IT'S HOW
WE CONNECT

SUSTAINABILITY
REPORT 2011

This report covers Telstra's material sustainability issues for shareholders, customers, investors, analysts and employees.

Our website and *Bigger Picture* series provide further information, including additional performance data and access to Telstra benchmarking, social and environmental reports, for a wider audience.

www.telstra.com.au/sustainability

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FOREWORD

MESSAGE FROM THE CHAIRMAN AND CEO

NEXT-GENERATION NETWORKS AND TECHNOLOGIES ENABLE US TO IMPROVE HEALTH AND EDUCATION OUTCOMES, BOOST ECONOMIC PARTICIPATION AND STRENGTHEN SOCIAL INCLUSION.

Sustainability is important to us.

Our ambition is to continually make Telstra a better place to work, a better company to do business with, and a better company to invest in.

To achieve that, we need to change the way people think and talk about Telstra.

The challenge and opportunity we face is to use next-generation technology as an enabler – making the connectivity era more sustainable and more accessible for more Australians. In other words, it's all about simplicity and service – putting the customer at the centre of everything we do.

In this year's Sustainability Report we highlight our focus on simplifying our business and processes to better serve our customers. Completing this multi-year program remains our company's highest priority.

Digital inclusion programs such as *Access for Everyone* and *Telstra Connected Seniors®* are making a difference for Indigenous Australians, people in rural areas, people with disability, those experiencing financial hardship, and older Australians.

We are pleased to be included again in the FTSE4Good Index, and for the recognition of our assistance to the Queensland community with the 2011 Communications Alliance and Communications Day *Community Contribution Award*.

A key challenge for Telstra is to minimise our carbon emission intensity. This year we were able to reduce our total carbon emissions while increasing the data on our networks. In coming years, we will continue to focus on improving the energy efficiency of our networks in order to reduce our carbon emissions intensity. We have set a new target for carbon-emission-intensity-per-terabyte to achieve this goal.

Sustainability will remain a key focus for the Board and management, as we believe it is good for our business. With that in mind, we are pleased to welcome Tim O'Leary as Telstra's new Chief Sustainability Officer.

C B Livingstone

CATHERINE B LIVINGSTONE
AO CHAIRMAN

David Thodey

DAVID THODEY
CHIEF EXECUTIVE OFFICER

ABOUT
THIS REPORT

Through our sustainability reporting we aim to provide relevant information about our social and environmental approach and performance, for all of Telstra's stakeholders.

SCOPE

Our reporting covers the 2010/11 financial year for Telstra Corporation Limited. This excludes the following operations that comprise the wider Telstra Group: Telstra International, our controlled entities (Sensis, CSL New World, China search and advertising businesses, REACH and TelstraClear), and our 50 per cent ownership of Foxtel, unless otherwise stated.

We use the figure for Telstra Corporation-paid staff, which includes full time and part time employees paid by Telstra Corporation (excluding casual staff, all controlled entity-paid staff, and agency staff in Australia and internationally) for data calculations, unless otherwise stated.

Environmental data is calculated according to an operational control boundary model to align with our compliance reporting under the Australian Government's *National Greenhouse and Energy Reporting Act 2007* (NGER Act), this includes Sensis operations.

ASSURANCE

We have used the *AA1000 Assurance Standard 2008* (AA1000AS) principles to prepare our 2010/11 reporting and established control processes and quality checks to manage the accuracy of information reported. Banarra has provided an external assurance statement in keeping with the AA1000AS.

RE-STATEMENTS

The following data sets have been restated from what was disclosed in the 2010 Corporate Citizenship report to show an accurate report on progress:

- Environment data for 2009/10 to be in accordance with an operational control boundary model and NGERs requirements.
- Diversity data for 2009/10 to align with the *ASX Corporate Governance Principles and Recommendations.*
- Lost time injury (LTI) and lost time injury frequency rate (LTIFR) for 2008/09 and 2009/10 to align with the Australian Standard definition of an LTI.

As a result of these re-statements, 2009/10 data is the baseline year for these data sets.

REPORTING FRAMEWORKS

Our reporting has been developed with reference to industry and sustainability standards including the Global Reporting Initiative (GRI) *G3 Sustainability Reporting Guidelines* and *Telecommunications Sector Supplement* (pilot). This year we apply the GRI framework to a level C+.

A summary of the GRI index is included within this report and our full index can be accessed at: **telstra.com.au/sustainability**

FEEDBACK

We welcome your feedback on this report.

Please contact Natalie Falzon at **sustainability@team.telstra.com**

We offer a full range of services and compete in all telecommunications markets throughout Australia, providing more than 8.4 million Australian fixed line and 12.2 million mobile services.

Our main activities include the provision of:

- basic access telecommunications services to most homes and businesses in Australia
- local and long distance telephone calls in Australia and international calls to and from Australia
- mobile telecommunications services on our Next G® mobile network
- broadband access and content on our Next IP™ network
- a comprehensive range of data and Internet services (including through Telstra BigPond®, Australia's leading Internet service provider)
- management of business customers' IT and telecommunications services
- wholesale services to other carriers, carriage service providers and Internet Service Providers
- advertising, search and information services (through Sensis, Australia's leading directory and search company)
- cable distribution services for FOXTEL's® cable subscription television services.

One of our strengths in providing integrated telecommunications services is our vast geographical coverage through our fixed and mobile network infrastructure - underpinning the carriage and termination of the majority of Australia's domestic and international voice and data telephony traffic.

We also own 50 per cent of FOXTEL.

Our international businesses include:

- Telstra International - a premier provider of international voice, satellite and IP data services. Telstra International is headquartered in Hong Kong, with substantial businesses across Asia, North America and Europe including the REACH global communications network
- CSL New World – Hong Kong's leading mobile network operator
- China search and advertising businesses
- TelstraClear, a leading competitive carrier in New Zealand.

ECONOMIC FOOTPRINT

Telstra has a significant impact on the economy through employment, investment and our supply chain.

During 2010/11, our business activities:

- supported 39,790 jobs (Telstra Group)
- paid $3.9 billion in salaries and wages (Telstra Group)
- paid $3.5 billion in dividends to more than 1.4 million shareholders
- paid $1.7 billion in Commonwealth State and local taxes
- purchased approximately $9 billion in goods and services from more than 7,000 suppliers
- contributed an estimated $14.01 billion to Australia's gross domestic product.

We are Australia's leading telecommunications and information services company, with one of the best known brands in the country.

SERVICES DELIVERED IN 2010/11

- Handled **3.6 billion** local calls, **5.4 billion** national long distance minutes, **9.9 billion** text messages and more than **13 billion** mobile voice minutes.
- Provided **8.4 million** fixed line and **12.2 million** mobile services, including wholesale services.
- Handled more than **300,000 calls** in our contact centres daily.
- Operated and maintained more than **11,000** telephone exchanges.
- Our people and contractors, on average, completed around **23,000 customer service jobs** (new services fault repairs) a day.

FINANCIAL PERFORMANCE SUMMARY (TELSTRA GROUP)

	2008/09 $M	2009/10 $M	2010/11 $M
TOTAL REVENUE	$25,507	$24,917	$ 25,093
EBITDA	$10,948	$10,847	$ 10,151
PROFIT AFTER TAX AND MINORITY INTERESTS	$4, 076	$3,940	$ 3,250
DIVIDENDS PER ORDINARY SHARE (CENTS PER SHARE)	28	28	28
ACCRUED CAPITAL EXPENDITURE	$4,598	$3,471	$ 3,410

SUSTAINABILITY AT TELSTRA

For Telstra, sustainability is a business approach that creates long-term value by embracing the opportunities and managing risks derived from economic, environmental, social and technological developments.

Our responsibility is to manage our business ethically and deliver a positive result for our customers, employees, shareholders and other stakeholders, including the wider community and the natural environment.

Telstra's primary responsibilities are to:

- increase shareholder value and protect shareholder interests
- serve the needs of our customers
- make Telstra a great place to work
- provide good stewardship of the environment
- contribute resources - people, money, technology, products and services - to support the communities in which we operate
- advance the national interest by strengthening the capability of the nation's telecommunications infrastructure, and thereby providing a strong foundation for economic growth, productivity improvement, sustainable prosperity and global competitive advantage.

PROGRESS

NEW FOCUS ON SUSTAINABILITY

Over the years, we have used a range of terms to describe our management of social, environmental and governance issues, including corporate responsibility and, most recently, corporate citizenship. While these and other terms (e.g. CSR, sustainability, ESG, sustainable development) are used interchangeably and are closely related, they are conceptually different. The range of terminology used can be problematic when it comes to strategic alignment and communication, which is why we have decided to start using the term 'sustainability' at Telstra.

We see sustainability as an approach to business that achieves the long-term success of the company by ensuring that social and environmental, as well as economic, considerations are at the heart of our operations. It is about the sustainability of our business and the sustainability of the human, social and environmental assets upon which our success relies.

We have recently appointed a Chief Sustainability Officer who will be responsible for providing strategic leadership, enhanced governance and improved environmental, commercial and social outcomes for Telstra. A Chief Sustainability Office will be established in 2011/12, bringing together key functions from across the business, to improve the strategic alignment of our activities and enhance our sustainability performance. The title of this report reflects our new focus on sustainability.

GOVERNANCE

Governance of Telstra's sustainability strategy and performance is provided by the Group's Executive Leadership Team comprising the Chief Executive Officer and Group Managing Directors. Reports on progress are provided regularly to the Chief Executive Officer and the Telstra Board.

STRATEGIC SUSTAINABILITY PRIORITIES 2011/12

1.	Improve customer service.
2.	Strengthen sustainability leadership across the Group.
3.	Integrate sustainability thinking and behaviour into the everyday work of our employees.
4.	Engage with our stakeholders to deepen relationships and build trust.
5.	Effectively manage our carbon emissions and energy efficiency.
6.	Implement a focussed community investment strategy.

Last year, we set high level strategic priorities to help progress the 'corporate citizenship' agenda across Telstra, and implemented a range of planned actions to ensure ongoing progress on specific material issues. In this report, we account for our progress at the strategic level in this section, and on the planned actions in the relevant sections of the report.

CUSTOMER FOCUS

We demonstrated satisfactory progress against our customer objectives. We recorded a three per cent improvement in customer satisfaction, however we did not meet the target of six per cent we had set ourselves. This is a multi-year programme and remains the highest priority for the company.

SETTING THE TONE FROM THE TOP

Telstra's Corporate Citizenship Council operated for the first six months of 2010/11, with external experts invited to meetings to inspire discussion and debate on specific sustainability topics. In the second half of the financial year, significant changes were made to the CEO's senior leadership team as part of the company's long-term strategy. This included the appointment of a Chief Sustainability Officer. In view of these changes, the Council did not meet in the first six months of 2011 and its ongoing role is under review.

ENGAGING EMPLOYEES

This year we established *The Bigger Picture* network, which provides Telstra people with the opportunity to consider the interdependence of business and society and the role individuals and companies can play to make a difference. The programme comprises employee forums (two were held in 2010/11), a quarterly newsletter for members and a dedicated site on the Telstra intranet. We were not able to develop a corporate citizenship e-learning course this year as planned. We will review this in 2011/12.

ENGAGING OUR STAKEHOLDERS

We developed an engagement policy to provide guidance on the principles that underpin effective stakeholder engagement and quality relationships. Working with Edelman and Catalyst, we also surveyed key stakeholders, including government and regulators, media, regional business leaders and industry groups, to assess the quality of our relationships and establish benchmarks for performance. We found that Telstra is marginally behind class leaders in banking and retail, and that there is room to improve perceptions of trust and the balance of power in relationships. We have used the findings to improve our engagement with these groups and will conduct follow up research to assess our progress next year.

REDUCING OUR CARBON EMISSIONS INTENSITY

Our total carbon emissions in 2010/11 was 1,659,714 tonnes of carbon dioxide equivalent (CO_2-e) – a 1.7 per cent decrease from 2009/10 levels. This was largely the result of a reduction in electricity use in network facilities. From 1 July 2012, we will be tracking our emissions intensity as a measure of tonnes of CO_2-e per terabyte of data we deliver on our networks. This measure reflects the efficiency with which we deliver our core product, which is digital information, represented as bytes.

SOCIAL AND COMMUNITY INVESTMENT

This year we looked at the scope of Telstra's social and community investment. While we have significant breadth of programmes in the community we want a more strategic and focused approach to enhance social impact and return on investment. As part of this process we have established community as a key pillar of Telstra's brand. In 2011/12, we will finalise our strategy and focus for community programmes.
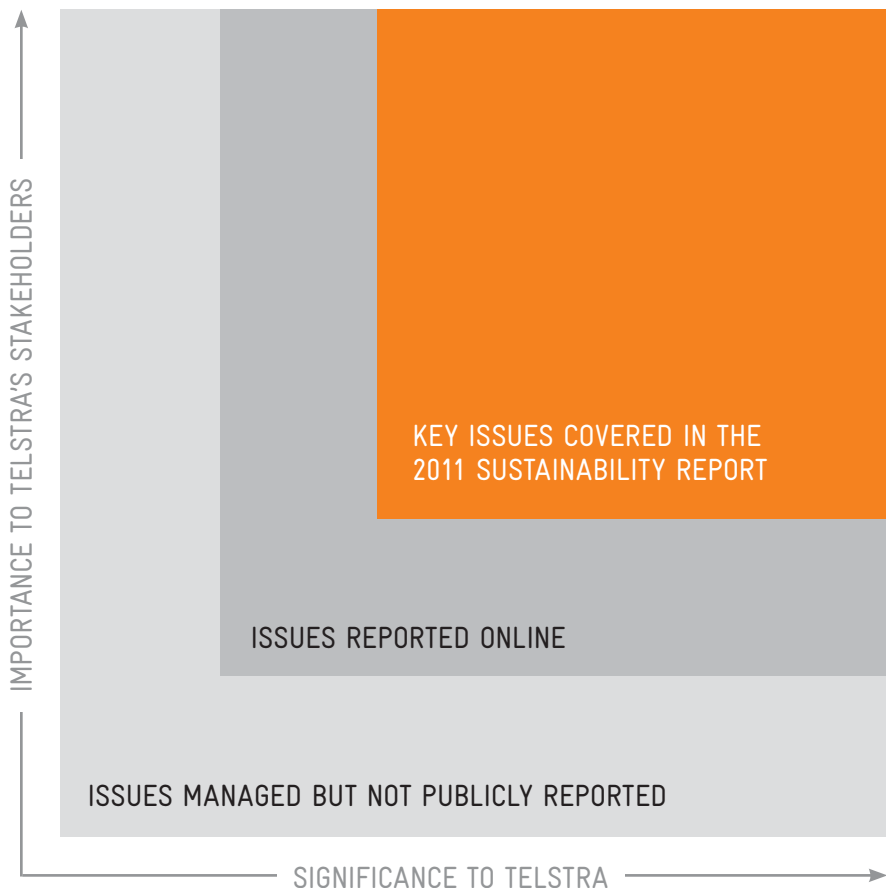
KEY ISSUES

We define our material sustainability issues as those that are most important to our business and our stakeholders. These key issues form the basis of this report.

