allocation date. However, they are restricted from dealing with the shares during this period.

(ii) Performance rights (equity-settled)

Once allocated, the EVP performance rights are tested against a RTSR measure over a five year period inclusive of the initial one year performance period (refer to the table summarising the instruments granted under the employee share plans for testing dates).

The FY23, FY22, FY21 and FY20 EVP performance rights will vest on a straight-line scale, with 50 per cent of the performance rights vesting if Telstra's RTSR ranks at the 50th percentile against a comparator group comprising the ASX100, excluding resource companies (Comparator Group) over the performance period, up to 100 per cent of the performance rights vesting where Telstra's RTSR ranks at the 75th percentile of the Comparator Group or above.

No performance rights will vest if Telstra's RTSR ranks below the 50th percentile of the Comparator Group. Any performance rights that do not vest following testing against the RTSR measure will lapse.

Testing of the outstanding FY19 EVP performance rights as at 30 June 2023 resulted in all of those performance rights vesting due to the RTSR performance hurdle being met. Telstra ranked at the 93rd percentile against the Comparator Group over the performance period.

No dividends are paid on performance rights prior to vesting. For performance rights that do vest, a cash payment equivalent to dividends paid by Telstra during the period between allocation of the performance rights and vesting will be made at or around the time of vesting, subject to applicable taxation. This cash entitlement is not included in the grant date fair values of the performance rights as this is accounted for separately.

(iii) Cash rights (cash-settled)

Under the EVP, the executives who cease employment for a Permitted Reason before allocation of the restricted shares and performance rights will receive cash rights in lieu of restricted shares and performance rights.

As at 30 June 2023, we recorded a \$7 million liability (2022: \$5 million) pertaining to the outstanding cash rights issued to certain former executives that ceased employment for a Permitted Reason in prior financial years.

(b) STI restricted shares

Under the STI arrangements, 25 per cent of an eligible executive's actual STI payment is provided as restricted shares. The table summarising the instruments granted under the employee share plans lists the restriction periods for each STI restricted share plan.

Performance hurdles are applied in determining the number of restricted shares allocated to executives, and therefore, restricted shares are not subject to any other performance hurdles once they have been allocated. During the restriction period, from the actual grant date, executives are entitled to vote and earn dividends on their restricted shares. However, they are restricted from dealing with the shares during this period.

If an executive leaves Telstra other than for a Permitted Reason before the end of the relevant restriction period, their restricted shares are forfeited. Restricted shares may also be forfeited if certain clawback (malus) events occur before the restricted shares are transferred to the executive following the end of the relevant restriction period.

5.2.3 Fair value measurement

(a) EVP restricted shares

EVP restricted shares were measured based on the Board approved dollar amount outcome for the financial year 2023, with a final number of shares to be allocated shortly after Telstra's 2023 Annual General Meeting. The estimated fair value per share granted in the financial year 2023 was \$4.24 (2022: \$3.91).

Section 5. Our people (continued)

5.2 Employee share plans (continued)

5.2.3 Fair value measurement (continued)

(b) EVP performance rights

Table A provides a weighted average of the inputs used in measuring the fair value of EVP performance rights at grant date.

| Table A Telstra Group | Year ended 30 June | |
|---------------------------|--------------------|-----------|
| | 2023 | 2022 |
| Share price | \$3.98 | \$3.84 |
| Risk free rate | 3.27% | 0.62% |
| Dividend yield | 5.04% | 5.21% |
| Expected life in years | 4.7 years | 4.6 years |
| Expected stock volatility | 22% | 22% |
| Fair value (\$) | \$2.03 | \$1.78 |

The expected stock volatility is a measure of the amount by which the price is expected to fluctuate during a period. This is based on an annualised historical daily volatility of closing share prices over a certain period to the measurement date.

5.2.4 Expense recognised in the income statement

Refer to note 2.3 for details about the related employee benefit expenses.

5.2.5 Recognition and measurement

For each of our equity-settled share plans, we measure the fair value of the equity instrument at grant date and recognise in the income statement the expense over the relevant vesting period with a corresponding increase in equity (i.e. share capital). The expense is adjusted to reflect actual and expected levels of vesting.

Grant date is the date when there is a shared understanding between employees and Telstra of the terms and conditions of the plan and the employees have accepted the offer. This often occurs prior to the allocation of equity instruments to the employees.

The fair values of our equity instruments are calculated by taking into account the terms and conditions of the individual plan and as follows:

| Equity instrument | Fair value approach |
|--------------------|---|
| Restricted shares | By reference to the dollar amount outcome approved by the Board |
| Performance rights | Black-Scholes methodology and utilises Monte Carlo simulations |

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense in the income statement.

5.3 Post-employment benefits

We participate in, or sponsor, defined benefit and defined contribution schemes for our employees. This note provides details of our Telstra Superannuation Scheme (Telstra Super) defined benefit plan.

Our employer contributions to Telstra Super are based on the recommendations from the actuary of Telstra Super in line with any legislative requirements. The net defined benefit asset/(liability) at balance date is also affected by the valuation of Telstra Super's investments and our obligations to members of Telstra Super.

5.3.1 Net defined benefit plan asset/(liability)

Table A details our net defined benefit plan asset/(liability) recognised in the statement of financial position.

| Table A Telstra Group | As at 30 June | |
|---|---------------|------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Fair value of defined benefit plan assets | 1,529 | 1,552 |
| Present value of the defined benefit obligation | 1,255 | 1,288 |
| Net defined benefit asset | 274 | 264 |
| Attributable to: | | |
| Telstra Super | 285 | 274 |
| Other | (11) | (10) |
| | 274 | 264 |

5.3.2 Telstra Superannuation Scheme (Telstra Super)

As detailed in note 1.2, on 30 November 2022, Telstra Group Limited became the sponsoring employer in Telstra Super, a regulated fund in accordance with the Superannuation Industry Supervision Act governed by the Australian Prudential Regulation Authority. On the same date, Telstra Corporation Limited became an associated employer participating in Telstra Super.

Telstra Super's board of directors operates and governs the plan, including making investment decisions.

Telstra Super has both defined benefit and defined contribution divisions. The defined benefit divisions, which are closed to new members, provide benefits based on years of service and final average salary paid as a lump sum. Post-employment benefits do not include payments for medical costs.

On an annual basis, we engage qualified actuaries to calculate the present value of the defined benefit obligations.

Contribution levels made to the defined benefit divisions are determined by the Telstra Entity after obtaining the advice of the actuary and in consultation with Telstra Super Pty Ltd (the Trustee). These are designed to ensure that benefits accruing to members and beneficiaries are fully funded as they fall due. The benefits received by members of each defined benefit division take into account factors such as each employee's length of service, final average salary, and employer and employee contributions.

Section 5. Our people (continued)

5.3 Post-employment benefits (continued)

5.3.2 Telstra Superannuation Scheme (Telstra Super) (continued)

Telstra Super is exposed to inflation, credit risk, liquidity risk and market risk. Market risk includes interest rate risk, equity price risk and foreign currency risk. The strategic investment policy of the fund is to build a diversified portfolio of assets to match the projected liabilities of the defined benefit plan.

As part of the Restructure, an internal funding policy has been put in place between the sponsoring employer (i.e. the Telstra Entity) and the associated employers (i.e. other legal entities under common control which participate in Telstra Super). Refer to note 7.3.2 for further details.

(a) Fair value of defined benefit plan assets

Table B provides a reconciliation of fair value of defined benefit plan assets from the opening to the closing balance.

| Table B Telstra Super | As at 30 June | |
|---|---------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Fair value of defined benefit plan assets at the beginning of the year | 1,552 | 1,704 |
| Employer contributions | 12 | 12 |
| Member contributions | 18 | 18 |
| Benefits paid (including contributions tax) | (123) | (144) |
| Plan expenses after tax | (4) | (4) |
| Interest income on plan assets | 75 | 37 |
| Actual asset loss | (1) | (71) |
| Fair value of defined benefit plan assets at the end of the year | 1,529 | 1,552 |

(b) Present value of the wholly funded defined benefit obligation

Table C provides a reconciliation of the present value of defined benefit obligation from the opening to the closing balance.

| Table C Telstra Super | As at 30 June | |
|---|---------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Present value of defined benefit obligation at the beginning of the year | 1,278 | 1,549 |
| Current service cost | 39 | 50 |
| Interest cost | 63 | 34 |
| Member contributions | 7 | 7 |
| Past service cost | 9 | 2 |
| Benefits paid | (123) | (144) |
| Actuarial gain due to change in financial assumptions | (9) | (221) |
| Actuarial loss/(gain) due to change in demographic assumptions | 1 | (1) |
| Actuarial (gain)/loss due to experience | (21) | 2 |
| Present value of wholly funded defined benefit obligation at the end of the year | 1,244 | 1,278 |

The actual return on defined benefit plan assets was 5.2 per cent gain (2022: 2.8 per cent loss). Net actuarial gain recognised in other comprehensive income for Telstra Super amounted to \$28 million (2022: \$149 million).

Section 5. Our people (continued)

5.3 Post-employment benefits (continued)

5.3.2 Telstra Superannuation Scheme (Telstra Super) (continued)

(c) Categories of plan assets

Table D details the weighted average allocation as a percentage of the fair value of total defined benefit plan assets by class based on their nature and risks.

| Table D Telstra Super | As at 30 June | |
|-----------------------------------|---------------|------------|
| | 2023 | 2022 |
| | % | % |
| Asset allocations | | |
| Equity instruments | | |
| Australian equity ¹ | 10 | 9 |
| International equity ¹ | 12 | 11 |
| Debt instruments | | |
| Fixed interest ¹ | 62 | 61 |
| Other | | |
| Property | 10 | 11 |
| Cash and cash equivalents | 4 | 5 |
| Other | 2 | 3 |
| | 100 | 100 |

¹ These assets have quoted prices in active markets.

(i) Related party disclosures

The related party disclosures below relate to Telstra Super as a whole, rather than just the defined benefit plan.

As at 30 June 2023, Telstra Super owned 37,615,162 shares in the Telstra Entity (2022: 44,202,865 shares in Telstra Corporation Limited) at a cost of \$146 million (2022: \$169 million) and a market value of \$162 million (2022: \$170 million). All these shares were fully paid at 30 June 2023. During the financial year 2023, we paid a dividend to Telstra Super of \$7 million (2022: \$8 million). We own 100 per cent of the equity of Telstra Super Pty Ltd, the Trustee of Telstra Super.

Telstra Super also holds fixed interest securities issued by Telstra Corporation Limited and the Telstra Entity. As at 30 June 2023, these securities had a cost of \$1 million (2022: \$5 million) and a market value of \$1 million (2022: \$5 million).

All purchases and sales of Telstra shares and fixed interest securities by Telstra Super are on an arm's length basis and are determined by the Trustee and/or its investment managers on behalf of the members of Telstra Super.

(d) Actuarial assumptions and sensitivity analysis

Defined benefit plan

The following key assumptions were used in the calculation of our defined benefit obligations:

- 3.3 per cent (2022: 3.0 per cent) average expected rate of increase in future salaries
- 5.5 per cent (2022: 5.1 per cent) discount rate.

We have used a seven year (2022: seven year) high quality corporate bond rate to determine the discount rate as the term matches closest to the term of the defined benefit obligations.

Our assumption for the salary inflation rate for Telstra Super reflects our long-term expectation for salary increases.

If the estimates prove to be different to actual experience, this may materially affect balances in the next reporting period.

Table E summarises how the defined benefit obligation as at 30 June 2023 would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point (1pp).

| Table E Telstra Super | Defined benefit obligation | |
|--|----------------------------|--------------|
| | 1pp increase | 1pp decrease |
| | \$m | \$m |
| Discount rate | (70) | 78 |
| Expected rate of increase in future salaries | 69 | (63) |

(e) Employer contributions

During the financial year 2023, we paid contributions totalling \$12 million (2022: \$12 million) at the average rate of five per cent (2022: five per cent) to our defined benefit divisions, following recommendations from the actuary of Telstra Super.

The current five per cent contribution rate is expected to be reviewed in the next triennial actuarial review as at 30 June 2024, to be completed by 31 December 2024, although the review could be brought forward (due to, for example but not limited to, the defined benefit obligation's financial position) that could result in a change in the contribution rate.

Table F shows the expected proportion of benefits paid from the defined benefit obligation in future years.

| Table F Telstra Super | Year ended 30 June | |
|--------------------------|--------------------|------------|
| | 2023 | 2022 |
| | % | % |
| Within 1 year | 8 | 8 |
| Between 1 and 4 years | 24 | 23 |
| Between 5 and 9 years | 29 | 27 |
| Between 10 and 19 years | 36 | 38 |
| After 20 years | 3 | 4 |
| | 100 | 100 |

Section 5. Our people (continued)

5.3 Post-employment benefits (continued)

5.3.2 Telstra Superannuation Scheme (Telstra Super) (continued)

(e) Employer contributions (continued)

The weighted average duration of the defined benefit plan obligations at the end of the reporting period was seven years (2022: seven years).

