Welcome from our CEO

Telstra Corporate Responsibility Report 2005/06

Telstra is an iconic Australian company that has a long history of serving the people of Australia.

Our fourth Corporate Responsibility report outlines the services we deliver to all Australian communities and our contribution to the national and local economies. It shows that Telstra takes its social and environmental responsibilities very seriously and provides a comprehensive account of Telstra's impressive achievements in the past year.

Since my appointment as Telstra CEO in July 2005, I have said consistently that we have two main priorities - firstly, putting our customers at the centre of everything we do, and secondly, creating shareholder value for our shareholders.
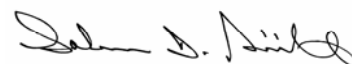
Corporate Responsibility helps us deliver for our customers and shareholders because acting responsibly makes good business sense. Corporate Responsibility helps us to be more efficient, increases productivity and makes people proud to work for Telstra.

Telstra is one year into a five year transformation project which will position us as one of the leading media communications companies in the world.

As we transform, we will focus on the impact our new products, services and solutions have on Australian people and the environment. As our products converge, we will build in mechanisms to protect the privacy and security of users. We will continue to inform consumers how services such as e-commerce, videoconferencing and tele-health can help them access information when and where they want it, while having a minimal impact on the environment.

To deliver world class service, we need a world class workforce. So we are investing in training our people in order that they can build, operate and maintain our networks and better serve our customers.

This report is evidence of Telstra's commitment to Australia. I commend it to all who are interested in our contribution to this nation and welcome your feedback.

Sol Trujillo Chief Executive Officer

About this report

Welcome to Telstra's fourth Corporate Responsibility Report. This report covers the 2005/06 financial year for the Australian operations of Telstra Corporation Limited. Our last CSR report was published in November 2005.

Telstra has a substantial impact on the Australian economy, the communities that operate in Australia and touches the lives of all Australians. Therefore, the decisions we make and the way we operate our business matters. For this reason, we have carried the theme Corporate Responsibility Matters throughout this report.

In this report we detail our actions to integrate social and environmental considerations into our business. We give you an update on on-going programs, any new activity we have undertaken in 2005/06 and advise of the actions we intend to take in 2006/07 that will impact on our marketplace, workplace, environment and the communities in which we operate.

It has been headline news that Telstra is undergoing the first year of a 5 year transformation. We are fundamentally changing our company, how we deliver our services, how we operate internally and how we relate with customers. One of the key transformation strategies is to simplify our systems and reduce complexities and duplication. As part of reducing duplication for the first time we have combined our Public Environment Report and Corporate Social Responsibility Report into the one document; this Corporate Responsibility Matters report.

Recognising the different interests of the readers of this report we have grouped information under 4 main categories:

- **Workplace Matters:** Employees matters, Training and education matters, Diversity and opportunity matters and Health and safety matters.
- **Marketplace Matters:** Our customers matter, Our products and services matter, Our suppliers matter and Competition and pricing matters.
- **Community Matters:** Volunteering matters, Sponsorship and partnership matters, Disaster relief matters, Community engagement and dialogue matters and EME matters.
- **Environment Matters:** Environment matters, Resource use matters, Emissions and waste matters, Land use and planning matters, Transport matters, Environmental incidents matters.

In creating this report we have taken a different approach than in previous years. The specialists across our business who are responsible for each section reported prepared their own section, rather than submit information to be written up on their behalf. Each area of expertise was asked to consider:

- o   why does this matter;
- o   what is our approach;
- o   how did we perform; and
- o   what are our next steps.

We want to share with you not only what activity we undertake, but why we consider this important, and how we go about producing results. We hope that in reading this report you will hear the voices of the people who provide our services, and the passion they have for their work.

We have included 'Telstra Stories' in addition to statistical and factual information. These are stories about how our actions impact Australian communities, employees, the environment and customers. In considering Corporate Responsibility we believe it's important to consider our actions, the outcomes and how these impact on our stakeholders. As well as highlighting our successes we have included areas for improvement and the future actions we will take to progress the integration of corporate responsibility into the way we do business.

In creating this report we have referenced the Global Reporting Initiative (GRI) draft G3 Guidelines and the GRI Pilot Telecommunications Supplement. We have determined where there are gaps in our data collection and reporting process to report "in accordance" with the GRI indicators and will take steps throughout 2006/07 to fill these gaps.

We welcome your feedback on this report. Are we addressing the issues that you want to hear about? What do you think Telstra could be doing differently or better? Does this report provide you with the information you want to know about Telstra?

Give us your feedback by emailing Jenni Barbour, Senior Advisor Community Investment, at CSR@team.telstra.com.

About Telstra

Telstra's origins began in 1901 when the Commonwealth Government established the Postmaster-General's Department to manage all domestic telephone, telegraph and postal services. In 1946 the Commonwealth

Government established the Overseas Telecommunications Commission to manage international telecommunications services.

We have gone through a number of restructures and name changes since that time including:

- 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 are Australia's leading telecommunications and information services company, with one of the best known brands in the country. We offer a full range of services and compete in all telecommunications markets throughout Australia, providing more than 9.94 million fixed line and more than 8.5 million mobile services. To read more about our services, visit the Telstra Profile on our website.

At Telstra our corporate responsibility vision is to connect with our people, customers, communities and suppliers in an accessible, healthy and environmentally sound way. The Telstra Vision, Mission and Cultural Priorities can all be viewed on our website.

As part of our transformation objective to better align our business with our customers we have undertaken some organisational restructuring in 2005/06 and made new appointments to the senior management team. We have created 3 new business units, Telstra Business, Telstra Operations and Strategic Marketing. For a comprehensive description of our organisation, operating structure and subsidiaries visit the Business Units section on our website.

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 the developments in market practice as well as new corporate

governance requirements and guidance notes issued by the Australian Stock Exchange (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.

In 2005/06 Telstra was awarded equal first ranking in the Horwarth 2005 Corporate Governance Report, which rates the corporate governance practices of Australia's top 250 companies by market capitalisation.

Telstra received a high rating in the New York-based Governance Metrics International (GMI), which found Telstra to be one of the highest rated 'controlled' companies in the world and also rated Telstra's corporate governance significantly higher than average for an Australian company.

Further information about our corporate governance, board practices and composition of our Board can be found in the Telstra Annual Report 2006, and on our website.

Reporting and benchmarking performance

Telstra is continually working to improve our corporate responsibility performance and behaviours and embed this as part of the way we do business. We participate in external surveys and reports to benchmark our performance and identify areas where we can improve year on year.

In 2005/06 we participated in:

- The Business in the Community Corporate Responsibility Index. The St James Ethics Centre manages this survey in Australia and it is audited by Ernst and Young. Telstra participated in the Index for the first 3 years it was conducted. Telstra is taking a leave of absence in 2006/07 due to the transformation we are undertaking as a company. We intend to resume participation in 2007/08. We have placed our results summary on our website.
- The FTSE4Good index Series, run by the UK-based FTSE Group. This measures the performance of companies that meet corporate responsibility standards to facilitate investment in those companies.

Workplace Matters

Employee Matters

Why does this matter?

People are the power behind Telstra. A company can have great products, great services, great technology and great processes, but it's the people that bring it together and make it happen for the customer.

Telstra has 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.

Telstra is one of the largest employers in Australia, with a diverse workforce. We have a responsibility to provide our employees with a rewarding, fair and safe workplace where our people can reach their potential, and be empowered to provide great service for our customers.

Our approach

Cultural Priorities
We have developed *Our Way*, a set of cultural priorities representing the approach we need to deliver the company's vision. *Our Way* defines the way we do things; how we deal with customers; how we perform our work; how we make decisions; and how we interact with each other. The Cultural Priorities are: Customer.First, People.Power, Compete.Win, Done.Now, Anything.Possible and We Get It.Together.

We have a number of internal operating policies and principles which promote ethical and responsible decision making and timely and balanced disclosure.

Through our Company Values, the Telstra Business Principles and our Company Policies (including our Code of Conduct) we provide guidance to our Directors, senior managers and employees on the practices, principles and standards of corporate and personal behaviour required of all our officers and employees in performing their daily business activities. The Telstra Business Principles and our Code of Conduct are available to the public via our Internet site, www.telstra.com.

The Code of Conduct specifically addresses compliance with laws and regulations, conflicts of interest, dealing with external stakeholders and suppliers including issues of bribery, gifts and hospitality, using Telstra's resources responsibly, and

the management of confidential information. We have a mandatory training program for all employees to reinforce these standards. We offer telephone help lines for employees who want assistance with interpretation and application of the Telstra Values and company Policies. Staff are encouraged to discuss any queries they have in relation to the Telstra Values and Code of Conduct with their manager. All company Policies, including Telstra Business Principles, the Code of Conduct and Telstra Values are available on Telstra's intranet.

Telstra does not tolerate unacceptable conduct in the workplace. Our Policies specifically address discrimination, harassment, bullying and victimisation and cover all employees, applicants for employment, customers, contractors and agency employees. Anyone who works at Telstra and engages in unacceptable conduct, in breach of Telstra Policy, may face disciplinary action under Telstra's Performance Improvement and Conduct Management (PICM) Process. Disciplinary action may involve a verbal or written warning or, in serious cases, termination of employment or engagement.

We have a Whistleblowing Policy and confidential whistleblower service which offers our employees an avenue to raise concerns they might have with behaviour that is potentially illegal, improper or unethical. The whistleblowing process is supported by an independent service provider who specialises in receiving sensitive reports or disclosures. All reports or disclosures are treated as confidential and can be made anonymously. This service and Policy provides protection for people who make disclosures, as well as the rights of anyone who may be named or affected by a report. Reports are referred to Telstra's Ethics Committee. As well as generally supporting Telstra's ethical foundations, the Ethics Committee charter confirms that part of its role is to oversee our Whistleblowing Policy and process, and implement any recommendations considered appropriate. Our Whistleblowing Policy reflects the Telstra Values, and supports our Code of Conduct and the Telstra Business Principles.

Employment
We are one of Australia's largest employers. In addition to full-time arrangements, Telstra employs staff under flexible work arrangements such as part-time, casual and supplementary workers.

Telstra is committed to providing a flexible workplace which focuses on employee wellbeing and work life balance. Results are achieved through initiatives such as part- time work and job share arrangements, and Telstra's commitment to health and wellbeing programs such as Skin Cancer Awareness Week and Healthy Heart Week.

Employee Engagement

Telstra regularly conducts internal surveys to gauge employee engagement and obtain feedback from our employees about the operation of our company and their employment environment. Telstra has been conducting employee surveys for the past 10 years. The results are benchmarked against Australian and Global norms to enable Telstra to track performance.

Regular communication with employees occurs via team meetings, email and the company intranet. This aims to provide up-to-date, relevant information to employees about what's happening and how they can contribute. Telstra has introduced specific communications for managers, including an internal publication called 'The People Manager'.

People management & Performance management

At Telstra we focus on people and performance management. Performance objectives are developed for each employee, aligned to business objectives. Our performance review process incorporates 2 informal quarterly reviews and a formal annual and half-yearly review, targeting business results and leadership. Each business unit has reward and recognition schemes in place to reward and encourage top performers. Telstra has a variety of incentive plans, tailored to different segments of our workforce, which are designed to encourage high performance by rewarding employees for meeting and exceeding performance objectives.

Employee Benefits and Arrangements

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. We continue to offer salary packaging to eligible employees, including OwnShare and choice of incentive allocation of shares.

Telstra provides highly competitive and attractive remuneration packages to all employees at or above the minimum legal requirements. Telstra compares the remuneration of our employees against relevant market data to ensure we remunerate our employees well. We use industry trends and other relevant economic data to set annual remuneration increases for individual contract staff. Our Enterprise Agreement provides attractive market competitive remuneration. Our focus is payment for performance with emphasis on rewarding high productivity, business results, appropriate behaviour and teamwork.

Telstra's employee benefit program, MyRewards@Telstra, is a comprehensive and integrated program aimed at delivering tangible benefits, both financial and non-financial, to Telstra employees beyond their remuneration. The benefits include discounted products and services, financial services and discounted health and fitness services.

We provide proactive supporting processes for people whose jobs are redundant. The Telstra Jobs Program, available to all award-covered employees, is a comprehensive program funded by Telstra and run by an external provider. It equips retrenched employees with career management skills and assists them in finding suitable employment within Telstra or outside the corporation. Employees elect which parts of the program in which they participate.

Telstra provides the Life & Career Transition program for employees on contract. This program, the first of its kind world-wide, facilitates critical transitions for our contract staff by offering access to a range of flexible options, such as retirement planning, image consulting, seachange and networking. The Life & Career Transition Program offers strong transition support, extended to immediate family, and expert case management.

Telstra offers an Employee Assistance Program (EAP) to enhance the wellbeing of employees and of the Corporation. The EAP provides professional counselling and advisory services via an independent company staffed by qualified psychologists and social workers. The services are fully funded by Telstra and are free of charge to Telstra employees and their families. All information is treated confidentially and in accordance with Telstra's Privacy guidelines.

Workplace Relations

We are committed to resolving workplace issues quickly and fairly. Telstra's Internal Resolution Policy ensures that every employee has the right to be treated fairly and to understand the reasons for decisions and actions that impact them. In Telstra, there is a shared accountability to resolve an issue between an employee and the person who acted or made the decision and our internal resolution process is open and transparent. Telstra has various Dispute Resolution or Avoidance processes in its agreements with unions.

Telstra respects the right of individuals to be members of a trade union and does not discriminate against any employee on the basis of their political affiliations or beliefs.

Our performance

During 2005/06 we conducted a comprehensive review of the sources of our workforce numbers, including standardising our subsidiary entities' methodology for reporting workforce numbers and reviewing some of our data capture systems. We also revised the way we count employees on long term

leave. At 30th June 2006 we employed 49,443 in our total workforce, including 37,599 domestic full time employees, contractors and agency staff. During 2005/06, our total workforce decreased by 6.2% or 3,262 full time equivalent staff, contractors and agency staff. This decrease was mainly due to specific efforts to rationalise the number of people working for Telstra as part of our business transformation activities.

Telstra has a mixture of employment arrangements. 49% of employees are currently employed via Telstra's Enterprise Agreement 2005-2008, which was negotiated with 4 unions. Telstra has 21 formal agreements with Trade Unions. The other employees are covered by individual contracts, including common law contracts and Australian Workplace Agreements (AWA's).

Telstra's Enterprise Agreement 2005-2008 was certified by the Australian Industrial Relations Commission in September 2005 following a majority "Yes" vote of eligible employees to accept the agreement. The agreement has Consultation Arrangements in which Telstra commits to minimising any adverse impact of its business decisions to the extent practicable. Managers will consult with the employees, and their unions, who may be affected by any proposed changes.

In the area of Workplace Relations, the challenge for Telstra is to continue to move beyond a traditional industrial relations framework based on confrontational approaches and embrace a more productive and contemporary workplace relations approach which is built on:

- trust and fairness;
- understanding and achievement of commercial objectives;
- internal resolution of issues; and
- the Telstra Values.

In 2005/06 Telstra introduced a range of new individual incentive plans designed for particular segments of our workforce. The incentive plans enable eligible employees to be financially recognised for great performance.

The annual performance review system has also been revised, to focus on expected standards of behaviour. Performance ratings will now be given for behaviour, as well as performance. The revised process has been launched for senior managers, and will be extended to all employees in 2006/07.

In 2006, Telstra conducted a series of 'town hall' meetings, locally referred to as 'Future.Now', which were attended by 5,500 employees across 22 metropolitan and regional centres to engage our people in the strategic blueprint for the company as we commenced our transformation activity. In addition to this, 7,500 employees accessed a video of a Future.Now forum, held by our CEO in Parramatta, NSW.

In fiscal year 2005 the Australian Government introduced legislation, which came into effect in July 2005, which allows employees to choose where their superannuation contributions are directed. This legislation allows for certain categories of employees to be exempted from this choice, however, we have extended this flexibility to as many employees as possible, subject to other legislative restrictions.

We monitor relevant legislation for opportunities to improve packaging options for staff and have implemented a number of improvements in 2005/06; for example an increase in the amount of remuneration that can be set aside for in-house benefits and the introduction of the 'employee contribution method' for the leasing of motor vehicles and car parking arrangements.

Our next steps

During 2006/07 our focus on embedding *Our Way* will continue to develop an environment which builds employee commitment and empowerment. We will continue to strive for excellence in talent acquisition and management, develop a high performance culture and deliver efficient, cost effective people processes and systems for managers and employees.

We have implemented a number of initiatives to drive cultural change in the organisation. In early 2007, we will implement a program for nearly 3,000 people managers to provide practical tools to enable them to more effectively drive change, build a better business, and engage their people.

Training and Education Matters

Why does this matter?

Telstra is committed to the continuous development of our staff to maintain our competitive position in an industry which is constantly changing due to the dynamic nature of information and communications technology. We are focused on the continued skill development of staff and in making career development a mutual accountability through the implementation of more effective internal career management systems and processes.

The human resource framework in Telstra recognises the importance of a diverse workforce, and in particular with a workforce which is ageing, the need to reinvest in skills development at many stages of the employment lifecycle.

Our approach

The aim of learning and development within Telstra is to ensure our people have the capability to meet current and future business needs.

We do this by ensuring that learning and development activities are:
- planned and integrated with the performance management cycle;
- reviewed on a regular basis;
- agreed between the individual and their manager with ownership for development resting with the individual; and
- primarily on the job, with support through formal training as appropriate.

Telstra also values the role of training and development in creating an engaged and skilled workforce.

Telstra has a number of mandatory training courses, including:
- Telstra Business Principles & Code of Conduct & Telstra Values;
- Disability Awareness;
- Equal Employment Opportunity and Bullying;
- Privacy;
- Security;
- Health and Safety/Introduction to Telstra Care; and
- Health and Safety/Emergency Evacuation.