MATERIALITY

We determined our material issues through a formal and consultative process that included:

- reviewing current and emerging sustainability issues impacting Telstra and the wider information and communications technology (ICT) industry
- assessing our ability to influence the issue
- ranking issues according to importance to our stakeholders and significance to our business (including an assessment of key risks - see page 12)
- testing the results with key stakeholder groups.

This process is based on Accountability's *AA1000 Principles Standard (2008)*, a widely used framework for the identification, prioritisation and response to an organisation's key sustainability challenges.

IMPORTANCE TO TELSTRA'S STAKEHOLDERS

KEY ISSUES COVERED IN THE 2011 SUSTAINABILITY REPORT

ISSUES REPORTED ONLINE

ISSUES MANAGED BUT NOT PUBLICLY REPORTED

SIGNIFICANCE TO TELSTRA

KEY ISSUES

Governance practices (p. 17); customer service (p. 18); responsible marketing (p. 18); credit management (p. 19); customer privacy and data security (p. 20); electromagnetic energy and base station location (p. 21); cyber-safety (p. 22); employee engagement (p. 28); employee health, safety and wellbeing (p. 29), gender diversity (p. 31); digital inclusion (p. 39); disaster relief and recovery (p. 42); ethical and sustainable supply chain (p. 44); carbon footprint (p. 48); energy efficiency (p. 48); climate change (p. 48); waste (p. 50); resource use (p. 50); e-waste (p. 51); innovation and technological leadership (pp. 19, 40 & 50).

To find out more about our approach to innovation and technological leadership visit **telstraenterprise.com/ researchinsights**

KEY STAKEHOLDERS

We have formal and informal consultation and dialogue with key stakeholder groups to gather input and ideas, inform our decision making, strengthen our relationships and better meet the needs of our customers.

See pages 23, 45 & 52 to see how we engaged with our key stakeholders during the year.

CUSTOMERS

Our customers include residential consumers, small to medium enterprises, large companies and organisations, government and wholesale.

EMPLOYEES

Telstra's workforce is large and diverse with more than 39,000 employees.

SHAREHOLDERS

Telstra has more than 1.4 million shareholders, both retail and institutional.

GOVERNMENT

Our government stakeholders are at local, state and national levels, from Ministers and leaders to department staff, including regulatory bodies.

INDUSTRY

These stakeholders include ICT and telecommunications-specific associations, as well as other industry associations.

INVESTMENT COMMUNITY

This stakeholder group includes institutional investors and sell-side analysts.

MEDIA

Includes representatives from print, radio, TV and online and social media.

COMMUNITIES

Telstra operates in communities across the metropolitan, regional and remote areas of Australia. Our community stakeholders include non-profit organisations.

SUPPLIERS

Telstra engages with around 7,000 suppliers each year with total spend around nine billion dollars.

To find out more, visit
telstra.com.au/sustainability

KEY SUSTAINABILITY RISKS

Telstra's risk management framework includes methodology and tools to assist with identifying, evaluating, prioritising and managing risks to Telstra's strategy, including social, ethical and environmental risks. These risks are prioritised in terms of their impact on our customers, employees and other stakeholders, and to our corporate reputation. Priority areas for risk management include the following:

GOVERNANCE	We strive for an environment and culture that sets and communicates expectations for appropriate, responsible and ethical behaviour, encourages a culture of compliance and minimises the potential risks of a breach of relevant legal and regulatory obligations.
CUSTOMER SATISFACTION	Our ability to connect with the customer, understand and exceed their expectations, respond to and solve customer complaints and fulfil expectations of care is an imperative.
OUR PEOPLE	Our ability to build a world class talent base with quality leaders at all levels and to create a high performing customer intense-culture and organisation is critical.
PRIVACY PROTECTION	The nature of our business means that we manage significant amounts of personal and commercially sensitive data and information on behalf of our customers. Protecting and securing customer data and information in line with increasing privacy and information security obligations is of utmost importance to Telstra.
HEALTH AND SAFETY	Our health and safety management system is aligned with the requirements of Australian/New Zealand Standard (AS/NZS) 4801, and governance structures and processes at Board, senior leadership and business unit levels. It is designed to eliminate workplace injuries and reduce business and reputational risks.
COMMUNITY EXPECTATION	Telstra makes significant investments in communities across Australia including through programmes that promote digital inclusion and cyber-safety, and provide disaster relief. We recognise that we are part of the Australian community and any change to our business activities and policies can have significant and long-lasting impact for the community.
ELECTROMAGNETIC ENERGY (EME)	EME from mobile handset use and mobile telecommunications infrastructure may concern some members of the community. While the World Health Organisation (WHO) advises there are no established health effects from using mobile handsets, we continue to proactively monitor all research and report to the Telstra Board on the risks, consult with the community, and keep our customers informed about the risks and ways they can minimise their exposure to EME.
CLIMATE CHANGE	We recognise climate change as a risk and acknowledge the need to responsibly manage our own emissions. Increases in extreme climatic conditions, including floods, bushfires, cyclones and heatwaves also present risks to our infrastructure and there are financial risks associated with energy and carbon pricing.

PERFORMANCE SUMMARY

Monitoring, measuring and reporting our progress helps us to improve our performance.

In 2010/11, we made a commitment to 26 actions to address our material issues. We achieved 16 of these, partially achieved four and did not achieve six. Details about our progress on planned actions can be found throughout the report.

KEY PERFORMANCE INDICATORS

KEY INDICATOR	OBJECTIVE	RESULT 2008/09	RESULT 2009/10	RESULT 2010/11
CUSTOMER SATISFACTION A measure of success across our key customer groups	Be recognised as the leader in the market by the end of the 2011/12	6.5	6.8	6.9
EMPLOYEE ENGAGEMENT A measure of our peoples' connection to Telstra and our strategic direction	Increase employee engagement to 76 in 2010/11	75%	75%	75%
HEALTH AND SAFETY Lost Time Injury Frequency Rate (LTIFR)	To be a zero injury workplace	1.48	2.32	1.30
GENDER DIVERSITY* - Representation of women at Telstra - Women in executive roles	Increase representation of women across Telstra to 32% by end of 2011/12	-	31.3%	31.3%
	Increase representation of women in executive management roles to 25% by end of 2011/12	-	22.4%	22.7%
SOCIAL AND COMMUNITY INVESTMENT Revenue foregone, community investments, discounts and time ($m)	Contribute time, funds, resources, products and services to support our communities	$265.7	$262.1	$248.0
EMPLOYEE PRIDE In Telstra's social and community contribution (percentage favourable)	Baseline measure 2010/11	-	-	82%
CARBON EMISSIONS* Tonnes of carbon dioxide equivalent (tCO$_2$e)	Minimise our impact	-	1,687,777	1,659,714
CARBON EMISSIONS INTENSITY* tCO$_2$e per terabyte of data		-	-	1.93
WASTE TO LANDFILL AND RECYCLING* Tonnes	Use resources more efficiently	-	22,381	21,366

*Includes Sensis. 2009/10 is the baseline year for data including Sensis.

RESPONSIBLE
BUSINESS
PRACTICE

CONDUCTING OUR BUSINESS
ETHICALLY, WITH INTEGRITY AND RESPECT FOR OUR STAKEHOLDERS

In recent years, customer satisfaction in Australian telecommunications has failed to keep pace with community expectations and consumers have responded with increasing complaints to the Telecommunications Industry Ombudsman (TIO). In June 2011, the Australian Communications Media Authority (ACMA) published a draft report, *Reconnecting the Customer*, on its public inquiry into the customer service and complaints-handling practices of Australian telecommunications providers. In the report, the ACMA identified two key drivers of complaints - the quality of information available to consumers to make informed decisions about the products and services they purchase, and unexpectedly high bills (also known as 'bill shock').

More than two years ago, improving customer satisfaction was set as a top priority at Telstra. We recognised that we needed to be a company that is easy to do business with and we knew that our customers often don't find it easy enough. Since then, we have been investing in changes to make it faster, easier and simpler for customers to deal with us. This strategy is led by our CEO, David Thodey, with strong support from all CEO leadership team members. This year we created a new position, Chief Customer Officer, to lead a unified Customer Sales and Service business unit to improve experience across all our customer segments. Ultimately, our customers are the judge of our performance, and customer satisfaction and TIO complaints formed a part of the strategic priority scorecard indicators we used to measure and assess our business performance this year. Our employee incentive and bonus scheme is also tied to meeting an annual company-wide customer satisfaction target.

In addition to customer care, customer privacy, Internet censorship, cyber-safety and universal access to high-speed broadband have emerged in recent years as some of the defining public policy issues in the Australian telecommunications landscape, a reflection of rapidly evolving information and communication technologies and changing consumer preferences.

TELSTRA VALUES

The Telstra Values, Business Principles and Company Policies, including the Code of Conduct, set out the practices, principles and standards of behaviour we expect employees and contractors to adopt in performing their work.

Together they reflect our obligations and underpin the way we work with our customers, our shareholders, our colleagues, the regulatory bodies we deal with, our suppliers and stakeholders in the community.

SERVICE & RESPECT	INTEGRITY & TRUST	TEAMWORK & ACCOUNTABILITY

PROGRESS

POLICY REVIEW AND DEVELOPMENT

In 2010/11, we simplified Telstra's Business Principles and Code of Conduct to clearly define responsibilities and expectations, and provide clarity for employees and management. In addition, we reviewed Telstra's Company Policy suite and updated it with four new policies. We communicated the new policies to employees and updated mandatory employee training where relevant. New policies launched were:

- Anti-Bribery and Anti-Corruption – in response to legislation introduced in the UK and our exposure to the US legislation through Telstra's ownership of securities.
- Stakeholder Engagement – provides guidance on the principles that under-pin effective stakeholder engagement and promotes quality relationships.
- Working at Telstra policy – defines the expectations of our workforce and how we will support our employees on matters such as drugs and alcohol, privacy, leave, employee assistance, powers and delegations.
- Conflicts of Interest and Outside Activities – developed to support our Business Principles and achieve improved compliance.

COMPLIANCE MONITORING

To ensure compliance with the Telstra Values, Business Principles and Company Policies, including the Code of Conduct, we track completion of our online *Business Essentials* course. All new employees and applicable contractors are required to complete this course during their induction, and refresher training is completed every two years.

We are committed to the highest standards of corporate governance, transparency and accountability.

We conduct our activities ethically, in accordance with the law and our regulatory obligations, in ways that are competitive, fair and honest.

To find out more about our Business Principles and Company Policies visit **telstra.com.au/governance**

Image: Ann Gore, Brisbane Service Centre General Manager

GOOD GOVERNANCE PERFORMANCE			NEXT STEPS 2011/12
PLANNED ACTION	PROGRESS	STATUS	Undertake a full review of the Telstra policy suite in conjunction with the subsidiary company policies in all of Telstra's 100 per cent owned on-shore and off-shore subsidiaries to ensure consistency and address gaps.
Develop two new policies, with associated processes, to cover anti-bribery and anti-corruption, and conflicts of interest and outside activities.	Anti-Bribery and Anti-Corruption, and Conflicts of Interest and Outside Activities policies developed.	Achieved	

CUSTOMER EXPERIENCE

Our objective is to have the best customer satisfaction rating in the market by the end of the 2011/12.

We continue to set targets and identify areas for improvement based on this objective.

PROGRESS

CUSTOMER SATISFACTION

In 2010/11, we continued to focus on simplifying our business and improving our processes in order to better serve customers. This included listening to our customers, undertaking root cause analysis when issues arise, fixing the areas that our customers told us they were not happy with and building a culture that puts the customer at the centre of everything we do. We have made a significant investment in our systems, processes, people and organisational structure in order to deliver a clearer, simpler operating model focussed on the customer.

Based on a three month rolling average we recorded a three per cent improvement in our customer satisfaction rating in 2010/11. While not meeting the target, this year's achievements demonstrate real progress against our strategy. We know we still have significant improvements to make. We have set a target to improve customer satisfaction by four per cent in 2011/12 to 7.2.

We measure customer satisfaction through customer surveys conducted by independent research companies across our key customer groups. Our customer satisfaction score is based on equal weighting of the three month average of our Consumer and Business customer results, and a biannual survey of Enterprise and Government customers. In 2010/11, customer satisfaction ratings for Consumer and Business were 6.6 and 6.4 respectively - closing the gap on our competitors. Key reasons cited for dissatisfaction by Consumer and Business customers were: prices too expensive, poor customer experience and loyalty not being shown to customers. The customer satisfaction rating for our Enterprise and Government was 7.8, above average when compared to the rest of the market.

CUSTOMER SATISFACTION

	2008/09	2009/10	2010/11*
CUSTOMER SATISFACTION	6.5	6.8	6.9
TARGET	N/A – BASELINE	6.7	7.1

*The customer satisfaction result for 2010/11 is based on a three month rolling average compared to a monthly average for 2008/09 and 2009/10. Customer satisfaction for 2009/10 is 6.7 based on a three month rolling average.

RESPONSIBLE MARKETING

We are committed to marketing to our customers simply and transparently. In 2010/11, we made important changes to how we market our products and services. We stopped using the word 'cap' unless the plan has a genuine hard cap and introduced one-page summaries of all our consumer plans. The summary, known as *My Offer Summary*, sets out the pricing of each plan in simple, plain English terms. It also includes information on inclusions and exclusions, the contract length, total minimum package cost, any termination charges and where to find tools to monitor usage on the plan. These provide consumers with an enhanced ability to compare rates for the type of usage they envisage. We are now in the process of launching similar summaries for our small business plans.

We also simplified and shortened our scripting for phone sales to describe our key terms and conditions more simply to better inform customers about what they are purchasing.

CREDIT MANAGEMENT

With the introduction of smartphones, excess data usage fees have become a key credit management issue for the industry. In response to this, we announced that by the end of 2011 we will introduce data shaping (also called throttling) on consumer post-paid mobile plans – a world first. This protects consumers from incurring excess usage charges by slowing down their data speeds once they reach their included data allowance or reached 25MB on 'pay as you go' plans for data usage in Australia.

Internationally, we do not have the same ability to manage data usage. The time lag in data usage reporting limits the effectiveness of bill shaping and other credit management tools. In 2010/11, to help minimise 'bill shock' as a result of international data usage we worked to raise the awareness of our customers to the likely usage charges before they travel. We trialled a system that will send customers SMS alerts worldwide, when their international data usage reaches 20MB ($300 at casual rates), and then a second alert again at 60MB ($900) to help them stay on top of their data usage. We also promoted the use of our international roaming pre-paid services.

BEING RESPONSIVE AND COMPLAINTS HANDLING

Our customers told us we needed to make it easier for them to contact us to resolve problems and complaints quickly and effectively. Since extending our hours of sales and service to consumer and business customers to 24/7, we have seen more than five million calls made to us after hours, and around 80,000 weekend appointments. We also introduced better complaint management standards across the business where we aim to acknowledge each complaint within 24 hours and resolve the issue, or have an action plan communicated to the customer, within five working days.