5.3.3 Other defined benefit schemes

Our controlled entities also participate in both funded and unfunded defined benefit schemes, which are individually and in aggregate immaterial.

5.3.4 Recognition and measurement

(a) Defined contribution plans

Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements and other obligations. The contributions are recorded as an expense in the income statement as they become payable. We recognise a liability when we are required to make future payments as a result of employee services provided.

(b) Defined benefit plans - Telstra Superannuation Scheme

We currently sponsor a post-employment defined benefit plan under the Telstra Superannuation Scheme.

At a reporting date, where the fair value of the plan assets is less than the present value of the defined benefit obligations, the net deficit is recognised as a liability. In the reverse situation, the net surplus is recognised as an asset. We recognise the asset to the extent that we have the ability to control this surplus to generate future funds that will be available to us in the form of reductions in future contributions or as a cash refund.

The actuaries use the projected unit credit method to estimate the present value of the defined benefit obligations of the plan. This method determines each year of service as giving rise to an additional unit of benefit entitlement. Each unit is measured separately to calculate the final obligation. The present value is determined by discounting the estimated future cash outflows using rates based on high quality corporate bonds.

We recognise all our defined benefit costs in the income statement, with the exception of actuarial gains and losses that are recognised directly in other comprehensive income.

Actuarial gains and losses are based on an actuarial valuation of each defined benefit plan at a reporting date. Actuarial gains and losses represent the differences between previous actuarial assumptions of future outcomes and the actual outcome, in addition to the effect of changes in actuarial assumptions.

5.4 Key management personnel compensation

Key management personnel (KMP) refer to those who have authority and responsibility for planning, directing and controlling the activities of the Telstra Group. KMP are deemed to include the following:

- the non-executive Directors of the Telstra Entity
- certain executives in the Chief Executive Officer's (CEO's) senior leadership team, including the CEO.

5.4.1 KMP aggregate compensation

During the financial years 2023 and 2022, the aggregate compensation of our KMP was:

| Telstra Group | Year ended 30 June | |
|------------------------------|--------------------|---------------|
| | 2023 | 2022 |
| | \$000 | \$000 |
| Short-term employee benefits | 18,469 | 19,080 |
| Post-employment benefits | 331 | 348 |
| Other long-term benefits | 1,094 | 1,019 |
| Termination benefits | 838 | - |
| Share-based payments | 10,426 | 11,065 |
| | 31,158 | 31,512 |

Refer to the Remuneration Report, which forms part of the Directors' Report for further details regarding KMP remuneration.

5.4.2 Other transactions with our KMP and their related parties

During the financial years 2023 and 2022, apart from transactions trivial and domestic in nature and on normal commercial terms and conditions, there were no other transactions with our KMP and their related parties.

Section 6. Our investments

This section outlines our group structure and includes information about our controlled entities, joint ventures and associated entities. It provides details of changes to these investments and their effect on our financial position and performance during the financial year. It also includes the results of our material joint ventures and associated entities.



6.1 Changes in the group structure

6.1.1 Changes due to the Telstra Group restructure

As detailed in note 1.2, during the financial year 2023 the Telstra Group completed the Restructure, which resulted in the following changes to our Group structure:

- Telstra Group Limited was established as the new parent entity of the Telstra Group
- the following controlled entities became wholly-owned subsidiaries of Telstra Group Limited:
 - Telstra Corporation Limited
 - Telstra ESOP Trustee Pty Limited
 - Telstra Finance Limited
 - Telstra Foundation Ltd
 - Telstra Growthshare Pty Ltd
 - Telstra International Holdings Pty Ltd
 - Telstra Limited
 - Telstra Towerco No.2 Pty Ltd, being the wholly-owned entity which holds an interest in the Amplitel towers business and related investments
- Telstra Corporation Limited and its controlled entities transferred the retail and active wholesale business assets and liabilities and related investments to Telstra Limited and its controlled entities
- Telstra Corporation Limited and its controlled entities transferred the international business assets and liabilities and related investments to Telstra International Holdings Pty Ltd and its controlled entities.

6.1.2 Current year acquisitions

During the financial year 2023, we acquired controlling interests in Digicel Pacific Limited and Media Innovations Holdings Pty Ltd and their controlled entities; and other individually immaterial businesses. Details of the significant acquisitions have been disclosed below.

(a) Digicel Pacific

On 13 July 2022, we completed the acquisition of 100 per cent of the shares in Digicel Pacific Limited and its controlled entities (Digicel Pacific).

Digicel Pacific is a leading provider of communication services across Papua New Guinea (PNG), Fiji, Nauru, Samoa, Tonga and Vanuatu. The acquisition of Digicel Pacific expands our international footprint and supports our growth strategy.

The final consideration paid and payable consisted of \$2,378 million upfront cash payment, and up to \$370 million deferred payments contingent on Digicel Pacific's performance over the financial years 2022, 2023 and 2024. The consideration was funded by Telstra's contribution of \$400 million and a combination of non-recourse debt facilities from, and equity-like securities issued by the Telstra Group to, the Australian Government, through Export Finance Australia. The total acquisition costs for the acquisition were \$22 million, of which, \$7 million was incurred and paid during the financial year 2022.

Equity-like securities issued to the Australian Government

On 13 July 2022 and on 2 September 2022, we issued respectively \$903 million and \$20 million of equity-like securities to the Australian Government, through Export Finance Australia. The securities are perpetual, subordinated, unsecured and redeemable in certain circumstances. The securities do not grant the Australian Government any recourse, voting rights, or earnings in respect of the Telstra Group.

We applied judgement to classify the issued securities as equity and present them as non-controlling interests in our consolidated statement of changes in equity.

As at 30 June 2023, the non-controlling interests related to the equity-like securities issued to the Australian Government were \$923 million.

The vendor has entered into legal arrangements with the PNG tax authorities in relation to the additional PKG350 million company tax, which had been adopted by PNG before completion of the sale. We have recognised a liability of \$149 million included in other provisions. Telstra is not part of this process, and the outcomes of this process are a matter for the vendor. The vendor has provided an indemnity to Telstra against the outcome of the legal process without further recourse to Digicel Pacific or its related entities, and an indemnification asset of \$149 million was recognised in trade and receivables on completion. This amount is held in escrow.

We have also recognised a \$42 million liability (included in other provisions) for other tax matters. The vendor has provided an indemnity to Telstra against the outcome of those tax matters and an indemnification asset of \$42 million was recognised in trade and receivables on completion. This amount is held in escrow.

The accounting for this acquisition gave rise to \$1,580 million goodwill reflecting revenue growth opportunities, cost synergies and profitability of the acquired business. The goodwill is not deductible for income tax purposes.

Section 6. Our investments (continued)

6.1 Changes in the group structure (continued)

6.1.2 Current year acquisitions (continued)

(a) Digicel Pacific (continued)

Table A summarises the effects of the accounting for this acquisition.

| Table A Digicel Pacific | Year ended 30 June |
|---|-----------------------|
| | 2023 |
| | \$m |
| Consideration for acquisition | |
| Cash consideration | 2,378 |
| Contingent consideration | 243 |
| Total purchase consideration | 2,621 |
| Cash balances acquired | (30) |
| Contingent consideration payable | (169) |
| Outflow of cash on acquisition | 2,422 |
| Acquisition costs incurred included in other expenses in the income statement | 15 |
| | Fair value |
| Assets/(liabilities) at acquisition date | |
| Cash and cash equivalents | 30 |
| Trade and other receivables | 246 |
| Inventories | 11 |
| Prepayments | 15 |
| Investments - accounted for using the equity method | 8 |
| Property, plant and equipment | 522 |
| Right-of-use assets | 52 |
| Intangible assets | 1,125 |
| Trade and other payables | (108) |
| Employee benefits | (12) |
| Other provisions | (248) |
| Lease liabilities | (52) |
| Contract liabilities and other revenue received in advance | (55) |
| Deferred tax liabilities | (476) |
| Net assets | 1,058 |
| Adjustments to reflect non-controlling interests | (17) |
| Goodwill on acquisition | 1,580 |
| Total purchase consideration | 2,621 |
| Contributions to the Group's performance from acquisition date to 30 June 2023 | |
| Income | 719 |
| Profit before income tax expense | 167 |

(b) Fetch TV

On 2 August 2022, we completed the acquisition of a 51.4 per cent controlling interest in Media Innovations Holdings Pty Ltd and its controlled entities (Fetch TV) for a total consideration of \$47 million upfront cash payment and a commitment to onboard Telstra TV customers onto the Fetch TV platform. The customer transition is yet to commence and is planned to be completed by the end of the financial year 2025.

Fetch TV is a subscription-based TV service provider based in Australia which operates its own proprietary streaming aggregation platform. Its services are distributed in partnership with internet service providers and major retailers. Fetch TV will be the new platform for Telstra TV and will strengthen Telstra's home and entertainment offering.

The accounting for this acquisition gave rise to \$32 million goodwill reflecting cost and revenue synergies and revenue growth opportunities. The goodwill is not deductible for income tax purposes.

Table B summarises the effects of the accounting for this acquisition.

| Table B Fetch TV | Year ended 30 June |
|---|-----------------------|
| | 2023 |
| | \$m |
| Consideration for acquisition | |
| Total purchase consideration - cash | 47 |
| Cash balances acquired | (14) |
| Outflow of cash on acquisition | 33 |
| Acquisition costs incurred included in other expenses in the income statement | 1 |
| | Fair value |
| Assets/(liabilities) at acquisition date | |
| Cash and cash equivalents | 14 |
| Trade and other receivables | 10 |
| Inventories | 3 |
| Property, plant and equipment | 1 |
| Right-of-use assets | 5 |
| Intangible assets | 32 |
| Trade and other payables | (21) |
| Deferred tax liabilities | (7) |
| Employee benefits | (3) |
| Lease liabilities | (5) |
| Net assets | 29 |
| Adjustments to reflect non-controlling interests | (14) |
| Goodwill on acquisition | 32 |
| Total purchase consideration | 47 |
| Contributions to the Group's performance from acquisition date to 30 June 2023 | |
| Income | 63 |
| Loss before income tax expense | (7) |

Section 6. Our investments (continued)

6.1 Changes in the group structure (continued)

6.1.2 Current year acquisitions (continued)

(c) Telstra Group result if all acquisitions occurred on 1 July 2022

If all the acquisitions made during the financial year 2023 had occurred on 1 July 2022, our adjusted consolidated income and consolidated profit before income tax expense for the financial year 2023 would have been \$23,282 million and \$2,867 million, respectively.

6.1.3 Current year disposals

During the financial year 2023, we have not disposed of any controlled entities or businesses but we have sold some other investments. These transactions had no significant financial impact on our results.

6.1.4 Prior year disposals

On 30 June 2021, we announced that a consortium comprising the Future Fund, Commonwealth Superannuation Corporation and Sunsuper agreed to acquire a 49 per cent interest and become a strategic partner in Telstra's towers business.

On 31 August 2021, the towers business became operational following a transfer of business assets and liabilities to Towers Business Operating Trust (Trust). The Trust also incurred \$90 million estimated stamp duty costs related to the establishment of the business. The trustee of the Trust is our subsidiary Amplitel Pty Ltd (Amplitel).

The sale of 49 per cent interests in the Trust and Amplitel to the consortium was completed on 1 September 2021 and resulted in \$2,883 million net cash proceeds. We retain control of the Trust and Amplitel and thus we continue to consolidate these entities.

At the Telstra Group level, transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the towers business. As at 1 September 2021, we recognised \$798 million non-controlling interests reflecting the consortium's relative interests in the Trust and Amplitel as at the date of the transaction. The \$2,085 million difference between the amount recognised as non-controlling interests and the consideration received was recognised in general reserve within equity attributable to the Telstra Group.

6.2 Investments in controlled entities

6.2.1 Investments in controlled entities

Telstra Group has a direct or indirect interest in over 210 subsidiaries with our international presence spanning over 30 countries. We have controlled entities in Australia, Asia, the South Pacific, New Zealand, Europe, Middle East and the United States of America. We conduct most of our business through our controlled entities Telstra Limited and Telstra Corporation Limited, which in total constituted 98 per cent of the Group's EBITDA.

A complete list of our controlled entities is available online at www.telstra.com/financialresults.

(a) Power Health

On 9 November 2021, we completed the acquisition of 70 per cent of the shares in Power Solutions Holdings Pty Ltd and its subsidiaries (Power Health). On acquisition, we recognised a financial liability for our commitment to purchase the remaining 30 per cent of the shares in Power Health between the end of years two and five from completion or otherwise obligatory acquisition by year five.