All new employees to Telstra are required to complete these courses as part of their induction program, and all staff are required to complete these courses every 2 years.

Telstra believes it is important for employees to understand the business from a broader social, environmental and national economic viewpoint, as well as from the specific role which they perform. We undertake extensive internal communication to inform employees of the many Telstra initiatives delivering community benefits and the need to promote Telstra's reputation when interacting with customers and the community. Many of the formal training programs offered to employees, particularly the leadership and management programs, include information on these concepts.

Telstra's Leadership and Management Development Framework which is available to all staff through our online learning portal, e-learn, includes:
- Harvard and Stanford Lectures;
- Harvard Business Review Articles on Line; and
- Harvard Manage Mentor Plus.

Further functional and technical skills-based programs are available to ensure that critical skills for our business (i.e. sales, IT, engineering, health and safety, financial etc.) are developed. In 2005/06 we offered 674 different training programs supported by preferred suppliers. Additionally, suitable employees are identified for specific training and development opportunities to enhance their leadership, management and coaching abilities. Telstra has a Study Assistance Policy which includes a range of study leave options and financial support for employees who wish to further their professional training.

Our performance

Key training and education achievements in 2005/06 included:
- 1260 people attending Leadership and Management Development programs;
- Telstra's Learning Management System recorded 9,752 instructor led programs; and
- over 200,000 enrolments in various online courses.

Telstra's mandatory programs were completed by:
- Telstra Business Principles & Code of Conduct & Telstra Values – 27,457 employees;
- Disability Awareness – 12,803 employees;
- Equal Employment Opportunity and Bullying – 12,721 employees;
- Privacy – 15,425 employees; and
- Health and Safety/Emergency Evacuation – 16,653 employees.

In 2005/06 Telstra announced and established the Telstra Learning Academy for our Operations Workforce. This will provide Telstra Operations staff with a structured learning plan with an average of 10 days formal training per annum.

Our next steps

We will continue to build on the strength of the strategies and programs that currently exist as well as update our Leadership and Management Development Framework.

We propose to develop and implement an upgraded Learning Management System that will allow Telstra to accurately record and report figures for average hours of training per year per employee.

Following on from the establishment of the Telstra Learning Academy for our Operations Workforce, we will continue to conduct training needs analysis and skill gap audits to identify the development interventions that need to be implemented across all areas of business operations. Further structured learning plans will be developed to address these needs.

Diversity and Opportunity Matters

Why does this matter?

Telstra derives value and benefit from the contribution of diverse employees, and continues to engage, retain and develop employees by respecting individual differences and developing an environment that is inclusive. The skills, experiences and diversity of the Telstra workforce enable the organisation to better understand, appreciate and serve our diverse customer base and the Australian community.

Our approach

Telstra is committed to ensuring that our work environment promotes diversity and is free of unlawful discrimination. Diversity is a business imperative and is interwoven in everything we do - from leadership, performance and talent management through to business planning, strategic initiatives and reward systems.

Telstra recognises that everyone is different and that creating an environment that embraces this difference and capitalises on everything that makes each of us unique, makes good business sense. Diversity enriches life, stimulates innovation and makes things interesting.

Each of our business operations has an EEO & Diversity Champion Network. These networks aim to develop, maintain and execute EEO and Diversity initiatives in their Business Unit. As well as programs designed for the specific groups defined in the *Commonwealth Authorities (Equal Employment Opportunity) Act 1987*, Telstra is committed to providing flexible working arrangements and work/life and family initiatives to help our employees and their families achieve greater balance in their lives.

Our performance

Telstra's commitment to Diversity continues to be an area of specific focus. Our strategy extends to targeted activity beyond legislative requirements. In 2005/06, Telstra established a Corporate Diversity Team, drawing on the skills and expertise from across Telstra to plan, develop and manage Telstra's Diversity strategy.

In this report, EEO designated groups are referred to as:
- **Women**;
- Aboriginal and Islander (**A&I**);
- Culturally and Linguistically Diverse(**CALD**); and
- People With a Disability **(PWD)**.

During 2005/06, as an outcome of the Telstra Organisational Architecture program of work, employee levels within the organisation were replaced with occupational bands according to 'job role'. Seven bands have been introduced in the organisation:
- **Band A** comprising the Chief Executive Officer and Group Managing Directors and represents **Executive Management**;
- **Bands B and C** representing **Senior Management**;
- **Bands 1 and 2** representing **Middle Management**; and
- **Bands 3 and 4** which constitutes mainly **Operational** roles.

Major outcomes for 2005/06 include:
- an increase in the number of women in Executive Management of 24.6%;
- an increase in the number of women in Senior Management of 2.61% and an increase in the number of women in Middle Management of 1%;
- a 14.31% increase in the percentage of employees in Middle Management accessing part-time employment;
- the proportion of Senior Managers accessing part-time employment trebled;

- the recruitment of CALD employees increased by 26.92% in Senior Management, 5.02% in Middle Management and 4.04% in Operational roles; and
- A&I recruitment increased to 0.14%.

Year on Year Comparison (2003-2006)

	2005/2006	2004/2005	2003/2004
Total Employees	34,551	37,087	36,128
Women	30.56%	30.59%	30.06%
A&I	0.56%	0.60%	0.64%
CALD	8.75%	9.02%	9.41%
PWD	1.35%	2.01%	2.18%

The employee numbers presented above are 34,551. The employee numbers presented in the Telstra Annual Report are 37,599 which is 3,048 employees more than the employee numbers here. This is because Telstra Human Resources only collect employment and EEO-designated group data for employees of Telstra Corporation Limited and do not report on Australian controlled entities, whose employees are included in the Telstra Annual Report.

Representation of EEO designated groups has decreased slightly over the period. The number of A&I employees has decreased by 0.04%, and PWD has decreased by 0.66%. CALD has increased slightly in Senior Management and in Middle Management, although representation has decreased slightly in total by 0.27%.

Awareness Campaigns

The range of employee participation in events such as International Women's Day, Harmony Day and National Aboriginal and Islander Day of Commemoration (NAIDOC) Week activities highlight the success of awareness campaigns and a comprehensive communication strategy. Other significant events celebrating cultural diversity and promoting an environment embracing diversity during 2005/06 included:

- Mental Health Week;
- International Day of People with a Disability;
- The Telstra International Food Festival;
- Telstra Family Fun Days; and
- White Ribbon Day (Violence Against Women).

Telstra's broader commitment to EEO and diversity is also demonstrated by its sponsorship of events and programs supporting the designated EEO groups in the broader community, including:

- The National Aboriginal and Torres Strait Islander Art Awards (NATSIAA);
- the Australian Paralympic Committee including the Paralympic Employment Program and Education Forums;

- support and continued sponsorship in conjunction with IBM and the University of Technology Sydney (UTS) of the Sydney Women in Engineering and IT Speakers (SWEITS) program;
- The Serious Women's Business (SWB) Conference;
- sponsorship and participation in the Women in Business and Golf (WIBAG) initiative;
- financial and in-kind support of Females in Information Technology and Telecommunications (FITT);
- The Prime Minister's Employer of Choice Awards; and
- development and communication of the Telstra Enterprise & Government (TE&G) Work, Family and Lifestyle Awards.

EEO & Diversity Management System

As part of the 2005/06 review process for EEO and Diversity, the EEO and Diversity Management System, DiversiGRID, was designed and introduced. The system outlines roles and responsibilities, and entrenches and gauges the acceptable standards to be achieved for EEO and Diversity. Implementation of DiversiGRID continues to be a focus in 2006/07, with full implementation planned in the short to medium term.

Our next steps

Overall, EEO and Diversity at Telstra continues to build momentum, with a solid framework in place to enable continuous improvement. In 2006/07, Telstra will continue to implement a holistic Diversity Program. This will provide a more consistent approach across Telstra for developing, implementing, reviewing and assessing EEO and Diversity initiatives. The new framework will also ensure that the company has a more robust system for measuring results relating directly to the strategy and programs implemented.

Some examples of planned diversity initiatives during this period include:

- the creation of a centralised communications vehicle to inform all the organisation about EEO and Diversity initiatives and success stories;
- the use of current networks such as the EEO and Diversity Contact Officer Network to drive initiatives and behavioural change throughout Telstra;
- the establishment of a Diversity Council with active involvement by senior business leaders from the CEO Leadership Team to drive Diversity as a cultural priority;
- targeted interventions and initiatives in areas of greatest need, above and beyond our EEO obligations;

- the further sponsorship, both from an internal and external perspective, of initiatives that further promote our key focus areas to both our employees and to the community at large; and
- ensuring that we tap into all key HR Policies and processes in order to 'hard wire' Diversity at Telstra.

Telstra is confident that these initiatives will provide the platform to deliver significant outcomes that in turn will contribute to outstanding business success in the future.

Health & Safety Matters

Why does this matter?

"High standards of OHS are a Telstra management responsibility not only required by law, but also an expectation by Telstra employees, contractors and their families. The prevention of personal illness and injury is a legitimate expectation when undertaking all work duties as part of a broad based social responsibility.
Emerging OHS issues relate to psychological health where stress and workplace bullying occur. All at work deserve the dignity to be treated with respect and honesty regardless of the role and responsibilities.
Community groups, as well as employees, look to corporate leaders such as Telstra to identify and uphold the highest OHS standards. Their leadership in OHS reinforces the legitimate reputation of Telstra as a strong integrated company with social, environmental, economic and personal standards."

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> *President – International Ergonomics Association*

Our approach

Telstra recognises that the health & safety of our employees, is critical to our ongoing success and the wellbeing of our people. We are committed to providing safe workplaces, where everyone is supported and encouraged to make a real difference to health & safety.

In 2004/05 we embarked on a major internal review of how we manage health & safety. The review found that:

- performance on a range of measures had dramatically improved over the past 10 years;
- since 2003/04 there was evidence of a slow down in performance improvement;
- our employee surveys and management interviews confirmed there was dissatisfaction by a large number of managers and employees over the bureaucracy that had crept into Telstra's safety management and practices;
- widespread belief in the need to continue a strong focus on safety; and
- our CEO is strongly committed to continuing to improve our safety performance.

The review has resulted in:

- a restructure of our Health, Safety & Environment (HS&E) group, to align our resources more closely with key areas of risk in the business;
- creation of roles dedicated to key Telstra work types, e.g. offices, call centres, shops and operations;
- establishing a safety leadership program for progressive rollout in 2006/07, involving behavioural safety conversations; and
- a review and restructure of our HS&E Audit program.

Our performance

We have achieved some significant milestones in 2005/06.

- Our Lost Time Injury Frequency Rate (LTIFR) decreased by 21% compared with 2004/05. (Refer to the Lost Time Injuries graph below.)
- Through prevention, our number of open workers compensation claims fell by 27% to below 2000 for the first time.
- 57 External HS&E Audits were conducted in 2005/06. Our audit results indicated that 86% of audited business groups) have effective or highly effective HS&E Management Systems. This is a pleasing continuation of the improvement Telstra has shown over the last 5 years.

Year	Effective or highly effective areas
2001/02	38%
2002/03	57%
2003/04	62%
2004/05	74%
2005/06	86%

We achieved this improvement through effective implementation of our HS&E system.

- Comcare, the Federal Occupational Health & Safety (OHS) Regulator, has extended our self-insurance licence for 4 years based on an evaluation that included an assessment of our OHS management systems. This evaluation scored Telstra as Tier 3 for prevention. The highest possible achievement level.


Telstra Audit Scores vs LTIFR 1997-98 to 2005-06
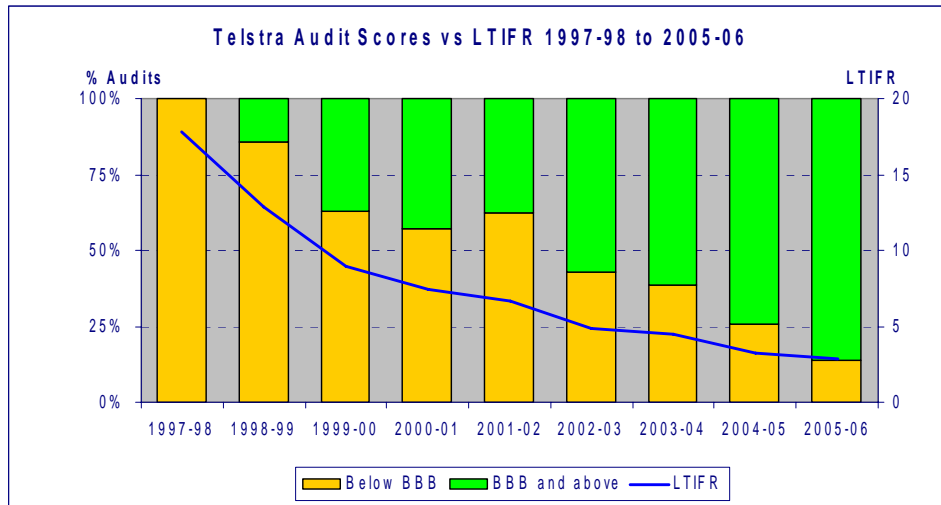
In 2004 Telstra commenced development and implementation of health and wellbeing programs that included Mental Health awareness activities. As foreshadowed in our previous report, in 2005/06 we significantly increased our activity in this area, including the provision of services in regional centres. Our forward plan for 2006/07 sees us develop this further by building manager and employee skills deal with periods of organisational change.

Telstra is recognised by the Mental Health Council of Australia as having a leading Mental Health Awareness program. Our established program includes:
- an extensive intranet site;
- a mental health booklet available to all employees;
- an interactive online program for employees to better understand mental health issues; and
- Mental Health Management Strategies Workshops for managers.

The Mental Health Management Strategies Workshops for managers have received strong positive feedback from managers who are empowered with knowledge for their role in the prevention and early intervention of mental health issues.

In 2005 we started the Resilience Program as a resource for employees to improve their emotional and physical wellbeing. The Resilience Program links with the Mental Health Program to provide information, resources and links across the full spectrum of wellbeing.
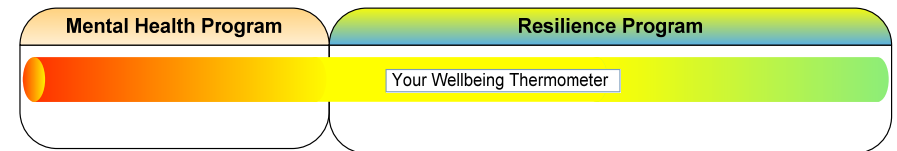
Workers Compensation
Continued attention to quality assurance has seen a reduction in the number of new claims received, open claims, and open rehabilitation cases as compared with 2004/05. Initiatives have included the development and implementation of a revised claim and rehabilitation injury management compliance program, and the successful transition of the claims management function from GIO to Allianz which also included the development and implementation of the data processing and reporting system TELCARE.

Our next steps

Continue with the enhancement and streamlining of our HS&E Management Systems, processes and training.

Looking forward the Resilience program will include:
- an extensive intranet site;
- a Resilience – Energising Life booklet; and
- workshops for employees in developing personal and team resilience skills.

We are continuing to review our injury management program to encourage early injury reporting and intervention strategies which will see further reductions in new and ongoing claims and rehabilitation case.

Marketplace Matters

Our Customers matter

Why does this matter?

Satisfied customers are fundamental to a business' success. In addition to the usual perceptions of price, quality and availability other factors are increasingly being considered by consumers when they decide who to give their custom to. Factors such as a sense of affinity and loyalty to a brand or product, the accessibility of a product and service, concerns about security and privacy, ethical sales, the environment and marketing to children are issues that also influence consumer choice.

To attract and retain customers a business needs to recognise different customers want different things, and they need to provide products, solutions and service to cater to this. To differentiate themselves from their competitors, a business will benefit if they can demonstrate that they can provide the understanding and experience customers are seeking, at a price they are willing to pay.

Technology in our society is rapidly changing. In 23 years both the Internet and mobile phone have moved from a tool used by the very few to an indispensable part of the work and social lives of many. 'Convergence' is now common place as we use whichever device best suits our needs at any given time to access an ever growing variety of media and communications services.

As technology becomes more central to our everyday lives issues will arise. How do users ensure that their privacy is not compromised as more information about them is collected and sent via online transactions? How do consumers with a disability gain and maintain access to devices which may assist them to participate more easily in society? How is the issue of the digital divide addressed? What role should business play to help those on a low-income or facing financial disadvantage afford the services which will help them access health, education and work opportunities? Businesses must address these issues if they are to retain a market share and customer base for the long term in the diverse communities in which they operate.

Our approach

In 2005/06 Telstra embarked on a fundamental transformation process, including the way we manage our relationship with our customers. Previously Telstra took a product-based approach to our customers, with customers segmented by fixed and mobile phone, Internet and so on. We have changed our approach to focus on our customers 'first and foremost', placing their needs as the basis of our business, not our products and price.

Telstra has a longstanding commitment to making our services accessible to customers with a disability. For over 25 years we have been providing different types of equipment to assist people with a disability access the Standard Telephone Service. Demographic studies show that the Australian population is ageing and approximately 20% of people report having a disability. We recognise that as people age they are more likely to experience deterioration of functions such as vision, hearing, dexterity and mobility; to assist these people we are promoting services which may help make using communications technology easier.

We are responsible for providing access to telecommunications services for Australians on a low-income. Since 1988 we have responded through consultation to telecommunications affordability issues in the community. Since 2002 we have assisted over 1.5 million Australians each month to gain or maintain access to telecommunications services, through our 'Access for Everyone' package. This package offers a range of products and services to meet individual circumstances. We recognise that there is no 'one size fits all' solution to making telecommunications accessible and affordable to those on a low-income.

