



here for good

Corporate Social Responsibility

OUR DEFINITION

At Telstra, we believe that Corporate Social Responsibility is a values-based approach to how we do business, leading us beyond legal compliance to make a positive contribution to the industries and communities in which we participate.



The Telstra Paint a Payphone art competition was one of the largest art design initiatives ever undertaken in Australia and was open to primary and secondary school students, professional designers and amateurs. 18 years and over category winner: Aina Kemi from Redfern, NSW.

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About this report

This is Telstra's third Corporate Social Responsibility report. It reports on Telstra's corporate social responsibility performance for the 2004/2005 financial year for the Australian operations of Telstra Corporation Limited.

Telstra has a substantial impact on the Australian economy and on the lives of Australians. Our decisions matter, so it's important that we demonstrate the effect of our programs during the year.

In this report we:

- review our performance against the commitments we made;
- where necessary, provide explanation about why some commitments were not achieved or implemented; and
- make forward commitments for the 2005/06 year.

Our key achievements included:

- A new payment option, BudgetPay, for people on fixed or low incomes where customers spread their estimated yearly home phone costs over equal fortnightly or monthly payments, helping them to manage their budget.
- Exceeding the minimum requirements of Telstra's Disability Services program. For example Telstra answered about 4,500 TTY (teletypewriter) annual calls through Telstra's dedicated disability enquiry hotline.
- The launch of Telstra's Big Button Multipurpose phone in July 2005, which was designed in consultation with input from peak consumer groups and is already being used by over 1500 customers.
- The number of community agencies distributing MessageBox cards has increased to nearly 700. MessageBox is a free messaging service for people who are homeless or transient. On average over 800 messages are retrieved through this service each month.
- Our Telstra volunteers contributed more than 12,000 volunteer hours to 71 community causes.
- In late February 2005, Telstra opened the Burns Reconstruction and Rehabilitation Unit at Royal Perth Hospital in Western Australia.



Telstra Friends and family.

We have attempted to not only provide statistical information but to show how our activities have impacted our customers, shareholders, suppliers and employees and those communities in which we live and operate in case studies throughout the report, including more than half a billion dollars (\$600 million plus) a year paid out to subsidise social policies, including communications services to regional, rural, and remote Australia, low income support and free directory assistance, to name just a few. See the 'Regulation' section for some of the programs included in this \$600 million subsidy.

CONTACT US

If you would like to provide feedback on this report, please contact us via email: csr@team.telstra.com

Our company

Our origins date back to 1901, when the Postmaster-General's Department was established by the Commonwealth Government to manage all domestic telephone, telegraph and postal services, and to 1946, when the Overseas Telecommunications Commission was established by the Commonwealth Government to manage international telecommunications services.

Since then we have been transformed and renamed several times as follows:

- the Australian Telecommunications Commission, trading as Telecom Australia in July 1975;
- the Australian Telecommunications Corporation, trading as Telecom Australia in January 1989;
- the Australian and Overseas Telecommunications Corporation Limited in February 1992;
- Telstra Corporation Limited in April 1993, trading internationally as Telstra; and
- trading domestically as Telstra in 1995.

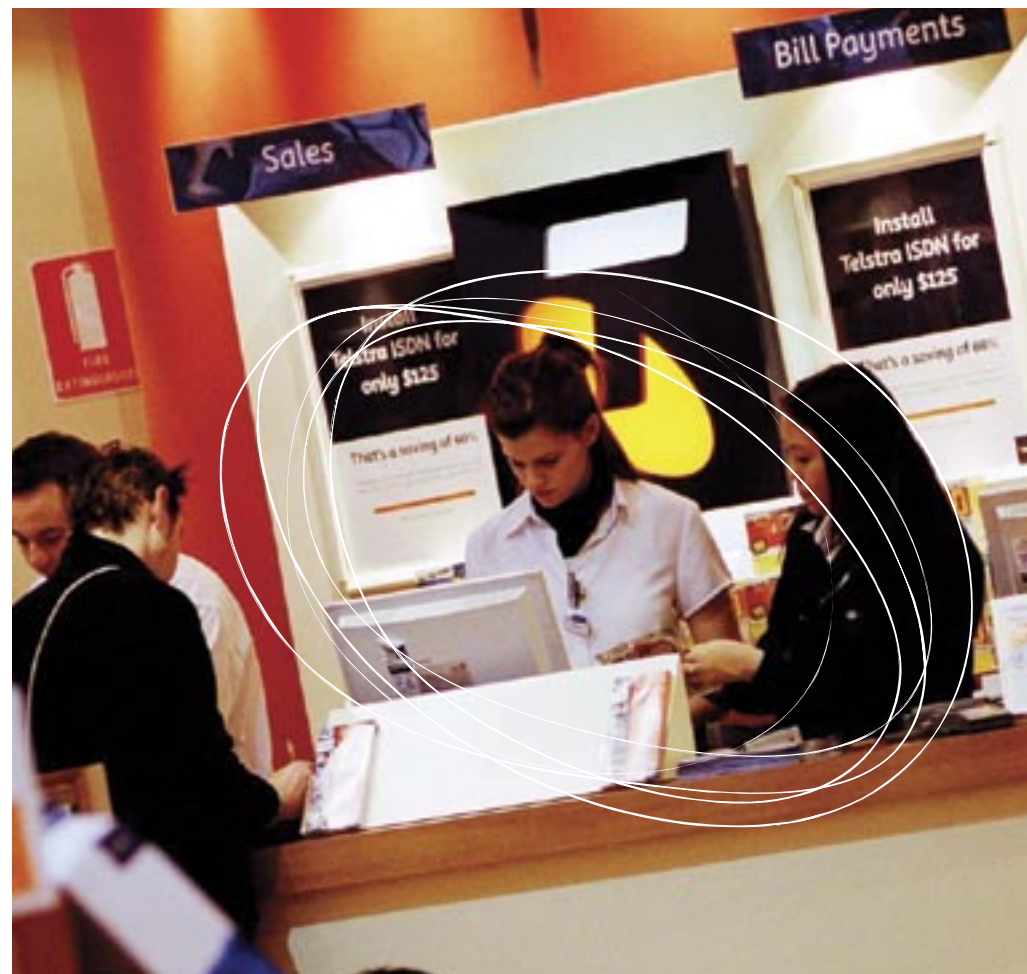
We operate Australia's largest telephone network. We provide more than 10.1 million Australian access lines in service and more than 8.2 million mobile services. Usage for 2004/05 included (the statistical data represents management's best estimates):

- Number of local calls **8,469 million**
- Fixed to mobile minutes **4,375 million**
- National Long distance minutes **7,743 million***
- International direct minutes **580 million**
- Mobile retail voice telephone minutes **6,746 million†**
- Number of SMS sent **2,289 million**

* Includes national long distance minutes from PSTN and independently operated payphones to Australian fixed telephones. Excludes minutes related to calls from non-PSTN networks, such as ISDN and virtual private networks. † Includes all calls made from mobile telephones including long distance and international calls. Excludes international roaming, MessageBank®, mobile data and CSL.

GOVERNANCE IN TELSTRA

The Telstra Board is committed to best practice in the area of corporate governance. We regularly review and update our corporate governance practices. The Board evaluates and, where appropriate, implements relevant proposals with the aim of ensuring that we maintain best practice in corporate governance, having regard to developments in market practice as well as new corporate governance requirements



and guidance notes issued by the ASX, the New York Stock Exchange, the US Securities and Exchange Commission and other regulators. We comply with the ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations' released in March 2003.

The Telstra Annual Report 2005 provides comprehensive detail on our corporate governance and board practices. To read Telstra's 2004/2005 annual report go to http://www.telstra.com.au/communications/shareholder/financial_reports.cfm

Further information regarding our corporate governance and board practices (including copies of key policies and charters) can also be found on our website: <http://www.telstra.com.au/abouttelstra/corp/governance.cfm>

REGULATION

Australian telecommunications companies are regulated to deliver specified services to the community, and Telstra is regulated to provide more of these services than its competitors. As a result, Telstra pays a significantly higher proportion of the costs of these services than its competitors.

Telstra fully supports improving our customer's experiences of telecommunication products and services. When regulations increase a company's costs (or limit revenues) the burden should be shared fairly by the entire industry.

For example, as the Universal Service Obligation (USO) provider, Telstra must provide home phones and payphones reasonably accessible to all Australians, no matter where they live or work. The amount the Government decides carriers should contribute to the USO for 2005/06 would be around \$170 million. Of this, our competitors pay just under \$60 million, and Telstra pays the rest. However, the last detailed cost model developed by an independent third party, the ACMA, in October 1999 estimated the real cost of providing USO services to be around \$550 million per year. Telstra not only pays its share of the Government determined amount, we also make up the considerable shortfall between that and the real cost. Assuming the ACMA estimate is correct, Telstra subsidises the USO by some \$490 million, compared to our competitors' contribution of around \$60 million.

It is in the interests of all Australians that these social policy objectives be met in a sustainable and fair way. Imposing the vast majority of obligations on one carrier (Telstra) is not sustainable and it is Telstra's position that they should be industry-wide obligations, with the burden being shared by all telecommunications providers, and where appropriate, the Government.

Regulated services provided by Telstra:

- Universal Service Obligation.
- Priority Assistance.
- Costs of Emergency 000 service.
- Manage the Integrated Public Number database.
- Internet Assistance program.
- Low income support packages like pensioner discounts.
- Free directory assistance.
- Free White Pages directories.

Though the cost of providing these services varies from year to year, the annual cost is in the millions of dollars - and growing. For example, in 2004/05, the cost to Telstra of providing low-income support packages was around \$200 million, up from approximately \$160 million in 2003/04. Some other examples are free directory assistance which costs Telstra around \$35 million annually and priority assistance is around \$15 million annually.

REPORTING AND BENCHMARKING PERFORMANCE

We strive every year towards a more rigorous approach to embedding corporate social responsibility behaviours. This is something that we look to all of our people to uphold. We seek to understand our performance through external surveys and reports. Using this as a benchmark, we strive for improvement year on year.

This year we participated in:

- The Business in the Community Corporate Responsibility Index is carried out in Australia by the St James Ethics Centre and audited by Ernst and Young. Our result for the 2003/04 financial year was 90.21 percent, an almost five percent increase on our previous year's score, placing us sixth out of 26 participating companies. Our results summary is on our website at <http://www.telstra.com.au/abouttelstra/csr/reports.htm>
- <http://www.corporateresponsibility.com.au>
- The FTSE4Good Index Series, run by the UK-based FTSE Group, measures the performance of companies that meet corporate responsibility standards, to facilitate investment in those companies.
- <http://www.ftse.com/ftse4good/index.jsp>



Other ratings:

CPA Australia and the University of Sydney rated Telstra tenth in the ASX100 in the Sustainability Disclosure Index. The Index resulted from a review CPA Australia commissioned from the University of Sydney of current sustainability/triple bottom line reporting practices within Australia across the private and public sectors.

Our Vision

Telstra – Australia's connection to the future

Mission

To develop, design and deliver communications solutions to every customer

Telstra Values

SERVICE

I will be caring and responsive in the way I provide service to my customers and colleagues.

RESPECT FOR THE INDIVIDUAL

I will treat all people with dignity and respect.

INTEGRITY

I will be honest and ethical in all my dealings with others. Compliance with the law is my minimum standard.

COMMITMENT AND ACCOUNTABILITY

I will do as I say and accept accountability for my actions.

TRUST

I will trust my colleagues and rely on them in order to achieve business success.

LEADERSHIP AND TEAMWORK

I will strive to be a member of a champion team. Being competitive demands my leadership, teamwork and collaboration.

Our Key Priorities for 2004/05

- Terrific People – Great Teamwork
- Innovative Products
- Operational Excellence
- Outstanding Customer Service
- Smart Investments
- Winning in the Marketplace

Our people

Last year, we described our CSR commitments to Our People in four categories

- safety
- fairness
- choice and flexibility
- opportunity.