BETTER SERVICE ONLINE

Improving our online service solutions and encouraging customers online will help to reduce congestion in call centres and shops, and enhance the customer experience. We are working to improve our online service solutions with a view to having 35 per cent of customer transactions conducted online by the end of 2012/13 (we are currently at around 22 per cent). In 2010/11, we introduced a range of initiatives to improve online service solutions across our customer segments, including:

- improved online access for account enquiries on customer mobile phones, resulting in around 100,000 customer interactions every week
- user improvements to our telstra.com site, resulting in more than 300,000 customers activating international roaming online, and tens of thousands of customers being able to retrieve their Personal Unblocking Key (a unique code specific to their SIM, or their username or their password online)
- launching *Your Telstra Tools*, a one-stop shop that allows our enterprise and government customers to easily manage their account online.

TIO COMPLAINTS

We had set a target to reduce TIO complaints by 30 per cent in 2010/11 from 2009/10 levels. While our TIO complaints for the year continued to decrease, we only achieved a six per cent decrease. This decrease, while not as significant as we targeted, also reflected market share gains in mobiles and broadband. Customer complaints to the TIO were generally associated with complaints handling, customer service, billing and payments and fault resolution. Encouragingly, there was a 25 per cent decline in escalated complaints from the previous year. Escalated complaints are TIO Level 2, 3 and 4 complaints. The TIO does not formally investigate a Level 1 complaint – these are referred back to the provider to resolve within 14 days. The TIO is more actively involved in the resolution of escalated complaints.

OUR CUSTOMERS WANT

1.	Things done right the first time.
2.	To be kept informed and educated about: • their products • the progress of their orders or status of any fault • when we will get back to them.
3.	The people that they deal with in Telstra to be knowledgeable and respectful.

In our submission to the *ACMA's Reconnecting the Customer Inquiry* draft report we have suggested that a preferable way to measure TIO complaints is a ratio based on the number of services provided. These are known as Services in Operation (SIO). This would enable industry benchmarking and a more meaningful tracking of performance. We have set a target to track our performance based on this metric for next year.

CUSTOMER EXPERIENCE PERFORMANCE			NEXT STEPS 2011/12
PLANNED ACTION	**PROGRESS**	**STATUS**	
Improve our customer satisfaction rating by six per cent.	Customer satisfaction increased by three per cent.	Partially achieved	• Extend 24-hour customer support through Twitter, a new customer service facility in Facebook and a new online community CrowdSupport™, where customers help customers.
Enable our consumer and business customers to contact us 24/7 for sales and support.	Extended our hours of sales and service to 24/7.	Achieved	• Enable mobile customers to have greater control of their mobile usage, including reducing bill shock, by setting their own usage limits.
Reduce Telstra's TIO complaints by 30 per cent.	TIO complaints reduced six per cent.	Partially achieved	• Implement shaping on consumer post-paid mobile plans once customers reach their included data allowance or reach 25MB on 'pay as you go' plans for data usage in Australia. • Improve customer satisfaction by four per cent to 7.2. • Two TIO Level 1 complaints per month per 10,000 SIOs.

PRIVACY PROTECTION

Protecting our customers' personal information and the privacy of individuals is critical. We maintain effective privacy controls across our business and supply chain, through a network of privacy officers and mandatory training for all employees.

For more information visit
www.telstra.com.au/privacy

PROGRESS

INCIDENTS AND COMPLAINTS

We aim to avoid all instances of privacy complaints and incidents. This year's privacy complaints regarding marketing, access to information, accuracy of data and disclosure of information remained relatively stable. Of these, two voluntary notifications to the Australian Privacy Commission were made. These instances were addressed and resolved without the need for independent or judicial involvement. One related to a mail merge incident where letters were sent to incorrect addresses. The other incident was a fault in the security of our Tribe platform which gives access to social media sites in one place including Facebook, MySpace and Twitter. Some customers' pages could be accessed by other customers.

CORRECTIVE ACTION

When we have a privacy incident or breach we carry out an immediate and thorough investigation to examine the cause and set up controls to prevent similar occurrences. We also directly notify impacted customers of the incident and our response. The Australian Privacy Commissioner conducted its investigation following the notification of these two incidents and found that no further action was needed.

PRIVACY PROTECTION PERFORMANCE			NEXT STEPS 2011/12
PLANNED ACTION	PROGRESS	STATUS	Establish appropriate frameworks for privacy compliance in all offices operating under Telstra globally.
Conduct a review of Telstra's off-shore operations to ensure that privacy of customer information continues to be protected to the standards required in Australia.	A review of off-shore call centres was conducted by our Internal Audit with no notable findings.	Achieved	

ELECTROMAGNETIC ENERGY (EME)
AND BASE STATION LOCATION

PROGRESS

KEEPING OUR CUSTOMERS INFORMED

Telstra is committed to being proactive, transparent, fact-based and informative in our communication on EME. The International Agency for Research on Cancer (IARC), an agency of the World Health Organisation (WHO), recently reviewed all available scientific research into the likelihood of EME being associated with cancer in humans and classified the radio signals from mobile phone as 'possibly carcinogenic'. The overall conclusion from the WHO subsequent to this classification was that there are no adverse health effects established from using mobile phones, however there is a need for further study into the long-term use of mobile phones and cancer. In response to the recent findings of the WHO and the IARC, we took the following steps to keep our customers informed:

- updated our web based information on EME at www.telstra.com and the BigPond mobile portal
- updated the EME brochure we provide online and in-store on request
- sent SMS to all new mobile phone customers advising them of how to access information about EME and exposure reduction options
- included information about EME and exposure reduction options in our new customer welcome letter and information pack.

MOBILE PHONE SAFETY

All mobile phone handsets sold by Telstra in 2010/11 met national and international safety standards. In Australia, the EME safety standard for mobile phones is set by Australian Radiation Protection and Nuclear Safety Agency, and regulated by the ACMA - the federal government regulator of the nation's telecommunications industry. All mobile phones sold in Australia must comply with the ACMA's Radio Communications (Electromagnetic Radiation - Human Exposure) Standard 2003. This is the standard recommended by the WHO. It is based on guidelines from the International Commission for Non-Ionizing Radiation Protection, and a careful analysis of all of the scientific literature (both thermal and non-thermal effects). It is designed to offer protection against identified health effects of EME with a large in-built safety margin.

COMMUNITY CONSULTATION FOR BASE STATION LOCATION

In 2010/11, Telstra completed 1,662 mobile infrastructure consultation projects consisting of 145 new development applications (of which 135 were approved) and 1,517 Australian Communication Industry Forum consultation proposals. Our proactive community engagement programmes continue to result in a

We recognise and acknowledge community concern that EME from mobile telephone handsets and telecommunications base stations could lead to adverse health effects.

For more information about EME visit
www.telstra.com/eme
or email enquiries to
eme.enquiries@team.telstra.com

very low number of complaints. The ACMA confirmed that they received five complaints regarding Telstra proposals in 2010/11, compared to four in 2009/10 and two in 2008/09.

We have a dedicated team that actively reviews new site proposals, develops suitable community consultation plans and works with the community to determine acceptable sites for new base stations. In 2010/11, a number of communities, including Jamberoo on the New South Wales south coast and Bellamack in the Northern Territory, expressed concern about EME in response to Telstra's consultation on new mobile base station proposals. Telstra responded to these concerns through extended consultation and proactive community engagement. We also continued trialling online community consultation portals for proposed base stations and improved network coverage in Bardon, Queensland and Mullaloo, Western Australia. The online portals have received good feedback from community groups and have been used as examples to inform the review of the Australian Construction Industry Forum (ACIF) Code for the deployment of mobile phone base stations.

CYBER –SAFETY

As the nation's largest provider of digital services, we work with industry, government, law-enforcement, community organisations, and internet users to help customers manage the risks associated with being in an online environment.

PROGRESS

BLOCKING CHILD ABUSE MATERIAL IN AUSTRALIA

Since July 2011, Telstra has proactively blocked the illegal child abuse and child exploitation websites identified by international policing organisation INTERPOL. Blocking helps disrupt the availability of child sexual abuse content in Australia and protects victims from public identification. Telstra was the first ISP in Australia to support this initiative, which is also being backed by members of the Internet Industry Association.

RAISING AWARENESS

This year we redeveloped our *Internet and Cyber-Safety* website and our *2011 Cyber-Safety Guide*. These tools help customers of all ages control the risks in their own online environments, and use the latest technology with confidence. Since July 2010, visits to the website have increased from around 2,000 to more than 41,000. This year, we funded three *Spotlight on Cyber-Safety* projects to the value of $342,000 through the Telstra Foundation, including support for the National Association for Prevention of Child Abuse and Neglect to extend the content of their *Smart Online Safe Offline* initiative into schools. As an industry partner we continue to support a range of government initiatives to raise awareness including the Department of Broadband, Communications and the Digital Economy's *National Cyber Security Awareness Week*, the Australasian Consumer Fraud Taskforce for its *National Consumer Fraud Week* and the ACMA's *Safer Internet Day*.

CYBER-SAFETY PERFORMANCE			NEXT STEPS 2011/12
PLANNED ACTION	PROGRESS	STATUS	
Achieve half a million views and at least 10 reciprocal links to other experts and leading sites by promoting Telstra's Internet and Cyber-Safety website.	Achieved more than 41,000 views and six known reciprocal links.	Not achieved	

CUSTOMER CARE PUBLIC POLICY	In 2010/11, we worked closely with the Communications Alliance and other members of the industry to strengthen key areas in the Telecommunications Consumer Protections Code and ensure this co-regulation delivers the tangible consumer improvements expected by customers, regulators and the Government.
CONSULTATIVE WORKING GROUP TO IMPROVE CYBER-SAFETY	Telstra's Officer of Internet Trust and Safety, Darren Kane, was re-appointed for a fourth consecutive term to the Federal Government's Consultative Working Group (CWG) to improve cyber-safety. The CWG comprises industry experts including representatives from The Alannah and Madeline Foundation, Bravehearts, Google, Facebook and Yahoo. It provides advice on cyber-safety issues faced by Australian children and on priorities for action. The CWG remains an important component of the Government's Cyber-Safety Plan. Telstra is the only telecommunications company and large ISP represented on the group.
PRIVACY PROTECTION IN A DIGITAL WORLD	During 2010/11, we made submissions to a number of Australian Government reviews into digital communications privacy including, the *Privacy Act* review, Senate Committee review into the adequacy of protections for the privacy of Australians online, Senator Fielding's *Keeping Jobs from Going Offshore (Protection of Personal Information) Bill 2009* and the Prepaid Services Determination. In our submissions, we aim to ensure that laws and industry standards keep pace with the changes in technology.
NATIONAL BROADBAND NETWORK	On 23 June 2011, after two years of complex negotiations, Telstra finalised Definitive Agreements with NBN Co and the Commonwealth for Telstra's participation in the roll out of the National Broadband Network. The agreements were subject to the satisfaction of a number of conditions, including Telstra Shareholder approval (received at the company's Annual General Meeting on 18 October 2011) and ACCC approval of Telstra's Structural Separation Undertaking and Migration Plan (under consideration at the time of printing).

BEING A GOOD EMPLOYER

MAKING TELSTRA
A GREAT PLACE TO WORK

As an employer of more than 39,000 people we have an important responsibility to make Telstra a great place to work. A safe, equitable and supportive work environment is critical to having a workforce where productivity and morale is high and our people are motivated and engaged. Employee engagement is a key strategic objective for our business and is built into our business goals. We know that when our people are engaged they are more able to deliver an outstanding customer experience and enjoy greater job satisfaction.

Our culture is built on the values of service, respect, integrity, trust, teamwork and accountability. These not only create an environment for the individual to prosper but also provide a framework to transform to a more efficient, innovative and customer centric business. Over the past year, we have made a significant investment in our leaders to drive this cultural change.

Effectively addressing employee diversity and work-life flexibility is becoming increasingly important for attracting and retaining talented employees in a competitive labour market. Gender diversity, in particular, continues to be a focus in Australia, with women still experiencing significant inequality and disadvantage in the workforce . On 30 June 2010, the ASX Corporate Governance Council released the *ASX Amended Principles and Recommendations* which included amendments in relation to diversity, formally taking effect for Telstra on 1 July 2011. The *ASX Corporate Governance Principles and Recommendations* provide a non-prescriptive and principles-based framework for corporate governance for listed companies. Telstra has been an early adopter of these principles and this year we have set measurable objectives for achieving gender diversity at all levels of the company.

HUMAN
CAPITAL DEVELOPMENT

A major focus for the development of our people is the investment in our culture.

Our culture is built on three strategic pillars - collaboration and innovation, customer driven and winning culture.

For further details on our workforce statistics see the *Bigger Picture – Our people* supplement at **telstra.com.au/sustainability**
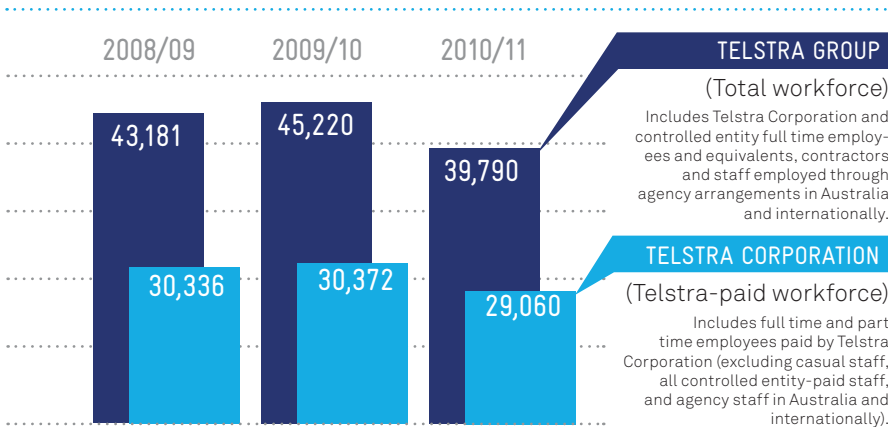
PROGRESS
WORKFORCE PROFILE

In 2010/11, Telstra employed 39,790 people across the Group including in our controlled entities in Australia and overseas. Total workforce numbers declined by 5,430 from the prior year predominantly with the divestment of SouFun (China) resulting in a staff reduction of 4,770. There have been further reductions as we move towards a more simplified operating model.

Approximately 71 per cent of our people are employed on individual contracts or individual statutory agreements. The remaining 29 per cent are employed under collective agreements. Some 82 per cent of our people on individual contracts or individual statutory agreements are eligible for performance based pay. Incentive arrangements have been extended to include some employees on Telstra's Employee Collective Agreements.

	2008/09	2009/10	2010/11

TELSTRA GROUP
(Total workforce)
Includes Telstra Corporation and controlled entity full time employees and equivalents, contractors and staff employed through agency arrangements in Australia and internationally.

43,181   45,220   39,790

TELSTRA CORPORATION
(Telstra-paid workforce)
Includes full time and part time employees paid by Telstra Corporation (excluding casual staff, all controlled entity-paid staff, and agency staff in Australia and internationally).