The acquisition of Power Health is accounted as a 100 per cent wholly-owned group as detailed below.

Determining non-controlling interests in Power Health

On 9 November 2021, we acquired 70 per cent of shares in Power Health, however, we applied judgement to determine that we control 100 per cent on the acquisition date. This is because we have a contractual obligation to purchase the remaining 30 per cent interest from the founding shareholder by 2026. Therefore, the non-controlling interest is deemed to have been acquired at the acquisition date.

We account for our obligation to purchase the remaining interest as a financial liability.

This liability is remeasured to its fair value at each reporting date, with any remeasurements recognised in the income statement. No earnings are attributed to the non-controlling interests. As at 30 June 2023, the fair value of the financial liability was \$35 million (2022: \$46 million).

Section 6. Our investments (continued)

6.2 Investments in controlled entities (continued)

6.2.2 Deed of cross guarantee

Telstra Group Limited and each of the wholly-owned subsidiaries set out below (together the 'Closed Group'), are party to a deed of cross guarantee (Deed), as defined in Australian Securities and Investments Commission (ASIC) legislative instrument: 'ASIC Corporations (Wholly-owned Companies) Instrument 2016/785' (ASIC Instrument).

The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up.

Pursuant to the ASIC Instrument, the wholly-owned subsidiaries within the Closed Group that are eligible for the benefit of the ASIC Instrument are relieved from the requirement to prepare and lodge separate financial statements, directors' reports and auditors' reports.

The statement of comprehensive income and statement of financial position disclosed in this section present consolidated results of the Closed Group.

As disclosed in the 2022 Annual Report, Telstra Corporation Limited (as the then holding entity of the Telstra Group), certain of its wholly-owned subsidiaries and Telstra Finance Limited (as trustee) were party to a deed of cross guarantee (Previous Deed), as defined in Australian Securities and Investments Commission (ASIC) legislative instrument: 'ASIC Corporations (Wholly-owned Companies) Instrument 2016/785'.

As detailed in note 1.2, during the financial year 2023 the Telstra Group had completed the Restructure, with the following changes occurring in relation to the deed of cross guarantee:

- on 23 November 2022, a revocation deed was lodged with ASIC to revoke the Previous Deed. The revocation was effective on 24 May 2023 (being the day following the expiration of six months from the date of lodgement with ASIC).
- on 23 November 2022, the Deed was lodged with ASIC.

The following entities are party to the Deed and part of the Closed Group:

- Telstra Group Limited (holding entity)
- Alliance Automation Pty Ltd
- Aqura Technologies Pty Ltd
- Clinical Technology Holdings Pty Limited
- Clinical Technology Systems Pty Limited
- DLM Automation Pty Ltd
- Epicon IT Solutions Pty. Ltd.
- Fone Zone Pty Ltd
- Health Communication Network Pty Limited
- Merricks NewCo Pty Ltd
- Mobile Tracking and Data Pty Ltd
- MTData Holdings Pty Ltd
- muru-D Pty Ltd
- Pacnet Internet (A) Pty Ltd
- Pacnet Services (A) Pty. Ltd.
- Service Potential Pty Ltd
- Telstra 3G Spectrum Holdings Pty Ltd
- Telstra Australia Networks Pty Limited
- Telstra Broadcast Services Pty Limited
- Telstra Communications Limited
- Telstra Corporation Limited
- Telstra Energy (Generation) Pty Ltd
- Telstra Energy (Holdings) Pty Ltd
- Telstra Energy (Retail) Pty Ltd
- Telstra Health Pty Ltd
- Telstra Health Services Pty Ltd
- Telstra Holdings Pty Ltd
- Telstra International (Aus) Limited
- Telstra International Holdings Pty Ltd
- Telstra International Networks Pty Limited
- Telstra International Operations Pty Limited
- Telstra Limited
- Telstra Multimedia Pty Limited
- Telstra OnAir Holdings Pty Ltd
- Telstra Pay TV Pty Ltd
- Telstra Plus Pty Ltd
- Telstra Purple Pty Ltd
- Telstra Reach Holdings Pty Ltd
- Telstra Services Solutions Holdings Limited
- Telstra Software Group Pty Ltd
- Telstra Towerco No.2 Pty Ltd
- Telstra Ventures Pty Limited.

There were no financial impacts on the Telstra Group resulting from the revocation of the Previous Deed and the establishment of the Deed.

There are no other members of the Extended Closed Group (as defined in the ASIC instrument). Telstra Finance Limited is trustee under the Deed, however, it is not a member of the Closed Group or the Extended Closed Group.

Section 6. Our investments (continued)

6.2 Investments in controlled entities (continued)

6.2.2 Deed of cross guarantee (continued)

Financial information of the members of the Closed Group presented in Tables A to C excludes Telstra Finance Limited. Transactions between the members have been eliminated.

| Table A Closed Group | As at |
|--|---------------|
| | 30 June |
| | 2023 |
| | \$m |
| Current assets | |
| Cash and cash equivalents | 530 |
| Trade and other receivables and contract assets | 3,963 |
| Deferred contract costs | 110 |
| Inventories | 513 |
| Derivative financial assets | 421 |
| Current tax receivables | 136 |
| Prepayments | 255 |
| Total current assets | 5,928 |
| Non-current assets | |
| Trade and other receivables and contract assets | 1,057 |
| Deferred contract costs | 1,088 |
| Inventories | 36 |
| Investments – controlled entities | 6,137 |
| Investments – accounted for using the equity method | 680 |
| Investments – other | 22 |
| Property, plant and equipment | 19,507 |
| Right-of-use assets | 2,313 |
| Intangible assets | 7,196 |
| Derivative financial assets | 300 |
| Defined benefit asset | 285 |
| Total non-current assets | 38,621 |
| Total assets | 44,549 |
| Current liabilities | |
| Trade and other payables | 3,893 |
| Employee benefits | 657 |
| Other provisions | 106 |
| Lease liabilities | 363 |
| Borrowings | 4,138 |
| Derivative financial liabilities | 73 |
| Contract liabilities and other revenue received in advance | 1,336 |
| Total current liabilities | 10,566 |

| Table A (continued) Closed Group | As at |
|--|---------------|
| | 30 June |
| | 2023 |
| | \$m |
| Non-current liabilities | |
| Other payables | 102 |
| Employee benefits | 122 |
| Other provisions | 115 |
| Lease liabilities | 2,259 |
| Borrowings | 11,529 |
| Derivative financial liabilities | 189 |
| Deferred tax liabilities | 1,602 |
| Contract liabilities and other revenue received in advance | 791 |
| Total non-current liabilities | 16,709 |
| Total liabilities | 27,275 |
| Net assets | 17,274 |
| Equity | |
| Share capital | 3,095 |
| Reserves | 79 |
| Retained profits | 14,100 |
| Equity available to the closed group | 17,274 |

| Table B Closed Group | Year |
|---|--------------|
| | ended |
| | 30 June |
| | 2023 |
| | \$m |
| Profit for the year for the Closed Group | 1,680 |
| Total other comprehensive income for the Closed Group | (92) |
| Total comprehensive income for the year for the Closed Group | 1,588 |

Table C provides a reconciliation of retained profits of the Closed Group from the opening to the closing balance.

| Table C Closed Group | Year |
|--|---------------|
| | ended |
| | 30 June |
| | 2023 |
| | \$m |
| Retained profits at the beginning of the financial year available to the Closed Group | - |
| Effect on retained profits from addition of entities to the Closed Group | 14,365 |
| Total comprehensive income recognised in retained profits | 1,699 |
| Dividend | (1,964) |
| Retained profits at the end of the financial year available to the Closed Group | 14,100 |

Section 6. Our investments (continued)

6.3 Non-controlling interests

Summarised financial information of the Telstra Group entities which have material non-controlling interests is detailed below.

6.3.1 Amplitel business

Table A summarises financial information of the entities which have material non-controlling interests, i.e. the Trust and Amplitel (Amplitel business), amalgamated for the year ended and as at 30 June 2023. It represents the amounts before inter-company eliminations of transactions with other entities within the Telstra Group, with the exception of the transactions within the Amplitel business which have been eliminated.

| Table A Amplitel business | Year ended/as at 30 June | |
|--|-----------------------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Statement of financial position | | |
| Current assets | 262 | 339 |
| Non-current assets | 2,015 | 2,071 |
| Total assets | 2,277 | 2,410 |
| Current liabilities | 170 | 217 |
| Non-current liabilities | 814 | 809 |
| Total liabilities | 984 | 1,026 |
| Net assets | 1,293 | 1,384 |
| Accumulated non-controlling interests | 764 | 794 |
| Statement of comprehensive income | | |
| Revenue | 198 | 141 |
| Profit/(loss)/total comprehensive income for the period | 155 | (157) |
| Profit allocated to non-controlling interests | 90 | 83 |
| Distributions paid/payable to non-controlling interests | 120 | 87 |
| Statement of cash flows | | |
| Net cash inflow from operating activities | 54 | 82 |
| Net cash inflow from investing activities | 138 | 129 |
| Net cash outflow from financing activities | (270) | (81) |
| Net cash (outflow)/inflow | (78) | 130 |

6.3.2 Telstra PM Pty Ltd and its controlled entities (Telstra PM Group)

As detailed in note 6.1.2, during the financial year 2023 we acquired Digicel Pacific and our controlled entity within the Telstra PM Group issued \$923 million of equity-like securities to the Australian Government, through Export Finance Australia. The issued securities are classified as equity and recognised as non-controlling interest.

Table B summarises financial information for the year ended and as at 30 June 2023 of Telstra PM Group which have material non-controlling interests. The financial information represents the amounts before inter-company eliminations of transactions with other entities within the Telstra Group, with the exception of the transactions within the Telstra PM Group which have been eliminated.

| Table B Telstra PM Group | Year ended/as at 30 June |
|--|--------------------------------|
| | 2023 |
| | \$m |
| Statement of financial position | |
| Current assets | 460 |
| Non-current assets | 3,353 |
| Total assets | 3,813 |
| Current liabilities | 537 |
| Non-current liabilities | 1,861 |
| Total liabilities | 2,398 |
| Net assets | 1,415 |
| Accumulated non-controlling interests | 938 |
| Statement of comprehensive income | |
| Revenue | 738 |
| Loss/total comprehensive income for the period attributable to Telstra PM Group | (7) |
| Profit allocated to non-controlling interests | 1 |
| Statement of cash flows | |
| Net cash inflow from operating activities | 216 |
| Net cash outflow from investing activities | (2,525) |
| Net cash inflow from financing activities | 2,402 |
| Net cash inflow | 93 |

6.3.3 The Exchange Trust

As at 30 June 2023, our controlled entity The Exchange Trust, which holds a portfolio of 36 Telstra exchanges in Australia, had a 49 per cent (2022: 49 per cent) non-controlling interest balance of \$701 million (2022: \$700 million). The trustee of the Exchange Trust is Merricks NewCo Pty Ltd, our wholly-owned controlled entity. During the financial year 2023, we paid the minority unit holder of the trust a \$33 million (2022: \$32 million) dividend.

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities

We account for joint ventures and associated entities using the equity method. Under this method, we recognise the investment at cost and subsequently adjust it for our share of profits or losses, which are recognised in the income statement and our share of other comprehensive income, which is recognised in the statement of comprehensive income. Generally, dividend received reduces the carrying value of the investment.

The movements in the carrying amount of equity accounted investments in our joint ventures and associated entities are summarised in Table A.

| Table A Telstra Group | As at 30 June | | | |
|---|----------------|------------|---------------------|------------|
| | Joint ventures | | Associated entities | |
| | 2023 | 2022 | 2023 | 2022 |
| | \$m | \$m | \$m | \$m |
| Carrying amount of investments at beginning of year | 284 | 578 | 530 | 440 |
| Additions | 6 | 13 | 27 | 101 |
| Additions obtained via acquisition of controlled entity | - | - | 8 | - |
| Gain on dilution of shareholding recognised in other comprehensive income | - | - | 7 | - |
| | 290 | 591 | 572 | 541 |
| Share of net loss | (3) | (4) | (24) | (27) |
| Share of distributions | (45) | (104) | - | - |
| Share of reserves | (83) | (199) | (21) | 16 |
| Carrying amount of investments at end of year | 159 | 284 | 527 | 530 |

Additions of associated entities include \$27 million (2022: \$71 million) of new investments in Telstra Ventures Fund III, L.P.

Share of joint ventures' reserves includes \$83 million loss (2022: \$199 million) in our share of other comprehensive income.