We've continued to describe it in this way so that we can clearly report our progress on our commitments year on year. At 30 June 2005, we employed 37,087 people – an increase of 959 employees from the same time in 2004.

In this report, employees are defined as all full-time and part-time employees excluding controlled entities and subsidiaries.

HIGHLIGHTS

In October 2004, Telstra was awarded the Australian Human Resources Institute (AHRI) National Award for Excellence in People Management in our sector.

We introduced initiatives to improve the working environment for Telstra people, including increasing the representation of women in our workforce and improving internal resolution processes for our employees.

We introduced the new Telstra Business Principles, which set out the practices, principles and standards of behaviour expected of every employee and aim to make Telstra a better place to work.

Our people again spoke out about their views on Telstra in the November 2004 Employee Opinion Survey (EOS). The largest positive changes in opinion between the April 2003 EOS and November 2004 EOS included:

- Leadership (+7%),
- Work Team (+6%),
- Performance Management (+6%),
- Customer Focus (+5%),
- Supervision (+5%),
- Communication (+5%)

Safety

Our responsibility is to provide a safe workplace so that we minimise the risk of injury or harm to the health of our people or our wider community.

In 2004/05, we commenced a major survey of safe driving behaviour to assist us in improving company-wide vehicle safety initiatives, such as post-incident driver interviews. We reduced our Lost Time Injuries rate this year from 265 to 199 and reduced the Lost Time Injury Frequency Rate (Lost Time Injuries per million hours worked) from 4.4 to 3.2. See the Lost Time Injuries graph to view our progress in injury reduction.

In 2004 we committed to

- Continue to work towards our goal of a 40 percent reduction over 10 years in lost time incidents of five or more working days.

We achieved a 35 percent reduction in lost time incidents of five or more working days after only three years – well ahead of the target of 9.2 incidents per 1000 Full Time Equivalent staff for this timeframe.

Looking forward we will

- Strive to continually improve our prevention programs in order to achieve the target within the required timeframe.

In 2004 we committed to

- Conduct 75 audits nationally.

We conducted 88 external health and safety audits nationally across all Business Units. These audits assess the quality and effectiveness of health and safety management in a workplace, area or region.

Looking forward we will

- Continue our external HS&E audit program in 2005/2006 and integrate measurement of environmental management into each audit.

In 2004 we committed to

- Continue to monitor health and safety progress throughout the company.

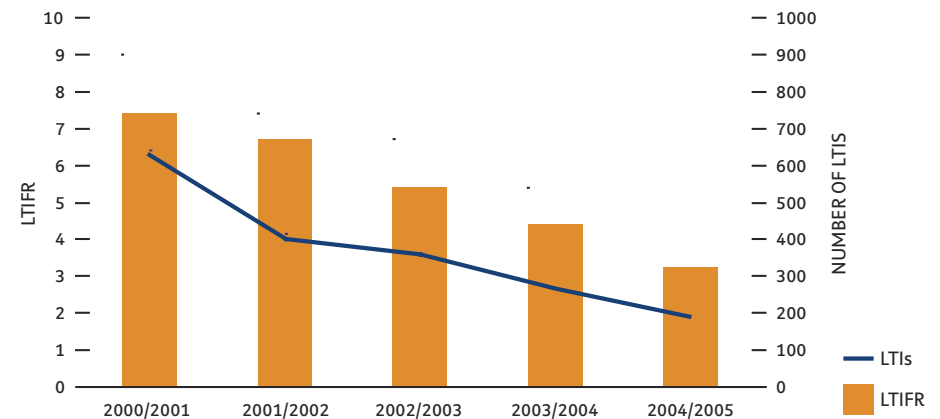
Health and safety progress has been continually monitored – 74% of audits in 2004/2005 were rated effective or highly effective, well above results for previous years.

- 2003/2004: 62%
- 2002/2003: 57%
- 2001/2002: 38%

Looking forward we will

- Expand our auditing database so that workplace managers can access data from other Telstra areas for benchmarking purposes.

LOST TIME INJURIES (LTI) AND LOST TIME INJURY FREQUENCY RATES (LTIFR) as at end June



LTI: Lost Time Injury where at least one full shift or day is lost from work.
 LTIFR: Number of Lost Time incidents per Million hours Worked (as of 30 June)
 NB: Data for 02/03 different to previously published as it includes Network Design Construction.

In 2004 we committed to

- Continue our safety behaviour program by examining the safety culture in our workplaces and raising awareness of safety via an 'Inspiration' series of videos to emphasise the importance of safety both in and outside work.

We conducted follow-up safety culture sessions within workgroups across the company and completed a second video highlighting safety in the home, which we will provide for staff with the intention that they watch it with their families.

Looking forward we will

- Develop and deliver training to continue the safety culture program internally. Release the second 'Inspiration' video and enhance our Safe 4 Life website.

In 2004 we committed to

- Extend our Employee Wellbeing program to help staff manage lifestyle factors that affect their health and wellbeing.

We extended our employee wellbeing program to raise awareness of mental health issues in the workplace and at home with the production and dissemination of:

- an extensive intranet site
- a Mental Health booklet distributed to staff across all Business Units
- an interactive online program to assist managers deal with mental health issues in the workplace; and
- after-hours awareness sessions for Telstra staff and their partners.

Initial feedback to us shows that people have welcomed the information and will use it as part of their day-to-day work.

Looking forward we will

- Extend the mental health after-hours awareness sessions for Telstra staff and their partners to more Telstra worksites in capital and regional cities.
- Develop workshops to further assist managers in addressing mental health issues in the workplace.



Simone Adamczyk, manager, Telstra Care chats with colleague, Shawn Hosking.

In 2004 we committed to

- Continue monitoring of compensation claims management, particularly those claims associated with prolonged rehabilitation.

Project teams reviewed:

- the claims management processes in our field-work areas; and
- all open workers compensation claims with rehabilitation programs over 26 weeks

to assist injured staff return to work.

Looking forward we will

- Review workers compensation claims management across the remaining parts of Telstra and incorporate findings into workplace H&S planning.

CASE STUDY: LET'S TALK ABOUT MENTAL HEALTH

Mental health underpins the wellbeing and effective functioning of an individual and a community. This year, Telstra took an active role in recognising mental illness in the workplace and working with specialists in the field developed a number of mental health awareness initiatives including an online awareness program Mental Health: Creating a supportive workplace.

This awareness program enabled Telstra managers to provide information on:

- how to recognise possible signs and symptoms of mental health problems; and
- finding practical ways to support a person with a mental health problem.

This program is supported by a national information tour to capital cities, where speakers share first-hand experiences and enable staff to discuss solutions and share with others. As part of this program Telstra has also developed a booklet that provides tips for good mental health and questionnaires for self-assessment which is available online and in hard copy to all staff.

“The Mental Health Council of Australia is pleased to have Telstra as a partner in increasing awareness of mental health issues, particularly as it impacts on the workplace,” said John Mendoza, CEO of the Mental Health Council of Australia.

“Increasing awareness of mental health issues at work and developing supportive workplace programs makes good business sense – untreated mental illness in the workplace can be a significant financial burden on business through absenteeism and reduced productivity.”

As part of our commitment towards improving mental illness awareness, along with Telstra's Access for Everyone package, we also support the “NISAD” (Neuroscience Institute of Schizophrenia and Allied Disorders).

Fairness

Results in the November 2004 Employee Opinion Survey showed that the majority of our people find Telstra a fair place to work. We are committed to resolving workplace issues quickly and fairly and we provide proactive supporting processes for people who are retrenched.

In 2004 we committed to

- Develop a unique Life and Career transition program to support employees on individual contract who leave due to retrenchment. The aim is to improve the service to better meet individual needs.

Telstra launched the new Life and Career Transition service in March 2005, enabling employees on individual contracts who are retrenched to access services that enable them to transition into the next phase of their life and/or career.

Different to traditional outplacement, employees can tailor their program from a fuller range of services and options. These include:

- ‘sea change’
- ‘gliding to retirement’
- ‘financial services’
- ‘continue with or engage as a volunteer in the Telstra Friends volunteer network’
- ‘job search and career development’
- ‘small business start up’
- ‘image consulting’
- ‘comprehensive health check’ and
- ‘online capability for regional and remote employees’

Qualitative and quantitative key performance indicators for the supply of the Life and Career Transition Services have been negotiated with the supplier and we gain participant feedback on completion of the program.

The indicators will have particular focus on how effectively the program matched individual requirements to the service offerings and the employee's satisfaction with services.

Looking forward we will

- Continue to develop the service offerings in the Life and Career Transition Services to enable our departing employees to explore a full range of options.

In 2004 we committed to

- Provide simple tools for employees and managers to resolve issues.

We launched our revised Internal Resolution Process in November 2004, with a focus on the provision of improved tools and templates for managers and employees to enable them to resolve issues at the earliest possible stage. It also provides escalation points with the opportunity for independent review.

Reporting, recording and tracking processes are in place to monitor usage and outcomes of the internal resolution process. Overall, the majority of cases were able to be resolved by the one and two up manager using the new tools and process. Seven cases proceeded to independent review.

Looking forward we will

- Continue to offer and use the Internal Resolution Process to resolve issues at the earliest possible stage.
- Build employee awareness of the process.

Choice and flexibility

Choice and flexibility in the way we offer and provide work is important. It assists us to attract and retain the best people, promotes employee growth, enables reward and fosters employee commitment.

Our achievements in delivering choice and flexibility over the year included:

We implemented a recognition program called the *Work, Family and Lifestyle Awards*. The awards acknowledge managers who demonstrate consideration for workplace flexibility and are role models of the Telstra values through their support of employees' work, family and lifestyle commitments.

Business units implemented programs that met the needs of their unique workforce. Some of these initiatives included:

- *Free@4* program, encouraging employees to leave the office early once every ten days to pursue personal interests.
- Flexible Work Toolkits – one for managers, and one for employees – that provide practical tips on workplace flexibility, highlighting the arrangements that are available.
- Seminars on topics including work/life balance and parenting
- Telstra Fun Days to thank staff and families and to enable family and friends to unite to celebrate successes for the year. The Fun Days were held across Australia on seven Saturdays. Families actively participated in games, rides, interactive concerts and circus sessions.

We regularly survey employees to gauge their opinions on their work environment. In 2004/05, 84 percent of employees who responded to the Employee Opinion Survey (EOS) felt that their supervisor/manager was considerate of their commitments/family responsibilities outside of work. This response is benchmarked against other Australian organisations. Telstra performs well above the Australian norm, which is 73 percent.

In 2004 we committed to

- Continue to offer salary packaging, Own Share and choice of Incentive allocation of shares.

We extended the range of approved options for salary packaging 2004-2005 incentive payments. The new options, developed based on employee feedback, include:

- health funds;
- child care;
- public transport costs; and
- school fees.
- We continued to run Own Share and provide the option to allocate incentive payments to shares – about 400 people requested the purchase of shares with part of their incentives payment over the period.

In 2004 we committed to

- Continue to recognise the efforts of our people by introducing more staff options under the *My Rewards* program.

Additional staff benefits offered through the *MyRewards@Telstra* program this year include discounted personal and health insurance and other special offers, such as Hewlett Packard and Microsoft products.

In-house benefits were enhanced through offering new Telstra products such as BigPond Movies, and access to products through subsidiaries including Universal Publishers and Telstra Super.

Looking forward we will

- Promote staff benefits under the *MyRewards@Telstra* program through a new benefits card, newsletter & brochure (on-line and hard copy, launched August 2005).
- Introduce new salary packaging options, such as car parking spaces and new leasing arrangements for vehicles.
- Continue to offer Own Share and incentive allocation of shares to employees on individual contract.

Opportunity

Opportunity is about creating means and ways for people to thrive in Telstra no matter where they come from or what their job requires, offering opportunity for change, growth and success.

This year, the Infrastructure Services business unit implemented a Staged Retirement program, aimed at understanding the changing expectations of their ageing workforce. The goal of the program is to ensure that skills loss is minimised.