30,336   30,372   29,060

LOCATION	2008/09	2009/10	2010/11
AUSTRALIA	84.3%	79.5%	88.3%
CHINA	8.5%	14.0%	4.3%
HONG KONG	3.3%	2.9%	3.5%
NEW ZEALAND	3.1%	2.9%	3.2%
OTHER	0.8%	0.7%	0.7%

TOTAL WORKFORCE BY SIGNIFICANT GEOGRAPHIC LOCATION (TELSTRA GROUP)*
Full time equivalent as at 30 June

* Significance determined as greater than one per cent of total employees being present at that location.

EMPLOYMENT TYPE	2008/09	2009/10	2010/11
PERMANENT FULL TIME	92.6%	92.1%	92.5%
PERMANENT PART TIME	6.6%	7.3%	6.8%
FIXED TERM FULL TIME	0.8%	0.6%	0.6%
FIXED TERM PART TIME	‹0.1%	‹0.1%	‹0.1%

EMPLOYMENT TYPE (TELSTRA CORPORATION)
Full time equivalent as at 30 June

Age	Percentage
18–24	7.4%
25–34	24.4%
35–44	29.9%
45–54	26.3%
55+	12.0%
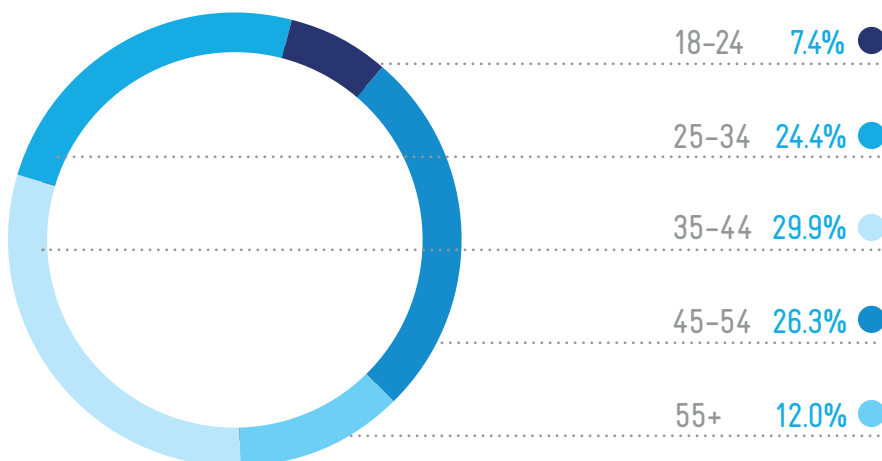
AGE DISTRIBUTION 2010/11 (TELSTRA CORPORATION)
Full time equivalent as at 30 June

NEW EMPLOYEE HIRES AND TURNOVER 2010/11 (TELSTRA CORPORATION)

Full time equivalent
as at 30 June

TOTAL NEW HIRES	RATE OF NEW HIRES	TOTAL TURNOVER	RATE OF TURNOVER
3,779	13.0%	4,881	16.8%

Reasons for turnover included retrenchment, resignation, fixed-term expiry and other.

CREATING A CUSTOMER CENTRIC CULTURE

In 2010/11, we conducted our first culture survey to provide us with a baseline measure of our employees' perceptions of what it feels like to work at Telstra. The results assisted us to identify six key focus areas: taking ownership, being responsive, reliable, innovative, collaborative, and constantly striving for excellence. We also made a significant investment in building the capability of our leaders to drive cultural and organisational change through the delivery of *Leaders Creating Culture* sessions. The sessions were designed to equip our executive team with the knowledge and skills to drive organisational change. We also know that Telstra's people leaders play an integral role in driving the change to be a more customer-focussed organisation. We have invested in developing our people leaders to better connect with our customers. Over 3,800 leaders from across Telstra attended *Our Customer Connection* sessions focussed on placing the customer at the centre of everything we do. To support the cultural change programme we launched a new reward and recognition programme to recognise individuals and teams that consistently demonstrate our cultural priorities and excellence in customer service.

EMPLOYEE ENGAGEMENT

At the close of 2010/11, we conducted a full census employee engagement survey (EES). We achieved an employee satisfaction score of 75 per cent, the same score we achieved in our last full census EES in 2008/09. Given the level of change across our business that has occurred during this time, remaining steady is a good result. Feedback from our employees indicates that key areas for improvement over the coming year are strategic leadership, creating a winning culture, developing our people, and reward and recognition.

The results of the survey show positive improvement in the areas that we identified in 2009/10 as being our key opportunities - strategic leadership, customer focus and results delivery.

EMPLOYEE ENGAGEMENT SURVEY RESULTS

2007/08 — 74%
2008/09 — 75%
2009/10* — 75%
2010/11 — 75%
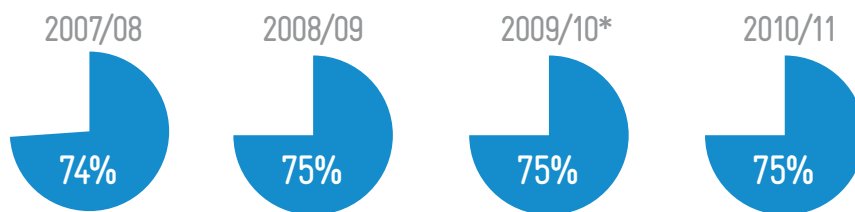
*Pulse survey. Thirty per cent of Telstra's employees were invited to participate. All employees are invited to participate in our engagement surveys.

HUMAN CAPITAL DEVELOPMENT PERFORMANCE

PLANNED ACTION	PROGRESS	STATUS
Improve employee engagement by one per cent from 75 to 76.	Employee engagement score of 75.	Not achieved

PROGRESS

FIELD OPERATIONS

It is with deep sadness and regret that we reported one fatality as a result of an employee being involved in a vehicle accident in 2010/11. Telstra is committed to creating a safe environment for our employees and we have in place strategies to promote vehicle and driver safety. We will continue to review and strengthen our systems and processes that manage the inherent risks associated with our field operations.

LOST TIME INJURIES (LTIs) AND LOST TIME INJURY FREQUENCY RATE (LTIFR)

In 2010/11, 62 LTIs were recorded, down from 111 in the previous year. We also achieved a significant reduction in LTIFR, from 2.32 in 2009/10 to 1.30 in 2010/11, exceeding the target of 2.14. A reduction in LTIs is a key indicator of the effectiveness of our safety programmes. This year we revised our definition of LTI to align with Australian Standards. A LTI continues to be a work related incident resulting in a full shift or day lost subsequent to the date of injury, but now requires an accepted workers compensation claim before categorisation as a LTI.

This year, as in previous years, we used 'average days lost per LTI' to monitor the success of early intervention and return to work programmes following an injury. In 2010/11, our average days lost rose from 18.6 to 19.2, which means that we did not meet our target for a 10 per cent reduction. Five of the 62 LTI cases in 2010/11 were of a significant severity and resulted in 80 or more days lost, increasing the average days lost. From next year we will be tracking and reporting claims that require an absence from work of one working week or more as a more effective measure for this purpose.

Organisational health, safety and wellbeing are critical elements of making Telstra a great place to work. We actively promote employee health and mental health, and minimise work hazards. Our vision is a zero injury workplace.

For further details on our occupational health and safety performance see the *Bigger Picture – Our people* supplement at **telstra.com.au/sustainability**

LOST TIME INJURIES (LTIs) AND LOST TIME INJURY FREQUENCY RATE (LTIFR)

	2008/09*	2009/10*	2010/11
LTI	74	111	62
LTIFR	1.48	2.32	1.30

* We have recalculated our 2010/11 target and our 2008/09 and 2009/10 LTI and LTIFR data in accordance with the revised definition of an LTI to align with Australian standards and provide an accurate report on progress.

LTI: The reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers compensation claim.

LTIFR: The reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers compensation claim, for each million hours worked.

EARLY INTERVENTION

In 2010/11, we introduced two new early intervention programmes *Ergo Injury Early Response* and *Psychological Injury Early Response*. Musculoskeletal and psychological injuries are our main injury types. In 2010/11, these accounted for 62 per cent of the claims made. These programmes are primarily delivered through workshops and are targeted for people managers and employees to identify the early signs of injury and promote the use of counsellors, physiotherapists and occupational therapists (for both non-work and work related injuries). To promote employee wellbeing we also delivered heart health screenings and awareness workshops, and promoted *Ride to Work Day*, *Walktober* and *Mental Health Month*.

STANDARD ACCREDITATION

To successfully secure new federal government projects we are required to verify the effectiveness of our health and safety management systems through industry recognised certification and accreditation programmes. To achieve this, we have successfully maintained our self insurance licence at Tier 3 level (the highest possible), achieved Federal Safety Commission (FSC) accreditation and in 2011/12, we will be seeking business-wide certification to AS/NZS 4801.

HEALTH, SAFETY AND WELLBEING PERFORMANCE

PLANNED ACTION	PROGRESS	STATUS
Reduce LTIFR from 2.32* to 2.14.	LTIFR 1.30.	Achieved
Reduce average days lost per LTI by 10 per cent, from 18.6** to 16.7*** days.	LTI 19.2.	Not achieved
Develop and implement new health and wellbeing early intervention programmes - Psychological Injury Early Response and Ergonomic Injury Early Response.	Two programmes developed - *Ergo Injury Early Response* and *Psychological Injury Early Response.*	Achieved

NEXT STEPS 2011/12

- Achieve business-wide AS/NZS 4801 certification.
- Revise audit tool to include AS/NZS 4801 and FSC requirements.
- Achieve LTIFR of 1.5.
- No more than five serious injuries where a serious injury is defined as a claim that requires an absence from work of one working week or more per 1,000 full time equivalent employees.

We have recalculated our 2010/11 targets and our 2008/09 and 2009/10 LTI and LTIFR data in accordance with the revised definition of an LTI to align with Australian standards and provide an accurate report on progress: * reset from 2.63 to 2.32; ** reset from 17 days to 18.6 days; *** reset from 15.3 to 16.7.

Images:

1. Jason Brown, Installer Repairer, Telstra Operations

2. Nicole Kelly, Customer First Champion, Telstra Customer Sales & Service

DIVERSITY AND INCLUSION

PROGRESS

GENDER DIVERSITY

As at 30 June 2011, women comprised 31.3 per cent of Telstra's[#] workforce, equivalent to that of the previous year. Our target is to achieve 32 per cent female representation by 30 June 2012.

To attract and retain women in our workforce in 2010/11 we:

- facilitated 452 Telstra women to participate in *My Mentor,* a 12-week multi-media programme that aims to improve strategic business skills for women
- provided ongoing support for our female employees through development events and programmes, and partnering with organisations such as Catalyst, Sustaining Women in Business, Business Chicks, Women in Engineering, Chief Executive Women and Females in Information Technology and Telecommunications
- expanded Telstra's Women's Network (currently 2,000 members) to become the Telstra Gender Equality Network, which includes men as active champions of gender equality at Telstra.

Telstra was a finalist in the 2010 Equal Opportunity for Women in the Workplace Agency's *Business Achievement Awards*, a recognition of our initiatives to support women in the workplace.

Attracting, recruiting, and retaining a diverse team of talented people at Telstra better enables us to provide the best in service to our customers and helps to create a more inclusive workplace and society.

[#] Includes full time and part time employees paid by Sensis.

WOMEN AT TELSTRA*
as at 30 June

ROLE	2009/10 TOTAL	2009/10 %	2010/11 TOTAL	2010/11 %
EXECUTIVE MANAGEMENT	65	22.4%	56	22.7%
MIDDLE MANAGEMENT	2,120	27.6%	2,064	27.3%
OPERATIONAL	8,437	32.5%	8,256	32.6%
TOTAL WOMEN IN THE WORKFORCE	10,622	31.3%	10,385	31.3%

* Includes full time and part time employees paid by Sensis. 2009/10 is the baseline year for data including Sensis.

SETTING MEASURABLE OBJECTIVES

In 2010, responsibility for diversity was included in the Board Charter, the Nomination Committee Charter (for Board diversity) and the Remuneration Committee Charter (for diversity at all other levels of the Company). The Board formally adopted diversity policies which reflect the principles and practices Telstra has had in place for a number of years.

The Board has established the following measurable objectives for achieving diversity at all levels of the company for 2011/12:

- that by the end of 2011/12, there will be three women on the Board, representing a female gender representation among non-executive Directors of at least 30 per cent
- fifty per cent female representation in 2013 graduate intake
- promotion rates for women to exceed their representation at Business Unit level
- engagement of identified groups[+] equal to or greater than national benchmarks
- female representation for 30 June 2012 at 32 per cent (Telstra) and 25 per cent (Executive Management).

[+] Identified groups are female employees, Indigenous employees, other culturally and linguistically diverse employees, employees with disability, and gay, lesbian, bisexual, transgender and intersex employees.

BOARD DIVERSITY

As at 30 June 2011, there were two women on the Board (including the Chairman of the Board), representing a female gender representation among non-executive Directors of 22 per cent (two of nine members). Dr Nora Scheinkestel was appointed to the Board effective 12 August 2010.

DIVERSITY AND INCLUSION PERFORMANCE			NEXT STEPS 2011/12
PLANNED ACTION	**PROGRESS**	**STATUS**	• Implement targeted approaches to increase employment applications from diverse candidates, including women and Indigenous people. • Complete a feasibility study for Indigenous employment at Telstra and have a specific Indigenous Employment Plan. • Support a sustainable increase in traineeships for Indigenous people at Telstra so that Indigenous trainees comprise at least 10 per cent of the annual intake in Telstra Operations.
Establish measurable objectives for achieving diversity at all levels of the company and report on progress in 2011 Annual and Sustainability reports.	Board has set measurable objectives for 2011/12.	Achieved	

Image: Women at Telstra: celebrating the success of women at every level

PROGRESS

PAYROLL GIVING

Since August 2010, more than 3,800 employees have made a donation through Telstra's new *Payroll Giving* programme, contributing more than $660,000 to our 16 charity partners and four disaster relief appeals. The current participation rate in the *Payroll Giving* programme is 3.5 per cent. When including employee participation in the disaster relief appeals this measure increases to 13.2 per cent.

VOLUNTEERING AND FUNDRAISING

Through our *Payroll Giving* charity partners and Telstra Foundation-funded community organisations, we provide volunteering and fundraising opportunities for Telstra people. Currently we are unable to track employee participation in other community volunteering initiatives. Next year, to grow our employee-community engagement we will introduce and promote one day of paid volunteer leave for Telstra employees. We will track participation through the leave approval process.

TELSTRA'S KIDS FUND

Telstra's Kids Fund is an employee directed giving programme that provides grants of $1,200 to local community organisations that involve the participation of a child or young person directly related to a permanent Telstra employee.

The grants are managed by the Telstra Foundation and support a broad range of initiatives and projects across education, sports and recreation, arts and culture, environment, health, disability and cultural diversity. In 2010/11, the Foundation distributed 625 *Telstra's Kids Fund* grants to the value of $750,000.

Providing our employees with opportunities to engage with the community helps to make Telstra an attractive place to work, enhances our reputation and strengthens the communities in which we operate.