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.1 List of our investments in joint ventures and associated entities

Table B presents a list of our investments in joint ventures and associated entities, their principal place of business/country of incorporation and our ownership interest.

| Table B Telstra Group | | | Ownership interest | |
|--|---|--|--------------------|-------|
| | | | As at 30 June | |
| | | | 2023 | 2022 |
| Name of entity | Principal activities | Principal place of business/country of incorporation | % | % |
| Joint ventures | | | | |
| 3GIS Pty Ltd | Management of former 3GIS Partnership (non-operating) | Australia | 50.0 | 50.0 |
| Reach Limited | International connectivity services | Bermuda | 50.0 | 50.0 |
| Telstra Ventures Fund II, L.P. | Venture capital | Guernsey | 62.5 | 62.5 |
| Associated entities | | | | |
| ACN 147 190 118 Pty Ltd ¹ | Software service provider | Australia | 20.0 | 74.0 |
| Asia Netcom Philippines Corporation | Ownership of physical property | Philippines | 40.0 | 40.0 |
| Australia-Japan Cable Holdings Limited | Network cable provider | Bermuda | 46.9 | 46.9 |
| Dacom Crossing Corporation | Network cable provider | Korea | 49.0 | 49.0 |
| NXE Australia Pty Limited | Pay television | Australia | 35.0 | 35.0 |
| Pacific Carriage Holdings Limited Inc. | Network cable provider | United States | 25.0 | 25.0 |
| Pivotal Labs Sydney Pty Ltd | Software development | Australia | 20.0 | 20.0 |
| Samoa Submarine Cable Company Limited | Network cable provider | Samoa | 16.7 | - |
| Southern Cross Cables Holdings Limited | Network cable provider | Bermuda | 25.0 | 25.0 |
| Telstra Converge Inc. (formerly Digitel Crossing Inc.) | Telecommunication services | Philippines | 48.0 | 48.0 |
| Telstra Super Pty Ltd | Superannuation trustee | Australia | 100.0 | 100.0 |
| Telstra Ventures Fund III, L.P. | Venture capital | Guernsey | 50.0 | 50.5 |
| Tianjin TenLink Electronic Technology Co., Ltd. | Control system of industrial internet supplier | China | 10.0 | 10.0 |
| Tonga Cable Limited | Network cable provider | Tonga | 16.6 | - |

¹ During the year, Telstra Limited's ownership interest in ACN 147 190 118 Pty Ltd (immediate parent of Neto (US) Inc. prior to its deregistration on 7 July 2022) was reduced from 74% to 20% due to a capital return completed on 8 June 2023. Accordingly, ACN 147 190 118 Pty Ltd is no longer considered a controlled entity and is included in our list of investments in associated entities in Table B.

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.1 List of our investments in joint ventures and associated entities (continued)

We apply judgement to determine if we have significant influence or joint control over our investments as detailed below.

Joint control of Telstra Ventures Fund II, L.P.

We applied judgement to determine that we have joint control of our investment in Telstra Ventures Fund II, L.P.. While we hold 62.5 per cent of the partnership interest on a fully committed basis, key decisions for the entity require the unanimous approval of the Advisory Committee, on which we hold one of the two seats, or a majority of at least 75.0 per cent of the fully committed capital.

Significant influence over Telstra Super Pty Ltd

We applied judgement to determine that we do not control Telstra Super Pty Ltd even though we own 100.0 per cent of its equity.

Telstra Super Pty Ltd is a trustee for the Telstra Superannuation Scheme. We do not consolidate Telstra Super Pty Ltd as we do not control the board of directors. The board of directors consists of an equal number of employer and member representatives and an independent chairman. Our voting power over the relevant activities is 44.0 per cent, which is equivalent to our representation on the board. The entity is therefore classified as an associated entity as we have significant influence over it.

Significant influence over Telstra Ventures Fund III, L.P.

We applied judgement to determine that we have significant influence of our investment in Telstra Ventures Fund III, L.P.. While we hold 50.0 per cent (2022: 50.5 per cent) on a committed capital amount basis, we have a seat on the Advisory Committee. This gives us the power to participate in the financial and operating policy decisions of the investment.

(a) NXE Group

Telstra has a 35 per cent interest in NXE Australia Pty Limited and its controlled entities (NXE Group), an associated entity which provides subscription TV and streaming services. In the consolidated financial statements Telstra's interest in NXE Australia Pty Limited is accounted for using the equity method.

Financial information of NXE Group for the financial year 2023 is summarised in Table C based on their consolidated management financial statements prepared in accordance with the Australian Accounting Standards. The information disclosed reflects the amounts presented in the financial statements of NXE Group and not Telstra's share of those amounts. The management financial information has been adjusted to reflect adjustments made by Telstra when using the equity accounting method, including fair value adjustments and modifications for differences in accounting policy and impairment of our investment.

| Table C NXE Group | Year ended 30 June | |
|---|--------------------|--------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Current assets | 682 | 705 |
| Non-current assets | 3,542 | 3,793 |
| Current liabilities | (1,360) | (1,224) |
| Non-current liabilities | (1,992) | (2,319) |
| Equity | 872 | 955 |
| Telstra's share in equity 35% (2022: 35%) | 305 | 334 |
| Equity accounting adjustments | 83 | 68 |
| Telstra's carrying amount of the investment | 388 | 402 |
| Revenue | 2,866 | 2,775 |
| Operating expenses | (2,979) | (2,887) |
| Loss before tax | (113) | (112) |
| Income tax benefit | 36 | 40 |
| Loss for the year | (77) | (72) |
| Other comprehensive income | (7) | 16 |
| Total comprehensive income for the year | (84) | (56) |
| Equity accounting adjustments | 44 | 19 |
| Adjusted comprehensive income for the period | (40) | (37) |
| Telstra's share of comprehensive income for the year (35%) | (14) | (13) |

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.2 Other joint ventures and associated entities

Table D presents our share of the aggregate financial information of joint ventures and associated entities.

| Table D Telstra Group | Year ended/As at 30 June | | | |
|--------------------------------------|--------------------------|--------------|---------------------|-------------|
| | Joint ventures | | Associated entities | |
| | 2023 | 2022 | 2023 | 2022 |
| | \$m | \$m | \$m | \$m |
| Carrying amount of investment | 159 | 284 | 527 | 530 |
| Group's share of: | | | | |
| Loss | (3) | (4) | (24) | (27) |
| Other comprehensive income | (83) | (199) | (14) | 16 |
| Total comprehensive income | (86) | (203) | (38) | (11) |

6.4.3 Suspension of equity accounting

Table E presents our unrecognised share of losses for the financial year and cumulatively for our entities where equity accounting has ceased and the investment is recorded at zero due to losses made by these entities and/or reductions in the equity accounted carrying amount.

| Table E Telstra Group | Year ended 30 June | | | |
|--|--------------------|--------------|------------|--------------|
| | Period | Cumulative | Period | Cumulative |
| | 2023 | 2023 | 2022 | 2022 |
| | \$m | \$m | \$m | \$m |
| Joint ventures | | | | |
| Reach Limited | (5) | (558) | - | (553) |
| Associated entities | | | | |
| Australia-Japan Cable Holdings Limited | (1) | (70) | (1) | (69) |
| | (6) | (628) | (1) | (622) |

6.4.4 Transactions with our joint ventures and associated entities

Details of key transactions with our joint ventures and associated entities recorded in the income statement and statement of financial position are provided below.

(a) Sale and purchase of goods and services

We sold and purchased goods and services, and earned interest from our associated entities. These transactions were in the ordinary course of business and on normal commercial terms and conditions.

Details of individually significant transactions were as follows:

- we purchased from NXE Group pay television services amounting to \$540 million (2022: \$536 million). The purchases enabled resale of Foxtel services, including Pay TV content, to our existing customers as part of our ongoing product bundling initiatives.
- we sold to NXE Group broadband system services, network access services and other professional services totalling \$69 million (2022: \$95 million) and wholesale services totalling \$68 million (2022: \$66 million).

(b) Amounts owed by joint ventures and associated entities

In February 2020, we entered into a subordinated loan agreement with NXE Australia Pty Limited under which we made available to NXE Australia Pty Limited a loan facility of up to \$170 million at commercial rates of interest. The facility matures on 22 December 2027. As at 30 June 2023 the outstanding balance drawn under this facility was \$143 million (2022: \$132 million).

(c) Trade and other payables

As at 30 June 2023, we had \$39 million (2022: \$50 million) trade payables to NXE Group for purchases of pay television services.

As at 30 June 2023, we had nil (2022: \$74 million) other payables to Telstra Ventures Fund III, L.P. for new investments in the Fund.

6.4.5 Recognition and measurement

(a) Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Our interests in joint ventures are accounted for using the equity method of accounting.

(b) Investments in associated entities

These are investments in entities over which we have the ability to exercise significant influence but we do not control the decisions of the entity. Our interests in associated entities are accounted for using the equity method of accounting.

(c) Equity method of accounting

Investments in associated entities and joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in our share of the investment's net assets and net of impairment loss. Goodwill relating to an investment in an associated entity or joint venture is included in the carrying value of the investment and is not amortised. When Telstra's share of losses exceeds our investment in an associated entity or joint venture, the carrying amount of the investment is reduced to nil and no further losses are recognised.

The equity accounted investments are assessed for impairment annually or when there are impairment indicators.

Section 7. Other information

This section provides information and disclosures not included in the other sections, for example our external auditor's remuneration, commitments and contingencies, parent entity disclosures and significant events occurring after reporting date.



7.1 Auditor's remuneration

Our external auditor of the Group is Ernst & Young (EY). In addition to the audit and review of our financial reports, EY provides other services throughout the year. This note details the total fees to our external auditors.

| Telstra Group | Year ended 30 June | |
|---|--------------------|---------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Fees to Ernst & Young (Australia) | | |
| Category 1 | 9.692 | 8.814 |
| Category 2 | 0.043 | 0.040 |
| Category 3 | 2.505 | 3.254 |
| Category 4 | 0.359 | 0.448 |
| Total fees to Ernst & Young (Australia) | 12.599 | 12.556 |
| Fees to other overseas member firms of Ernst & Young (Australia) | | |
| Category 1 | 4.703 | 2.475 |
| Category 2 | 0.052 | 0.049 |
| Category 3 | 0.030 | - |
| Category 4 | 0.099 | 0.082 |
| Total fees to other overseas member firms of Ernst & Young (Australia) | 4.884 | 2.606 |
| Total auditor's remuneration | 17.483 | 15.162 |

Audit and non-audit fees are disclosed in the following categories:

- Category 1: fees to the group auditor for auditing the statutory financial report of the parent covering the group, and for auditing the statutory financial report of any controlled entities
- Category 2: fees for assurance services that are required by legislation to be provided by the auditor
- Category 3: fees for other assurance and agreed-upon procedures services where there is discretion as to whether the service is provided by the auditor or another firm
- Category 4: fees for other services (e.g. tax compliance).

Services in Category 3 included IT security control assessments, various assurance and agreed-upon procedures services.

Services in Category 4 included tax and other advisory services.

We have processes in place to maintain the independence of our external auditor, including the nature of expenditure on non-audit services. EY also has specific internal processes and policies in place to ensure auditor independence.

7.2 Other provisions

The table below provides a summary of our current and non-current other provisions.

| Telstra Group | As at 30 June | |
|------------------------------|---------------|------------|
| | 2023 | 2022 |
| | \$m | \$m |
| Current other provisions | 327 | 160 |
| Non-current other provisions | 186 | 119 |
| | 513 | 279 |

Other provisions include \$191 million provisions for tax matters related to the acquisition of Digicel Pacific. Refer to note 6.1.2 for further details.

Section 7. Other information (continued)

7.3 Parent entity disclosures

This note provides details of Telstra Entity's financial performance and financial position as a standalone entity. The results include transactions with its controlled entities.

As detailed in note 1.2, on 31 October 2022 Telstra Group Limited became the parent entity of the Telstra Group.

Tables A and B provide a summary of the financial information for the Telstra Entity.

| Table A Telstra Entity | As at 30 June |
|--|------------------|
| | 2023 |
| | \$m |
| Statement of financial position | |
| Total current assets | 2,355 |
| Total non-current assets | 44,334 |
| Total assets | 46,689 |
| Total current liabilities | 24,112 |
| Total non-current liabilities | 1,660 |
| Total liabilities | 25,772 |
| Share capital | 3,095 |
| Reorganisation reserve | (53) |
| Cash flow hedging reserve | 9 |
| Retained profits | 17,866 |
| Total equity | 20,917 |

Reorganisation reserve represents the amounts recognised as a result of the establishment of the new parent entity and other Restructure steps described in note 1.2.

| Table B Telstra Entity | Year ended 30 June |
|--|--------------------------|
| | 2023 |
| | \$m |
| Statement of comprehensive income | |
| Profit for the year | 5,924 |
| Total comprehensive income | 5,919 |

Total current assets include \$34 million of provision for impairment losses recognised during the financial year 2023 relating to impairment of intercompany receivables due from certain subsidiaries within our Australian tax consolidated group under the tax funding agreement. This impairment has been eliminated on consolidation of the Telstra Group.