We continue to meet this goal by implementing support initiatives based on individual need. In 2005/06, we will implement an investigation to understand how other business units may benefit from the learning from this initiative.

Changes to Equal Employment Opportunity (EEO) group representation was minimal over the year. Key shifts included:

- Representation of women, both throughout the company and in senior roles, increased in number and proportion.
- Part-time employment increased by 510 employees over the period.

Representation declined for:

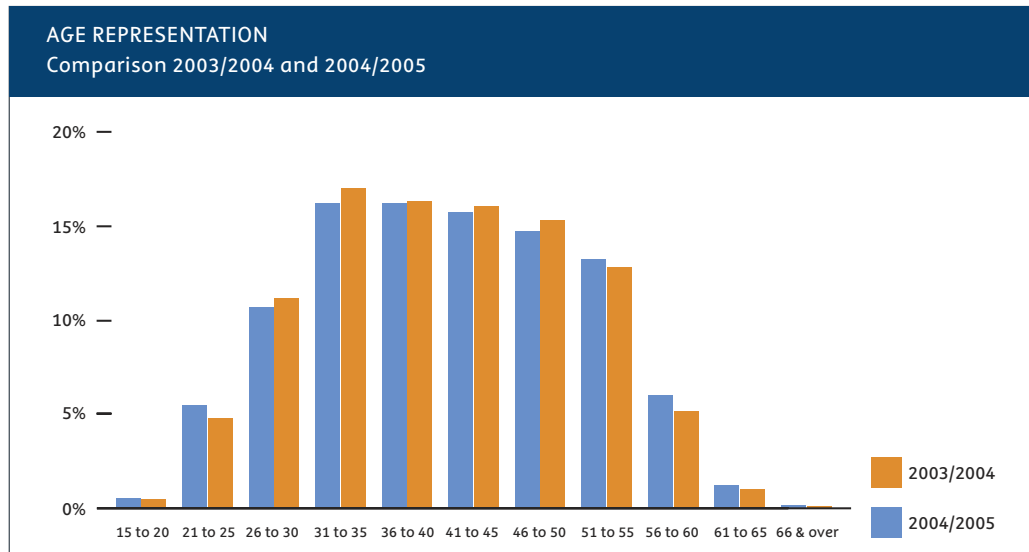
- Aboriginal and Islander (A&I);
- Culturally and Linguistically Diverse; and
- People with a Disability.

Telstra's A&I trainees do not classify as permanent employees until they reach the end of the traineeship tenure. The effect of the recruitment of trainees will be evident in the next reporting year.

Each year, we present the Equal Employment Opportunity Report to the Minister for Communications. The report contains detailed data and analysis of Telstra's EEO performance in 2004/05.

TELSTRA'S DIVERSITY PERFORMANCE				
	2004/2005	2003/2004	2002/2003	Programs
Total Employees	37,087	36,128	33,858	
Women	30.59%	30.06%	31.83%	Advancement of Women and International Women's Day Celebrations.
Women at senior management	21.11%	19.86%	18.6%	Succeeding in the Telstra Environment – Women @ L4.
Aboriginal & Islander	0.60%	0.64%	0.76%	National Aboriginal and Islander Employment Traineeship; Cadetship program and NAIDOC Recognition Award.
Culturally and Linguistically Diverse	9.02%	9.41%	10.82%	Promoting Awareness of Diversity – Harmony Day; and Diversity Creates Opportunities staff campaign.
People with a Disability	2.01%	2.18%	2.57%	Disability Awareness staff program; Implementation of Supported Salary Payments, for employees with a disability; Willing and Able mentoring program; Mental Health Week awareness program; and Transitional employment Program.
Part Time staff	8.8%	7.6%	5.8%	Promotion of flexible work practices.
Return from maternity leave	94.03%	91.99%	88.26%	Parenting Seminars.

NOTE: There are some limitations to data collection. While Telstra encourages employees to provide information related to their EEO status during the recruitment process, it is not compulsory for them to do so. Therefore, there may be a number of employees who chose not to disclose information regarding their membership of a designated group. In some other cases, when employees join Telstra through Merger and Acquisition activity, they may not record their EEO information as part of the transition.



In 2004 we committed to

- Continue to promote and participate in annual Harmony Day celebrations.

We again focused on Harmony Day as a key event in our diversity calendar to raise staff awareness and celebrate the value of diversity. We held numerous events to mark the occasion, including International Food Festivals and activities at the AFL Wizard Cup Final to promote awareness of what harmony day represents. Telstra Country Wide held a regional Australia promotion and our people based in Hong Kong met for a multi-cultural lunch. Local activities were held across all business units in many locations around the country.

Looking forward we will

- Continue to promote and participate in annual Harmony Day celebrations.

In 2004 we committed to

- Increase indigenous representation by implementing a company-wide Indigenous People's Policy;
- Guided by the policy, work towards our goal of employing 150 Aboriginal and Islander trainees; and
- Continue our support of the Indigenous Cadetship program.

The Indigenous People's Policy was not launched in the period, however there has been a continuing focus on strengthening our relationships with the aboriginal and islander community internally and externally in Telstra and on 1 July 2005, Telstra launched the Indigenous Peoples Directorate.

In line with guidelines to identify opportunities for employment in remote communities resulting from the Estens Senate Committee Inquiry in 2002, Telstra has successfully placed 69 trainees and nine cadets, and is on target to meet our commitment of 150 Aboriginal and Islander trainees by end of 2006. Of the trainees in the organisation, 60 trainees were placed over the 2004/05 reporting period.

Telstra provides regular reporting on progress of traineeships and cadetships to the Indigenous Unit and NCIP Unit of the Department of Workplace Relations

Looking forward we will

- Continue our commitment to recruit trainees under the traineeship program.

In 2004 we committed to

- Increase staff awareness and acceptance of the value of diversity in the workplace through the implementation and measurement of the 'Diversity Creates Opportunities' campaign.

We strategically reviewed our approach to diversity in 2004/2005 to understand trends internally and externally in relation to the workforce, with the aim of creating a strategic framework driven through a diversity strategy. One outcome was DiversiGRID, a Diversity Management system enabling managers to measure EEO and Diversity performance in their business unit, identify gaps and create programs to address those gaps.

The *Diversity Creates Opportunities* staff communications and understanding campaign was implemented throughout every Telstra workplace.



Greg Brown, NAIDOC Recognition Award winner.

CASE STUDY: YOUNG ACHIEVERS

Telstra has celebrated National Aboriginal Islander Day of Celebration (NAIDOC) week for over a decade and continues to be strongly committed to using this week as an opportunity to promote cultural awareness and to recognise and acknowledge the contributions of Aboriginal and Islander staff within Telstra.

This year we recognised Greg Brown as the NAIDOC Recognition Award winner. Greg commenced at Telstra under a Trainee program in the former Aboriginal Employment Career Development Strategy, now has some 11 years experience in the Telecommunication industry. Whether dealing with Aboriginal elders from remote communities, or the Anglican Schools Board where he is the parent representative, Greg Brown takes it all in his stride.

"The way I have been brought up is to have respect – show respect to different areas and different cultures. Treat people the way you want to be treated," Greg said. "My crew work on the radio upgrade project travelling all over northern Queensland and the Northern Territory – we pull out old radio systems and put in the new systems. It's a good job, the crew are great and you get to a lot of good places and get to see different cultures. I'm over the moon about winning this award; it all comes back to my goals at work and I'm pretty rapt."

Looking forward we will

- Continue our focus on improving EEO and diversity outcomes, through initiatives designed to promote family-friendly work practices and contributing to the Ministerial Roundtable on Disability Employment.
- Implement DiversiGRID company wide so that we can assess EEO and diversity performance.

In 2004 we committed to

- Create an environment in which people flourish by focusing strongly on people management.

An important initiative this year was the publication of the *People Manager* newsletter, a new online publication promoting excellence in people leadership and management and providing news and information that supports people managers in their role.

Telstra also continues to provide best practice learning and development opportunities for people managers through the Leadership and Management Development Framework. The performance management system was updated in 2004/2005 to include specific accountabilities of our people managers.

Looking forward we will

- Offer high quality development programs that support people managers by developing performance capabilities to reflect strategy and business requirements; and
- Identify 'best in class' program providers to deliver high-quality staff development.

In 2004 we committed to

- Achieve a more effective leadership system that reinforces the Telstra values through the introduction of the Leadership Mindset program (after the approval of our new Leadership principles).

Telstra deferred implementation of the Leadership Mindset program pending the appointment of a new CEO and will work towards ensuring it is aligned with the objectives set by the new CEO.

Looking forward we will

- Continue to identify leadership opportunities for our people in the coming year.

Our Community

Telstra is an essential part of the Australian community. The work we carry out in the community is visible in our volunteering, fundraising, sponsorship efforts, the work of the Telstra Foundation, and also in the extra effort so many of our people contribute in their day-to-day jobs.

Reflection on the year's involvement in the community could not pass without paying tribute to the tremendous generosity our people demonstrated in donating and raising funds for the Indian Ocean Tsunami disaster. Telstra Corporation and Telstra employees donated \$1,561,280.27 in cash to Tsunami relief aid funds and made further donations in kind. The efforts of our people, including a breakdown of Telstra's Tsunami relief package, are described in the following pages.

Throughout the year we were called on to help our communities in times of need. The efforts of our people in the community included:

- On-the-ground support and relief calling packages for those affected by the Black Friday bushfires in South Australia. Our communications technicians were some of the first people on the ground once Emergency Services declared the area safe. They worked around the clock to ensure affected phone exchanges were repaired as soon as was practicable, ensuring important communication lines were open. Affected customers were also provided packages to assist them to remain in contact over this difficult period (see case study on page 16)
- A speedy response to Melbourne's '150 year' storm which caused damage to the Telstra network. Many staff worked over weekends and rostered days off to clear faults. Staff were brought in from other regions around Australia to assist in quick restoration, requiring our people in those regions to fill rosters and cover workloads.
- Working to meet our customers' needs in very trying conditions caused by widespread flooding in the Gold Coast and parts of Northern New South Wales.
- A telecommunications trial to change the way Victorians receive early warning of emergencies to better inform and equip communities to respond appropriately and safely to emergencies. The trial system disseminates vital warning information to communities under threat and tracks the response from each phone contacted, noting whether the call is answered, engaged, or even if it is answered by an answering machine.



TELSTRA AND THE TSUNAMI

Our people's commitment to, and compassion for, the community and people in need was strongly evident during the Indian Ocean Tsunami disaster. Immediately following the disaster, 220 of our staff members volunteered for the 'Australia Unites Tsunami Appeal Telethon' to man the call centres and take donations from the public.

We are extremely proud of our staff efforts during this period in responding quickly in a time of crisis and commend those who raised funds in their local community. As a business, Telstra delivered:

- A minimum cash donation of \$1 million to aid agencies – World Vision, Red Cross, UNICEF, Care Australia and OXFAM;
- A program enabling employees to make payroll deducted donations to these five aid agencies whereby Telstra matched staff donations dollar for dollar, exceeding \$1 million. The total amount of payroll donations raised by staff was \$561,280.27, bringing the total Telstra donation to \$1,561,280.27;
- Donating to World Vision the call charges received for calls made to the 'Australia Unites – Reach Out to Asia telethon' hotline (which commenced midday 7 January and closed midnight 11 January);
- Working with all mobile phone operators, in an industry first, that enabled mobile customers to make a \$2, \$5 or \$10 donation via SMS for the 'Australia Unites – Reaching Out To Asia telethon', with all monies collected being given to World Vision. A total of 251,457 text messages raised \$1,923,678 for the Tsunami Appeal; and
- Telstra subsidiary, Sensis, donated \$100,000 to aid agencies and matched contributions by its staff on a dollar for dollar basis up to the level of an additional \$100,000.