TELECROSS

Telecross is a programme run by the Australian Red Cross to address social isolation. Currently, 80 Telstra employees make phone calls in the morning, during work hours, to check on the well-being of people who are vulnerable and at risk of an accident or illness. In the event of three unanswered calls, the volunteer alerts the Red Cross and an emergency procedure is activated.

EMPLOYEE GIVING AND VOLUNTEERING PERFORMANCE

PLANNED ACTION	PROGRESS	STATUS
Establish an ongoing volunteer programme for Telstra employees.	Around 80 employees are volunteering for *Telecross*, a Red Cross social inclusion programme.	Achieved
Achieve a three per cent employee participation rate in the first year of Telstra's *Payroll Giving* programme.	Achieved 3.5 per cent participation rate. This increases to 13.2 per cent when we include employee participation in disaster relief appeals.	Achieved
Create employee involvement opportunities across at least 20 per cent of Telstra Foundation Community Development Fund programmes.	Opportunities were created across five funded organisations (29%).	Achieved

NEXT STEPS 2011/12

- Introduce and promote one day of paid volunteer leave for Telstra employees.
- Establish three new employee engagement initiatives.
- Increase participation in *Telecross* by 50 per cent.
- Maintain a minimum of three per cent participation rate in *Payroll Giving*.

SUSTAINABLE
COMMUNITIES

BUILDING RESILIENT COMMUNITIES
THROUGH DIGITAL INNOVATION

While Australians generally enjoy good health, education and living standards, significant disadvantage persists in some communities. Life expectancy and health status are still lower for Indigenous Australians, for people in rural areas and for those in socio-economically disadvantaged groups. Information and communication technologies have the potential to help address these gaps by facilitating greater access to health and education services, supporting economic growth and enhancing social inclusion.

At Telstra, we believe that business engagement in issues of national and global importance is essential to a prosperous and resilient society. As Australia's leading telecommunications company we have a vital role to play in supporting access to new communications technologies and services by everyone in the community. We also have a key role to play in enabling productivity improvements by delivering the technology and services that help businesses and communities change the way they live and work for the better – to help Australia become a digital nation.

Our community involvement affords us the opportunity to understand and respond to the unique needs and concerns of our customers and communities, and to work in partnership with government, business and non-profit organisations to help address some of the key challenges facing Australia.

SOCIAL AND
COMMUNITY INVESTMENT

We invest in local communities all around the nation because the success of our business and the welfare of our communities are interdependent.

For further details on our community contributions see the *Bigger Picture – Community contribution* supplement at **telstra.com.au/sustainability**

PROGRESS

SOCIAL INVESTMENT

In 2010/11, the total value of Telstra's social investment was $248 million. Our social investment comprises: the assistance provided to low-income customers; discounts for our charity and non-profit customers on fixed line rentals; disaster relief; and community investment, which includes funds, donations of goods and services, and the time and expertise of our employees.

The benefit provided by our *Access for Everyone* package for low-income customers, one of our key digital inclusion programmes, was $191 million. While Telstra is required to provide a low-income package under our Carrier Licence Condition 22, it is our choice as to what to do, how to do it, and how much to invest. *Our Access for Everyone* programme includes the value of home phone lines provided free of charge for eligible households, discounts on line rentals for pensioners, rebates on Telstra bills for customers in financial hardship, phone cards for people in emergency situations, as well as pre-paid mobile handsets and starter kits for people who are homeless.

MEASURING IMPACT

This year we focused on how we measure the impact of our social and community investments and established key processes to enable this. We added a question to our Employee Engagement Survey to assess the impact of our social investments on employee pride in the company, and added more specific community attributes to our Brand Tracker. We used the London Benchmarking Group (LBG) social impact assessment model to review our involvement with One Laptop per Child Australia.

PROGRAMME		AMOUNT ($M)	% OF TOTAL
ACCESS FOR EVERYONE	PENSIONER DISCOUNT	$165.7	66.8%
	INCONTACT SERVICE	$19.3	7.8%
	BILL ASSISTANCE PROGRAMME	$4.5	1.8%
	PHONE CARD PROGRAMME	$0.9	0.4%
CHARITY AND NON-PROFIT DISCOUNTS		$33.2	13.4%
ECONOMIC DEVELOPMENT SPONSORSHIPS		$4.9	1.9%
TELSTRA FOUNDATION GRANTS AND PAYMENTS		$4.0	1.6%
COMMUNITY ARTS AND SPORT SPONSORSHIPS		$4.0	1.6%
COMMUNITY PARTNERSHIPS		$3.8	1.5%
DISASTER RELIEF ASSISTANCE		$1.6	0.6%
TELSTRA CONNECTED SENIORS GRANTS AND TRAINING EVENTS		$1.3	0.5%
ENVIRONMENT SPONSORSHIPS, PROGRAMMES AND INITIATIVES		$0.9	0.4%
EMPLOYEE PAYROLL GIVING		$0.6	0.3%
OTHER		$3.3	1.4%
TOTAL		$248 MILLION	

SOCIAL INVESTMENT BY PROGRAMME OVER $500,000

ISSUE	AMOUNT ($M)	% OF TOTAL
DIGITAL INCLUSION	$226.5	91.3%
ECONOMIC DEVELOPMENT	$4.9	2.0%
COMMUNITY ARTS AND SPORT	$4.0	1.6%
DIVERSITY	$3.0	1.2%
EMPLOYEE GIVING AND VOLUNTEERING	$1.7	0.7%
DISASTER RELIEF	$1.6	0.6%
OTHER	$6.3	2.6%
TOTAL	$248 MILLION	

SOCIAL INVESTMENT BY ISSUE 2010/11

SOCIAL INVESTMENT BY FORM OF CONTRIBUTION 2010/11
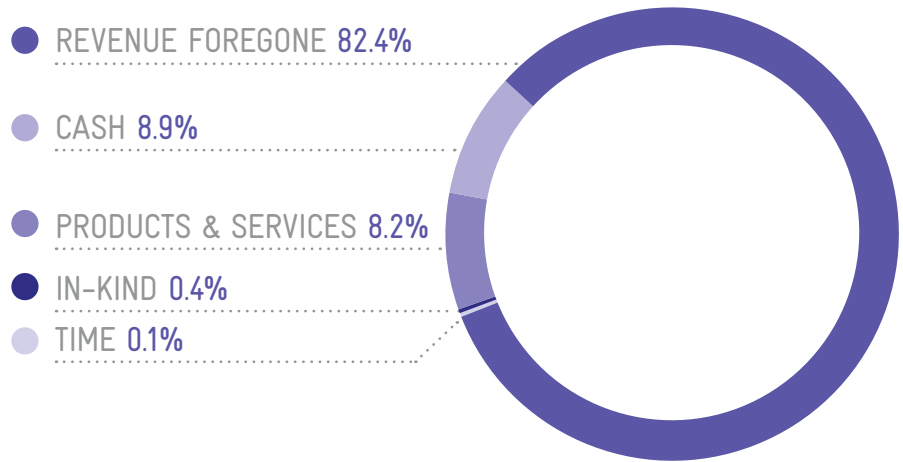
- REVENUE FOREGONE **82.4%**
- CASH **8.9%**
- PRODUCTS & SERVICES **8.2%**
- IN-KIND **0.4%**
- TIME **0.1%**

SOCIAL INVESTMENT AS A PERCENTAGE OF DOMESTIC REVENUE

2008/09	2009/10	2010/11
4.70%	4.79%	5.30%
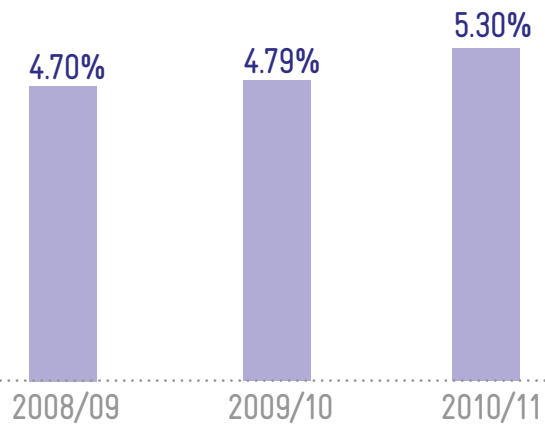
SOCIAL INVESTMENT AS A PERCENTAGE OF DOMESTIC EBIT (PRE TAX PROFIT)

2008/09	2009/10	2010/11
1.26%	1.25%	1.15%
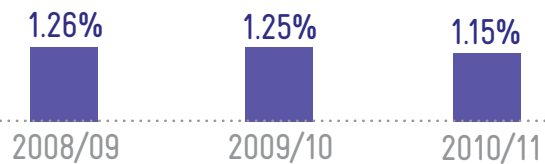
SOCIAL AND COMMUNITY INVESTMENT PERFORMANCE

PLANNED ACTION	PROGRESS	STATUS
Develop company-wide community investment guidelines.	Guidelines have been drafted, and will be finalised in 2011/12 to support our revised social and community investment strategy.	Partially achieved
Pilot at least one social impact assessment for a Telstra community initiative.	Used LBG methodology to assess the social impact of the One Laptop Per Child programme.	Achieved

NEXT STEPS 2011/12

- Review and develop Telstra's social and community investment strategy.
- Conduct a social impact study on three *Access for Everyone* services for low-income customers.

PROGRESS

SUPPORTING LOW-INCOME CUSTOMERS

Through our *Access for Everyone* programmes, we provide a comprehensive package of products and services to assist people on a low-income or in financial hardship to stay connected. In 2010/11, we provided special concessions on line rentals for more than 76,000 low-income households, rebates on Telstra bills for around 3,000 financial hardship customers per month and 184,000 phone cards through community agencies across Australia.

The demand for these services remained relatively stable throughout the year, with an increasing number of people seeking assistance for access to mobile phone and wireless broadband Internet services. Next year, given consumer preferences trending toward mobile and online services, we will be focusing on increased support for these services and assessing the potential implications of the NBN on the current strategies and protections for people on a low-income.

In 2010/11, we also introduced heavily discounted, best available, commercial telephone conferencing rates for eligible community welfare organisations and provided more than 114,000 fixed lines at special rates to our charity and non-profit customers.

CONNECTING OLDER AUSTRALIANS

To address the 'digital divide' experienced by many older Australians we established the *Telstra Connected Seniors®* programme in 2007. Through the programme we provide grants to community organisations to deliver training courses and we hold events to help senior Australians embrace and master new mobile and Internet technology. In 2010/11, we provided training support to more than 62,000 older Australians through face-to-face training and self teach DVDs loaned through libraries across Australia.

Next year the training and education will address the use of emerging online communication technologies such as user-generated content and instant messaging, and the use of Internet for entertainment purposes such as downloading music, videos and playing games online. These were identified in independent research as the key gaps for older Australians in using telecommunications services and feeling comfortable in the online environment.

Access to telecommunications is critical to full participation in economic and community life. We have a significant role to play in assisting people to overcome barriers to access including age, disability, geography and economic disadvantage.

To find out more about *Access for Everyone* visit
telstra.com.au/accessforeveryone

To find out more about *Telstra Connected Seniors®* visit
telstra.com.au/telstra-seniors

Image:
A 'Gadget School graduate' provides technology advice at a *Telstra Connected Seniors®* event

TELEHEALTH

Telstra's High Definition Telehealth Solution was launched in December 2010. The Telehealth Solution enables medical staff in rural and regional hospitals to collaborate virtually with specialists in major hospitals in urban centres in real-time, using high definition video in emergency treatment and trauma care. The solution comprises a mobile medical cart modified with Polycom video conferencing equipment and utilises the bandwidth on Telstra Next IP network. The launch followed a successful 20 month use of the solution at all eight hospitals in the Loddon Mallee Rural Health Alliance.

PROMOTING ACCESSIBILITY FOR PEOPLE WITH DISABILITY

In 2010/11, we launched Telstra's fifth *Disability Action Plan*. The plan recognises the benefits that modern information and communications technologies bring to people with a disability and incorporates actions for our customers, employees and the broader community. This year as part of this plan, we conducted end-user testing to complement laboratory tests for hearing aid compatibility of two new mobile phones and evaluated the impact of pricing proposals with specific reference to people with disability. We also supported the launch of the Web 2.0 www.newell.org.au information portal for people with complex communications needs. The portal enables sharing of information among people with limited or no speech, or other complex communications needs, and the people who support them. Contributors share tips about new and existing telecommunications equipment and ideas and strategies to help continue the development of solutions to meet their special needs. We initiated the development of this portal and provide ongoing support.

INDIGENOUS COMMUNITIES

Telstra's Indigenous Directorate was established in 2005 to improve telecommunications products and services for remote Indigenous communities across Australia. In 2010/11, we signed an agreement with the Torres Strait Island Regional Council to build five high-capacity links and upgrade 15 exchanges to cater for improved data speeds across the islands. We also commenced upgrades to ADSL2+ (high speed Internet) in four remote Northern Territory communities – Kalkaringi, Lajamanu, Papunya and Yuendumu, and promoted our dedicated Indigenous hotline in remote Indigenous communities through a radio and advertising campaign. Calls to the dedicated hotline are answered by a specialised team of people (rather than an automated voice recognition system) who understand the unique issues confronting remote communities.

We also provide support for Indigenous communities through contributions to community development programmes. In 2010/11, we provided $2.6 million in funding, which included continued support for One Laptop Per Child (OLPC) Australia. OLPC is an organisation that provides remote primary school students with a purpose-built XO laptop and access to educational programmes and connects them, through the internet, to the rest of the world. In November 2010, we called on all Australians to support this initiative through an SMS campaign. The 50,000 texts received translated to the provision of 500 laptops to children in remote communities. Since May 2009, OLPC Australia has deployed more than 5,000 laptops across 85 remote communities.

RURAL AND REGIONAL COMMUNITIES

Telstra's vision is for all Australians, no matter where they live, to have access to the same innovative communications that are available in technology centres across the world. Faster, more reliable connections in rural and regional communities provide better access to education, health and business services, and can contribute to economic growth.

In 2010/11, we continued to improve Internet and mobile network speeds and coverage in rural and regional areas of Australia and expanded our retail store network presence. We enabled greater access to ADSL2+ by upgrading 105 exchanges across Australia with the majority of these occurring in regional and remote areas. We deployed new mobile base stations to expand and improve depth of coverage of our Next G mobile network. This network now has more than 7,400 sites covering 99 per cent of the Australian population. We also expanded our store network to make it easier for our customers to access our products, services and expertise. One hundred new Telstra stores will be opening across Australia over the next three years, making our retail store network one of the largest in the country. In 2010/11, 22 new stores were opened, 14 in non-metropolitan areas.

TECHNOLOGY PROMOTING INCLUSION FOR YOUNG PEOPLE

Through the Telstra Foundation's Social Innovation Grants, we provide long-term philanthropic support for projects that utilise information and communication technologies to promote social inclusion. In 2010/11, we funded 10 projects to the value of $1.3 million, including support for Autism SA to develop and implement video-modelling and information technologies therapy. These help young people with autism and Asperger syndrome to build meaningful relationships, improve self-esteem and work towards maintaining a working life in adulthood. A year into the therapy, 75 per cent of participants showed improvement in their social skills. The next stage of the project is to adapt these tools and resources for mobile and portable devices to make the therapy accessible to as many families and health professionals as possible.