Through the Telstra Country Wide® (TCW) business unit we give special focus to the needs of our customers living outside the major metropolitan cities. In 2005/06 TCW expanded to cover Perth, Brisbane and Adelaide. We have 34 Area General Managers (AGMs) and 3 Metro General Managers (MGMs) who live and work in designated service areas across Australia. AGMs and MGMs have a 'whole of business' responsibility for their areas, working with other areas of Telstra, to tailor Telstra products and services to meet their customers' needs and to address technology deployment and service quality issues. This approach has enabled TCW to increase its responsiveness to local service issues, increase the understanding of the availability and utility of Telstra products and drive local infrastructure development. The local presence model has also been successful in providing local communities with greater access to Telstra management, as well as greater levels of involvement and say into what telecommunications and value-added services are available in their areas.

In July 2005 we officially launched our National Indigenous Directorate. The Directorate aims to implement strategies to make telecommunications more

accessible to remote Indigenous communities by developing culturally appropriate products and services and ensuring their effective distribution. The Directorate leads Telstra in developing economic opportunities, such as contracting and product sales for Indigenous communities, and maximising the uptake and continuity of employment of Indigenous people as Telstra employees and trainees.

We recognise that there is a real and perceived social risk to security and privacy with the rapid change in the availability and types of communications devices. We take a multi-pronged approach to address these concerns. We consider privacy impacts and issues when designing our products, services and processes. Our staff receive on-going training and advice in relation to handling customer information and we annually undergo an external audit of our performance in relation to privacy. Further we provide information to our customers on how they can manage their information and details about how they can protect their privacy.

In order to assess and address the on-going needs of our customers Telstra seeks customer views and feedback through a range of different forums. We undertake extensive and on-going market research amongst our different customer segments to uncover their needs and assess their satisfaction with our performance.

Telstra maintains regular engagement with the community through a range of stakeholder forums, as well as regular one-on-one engagement with a range of peak national advocacy and community organisations. This engagement informs Telstra as to the needs and concerns of our customers and the wider community. More information on stakeholder engagement can be found in the 'Community Matters' section of this report.

Our performance

Knowing our customers

Our aim is to know our customers better than any of our competitors. By knowing our customers and what they want we will be able to develop and offer products, services and applications that are simple, easy to use and are accessible via 1-click, 1-touch, 1-button, 1-screen, 1-step. Instead of mass market campaigns we will be able to develop finely-targeted campaigns to offer specific customers products and services they will find appealing and meet their needs.

In 2005/06 Telstra conducted what we believe was the largest market research campaign ever in Australia. Over 65,000 interviews were held with consumer and small business customers. Through these interviews we were informed about our

customers' needs, expectations and priorities. We used this knowledge to develop 7 consumer and 5 business segments, each with a dedicated support team to actively tailor products and services to customer needs.

An example of meeting specific needs was the launch of our Seniors Mobile Phone Plan. Through our new Market Based Management approach and consultation activities we understood that high entry and usage costs and complex handsets were issues that dissuaded seniors from purchasing a mobile phone. To address these issues we put together a plan which offers a handset with large fonts as standard, an ergonomic design for better grip, a low price point, extra value for calls to family members and created a user guide that is simple and easy to follow. Telstra worked with the New South Wales Seniors Card organisation to trial this service.

As well as using market research to assess the needs of our customers we undertake research to monitor our performance in providing our wide range of services. Contact can be initiated as a result of interactions ranging from browsing to transactions. This information is used to identify points of pain for customers, assess Telstra processes and critically review aspects of our business to the benefit of our customers while considering the commercial reality for the company.

This research is executed across Telstra's customer base and reports are delivered monthly using both qualitative and quantitative methods. Those surveyed are randomly selected. This research gives a retrospective view on the business.

In 2005/06 one of the key areas of measurement was our consumer customers' satisfaction (or dissatisfaction). The rating scale is 0-10 with 0 being highly dissatisfied and 10 being highly satisfied. Business objectives are focussed on addressing the dissatisfaction levels as a priority. There was a pleasing improvement in our consumer customer satisfaction in 2005/06 from the survey results in 2004/05.

Rating scale	2004/05	2005/06
0-4	14.4%	10.7%
8-10	64.9%	71.4%

Internally we use our Sales Call Quality Framework to assess calls to our contact centres. Each Sales Consultant's compliance to privacy requirements and the manner in which they handle customer contact is assessed. Consequences of non-compliance to privacy requirements result in the Sales Consultant not attaining a satisfactory performance review for the month, which results in

additional coaching and training for the Sales Consultant as part of Telstra Performance Management framework.

Maintaining customer privacy

Through our extensive market research we have collected more data and information about our customers than ever before. The challenge as applications and data converge and we get to know our customers better is to uphold our rigorous approach to dealing with our customers' privacy.

To help maintain our customers' privacy Telstra has a Privacy Policy, Guidelines, Principles and procedures that describe and capture Telstra's obligations in relation to privacy and the protection of personal information. The Policy and procedures apply to all Telstra staff and contractors whether they are located in Australia or overseas and operate to protect the personal information of individuals which Telstra holds. Telstra's intranet, available to staff and contractors, details a range of privacy information. All staff are required to complete mandatory privacy awareness training when they are inducted into the company, and then every 2 years. More information about training is available in the 'Employee Matters' section of this report.

Telstra's Privacy Protection Policy and privacy statement is publicly available at http://www.telstra.com.au/privacy/index.htm

Telstra maintains and supports a privacy compliance program that governs privacy compliance and is subject to an external audit review annually, with the results tabled to the Telstra Board Audit Committee. This program ensures that there are privacy managers in all areas of the business, that all products and services are assessed for privacy impact and that advice about privacy related concerns is readily accessible. This program has been in place and strongly supported by the senior management of Telstra since 1988.

Telstra is a member of the Communications Alliance (formerly ACIF) an industry group dedicated to promote the growth of the Australian communications industry and the protection of consumer interests by fostering the highest standards of business ethics and behaviour through industry self-governance. This group has developed many codes that target the protection of personal information and privacy of telecommunications users.

Telstra receives and deals with complaints from customers that concern privacy. These complaints are resolved internally and in 2005/06 none escalated to a level requiring a judicial decision. Complaints received are monitored for resolution, and the number of privacy related complaints is regularly reported to the Telstra Board.

Providing accessible and affordable communications services

In 2005/06 Telstra maintained its 'Access for Everyone' package to provide a range of services to customers on a low-income or who are in financial crisis. The package comprises 11 products and services to assist these consumers gain and maintain access to a communications service. The package includes:

- **HomeLine® Budget phone plan** -has a lower than standard monthly charge for customers who make few calls;
- **Telstra Pensioner Discount Scheme** -provides a monthly discount for eligible pensioners;
- **InContact®** -a telephone service with no monthly charge for eligible customers;
- **Telstra Bill Assistance Program** -an emergency relief program for people in financial difficulty and unable to pay their phone bill;
- **Telstra MessageBox** -a virtual messaging service for people who are homeless or transient or in a crisis situation;
- **Homelink® 1800** -a cashless calling service to enable children to call home;
- **Sponsored Access** -a secure telephone service for Crisis Accommodation Program agencies free of ongoing monthly charges to provide to their tenants;
- **Multiple Number** -a service that allows categorisation of call charges on the bill, particularly for people living in shared households;
- **Telstra BudgetPay** -a budgeting and bill payment service that allows regular fixed payments;
- **Access to Centrelink's Centrepay service for Telstra customers** -a budgeting and bill payment service for people who receive payments from Centrelink; and
- **Telstra Phonecard Assistance Program** -provides phonecards to low-income people who depend on public payphones to stay in touch.

The take-up and usage of all components of this package are regularly monitored to ensure that it meets the needs of the target audience, with adjustments made to the package as a result of this monitoring.

For example in September 2005 Telstra ceased sale of 1 service under the package, HomeLine® Low Income Health Care Card, due to difficulties with targeted promotion and low customer take-up. Conversely, Telstra introduced the Telstra Phonecard Assistance Program in February 2006 when a pricing change was implemented for calls made from public payphones. The introduction of the Phonecard Assistance Program was to negate any adverse impact to low-income consumers who rely on Telstra payphones for their communications needs.

Telstra partners with community organisation to distribute $1m worth of $5 phone cards per annum to their clients.

Over 1.5 million customers in Australia benefit from the Access for Everyone package each month and the total benefit provided exceeds $200m per annum. Telstra consults regularly with the Low Income Measures Assessment Committee (LIMAC) on the offerings under the Access for Everyone package. More information on this consultation can be found in the 'Community Matters' section of this report.

Telstra has a Disability Equipment Program the enables Australians with a disability to access the Standard Telephone Service or equivalent, irrespective of the costs of the equipment provided. Equipment can be rented by eligible customers for the same annual rental charge as a standard telephone handset. The following is available through the Disability Equipment Program:

- **Volume Control Phones** -Telstra's standard telephone includes volume control to amplify incoming speech as a standard feature;
- **Teletypewriters (TTY)** -enable people who are deaf or have a speech impairment to communicate by text over the telephone network, in 'real time';
- **TTYs with a Braille or Large Visual Display** -for customers who are Deafblind;
- **Cochlear Implant Telephone Adaptors** -provide a direct connection between the telephone and a cochlear implant speech processor for clear telephone reception;
- **General purpose alarm** -for people with hearing impairment so they can hear the phone ring;
- **Visual signal alert** -connects to a standard 240v lamp and flashes when the phone rings;
- **Big Button Multipurpose Phone** -has buttons double the size of those on a standard phone, a **hands-free** function and programmed numbers can be dialled with one button access. It also has **adjustable voice aid** and **volume control** to amplify outgoing and incoming speech, an in-built hearing aid coupler, a flashing light for incoming calls and an additional port for a single, external switch to be added for people who have difficulty dialling on the phone; and.
- **Big Button Cordless Phone** -has a range of up to 50 metres indoors and 300 metres outdoors, large key-pad buttons, adjustable ringer and voice volume, an in-built hearing aid coupler, hands-free ability and a display screen.

In addition, Telstra can provide:

- on request, at no additional charge, **bills in large print** or **Braille,** and information, including product resource materials, forms and contracts in an accessible format for people who are blind or have vision impairment;
- a **Directory Assistance Helpline** for people who cannot use printed directories or the standard Directory Assistance service; and
- a **fee exemption for our Telstra Call Connect** premium product to customers who cannot physically dial a number on a phone.

For Australians who are Deaf or have speech impairment, Telstra has around 240 payphones with TTY capability, and SMS messages can now be sent from over 90% of Telstra's payphones.

Telstra's Disability Equipment Program has been developed in consultation with our Consumer Advisory Group. More information about our consultation can be found in the 'Community Matters' section of this report.

Providing services for Indigenous Communities
Telstra provides a range of products and services to specifically address the needs of Indigenous people. Telstra's Indigenous Directorate works closely with Indigenous stakeholders and organisations, to address many of the telecommunications issues in remote Indigenous Australia.

Remote Indigenous communities have specific communications requirements.
- Due to the communal nature of many these communities a standard telephone connected in a home can cause credit issues as the phone may be used by a number of people leading to difficulty when the account is issued.
- Standard payphones are not suited to the conditions of many communities.

In response to these needs Telstra has designed products specifically for these communities.
- Telstra Country Calling Line is being trialled in 6 remote Indigenous communities. Country Calling Line is a home phone service where the cost of line rental is deducted each fortnight through Centrelink's Centrepay service. Outgoing calls which attract a charge can be made from the service using a pre-paid card, helping stop large phone bills being run-up by multiple users.
- Telstra Country Calling Card is a two tariff pre-paid card. Calls made through a Country Calling Line are priced similarly to one of Telstra's standard fixed phone services, including offering a capped STD® call. Calls made from payphones and Community Phones are charged at a similar rate to calls made through Telstra's PhoneAway pre-paid card. The two tariff card is useful for people who use a variety of services to manage their

communications needs, and means they are not paying higher, payphone type rates to make calls from a home phone service.

- Telstra Community Phones were specially designed in conjunction with the Centre for Appropriate Technology (based in Alice Springs) for the conditions found in remote Australia. The Community Phones are card only, housed in a steel casing and extremely robust. At June 2006 Telstra, in conjunction with the Department of Communications, Information Technology and the Arts, had installed 205 Community Phones throughout central Northern Territory and Northern Western Australia.
- Telstra has a specialised Indigenous Hotline to provide customer service to our Indigenous customers. There are currently 6 staff employed to provide this service in Townsville, Queensland. In 2006/07 the Indigenous Hotline will be moved to a new call centre based in Darwin. The first round of recruitment for the Darwin call centre has occurred and 11% of the new recruits are Indigenous.
- A project in conjunction with the WA Government will see optical fibre delivered to the Ngaanyatjarra Lands in Western Australia, improving communications for 12 Indigenous communities. This $4m project will provide enhanced broadband telecommunications services and will enable improved Government service delivery, including education, health, community service and justice, as well as providing all the benefits that broadband access can bring to the communities and business.
- Another project in the Northern Territory will see optical fibre being run to the communities of Daly River, Peppiminarti, Palumpa, and Wadeye. This will allow broadband access and access to telemedicine solutions and remote diagnostics, video conferencing and enhanced social justice and education services. We anticipate this project will be completed by end of 2006/07.

Through the Indigenous Directorate and consultation activities Telstra has learnt that products and services need to be pre-paid, locally available in their distribution points and that there needs to be specific marketing for Indigenous communities.

Regional and remote customers
In 2005/06 Telstra commenced the rollout of our new Next G™ wireless network, and turned this service on in October 2006. The new network provides a wider range of services and faster data speeds and wireless access to 98% of the Australian population, covering an area of over 160 million square kilometres. Our Next G™ network will ensure that our customers in the country will receive the same service and content as those in the city. The maximum Internet speeds available on the network at launch are more than 50 times faster than dial-up, and we plan on increasing these speeds in 2006/07.

Telstra story

In August 2006 Telstra launched the Telstra Kids In Touch service, a service designed to meet the needs of Australian parents wanting to provide their children with a mobile phone. Telstra was aware of strong social concerns about mobile devices for use by children, and undertook extensive research and planning prior to offering such a device.

Research showed that more than 1 in 5 Australian children, aged 6-13 already owned their own mobile phone, whilst 35% of this age group had regular access to a mobile handset – without any parental controls.

There was clearly a market for mobile phones and children, however Telstra wanted to offer an appropriate and customised service for children. To ensure the service we offer was suited to children in the 6-12 year age bracket Telstra undertook market research focus groups both with children of this age, and with parents of children.

Prior to launch of Telstra Kids in Touch (and the TicTalk device), it was trialled with a range of community organisations including the Federation of Parents and Citizens' Associations of NSW, motherInc, Parents Victoria, the Australian Council of State School Associations and the Salvation Army. Feedback from these trials was positive.

The TicTalk phone is a customised device. It operates on the 2G network, and has a web portal that gives parents complete control over which calls can be made to and from the mobile device. Parents can nominate the hours the device can receive calls, and when it is turned on and off. The TicTalk device can only receive messages from numbers on the parent controlled number lists. The device cannot be used to initiate a text message, however it can respond to messages received from the controlled number list.

Although the World Health Organisation advises that there is no scientific evidence to indicate the need for special precautions with the use of mobile phones, Telstra was aware that there may be parental concern about exposing children to radio frequencies. To address this concern the TicTalk has an inbuilt speaker as a default option and a personal hands-free earpiece. The device can be held to the ear as a normal mobile phone would be if the user so chooses.

Telstra intentionally does not market this service to children, rather to their parents and all packaging and advertising material reflect this. The TicTalk device is only available for sale at Telstra Shops and Licensed Dealers.

Telstra is also conducting trials with a number of Australian disability communities to ascertain the usefulness of the device to people with disabilities.

Our next steps

In 2006/07 we will continue to focus on our Market Based Management program, and role out more offers and services that are targeted at meeting the needs of specific segments.

Telstra will continue to make products and services available to people with a disability through our Disability Equipment Program, and to people on a low-income or in financial crisis through our Access for Everyone package.

We will continue to develop information that assists our customers to use the new devices and services which we will offer as technology continues to develop. Included in this information will be information to help make the use of the technology safe, and informed.

Products and Services Matter

Why does this matter?

A fundamental part of any business is the products and services they make available for their markets. A leadership company will produce great products and services that meet marketplace needs in a socially and environmentally considerate way.

Should a company not consider the medium to long-term impact of their products along with the user safety and security in relation to their product or service they run a number of risks. These risks include cannibalising the market, having the product withdrawn or prohibited from sale due to legal and regulatory processes, damaging the company's brand and reputation and permanently disenfranchising consumers who will never purchase from that company again.

Social and environmental issues should be considered in the whole lifecycle of the product, not just be considered in the set-up or development phase. For example:

- what repairs are possible to the product and how often does it need servicing;
- what is the impact on the customer and how will this be managed if the product becomes faulty in any way;
- how will the product be safely disposed of at the end of its life; and
- what is the company's exit strategy should it cease manufacture of a product or supply of a service.

A responsible company should also consider ways in which the products they produce can be misused, either by customers or by third parties. Safeguards should be put in place to minimise the possibility of misuse of a product or service, and thought should be given as to how to manage potential misuse.

Often many of the issues outlined above are addressed by market rules, including legislation, regulation, product standards and codes of conduct. However as innovative companies produce new products and services they may outpace market rules. A responsible company should have internal standards in relation to the design and implementation of products and services for areas where they are running ahead of market rules, or where they are operating in areas which have little or no market rules. In this way they pre-empt the need for legislation and regulation by doing what is required because they recognise it matters to their success.

Our approach

In 2005/06 Telstra commenced a major transformation of our company and how we provide products and services. We aim to provide our customers with a powerful, seamless user experience in a 1-click, 1-touch, 1-button, 1-screen, 1-step way – whether that customer is an individual, small business, large business or government agency. Our products will be simple and intuitive to the user; they will provide consistency across our product suite and instant access to information and services that the user wants.

We are integrating our product offerings, so customers can access communications through the device of their choice, when and where they want, providing users with a richer experience. We are therefore combining elements of our Internet business BigPond®, our directories and information business Sensis® and our standard telecommunications services, to offer a whole new range of services as shown by the launch of our Next G™ network in October 2006.