AFFECTED CUSTOMERS

We provided assistance to our customers here and in countries affected by the disaster as well as Australian aid agencies participating in the relief effort. The assistance entailed:

- Rebating call costs for Australian non-government, not-for-profit organisations who were Telstra customers providing on-the-ground support in affected countries. The rebates applied to communications between Australia and the affected countries on Telstra fixed, mobile and internet telecommunications;
- Waiving all Telstra costs for 1800 and 1300 calls to these customers relating to fundraising for the tsunami relief for one month from 26 December;
- Rebating the charges for calls made on Telstra mobiles to Australia from 12noon AEDT on Sunday 26 December until midnight Thursday 30 December for Telstra customers travelling in the affected countries; and
- Rebating call charges for Telstra customers in Australia using fixed or mobile phones to check on the well-being of immediate family members either travelling in, or residing in one of the affected countries, for the same period.



Patrick Kandiah, Infrastructure Services.

CASE STUDY: PATRICK'S MISSION OF MERCY

Having heard the news of the Boxing Day tsunami, Telstra employee, Patrick Kandiah and his friends agreed to continue with their planned trip to Sri Lanka, not for a relaxing holiday though, now they were going to work.

After three days volunteering for the Red Cross, Patrick returned to Colombo. By this stage, he had given away all the clothes he had brought for his trip and was left only with the clothes he had been wearing for the past three days.

But they were not ready to come home just yet. With the money raised from back home in Sydney and Melbourne, Patrick and his friends hired a van, bought much needed supplies including sleeping mats, milk powder for babies, water, chocolates and tennis balls for children, clothing, cooking utensils, towels, soap, toothpaste and medicine, often spending up to four hours in pharmacies, and headed east to some of the most stricken areas of Sri Lanka.

It was here in the east, that Patrick spent two weeks in devastated villages providing support and relief to the many survivors who had lost everything. Patrick recalls his time in the east as a heartbreaking experience, but is hoping to return to Sri Lanka soon to continue his relief work.



CASE STUDY: BUSHFIRE RELIEF PACKAGES

Following the loss of his home in the horrific fires in South Australia in January this year, local communication technician (CT), Peter MacDonald, recalls thinking "where do I go from here?" as he picked through the charred remains of his Green Patch property and home. Like Peter, many of our South Australian customers and communities were devastated by the January 11 bushfires. Customers who were evacuated or who were covered by a 'red zone' were offered the following services via Service Advantage 132203:

- free call diversion to a fixed or mobile service; and
- fixed line rates (as per Homeline Complete rates) for eligible Telstra Mobile customers for local and STD calls made on their mobile service.

In addition, Telstra also established the Bushfire Assistance hotline (1300 134 239) for customers whose homes had been destroyed by the bushfires to provide the following assistance:

- cancellation of service at existing premises – \$0 rental charges – with free number reservation to be provided for three months; and
- free connection at a temporary residence within a twelve-month period beginning the date of the disaster.

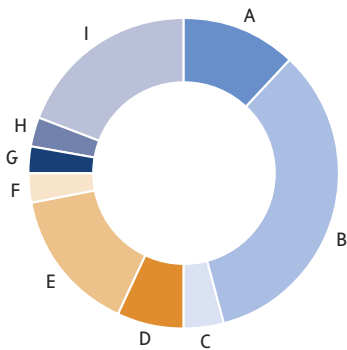
Volunteering

Telstra Friends this year celebrated its 12th anniversary and has grown into one of Australia's largest registered corporate volunteer programs. The Friends have more than 4,000 registered members, including current and former staff, and two full-time staff to manage the volunteer program.

Recognition of this year's activity includes:

- Our staff raised a record \$192,719 for charity, up 8.6 percent from last year, and contributed 12,000 volunteer hours for 71 community related events.
- More than 2,700 Telstra Friends volunteered for Clean up Australia Day in March 2004 at 23 sites around Australia to help make a cleaner community.
- Our volunteer support for the international Deaflympics in January 2005, particularly in Ballarat Victoria where Telstra volunteers took a lead organisational role, was crucial to the success of the event. Plus, many of our volunteers had a great time chaperoning the events.

TELSTRA FRIENDS FUNDRAISING
2003/2004 to 2004/2005



A	CANCER RESEARCH	\$23,624
B	TELSTRA CHILD FLIGHT	\$65,134
C	CAMP QUALITY	\$7,715
D	TSUNAMI APPEAL	\$13,080
E	VARIOUS OTHER	\$29,589
F	MIFV	\$5,660
G	TARALYE	\$6,551
H	ST GILES	\$5,130
I	CHRISTMAS BOX	\$36,205
	TOTAL	\$192,718

- Volunteers from all parts of Australia made their way at their own cost to both Tamworth in Northern NSW to help out at the Telstra Tamworth Country Music Festival and to Narooma in Southern NSW for The Telstra Great Southern Blues and Rockabilly Festival. At both festivals the volunteers supported Telstra Country Wide with their organisation and running of the festivals.

In 2004 we committed to

- Encourage greater involvement in Telstra Friends by providing opportunities to enable involvement in different ways

This year, Telstra Friends focused many more of their activities on complementing Telstra's community sponsorships. Support for Community Sponsorships increased 237 percent in volunteer hours, claiming 58 percent of all events during the year.

Looking forward we will

- Encourage more of our people to volunteer, no matter where they work in Australia, by offering a greater choice of volunteering opportunities. We will focus on a health and wellbeing theme; and
- In 2005/06 Telstra Friends is planning to set new benchmarks in support of the Red Cross Blood Service. On *Blood for Life* day on October 19, we expect more than 2,000 employees to donate blood on one day, resulting in the largest ever one-day contribution by any corporation in Australia.



Volunteers (l-r) Brian Mullins, Jack Gibson and Malcolm McGrath with Telstra's Lisa Enright.

CASE STUDY: IN TOUCH WITH OUR HERITAGE

In an annual Telstra supported event held with the Powerhouse Museum in Sydney and the old Alice Springs Telegraph Station, the members of the Morsecodian Fraternity and volunteers from the Telstra Museum, delighted young and old alike with demonstrations of their morse code skills.

In support of Heritage Weeks in New South Wales and Northern Territory, the Morsecodians took messages from the many interested visitors to the museum and old telegraph station and transmitted them via morse code between Sydney and Alice Springs. Once received at the other end they were typed (using an original PMG typewriter) onto a special telegram form and mailed to the recipient. A couple of days later a real telegram was received by many delighted grandparents, mums, brothers, cousins and friends.

The volunteers from across the country, all retired (many former PMG, Telecom and Telstra employees), are very passionate about being able to pass on their experience, skills and knowledge about Australia's telecommunications history to a younger generation. According to Brian Mullins, who heads up the volunteers at the Telstra Museum Bankstown, "The kids are fascinated when they write their name on a piece of paper, hand it to an operator at one end of the room, hear some taps on the morse key and see their name typed out by the operator at the other end of the room. It's a real mystery to them how the person at the other end of the room could know what their name is without a word being spoken."

The volunteers based at the Powerhouse were kept busy with over 2200 visitors to their telegraph station stand. Over 500 telegrams were sent to Alice Springs with over 200 messages.

Community Sponsorships

Our community sponsorships aim to deliver benefit to our many communities.

In 2004 we committed to

- Continue to run all community programs associated with Surf Life Saving Australia.

The Telstra Surf Lifesaving Assistance Fund distributed \$500,000 worth of new equipment including All Terrain Vehicles, Inflatable Rescue Boats, rescue boards, rescue tubes, observation towers, defibrillators and spinal boards to local surf lifesaving clubs across Australia.

A network of approximately 100 trained surf lifesavers introduced the basics of surf and aquatic safety to approximately 75,000 primary school aged children in more than 280 schools across rural and regional Australia since the national launch of the program in 2003.

Looking forward we will

- Continue to run the Telstra Surf Life Saving Assistance Fund and the Telstra Beach to Bush programs.

In 2004 we committed to

- Focus on the National Rugby League's junior rugby league program – *Kids 2 Kangaroos*. Telstra will become the naming rights sponsor of this program.

In April 2005, with Australian Rugby League Development, we announced the two-year *Telstra Kids 2 Kangaroos* development program, with the aim to encourage more young boys and girls to become involved in non-contact rugby and the flow-on benefits of being more active and healthier children.

Opportunities for Australian boys and girls to get involved include:

- coaching school groups;
- Rugby League Gala Days;
- local Round Robin competitions; and
- after-school coaching clinics.

Looking forward we will

- Increase the focus and exposure of the program by showcasing key league events nationally, such as final series and State of Origin matches.

Telstra is the official telecommunications partner of the Melbourne 2006 Commonwealth Games, which will be held in Melbourne and across Victoria from March 15 – 26, 2006. We are also the Presenting Partner of the Melbourne 2006 Queen's Baton Relay Community Runner Program, the world's longest, most inclusive relay. The Queen's Baton Relay is a significant part of the Commonwealth Games, representing everything the Games stands for: community, celebration and unity.

The Community Runner Program offers all Australians a once in a lifetime opportunity to carry the baton for one leg of its journey around Australia.

In 2004 we committed to

- Support grassroots rugby union in Australia via a new major sponsorship with the Australian Rugby Union; Continue to run Telstra TryRugby in communities throughout Australia.

We continued to support rugby at a grassroots level over the period. We have supported Telstra Tryrugby centres across Australia for up to 2000 children aged 5-16 years.

In 2004 we committed to

- Continue to support *onTrac@PeterMac* and the Telstra Centre for Burns Reconstruction and Rehabilitation unit at Royal Perth Hospital.

Telstra's key health sponsorships are outlined on the Telstra website at <http://www.telstra.com.au/abouttelstra/csr/partnerships.cfm>



Susan Shannon Telstra Deaf Ambassador, Maria Simpson, Telstra Group Manager Community Relations, Andrew Gaze and Sam Quinn, Deaflympic Games Ambassadors put their hands up at the call for volunteers for the 2005 Deaflympic Games at Federation Square.

In 2004/05, we renewed our sponsorship commitment with Telstra Child Flight for \$1.5 million over the next two years. Telstra Child Flight is a unique helicopter retrieval service that provides intensive care transportation for seriously ill babies and children from regional and remote areas of New South Wales and southern Queensland. On 5 May 2005, we ran a day-long fundraising appeal in partnership with Child Flight, which raised over \$117,000 for the service. See the case study opposite for details of the fundraising day.

We celebrated the first anniversary of the *onTrac@PeterMac* program, a collaboration between the Peter Mac Cancer Hospital in Melbourne and Telstra, which provides a fully integrated range of psycho social, educational and medical services to meet the special needs of adolescents and young adults with cancer.

Already more than 70 young people across Victoria and Tasmania are being supported to manage their cancer and specific issues by this program, as well as becoming involved in clinical trials which increase their chances of recovery.

In late February 2005, we opened the Burns Reconstruction and Rehabilitation Unit at Royal Perth Hospital in Western Australia. Under the guidance of Australian of the Year recipient and head of the unit, Dr Fiona Wood, our \$1 million contribution helped develop a World Class centre for burns management that gives Western Australia and Australia international recognition for burns treatment.

Telstra's contract with Lifeline was to conclude in 2005. Lifeline sought public and government support to extend the contract arrangement and Telstra agreed to this in March 2005. Telstra signed a contract with Lifeline for a further three years to conclude 30 June 2008 and look forward to assisting Lifeline fulfil its objectives as a twenty-four hour telephone counseling service.

Looking forward we will

- We will continue our commitment to the community through supporting a range of community organisations in the areas of health, rescue services, counselling and cultural museums and where we believe we can make a real difference in the community.
- We will review the criteria for our community sponsorships to clarify our criteria and objectives in line with business and stakeholder expectations.