To find out more about the Telstra Foundation visit **telstrafoundation.com.au**

DIGITAL INCLUSION PERFORMANCE

PLANNED ACTION	PROGRESS	STATUS
Develop and publish educational materials for use by literacy trainers to improve understanding of mobile phone service among Indigenous communities.	Provided materials to the Central Australia Legal Aid Service in Alice Springs and advice to the Indigenous Consumer Assistance Network in Cairns for their community education programmes. Specialised customer service training course materials are in development for use in 2011/12.	Partially achieved
Develop and publish Telstra's fifth Disability Action Plan.	Telstra's fifth *Disability Action Plan* was launched on International Day of People with Disability (3 December 2010).	Achieved
Increase the number of senior Australians trained to use mobile phones and the internet, through the Telstra Connected Seniors programme from 44,000 to 80,000.	Increased numbers of seniors trained from 44,000 to 62,447.	Partially achieved

NEXT STEPS 2011/12

- Review Telstra's low-income package and marketing plan to take account of increasing take-up of and reliance on mobile communications among low-income customers and the increasing reliance upon online information services.

- Provide communication technology training through grants, events, online content and DVDs in libraries to more than 150,000 senior Australians.

- Increase the awareness of Telstra's dedicated hotline for Indigenous customers and consequently increase the number of calls by 10 per cent.

DISASTER RELIEF AND RECOVERY

PROGRESS

Over the past year, we have seen a series of devastating natural disasters in Australia and abroad. Telstra's disaster relief and recovery policy enables us to provide a rapid and comprehensive response in affected communities across Australia to keep them connected. Internationally, we provide free voice and text services to affected countries to help our customers stay in touch.

FLOODS AND CYCLONE YASI – QUEENSLAND

When the devastating floods and cyclone Yasi hit Queensland in early 2011, Telstra was quickly on the ground, assisting emergency service organisations and restoring services. Although the network impact was unprecedented, our technicians worked tirelessly to get the network back up and operating, with many employees often going beyond the call of duty to restore services. In addition to restoring critical services our response included:

- switching 100 payphones to free calls in evacuation areas
- enabling the emergency 106 service (for deaf, hearing and speech impaired users of the National Relay Service) to continue operating
- establishing temporary internet in evacuation centres and providing free loan handsets with SIM cards and free phone cards within the centres
- providing assistance packages to residential and small business customers, including free phone service call diversion and reconnection
- distributing satellite kits to emergency services organisations and isolated communities
- donating thousands of phone cards and 200 mobile phones to Anglicare Australia, one of our *Access for Everyone* charity partners, to distribute to clients who were left without a means to communicate in the immediate aftermath
- providing more than one million dollars in equipment grants to local sport and community clubs
- together with our employees, donating $825,000 to the Queensland Premiers Disaster Relief Appeal.

Our assistance to the Queensland community effort was recognised with the 2011 Communications Alliance and Communications Day (ACOMM) *Community Contribution Award*.

Image: John Parkin asks a local across the broken Kapernick's Bridge if he still had service following the Grantham Flood - he did.

SUPPORT FOR CUSTOMERS IN TIMES OF DISASTER

In 2010/11, Telstra provided assistance packages to thousands of customers affected by the following natural disasters:

- floods in northern New South Wales coastal areas (Jun 2011)
- floods in south eastern New South Wales (Mar 2011)
- bushfire in Armadale, Western Australia (Feb 2011)
- floods in Mildura and West Gippsland, Victoria (Feb 2011)
- cyclone Yasi in coastal northern Queensland coastal (Feb 2011)
- floods in south western and central Victoria (Jan 2011)
- bushfire in Lake Clifton, Western Australia (Jan 2011)
- floods in northern New South Wales coastal areas (Jan 2011)
- floods in southern and central Queensland (Dec 2010 & Jan 2011)
- floods in Carnarvon, Western Australia (Dec 2010)
- floods in Stockport, South Australia (Dec 2010)
- widespread floods across New South Wales (Dec 2010).

INTERNATIONAL DISASTER RELIEF

We provided free voice calls and text messages to the value of $510,000 for Telstra customers contacting Japan immediately after the earthquake and tsunami. Telstra International Group also donated $100,000 to the Japanese Red Cross Society and Telstra employees donated $25,000 to the Australian Red Cross (Japan and Pacific Disaster Appeal).

Following the Christchurch earthquakes in New Zealand, TelstraClear (New Zealand's second-largest telecommunications company and a wholly owned subsidiary of Telstra) engineers worked tirelessly to assist the search and rescue efforts, and restore services to customers. TelstraClear activated hardship lines for customers requiring special assistance and set up a special employee relief fund to provide support for affected employees. Telstra sent Australian employees to New Zealand to help boost specialised functions and operations, to ensure ongoing support for those impacted. Telstra and its employees also donated $132,000 to the Australian Red Cross New Zealand Earthquake Appeal.

NEXT STEPS 2011/12

- Introduce and implement an International Disaster Relief policy to strengthen and streamline our disaster response.

Image: Telstra Clear engineers on the ground in New Zealand following the Christchurch earthquakes.

SUPPLY CHAIN

The sheer number of suppliers and the size of spend puts Telstra in a strong position to influence the environmental and social standards of its suppliers.

We set minimum social, ethical and environmental standards for our suppliers. We influence social and environmental outcomes by engaging our suppliers in our sustainability initiatives. Our current sustainability supply chain priorities focus on influencing diversity and inclusion and environmental packaging standards.

PROGRESS

SUPPLIER DIVERSITY

Telstra is a member of the Australian Indigenous Minority Supplier Council (AIMSC). We support their mission for a sustainable, vibrant and prosperous Indigenous enterprise sector in Australia. In 2010/11, we added 58 AIMSC certified Indigenous businesses to our list of preferred suppliers and encouraged their use through internal employee targeted promotions. AIMSC certified businesses are majority Indigenous Australian owned and are managed and controlled by Indigenous Australians. By directly supporting these businesses, Telstra seeks to support the economic development of Indigenous communities.

In 2010/11, Telstra established partnerships with local non-profit groups to create employment opportunities for people with intellectual and physical disabilities. In the Supported Workforce Project, seven community organisations have been contracted at Telstra sites around Australia to clean and maintain Telstra exchanges. The project provides meaningful employment to community members with disability and meets a business need for Telstra.

PACKAGING: DESIGN FOR BETTER ENVIRONMENTAL OUTCOMES

Telstra's commitment to packaging stewardship commenced in 2001 when Telstra became a signatory to the National Packaging Covenant, now known as the Australian Packaging Covenant. Central to this commitment is how we work with and influence our supply chain. Telstra is working to develop a formal process to consider the entire life cycle of products at the purchasing/engagement stage and have identified key guidelines, policies and procedures to be reviewed to incorporate this requirement. We are also working with product suppliers to source and trial alternative packaging solutions.

NEXT STEPS 2011/12

- Provide training for Indigenous suppliers on how best to respond to Telstra tendering requirements.
- Review guidelines supporting Telstra Purchasing Environment Policy to incorporate consideration of packaging.

Image: Telstra's new sustainable product packaging

LOW INCOME MEASURES ASSESSMENT COMMITTEE (LIMAC)	LIMAC provides independent advice on services to customers on low-incomes or in financial hardship. The Committee, which comprises senior representatives from eight national community organisations and the Federal Department of Families, Housing, Community Services and Indigenous Affairs, guides Telstra's *Access for Everyone* package. In 2010/11, LIMAC met six times. Key issues this year were: • the *Access for Everyone* package in an NBN world • the impact of the ACT Utilities Infrastructure Tax • calls to 13/1300 and1800 numbers from a mobile phone • Telstra residential pricing and product proposals.
DISABILITY FORUM	We consult regularly on telecommunications issues through our Disability Forum with representatives from 13 national peak disability consumer organisations. In 2010/11, the Forum met twice and key issues were: • the Productivity Commission Inquiry into a National Disability Insurance Scheme • Telstra's fifth *Disability Action Plan* • the availability of captions for online video content • 2011 awards for the *Christopher Newell Prize for Telecommunications and Disability* • initiating and supporting a Web 2.0 information project.
PRODUCTIVITY COMMISSION	In 2010/11, we made two submissions to the Productivity Commission's public inquiry into a Long Term Disability Care and Support Scheme, outlining the importance of facilitating access to modern communications for Australians with disability as a means of keeping them connected with the community, health services and potential employment.
TECHNOLOGY AND WELLBEING ROUNDTABLE	Co-chaired by the Telstra Foundation and the Inspire Foundation, the Roundtable brings together thought leaders from academic, corporate, non-profit and government sectors to share insight into how technology can enable the wellbeing of young people. It met three times in 2010/11, providing input into an Australian Research Council (ARC) grant for a Young People, Technology and Wellbeing Research Facility and the establishment of the new Co-operative Research Centre (CRC) for Young People, Technology and Wellbeing. The CRC will be led by the Inspire Foundation with 63 partners, including all Roundtable members.
INDIGENOUS DIRECTORATE	The Indigenous Directorate represents Telstra to governments and stakeholder groups in the delivery of appropriate telecommunications infrastructure and services to remote Indigenous communities. In 2010/11, the Directorate worked with local government to include telecommunications infrastructure in Alice Springs town camps and with the Torres Strait Island Regional Council to secure major telecommunications improvements across the islands.

ECO
EFFICIENCY

DOING MORE FOR OUR CUSTOMERS WHILE ACTIVELY MANAGING AND MINIMISING OUR ENVIRONMENTAL IMPACTS AND RESOURCE INTENSITY

A recent report by The Climate Group and the Global e-Sustainability Initiative, *Smart 2020: Enabling the low carbon economy in the information age*, forecasts that carbon emissions caused by the global Information and Communication Technologies (ICT) industry are going to double between 2007 and 2020. Lifestyle changes and consumer preferences are trending towards network-connected devices and services such as cloud computing, internet usage and smart phones, which are increasingly data intensive, tending to drive up energy consumption.

In Australia alone, it is predicted that the number of network-connected devices will hit 84 million by 2015 – a 37 million jump on 2010 levels*. The enormous demand for digital information is driving the need for higher capacity in our fixed and wireless broadband networks. As data traffic grows, we will need to improve the energy efficiency of our networks in order to reduce our carbon emissions intensity.

In July 2011, the Australian Government announced that it intends to introduce a carbon pricing system from 1 July 2012. The system will require companies with operations that emit greenhouse gas emissions above a certain threshold to purchase carbon emissions permits, at an initial price of $23 for each tonne of carbon dioxide equivalent greenhouse gas they emit. It is unlikely that Telstra will be directly liable under the system to purchase emission permits. However, we may experience an indirect cost impact from the system as a result of the impacts on electricity prices (we are a large purchaser of electricity) and other parts of our supply chain. We are assessing the potential impacts of the proposed system on the business.

Over the past year the Australian Government also passed as legislation the *Product Stewardship Bill 2011*. This signals a new, environmentally responsible approach to waste management in Australia, including an increased focus on product stewardship and sustainability. We recognise the importance of taking a life cycle approach to identify and minimise our environmental impact, including the responsible disposal of electronic waste (or e-waste).

* Cisco, Fifth Visual Networking Index, August 2011

CARBON EMISSIONS AND ENERGY EFFICIENCY

Our challenge is to minimise our carbon emissions intensity while enabling the expansion of our networks to achieve business growth, meet capacity demands and to continue to deliver fast and reliable services.
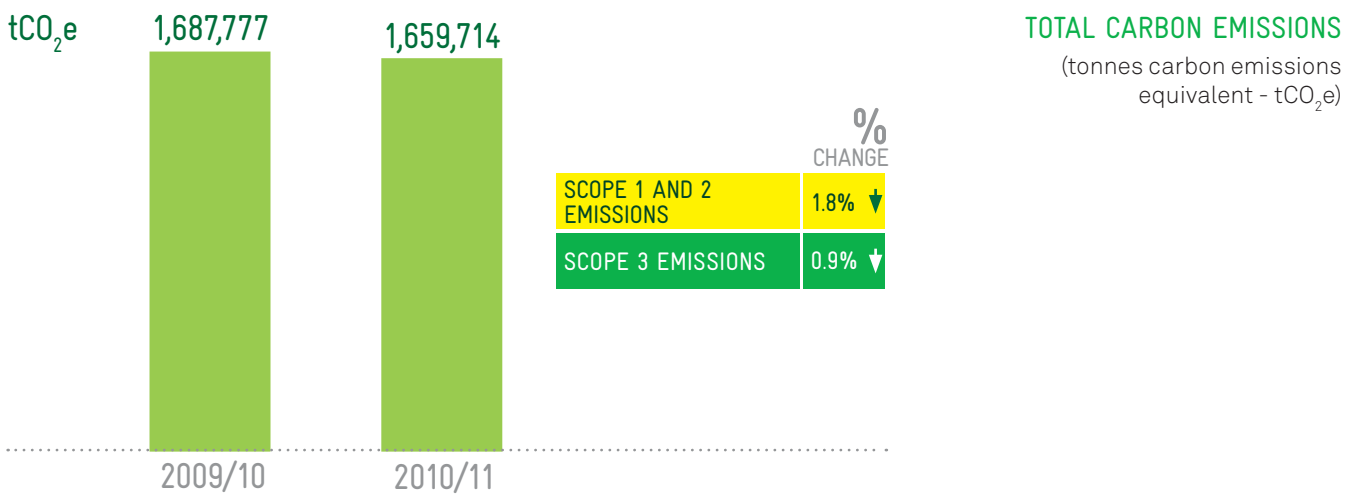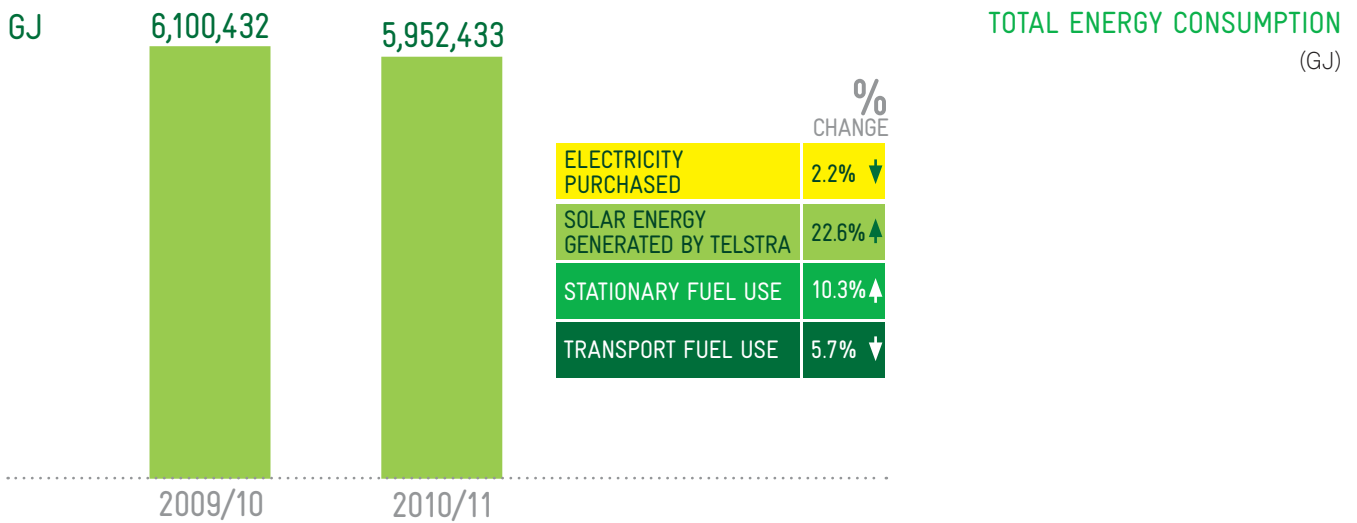
PROGRESS

OUR FOOTPRINT

We have reduced our total energy consumption 2.4 per cent and our total carbon emissions 1.7 per cent this year from 2009/10 levels. This was achieved while delivering a 67.3 per cent increase in data over our networks. Increasing the energy efficiency of our network facilities has been central to our strategy. Our networks are the most energy intensive aspect of our business and account for approximately 86 per cent of our electricity consumption this year.