As we move forward our products will be customer-led, we will provide the technology which our customers tell us they want and need. Rather than build a

service because we have the technical capability to do it, we will research what will best suit the users of the technology and design a service to provide this.

Good design and usability are the key factors to making a product stand out from competitors' offerings. When these factors are right, users are satisfied, not frustrated with the product or service, which leads to fewer complaints due to user errors. Customers will enjoy using the technology and are able to achieve their goals effectively, efficiently and satisfactorily. This in turn leads to further trust and confidence in the product and with Telstra as their service provider.

As we provide new products we are aiming that they are 'Walk out Working'. Customers should be able to remove the product from the box and have a service that is ready for their use with minimal manual intervention. We are also conducting usability reviews of new and existing products to provide the optimal experience for our customers. This includes consideration of our Disability and Accessibility Guidelines, looking at the needs of all users of our products.

When designing services we consider the safety and security of users, and build features into our products and networks to provide this. We also consider what information needs to be provided to customers to assist them to protect themselves when using our services.

In creating this new environment we have reviewed many of our existing products, and are exiting those which are outdated, use old technology or no longer provide a commercial return.

Benefits of products and services
We know that many of our products and services have an impact, both positive and negative, on the environment. Many of our products have the potential to benefit the environment through replacing traditional resource intensive means of communicating, or accessing information.

An example of this is our conferencing service, Conferlink, which brings people together wherever they are, through audio, data and video or conferencing online. Use of Conferlink reduces the need for people to physically travel to meet, reducing the impact of fuel use and emissions from cars and planes. Conferlink may also improve a person's work-life balance by offering more flexible working solutions.

However the existence and extent of the environmental benefits of online information and communications are dependent on the end user. For example if a customer prints out information accessed online in colour, on single sided

paper they are consuming additional resources. Therefore,though we implicitly know that our telecommunications products and services offer environmental benefits, Telstra cannot comprehensively measure these.

Our performance

In 2005/06 we have launched a range of new products and services into the market.

Virtual call centres
We trialled a new commercial offering Web Contact Centres (WEBCC) which is a virtual call centre. A business can establish a WEBCC with employees working from anywhere they have access to a computer, Internet and a phone line. This provides flexibility for staff, and means that people who have traditionally been excluded from the workforce for reasons such as a disability, remote location, a position as a carer or other domestic situations will be able to undertake call centre work from their home. Businesses benefit as the solution offers scalability, rather than needing an area to accommodate staff in a busy period, staff can be scheduled to work from their own locations as demand occurs. Environmental benefits include less travel as well as no need for additional infrastructure to accommodate staff.

Telemetry solutions
We have been working on a range of Remote Internet Protocol (IP) telemetry solutions. An example of this is the solution we have provided to Sydney Water. Currently Sydney Water monitors and controls about 1,500 water pumping stations, sewerage treatment plants and water filtration sites through a telemetry solution. The network is critical as it provides water and sewerage services to nearly 4 million people in the Greater Sydney Basin. With Telstra's Remote IP telemetry service Sydney Water will benefit from faster site activations, wireless backup capabilities, improved service levels, remote site management and monitoring of network and reduced costs. They are also able to remove a number of sites within the old network, allowing rationalisation of their services, delivering further cost efficiencies.

Integrated solutions
Telstra is offering a new way of monitoring the security of premises, delivered in partnership with leading security companies in the Australian security industry. Using our service, Business Secure, customers with a video camera and a BigPond® Broadband or Internet Direct service can remotely view their premises over the Internet or a GPRS handset. Customers can review captured images associated with alarm events and examine alarm event logs remotely. This service not only provides an immediate and enhanced security service but, overtime, may reduce costs as unwanted calls are not generated by the

customer's alarm system, and insurance premiums decrease as customers gain access to a monitored security system through the use of their BigPond or Internet Direct service and existing alarm system.

Upgrading existing products
While designing and offering services that have been made possible through new technologies we have also worked at improving the service provided through our traditional standard telephone service. We have introduced more sophisticated fixed handset options which include:

- direct access to messaging services;
- SIM readers so users can download their mobile phone address book to their home phone; and
- SMS to fixed phones.

These new features have all been designed to improve communications effectiveness and convenience for customers and provide back-up options for messaging and mobile phones.

We have a range of products for all our customers including those with a disability, on a low-income, or living in a remote Indigenous community. Further information about services for specific segments of customers can be found in the 'Customers Matter' section of this report.

When designing and offering new services we build in measures to assist our customers manage their own safety and security. Our wireless network contains measures to support age verification for access to restricted content by minors, and opt-in only access to many of our adult services. We help our customers manage their telecommunications spend by building in download limits on our Premium SMS service and BigPond offerings, meaning customers cannot spend above a set amount, which assists customers with credit management.

Packaging
Packaging plays a vital role to protect and preserve products and consumer safety. However, packaging has environmental impacts such as resource use and production of waste, causing pollution and contributing to landfill. Telstra is a signatory to the National Packaging Covenant (NPC), a voluntary program where signatories commit to reducing the environmental impact of their packaging. Telstra has produced an annual Action Plan since 2002 publicly detailing the programs and steps we are taking in this area. All signatories to the NPC are required to submit baseline packaging data to demonstrate continued improvements in packaging reductions.

Billing
Each month we send out millions of bills to customers. To minimise the impact of paper and energy use associated with these bills we have introduced a number of programs. We offer online billing for Internet, fixed and mobile customers, and customers have the option of 'turning off' their paper bill and only receiving an electronic bill and email notifications. In 2005/06 approximately 815,000 customers had opted for online billing, an increase from approximately 519,000 customers who accessed this service in 2004/05.

We offer our customers a 'Single Bill' where customers can choose to have their fixed, mobile and Internet accounts consolidated to the one bill, reducing paper and the energy associated with delivery of separate bills. In 2005/06 the number of customers registered for Single Bill increased to approximately 2.3 million.

Recycling
We aim to recycle used products where available. In 2005/06 we collected approximately 228 tonnes of fixed line telephones for recycling and reprocessing.

Telstra is an active supporter of the mobile industries recycling program 'Mobile Muster'. Telstra held a number of Mobile Muster Days in Telstra buildings in 2005/06 to promote recycling of mobile phones both to our staff and customers. On World Environment Day 2006 we collected over 1,000 mobile phones from 3 Telstra buildings in Melbourne, the largest single day collection ever in the history of the Mobile Muster program. Over 90% of a mobile handset can be recycled for other use.

Our subsidiary Sensis® which produces several print advertising and information products, including the White Pages® and Yellow Pages® directories actively promotes recycling of these. In 2005, 71.2% of all old directories were recycled nationally.

Obsolete technology
As well as designing new services to meet our customers needs and expectations we have removed services which have become outdated or obsolete with the rise of new technology or options for handling communications activities. In exiting products we have worked to keep customers informed of their options, provide them with alternative, improved solutions which incur minimal upgrade costs, and ensure that any alternative offered includes equal or improved usability and accessibility features as the removed product.

Telstra story

Seaphone Exit – Safety for sailors

Seaphone is a service which was developed in the late 1970's and early 1980's for the leisure craft market and commercial fishermen who use their vessels up to 100km off the Australian coast.

The Seaphone technology has become obsolete as more capable services, with additional features, are now available such as Telstra Mobile Satellite (TMS). The Seaphone product manufacturers have ceased producing spare parts for these services, affecting the ability to offer maintenance or repairs moving forward. As Telstra is no longer able to support this service, we are removing it from our product offering and migrating existing customers to alternative technologies.

Telstra is offering the 2000 customers affected by the withdrawal of the Seaphone service a $500 rebate on TMS handsets, as well as a specially designed price plan starting from $20 per month. This is in addition to any Government rebate that the customers may be eligible for.

In offering the rebate on new handsets, and a special pricing arrangement Telstra is moving these customers to a new technology which will improve maritime safety while mitigating the costs users incur to upgrade to a better communications solution.

Our next steps

Telstra will continue to roll-out new products for all our customers, from individual to Corporate and Government customers, taking into consideration the feedback of what our customers have told us is useful for them.

Our new Next G™ network will increase use of video conferencing and make more information available to users remotely, reducing the need to travel. We will also be providing further information to our customers on how they can benefit from this new network, and what they need to consider to safely use the network.

We are commercialising new offerings for our Corporate and Government customers which will improve their ability to offer services, and assist their customers and clients. An example is that in 2006/07 we aim to commercially launch a new service – Virtual Critical Care Unity (ViCCU) in agreement with CSIRO. ViCCU is a specialist teleconferencing and remote diagnostic facility. Through this service specialists in metropolitan hospitals can diagnose and treat patients in a remote hospital. This facility will enhance the lives, experience and treatment of patients in regional areas. It will reduce the need for patients to come to a metropolitan city for medical treatment, allowing them to be cared for in their own community. Coupled with the extensive reach of Telstra's data network, ViCCU will become a cornerstone of regional specialist health services.

In 2006/07 we will focus on developing a national packaging database to determine how much packaging Telstra contributes to the waste stream through our products and develop programs to reduce the environmental impacts resulting from packaging.

Our Suppliers Matter

Why does this matter?

Telstra is one of Australia's top 10 listed companies. In 2005/6 Telstra purchased around $7 billion in goods and services in our dealings with around 9,000 suppliers, many of whom were small and medium size business.

In view of the sheer numbers of suppliers involved and the range of products and services they supply, Telstra recognises that our suppliers' behaviours can have a significant social and environmental impact, especially within Australia. They have the potential to make significant, positive contributions in the community while also having a direct impact on Telstra's own CSR performance. Conversely, Telstra acknowledges that our behaviour can have a significant impact on our suppliers and their staff.

Our approach

At any given point in time we have over 500 major active contracts in place with a diverse range of suppliers for an even greater range of products and services which include:

- network – exchanges, pits, pipes, cable, construction services;
- customer equipment – mobile handsets and accessories, telephones;
- media content;
- office products;
- motor vehicles and mechanical aids;
- labour – agency, IT and consultancy;
- IT hardware and software; and
- directory paper.

So you can see the size of the task involved in trying to ensure that social responsibility considerations are addressed within the supplier selection process.

Telstra's purchasing terms have been prepared to share risk between our suppliers and Telstra so that the party best able to manage a particular risk has the obligation to be responsible for that risk. This is supported by our supplier selection process which has been designed to ensure we identify risks, determine who is responsible for the risk and ensure the appropriate controls are included in our contractual arrangements.

Currently our supplier evaluation processes address the following CSR elements and require a supplier to show they have:

- formal management systems and plans in place that identify and manage any Health Safety & Environment (HS&E) aspects and impacts associated with their business and products/services supplied;
- a history of HS&E compliance and good performance; and
- evidence of how they manage the HS&E performance of their sub-contractors.

Our supplier evaluation process is underpinned by our Purchasing Environment Policy which ensures environmental issues are considered in the purchasing of materials. This Policy applies to all purchasing across Telstra from sourcing activities through to the ongoing management of suppliers and contractors.

Our performance

In 2005/06 we continued to use our purchasing power to positively influence supplier behaviour by requiring them to:

- include specific social responsibility conditions in our contracts;
- have agreed HS&E management plans in place; and
- comply with Telstra's HS&E policies and standards and where applicable our EEO and ethics policies.

These requirements have been established with 96% of our suppliers including all our major suppliers.

We recognise good performance through the Excellence in Social Responsibility category of our annual Telstra Vendor Awards. All of our current suppliers are encouraged to participate in the Vendor Awards and last year's winner, Southern Rocycling, was announced in November 2005.

Telstra is committed to transforming its supply chain operations to an effective electronic business. We are requiring our suppliers to move from old paper based processes for business transactions to trading with us electronically. Our suppliers can implement this at minimal cost through a number of technical solutions. This will deliver benefits to both Telstra and our suppliers, including:

- reduction in paper usage and cost;
- improved cash flow through faster payment of invoices; and
- ability to capitalise on further eCommerce opportunities to extend their supply chain and reach new partners and customers.

Presently Telstra has over 150 of its major vendors activated to transact with us electronically. During 2005/06 Telstra electronically processed purchase orders, invoices and remittance advices volumes estimated to be the equivalent of saving 1000 reams of paper (based on an A4 sheet per transaction).

In addition to these standard procurement activities that are built into our sourcing and supplier management processes, specific attention was given to the selection of the current suppliers for the following particularly sensitive services and product supply:

IT application, development and maintenance – is a service that we have sourced offshore and involved an initial rigorous supplier selection process, by a cross business project team, which requested each supplier to provide information covering employment practices, labour contract practices, workforce management, international labour arrangements, HS&E standards. Our assessment convinced us that the suppliers were behaving in a responsible manner toward their employees, contractors and the environment. The HS&E conditions contained in the agreements are monitored on an ongoing basis.

Call Centre Outsourcing – another service with specific social impacts. In this case the decision was taken to specify that the service be provided locally and is subject to Australian laws. Again the selection process specifically addressed Industrial Relations and HS&E issues.

Construction contractors – these are pre-qualified suppliers who build and install Telstra's network infrastructure. They are all located in Australia and the ongoing pre-qualification process addresses their ability to meet HS&E requirements including safe methods of work. The selection process addresses their Industrial Relations record, HS&E and sub-contractor arrangements.

Corporate Wardrobe – this covers the supply of Telstra uniforms. The social responsibility issues in the clothing industry are common knowledge. These

specific risks have been addressed by using a supplier that is a signatory to the Outworkers Code of Practice which prevents the use of 'sweatshops' and allows the Textile, Clothing & Footware Union of Australia to monitor and track the supplier's manufacturing process. Further, these conditions have been applied to the supplier's current sub-contractors who also have policies not to use sweatshops or child labour.

Real Estate Divestment – as part of our ongoing property rationalisation and divestment Telstra has established contracts with a number of approved suppliers for environmental site assessment and remediation services. All real estate properties that Telstra sells are subject to Environmental Site Assessments. Sites zoned for residential services are remediated accordingly while those zoned industrial or commercial are sold with a covenant that the purchaser will perform the required remediation. This covenant is binding on subsequent purchasers if the original purchaser did not complete the remediation. This is backed up by the requirement that buyers must have the necessary insurance in the contract to cover the remediation.

Property Services – our supplier selection process resulted in property services being provided by companies with staff based in Australia and operating in accordance with Australian Laws and Awards. The contracts with these suppliers require them to comply with Telstra's HS&E policies and also include a contracted obligation to identify and manage environmental improvement initiatives that form part of the ongoing performance assessment under the contracts.

Our next steps

Over the last few years we have integrated a number of social responsibility considerations into our supplier selection and management processes, especially those addressing HS&E risks, however we acknowledge that this is only part of the social responsibility spectrum of issues we need to address. Accordingly we are now investigating how we can manage broader social aspects relating to human rights in a more structured way by introducing new processes and tools into our supplier evaluation and selection process and we will report on our progress in our next Corporate Responsibility report.

In addition we will continue to implement eCommerce business trading with our suppliers and expand the range of transactions undertaken electronically to include tendering and selection processes.

We are also undertaking a review of the HS&E performance of our contractors and suppliers to ensure our processes are effective and consistent.

Competition and pricing matters

Why does this matter?

The telecommunications market in Australia has been open to competition for over a decade. In 2006 there are over 140 carriage service providers offering fixed line telephony and over 700 internet service providers offering Internet access. With the number of providers offering services, strong competition exists in the telecommunications marketplace and has led to downward pressure on prices.

There are many regulations in Australia which relate to telecommunications. The majority of this regulation is overseen by the Australian Competition and Consumer Commission (ACCC) and the Australian Communications and Media Authority (ACMA). The intent of the majority of regulation regarding Australia's telecommunications industry is to promote competition, prevent abuse of market power and ensure that consumers are protected. The Australian communications industry also self-regulates through the Communications Alliance (formerly ACIF).

The Universal Service Obligation (USO) exists to ensure reasonable access to standard telephone services and payphones for all Australians, irrespective of where the individual or business is located and the costs involved with supplying the service. The USO currently applies only to Telstra. The obligation is supposed to be funded by the entire telecommunications industry; however the total size of the USO is well below actual cost. So, the reality is that Telstra receives only a fraction of the reimbursement from the rest of industry that would occur if the correct USO cost was recognised by Government. The amount currently recovered by the USO scheme is approximately $300 million less than the amount the ACMA estimated as the true cost of complying with the USO back in 1997/98. Since this time, the cost of providing the USO has increased significantly. This is an example of the Federal Government requiring Telstra to subsidise the rest of the telecommunications industry.

The legal basis of this obligation is the *Telecommunications (Consumer Protection and Service Standards) Act 1999*. The USO was adopted to ensure that the most isolated customers can receive a basic telephone service and are not neglected by telephone carriers only servicing the more lucrative markets, such as capital cities. Telstra is also required by the Price Control Determination to provide a basic line rental service to all customers at the same line rental rate regardless of where the individual or business is located in Australia.

The ACCC also has powers to require the supply by Telstra of wholesale access to carriage services through a process called declaration and closely monitors the supply of Telstra's other wholesale services using its powers under part XIB of the *Trade Practices Act*.

Our approach

Telstra believes that our pricing should be transparent and that customers should be aware of the services they are paying for. We believe that customers should be rewarded for loyalty. If customers choose Telstra for multiple products such as fixed phone, mobile and Internet we seek to reward customers through benefits such as free local calls and discounts on monthly BigPond® charges. The more services a customer chooses to have with Telstra the greater the rewards.

Telstra is supportive of a regime that improves customers' telecommunications experience, and provides new and innovative services to Australia. However when regulations increase Telstra's costs and force Telstra to supply services to competitors at below cost, the effect is that innovation is dramatically curtailed.