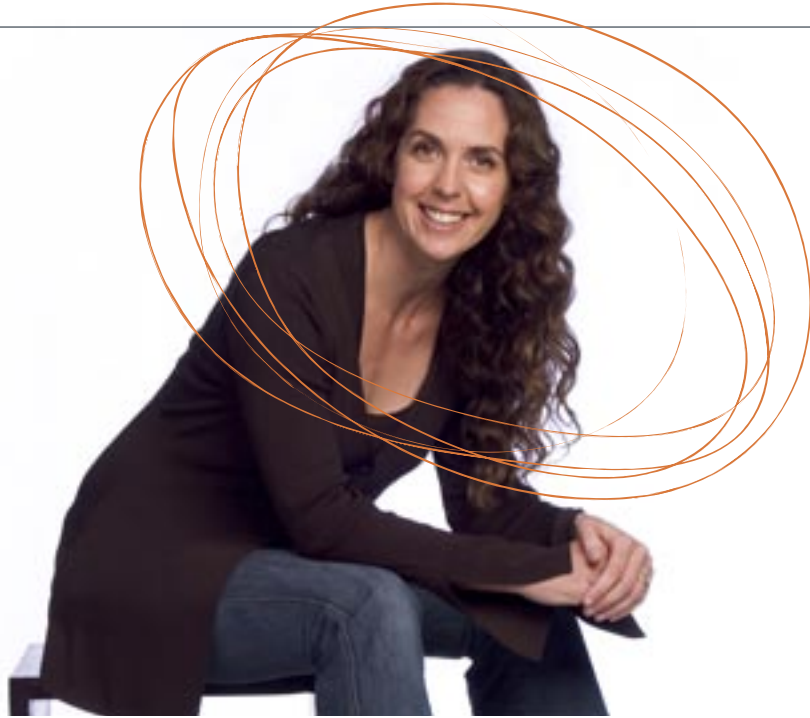
CASE STUDY: TELSTRA CHILD FLIGHT

In May 2005 Telstra people raised \$117,000 for Telstra Child Flight at a one-day fundraiser on Darling Harbour, our largest fundraising event for the year.

Barry Boettcher, president, Telstra Child Flight, says his organisation was overwhelmed by the support of the public, the media and Telstra people. "People in the city were not as aware of Telstra Child Flight as they were of some of the other emergency services. The sheer public awareness of the event was the biggest benefit for us. An event of this size is what we needed to garner public support."

When the Telstra Child Flight service passes over his Gosford office, Phil Lammert area general manager, Telstra Country Wide™, is reminded of the night ten years ago when Child Flight saved his newborn son's life. "My son Sam was born four weeks early in July 1994. There were initially no complications but then his oxygen intake became less and less, his kidneys failed, and most of his vital organs began to collapse," said Phil. "To this day, doctors still cannot diagnose what happened to Sam and local hospitals are just not set up to manage these situations. If we didn't have Child Flight, we know that Sam would not have survived. Child Flight saved his life and I'm sure there are a thousand stories out there just like ours."

Sam is now a healthy and active 10 year old – he surfs, plays ice hockey, soccer and rugby. As one of our key community sponsorships TCF is the recipient of fundraising activities by Telstra Friends throughout the year including over \$42,000 raised at this years Telstra Country Music Festival Tamworth



Janine Allis 2004 Telstra Australian Business Woman of the Year.

CASE STUDY: A BOOST FOR BUSINESS WOMEN

Managing Director and Founder of Boost Juice Bars and 2004 Telstra Australian Business Woman of the Year Janine Allis believes the Awards provide endless opportunities for individual participants, while breaking down the 'glass ceiling' effect. "For women who are looking to build their profile, the Awards offer incredible prospects – with vast media, speaking and promotional opportunities."

For Janine, winning the national award was the 'cherry on top of the cake'. However the real win she says was being able to meet an inspiring group of women. Importantly however, Janine believes the Awards provide a rare opportunity to identify female heroes for the business world, offering valuable inspiration to other women.

"Promoting the successes of Australian business women helps chip away at the glass ceiling, by opening the eyes of the 'boys clubs' to the amazing achievements of Australian business women," Janine said.

In 2004 we committed to

- Continue the Telstra Small Business Awards recognising the achievements of Australia's small businesses in its 12th year.
- Continue the Telstra Business Women's Awards program in their 11th year to recognise Australian women's exceptional achievements in all professions.

We ran both awards programs over the period and they were once again a huge success, with record attendance at both events. Again, the winners represented diverse industries such as entertainment, manufacturing, health, IT and design from regional and rural areas across the country. The 2004 Telstra Australian Business Woman of the Year is featured left in the case study.

Looking forward we will

- Continue to network and maintain the relationships with the alumni for both programs.

In 2004 we committed to

- Commit \$50,000 to the National Safety Council of Australia (NSCA) for the annual NSCA/Telstra National Safety Awards.

We again provided a \$50,000 sponsorship to the NSCA for the 2004 NSCA/Telstra *National Safety Awards*.

Looking forward we will

- Commit \$50,000 to the NSCA/Telstra *National Safety Awards* for October 2005.

In 2004 we committed to

- Continue to sponsor the Australian Ballet and Young Dancer of the Year Award, Bangarra Dance Theatre, Jewish Museum of Australia and the "Museum of Contemporary Art.

This year we celebrated our 21st year of sponsorship with the Australian Ballet. Our funding continues to:



Doug Campbell, group managing director, Telstra Country Wide, with dancers from the Australian Ballet.

- assist extension of the Dancers Company tours of regional Australia and,
- in partnership with the Australian Ballet present the 'Telstra Ballet Dancer of the Year' award, who the community voted for through the SMS and online votes.

Bangarra Dance Theatre's principal performance this year was Boomerang. Ticket sales:

- sold out in Sydney, with an increase in audience of 200 from 2004 which is the maximum that can be seated in the theatre;
- increased in ticket revenue in Melbourne; and
- increased its audience by 20 percent in Brisbane.

Telstra's funding for Bangarra goes towards national and regional tours enabling an ever-increasing audience the opportunity to see this amazing dance troupe.

We continued our sponsorship of the Jewish Museum of Australia. A specific highlight of this year's support enabled the young artists exhibition which brought together young artists from diverse backgrounds and schools to collaborate on the exhibition.

Our sponsorship of the Museum of Contemporary Art (MCA) enables free admission, making arts accessible to a wide and diverse audience. Since 2000 (when our partnership with the MCA began) visitor numbers have tripled.

Looking forward we will

- Continue to sponsor projects in the arts that:
 - Support Australian artistic development;
 - Are based in and take place within Australia;
 - Have national impact or appeal; and
 - Provide an opportunity for the arts to be accessible to more Australians, particularly those in regional and remote areas.

Telstra LIFE

Telstra LIFE is our national program designed to address community issues related to the everyday use of mobile phones, including EME, mobile phone etiquette, driver safety and theft.

ELECTROMAGNETIC EMISSIONS (EME)

We place very high importance on effective and responsible management of EME issues. We acknowledge that some people are genuinely concerned about the possible health effects from the EME generated by radio frequency technology and are committed to addressing these concerns responsibly.

Our proactive strategy of transparency and ease of access to information continues to be well received by the community. Key milestones over the year included:

- We developed and initiated a number of new consultation and education initiatives, including proactive local media and stakeholder briefings ahead of network expansion. We ran these briefings in areas including the Leichhardt region in Sydney, Newcastle, Blue Mountains and Lake Macquarie, where communities showed particular concerns about the issues in relation to tower deployment and EME. The main purpose of the briefings was to provide access to balanced and credible information for the broader community and local media channels and the sessions also included live demonstrations of environmental EME readings in the local area.

- We launched a new Mobile Networks Education initiative in September 2004 called 'How Australia Communicates', featuring new information DVD's and videos on how mobile phones and base stations work. This includes a chapter on minimising EME in the community as well as how to improve reception.

In 2004 we committed to

- Maintain a comprehensive EME research program, monitor international research developments and provide assistance to other research institutions to advance the body of scientific knowledge on EME.

We continued to actively participate in the establishment and launch of the Australian Centre for Radiofrequency Bioeffects Research (ACRBR).

We continued investment in EME research through the Telstra Research Laboratories and cooperative research programs.

Looking forward we will

- Continue with our key commitments initiated in 2003
- Present a paper on EME assessments around base stations at the World Health Organisation Regional Workshop in Melbourne in November 2005. Telstra's RF-Map software is used internationally by carriers, community groups and regulators for environmental EME assessments.
- Continue to participate in the International Standards Committee establishing a standard for base station exposure assessments.

In 2004 we committed to

- Ensure up-to-date information is available for staff and customers via the Internet and Intranet to assist their understanding of the issues and public debate.

This year we:

- Maintained & updated our EME information site for customers and staff.
- Assisted development of the EME Information DVD – Mobile Communications & Health published on <http://emr.acma.gov.au>

- Developed the mobile network educational DVD 'How Australia Communicates', published on <http://www.telstra.com.au/mobile/life/technology/index.htm>. The DVD is available online and free of charge to the community on request.
- Provide information to our affected communities through network deployment consultation programs.
- Continued to provide ongoing support to community groups using Telstra's RF-Map EME software and educational sessions on mobile networks.

Looking forward we will

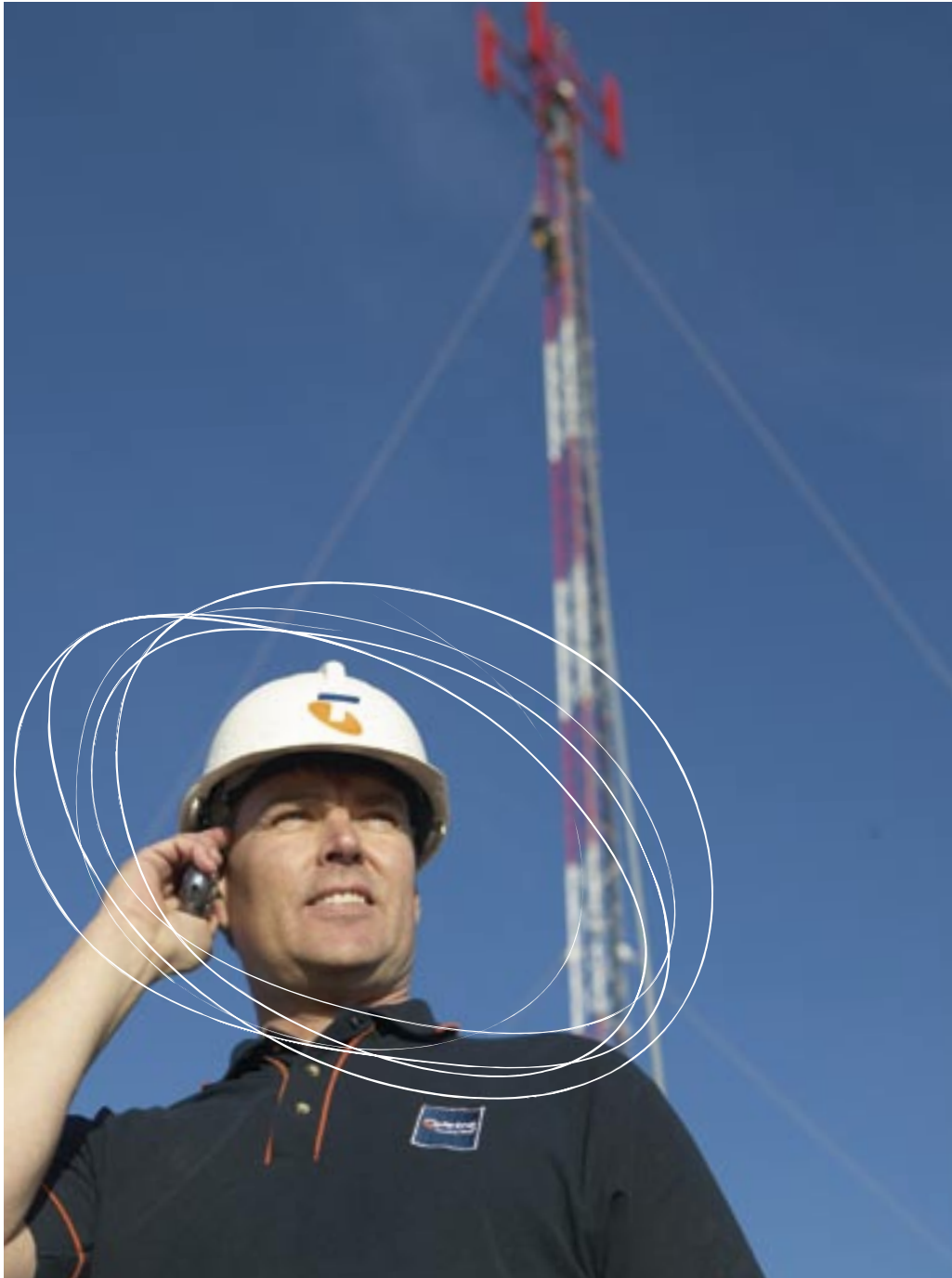
- Develop an additional chapter about 3G and new technologies for the 'How Australia Communicates' educational DVD;
- Continue providing information to communities through network deployment consultation programs;
- Provide the new educational material to Government & Industry initiated information kits;
- Continue to provide ongoing support to community groups utilising Telstra's RF-Map EME software and educational sessions on mobile networks; and
- Introduce a new mobile networks education program to address questions about mobile phone base stations, how they work and ensuring their safety in the community.