REDUCTION INITIATIVES

In 2010/11, we improved energy efficiency by assessing the performance of cooling systems at exchanges to identify and implement opportunities to optimise air-conditioning systems. We also reduced energy use at a number of small network sites by utilising fresh air cooling instead of air conditioners, and decommissioned redundant equipment. Cooler than average weather conditions

also contributed to a reduction in energy use associated with air-conditioning.

Other initiatives to reduce energy consumption this year involved exiting surplus office space, reducing our fleet, and trialling new technologies and renewable energy sources to evaluate their performance and suitability for deployment in the Telstra network. Trials included the use of ceramic fuel cell technology as a source of cleaner and more efficient backup power, grid connected solar systems to complement large off-grid systems, and more efficient air-conditioning technologies, such as gas fired and indirect evaporation.

TOTAL ENERGY CONSUMPTION
(GJ)

GJ 6,100,432   5,952,433

	% CHANGE
ELECTRICITY PURCHASED	2.2% ▼
SOLAR ENERGY GENERATED BY TELSTRA	22.6% ▲
STATIONARY FUEL USE	10.3% ▲
TRANSPORT FUEL USE	5.7% ▼

2009/10   2010/11

TOTAL CARBON EMISSIONS
(tonnes carbon emissions equivalent - tCO_2e)

tCO_2e 1,687,777   1,659,714

	% CHANGE
SCOPE 1 AND 2 EMISSIONS	1.8% ▼
SCOPE 3 EMISSIONS	0.9% ▼

2009/10   2010/11

SETTING A TARGET

Energy management programmes and reporting have been an important part of our environmental strategy for the past 10 years. In 2009, we set a target to reduce our carbon emissions intensity by at least 10 per cent by 2015 from 2008/09 levels. For this target, carbon emissions intensity is the ratio of carbon emissions per million dollars of domestic revenue. Since setting this target, revenue per byte of data has decreased and wireless, data and video services continue to grow. As a result, this measure has not reflected the energy efficiency improvements we have achieved in our networks.

In view of this, we have established a new carbon intensity measure – tonnes of carbon dioxide equivalent per terabyte (tCO_2-e/TB) - which enables tracking of the energy efficiency of our business and accounts for the growth driven by

The digital applications used by our customers are becoming increasingly data intensive.

customer demand for data. Based on this new measure, in 2010/11 our carbon emissions intensity was 1.93 tCO_2-e/TB. As a first step we have set a target for a 15 per cent reduction in emissions intensity in 2011/12. A longer term target will be set next year based on what we have learnt from using this measure to drive continual energy efficiency improvements across our business.

ENABLING A LOW CARBON ECONOMY – BANANA SHIRE COUNCIL

Increasingly, our enterprise and government customers want to know how the use of Telstra's products and services contributes to their carbon footprint.

The Banana Shire in Central Queensland, is a farming, grazing and mining region with a mix of larger urban centres, rural villages and farms. As part of local government consolidation, Banana Shire Council almost doubled in size. With the extra distances now involved, the Council needed to improve the efficiency of daily interactions, and asked Telstra to provide a solution.

In response, Telstra deployed an IP Wide Area Network, providing Council employees across the region with a single and secure point for communication and access to information. The Network has significantly improved voice and data communications between the Council's main centres. Polycom® video conferencing has further contributed to productivity and resulted in saving the Council $50,000 in travel costs, and 80 hours per month in travel time. Over 72,000 kilometres of vehicle travel have also been saved, reducing both vehicle wear and tear and carbon emissions.

ENGAGEMENT AND TRAINING

To improve the energy efficiency of our operations and reduce our carbon emissions intensity, we need to involve people in all parts of our business. In 2010/11, we worked with New South Wales TAFE to develop an ICT-specific diploma and advanced diploma post-graduate qualifications for Telstra employees. As part of the two courses, participants must demonstrate how to include energy efficiency and carbon emissions reduction criteria into specific initiatives. The aim is to build awareness of the environmental impacts of telecommunications operations in their day-to-day roles. More than 300 of our people are currently enrolled in these courses and will be required to complete this project. We also redeveloped our online environmental awareness training programme for our broader workforce. The new course focuses on energy and climate change issues and provides role-specific advice on reducing environmental impacts.

WASTE AND RESOURCE USE

Material use has environmental and financial impacts, consuming natural resources and generating waste that requires disposal. Efficient use and conservation of resources is central to our environmental stewardship.
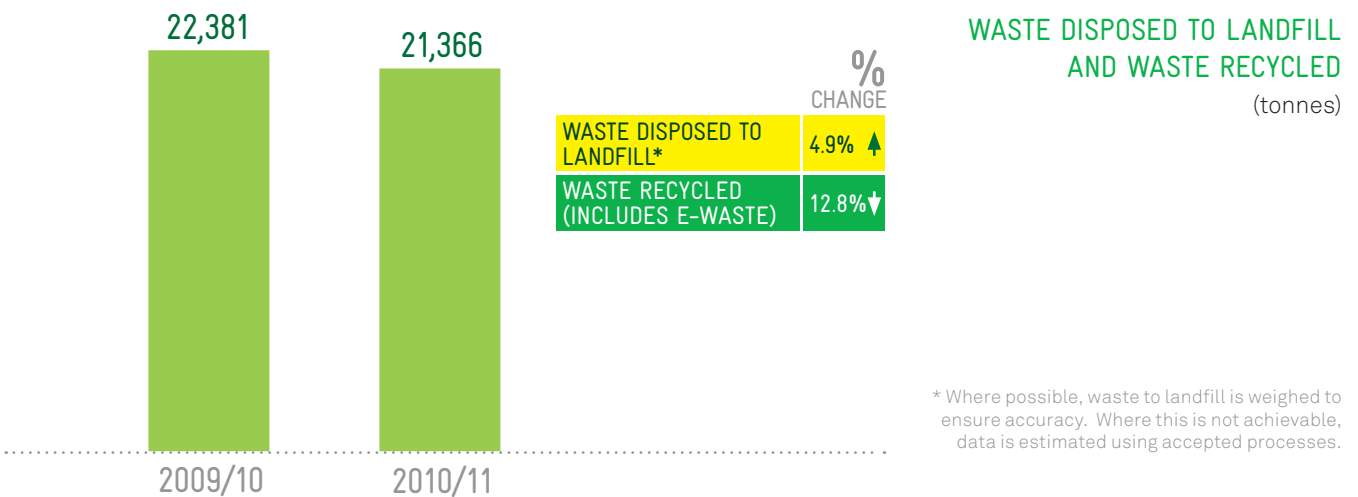
PROGRESS

WASTE MANAGEMENT

Telstra is a major user of materials ranging from network equipment and construction materials, such as pits, pipe and cable, to stationery and office paper. In 2010/11, Telstra produced 21,366 tonnes of waste, a 4.5 per cent decrease on the previous year. Of our total waste, 49 per cent was recycled or reused and the remainder was sent to landfill or treatment. While we demonstrated an overall decrease in waste production, there was in increase of 4.9 per cent in waste sent to landfill. The increase in waste to landfill is attributed to the completion of several network construction activities and office refurbishments over the year. In addition, we transitioned to a new waste management service provider, who weighs rather than estimates waste. While significantly improving our reporting accuracy, this impacts the comparability of performance with previous years (in which waste was estimated).

E-WASTE

This year we have started to measure and report on e-waste. We have identified e-waste as one of our key sustainability issues and have systems and procedures in place to collect, re-use or recycle all of our e-waste. We define e-waste as any type of electronic components, rental telephones, payphone parts, batteries, telephone power supplies and other miscellaneous electronic items. In 2010/11, we produced 806 tonnes of e-waste – four per cent of our total waste.

In 2010/11, we continued to support the *MobileMuster* programme by providing recycling containers in Telstra shops and post bags for consumers to send unwanted mobile phones and accessories for recycling. We also implemented an employee campaign to increase awareness of *MobileMuster* and supported *MobileMuster's Old Phones More Trees* campaign with a promotion to consumers through our Telstra Country Wide Area General Manager network. In 2010/11, Telstra collected 17.1 tonnes of mobile phones from our shops, corporate sites and repair centres (down from 18.9 tonnes in the previous year). Telstra and the Australian mobile industry, through the *MobileMuster* recycling programme, collected over 106 tonnes of product in 2010/11 that otherwise may have ended up in landfill.

WASTE DISPOSED TO LANDFILL AND WASTE RECYCLED
(tonnes)

	2009/10	2010/11
	22,381	21,366

	% CHANGE
WASTE DISPOSED TO LANDFILL*	4.9% ▲
WASTE RECYCLED (INCLUDES E-WASTE)	12.8% ▼

* Where possible, waste to landfill is weighed to ensure accuracy. Where this is not achievable, data is estimated using accepted processes.

WATER USE

In 2010/11, we used 819.9 mega-litres of water, a 3.4 per cent decrease on the previous year. This can be attributed to the cooler than average weather experienced and efforts to optimise the use of air-conditioning (the majority of our water consumption is used in cooling towers for air-conditioning). We also implemented a number of water saving initiatives including installing water efficient appliances and using online monitoring of water consumption to enable early detection of unusual usage.

WATER CONSUMPTION
(kL)

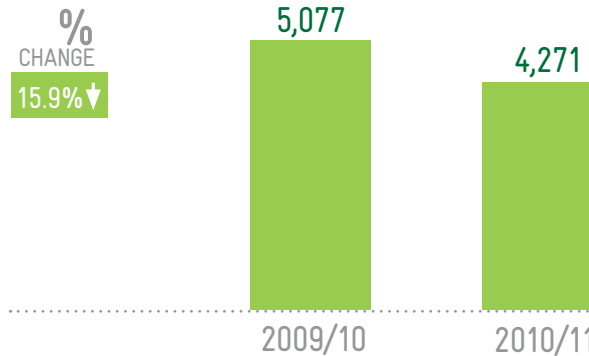|	2009/10	2010/11
	848,703	819,869

% CHANGE
3.4% ▼
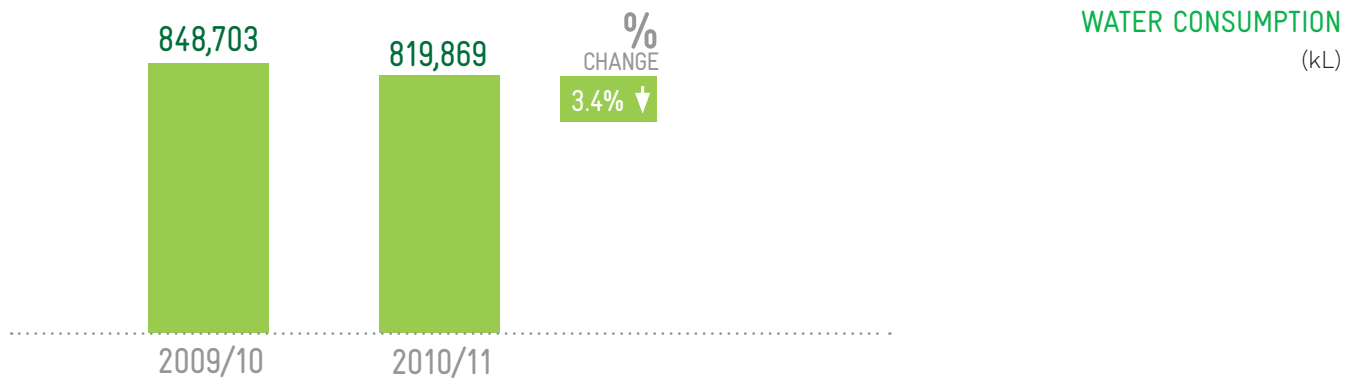
PAPER USE

We use paper for billing (billing paper), in our offices (office paper) and for external promotions and communications (printing paper). In 2010/11, we achieved an overall reduction of paper purchased and used through the consolidation of printers in offices, setting default printing to double-sided, reducing the stocks of paper kept onsite and initiatives to streamline the manner in which we promote products and services to our customers.

PAPER USE
office, printing and billing (tonnes)

For further details see the *Bigger Picture – Environmental Performance* supplement at **telstra.com.au/sustainability**

% CHANGE 15.9% ▼

	5,077	4,271
	2009/10	2010/11

ECO EFFICIENCY PERFORMANCE

PLANNED ACTION	PROGRESS	STATUS
Reduce Telstra's Fleet carbon emiassions by four per cent.	Achieved a six per cent reduction in fleet carbon emissions.	Achieved
Develop and implement an employee e-learning programme on workplace energy and carbon reduction.	Programme developed and launched on Telstra induction learning portal.	Achieved
Integrate energy efficiency criteria into three business processes.	Integrated energy efficiency criteria into five technology delivery processes.	Achieved

NEXT STEPS 2011/12

- Review current strategies and develop an integrated, whole of company carbon emissions and energy management strategy.
- Finalise new company waste and water management strategy.

ECO EFFICIENCY
PUBLIC POLICY & STAKEHOLDER ENGAGEMENT

ECO CHAMPIONS	Telstra's EcoChampions network is a collective of 600 employees across Australia. Network members receive regular newsletters, information about upcoming events and invitations to environment discussion forums. In 2010/11, these forums covered our procurement environmental purchasing guidelines, green technology architecture, and energy use as a factor in network equipment selection.
ZOOX AMBASSADOR PROGRAMME	Five Telstra employees participated in the *ZooX Ambassador Programme*, an initiative of the Great Barrier Reef Foundation which takes business people on a field trip to Heron Island in Queensland to learn more about the impacts of climate change on the Great Barrier Reef. As part of the programme, each employee developed a workplace sustainability project aimed at decreasing energy consumption and carbon emissions at Telstra.