Telstra takes very significant risks associated with building new networks and infrastructure with the aim of providing better and more enhanced services to the community. Without regulatory certainty, these risks cannot be accurately quantified at the time such investment decisions are contemplated. Directors have very stringent legal obligations to shareholders making it extremely difficult to recommend new investments under such circumstances. The effect is that all Australians suffer directly because innovation is stifled.

The USO subsidy is declining by 8% per annum, based on unsubstantiated views about trends in technological and revenue factors affecting Telstra's cost of delivering the USO. While Telstra is a strong supporter of the social policy reflected in the USO and will continue to honour its commitment to the provision of services in rural and regional Australia, Telstra believes the USO is seriously under-costed and under-funded and that this situation is unjust and untenable.

Our performance

In 2006 we commenced offering subscription based pricing to our home phone customers, in response to market research. Customers said they wanted great value, simplicity and call cost surety from their home phones. Customers are able to sign-up to one of 3 options, all of which offer untimed STD® calls, 24 hours a day, 7 days a week so customers can call when they want, wherever they want in Australia and talk for as long as they like. Included in the subscription based

pricing is a range of additional features such as MessageBank, 3-Way Chat and others dependent on the plan chosen.

Telstra conducts ongoing market research into customer satisfaction with their bill format. This research measures satisfaction with the design and layout of bills, the ease customers have in finding the information relevant to them, and their understanding of this information. The findings from the market research are used in considering any changes to our bills. Prior to a change being implemented in our bill format and layout, Telstra undertakes further extensive research through focus groups to determine that the change will assist customers more easily understand their charges.

Telstra believes that the current regulatory regime limits our ability to pursue business opportunities which would provide better services for our customers and greater returns for our shareholders.

Recent decisions by the ACCC have demonstrated how regulation slows or diverts investments that would otherwise be used to improve our customers' experience. For example, in 2006 Telstra was unable to obtain a sufficient level of investment certainty from the ACCC to enable the roll out of Telstra's proposed $3 billion investment in a fibre-to-the-node (FTTN) Broadband network, which would have provided dramatically faster Broadband access to millions of Australian customers.

However, we accept our obligations under the current regime and we will fulfil our disclosure obligations during the Government's sell down process. This will involve continuing to explain the impact of the regulatory regime on the company, and how this impacts on the Australian community, our customers and our shareholders.

During 2005/06 the only significant regulatory action taken with regard to Telstra was a competition notice issued by the ACCC alleging that Telstra's wholesale line rental rates were too high. Telstra categorically refutes the ACCC's assertions and this issue is currently the subject of legal proceedings.

Telstra is a strong supporter of, and active participant in, the industry self-regulatory processes. This includes extensive involvement in the Communications Alliance (formerly ACIF) development of Industry Codes, which enhance consumer protection and customer choice. Telstra is currently a signatory to 8 Industry Codes. Telstra is also an active participant in the Australian Mobile Telecommunications Association (AMTA). In 2005/06 we chaired AMTA, and participated in a number of AMTA committees.

Telstra has a range of in-house compliance education material and programs that aid staff awareness and understanding of regulatory obligations. Telstra uses a range of different media to provide staff with regulatory information including Telstra's intranet, e-mail broadcasts, and specific-purpose communications to targeted areas (eg front-of-house staff) in conjunction with regular face to face training carried out by the various business units.

A self-learning, testing and recording system is available to staff through our intranet. This on-line learning system is used for an extensive range of business operational activities with modules from general introductory to detailed material on specific regulations. It is suitable for behavioural as well as process and procedural education.

Our next steps

Telstra will continue to seek regulatory reform on the many fronts where reform is urgently required. Telstra believes that the overall aim should be to achieve a much fairer set of regulatory arrangements. Telstra's key aims in this process are to ensure that there are better investment incentives so Telstra is encouraged, rather than dissuaded, to deliver new innovations to Australians' and that Telstra is no longer required by Government and regulators to subsidise the rest of the industry at the expense of Telstra's shareholders. Telstra will always comply with the regulatory regime as it exists at a particular time.

Telstra will continue to undertake market research into customer satisfaction with billing presentation, and consider this feedback regarding our billing lay-out. Telstra will also continue to review the calling plans we offer to our customers to ensure that they provide value and meet customers' expectations.

Community Matters

Volunteering Matters

Why does this matter?

Corporate volunteering programs matter because engaging staff in helping the community, as part of a wider Corporate Responsibility strategy, provides benefit to all involved: staff, the corporation, and the community.

Companies throughout the world are increasingly embracing the ideal of corporate social responsibility. Such companies share the belief that business has a significant role to play in addressing global poverty, social inequity and environmental concerns. In partnership with government, not-for-profit and community organisations, these companies engage with their communities in order to build stronger, healthier societies…. One of the most effective ways in which businesses engage with the community is through corporate volunteering. (*Corporate Shares Community Profits: a guide to engaging corporate volunteer* Volunteering Australia , p2, 2003).

Corporate Volunteering is defined by Volunteering Australia as 'one way in which businesses can fulfil their social responsibility. Companies that engage in corporate volunteering actively support and encourage their employees to volunteer within their local communities…corporate volunteering involves the contribution of time, talent, energy, skills and resources by the company's workforce' (Volunteering Australia p3, 2003).

Our approach

A win for staff
Volunteering means staff get involved and help their community while also gaining new experiences and skills outside of their normal job role.

Volunteering can occur through a wide range of roles depending on the nature of the community organisations or issues being worked on. Opportunities for volunteering range from manual tasks such as raffle ticket selling, to skilled tasks where the volunteer can utilise their own knowledge and expertise to assist an organisation in capacities such as accounting, marketing and business strategy.

Volunteering Australia outlines the wide-ranging benefits for employees involved in a corporate volunteering program including:
- a sense of personal satisfaction and fulfilment;
- new and more positive perception of career, workplace, peers and management team;
- unique opportunities to interact with people from other areas within the company thus improving communication and teamwork.

(Volunteering Australia 2, p3, 2003)

A win for Telstra
In the Cavill + Co report "PassionPeople: How community engagement positively impacts employee performance" they report that a company's reputation for supporting charities can positively impact on Employer of Choice. Volunteering also helps engender pride in the company, with 87% of respondents saying that

they would feel proud to work for a company that offered significant support to causes or charities (p5, 2004).

The corporation benefits by gaining a more engaged and productive work force, and the interest shown by a corporation to CSR related causes helps with the retention and loyalty of staff. In addition, the corporation benefits by being able to contribute to the community not only financially, but by also engaging and leading staff to help others in the communities they live and work in.

A win for the community
Finally, the community benefits as corporate volunteer programs can deliver a number of benefits to the community and not-for-profit organisations. Fundraising, additional resources, and skilled volunteer work can make a huge impact to not-for-profit organisations that run on limited budgets and resources.

A corporate volunteer program helps promote community issues and events to a large number of staff through a dedicated channel and helps raise awareness of the issues and problems that may be facing particular groups in the community.

Telstra's Volunteering Program
Telstra's staff volunteering program supports a number of different areas:

- Telstra's Community Sponsorships such as the Telstra Child Flight helicopter and the Telstra Country Music Festival Tamworth;
- corporate events such as the Annual General Meeting and CEO Staff Forums;
- government initiatives such as NAIDOC Week and Harmony Day; and
- a wide range of events and initiatives that Telstra staff elect to support such as Red Cross blood donations, Daffodil Day, the Biggest Morning Tea, and Shave for a Cure for cancer research and support for particular groups such as the homeless and disadvantaged through the Winter Appeal and Christmas Collections by staff for various charities.

Our Volunteer Program is managed by Telstra's Community Investment group. Staff are encouraged to participate in volunteer initiatives through an intranet site that has been created to promote events and initiatives, and through emails that are sent to over 4000 staff who are currently registered as volunteers.

Regular articles regarding staff involvement in the community are published on the homepage of Telstra's intranet so that staff can become engaged with the program, read about what initiatives other staff are involved in and be directed towards the dedicated volunteer intranet site.

What others are doing
There are many different ways to develop and run a corporate volunteer program. Telstra is constantly engaged in learning opportunities with the peak bodies involved in the volunteering sector such as Volunteering Australia in Victoria and The Centre for Volunteering in NSW. Through these opportunities, Telstra learns how other corporations run their programs and are advised by the peak bodies on best practice for running a program and engaging with the not-for-profit sector.

Some corporations provide either paid leave to pursue volunteering opportunities or a dedicated day across the company devoted to one particular organisation or cause. Others have a similar approach to Telstra, providing opportunity to support different causes through a staff communication channel.

There are a number of reasons for the different volunteering programs, however the biggest deciding factor seems to be the number of employees a corporation has. Smaller corporates (< 2000 staff) have surveyed staff and found that one particular cause is most important to them and have chosen to support this as they can marshal their staff for one dedicated day for more impact.

In the case of Telstra and other larger corporations the number of staff (>20,000) means that the program must be more flexible, provide more variety of choice and opportunities to cater for the diversity of interests, job roles, and availability of staff to volunteer.

Our performance

Not all of the volunteering contributions of Telstra employees are formally tracked and accounted for within the current system. There are many individual and business unit efforts that are managed locally in response to local needs, employee concern and commitment. Of those efforts formally tracked Telstra staff volunteers donated more than 11,100 volunteer hours at 162 separate community events and raised in excess of $84,000 for charities in 2005/06.

One of the highlights of 2005/06 was Telstra's Blood for Life Day. Telstra undertook a major project in cooperation with the Australian Red Cross Blood Service to encourage staff to donate blood and increase awareness of the need for regular blood donations. On 19 October 2005, Telstra's 'Blood for Life Day', more than 2000 Telstra staff donated blood at Red Cross Blood Banks nationally. Beyond the significant donation made on that day staff were encouraged to become regular donors. Telstra supports staff to regularly donate blood by offering blood donor leave.

Telstra story

Telstra Volunteer support of the Telstra Child Flight Helicopter
Telstra Child Flight is a dedicated medical helicopter retrieval service. It was the first service in the world devoted to bringing intensive care to sick children and babies and is the only service of its kind in the Southern Hemisphere, operating primarily in NSW and ACT.

Telstra is the naming rights sponsor of Telstra Child Flight. In addition to the financial support provided by our sponsorship, Telstra engages its staff through our corporate volunteer program to support the service.

In 2005/06, Telstra worked to create and execute a number of events and initiatives where Telstra staff could participate to fundraise for Telstra Child Flight and raise awareness of the service.

Telstra is a sponsor of the NRL, and we leveraged this sponsorship through the NRL Grand Final promotions in September 2005. An event was held at Darling Harbour, Sydney called 'NRL Kick for Kids', where all participants who took part in attempting to kick goals paid a gold coin for the privilege. Additionally, Telstra added $1 for every kick. Telstra Volunteers helped run the kicking competition and collected donations. The event raised over $10,000 and the Telstra volunteers had a great time both helping Child Flight and taking part in NRL promotions.

Telstra Child Flight was the charity of choice at the 10th Annual Telstra Great Southern Blues & Rockabilly Festival at Narooma in NSW in October 2005. Telstra Volunteers attended the event to volunteer both at the festival and fundraise for Telstra Child Flight with a silent auction and raffle. The event raised over $5,500.

In January 2006, Telstra Volunteers attended the Telstra Country Music Festival in Tamworth, NSW to again fundraise for Telstra Child Flight with a silent auction, raffle, and donation collecting at key events. Over the course of the festival Telstra's team of volunteers raised over $18,000. Telstra Child Flight also gained increased recognition through the support of many country music artists.

Telstra Child Flight once again became involved with the NRL in May 2006 when the NRL offered the opportunity to collect donations at the Sydney State of Origin match. Over 50 enthusiastic Telstra Volunteers helped collect donations from footy fans and raised over $4,000.

In 2005/06, Telstra Volunteers helped raise more than $37,000 for Telstra Child Flight.

Telstra Volunteers are very passionate about supporting Telstra Child Flight and this support is not only invaluable financially to the service but also in terms of raising Child Flight's profile with all Telstra staff and the external community regarding the great job the service does.

Our next steps

The Telstra Volunteering program is currently undergoing a phase of reassessment and rebuilding. The program will be opened up to encourage and promote volunteering opportunities to all Telstra staff, not only those who had registered interest with the previous Telstra Friends program.

A new website is being built to provide information about volunteering opportunities for all staff. A communications program will be implemented in conjunction with the website to further educate staff about the benefit of volunteering and to encourage them to participate.

Additionally Telstra's volunteering program will continue to support corporate events such as the Annual General Meeting and CEO staff forums. Telstra Volunteering will also continue to support Telstra's Community Sponsorships such as Telstra Child Flight and look for ways to leverage our other sponsorships of the Arts and Sports to support our fundraising and volunteering initiatives.

Sponsorship and Partnership matters

Why does this matter?

The corporate sector can provide much needed funds, resources and expertise to support not-for-profit, charity and community organisations. Community investment can be manifested in a number of ways, from philanthropy or donations to leveraged sponsorship or a partnership arrangement where a community organisation uses the products, services and capacity of a company to further their community work. Community investment, in whatever form it takes, not only offers a benefit to the supported organisation and their clients, but can also be part of a company's overall reputation management and social responsibility activity and contribute to its long-term business success.

A community sponsorship can provide a business with tangible demonstration of their values and their commitment to furthering society to a wide range of stakeholders, including employees, customers, suppliers and governments.

A company's support of the community in which they operate shows employees that it is a genuinely socially responsible company, which they can be proud to work for. Improved employee morale and loyalty can lead to lower staff turnover which increases profitability. Supporting community initiatives also demonstrates to potential employees that the business is interested in the community, making it an attractive prospective employer.

A company's brand can be enhanced through its' community investment, and also the investment may lead to greater communication between communities and companies. This can create community trust in the company, and provide early warnings of potential risks perceived by the community, allowing the company to manage these and avoid brand damage. Community investments may provide opportunity for positive media coverage, and assist with access to local political processes.

In Australia the federal government has established The Prime Minister's Community Business Partnerships program, supported by the annual Prime Minister's Awards for Excellence in Community Business Partnerships promoting the importance of Community Investment to the Australian government.

Community Business Partnerships can offer the opportunity to expand existing markets or create new business opportunities. A company is able to demonstrate the different ways in which its products and services can be used as a more effective or cost-efficient solution to deliver a community service which in turn can drive commercial demand. Similarly the benefits of a new product or service can be proven through a working model used by a community organisation.

Our approach

Telstra has been an active supporter of the community for many years through our sponsorship of the arts, sport and other community initiatives. The Telstra Foundation was established in 2002 and through it Telstra contributes $5m per year to improving the lives of Australian children and young people.

Telstra touches Australians from all backgrounds and communities. Our sponsorship programs reflect the breadth of our business involvement and the range of interests held by the Australian community. Our sponsorships also demonstrate our support of all Australians from the grassroots to elite performers.

Our support assists the broader community to access and enjoy the benefits offered through the organisations we sponsor. In return, sponsorship is a key part of our marketing activity. We use our sponsorships to raise Telstra's profile and

strengthen our brand value through association with positive initiatives. We also make a commercial return on some of our community sponsorships. Telstra's sponsorships must provide maximum community, customer and commercial benefits.

Telstra only enters into sponsorship agreements with organisations and bodies that are aligned to our business objectives and strategic marketing focus. Telstra will not enter into sponsorships which are proved to cause harm or suffering to animals, or with organisations that engage in activities that are outside the Code of Practice relevant to that industry.

In 2005/06 Telstra commenced looking for relevant Community Business Partnerships, where we support charity and not-for-profit organisations through the provision of our products and services, and the capacity of our organisation. In this first stage of development we are seeking to apply our technical and human resources to reduce the impacts of social and geographic isolation or increase social inclusion with a focus on telehealth, teleworking and tele-education. Our core business is enabling people to access communications when and where they want, through the device they want. Our Community Business Partnerships will reflect our strategy, by working with charities and not-for-profit organisations to help them, and through them communities, to access the information and services they need, when and where they want.

Our performance

In 2005/06 Telstra supported a range of community initiatives through community sponsorships, the Telstra Foundation and Community Business Partnerships.

Telstra has provided over $3m worth of equipment to sporting clubs over the past 3 years. The Telstra Assistance Fund provides much needed equipment to junior grade and community clubs across the country in the sports of football, rugby league, swimming, athletics and surf lifesaving

Telstra Child Flight is a unique helicopter retrieval service that provides intensive care transport for seriously ill babies and children from regional and remote areas of NSW. Telstra's support enables the service to operate 2 medical retrieval helicopters.

Telstra has been both the major and naming rights sponsor of the Tamworth Country Music Festival since 2003, and will continue as the official presenting partner for the next 3 years. The Tamworth Country Music Festival is a 2 week celebration of Australia's rich country music culture and heritage and includes

over 2,500 performance stages at more than 130 venues throughout the town of Tamworth. The Telstra Marquee at the Festival is an information point for the public on Festival activities, as well as a sales centre and showcase for Telstra and BigPond® products and services. Telstra BigPond also provides attending media with a state of the art mobile media centre, further showcasing our technology. Telstra calculates the value of the Public Relations and the awareness of our technology promoted through the Festival at over $4 m.

Leveraged from our sponsorship of the Tamworth Country Music Festival is the Telstra Road to Tamworth competition. This nationwide talent quest offers an $80,000 prize package and the chance of a lifetime for aspiring musicians, to launch a professional career. Finalists receive the opportunity to perform in Tamworth and the overall winner the chance to perform in Nashville, USA – the home of country music. In 2006 the competition received over 800 entrants, with 27 heats staged across regional Australia. Telstra's promotion of this event was recognised by being awarded the Public Relations Institute of Australia's NSW and National Golden Target Award for the Arts category. Telstra calculated the Public Relations value from our sponsorship at over $4.5m in 2006.