In 2004 we committed to

- Comply with the industry code-of-practice (ACIF Code) for radiocommunications infrastructure deployment and operation.

This year we:

- utilised an online management system (ACMS) linked to the National Site Archive for monitoring compliance to the ACIF Code. We supply code compliance reports to the Australian Communications & Media Authority on request.
- Signed up to the revised ACIF Code – Deployment of Mobile Phone Network Infrastructure. The code revisions help to clarify how the code should be interpreted.



In 2004 we committed to

- Report twice yearly to a Telstra board audit committee on compliance with the ACIF code.

We submitted two Board Audit committee papers in November 2004 and June 2005.

Looking forward we will

- Continue to report twice yearly to a Telstra board audit committee on compliance with the code.

In 2004 we committed to

- Operate responsibly in the design, operation and management of mobile phone base stations in order to minimise community impact.

This year we:

- Used the ACIF Code – Deployment of Radio Communications Infrastructure – to design and operate networks. The Code outlines working practices between carriers, councils and local communities and allows for greater community and local government participation in decisions made by mobile phone carriers when they plan and install mobile phone base stations;
- Participated in the ACIF Committee to revise and update the code;
- Implemented the requirements of the revised ACIF Code into network design and operation; and
- Participated in the ACMA (Australian Communications and Media Authority) Code Operations Committee.

Looking forward we will

- Continue to embrace the ACIF Code to design and operate networks.

In 2004 we committed to

- Comply with strict internal procedures to ensure all of our base stations and radio transmitting facilities are designed to meet the relevant guidelines and standards.

This year we:

- Implemented a new internal EME policy and procedures to ensure compliance to the new ARPANSA Standard;
- Implemented the Mobile Carriers Forum EME Regulatory Compliance Strategy (MERCs), which is a coordinated suite of processes and systems to manage shared site EME compliance;
- Commenced online publication of EME site safety documentation for MERCs. This documentation is available online to facility managers and authorised staff at www.rfnsa.com.au;
- Published 768 Radio Communication Site Management Books (RCSMB's) for facility managers for new or upgraded base stations on the National Site Archive;
- Published 768 Site Compliance Certificates for new or upgraded base stations on the National Site Archive;
- Reviewed and amended internal policy and process surrounding existing 'RadSafe' audit tool.

Looking forward we will

- Review & enhance the "RadSafe" audit tool; and
- Update our EME commitments to reflect the new MERCs Process and compliance certificates and separate the environmental reports & compliance certificates.

In 2004 we committed to

- Make publicly available and publish online our base station and radio transmitting facility EME Compliance Certificates.

This year we:

- Continued online publication of Environmental EME reports for mobile telephone base stations through the Mobile Carriers Forum (MCF) National Site Archive. We published 2061 Environmental EME reports for new or upgraded base stations on this site. These reports are publicly available online at www.rfnsa.com.au.

Looking forward we will

- Continue publication of Environmental EME Reports; and
- Update commitment to reflect the new MERCs Process and environmental EME reports – separate the environmental reports & compliance certificates.

LOST AND STOLEN PHONES, DRIVER SAFETY, ETIQUETTE**In 2004 we committed to**

- Continue to work with the Australian Mobile Telecommunications Association (AMTA) and other industry bodies to address mobile phone issues as they arise.

Telstra was an active member of AMTA and the Mobile Carriers Forum. Issues we engaged in during the year included:

- regulation of mobile phone content;
- use of mobile phones while driving and, in particular, use of text messaging while driving;
- health;
- unexpected high bills;
- mobile coverage;
- regulations for mobile network deployment; and
- 3G technology.

Looking forward we will

- Continue to work with AMTA and other industry bodies to address mobile phone issues as they arise.

In 2004 we committed to

- Maintain our efforts to educate communities and customers about mobile phone issues and raise awareness of how they can become involved.

Over the year we:

- Joined Surf Life Saving Australia to draw attention to the increase of lost and stolen mobile phones over summer. A high level of awareness was generated by media stories.



- Amended the Telstra 'Drive Safe. Phone Safe' television community service announcement to make reference to the dangers of using text messaging while driving. This revised messaging supports Telstra's radio community service announcement about the dangers of sending and reading text messages while driving. We achieved around \$250,000 worth of airplay for the TV community service announcement, and more than \$75,000 worth of airplay for the 'Drive Safe. Phone Safe' radio community service announcement'. These were aired throughout major long weekends and public holidays across Australia.

- Published an updated brochure 'Helpful tips for living a mobile life', which covers topics including: Road rules and mobile users; what to do when your mobile is lost or stolen; mobile phone etiquette, mobile phone recycling; mobiles in an emergency; mobiles and your health. The brochure is available through all Telstra Shops and 20,000 were published.

Looking forward we will

- Maintain our efforts to educate communities and customers about mobile phone issues and raise awareness of how they can become involved.

In 2004 we committed to

- Continue to monitor the latest scientific research and contribute data where appropriate.

This year we:

- Provided mobile phone call records of consenting participants for a study into the use of mobile phones while driving by The George Institute for International Health in Perth. The research report was finalised in June 2005; and
- Funded the production of two educational DVDs (also available online at Telstra.com), 'How Australia Communicates', and 'Mobile Phones and Health' (mentioned previously) for use as educational resources and to address many of the questions people have about telecommunications and mobile phone safety.

Looking forward we will

- Continue to monitor the latest scientific research and contribute data where appropriate.

Telstra Foundation

Now in its fourth year, the Telstra Foundation continues to support Australian children and young people to reach their potential and build stronger and more cohesive communities.

Through the Foundation's Community Development Fund and the Telstra's Kids Fund, this financial year we supported 855 community projects and provided grants to the value of around \$4.4 million.

In 2004 we committed to

- Through the Telstra Foundation consolidate our support of programs which are making a positive and lasting difference to the lives of Australian children and young people.

This year:

- We provided \$3.626 million to 95 charitable organisations through the Telstra Community Development Fund, in the priority areas of early childhood development, Indigenous community development, childhood obesity and gifted and talented children and young people;
- We provided \$780,441 through the Telstra's Kids Fund to 760 not for profit community groups, involving children from the families of Telstra employees;
- Approximately one third of Telstra Foundation grants went to rural and regional areas;
- Produced the first Early Learnings research report – a new series of external evaluations of selected Telstra Foundation funded projects, conducted by the Australian Institute for Family Studies. The report focused on early childhood development and demonstrated strong social return on investment, with very positive outcomes for disadvantaged groups and key learnings for other organisations tackling similar problems. The report is available at www.telstrafoundation.com or ring 1800 208378 to receive a printed copy;
- Professor Louise Baur joined the Telstra Foundation Board. Professor Baur is an eminent paediatrician with an international reputation in the area of child and adolescent obesity.



Fresh Kids supported through the Telstra Foundation Community Development Fund tackles childhood obesity by encouraging children to enjoy fresh fruit, vegetables and water.

- Increased profile for the Telstra Foundation as a national leader in philanthropy and corporate citizenship through conference presentations, participation in relevant philanthropic and community forums and networks, Foundation staff chairing Philanthropy Australia's Indigenous Affinity Group and Early Intervention Affinity Group, launches of community projects, community site visits and increased media interest in Foundation-funded projects and issues.

Looking forward we will

- Make grants totalling at least \$3.5 million to innovative community projects through the Telstra Foundation Community Development Fund in its priority areas of early childhood development, Indigenous community development, childhood obesity, and gifted and talented children and young people;
- Make smaller grants totalling at least \$750,000 to local community groups and activities involving children within Telstra families, through the Telstra's Kids Fund;
- Consider support to significant flagship projects in one or more of the priority areas of the Telstra Foundation Community Development Fund;
- Further develop our external evaluation strategy to ensure accountability to stakeholders, demonstrating that grants are being used wisely for maximum impact and building knowledge in relevant sectors (The next issue of *Early Learnings* will focus on Indigenous community development.)
- Implement strategies to ensure greater sustainability of our funded project initiatives.



CASE STUDY: ADDRESSING CHILDHOOD OBESITY IN GREEK FAMILIES

The Telstra Foundation Community Development Fund is funding a project to address the issue of childhood obesity among children of Australian Greek background in Victoria*. Known as the *Australian-Greeks Against Childhood Obesity Project*, it looks at the causes of childhood obesity and raises awareness of the issue among the Greek community through the provision of information and community education in Greek.

According to the Australian Greek Welfare Society (AGWS), “the risks of childhood obesity are greater for Australian-Greek children because they are being cared for by their grandparents who, as a result of language difficulties and cultural perceptions, may not necessarily be receptive to the growing message that young children are at risk of becoming overweight and obese adults.” The project promotes the importance of healthy eating and exercise through interactive workshops that offer participants the opportunity to develop healthy eating and exercise plans.

The focus is clearly on prevention. Already the AGWS has seen rewarding results. They held four workshops involving 40-50 participants in each and have gained positive feedback from those involved.

“We’re seeing a real willingness to learn from both the parents and the children. This interest is a good indicator that we’re reaching people” John Loupis, Director, AGWS. Approaching the second year of the project, the efforts by the AGWS in addressing childhood obesity among the Greek community have gained momentum. Schools are a key target for information sharing and they have helped to spread the project’s messages.

“The Telstra Foundation grant has provided us with an opportunity to work in an area we wouldn’t normally be able to work in.” John Loupis

* There are 36,084 Australian Greek children aged between 0-14 in Victoria according to Australian Bureau of Statistics 2001 Census

Our Environment

At Telstra we respect and recognise our responsibility to the natural and urban environments and are committed to sound environmental practices. We publish an annual Public Environment Report, which outlines our environmental progress and performance. To read the Public Environment Report visit <http://www.telstra.com.au/environment/report.htm>.

Our Customers

Our aim is to keep everyone, everywhere, connected. We do this by providing our customers with options to communicate in a way that best suits them.

This includes:

- Customers on a low income;
- Customers with a disability;
- Customers in regional and remote areas; and
- Customers in metropolitan areas.

Customer Service Charter

The Customer Service Charter sets out Telstra’s commitment to provide the highest levels of customer service, which recognise the individual needs of our customers.

In 2004 we committed to

- Continue to monitor and report on our performance in meeting our commitments, report where we have not met a commitment and comment on the areas that need improvement.
- Ensure the Customer Service Charter Performance Review is independently reviewed.

In October 2004, we released the 2004-05 Customer Service Charter and Charter Performance Review. The Performance Review was independently undertaken by the Communication Research Institute of Australia, who reported that they were “satisfied that the content of Telstra’s Review is balanced and non promotional.” This year, we

will do a minor modification of the 2004-05 Charter and the Performance Review will be updated. We will use the same data sources as last year but the review will not be independently verified.

Looking forward we will

Maintain our commitment to provide our customers with the highest levels of customer service, which recognise their individual needs.

Affordability

We are responsible for providing access to telecommunications services to Australians on low incomes.