As at 30 June 2023, the Telstra entity did not have any capital commitments. Refer to note 7.4.1 for details about the Group capital commitments.

7.3.1 Contingent liabilities and guarantees

As detailed in note 1.2, Telstra Group Limited became the Telstra Entity in the Telstra Group and the operating businesses are carried out by separate legal entities controlled by it. As a result, the performance obligations under a number of our existing contractual arrangements now apply to these separate legal entities. Where contractually required or otherwise agreed with counterparties, the Telstra Entity has provided parent company guarantees, however those guarantees did not change the overall economic exposure the Telstra Group had under these arrangements prior to the Restructure.

(a) Intra-group debt guarantees

As part of the Restructure, the Telstra Entity has entered into the following intra-group debt guarantees:

- a debt guarantee in favour of holders of specified debt issued by Telstra Corporation Limited (including unsecured notes, bank loans, commercial paper and derivatives covering cross currency swaps, interest rate swaps and forward foreign exchange contracts) under which each of Telstra Group Limited and Telstra Limited guarantee all amounts due and payable but unpaid by Telstra Corporation Limited in respect of the guaranteed debt. The guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted (or similar) earlier, and, subject to certain applicable limitations and conditions, may also be released early in respect of the guarantee given by Telstra Group Limited. When the guarantee was issued, Telstra Group Limited recognised a financial guarantee liability (measured at fair value), and a contribution increasing its investment in Telstra Corporation Limited.
- a debt guarantee in favour of holders of specified debt issued by Telstra Group Limited under which each of Telstra Limited and Telstra Corporation Limited guarantee all amounts due and payable but unpaid by Telstra Group Limited in respect of the guaranteed debt. Guaranteed debt entered into by Telstra Group Limited comprises of unsecured notes, a bank loan, commercial paper, derivatives covering cross currency swaps and forward foreign exchange contracts. The guarantee will apply for the term of the guaranteed debt, subject to early release in certain circumstances, including if the guaranteed debt is repaid, redeemed, purchased, exchanged, transferred or substituted (or similar) earlier, and, subject to certain applicable limitations and conditions, may also be released early in respect of the guarantee given by Telstra Corporation Limited. When the guarantee was issued, it was measured at fair value and accounted for as an adjustment to the guaranteed debt of Telstra Group Limited, with a corresponding reduction in its investments in Telstra Corporation Limited and Telstra Limited.

The financial impact of all intra-group debt guarantees has been eliminated at the Telstra Group level.

Section 7. Other information (continued)

7.3 Parent entity disclosures (continued)

7.3.1 Contingent liabilities and guarantees (continued)

(b) Contingent liabilities and other guarantees

We have also provided the following indemnities, performance guarantees and financial support through the Telstra Entity:

- guarantees to nbn co in respect of payment obligations of Telstra Limited or Telstra Corporation Limited to nbn co up to a maximum of \$2.5 billion in respect of the Subscriber Agreement, and \$2.5 billion in respect of the Infrastructure Services Agreement. At the reporting date, the likelihood of any claims under these guarantees is considered remote.
- Telstra Group Limited, Telstra Limited, and Telstra Corporation Limited have entered into (i) a multi entity bank account set off facility; and (ii) banking services agreement, for their transactional banking requirements. A cross guarantee and indemnity has been provided by each of Telstra Group Limited, Telstra Limited and Telstra Corporation Limited in respect of amounts due and payable to the applicable bank counterparty under each of these arrangements.
- parent guarantee under which the Telstra Entity has provided a guarantee in favour of Amplitel Pty Ltd as trustee for the Towers Business Operating Trust in respect of obligations from Telstra Limited under the Master Services Agreement.
- guarantees in favour of counterparties in respect of specified obligations of two of our controlled entities under contracts executed under the International Swaps and Derivatives Association agreement (ISDA) between the controlled entity and the swap counterparty. As at 30 June 2023, there was no exposure under those contracts.

7.3.2 Recognition and measurement

The accounting policies for the Telstra Entity are consistent with those of the Telstra Group, except for those noted below:

- under our tax funding agreement, amounts receivable (or payable) recognised by the Telstra Entity for the current tax payable (or receivable) assumed from our Australian wholly-owned entities are booked as current assets or liabilities. Refer to note 2.4.2 for details about amounts receivable and payable by the Telstra Entity under the tax funding agreement.
- investments in controlled entities, included within non-current assets, are recorded at cost less impairment of the investment value
- under an internal funding policy between the sponsoring employer of Telstra Super (i.e. the Telstra Entity) and the associated employers (i.e. other legal entities under common control which participate in Telstra Super) each entity recognises the net defined benefit cost related to its employees who are members of Telstra Super. Both the Telstra Entity and the associated employers account for their share of the net deficit (i.e. net defined benefit liability) where the fair value of the plan assets allocated to that entity based on the defined benefit obligations of the employees who are members of Telstra Super is less than the present value of the defined benefit obligations of those employees. The Telstra Entity also accounts for any surplus (i.e. net defined benefit asset) where the fair value of the total plan assets exceeds the total present value of the defined benefit obligations of Telstra Super as a whole.
- where the Telstra Entity grants its equity instruments to employees of a subsidiary, the subsidiary records an expense, with a corresponding credit to equity, representing a capital contribution from the Telstra Entity and the Telstra Entity records an increase in its investment in the subsidiary equivalent to the expense in the subsidiary, with a corresponding credit to equity.

7.4 Commitments and contingencies

This note provides details of our commitments for capital expenditure arising from our contractual agreements.

This note also includes information about contingent liabilities for which no provisions have been recognised due to the uncertainty regarding the outcome of future events and/or inability to reliably measure such liabilities.

7.4.1 Capital expenditure commitments

Table A shows capital expenditure commitments contracted for at balance date but not recorded in the financial statements.

| Table A Telstra Group | As at 30 June | |
|---|---------------|------|
| | 2023 | 2022 |
| | \$m | \$m |
| Property, plant and equipment commitments | 772 | 169 |
| Intangible assets commitments | 716 | 774 |

Intangible assets commitments include \$616 million commitment to purchase spectrum in the Australian Communications and Media Authority's 850/950 MHz auction. Payment for the 20-year spectrum licences is not expected until shortly before they commence in mid-2024.

7.4.2 Contingent liabilities and contingent assets

Details and estimated maximum amounts (where reasonable estimates can be made) of contingent liabilities for the Telstra Entity are disclosed in note 7.3.1.

(a) Investigations by regulators

The Telstra Group is subject to a range of laws and regulations in Australia and overseas, including in the areas of telecommunications, corporate law, consumer and competition law and occupational health and safety. In Australia, the principal regulators who enforce these laws and regulations and who Telstra Group interacts with are the Australian Competition and Consumer Commission (ACCC), the Australian Communications and Media Authority (ACMA), the Office of the Australian Information Commissioner (OAIC), the Australian Securities and Investments Commission (ASIC), the Australian Securities Exchange (ASX), and Comcare.

The Telstra Group is subject to investigations and reviews from time to time by regulators, including certain current investigations into whether the Telstra Group has complied with relevant laws and regulations. These are taking place in an environment of heightened scrutiny and regulator expectation and include where the Telstra Group has self-reported issues where it has not complied with relevant laws and regulations. In the ordinary course of our business, we identify, and may continue to identify, issues that have the potential to impact our customers and reputation, which do not meet relevant laws or regulations, or which do not meet our standards. Where we identify these issues, we make disclosures in accordance with the accounting standards, or our other legal disclosure obligations, or provide for such liabilities as required.

Regulatory investigations and reviews may result in enforcement action, litigation (including class action proceedings), and penalties (both civil and in limited circumstances, criminal).

Section 7. Other information (continued)

7.4 Commitments and contingencies (continued)

7.4.2 Contingent liabilities and contingent assets (continued)

(b) Common law claims

Certain common law claims by employees and third parties are yet to be resolved. As at 30 June 2023, management believes that the resolution of these contingencies will not have a significant effect on the Telstra Group's financial results.

(c) Indemnities, performance guarantees and financial guarantees

In addition to the items disclosed in note 7.3.1, we have provided the following indemnities, performance guarantees and financial support through our controlled entities:

- indemnities to financial institutions to support bank guarantees to the value of \$254 million (2022: \$303 million) in respect of the performance of contracts
- indemnities and corporate guarantees to financial institutions and other third parties in respect of performance and other obligations of our controlled entities, with the maximum amount of our contingent liabilities of \$274 million (2022: \$232 million)
- letters of comfort to indicate support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions (including that the entity remains our controlled entity)
- an internal indemnity arrangement in connection to bank guarantees procured from, and indemnities granted to, financial institutions to the value of \$254 million in respect of the performance of contracts.

(d) Other contingent liabilities

Other contingent liabilities identified for the Telstra Group relate to the ASIC deed of cross guarantee. A list of the companies that are party to the deed and part of the Closed Group are included in note 6.2.2. Each of these companies that are part of the Closed Group guarantees the payment in full of the debts of the other companies in the Closed Group in the event of their winding up.

In addition to the above matters, entities within the Telstra Group may be recipients of, or defendants in, certain claims, regulatory or legal proceedings and/or complaints made, commenced or threatened. At 30 June 2023, management believes that the resolution of these contingencies are not at a stage which supports a reasonable evaluation of the likely outcome of the matter and therefore, no provision has been made.

(e) Contingent assets

We had no significant contingent assets as at 30 June 2023.

7.5 Events after reporting date

We are not aware of any matter or circumstance that has occurred since 30 June 2023 that, in our opinion, has significantly affected or may significantly affect in future years:

- our operations
- the results of those operations, or
- the state of our affairs

other than the following:

7.5.1 Final dividend

The details of the final dividend for the financial year 2023 are disclosed in note 4.2.

Directors' Declaration

This Directors' Declaration is required by the *Corporations Act 2001* of Australia.

The Directors of Telstra Group Limited have made a resolution that declared:

- (a) in the Directors' opinion, the financial statements and notes of the Telstra Group for the financial year ended 30 June 2023 as set out in the financial report are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Accounting Standards applicable in Australia, International Financial Reporting Standards and Interpretations (as disclosed in note 1.1 to the financial statements), and Corporations Regulations 2001
 - (ii) giving a true and fair view of the financial position of Telstra Group Limited and the Telstra Group as at 30 June 2023 and of the performance of Telstra Group Limited and the Telstra Group, for the year ended 30 June 2023
- (b) they have received declarations as required by section 295A of the *Corporations Act 2001*
- (c) at the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that Telstra Group Limited will be able to pay its debts as and when they become due and payable
- (d) at the date of this declaration there are reasonable grounds to believe that the members of the extended closed group identified in note 6.2.2 to the financial statements, as parties to a Deed of Cross Guarantee, will be able to meet any liabilities to which they are, or may become, subject to because of the Deed of Cross Guarantee described in note 6.2.2.