Surf Life Saving Australia (SLSA) is Australia's major water safety and rescue authority and is one of the largest volunteer organisations in the country. Telstra has proudly sponsored SLSA since January 2003 and supports their mission to provide a safe beach and aquatic environment throughout Australia. The Telstra Beach to Bush Safety Program offers primary school children in regional Australia an introduction to surf lifesaving, beach safety and touches on general aquatic safety. Between September and December 2005 over 70 trained surf lifesavers travelled throughout rural and regional Australia teaching over 40,000 children aged between 7 and 12 years old about surf safety.

Telstra owns the naming rights to the Telstra National Aboriginal and Torres Strait Islander Art Award (NATSIAA) and has sponsored this Award since 1992. The Award recognises the important contribution made by Indigenous artists and promotes appreciation and understanding of the quality and diversity of Aboriginal and Torres Strait Islander Art. First prize money for the Award is $40,000 making it the highest amount offered for any Indigenous art award. The 5 prize categories are:

- The Telstra Award;
- The Telstra General Painting Award;
- The Telstra Bark Painting Award;
- The Telstra Work on Paper Award; and
- The Wandjuk Marika 3D Award (Sponsored by Telstra).

Telstra has sponsored the Australian Ballet for 22 years. Our funding continues to make ballet more accessible to audiences across the country through the sponsorship of the regional touring programs, international touring programs and free events such as Ballet in the Gardens. The 2006 regional tour travelled through 4 states, with 20 events in 10 locations in regional Australia. This years Ballet in the Gardens event was held in Darwin, with over 8000 people attending the event – approximately 10% of Darwin's population. Additionally Telstra supports the development of ballet with the annual Telstra Ballet Dancer Award, where elite young dancers compete to win both the annual Award and the Peoples Choice Award. The community selects the winner of the Peoples Choice Award by voting online or via SMS – nearly 24,000 votes were received in the 2006 competition.

In 2006 Telstra formed a community business partnership with the National Stroke Foundation, and Net Ventures, an interactive communications company. Stroke is 1 of the 7 highest health issues in Australia, both in numbers of people affected, and cost to the health system. This partnership will see the national Clinical Guidelines for Stroke Rehabilitation and Recovery being available online on demand for the first time. With previous iterations of the national Clinical Guidelines the information had been delivered to health professionals in seminars run by the National Stroke Foundation. By providing the information online and on demand health professionals will be able to access the training and education material when and where it suits them, and without needing to leave their community. It is anticipated that other areas of medical expertise will replicate this model of information delivery.

Telstra is continuing to work with the onTrac team at the Peter MacCallum Cancer Institute to find ways of extending our support and facilitating the provision of their highly specialist program of care to patients, their GPs and oncologists where they live and work in regional and rural Victoria.

Telstra is the naming rights sponsor of both the Telstra Business Awards and the Telstra Business Women's Awards - 2 of the most prestigious business awards programs in Australia.

Introduced by Telstra in 1992, the Telstra Business Awards is a unique program that helps support and recognise outstanding small and medium businesses from around Australia. In 2006 there were over 4500 nominations - a record number. The state/territory and national winners share in a prize pool of more than $400,000 in cash grants, prizes and business products and services.

The Telstra Business Women's Award is the pre-eminent awards program designed to recognise the achievement of Australian business women. Introduced by Telstra in 1995, the program honours women's contribution to business, the economy and the community. In 2006 there were over 2800 nominations and winners share in a prize pool of more than $200,000 in cash grants, prizes and business products and services.

 Telstra has been a major sponsor of the Australian Paralympic Committee (APC) - the organisation representing Australia's elite athletes with a disability – for 10 years. As well as fundraising support, Telstra is involved with a number of programs:

- The Telstra National Wheelchair Rugby League series, where state teams compete for the national title and athletes vie for selection to represent Australia at the World Championships.
- The Telstra Developing Athlete Grant Scheme provides financial assistance to emerging athletes identified through the APC Talent Search program. Telstra have committed $50,000 for this program.
- The Telstra Paralympic Education Program is a teaching resource for primary schools. The program has been designed to educate children about the Paralympic Games through the key values of Paralympic sport: Empower, Achieve and Inspire across a wide range of subject areas.

In 2002, as part of its strong tradition of community involvement, Telstra established the Telstra Foundation. This is a giving program devoted to enriching the lives of Australian children and young people and the communities in which they live. The Telstra Foundation has 2 main programs:

1. Telstra Foundation Community Development Fund
2. Telstra's Kids Fund

In 2005/06 the Foundation contributed approximately $4.3m in grants to over 700 not-for profit organisations that help children and young people in Australia to reach their potential. Further information is available in the Telstra Foundation report.

Telstra is the principal sponsor of the 2006 School Spectacular, which celebrates the artistic achievements of students. The Schools Spectacular is the NSW's Department of Education and Training's flagship event. The event involves more than 3000 primary and high school students from Sydney metropolitan and regional NSW schools. The entertainment showcase has produced a host of gifted dancers, singers and performers who have starred in their adult careers.

Our next steps

Our sponsorship strategy moving forward is to engage in and leverage sponsorships that are aligned with key market segments, are centred in community based activities and build brand loyalty.

In 2007 there will be a new category in the National Aboriginal and Torres Strait Islander Art Awards involving new media usage in Art, which aligns with Telstra's strategy of innovative design. We will be looking for options to broadcast the finals of the Telstra Road to Tamworth competition and to maintain our delivery and showcasing of innovative products and services at the Tamworth Country Music Festival. We will seek additional community business partnerships, where our technology can be used in new ways to assist members of our community.

We will leverage our sponsorships, such as that of The Australian Ballet, to provide 'money can't buy' experiences to our current and potential customers throughout Australia.

We will continue to seek and act on relevant community business partnerships which deliver benefit to our community through the practical application of our convergent solutions to address issues of social and community need.

The Telstra Foundation has undertaken a major strategic review of the Telstra Foundation Community Development Fund and in the coming year will look to promote the social connection of children and young people across the wider Australian community. Our focus will be on socially and geographically isolated children and young people. By focusing on areas where social and economic interests intersect, we seek to create genuine and sustainable social value from the use of corporate money and resources.

Disaster Relief Matters

Why does this matter?

Each year Australia is hit by devastating bushfires, floods, cyclones and other natural disasters, destroying the homes and livelihoods of many. Internationally, in 2005/06 there were many natural and civil disasters, including the London and Bali Bombings, earthquakes in Pakistan, and conflict in the Middle East.

When natural and civil disasters occur, many Australian's choose to donate their money and time to assist affected communities. Our governments assess the

appropriateness of providing assistance either to an Australian community to assist its citizens, or to an international community in recognition that Australia is an international citizen. Yet what is the relevant and appropriate role for a private company in these circumstances?

Critics of CSR say none; the role of the company is to give money back to shareholders, who can then choose whether or not they make a donation to support a disaster affected community. However smart businesses know that they cannot sit back and do nothing to support communities in a time of disaster, especially where their customers are members of the affected community. Investing in the health and well-being of communities is a vital contribution to a community's capacity to regenerate and prosper and consequently the long-term commercial success of their businesses.

Assisting a community through a crisis will enable them to more quickly recover and facilitate service use by customers or potential customers. Employees, who make donations to support those affected by disasters, look to the organisations they work for to also provide relief. Suppliers, operations and markets can all be affected by disasters so there is a sound commercial imperative to deliver tangible disaster relief.

Telstra believes the most effective support is the supply of a company's products and services or the use of its resources. Utilising a company's core business competencies can provide a greater impact on disaster relief efforts than donating money.

A number of organisations hold this point of view. In 2001 the World Economic Forum established the Disaster Resource Network (DRN) to co-ordinate businesses response to disaster relief in developing countries. DRN's mission is "To mobilize the resources of the international business community to rebuild the lives and livelihoods threatened by natural and man-made disasters." The formal establishment of the DRN is tangible recognition of the impact companies can have in donating their core business resources to disaster relief.

As well as being a very effective way to assist disaster affected communities, the provision of a company's goods and services provides greater brand visibility than a financial donation, and can strengthen brand loyalty. Disaster relief can also enable a company to demonstrate innovation and showcase their technology, products, services and practices, ultimately leading to new markets or expanding existing ones.

Our approach

At Telstra we have a long history of responding to communities who have been affected by natural disasters such as storms, fires, floods and cyclones in Australia and to natural and civil disasters that occur overseas. Typically our communications technicians are among the first to enter disaster affected areas, and commence restoring telecommunications services to our customers. Our first priority is to assist the emergency and essential service organisations with their telecommunication requirements. Alongside this we offer relief packages, using our products and services, to affected customers.

Domestically our relief packages are determined by the nature and scale of the specific event, and can include support ranging across a combination of:

- free call diversion from an affected home phone service to a fixed or mobile service of the customers choice, regardless of the carrier;
- translation of call costs from mobile phone rates to fixed phone rates for customers whose fixed home phones are affected;
- a dedicated emergency assistance hotline, with specialised trained staff to assist customers who have been affected by the disaster with respect to their telecommunications service needs;
- cancellation of a fixed phone and/or BigPond® Internet service with a free reconnection within 12 months for customers whose homes have been affected by the disaster; and
- a one-off $50 credit to eligible Telstra mobile services customers whose homes were affected by the disaster and who did not have a fixed phone.

These offers are usually available for the period of time it takes Telstra to restore services to the affected areas and customers or for a fixed period of time.

Internationally our relief packages generally include:

- the offer to rebate calls made to the affected country or area to check on the safety and well-being of immediate family; and
- the offer to rebate calls made from the affected country using Telstra's International Roaming service to advise immediate family of their circumstances.

Additionally Telstra offers support to assist community and emergency relief organisations who are working in the affected areas to help the affected communities. Examples of our support include the provision of pre-paid mobile phones and phonecards both for use by agencies and for distribution to those affected by the disaster, setting up free Internet kiosks and re-rating payphones

to no charge at evacuation centres if these are established and using our call centres and employees to operate telephone disaster relief donation lines.

In 2006 we have formalised our existing process into a cross company policy which clearly allocates responsibility and accountability to areas and individuals. We believe it is important that we have a pre-planned response prepared, so that our support arrangements can be quickly implemented when a disaster occurs. Communication is crucial in reconstruction and recovery from a disaster, and vital to ascertain the well-being of people in the impacted community.

Our performance

In 2005/06 Telstra responded to a number of domestic and international disasters. Domestically we announced relief packages for communities affected by:

- Cyclone Larry;
- Cyclone Monica;
- bushfires in NSW and Victoria; and
- floods in Katherine.

We responded to 3 international disasters, with relief packages offered for customers affected by the London and Bali bombings and an earthquake in Pakistan.

We undertake a continuous improvement approach to disaster relief. After each disaster relief package has been implemented we review our process and practice, and ensure that all learnings from each event are captured, and our processes improved with this information.

Telstra story

Disaster response following Cyclone Larry
In March 2006, a once in every 50 year storm hit the north coast of Queensland. The category 5 cyclone caused extreme damage and devastation to the town of Innisfail and the surrounding areas. In the aftermath of Cyclone Larry, our communications technicians were some of the first on the ground, restoring services as soon as it was safe to commence work. But we weren't just focused on restoring our network.

As well as announcing a relief package to support those whose homes were affected by the cyclone, Telstra undertook a whole range of community support activity.

- We supplied the telephone solution used by the Cyclone Larry Taskforce, to restore the communities of Innisfail and surrounding areas. The use of our telephony solution meant that the Taskforce were able to link into the Department of Emergency Services network from their Command Centre in Innisfail giving them an overview of all the resources available, assisting them to deploy these in the most effective way.
- We supplied pre-paid mobiles and calling credits to a range of tradespeople who flew into Innisfail to help with the recovery effort.
- Our people were regularly interviewed by regional media, keeping the local community informed about when they could expect their services to be restored.
- We worked with the Red Cross, the Salvation Army and Lifeline to distribute $15 pre-paid mobile top-up vouchers to those who were in need.
- A Telstra booth was set up in the streets of Innisfail the week following the cyclone, to help our customers with communications advice.
- We provided 100 'on loan' mobile phones for people whose services had been destroyed through the cyclone so they could stay in touch with their family.
- Telstra Country Wide® supported the 'Not Happy Larry' fundraising concert which occurred in April to raise funds to assist with recovery efforts.

Our next steps

As well as formalising our policy and process for disaster relief, Telstra has begun a project to capture the costs of our disaster relief assistance to affected customers and communities, which is in addition to restoring our network. We aim to report on these costs in our next Corporate Responsibility report.

Community engagement and dialogue matters

Why does this matter?

Talking with and listening to the communities where a company has operations or markets provides an insight into the expectations and needs of these communities.

Consultation and dialogue with stakeholders helps to gather input and ideas, improve decision making, strengthen relationships with communities and provide a 'licence to operate'. If the community has trust in, and an ongoing relationship with, the company this helps to improve corporate reputation.

Engaging communities early can avoid confrontation at a later date. Both sides are made aware of the issues, the mitigation strategies needed or expected, and can reach mutually agreeable outcomes so that issues do not escalate.

As businesses offer increasingly complex products and technologies they need to educate communities about the social and economic benefits available through these technologies and any possible security or safety issues associated with a product or service. If a company fails to inform end users of the benefits and risks of products and services users may fail to embrace its offerings, not realising their potential or be averse to using it because of perceived danger to their safety and security.

Our approach

Telstra has a long history of engaging with a wide range of community stakeholders both formally and informally; in group forums and in one-on-one engagements. These engagements provide an opportunity for community stakeholders to share their concerns, issues and needs directly with Telstra and our senior managers.

The consumer and community organisations we consult with are identified and selected on the basis of their ability to represent their constituencies or end users of telecommunications. Major stakeholders are usually engaged in and have a history of public policy and/ or service provision activity.

Through our engagement with stakeholders we gather information about specific customer circumstances, communication needs, and customer impacts that might not be evident from our standard market research – including information on vulnerability and protections, social, cultural and the user environment.

The information we derive from engaging with our community stakeholders is used to drive new product innovation, product performance reviews, changes to policies and procedures, more equitable pricing outcomes and protections for vulnerable groups.

Through our engagement with community and consumer stakeholders they can provide information and expertise back to their constituencies. Telstra recognises that the rapid pace of technological change may leave many consumers and communities unaware of the most appropriate and safe use of new technology, or how to protect themselves and their personal information in a converging environment. Telstra provides a wide range of information to assist consumers to manage the safety and security of themselves and their information as well as explaining the benefits and opportunities that new technology provides.

Our performance

Since 1988 Telstra has met at least tri-annually with the Telstra Consumer Consultative Council (TCCC) and the TCCC Credit Management Working Group. The TCCC is comprised of a range of peak Australian organisations representing different interests, including the Central Land Council, Australian Council of Social Services, National Council of Women, Isolated Children's Parents' Association and the Communications Law Centre. The overall strategy is to gain a diversity of viewpoints that cover a variety of experiences and provide feedback to Telstra regarding the needs and expectations of various segments of our society.

In 2005/06 the TCCC considered a range of issues including the establishment of Telstra's Market Based Management program, access to telecommunications in remote Indigenous communities, and the roll out of our new Next G™ mobile network. The TCCC auspiced an Annual Forum bringing together industry, regulators, government and consumers on 'Stay connected: Credit management and essential services'. It also sponsored research into 'Women and mobile phones' and 'Consumers in communications self-regulation'.

The TCCC Credit Management Working Group members include the Australian Financial Counselling and Credit Reform Association, Wesley Mission and Anglicare Tasmania. This forum focuses on issues relating to Telstra's Credit Management processes and systems to ensure equitable outcomes and treatment for all customers.

In 2004 Telstra and the TCCC Credit Management Working Group determined the need to establish a Hardship Assistance Program within Telstra to provide additional assistance to customers who want to pay their telephone accounts but due to unforeseen circumstance(s) are unable to do so. The TCCC Credit Management Working Group provided input into the Policy which oversees this program, the design of and offerings through the program, and what support would be needed for the consultants who staff the Specialist Assistance Team. After a 12 month pilot program, Telstra and the TCCC Credit Management Working Group were pleased to see the formal establishment of a permanent Specialist Assistance Team in February 2006.

The Telstra Disability Forum (TDF) grew out of a working group of the TCCC. Since 1999 it has met twice each year under its own charter. The TDF includes representatives from Australian Association of the Deaf, Better Hearing Australia,

Blind Citizens Australia, National Council on Intellectual Disability, and the National Ethnic Disability Alliance. Additional to the TDF is the Telstra Disability Equipment Program Consumer Advisory Group which provides input and feedback regarding the operation of Telstra's Disability Equipment Program. (The Disability Equipment Program is outlined in the 'Customers Matter' section of this report.)

In 2005/06 the TDF considered a range of issues including judgment-related disabilities and contracts, Disability Services post the full privatization of Telstra, and the accessibility of mobile phones, including opportunities with the Next G™ network and universal design.

The Low Income Measures Assessment Committee (LIMAC) oversees Telstra's Access for Everyone package of assistance for people on low incomes, outlined in the 'Customers Matter' section of this report. LIMAC is comprised of a range of community organisations including The Salvation Army, The Smith Family, Anglicare Australia, St Vincent de Paul Society and Australian Council of Social Services along with the Department of Family Services and Indigenous Affairs.

LIMAC oversees the development of products and services included in the Access for Everyone package, monitors take-up and usage of the package components, provides input into the marketing and communications strategy around the package and reports annually to the Minister for Communications, Information Technology and the Arts on the effectiveness of the package in meeting the needs of customers on a low-income. LIMAC met 5 times in 2005/06. LIMAC was involved in the development and implementation of the Telstra Phonecard Assistance Program which commenced in February 2006. As with some of the other Access for Everyone programs, LIMAC provides the partnerships to deliver this program to the community at the grass-roots level.

Telstra undertakes one-one-one engagement with a range of other peak organisations as required, including the National Farmers Federation, Australian Telecommunications User Group and the Australian Consumers Association.