STANDARD DISCLOSURES	PAGE/STATEMENT/WEBSITE
1.1 Statement from the Chairman and CEO	Message from the Chairman and CEO p. 5
2.1 Name of organisation	Telstra Corporation Limited
2.2 Primary brands, products and services	About Telstra p. 7
2.3 Operational structure of the organisation	Business units: www.telstra.com.au/abouttelstra/company-overview/business-units
2.4 Location of organisation's headquarters	Telstra's principal Australian office is located at 242 Exhibition Street, Melbourne
2.5 Countries of operation	Geographic locations: About Telstra p. 7 Significant operations: Worforce profile p. 26
2.6 Nature of ownership and legal form	Telstra Corporation Limited is a publicly listed Australian company
2.7 Markets served	Geographic breakdown: About Telstra p. 7
	Customers and sectors: Our businesses www.telstra.com.au/abouttelstra/company-overview/business-units Telstra Corporation Limited Financial Results for the Year ended 30 June 2011, available at www.telstra.com.au Operating segments p.26 Products and services p.30
2.8 Scale	By products/services provided: About Telstra p. 7
	By number of employees: Workforce profile p. 26
	By net sales: Telstra Corporation Limited Financial Results for the Year ended 30 June 2011, available at www.telstra.com.au
2.9 Significant changes	Segment information p.109 Telstra Corporation Annual Report 2011, available at www.telstra.com.au
2.10 Awards received	Awards: www.telstra.com.au/abouttelstra/company-overview/awards
3.1 Reporting period	2010/11 financial year
3.2 Date of most recent previous report	November 2010
3.3 Reporting cycle	Annual
3.4 Contact point	About this report p. 6
3.5 Defining report content	About this report p. 6 Key issues p. 10
3.6 Boundary of the report	About this report p. 6
3.7 Limitations on the scope/boundary	About this report p. 6

STANDARD DISCLOSURES	PAGE/STATEMENT/WEBSITE
3.8 Reporting on joint ventures and other entities	About this report p. 6
3.10 Re-statements	About this report p. 6
3.11 Significant changes from previous report	About this report p. 6
3.12 Location of the Standard Disclosures	GRI Index p. 53
4.1 Governance structure	Board structure and committees: Corporate governance www.telstra.com.au/abouttelstra/company-overview/governance Responsibility for economic, social and environmental performance: Telstra Corporation Annual Report 2011 pp.37 & 67, available at www.telstra.com.au
4.2 Chair of the highest governance body	Role of the Chairman: www.telstra.com.au/abouttelstra/company-overview/governance/directors/#role-of-the-chairman
4.3 Highest governance body composition	Board of directors: www.telstra.com.au/abouttelstra/company-overview/governance/directors
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the Board	Investor and shareholder enquiries: www.telstra.com.au/abouttelstra/investor/contact-us Stakeholder engagement: www.telstra.com.au/sustainability See Responsible business practice CEO Blog: exchange.telstra.com.au/author/david-thodey Sustainability topics p.38 Telstra Corporation Annual Report 2011, available at www.telstra.com.au *Reference to shareholder resolutions and working relationships with formal representation bodies not specifically described.*
4.14 List of stakeholder groups engaged by the organisation	Key stakeholders p. 11 Public policy and stakeholder engagement pp. 23, 45 & 52 See also Responsible business practice at www.telstra.com.au/sustainability
4.15 Basis for identification and selection of stakeholders with whom to engage	Stakeholder engagement: www.telstra.com.au/abouttelstra/corporate-citizenship/approach/stakeholder-engagement *Basis for selection not specifically described.*

	STANDARD DISCLOSURES	PAGE/STATEMENT/WEBSITE
EC4	Financial assistance from government	Telstra does not receive government assistance. Future fund holds 100 million shares or 0.8%.
EN3	Direct energy consumption by primary source	Carbon emissions and energy efficiency p. 49 *Bigger picture – Environmental performance*, available at www.telstra.com.au/sustainability
EN4	Indirect energy consumption by primary source	Carbon emissions and energy efficiency p. 49 *Bigger picture – Environmental performance*, available at www.telstra.com.au/sustainability
EN16	Greenhouse gas emissions	Carbon emissions and energy efficiency p. 49 *Bigger picture – Environmental performance*, available at www.telstra.com.au/sustainability
EN17	Indirect greenhouse gas emissions by weight	Carbon emissions and energy efficiency p. 49 *Bigger picture – Environmental performance*, available at www.telstra.com.au/sustainability
EN18	Initiatives to reduce greenhouse gas emissions	Carbon emissions and energy efficiency p. 49 *Bigger picture – Environmental performance*, available at www.telstra.com.au/sustainability
EN28	Non-compliance with environmental laws and regulations	Directors Report, Environmental regulation and performance p.60 Telstra Corporation Annual Report 2011, available at www.telstra.com.au
LA1	Breakdown of employment type	Workforce profile p. 26 *Bigger picture – Our people*, available at www.telstra.com.au/sustainability
LA4	Collective bargaining	Workforce profile p. 26
LA12	Performance and career development	All our people (i.e. 100%), regardless of gender or position in the company, receive regular performance and career development reviews. As a minimum, our leaders facilitate career development discussions with their people as part of the organisation's midyear and annual review cycle, although the frequency and approach taken will vary.
PR5	Customer satisfaction	Customer experience p. 18 See also Customer experience at www.telstra.com.au/sustainability *We do not attach value to reporting on a regional basis.*
PR6	Adherence to marketing and communications laws, standards and codes	Customer experience p. 18 See also Compliance and legal obligations, Telstra Business Principles p.10 www.telstra.com.au/abouttelstra/download/document/ Telstra-Business-Principles.pdf *Telstra policies are reviewed quarterly.*
PR8	Customer data protection	Privacy protection p. 20 See also www.telstra.com.au/privacy
SO5	Public policy positions, development and lobbying	Public policy and stakeholder engagement pp.23, 45 & 52
SO6	Contributions to political parties or related institutions	Political and other donations: www.telstra.com.au/abouttelstra/company-overview/ governance/principles/#political-and-other-donations

INDEPENDENT
ASSURANCE STATEMENT

To Telstra's stakeholders,

Banarra was commissioned by Telstra to assure its Sustainability Report 2011 (the Report) against the AA1000 Assurance Standard 2008 (AA1000AS). Banarra was also commissioned to check the Report against the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines. This is Banarra's third reporting cycle with Telstra, so we have built on our understanding of the organisation and its progress.

ASSURANCE SCOPE

The assurance scope was a Type 2 engagement under the AA1000AS (2008) and included:

1. Assessment, to a moderate level of assurance, of the nature and extent of Telstra's adherence to the AA1000 AccountAbility Principles Standard 2008 (AA1000APS) principles of inclusivity, materiality and responsiveness, and how it communicates this adherence in the Report;

2. Evaluation of the reliability of specified sustainability performance information, to a moderate level of assurance, relating to a selection of material issues; and

3. Provision of a third-party check of Telstra's self-declared GRI application level against the G3 Sustainability Reporting Guidelines.

The performance information was assured using the GRI G3 Sustainability Reporting Guidelines as criteria as stated in Table 1 below.

REPORT SECTION	MATERIAL ISSUE	ASSURANCE CRITERIA
MODERATE LEVEL OF ASSURANCE		
RESPONSIBLE BUSINESS PRACTICE	Customer satisfaction	GRI PR5
BEING A GOOD EMPLOYER	Employee numbers	GRI LA1
	Employee health & Safety	GRI LA7
	Employee diversity	GRI LA13
ECO-EFFICIENCY	Australian GHG emissions Scope 1	GRI EN3, EN16
	Australian GHG emissions Scope 2	GRI EN4, EN16
	Australian GHG emissions Scope 3	GRI EN17
	GHG emissions intensity	GRI EN16, EN17

BANARRA ASSURANCE METHODOLOGY

Our methodology included:

- Interviews with 13 members of Telstra's Senior Management Team (including the CEO, David Thodey) and 14 other Telstra managers and employees concerning sustainability management, governance and strategy, policies, material issues and implementation of responses;
- Review of Telstra's documentation relating to operational planning, risk assessment, sustainability governance, materiality, stakeholder engagement and response management;
- Review of Telstra's materiality process;
- Two visits to Telstra's headquarters in Melbourne, Victoria;
- Checks of the reliability, completeness and accuracy of sampled quantitative performance information relating

to the material issues described above. In addition, the processes for capturing, aggregating and reporting this data were examined through interviews and document review, comparison with the assurance criteria, re-performing calculations, cross-checks with corroborative evidence, and testing of source data;

- Checks of the accuracy of selected qualitative statements in the Report relating to the material issues (such as management assertions and performance claims), through interviews and document review;
- A review of the Report to check consistency with the GRI application level C+ requirements; and
- A review of the Report to check that it appropriately communicates the nature and extent of Telstra's adherence to the AA1000APS principles.

FINDINGS AND RECOMMENDATIONS

We believe that the Report has adequately communicated the nature and extent of Telstra's adherence to the AA1000APS principles. Findings and recommendations on the nature and extent of Telstra's adherence to the principles are provided below.

Inclusivity - does Telstra have an inclusive approach to stakeholders?

Becoming a company that is truly accountable to its stakeholders remains a key value underpinning Telstra's business approach. There is a high level of focus on accountability to customers and shareholders in particular, but less so with some stakeholder groups such as suppliers.

There is a varying level of stakeholder engagement across the business. Individual business units retain the primary responsibility for engagement using a variety of approaches, some systematic and others more ad hoc. This leads to a somewhat siloed approach to stakeholder identification and engagement across the business. To help support a more consistent corporate-wide approach, Telstra developed a stakeholder engagement policy in early 2011. Banarra recommends that this policy needs both visibility and buy-in across Telstra's operations if it is to successfully underpin a more structured process to identifying and understanding stakeholder issues.

Consolidation and overview of stakeholder issues occurs principally at the CEO Leadership Team level. The Corporate Citizenship Council, which has provided a forum for consideration and discussion of sustainability issues, including stakeholder engagement, has not been active in 2011. Banarra recommends that Telstra reinstates such a forum to review, recommend and help disseminate sustainability initiatives within the organisation.

Materiality – has Telstra identified its most important sustainability issues?

Telstra applies a comprehensive five-part materiality process that captures and distils a wide range of inputs from peer-based norms, social norms, short term financial impacts, stakeholder interests, regulatory review and Telstra policy reviews. Identified issues are subsequently refined through a stakeholder proxy and business test to assess them from both stakeholder and business perspectives, ensuring that those issues of high interest to stakeholders remain visible. Material issues identified through this and other sustainability review processes are also brought to the attention of the relevant business units to consider in their responses.

Banarra recommends that a more systematic input into Telstra's materiality process from suppliers would improve the overall approach. Banarra also notes that an opportunity exists to integrate materiality process outcomes into Telstra's senior decision-making processes, to enable a more coherent corporate approach to understanding, prioritising and responding to issues.

Responsiveness – has Telstra responded to these issues?

Development of appropriate responses

Individual business units within Telstra respond to stakeholder issues in their strategies and KPIs, but this does not take place consistently and systematically across the business. A new sustainability strategy is being developed that is aimed to provide a "whole of company" response to material issues.

A number of strategic responses to areas material for Telstra have been delivered during the reporting period, including change initiatives aligning internal culture with core values, to further embed social and customer considerations in employee behaviour. Stakeholder involvement in developing responses was evident in certain business initiatives and activities, such as consultation on base station location and around disability products and services.

Following the recent business restructuring, Banarra recommends that Telstra more clearly defines and articulates, internally and externally, how sustainability performance and stakeholder issues are being prioritised, managed and accounted for. When formulating strategies in response to corporate citizenship issues, senior management should also ensure that internal stakeholders are fully engaged on the rationale, expectations and resources needed to support those strategies. It is expected that the recently appointed Chief Sustainability Officer will help Telstra to address both these aspects.

Communication of responses

Telstra's leadership is looking to clearly define and communicate the connection between sustainability and its business objectives, core competencies and capabilities, that will help enhance sustainability impact and reputation. Telstra is considering a range of initiatives to enhance employee communication and engagement around sustainability through staff forums, intranet, internal networks and employee community engagement to promote awareness and discussion of sustainability issues.

Telstra presents a comprehensive account of it citizenship endeavours in its 2011 Sustainability Report. Of the 21 material issues identified by Telstra's own materiality process, all are responded to in the Report. However, Banarra recommends that Telstra reviews its future reporting approach to ensure that it provides a more transparent and balanced account of its performance.

The Report also brings together a list of strategic priorities, planned actions, materiality issues and key sustainability risks on which Telstra's responses are based. Banarra recommends that Telstra more explicitly explains in the Report the relationship between each of these aspects and how they relate to the organisation's overall strategic planning and management framework. This will both increase reader comprehension around Telstra's approach and add context to its responses.

PERFORMANCE INFORMATION VERIFICATION

Based on our assurance scope and methodology, we conclude that there is no evidence that performance information is not correct in all material aspects and is not a fair representation of Telstra's performance in the reporting period in relation to the following material issues: customer satisfaction, employee numbers; employee health and safety; employee diversity; Australian greenhouse gas emissions (Scope 1, 2 and 3); and emissions intensity.

We are pleased that Telstra has more closely aligned its data collection processes, calculation methodologies and reporting of sustainability performances to national standards such as NGERs for greenhouse gas reporting and the Australian Standard for health and safety reporting. Further improvement opportunities are:

- Definition and communication of data boundaries in the Report could be more consistent from section to section, especially in relation to business entities covered. A more consistent approach to, and clearer articulation of, data boundaries will help stakeholders assess the completeness of the information presented;

- The material issues presented in the Report could be more explicitly described to enhance reader's understanding of these issues; and

- Telstra should also set or identify longer term strategic targets to indicate that it is looking beyond the next 12 months in terms of sustainability strategy and performance.

Banarra also identified minor inaccuracies across a number of datasets and statements, which were subsequently rectified. Improvements in the documentation of management systems, data collection, and quality control processes are recommended, particularly relating to greenhouse gas reporting.

GLOBAL REPORTING INITIATIVE

We concur with Telstra's own assessment that it has achieved GRI application level C+.

RESPONSIBILITIES AND INDEPENDENCE

Telstra was responsible for preparation of all the Report content, stakeholder identification and engagement, as well as material issue identification and response. Banarra's responsibility was to provide an independent assurance opinion of the Report based on AA1000AS. This opinion is provided to Telstra's management and any reliance that third parties may place on this statement is entirely at their own risk. Banarra has provided Telstra with a management report detailing the findings and recommendations outlined in this statement.

Banarra was paid by Telstra to conduct this assignment. Other than this payment and a review of marketing material related to a Telstra product, the assurance team declares itself independent in relation to Telstra and its stakeholders. There is a detailed statement on our independence, impartiality and competencies at www.banarra.com.

Paul Davies
Lead Auditor and Sustainability Assurance Practitioner

Bastien Mignonneau
Auditor and Sustainability Assurance Practitioner

BANARRA
SYDNEY, AUSTRALIA
24 OCTOBER 2011

telstra.com.au/sustainability