For and on behalf of the board



John P Mullen
Chairman



Vicki Brady
Chief Executive Officer and
Managing Director

17 August 2023

Independent Auditor's Report to the Shareholders of Telstra Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Telstra Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue recognition

| Why significant | How our audit addressed the key audit matter |
|--|--|
| <p>The Group exercises significant judgement relating to revenue recognition in the following areas:</p> <ul style="list-style-type: none"> Accounting for new products and plans including bundles of products and/or services; Accounting for large Network Application Services (NAS) contracts; and Accounting for NBN revenue under the revised Definitive Agreements (DAs) with nbn co and the Commonwealth Government. <p>The accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, the complexity of products and services, and the combination of products sold and price changes in the year.</p> <p>The complexity of the billing systems was also considered as part of the reliance on automated processes and controls Key Audit Matter outlined below.</p> <p>Disclosures relating to revenue recognition can be found at Section 2.2 Income.</p> | <p>We evaluated the design and operating effectiveness of key controls over the capture and measurement of revenue transactions across all significant revenue streams, including evaluating the relevant IT systems.</p> <p>We examined the processes and controls over the capture and assessment of the timing of revenue recognised for new products and plans.</p> <p>We assessed the Group accounting policies as set out in Section 2.2, and the adequacy of disclosures for compliance with the revenue recognition requirements of Australian Accounting Standards.</p> <p>For all significant revenue streams, we selected a sample of revenue transactions recorded during the year and obtained supporting evidence such as customer contracts, statements of work, other contractual agreements, service detail records and evidence of customer payment.</p> <p>For customer contracts that include NAS revenues, we focused our work on those which we regarded as higher risk because of the nature of the contract, its stage of delivery and those which were significant by size.</p> |

Revenue recognition (continued)

| Why significant | How our audit addressed the key audit matter |
|-----------------|--|
| | <p>In performing this testing, we assessed the appropriateness of the assumptions and estimates supporting the accounting for these contracts as follows:</p> <ul style="list-style-type: none"> • We tested the effectiveness of controls that operate across the contract life cycle. • We obtained and read the relevant sections of certain contracts, to identify the contracted revenues, key provisions in the event of contract termination (such as penalties or the ability for the Group to recover costs) and assessed the appropriateness of identified performance obligations, contract transaction price and fulfilment costs. • For a sample of contracts where performance obligations are met at a point in time, we obtained evidence to support delivery and/or customer acceptance for recorded revenue transactions. • For those contracts where performance obligations were met over a period of time, we obtained evidence to support how the respective performance obligations were transferred. This included customer acknowledgement of service delivery and comparison of actual contract costs incurred with estimated costs to complete. • We considered the future forecast profitability and the contractual terms to assess the recoverability of the contract-specific assets and to determine if any contracts required loss provisions. • We assessed the appropriateness of the assumptions and estimates supporting the accounting for the revised DAs including understanding the timing of disconnections, the progress of the NBN rollout and the transfer of the copper and Hybrid Fibre Coaxial (HFC) networks to nbn co. |

Reliance on automated processes and controls

| Why significant | How our audit addressed the key audit matter |
|---|--|
| <p>A significant part of the Group’s financial processes is reliant on IT systems with automated processes and controls over the valuation and recording of transactions. This is a key part of our audit because of the:</p> <ul style="list-style-type: none"> • Complex IT environment supporting diverse business processes; • Mix of manual and automated controls; • Multiple internal and outsourced support arrangements; and • Complexity of the billing systems which calculate the revenue being recognised. <p>The Group continued its implementation of new IT systems during the year, a number of which were significant to our audit.</p> | <p>Our IT specialists assessed the Group’s manual and automated controls relating to IT systems relevant to financial reporting, including the recognition of revenue. When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information being produced by those systems.</p> <p>Our IT specialists analysed the impact on our audit strategy of new systems that are significant to our audit. This included assessing the design of relevant automated processes and controls and evaluating the effectiveness of those controls in new systems.</p> |

Capitalisation of assets, including useful lives and amortisation

| Why significant | How our audit addressed the key audit matter |
|---|---|
| <p>There are a number of areas where judgements significantly impact the carrying value of property, plant and equipment, software intangible assets and their respective depreciation and amortisation profiles. These areas are as follows:</p> <ul style="list-style-type: none"> • The decision to capitalise or expense costs; • The annual assessment of useful lives; • The timeliness of the transfer from assets in the course of construction; and • Significant changes that have taken place during the period or are expected to take place in the near future, which will impact the extent to which, or manner in which, an asset is used or is expected to be used. <p>Changes in these judgements can have a significant impact on the results of the Group. Accordingly, this was considered a key audit matter.</p> <p>Disclosures relating to the capitalisation of assets can be found at Section 3.1 Property, Plant and Equipment and Intangible Assets.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Assessed the effectiveness of the Group’s controls over the acquisition and disposal of assets and the transfer from assets in the course of construction. • Evaluated the appropriateness of capitalisation policies. • Selected a sample of costs capitalised during the year to determine whether capitalisation was appropriate. • Assessed the appropriateness of the date from which assets commenced being depreciated. <p>We assessed the application of the Group’s annual assessment of useful lives. This included assessing judgements made by the Group on:</p> <ul style="list-style-type: none"> • The nature of underlying costs capitalised; and • The appropriateness of asset lives applied in the calculation of depreciation and amortisation. <p>We evaluated the adequacy of disclosures included in Section 3.1.</p> |

Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group’s 2023 Annual Report other than the financial report and our auditor’s report thereon. We obtained the Directors’ Report that is to be included in the Annual Report, prior to the date of this auditor’s report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor’s report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Auditor's responsibilities for the audit of the financial report (*continued*)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Telstra Group Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Sarah Lowe
Partner
Melbourne
17 August 2023

Group Structure

2023 Group structure

1. Telstra Group restructure

During the financial year 2023 we completed a corporate restructure of the Telstra Group (Restructure). The Restructure included, among other transfers and arrangements, the establishment of Telstra Group Limited as the new parent entity of the Telstra Group with effect from 31 October 2022 (Telstra Corporation Limited was the parent entity of the Telstra Group prior to this date). While Telstra Group Limited became the parent entity of the Telstra Group, this did not result in a business combination for accounting purposes and it was accounted for as an internal reorganisation. Accordingly, the consolidated financial statements have been presented as a continuation of the existing financial performance and financial position of the Telstra Group. Refer to note 1.2 to the financial statements for further details about the Restructure.

Our Group structure has been updated to reflect the change in the parent entity and the impact of the Restructure as detailed below.

2. Group structure and details of entities where control has been gained or lost during the period

The table below sets out a complete list of our controlled entities as at 30 June 2023. The ownership percentages represent the relevant percentage of equity held by the subsidiary's immediate and ultimate parent, respectively. The percentage of equity held by the ultimate parent as at 30 June 2022 (then being Telstra Corporation Limited) has been presented as nil because the effect of the Restructure was to establish Telstra Group Limited as the new parent entity of the Telstra Group. Entities marked with an asterisk (*) have been directly impacted by the Restructure, which resulted in the following changes to the Telstra Group structure:

- Telstra Group Limited was established as the new parent entity of the Telstra Group
- Telstra Corporation Limited became a wholly-owned subsidiary of Telstra Group Limited
- the following controlled entities became wholly-owned subsidiaries of Telstra Group Limited:
 - Telstra ESOP Trustee Pty Limited
 - Telstra Finance Limited
 - Telstra Foundation Ltd

- Telstra Growthshare Pty Ltd
- Telstra International Holdings Pty Ltd
- Telstra Limited
- Telstra Towerco No. 2 Pty Ltd
- Telstra Holdings Pty Ltd and its controlled entities became a wholly-owned subsidiary of Telstra International Holdings Pty Ltd
- the following controlled entities became wholly-owned subsidiaries of Telstra Limited:
 - Bridge Point Communications Pty Ltd
 - CloudMed Pty Ltd
 - Fone Zone Pty Ltd and its controlled entities
 - Mobile Payment Gateway Pty Limited
 - MTData Holdings Pty Ltd and its controlled entities
 - Pacnet Internet (A) Pty Ltd and its controlled entity
 - Pacnet Services (A) Pty. Ltd.
 - Telstra Communications Limited
 - Telstra Energy (Holdings) Pty Ltd and its controlled entities
 - Telstra Health Pty Ltd and its controlled entities
 - Telstra International (Aus) Limited and its controlled entity
 - Telstra International Philippines Inc.
 - Telstra OnAir Holdings Pty Ltd
 - Telstra Plus Pty Ltd
 - Telstra Purple Pty Ltd and its controlled entities
 - Telstra Services Solutions Holdings Limited
 - Telstra Software Group Pty Ltd and its controlled entity
 - Telstra 3G Spectrum Holdings Pty Ltd
 - Telstra Ventures Pty Limited
 - Virtual Machine Technology Pty Ltd
- the following controlled entities became wholly-owned subsidiaries of Telstra Purple Pty Ltd:
 - Epicon Software Pty Ltd
 - Epicon IT Solutions Pty. Ltd. and its controlled entity
 - Telstra Broadcast Services Pty Ltd

Refer to note 6.1.1 to the financial statements for further details on changes in the group structure.

Footnotes under the table provide further details about entities within the Telstra Group, including information about entities where control has been gained or lost during the reporting period.

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|---|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| Parent entity | | | | | |
| Telstra Group Limited* (a) | Australia | | | | |
| Controlled entities | | | | | |
| Telstra Corporation Limited* (a) | Australia | 100.0 | - | 100.0 | - |
| • DCA eHealth Solutions Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Argus Connecting Care Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Communicare eHealth Solutions Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Medinexus Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Merricks NewCo Pty Ltd (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |

2023 Group structure (continued)

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|---|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| • Telstra Multimedia Pty Limited (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| Telstra ESOP Trustee Pty Limited* (e) (g) | Australia | 100.0 | - | 100.0 | - |
| Telstra Finance Limited* (a) | Australia | 100.0 | - | 100.0 | - |
| Telstra Foundation Ltd* (i) | Australia | n/a | n/a | n/a | n/a |
| Telstra Growthshare Pty Ltd* (e) | Australia | 100.0 | - | 100.0 | - |
| Telstra International Holdings Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Telstra Holdings Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Telstra International Operations Pty Limited (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra International Networks Pty Limited (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra Australia Networks Pty Limited (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra Global (Malaysia) Sdn. Bhd. | Malaysia | 61.0 | 61.0 | 61.0 | - |
| • Pacnet Limited | Bermuda | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Services Corporation Ltd (e) | Bermuda | 100.0 | 100.0 | 100.0 | - |
| • Asia Netcom Pacnet (Ireland) Limited | Ireland | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Global Corporation (S) Pte Ltd | Singapore | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Services (Korea) Limited (e) | Republic of Korea | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Services South Asia (Philippines) Inc. | Philippines | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Services (UK) Limited | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • Telstra Services (USA) Inc. (e) | United States | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Services (Japan) Corp. (e) | Japan | 39.6 | 39.6 | 100.0 | - |
| • Pacnet Services Holdings (Taiwan) Limited (e) (g) | Taiwan | 100.0 | 100.0 | 100.0 | - |
| • Telstra Services (Taiwan) Inc. | Taiwan | 11.0 | 11.0 | 100.0 | - |
| • Telstra Internet (S) Pte Ltd | Singapore | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Internet (HK) Limited | Hong Kong | 100.0 | 100.0 | 100.0 | - |
| • Pacific Business Solutions (China) (c) (d) (e) | China | 50.0 | 50.0 | 50.0 | - |
| • Pacific Business Solutions (China) Xi'an (c) (d) (e) | China | 100.0 | 100.0 | 50.0 | - |
| • Pacific Business Solutions (China) Chongqing (c) (d) (e) | China | 100.0 | 100.0 | 50.0 | - |
| • Pacific Business Solutions (China) Tianjin (c) (d) (e) | China | 100.0 | 100.0 | 50.0 | - |
| • Pacific Business Solutions (China) Shanghai (c) (d) (e) (g) | China | 100.0 | 100.0 | 50.0 | - |
| • Telstra PBS Limited (c) (d) (e) | Hong Kong | 100.0 | 100.0 | 50.0 | - |
| • Pacific Business Solutions (China) CQ (c) (d) (e) | China | 100.0 | 100.0 | 50.0 | - |

2023 Group structure (continued)

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|--|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| • Pacific Internet India Private Limited (c) (e) (g) | India | 99.9 | 99.9 | 100.0 | - |
| • Pacnet Network Limited (e) | Bermuda | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Network (UK) Limited | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Network (Korea) Limited (e) | Republic of Korea | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Network (Philippines) Inc. | Philippines | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Services (Japan) Corp.(e) | Japan | 57.8 | 57.8 | 100.0 | - |
| • Pacnet Cable Limited (e) | Bermuda | 100.0 | 100.0 | 100.0 | - |
| • C2C Pacnet (Ireland) Limited | Ireland | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Cable (Korea) Limited (e) | Republic of Korea | 100.0 | 100.0 | 100.0 | - |
| • Telstra Network & Business Services Korea Co., Ltd. (e) | Republic of Korea | 49.0 | 49.0 | 100.0 | - |
| • Pacnet Cable (Taiwan) Limited (e) | Taiwan | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Cable (USA) Inc. (e) | United States | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Services (Japan) Corp. (e) | Japan | 2.6 | 2.6 | 100.0 | - |
| • Asia Communications Investment Holdings (Taiwan) Limited (g) | Taiwan | 100.0 | 100.0 | 100.0 | - |
| • Asia Communications Investment (Taiwan) Limited (e) (g) | Taiwan | 100.0 | 100.0 | 100.0 | - |
| • Telstra Services (Taiwan) Inc. (e) | Taiwan | 40.0 | 40.0 | 100.0 | - |
| • Telstra Services (Taiwan) Inc. (e) | Taiwan | 49.0 | 49.0 | 100.0 | - |
| • Beijing Australia Telecommunications Technical Consulting Services Co. Ltd (c) | China | 100.0 | 100.0 | 100.0 | - |
| • Reach Holdings Limited (b) (c) (g) | Mauritius | - | 100.0 | - | - |
| • Reach Network India Private Limited (c) (g) (h) | India | 99.9 | - | 99.9 | - |
| • Telstra Asia Limited (c) (e) | British Virgin Islands | 100.0 | 100.0 | 100.0 | - |
| • Telstra SE Asia Holdings Limited (c) | British Virgin Islands | 100.0 | 100.0 | 100.0 | - |
| • PT Reach Network Services Indonesia | Indonesia | 90.0 | 90.0 | 90.0 | - |
| • Telstra Asia Regional Holdings Limited (c) (e) | British Virgin Islands | 100.0 | 100.0 | 100.0 | - |
| • Telstra Malaysia Sdn. Bhd. | Malaysia | 51.0 | 51.0 | 51.0 | - |
| • Telstra (Thailand) Co. Ltd (d) | Thailand | 49.0 | 49.0 | 49.0 | - |
| • Telstra Philippines Holdings Limited (c) (e) | British Virgin Islands | 100.0 | 100.0 | 100.0 | - |
| • Incomgen Holdings Inc. (d) | Philippines | 40.0 | 40.0 | 40.0 | - |