Telstra continues to provide information about mobile phone safety. We maintain our 'Drive Safe Phone Safe' campaign, which provides information on the dangers of driving whilst using a handheld mobile phone. We also provide information about the 'Lost and Stolen' program, aimed at curbing theft of mobile phones by ensuring that lost and stolen mobile phones are made useless though the blocking of the handset.

In February to March 2006 Telstra participated in the Scamwatch campaign, organised by the Australian Consumer Fraud Taskforce, a group of state and federal regulatory bodies. Scamwatch was designed to raise awareness of various types of scams, including lottery, investment and internet scams. Telstra placed information about potential scams and how to avoid them on its website www.telstra.com, on its discussion forum www.nowwearetalking.com.au, issued a media release and provided a range of information about scams to our staff – both to help protect them and for them to pass onto customers.

In July and August 2005 Telstra produced information encouraging customers to 'ICE their mobile'. Developed in the UK, the initiative encourages mobile phone users to store the name and number of a family member or friend in their handset, under the acronym ICE, to be contacted In Case of Emergency (ICE). Telstra sent an SMS to all customers suggesting that they take this step, and undertook proactive media about the campaign.

Our next steps

Telstra maintains its commitment to engaging with stakeholders who represent the communities we work and operate in. The TCCC, the TCCC Credit Management Working Group, the TDF and LIMAC will continue to meet regularly in 2006/07 and discuss the opportunities and impacts of Telstra's transformation strategy as it relates to residential customers. Consumer research projects have already been initiated on the use of mobiles in Indigenous communities, telecommunications issues for older people and Internet security. Telstra is also consulting on how it might better take into account the needs of people on low incomes when deciding about public payphone locations, and mobile phone and broadband Internet service options.

Telstra will continue to provide information to our communities about the benefits of new technology and any potential pitfalls with this. In 2006/07 we will update information on our Telstra Life Internet site, to include tips and advice for managing Telstra services, such as those available through our new Next G™ network.

EME Matters

Why does this matter?

Electromagnetic Energy (EME) is present everywhere in our environment, but is invisible to the naked eye. The earth and the sun are natural sources of EME. Human-made sources of EME include that generated by Radio Frequency (RF)

technologies such as TV and radio broadcast antennas, microwave ovens, baby monitors and radio communication systems including cordless phones and mobile phones and their base stations. In short, EME is part of our everyday life.

There is some community concern that exposure to low levels of EME could lead to adverse health effects including cancer.

In 1996, the World Health Organization (WHO) established the International Electromagnetic Fields (EMF) Project to assess the scientific evidence of possible health effects of EMF and EME. This Project was established as part of WHO's charter to protect public health and in response to community concerns. The EMF Project encourages research about EME and facilitates the development of internationally acceptable standards limiting EME exposure.

What is the latest advice on EME and Health?
The WHO updated their latest information on wireless networks and health in May 2006. They report that from all the evidence accumulated so far, "no adverse short or long term health effects have been shown to occur from the (RF) signals produced by base stations." (Fact sheet May 2006)

Research into RF EME dates back more than 50 years now.

> The WHO further advise "Even today, the phone towers add little to our total exposure, as signal strengths in places of public access are normally similar to or lower than those from distant radio and TV stations." (WHO Fact sheet: Typical Exposure Levels at Home and in the Environment)

In Australia there are a number of Government regulations and industry codes in relation to EME and deployment of mobile base stations and wireless networks. These include the:
- Australian Radiation Protection and Nuclear Safety Agency (ARPNSA) sets the EME safety standard;
- *Radiocommunications (Electromagnetic Radiation – Human Exposure) Standard 2003* monitored by ACMA;
- *Telecommunications (Low impact facilities) Determination 1997;*
- Industry Code ACIF C564:2004 Deployment of Mobile Phone Network Infrastructure, a Communications Alliance (formerly ACIF) self-regulatory code; and
- Telecommunications Labelling (Customer Equipment and Customer Cabling) Notice.

Our approach

Telstra acknowledges that some people are genuinely concerned about the possible health effects from the EME generated by RF technology and is committed to addressing these concerns responsibly.

Telstra relies on the expert advice of national and international health authorities such as ARPANSA - an agency of the Commonwealth Department of Health, and the WHO for overall assessments of health and safety impacts.

Telstra's activities in relation to EME are focused on:
- compliance with Government regulation and industry codes for radio facilities, including ensuring that base station siting issues are addressed and that appropriate occupational health and safety procedures in relation to radio facilities are in place;
- participation in industry and regulatory forums which consider EME such as Australian Mobile Telecommunications Association(AMTA), Mobile Carriers Forum(MCF) and the Communications Alliance (formerly ACIF);
- monitoring the latest scientific research regarding EME and contributing to improving the rigour of local Australian research through participation in the Australian Centre for Radio Bio-effects Research (ACRBR);
- a proactive and transparent community education process involving community consultation and dissemination of public information responding to community (including the provision of educational and scientific material) through Telstra's EME Website and other mechanisms;
- regular and on-going reporting to the Telstra Board about EME;
- proactive media and stakeholder briefings ahead of network expansion, providing balanced and credible information to the broad community and local media about tower deployment and EME, including live demonstrations of environmental EME readings in the local area; and
- publishing information about our mobile base stations on the Radio Frequency National Site Archive www.rfnsa.com.au including compliance and environment certificates and Radio Communication Site Management Books for facility managers.

Our commitment to EME research
Telstra has maintained an EME research group since 1984 as part of our commitment to understanding any possible health effects from EME. In the last 14 years Telstra has invested more that $15m in our EME research and development program.

Two years ago, Telstra changed its EME Research approach to participate in a consortium of leading Australian research institutions to establish a Centre of Excellence in RF EME Research, the Australian Centre for RF Bioeffects Research.

The National Health and Medical Research Council (NH&MRC) funds the ACRBR, which aims to provide sound and reasoned responses to public and media inquiries regarding possible health effects of EME exposure.

New mobile base stations

Telstra tries hard to strike a balance between providing services and minimising our impact on the community and the local environment.

We understand that people would prefer our network infrastructure to be unobtrusive, or be located further away from people. We also know that many residents wonder why mobile network companies choose to locate mobile phone facilities near residential areas.

Mobile phone facilities need to be located in or near the area they are meant to provide coverage to. Mobile phone calls drop out occur when a customer on a call enters a 'black spot', an area where the phone signal cannot communicate with the nearest set of antennas – often because of the local topography, or because of tall physical obstructions such as buildings or trees. Sometimes, this can also happen because the antennas are already handling as many calls as they can manage. In order to provide reliable, continuous mobile coverage we must install many low-powered facilities across the region to pick up the phone signals.

Our performance

In 2005/06 Telstra completed 2950 mobile infrastructure projects, including installing 710 new facilities. In addition Ericsson upgraded 3800 sites as part of our Next G™ network rollout. This is a significant increase in mobile facility deployment compared to previous years. Telstra ensures local governments are informed of rollout in their areas and where additional infrastructure is planned, or the background environmental EME levels may potentially increase, local communities are informed and have the opportunity to provide comment.

We continued our proactive approach to community engagement which has resulted in greater community confidence in the safety of mobile phone networks and increased mobile coverage. As an example in Caloundra City Queensland we achieved 4 new site approvals from the local Government as a result of our direct community and media engagement program; these were the first site development approvals granted to any mobile carrier in Caloundra City

since 2001. Our successful stakeholder engagement strategy means that significant coverage and service issues in this area can now be addressed.

Telstra maintains an intranet site, available to all staff containing information about EME and health, additionally we offer all staff an online training course regarding EME, our infrastructure and safety issues.

We have continued to publish information on the Radio Frequency National Site Archive (public web site) as part of our transparent approach to EME including:

1. Environmental EME Reports: 10,145 updates to 6586 distinct sites.
2. EME Compliance Certificates: 3560 updates to 6586 distinct sites.
3. Radio Communications Site Management Books: 4135 updates to 3218 distinct sites.

The Mobile Carriers Forum (MCF), which Telstra is an active participant in, launched 'Mobile Insite' a quarterly newsletter as part of the broader mobiles and EME education program. This newsletter is sent to all local, state and federal elected politicians, and seeks to inform them about EME issues.

Throughout 2005/06 Telstra continued to be recognised both nationally and internationally in the field of EME management, and for our proactive programs and significant research. Telstra was nominated to represent Australia on an International Standards Committee establishing a standard for base station exposure assessments, and to Chair a sub-group looking at computational assessments. This recognises Telstra's leadership in the field of software and computational techniques for base station assessment.

Telstra was invited to participate and present at 3 leading international EME conferences during 2005/06 outlining our initiatives in EME safety research and management.

Telstra decided not to include EME from the "Risks" section of the 2006 Telstra Annual Report, for the first time since 1997. This reflects the growing body of evidence and consensus among health authorities that there is no substantial scientific evidence of health effects from EME emissions.

Our next steps

1. Telstra will continue to monitor and analyse research into EME and any possible health effects.
2. Telstra will continue to make information about EME publicly available.
3. Telstra will continue proactive community consultation and education on EME and mobile technologies.

Environment Matters

Environment Matters

"It is with great pleasure that I congratulate Telstra for its enlightened program of Corporate Social Responsibility. This is a significant business undertaking and demonstrates a genuine and holistic commitment to sustainable development which "meets the needs of the present without compromising the ability of future generations to meet their own needs" according to the 1987 Bruntland Report from the United Nations.

One of the factors which all Australian businesses must overcome is environmental degradation, but they must do so without forgoing the needs of economic development, social equality and justice. With the challenge facing our community of climate change, global business competition, rapid technological advances and changes in the distribution of our existing populations, environmental management should now be factored as a critical part of a company "bottom line" and be a vital part of a shareholders' consideration.

The health of a company should be judged on its ability to, understand and minimise its environmental footprint, maintain a committed and motivated workforce and contribute to the health and stability of the community in which it resides."

Maree McCaskill
Chair
Banksia Environmental Foundation

Telstra's activities and infrastructure span Australia. Communications technology is now part of our way of life, and with expectations that this will increasingly be so, Telstra's extensive infrastructure is necessary for Australians to live their lives the way they want. With such a presence, the communities we work in have high expectations of Telstra and how its operations interface with the natural environment.

But first, the big picture. As part of the broader information and communications technology (ICT) industry, Telstra plays an important role in enabling the more efficient use of raw materials, transportation, and energy across the economy and society. Telstra supports the adoption of tele-working which has broader social benefits for many sectors of society including rural residents and people that are physically isolated. With the advent of digitalisation, an increasing

range of goods and services such as paper, music and advertising collateral, is being converted to electronic formats instead of physical. Other applications of ICT include the use of global positioning systems (GPS) which are radically transforming logistics industries through more effective route planning which can reduce fuel use in vehicle fleets. Telstra is currently adopting GPS in its own service delivery fleet, the largest fleet of its kind in Australia. Telstra's extensive network allows these advances in the ICT industry to be realised for corporates and everyday Australians.

How Telstra interfaces with the environment is not too dissimilar from other organisations with a large network, our environmental impacts tend to follow the cycles in our business:

- designing and building telecommunications networks;
- operating and maintaining the network infrastructure;
- legacy and network exit activities such as contaminated site management, re-use and recycling of redundant infrastructure and wastes; and
- business-wide issues including purchasing of products and services, training of personnel, communications, engagement with stakeholders and managing contractors.

Why does this matter?

The telecommunications industry is not widely perceived as a sector that has major environmental impacts or a big footprint.

However Telstra's footprint is vast.

- We have more than 11,000 communication facilities, such as exchanges, depots and towers on owned or leased sites, and more than 3 times this number of installations, such as roadside equipment cabinets. That's a Telstra presence on almost every street in every city and town across the country.
- We make more than 60,000 land access notifications to regulatory authorities and land owners every year.
- We have over 3.5 million km of telecommunication fibre - equivalent to more than 80 times the earth's circumference. For the Melbourne to Sydney cable, that's 4 km^2 of cable trench.
- We have more than 30,000 public payphones visible in streetscapes across Australia.
- In 2005/06 we used over 5,000,000 GJ of electricity to power the network. This is equivalent to the energy used to light up more than 300,000 games at the Melbourne Cricket Ground (or more than 2,000 football seasons).

So the way we think about our impact at Telstra is in terms of our environmental footprint, which is 'wide' but shallow; wide in that our operations extend nationally across all Australian communities and shallow because our impact in any one of those locations is minor. Most importantly, Telstra recognises that our customers, shareholders and the communities we operate in want to know about our environmental performance and how it is improving.

Our approach

The way in which the environment is managed in Telstra is via corporate-level activities for business-wide issues, specific programs across the business units, and through the support of local environmental initiatives.

Corporate level activities include public reporting of Telstra's environment performance, programs for the management of energy, greenhouse gas abatement, waste management, environment standards, as well as auditing, planning, contractor management, and commitments to the National Packaging Covenant, and Greenhouse Challenge Plus Program, industry stakeholder engagement, Green Office initiatives and environmental training.

Local environmental initiatives are fostered in the individual businesses by encouraging and supporting employees to identify and action environmental improvements.

Our priorities for environmental management are also underpinned by our new Environment Policy, released in October 2006. In summary, the policy focuses on:
- building on our strengths in legal compliance;
- listening to and acting on the environmental concerns of our customers and stakeholders;
- enhancing the environmental awareness of our staff;
- enhancing resource use efficiency;
- minimisation of waste;
- more effective management of our contractors; and
- monitoring and reporting environmental performance.

Our performance

Telstra's environmental performance improved in 2005/06 particularly in the areas of energy and recycling and greenhouse gas emission reductions.

Highlights from 2005/06 included:

- recycling more than 25,000 tonnes of waste across the organisation which is equivalent to about a quarter of a million household recycling wheelie bins;
- reducing office paper consumption by approximately 79,000 reams – if this paper was stacked in a pile it would be over 4 km high;
- recycling more than 15 megalitres of water pumped from pits that Telstra field staff access on a regular basis to maintain our network;
- planting approximately 89,000 trees to offset the greenhouse emissions of salary sacrifice vehicles through our partnership with GreenFleet; and
- saving $1.8m on electricity costs and hence energy use through our energy management programs.

As part of Telstra's transformation, the Corporate Environment Group sought feedback across Telstra about how Telstra's environmental performance could be improved. Our 2006/07 corporate environment strategy reflects this feedback.

Our next steps

The Corporate Environment Strategy for 2006/07 establishes a framework of focus to enhance our overall environmental performance. This strategy makes the link between Telstra's environmental performance and shareholder value.

Our strategic environmental objective is to 'Add customer value through excellence in environmental leadership and performance'. Our strategic priorities to meet this objective are to:
- integrate consideration of the environment into Telstra's business strategy;
- increase operational efficiencies;
- enhance engagement with external stakeholders that can influence our business; and
- enhance internal engagement to raise the profile of environment matters.

During 2006/07, we will be developing targets for the businesses to help drive strong and sustained environmental performance for the organisation. We will work towards ensuring environmental management is integrated with our social and community investment programs into the business planning processes. Additionally, we will increase our efforts in water conservation through improved management of water from our manholes and access pits and assessing water use across our facilities.

In Telstra, we recognise that we must keep our social and environmental 'licence-to-operate'. Without this we won't be able to roll out new networks or grow new businesses to the full extent of our technical and physical capabilities. Our customers and shareholders expect us to deliver telecommunications services to let Australians live the lives they want, where they want. Managing our environmental footprint is part of that service.

Resource Use Matters

Why does this matter?

One of the key environmental issues facing Telstra, like the vast majority of other large businesses, is the use of resources such as materials, energy and water. Telstra is a major user and purchaser of materials ranging from network equipment and construction materials, such as pits, pipe and cable, to stationery and office paper.

Material use has environmental impacts, consuming natural resources and generating waste requiring disposal. We are committed to reducing material use through improving efficiencies and minimising the impacts of our material use. In addition to material consumption, Telstra is a major user of energy (electricity and fuel) which is used to:

- power our telecommunications networks, including mobile networks and payphones;
- fuel our fleet ; and
- power office buildings, exchanges, line depots and Telstra shops.

Energy consumption and the generation of greenhouse gases are closely linked as the burning of fossil fuels to provide energy is the major cause of greenhouse gas emissions. Greenhouse gas emissions are also generated through the use of fuel for transport and the decomposition of waste in landfills.

Our approach

To ensure that the environmental impacts are addressed in the use of these resources, Telstra has a range of programs and activities including:

- a purchasing process that includes environmental considerations;
- an Energy Management Program;
- a National Waste Management System; and
- a Green Office Program.

An internal Energy Management team has developed Energy and Greenhouse Management Plans designed to facilitate a reduction in energy and fuel use and greenhouse gas emissions throughout Telstra. These plans are supported by the National Waste Management System (NWMS) as well as actions undertaken by the Fleet Group responsible for vehicle management. For more information, go to the section on 'Emissions and Wastes'.

We have introduced a range of initiatives to increase efficiency of energy use including lighting controls and modifications to air conditioning equipment to achieve energy savings. Through our Green Office Program we have included tips for our staff on how to save energy in the office.

To manage and monitor energy consumption effectively Telstra has established a database for capturing relevant data including consumption of fuel for vehicles, electricity, natural gas and diesel.

The 'Marketplace Matters' section of this report includes information on our Purchasing Environment Policy.

Our performance

Minimising paper use
To minimise paper use within Telstra, we have introduced initiatives to move from paper-based systems to online systems for providing internal information. Staff have the option of completing internal forms, such as applications for leave and ordering materials, online. The paper required for internal administration processes has decreased while the efficiency of these processes has increased.

We have introduced eCommerce into our procurement processes which is further described in the 'Marketplace Matters' section of this report.

Green Office Program
We launched the Green Office program nationally in August 2003 to tackle the environmental impact of everyday activities undertaken by Telstra people in offices around the country. Highlights of the Green Office include:

- increasing recycling rates for bottles, cans and milk cartons from 182 tonnes in 2004/05 to 314 tonnes in 2005/06;
- office paper consumption has decreased from 9 reams per person to 7.4 reams per person over the past year;
- through the Cartridges 4 Planet Ark initiative we diverted 15 tonnes of waste cartridges from landfill in 2005/06; and
- ongoing distribution of Green Office program support material, including an online training program.