Since it began in 2002, approximately 1.4 million Australians have had their communication needs met through our *Access for Everyone* program, which includes a number of products to meet specific customer needs. In 2004/05 the *Access for Everyone* package provided more than \$200 million of benefits. In addition to last year's stated commitments, over the year we:

- Increased MessageBox distributors from 569 to 682. MessageBox is a free service, which people who are homeless or transient can use to receive phone messages. People can pick up the cards through community agencies who act as distributors.
- Nearly doubled the number of HomeLine™ Budget services connected.
- Conducted research into telecommunications access for low-income Indigenous and homeless Australians, which indicates that awareness and usage of the services available through *Access for Everyone* has increased overall in the 12 months to December 2004. The research found a reduced incidence of no access to personal telecommunications services in 12 months, with all respondents having access to personal or community telecommunications services.

Access for Everyone is developed and assessed in consultation with the Low Income Measures Assessment Committee (LIMAC), an independent committee comprising representatives from community welfare agencies and the Commonwealth Department of Family & Community Services.

In 2004 we committed to

- Improve our *Access for Everyone* programs, in consultation with LIMAC, to ensure the communications needs of low-income Australians are met.

LIMAC met every two months to monitor usage of services under the *Access for Everyone* package, and suggested changes to the services offered. For example, due to feedback from LIMAC, eligibility criteria for InContact® were changed to allow an InContact® service in residences where there is a pre-paid mobile service.

In 2004 we committed to

- Introduce Bill Smoothing in 2005 (a regular payment option for people on fixed or low incomes.)

Our new payment option, BudgetPay (Formerly known as Bill Smoothing), became available from June 2005. We will monitor the uptake of this option.

In 2004 we committed to

- Implement an *Access for Everyone* awareness campaign, with focus on the homeless and Indigenous sectors.

We conducted an *Access for Everyone* awareness campaign in May and June 2005 with community service announcements, media releases and the launch of the 2004 LIMAC report to the Minister for Communications Information Technology and the Arts.

The research we conducted with low-income Australians indicated that 'word of mouth' was the most effective way of raising awareness of the programs available through *Access for Everyone*. By raising general community awareness it is anticipated that more people will be aware of the program and the products and services that they can access.

In 2004 we committed to

- Continue to partner with community agencies to promote *Access for Everyone* programs and distribute MessageBox cards and Telstra Bill Assistance Certificates.

682 community agencies now distribute MessageBox cards. In 2004-05, \$5 million was again made available in Telstra Bill Assistance Certificates to assist low-income Australians. Nearly 3400 customers were assisted each month by Telstra Bill Assistance Certificates, which is consistent with the level of assistance provided in 2003-04.

In 2004 we committed to

- Produce a report annually on the effectiveness of the concessionary package.

Our annual LIMAC report to the Minister was submitted in March 2005, and publicly launched in May 2005.

Looking forward we will

- Continue to partner with community agencies to promote Access for Everyone programs and distribute MessageBox cards and Telstra Bill Assistance Certificates;
- Produce a report annually on the effectiveness of the concessionary package;
- Undertake further research to measure the impact of the package on affordability of telecommunications services, focussing on how users of the products heard about the service and the usefulness of the service;
- Continue to work closely with the Low Income Measures Assessment Committee to ensure the Access for Everyone package is effective in meeting changing telecommunications needs.

For information about Telstra's Access for Everyone package, go to <http://www.telstra.com.au/accessforeveryone/index.htm>

Accessibility

Demographic studies continue to show that the Australian population is ageing. And, as people age, they are more likely to experience deterioration of functions such as vision, hearing, dexterity, and mobility.

This year we developed the Telstra Big Button Multi-purpose phone, with large buttons and numbers, adjustable incoming and outgoing speech volume, with a hands free option to assist the elderly or those with a range of disabilities. This is the result of innovative thinking, consultation, user environment input, Australian technology and partnerships coming together to release a truly useful and unique product helping make communication accessible.

Another great highlight over the year was our sponsorship of the International Deaflympics, which brought together deaf athletes and sports fans from all over the world.

In 2004 we committed to

- Ensure an independent review of our third three-year Disability Action Plan 2002-04 at the end of 2004.

This year:

- Our third Disability Action Plan 2002-04 was independently reviewed at the end of 2004 by Susan Halliday, a consultant with Halliday's Business Insights and former Disability Discrimination Commissioner at the Human Rights and Equal Opportunity Commission.
- The review found that of the 76 actions contained in the Plan, 70 were completed and 6 showed extensive progress. Ms Halliday concluded that "An exceptional amount of work has been undertaken ... to achieve the scorecard ratings ... There is also evidence that as new and unexpected issues and opportunities arose, that they were tackled ... Further, there is evidence of a sophisticated flexible approach to ever evolving circumstances and technology".

Looking forward we will

- Publish the 2005-08 Disability Action Plan in 2005.

In 2004 we committed to

- Improve access to our products and services including payphones, directory assistance, mobiles, Telstra Shops and billing.

This year we:

- Continued to develop and offer mobile products and services that enable Deaf customers to conduct more mobile phone service transactions (bill check, recharge, service enablement) via SMS. Two new Telstra Prepaid Plus features were launched in June 2005.

Looking forward we will

- Continue to explore ways to improve access to our products and services. In doing this, we will continue to consult with representatives of and providers of services to people with a disability and older people, and monitor international initiatives and activities in the field.



Telstra's big button phone.

Some specific areas of planned work include:

- Explore opportunities to develop and offer mobile handsets with speech software packages to people who are blind;
- Explore opportunities to source and market a mobile phone handset suitable for older customers;
- Continue to monitor industry and international developments in mobile textphones, which allow real-time communication between Teletypewriter (TTY) fixed phones and mobile devices; and
- Continue to investigate options to support TTY devices on Telstra's CDMA WLL network, currently not technically possible, and in the meantime provide different access solutions for people who require TTY access.

In 2004 we committed to

- Continue to improve disability awareness among management and staff.

In 2004/05, 7,689 Telstra staff members completed Telstra's online Disability Awareness training program.

In September 2004, all Telstra online training courses were reviewed and the Disability Awareness Program was confirmed as a 'mandatory' course for all staff.

As part of these reviews, Telstra consulted with the National Council on Intellectual Disability (NCID) and now the training includes interacting with customers with an intellectual disability or learning difficulties and customers with a mental illness or psychiatric disability.

Looking forward we will

- Continue to monitor and improve staff awareness of disability issues through training;
- Improve customer access to Telstra Shops; and
- Increase availability in Telstra shops of information about products and services for people with a disability.

In 2004 we committed to

- Improve access to information for people with a disability through on-line and alternative formats, such as large print or Braille.

We regularly review and update the Telstra Disability Services Internet site with new information and the site now includes additional accessibility features, including the ability to alter the text size and print copies of each page separately. Telstra continues to publish selected material in alternative formats.

In 2004 we committed to

- Continue our community consultation program.

The Telstra Disability Forum and Disability Equipment Program Consumer Advisory Group met twice as scheduled in 2004-05 and considered a range of accessibility issues, including providing valuable input into product and service developments, such as the development and trial of a Big button multi-purpose phone for Telstra's Disability Equipment Program.

Looking forward we will

- Continue our community consultation program.



CASE STUDY: ATMITCHELL.COM

Millions of Australians now have access for the first time to the State Library of NSW 'DNA of Australian culture' archives under an initiative that will enable more than five million national treasures into schools, homes and mobile phones.

Developed with the support of Telstra, and other technology partners, the State Library of New South Wales launched the first phase of the ATMITCHELL.COM website providing access to its extraordinary archive of national treasures. Dagmar Schmidmaier, state librarian and chief executive commented "This vast collection will prove invaluable to students, teachers, architects, photographers, researchers, librarians and the general public who wish to explore and discover. With the convergence of technology and the support of our partners – such as Telstra – people in Australia and across the globe will be able to access the Library's treasures from their computer, mobile phone or other hand-held devices."

Telstra partnered with the library to deliver the service through a virtual pipe that carries large amounts of data from the library to the data storage facility within a CBD telephone exchange. Significant items available through the site include:

- Sir Joseph Banks' Endeavour journal, 1768 - 1771;
- Jørn Utzon's original sketches of the Sydney Opera House, 1962 - 1966;
- Rare maps documenting the emerging shape of Australia, including – the original Tasman map, 1644;
- Photographs by photographer and adventurer, Frank Hurley from Endurance, Antarctica, 1915; and
- Lachlan Macquarie's journal and miniature portraits of his family members.

For more on this go to www.atmitchell.com

Privacy

Privacy is a critical issue for building and maintaining customer trust in us and confidence in our products and services. We take our customer and employee privacy very seriously.

As a major international carrier, we are committed to the protection of personal privacy and have adopted a set of privacy principles based on both our legal obligations and generally accepted international privacy standards.

The Telstra Privacy Protection Policy, which is on the Telstra website at <http://www.telstra.com.au/privacy/index.htm> sets out Telstra's principles for protecting information about individuals.

In 2004 we committed to

- Continue to protect our customers' personal information (including phone calls and other communications) from misuse, loss or unauthorised access, modification or disclosure.
- Telstra's Privacy Compliance Framework operates to identify, manage and monitor potential privacy risks within Telstra and defines the roles and responsibilities of privacy team members; Ongoing improvements are made to the framework;
- We publish and implement a privacy operating principle, company policies and specific procedures to reflect the Privacy Act and requirements of ACIF Codes that have privacy obligations to ensure that Telstra conducts business in accordance with its privacy obligations;
- Each year, privacy managers complete assessments to identify potential privacy sensitive activities, actions to mitigate any risks and ongoing processes to monitor and manage actions;
- We undertake mandatory privacy impact assessment for all new products and systems.

In 2004 we committed to

- Continue to put all staff through updated mandatory training.
- Continue to provide customers with access to their personal information and take reasonable steps to keep all details accurate and up-to-date.

We have Privacy Managers throughout the company to manage Telstra's privacy arrangements and implement the privacy compliance program. Telstra prescribes mandatory privacy training for all staff, which has been a requirement in Telstra for many years. In excess of 42,000 staff have completed the current version of mandatory privacy training since it began in April 2004.

In 2004 we committed to

- Have our performance in relation to privacy independently audited annually and fully comply with all relevant privacy legislation.

Ernst and Young audits our level of compliance with privacy obligations. The 2005 Audit Report was tabled at the August meeting of the Telstra Board Audit Committee. There were a total of 49 issues, 5 rated as high, 31 as medium and 13 as low. In the report, Ernst and Young acknowledged the key privacy initiatives and improvements including:

- Telstra Privacy Week - 'an excellent initiative' designed to raise privacy awareness;
- The re-launch of the Privacy Intranet site - a critical way of communicating new and emerging privacy issues within the organisation;
- The coordination of all marketing groups to produce the Privacy Marketing Policy; and
- The continuation of the Security and Privacy IT Rectification Project to manage privacy risk in IT and to ensure data security.

Telstra also reviews the level and cause of privacy related complaints from customers to identify causes and deliver solutions.

Looking forward we will

- Continue to improve the compliance framework;
- Address all the accepted audit findings;
- Continue to monitor and manage all privacy complaints and ensure strategies are put into place so we minimise future issues.

Inclusion**REGIONAL SERVICE**

During 2004/2005, we created the National Indigenous Directorate, which was officially launched on 4 July 2005 at the annual National Aboriginal and Islander Day of Celebration (NAIDOC) dinner. The directorate aims to implement strategies to make telecommunications and services more accessible to remote communities.