2023 Group structure (continued)

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|--|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| • Telstra Web Holdings Inc. | Philippines | 60.0 | 60.0 | 64.0 | - |
| • Telstra Philippines Inc. (e) | Philippines | 60.0 | 60.0 | 78.4 | - |
| • Telstra Philippines Inc. (e) | Philippines | 40.0 | 40.0 | 78.4 | - |
| • Telstra Web Holdings Inc. | Philippines | 40.0 | 40.0 | 64.0 | - |
| • Telstra Global Holdings Limited (e) | British Virgin Islands | 100.0 | 100.0 | 100.0 | - |
| • Telstra International Limited | Hong Kong | 100.0 | 100.0 | 100.0 | - |
| • Telstra Global (HK) Limited | Hong Kong | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Global Communications (India) Private Limited (c) (e) (g) | India | 0.1 | 0.1 | 100.0 | - |
| • Telstra Services Asia Pacific (HK) Limited (h) | Hong Kong | - | 100.0 | - | - |
| • Telstra Cable (HK) Limited | Hong Kong | 100.0 | 100.0 | 100.0 | - |
| • Telstra Global Limited | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • PT Telstra Nusantara (e) (g) | Indonesia | 95.0 | 95.0 | 95.0 | - |
| • Telstra UK Limited | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • Cordoba Holdings Limited (e) (g) | Jersey | 100.0 | 100.0 | 100.0 | - |
| • Company 85 Limited | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • Telstra Holdings (Bermuda) No 1 Limited (b) (e) (g) | Bermuda | - | 100.0 | - | - |
| • Telstra Holdings Singapore Pte Ltd | Singapore | 100.0 | 100.0 | 100.0 | - |
| • Telstra Incorporated (e) | United States | 100.0 | 100.0 | 100.0 | - |
| • Telstra India (Private) Limited (c) | India | 99.9 | 99.9 | 100.0 | - |
| • Pacific Internet India Private Limited (c) (e) (g) | India | 0.1 | 0.1 | 100.0 | - |
| • Telstra International PNG Limited (c) (g) | Papua New Guinea | 100.0 | 100.0 | 100.0 | - |
| • Telstra Japan K. K. (e) | Japan | 100.0 | 100.0 | 100.0 | - |
| • Telstra Network Services NZ Limited (e) | New Zealand | 100.0 | 100.0 | 100.0 | - |
| • Telstra NZ Limited (b) (e) | New Zealand | - | 100.0 | - | - |
| • Telstra Services Korea Limited (e) | Republic of Korea | 100.0 | 100.0 | 100.0 | - |
| • Telstra Network & Business Services Korea Co., Ltd. (e) | Republic of Korea | 51.0 | 51.0 | 100.0 | - |
| • Telstra Singapore Pte Ltd | Singapore | 100.0 | 100.0 | 100.0 | - |
| • Telstra India (Private) Limited (c) (e) | India | 0.1 | 0.1 | 100.0 | - |
| • Pacific Internet India Private Limited (c) (e) (g) | India | 0.1 | 0.1 | 100.0 | - |

2023 Group structure (continued)

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|--|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| • Telstra Telecommunications Private Limited (c) (e) | India | 0.1 | 0.1 | 100.0 | - |
| • Pacnet Global Communications (India) Private Limited (c) (e) (g) | India | 99.9 | 99.9 | 100.0 | - |
| • Telstra Telecommunications Private Limited (c) | India | 99.9 | 99.9 | 100.0 | - |
| • Telstra Global Business Services LLP (c) | India | 50.0 | 50.0 | 100.0 | - |
| • Telstra GmbH (e) | Germany | 100.0 | 100.0 | 100.0 | - |
| • Telstra SARL (e) | France | 100.0 | 100.0 | 100.0 | - |
| • Telstra PM Holdings Pty Ltd | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra PM Pty Ltd | Australia | 100.0 | 100.0 | 100.0 | - |
| • BidCo (S) Pte. Ltd | Singapore | 100.0 | 100.0 | 100.0 | - |
| • Digicel Pacific Limited (c) (f) | Bermuda | 100.0 | - | 100.0 | - |
| • Digicel (Nauru) Corporation (c) (e) (f) | Nauru | 80.0 | - | 80.0 | - |
| • Digicel International Resources Ltd (c) (e) (f) | Cayman Islands | 100.0 | - | 100.0 | - |
| • Digicel Carrier Services (Pacific) Limited (c) (f) | Hong Kong | 100.0 | - | 100.0 | - |
| • Digicel (Singapore) Private Limited (c) (f) | Singapore | 100.0 | - | 100.0 | - |
| • Digicel (PNG) Limited (c) (f) | Papua New Guinea | 100.0 | - | 100.0 | - |
| • Digicel (PNG) Financial Services Ltd (c) (e) (f) | Papua New Guinea | 100.0 | - | 100.0 | - |
| • Digicel PNG Foundation Inc. (i) | Papua New Guinea | n/a | n/a | n/a | n/a |
| • Site & Towers (PNG) Limited (c) (e) (f) | Papua New Guinea | 100.0 | - | 100.0 | - |
| • Hitron Limited (c) (e) (f) | Papua New Guinea | 100.0 | - | 100.0 | - |
| • Digicel (Aus) Pty Ltd (c) (e) (f) | Australia | 100.0 | - | 100.0 | - |
| • Diaspora Talktime (Australia) Pty Ltd (c) (e) (f) | Australia | 100.0 | - | 100.0 | - |
| • Digicel Australia Pty Ltd (c) (e) (f) | Australia | 100.0 | - | 100.0 | - |
| • Diaspora Talktime (New Zealand) Limited (c) (e) (f) | New Zealand | 100.0 | - | 100.0 | - |
| • Digicel Central Resources (Fiji) Pte Limited (c) (e) (f) | Fiji | 99.0 | - | 100.0 | - |
| • Digicel Pacific Finance Limited (c) (e) (f) | Bermuda | 100.0 | - | 100.0 | - |
| • Digicel (Fiji Islands) Pte Limited (c) (e) (f) | Fiji | 100.0 | - | 100.0 | - |
| • Digicel (Fiji) Pte Limited (c) (e) (f) | Fiji | 49.0 | - | 100.0 | - |
| • Digicel (Fiji) Pte Limited (c) (e) (f) | Fiji | 51.0 | - | 100.0 | - |

2023 Group structure (continued)

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|--|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| • Digicel Central Resources (Fiji) Pte Limited (c) (f) | Fiji | 1.0 | - | 100.0 | - |
| • Digicel (Tonga) Limited (c) (f) | Tonga | 100.0 | - | 100.0 | - |
| • Digicel Media Ventures (Tonga) Limited (c) (e) (f) | Tonga | 100.0 | - | 100.0 | - |
| • Digicel (Tonga) Financial Services Limited (c) (e) (f) (g) | Tonga | 100.0 | - | 100.0 | - |
| • Digicel (Vanuatu) Limited (c) (f) | Vanuatu | 100.0 | - | 100.0 | - |
| • Highrise Properties Ltd (c) (e) (f) (g) | Vanuatu | 100.0 | - | 100.0 | - |
| • Digicel Properties (Vanuatu) Limited (c) (e) (f) (g) | Vanuatu | 100.0 | - | 100.0 | - |
| • Digicel (Samoa) Limited (c) (f) | Samoa | 80.0 | - | 80.0 | - |
| • Digicel (Samoa) Financial Services Ltd (c) (e) (f) (g) | Samoa | 100.0 | - | 80.0 | - |
| • Telstra Reach Holdings Pty Ltd (a) (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| Telstra Limited* (a)(e) | Australia | 100.0 | - | 100.0 | - |
| • Bridge Point Communications Pty Ltd* (e) (g) | Australia | 100.0 | - | 100.0 | - |
| • CloudMed Pty Ltd* (e) (g) | Australia | 100.0 | - | 100.0 | - |
| • Heritage Telecommunications Ltd* (e) (i) | Australia | n/a | n/a | n/a | n/a |
| • Mobile Payment Gateway Pty Limited* (e) | Australia | 100.0 | - | 100.0 | - |
| • MTDData Holdings Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Mobile Tracking and Data Pty Ltd (a)(e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Transport Compliance Services Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • MTDData NZ Limited (e) | New Zealand | 100.0 | 100.0 | 100.0 | - |
| • NDC Global Holdings Pty Limited (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • NDC Global Services Pty Limited (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Pacnet Services (A) Pty. Ltd.* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Pacnet Internet (A) Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Hunterlink Pty Limited (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Quantum Telstra Pty Ltd (e) (f) | Australia | 50.1 | - | 50.1 | - |
| • Telstra Communications Limited* (a) (e) (g) | Australia | 100.0 | - | 100.0 | - |
| • Telstra Energy (Holdings) Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Telstra Energy (Retail) Pty Ltd (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra Energy (Markets) Pty Ltd | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra Energy (Generation) Pty Ltd (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra Foundation (Philippines), Inc. (i) | Philippines | n/a | n/a | n/a | n/a |

2023 Group structure (continued)

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|--|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| • Telstra Health Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Telstra Health Services Pty Ltd (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Clinical Technology Holdings Pty Limited (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Clinical Technology Systems Pty Limited (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Health Communication Network Pty Limited (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Phoenix Medical Publishing Pty Limited (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • MedicalDirector (NZ) Limited (e) | New Zealand | 100.0 | 100.0 | 100.0 | - |
| • MedicalDirector Limited (e) | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • Power Solutions Holdings Pty Ltd (e) | Australia | 70.0 | 70.0 | 70.0 | - |
| • Powerhealth Solutions W.L.L. (e) (f) | Bahrain | 100.0 | - | 70.0 | - |
| • Power Solutions DTD Pty Ltd (e) | Australia | 100.0 | 100.0 | 70.0 | - |
| • Power Solutions Health Management Consulting Limited (e) | Saudi Arabia | 100.0 | 100.0 | 70.0 | - |
| • PowerHealth Solutions Canada Inc (e) | Canada | 100.0 | 100.0 | 70.0 | - |
| • Power Solutions DTD Limited (e) | Ireland | 100.0 | 100.0 | 70.0 | - |
| • PowerHealth Solutions Ltd (e) | United Kingdom | 100.0 | 100.0 | 70.0 | - |
| • PowerHealth Solutions Limited (e) | New Zealand | 100.0 | 100.0 | 70.0 | - |
| • PowerHealth Solutions Limited (e) | Hong Kong | 100.0 | 100.0 | 70.0 | - |
| • PowerHealth Solutions Sdn. Bhd. (b) (e) | Malaysia | - | 100.0 | 70.0 | - |
| • Fred IT Group Pty Ltd (d) (e) | Australia | 50.0 | 50.0 | 50.0 | - |
| • ERX Script Exchange Pty Ltd (d) (e) | Australia | 100.0 | 100.0 | 50.0 | - |
| • Fred Health Pty Ltd (d) (e) (g) | Australia | 100.0 | 100.0 | 50.0 | - |
| • Fred Retail Pty Ltd (d) (e) (g) | Australia | 100.0 | 100.0 | 50.0 | - |
| • Pharmacy Research Network Pty. Ltd. (d) (e) (g) | Australia | 100.0 | 100.0 | 50.0 | - |
| • Medication Knowledge Pty Ltd (d) (e) | Australia | 80.0 | 80.0 | 40.0 | - |
| • Telstra Health UK (Holdings) Limited (e) | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • Dr Foster Research Ltd (g) | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • Telstra Health UK Ltd | United Kingdom | 100.0 | 100.0 | 100.0 | - |
| • Dr Foster Inc. (b) (e) | United States | - | 100.0 | - | - |
| • Telstra International Philippines Inc.* | Philippines | 100.0 | - | 100.0 | - |
| • Telstra OnAir Holdings Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Telstra Pay TV Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |

2023 Group structure (continued)

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|--|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| • Telstra Purple Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Alliance Automation Pty Ltd (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • DLM Automation Pty Ltd (a) (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Aqura Technologies Pty Ltd (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Epicon IT Solutions Pty. Ltd.* (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Service Potential Pty Ltd (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Epicon Software Pty Ltd* (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra Broadcast Services Pty Limited* (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Telstra Services Solutions Holdings Limited* (a) (e) (g) | Australia | 100.0 | - | 100.0 | - |
| • Telstra 3G Spectrum Holdings Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Telstra International (Aus) Limited* (a)(e) | Australia | 100.0 | - | 100.0 | - |
| • Telstra Global Business Services LLP (c) (e) | India | 50.0 | 50.0 | 100.0 | - |
| • Telstra Plus Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Telstra Ventures Pty Limited* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Fone Zone Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Fone Zone People Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Sprout Corporation Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Kel 2000 Pty Ltd (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Kel 2010 Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • One Zero Communications Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • One Xerro TLS (Bundaberg) Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Geek Squad Australia Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Computer Geek Squad Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • One Zero TCS (Warwick) Pty Ltd (e) (g) | Australia | 100.0 | 100.0 | 100.0 | - |
| • Virtual Machine Technology Pty Ltd* (e) (g) | Australia | 100.0 | - | 100.0 | - |
| • Sapio Pty Ltd* | Australia | 51.0 | - | 51.0 | - |
| • Media Innovations Holdings Pty Ltd* (e) (f) | Australia | 51.4 | - | 51.4 | - |
| • Media Innovations IP Pty Ltd (e) (f) (g) | Australia | 100.0 | - | 51.4 | - |
| • Media Innovations Pty Ltd (e) (f) | Australia | 100.0 | - | 51.4 | - |
| • Media Innovations Management Pty Ltd (e) (f) (g) | Australia | 100.0 | - | 51.4 | - |
| • Convergent Media Investments Pty Ltd (e) (f) | Australia | 100.0 | - | 51.4 | - |
| • FetchTV Pty Ltd (e) (f) | Australia | 100.0 | - | 51.4 | - |
| • Fetch TV Retail Pty Ltd (e) (f) | Australia | 100.0 | - | 51.4 | - |
| • FetchTV Content Pty Ltd (e) (f) | Australia | 100.0 | - | 51.4 | - |

2023 Group structure (continued)

| Telstra Group | | % of equity held by immediate parent | | % of equity held by ultimate parent | |
|--|--------------------------|--------------------------------------|-------------|-------------------------------------|-------------|
| | | As at | | As at | |
| | | 30 Jun 2023 | 30 Jun 2022 | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Country of incorporation | % | % | % | % |
| • FetchTV Management Pty Ltd (e) (f) | Australia | 100.0 | - | 51.4 | - |
| • Media Innovations Services Sdn. Bhd. (e) (f) | Malaysia | 100.0 | - | 51.4 | - |
| • Telstra Software Group Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • muru-D Pty Ltd (a) (e) | Australia | 100.0 | 100.0 | 100.0 | - |
| Telstra Towerco No.2 Pty Ltd* (a) (e) | Australia | 100.0 | - | 100.0 | - |
| • Amplitel Pty Ltd | Australia | 51.0 | 51.0 | 51.0 | - |

(a) ASIC deed of cross guarantee financial information

Telstra Group Limited and each of the wholly-owned subsidiaries set out below (together the 'Closed Group'), are party to a deed of cross guarantee (Deed), as defined in Australian Securities and Investments Commission (ASIC) legislative instrument: 'ASIC Corporations (Wholly-owned Companies) Instrument 2016/785' (ASIC Instrument).

The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up.

Pursuant to the ASIC Instrument, the wholly-owned subsidiaries within the Closed Group that are eligible for the benefit of the ASIC Instrument are relieved from the requirement to prepare and lodge separate financial statements, directors' reports and auditors' reports.

As disclosed in the 2022 Annual Report, Telstra Corporation Limited (as the then holding entity of the Telstra Group), certain of its wholly-owned subsidiaries and Telstra Finance Limited (as trustee) were party to a deed of cross guarantee (Previous Deed), as defined in the ASIC Instrument.

As detailed in note 6.2.2 to the financial statements, in connection with the Restructure the following changes occurred:

- on 23 November 2022, a revocation deed was lodged with ASIC to revoke the Previous Deed. The revocation was effective on 24 May 2023 (being the day following the expiration of six months from the date of lodgement with ASIC).
- on 23 November 2022, the Deed was lodged with ASIC.

The following entities are party to the Deed and part of the Closed Group:

- Telstra Group Limited (holding entity)
- Alliance Automation Pty Ltd
- Aqura Technologies Pty Ltd
- Clinical Technology Holdings Pty Limited
- Clinical Technology Systems Pty Limited
- DLM Automation Pty Ltd
- Epicon IT Solutions Pty. Ltd.
- Fone Zone Pty Ltd
- Health Communication Network Pty Limited

- Merricks NewCo Pty Ltd
- Mobile Tracking and Data Pty Ltd
- MTData Holdings Pty Ltd
- muru-D Pty Ltd
- Pacnet Internet (A) Pty Ltd
- Pacnet Services (A) Pty. Ltd.
- Service Potential Pty Ltd
- Telstra 3G Spectrum Holdings Pty Ltd
- Telstra Australia Networks Pty Limited
- Telstra Broadcast Services Pty Limited
- Telstra Communications Limited
- Telstra Corporation Limited
- Telstra Energy (Generation) Pty Ltd
- Telstra Energy (Holdings) Pty Ltd
- Telstra Energy (Retail) Pty Ltd
- Telstra Health Pty Ltd
- Telstra Health Services Pty Ltd
- Telstra Holdings Pty Ltd
- Telstra International (Aus) Limited
- Telstra International Holdings Pty Ltd
- Telstra International Networks Pty Limited
- Telstra International Operations Pty Limited
- Telstra Limited
- Telstra Multimedia Pty Limited
- Telstra OnAir Holdings Pty Ltd
- Telstra Pay TV Pty Ltd
- Telstra Plus Pty Ltd
- Telstra Purple Pty Ltd
- Telstra Reach Holdings Pty Ltd
- Telstra Services Solutions Holdings Limited
- Telstra Software Group Pty Ltd
- Telstra Towerco No.2 Pty Ltd
- Telstra Ventures Pty Limited.

There were no financial impacts on the Telstra Group resulting from the revocation of the Previous Deed and the establishment of the Deed.

There are no other members of the Extended Closed Group (as defined in the ASIC instrument). Telstra Finance Limited is trustee under the Deed, however, it is not a member of the Closed Group or the Extended Closed Group.

2023 Group structure (continued)

(b) Deregistrations and disposals (i.e. entities over which control has been lost during the period)

During the year, the following entities ceased being a controlled entity:

- Neto (US) Inc. (deregistered on 7 July 2022)
- Telstra NZ Limited (deregistered on 21 July 2022)
- PowerHealth Solutions Sdn. Bhd. (deregistered on 22 July 2022)
- Dr Foster Inc. (deregistered on 22 February 2023)
- Reach Holdings Limited (deregistered on 23 June 2023)
- Telstra Holdings (Bermuda) No 1 Limited (deregistered on 24 June 2023).

(c) Controlled entities with different reporting dates

31 December

- Beijing Australia Telecommunications Technical Consulting Services Co. Ltd
- Dr Foster Inc.
- Pacific Business Solutions (China) and its controlled entities
- Reach Holdings Limited
- Telstra Asia Limited
- Telstra Asia Regional Holdings Limited
- Telstra International PNG Limited
- Telstra Philippines Holdings Limited
- Telstra SE Asia Holdings Limited

31 March

- Digicel Pacific Limited and its controlled entities
- Pacific Internet India Private Limited
- Pacnet Global Communications (India) Private Limited
- Reach Network India Private Limited
- Telstra Global Business Services LLP
- Telstra India (Private) Limited
- Telstra Telecommunications Private Limited

(d) Controlled entities with our equity ownership less than or equal to 50 per cent

We have effective control over Incomgen Holdings Inc. and Telstra (Thailand) Co. Ltd through economic dependency and contractual arrangements with the majority shareholders and have consolidated them into our group.

We have control over Fred IT Group Pty Ltd and its controlled entities and Pacific Business Solutions (China) and its controlled entities through our decision making ability on the respective boards.

(e) Controlled entities not individually audited by EY

These companies are not audited by EY, our Australian statutory auditor.

(f) New incorporations and entities where control has been gained during the period

The following entities were acquired during the year:

- Digicel Pacific Limited and its controlled entities (acquired on 13 July 2022), of which we own 100 per cent
- Media Innovations Holdings Pty Ltd and its controlled entities (acquired on 2 August 2022), of which we own 51.4 per cent.

The following entities were incorporated during the year:

- Powerhealth Solutions W.L.L. (incorporated on 30 August 2022), of which we own 70 per cent
- Quantum Telstra Pty Ltd (incorporated on 8 December 2022), of which we own 50.1 per cent
- Digicel (Aus) Pty Ltd (incorporated on 29 June 2023), of which we own 100 per cent.

(g) Dormant

Companies with reference '(g)' are dormant.

(h) Changes in ownership other than those resulting from Telstra Group restructure

During the year, the following entities changed ownership/ amalgamated:

- Reach Network India Private Limited was transferred from Reach Holdings Limited to Telstra Holdings Pty Ltd
- Telstra Services Asia Pacific (HK) Limited was amalgamated with Telstra International Limited.

(i) Not-for-profit entities

The following not-for-profit entities are included in the above list of controlled entities as at 30 June 2023 based on either (i) the capital contribution held by the subsidiary's immediate and/or ultimate parent; or (ii) the purpose of the entity in relation to the entity's designated immediate parent. Our interests in certain not-for-profit entities are established by the membership held and/or capital contribution, instead of percentage of equity:

- Digicel PNG Foundation Inc.
- Heritage Telecommunications Ltd
- Telstra Foundation Ltd
- Telstra Foundation (Philippines), Inc.

2023 Group structure (continued)

3. Details of investments in joint ventures

| Telstra Group | | | Ownership interest | |
|--------------------------------|---|--|--------------------|-------------|
| | | | As at | |
| | | | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Principal activities | Principal place of business / country of incorporation | % | % |
| 3GIS Pty Ltd | Management of former 3GIS Partnership (non-operating) | Australia | 50.0 | 50.0 |
| Reach Limited ¹ | International connectivity services | Bermuda | 50.0 | 50.0 |
| Telstra Ventures Fund II, L.P. | Venture capital | Guernsey | 62.5 | 62.5 |

(1) Balance date is 31 December.

4. Details of investments in associated entities

| Telstra Group | | | Ownership interest | |
|--|--|--|--------------------|-------------|
| | | | As at | |
| | | | 30 Jun 2023 | 30 Jun 2022 |
| Name of entity | Principal activities | Principal place of business / country of incorporation | % | % |
| ACN 147 190 118 Pty Ltd ¹ | Software service provider | Australia | 20.0 | 74.0 |
| Asia Netcom Philippines Corporation ² | Ownership of physical property | Philippines | 40.0 | 40.0 |
| Australia-Japan Cable Holdings Limited ² | Network cable provider | Bermuda | 46.9 | 46.9 |
| Dacom Crossing Corporation ² | Network cable provider | Korea | 49.0 | 49.0 |
| NXE Australia Pty Limited | Pay television | Australia | 35.0 | 35.0 |
| Pacific Carriage Holdings Limited Inc. ² | Network cable provider | United States | 25.0 | 25.0 |
| Pivotal Labs Sydney Pty Ltd ³ | Software development | Australia | 20.0 | 20.0 |
| Samoa Submarine Cable Company Limited ⁴ | Network cable provider | Samoa | 16.7 | - |
| Southern Cross Cables Holdings Limited ² | Network cable provider | Bermuda | 25.0 | 25.0 |
| Telstra Converge Inc. ² | Telecommunication services | Philippines | 48.0 | 48.0 |
| Telstra Super Pty Ltd | Superannuation trustee | Australia | 100.0 | 100.0 |
| Telstra Ventures Fund III, L.P. | Venture capital | Guernsey | 50.0 | 50.5 |
| Tianjin TenLink Electronic Technology Co., Ltd. ² | Control system of industrial internet supplier | China | 10.0 | 10.0 |
| Tonga Cable Limited ⁴ | Network cable provider | Tonga | 16.6 | - |

¹ During the year, Telstra Limited's ownership interest in ACN 147 190 118 Pty Ltd (immediate parent of Neto (US) Inc. prior to its deregistration on 7 July 2022) was reduced from 74% to 20% due to a capital return completed on 8 June 2023. Accordingly, ACN 147 190 118 Pty Ltd is no longer considered a controlled entity and is included in our list of investments in associated entities in Table B of Note 6.4.1.

² Balance date is 31 December.

³ Balance date is 31 January.

⁴ Balance date is 31 March.