The establishment of the National Indigenous Directorate is just one of a range of initiatives that Telstra is providing to Indigenous Australians. Other initiatives include:

- In March 2005, we announced that 220,000 more rural and regional telephone users have access to ADSL broadband services than in July 2004.
- Working with the Department of Communications Information technology and the Arts (DCITA) and the Australian Communications Authority (ACA) on a range of strategies to make telecommunications services more accessible to remote communities. This includes the commencement in 2004/05 of several trials to test innovative potential solutions to meet the telephony needs of Indigenous communities.
- Working with the Centre for Appropriate Technology (CAT) to develop a card-only robust public pay phone. Alice Springs and the Apatula areas are the first to use the new robust phones which feature a weather-resistant steel casing to cope with extreme conditions such as dust and rain, and resist breakages.
- Telstra will trial some new pre-paid products that have been specifically designed for remote Indigenous communities to assist people to access and manage their telephone services in October 2005.
- Rolling out digital CDMA base stations to a number of remote Indigenous communities during 2005/2006. These base stations will provide phone coverage for the first time to many of these areas, including pre- and post-paid mobile coverage, pre- and post-paid wireless land line services, as well as access to high speed wireless Internet services.

Our Marketplace



As the Australian telecommunications industry leader, we look to grow industry, foster innovation and build relationships with our suppliers to improve both our and their operating performance.

This year Telstra declared a record profit of \$A4.44 billion. We returned almost \$4.9 billion in cash to shareholders via dividends (\$4.13 billion) and a share buyback (\$750 million) in which all shareholders were invited to participate.

INDUSTRY DEVELOPMENT

The Australian telecommunications industry is changing. Broadband take up in Australia is increasing rapidly. For example, the industry saw 39 percent growth in broadband subscribers between September 2004 and March 2005*. Broadband subscribers on Telstra's own network (both retail and wholesale) have more than doubled over the year to 1,744,000 as at 30 June 2005.

* Internet Activity, Australian Bureau of Statistics, March 2005.

In 2004 we committed to

- Keep Australia at the forefront of technology development through research and development and commercialisation of intellectual property.

See innovation in the next section.

In 2004 we committed to

- Meet ongoing demand for existing products and services while maintaining or improving service levels, for example, investing more than \$350 million during 2003/2004 in improving Telstra's nation-wide networks and facilities.

In our 2004 Industry Development Plan submitted to the Minister for Communications we made specific commitments for 2004-05 in relation to:

- Supply contracts and sourcing;
- Regional investment;
- Research and Development;
- Training; and
- Disability.

During 2004-05 we:

- Undertook substantial capital investment to improve services in outer metropolitan, rural and regional Australia, expanded mobile coverage (CDMA & GSM) and rolled out ADSL technology that enables more exchanges in rural areas to deliver broadband internet;
- Completed enhancement of our CDMA network (which covers more than 98 percent of the population and over 1.6 million square kilometres) with 1xRTT. 1xRTT stands for 'one times radio transmission technology', and is technology that is applied to CDMA base stations (antennas that send out the mobile telephone calls) so they can send and receive more data;
- Initiated a rollout of the next generation of mobile data services utilising EVDO in all capital cities and some regional centres. EVDO is another technology overlay for CDMA base stations that is classed as 3G. EVDO assists business people on the move who need to send and receive emails and access their Local Area Network from laptops and handheld electronic devices;

- Invested A\$3.3 billion in telecommunications plant, software and equipment (Telstra's domestic capital expenditure in 04/05) for the benefit of our customers and communities;
- spent around \$148 million on research and development;
- Paid A\$1.95 billion in Commonwealth, State and local taxes (Commonwealth State and local taxes includes income tax, fringe benefits tax, petrol excise, payroll tax, mechanical aids & motor vehicle registration fees, rental duty payable for rented products, municipal and water rates, land tax and bank accounts debit tax);
- Provided extensive training for our staff across all parts of the organisation, in part sourced externally, providing opportunities for local companies to develop business;
- Introduced specialist customer products, such as the cordless big button phone and big button multipurpose phone, to meet the specific needs of our customers with a disability.

Two topics were high on the telecommunications industry agenda during 2004/05:

- deployment of the 3G network; and
- expansion of broadband services.

THE 3G NETWORK

In August 2004 we announced our plans to establish a 50/50 joint venture with H3GA (a subsidiary of Hutchison Telecommunications (Australia) Limited), to jointly own and operate H3GA's existing 3G radio access network and fund future network development. The joint enterprise united two highly experienced companies to use their combined skills to develop and invest in leading technology to benefit customers.

On 28 June 2005 we announced that our 3GSM network and customer service platforms were operational in six mainland capital cities. We will launch our 3G(GSM/WCDMA) services to customers in 2005. Telstra and Hutchison expect to significantly increase the size of the network, expanding into regional centres, over the next three years.

BROADBAND

We continue to upgrade our core infrastructure networks to meet customer demands, particularly for growth products such as broadband. We are in the process of a A\$210 million deployment of the latest broadband on copper wire technology, ADSL2+. We are deploying this enhancement to meet customer demand for future high-speed internet services.

In 2004-05 we also successfully commissioned and began testing for our next generation Voice over IP (VoIP) platform that we believe will offer value added broadband services in the future.

The 2004 Industry Development Plan, submitted to the Minister for Communications, contains substantial information on these initiatives and others, demonstrating that Telstra had a significant impact upon industry development during 2004-05. To view the IDP visit <http://www.telstra.com.au/corpsupply/index.htm>

The Parliament has recently passed the *Telstra (Transition to Full Ownership) Act 2005* and related Bills, which means the Commonwealth's share in Telstra may now be sold. Upon commencement of Schedule 1 of the *Telecommunications Legislation Amendment (Competition and Consumer Issues) Act 2005* there is no longer a requirement for carriers to have an industry development plan.

Innovation

Innovation is key to our business growth and sustainability.

In 2004 we committed to

- Innovation @ Telstra committed to delivering customer experiences by maintaining world class Innovation Centres, generating customer opportunities and capturing customer insight.

Some examples of these projects include:

- Remote Working – anywhere outside the office. We worked on a project to develop and deliver a comprehensive solution for remote access to a corporate customer's private data network;
- Managed Health Care Services – built a business model and commercial analysis for the clinical care application layer of Telstra Business Services TBS (Wandsworth) solution. We are currently working on this to expand the scope and incorporate access and management of patient healthcare information. If at hospital, you will be able to use a touch screen to check email, order video, watch cable or TV, log onto the internet and, doctors will be able to access patient records;

- We completed an initial strategy and approach for the digital home and are looking to roll out a suite of solutions for the home to facilitate better communication, entertainment, security and automation and information storage.

In 2004 we committed to

- Apply our customer focused design approach at the beginning of product development to integrate all customer needs into product definition and design.

Projects we undertook this year included:

- Research to understand and define the need for a targeted and tiered desktop service level support model through Customer Focused Design interviews of executives, support and revenue generating staff of a major Australian bank.
- Conversational interviews and observation of executives to understand their daily behaviours to better define 'true' customer/business requirements to drive improvements in technology and business process. Identification and subsequent trial of new technology solutions have resulted from this approach.

We will continue these commitments in the next year.

Telstra Supply Chain

Over the year, we dealt with around 11000 suppliers, many of whom were small and medium size businesses, and purchased around 7 billion dollars in goods and services.

In 2004 we committed to

- Continue to carry out environmental audits on all our contracts, and explore social effects in our contract supply chain.

This year we:

Audited approximately 96 percent of contracts. Actions for vendors resulting from that audit process included:

- establish an Environmental Management Plan if they did not have one in place;
- review packaging if a vendor supplied a packaged product; and
- negotiate environment clauses if a contract did not include these.

Over the period we also worked with an external consultant to develop a supply chain framework to determine best practice corporate social responsibility in our supply chain, including human rights and labour rights.

Looking forward we will

- Continue to investigate ways we can address social effects in our contract supply chain covering both the performance of the suppliers we do business with and the products or services they supply to us.

In 2004 we committed to

- Use our purchasing power to positively influence supplier behaviour.

Our purchasing process requires suppliers to:

- have an agreed Environmental Management Plan;
- comply with Telstra's H&S standards and provide H&S Plans.

This year we co-sponsored the Greening Procurement Forum, which brought Australian companies together to discuss the advantages and challenges of buying green. We encouraged all of our suppliers to attend.

Looking forward we will

- Use our purchasing power to positively influence supplier behaviour.

In 2004 we committed to

- Introduce the Excellence in Social Responsibility category for the annual Telstra Vendor Awards.

The Excellence in Social Responsibility category was included in the 2004 Telstra Vendor Awards and the winner, Pirelli Cables, was announced in November 2004. All of our current suppliers are encouraged to participate in the Vendor Awards and we will continue to run this category next year with the aim of lifting the performance standards of our suppliers.

Stakeholder Dialogue

OUR STAKEHOLDERS

Our stakeholders are the organisations, groups and individuals that we affect and who affect us. As Australia's largest telecommunications company and the provider of the second largest telecommunications infrastructure in the world, we consider all Australians to be our stakeholders. They comprise:

Customers

- Metro and regional individual customers
- Business customers
- Government customers
- Wholesale customers

Industry

- Federal, State and Local Government
- Non-government organisations
- Industry bodies
- Unions
- Suppliers
- Regulators

Employees

- Past and present

Communities

- Local community groups
- People affected by Telstra's services
- Community welfare organisations
- Disability groups
- Indigenous land councils and representative bodies

These are some of the ways we talk with our stakeholders:

EMPLOYEE OPINION SURVEY

Purpose

Provides our employees the opportunity to express their views about their jobs, the company and their working environment.

Process 04/05

The results are analysed, discussed with staff and used as a basis for actions by all levels of management to improve jobs and the work environment.

TELSTRA CONSUMER CONSULTATIVE COUNCIL (TCCC)

Purpose

The TCCC addresses concerns ranging from specific customer groups to industry-wide policy.

Process 04/05

Forum run formally three times per year. Participants complete feedback surveys at the end of each meeting. We also consult with community organisations in all States and Territories and provide information and updates throughout the year.

LOW INCOME MEASURES ASSESSMENT COMMITTEE (LIMAC)

Purpose

The LIMAC assesses the effectiveness of the Access for Everyone package in meeting the changing telecommunications needs of Australians with a lower income.

Process 04/05

The LIMAC held forums every two months. Telstra consulted with the LIMAC when changes were proposed to the programs in the Access for Everyone package, provided information, undertook research on behalf of, and sought its views about marketing and communication activities in relation to the package.

MOBILE PHONE BASE STATION SIGHTING CONSULTATION

Purpose

To help us operate responsibly in designing, operating and managing mobile phone base stations and to minimise their impact on the community, in compliance with the Australian Communications Industry Forum (ACIF) code for Deployment of Radio Communications Infrastructure.

Process 04/05

Community consultation process undertaken for each new base station. Presented ACIF Code updates & compliance reports to the Telstra EME Management Group quarterly and to the Board Audit committee in November 2004 and June 2005

TELSTRA COUNTRY WIDE ADVISORY BOARD

Purpose

To act as a sounding board for the telecommunications strategies developed by Telstra Country Wide to address the needs of regional customers.

Process 04/05

The advisory board meets regularly, each time in a different location, engaging with local businesses, government authorities and community representatives.

TELSTRA COUNTRY WIDE REGIONAL TELECOMMUNICATIONS SURVEY

Purpose

To gain feedback on Telstra's performance in the regions against local stakeholder expectations. The feedback helps us identify the communications issues of importance in Telstra Country Wide areas.

Process 04/05

Face-to-face interviews conducted in each region. The results are reported to stakeholders through the annual survey report.

TELSTRA DISABILITY FORUM AND CONSUMER ADVISORY GROUP

Purpose

A forum for national peak disability consumer organisations to discuss telecommunications issues and assist with developing and monitoring our Disability Action Plan. The Consumer Advisory Group advises on any changes we intend to make to our equipment in the Disability Equipment Program.

Process 04/05

Forum and Advisory Group run formally two times per year. Participants complete feedback surveys at the end of meetings and we provide information and updates to both groups throughout the year.

INDUSTRY FORUMS

Telstra is a member of a number of industry forums and actively participates in debate about the quality of the telecommunications industry and its future growth. These include:

- Australian Telecommunications Users Group (ATUG) forums
- Telecommunications Users Association of New Zealand (TUANZ)
- Australian Communications Industry Forum (ACIF)
- Australian Mobile Telecommunications Association (AMTA)
- Telecommunication Society of Australia (TSA)