Graph: Total reported paper consumption
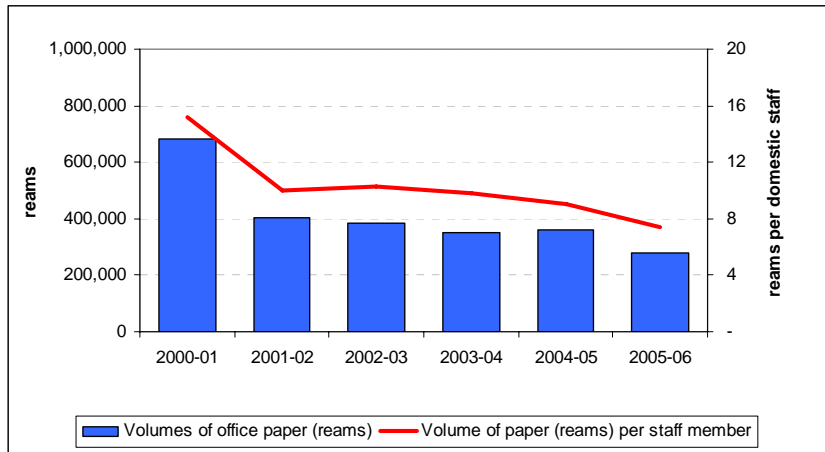
Energy

Our total measured energy consumption for 2005/06 was 5,891,427 GJ. This includes electricity use, natural gas, LPG, diesel and petrol for vehicles and diesel for power generation.

The graph below shows our overall energy consumption for 2005/06 decreased by 1% from 2004/05. This is due to using less fuel for transport.

During 2005, a review of our energy data was carried out by an independent consultant. The review concluded that processes to capture and report greenhouse related data, which includes energy, were appropriate and comply with current standards including those of the Australian Greenhouse Office.

Graph: Total reported energy consumption
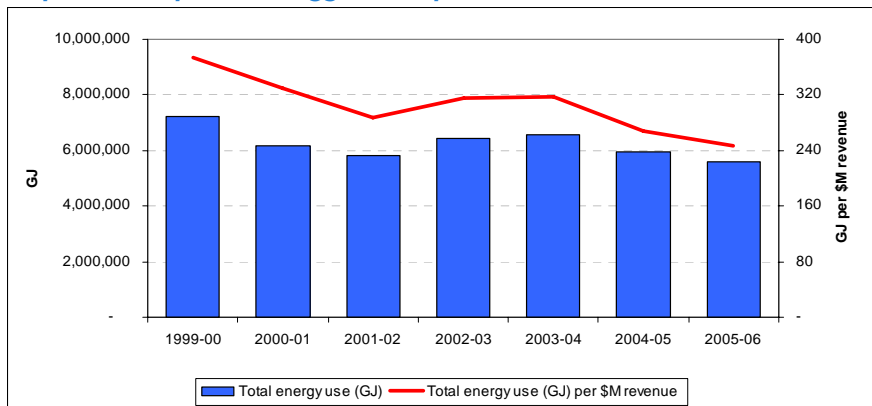
Energy Savings

Energy management programs continued to improve energy efficiency in our network buildings and offices. In 2005/06 we saved 64,318 GJ of energy, or 20,031 tonnes CO_2 equivalent. This is equal to the greenhouse gas emissions from approximately 2,225 average Australian homes for an entire year. Excluding transport, the average Australian home emits 9 tonnes CO_2 equivalent per year.

Solar Energy

Telstra is one of Australia's largest users of solar power, with 10,450 solar powered sites including exchanges, radio terminals, small repeater stations and payphones. Many of these sites are in remote locations enabling Telstra to provide telecommunication services to these remote areas.

Water

As a telecommunications company, our environmental issues relating to water use are relatively low. We use water in our offices, line depots and exchanges, primarily for staff amenities such as kitchens, toilets and showers. Telstra vehicles are washed at a commercial car wash or by the employee if it is a take home vehicle.

This year a trial to reduce water consumption was carried out at Kent Street exchange, Sydney. The trial involved installing water efficient fittings in toilets and bathrooms. Water consumption at the trial building will be monitored over the next year however preliminary data indicates annual savings of up to 23,000 kL of water.

In order to minimise our water use in our offices, we have included information on how to save water in our Green Office Program. As Telstra employees are usually located in multi-tenanted buildings, accurate data on water use and savings was unavailable at the time of reporting.

Our next steps

In the coming year, we will focus on:
- reviewing our Environment Purchasing Policy;
- determining the effectiveness of the current Green Office Program and identifying opportunities for improvements and developing targets for this program;
- obtaining water consumption data for our larger buildings; and
- monitoring water consumption data from the trial building and extending the trial to two other network buildings.

Emissions and Wastes Matter

Why does this matter?

Emissions and wastes matter to Telstra as we generate air emissions and produce waste as part of our everyday operations.

The nature of our operations means that the main sources of greenhouse gas emissions are derived from:

- the use of electricity and gas for lighting, heating and air conditioning in office and network buildings and electricity to operate the network (89% of Telstra's greenhouse gas emissions);
- the use of fuel (LPG, petrol, diesel) for vehicles and stand-by generators (10% of our greenhouse gas emissions); and
- by-products of organic waste decomposition (such as paper, cardboard, timber, food scraps) which goes to landfill (1% of our greenhouse gas emissions).

Other air emissions are generated from the operation of vehicles and standby generators.

In addition to air emissions, we generate waste which, if not properly managed, can cause pollution. The main sources of waste are derived from our:

- office activities, including general waste and recyclables (e.g. paper and cardboard);
- field activities (e.g. water from pits) and hazardous waste (e.g. asbestos, PCBs, and other chemicals); and
- network facilities (e.g. scrap cable and batteries).

Our approach

Managing emissions
As mentioned above, some Telstra activities generate greenhouse gas emissions due to energy use and waste disposal to landfill.

As part of our commitment to reducing greenhouse gas emissions, we have been a member of the Greenhouse Challenge Plus program since August 2001. Greenhouse Challenge Plus is part of the Australian Government's Climate Change Strategy and is a voluntary partnership between industry and government to measure and reduce greenhouse gas emissions.

By implementing sound data management and reporting systems, energy and greenhouse action plans and staff awareness programs, Telstra is laying a solid foundation for future long-term management of greenhouse gas emissions.

Managing waste
We use our National Waste Management System (NWMS) to manage most of Telstra's waste services, including collecting, transporting and processing general waste, recyclable items, liquid waste and any hazardous wastes. The NWMS includes most types of wastes generated from offices, field operations and customer premises. Exceptions are the collection of scrap cable, rental phones and mobile phones, which are managed separately under individual programs.

This streamlined approach assists all employees to dispose of waste in an appropriate manner by providing a single point of contact to arrange for collection and disposal.

Being a centralised system, the NWMS is able to provide detailed information about waste collection and processing. This ensures that waste transport and disposal meets State and Territory regulatory compliance.

The NWMS is the responsibility of Telstra's property manager, United Group Services, in conjunction with waste management service provided by Thiess Services Pty Ltd.

Our performance

Air emissions
Greenhouse gas emissions
In 2005/06 our greenhouse gas emissions were 1,360,358 tonnes CO_2 equivalent, an increase of 1.6% from 2004/05, when our greenhouse gas emissions were 1,338,221 tonnes CO_2 equivalent. This increase was due to indirect greenhouse gas emissions from transport fuel use being included for the first time this year. This is in line with changed reporting practice required by the Australian Greenhouse Office and accounts for an increase of 1%. Conversion coefficients used to calculate greenhouse gas emissions are specified by the Australian Greenhouse Office and can vary slightly from year to year. This accounts for a further 1% change in greenhouse gas emissions due to electricity use.

Graph: Total reported greenhouse gas emissions

Greenhouse gas emissions (tonnes CO2) — *Greenhouse emissions per $M revenue*
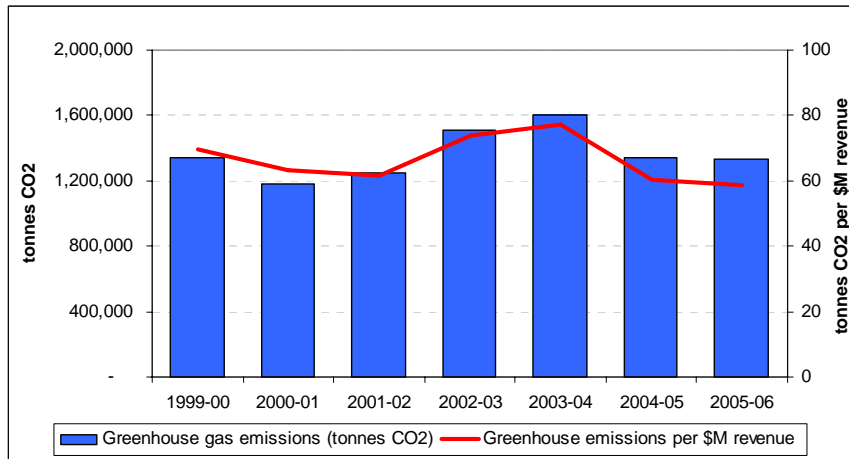
Greenhouse gas emission savings

We continue to implement a range of programs to deliver ongoing greenhouse gas emissions savings, such as efficient use of electricity in buildings, introduction of LPG vehicles and recycling of organic wastes such as paper, cardboard and timber. Actual savings due to new initiatives carried out during 2005/06 were 42,265 tonnes CO_2 equivalent.

Initiatives such as more efficient lighting or air conditioning systems, installed in previous years, continue to deliver savings in subsequent years. The total cumulative savings to date is 115,141 tonnes CO_2 equivalent. This is equivalent to the greenhouse emissions from approximately 12,793 average Australian homes for a year.

Graph: Greenhouse gas emissions savings
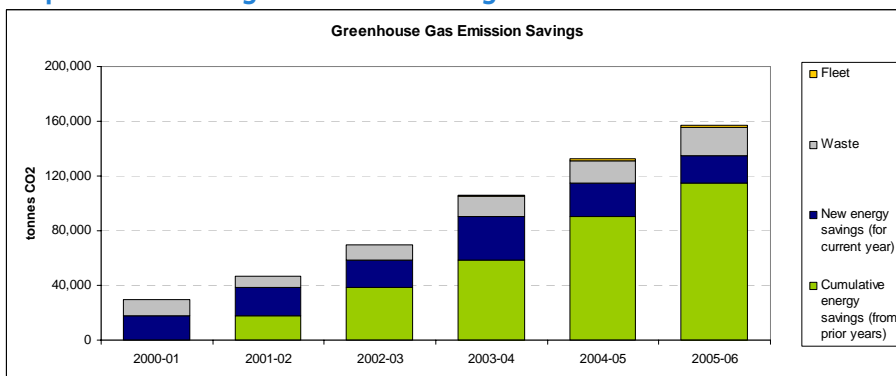
Ozone Depleting Substances

Ozone depleting substances used in Telstra include chlorofluorocarbons (CFCs) and the less damaging hydrochlorofluorocarbons (HCFCs). These are used as refrigerants in air conditioning plant in buildings and vehicles.

In line with Australian legislation, we are phasing out our use of ozone depleting substances. Recovered ozone depleting substances are stored and reused in existing equipment or disposed of in accordance with legal requirements.

In 2005/06 Telstra's network facility manager, Transfield Services, finalised a national CFC strategy for CFC containing equipment and CFC stock locations, types, quantities and condition. Transfield developed a national CFC removal, storage and back up supply management plan which will continue until all CFC containing equipment is phased out.

Telstra's commercial facility manager, United Group Services, investigated the feasibility of alternatives as replacements to CFCs and HCFCs. A compliance tracking program was also rolled out to track licensing, handling and consumption details of ozone depleting substances.

Waste

Telstra has made a major commitment to continually improve how it manages waste.

Wastes for disposal (general and special)

The volume of our total waste to landfill has decreased from 45,872 tonnes in 2004/05 to 32,822 tonnes in 2005/06. This decrease is primarily due to both the drop in general waste to landfill and less water (from our pits) being sent to treatment facilities.

Wastes returned (to process or market)

In 2005/06 we recycled approximately 47% of our total waste. This is a significant increase on the 32% we recycled in 2004/05. We have increased the volume of paper we recycle, as well as water from our pits.

Recycling has significantly contributed to Telstra's reduction in greenhouse gas emissions. The waste diverted from landfill through recycling has resulted in a saving of 20,122 tonnes of greenhouse gas emissions (CO_2 equivalent) during 2005/06.

Polychorinated biphenyls (PCBs) and polychlorinated naphthalenes (PCNs)

Typically, PCBs and PCNs were found in electrical components such as transformers and capacitors in network equipment and fluorescent light fittings manufactured before 1987. After decommissioning some of our networks in the

early 1990s, we removed network equipment likely to contain PCBs/PCNs. The PCB/PCN components were treated, while the remaining equipment was recycled. We follow the Australia and New Zealand Environment Conservation Council PCB Management Plan (1996) to phase-out PCBs and PCNs contaminated material.

Water
Under normal operating conditions Telstra does not discharge waste to water.

During field construction activities, environmental controls are put in place to manage soil, wastes and other materials to prevent them being washed into stormwater drains or natural waterways.

Our underground network infrastructure, such as access pits, manholes and pipes may periodically be filled with ground water and, when it rains heavily, stormwater. This year, approximately 34 megalitres of water was removed from network access pits during maintenance activities.

Previously this water was treated at a licensed disposal facility. But with drought affecting so many parts of Australia, Telstra reviewed this process to find a way to reclaim the water for reuse.

Following a successful trial water recycling project in 2003/04, involving the City of Port Phillip in Melbourne, water from pits and manholes is collected, cleaned and then reused to irrigate council parks and sports fields.

During 2004/05, we recycled approximately 11 megalitres of water from Telstra pits and manholes, in 2005/06 this increased to approximately 15 megalitres of water.

Telstra story

Recycling to help our neighbours
A novel and cost effective solution will keep our neighbours in Papua New Guinea connected, thanks to a joint Telstra, Telikom Papua New Guinea (TPNG) and Telecom New Zealand project.

Since the original submarine cable* to Australia was retired in 2005, Papua New Guinea has been relying on satellite links to temporarily carry its international phone calls and data traffic. The need to find a cost effective permanent replacement led to the idea of recycling part of an existing cable network.

In 2006 Telstra formed a cross company project team to work on the 'new' submarine cable system between Australia and Papua New Guinea, APNG-2.

APNG-2 involves the recovery of some 1,800 kms of the recently retired PacRim West cable, which runs between Sydney and Guam (an island in the North Pacific Ocean, about three-quarters of the way from Hawaii to the Philippines). This is believed to be the longest section of fibre optic ever to be recovered from service on the seabed for re-deployment.

The project team used their experience in submarine cable network elements, such as marine, route, system and equipment aspects, to complete the design and project specification and assess proposals for the marine and system work required with TPNG.

Alcatel, the installing contractor, completed a 300 km trial, which proved the cable was still in excellent condition and well suited to reuse and re-lay.

The cable system uses 1600 km of the existing cable running along Australia's east coast from Sydney. East of Rockhampton, in central Queensland, Alcatel's cable-laying vessel 'grappled' the cable from the seabed, cut it and then spliced it onto the 1800 km of cable recovered between Guam and the Solomon Islands. Once joined, the cable was re-laid along a precisely surveyed route into Port Moresby.

This great example of recycling is just one of a number of national and international submarine cable project work requests currently in hand with our specialist submarine cable expert resources.

*Submarine cables are optical fibre cables purpose designed and built to withstand the large variety of seabed conditions and depths in the oceans around the world. Approximately 90% of international telecommunications is carried on submarine cables laid throughout the world.

Our next steps

In the coming year we will focus on the following:
- continuing to engage our staff to improve resource use efficiency, minimise waste and increase recycling rates for paper, cardboard and co-mingled items;
- establishing targets for waste collection;
- improving the efficiency of pit water recycling and re-use; and
- continuing to seek greenhouse gas emission reductions and set targets for these.

Land use and planning matters

Why does this matter?

To provide a world class telecommunications service in Australia we need to build, operate and maintain the network infrastructure to support this service.

The access to land to build telecommunications network infrastructure is legislated by the *Telecommunications Act 1997* (and related sub-ordinate legislation). The *Environment Protection and Biodiversity Conservation Act 1999 (EPBC)* requires Telstra to have a process that identifies 'Areas of Environmental Significance' before undertaking activity in these areas or accessing certain parts of land.

Our approach

Land Use

We have a Real Estate & Accommodation Management Team who work with areas of the business to meet their operational and business property requirements. This includes activities such as:
- disposal and acquisition of property;
- management of leases;
- developing accommodation strategies aligned to business growth/changes; and
- management of Telstra's daily occupancy requirements i.e. maintenance, cleaning, security, relocation etc.

If a contamination issue occurs at a Telstra site the response is co-ordinated by our property managers Transfield, for network sites, and United Group Services, for non-network sites, such as depots and office properties.

Planning
All parties involved in the planning, design, inspection, installation, operation or maintenance of telecommunications infrastructure have a responsibility to comply with relevant legislation regarding access to and use of land.

To comply with the *Telecommunications Act 1997* there must be an understanding of what is considered 'Areas of Environmental Significance' and the ability to identify such areas before any activities are commenced on the land.

Areas of Environmental Significance are listed in the Telecommunications (Low Impact Facilities) Determination. There are 7 distinct categories which are:
- World Heritage properties.

- Places protected under a listed international agreement.
- Areas designated as a reserve principally for nature conservation purposes.
- Areas protected from significant environmental disturbance.
- Areas entered on the Register of the National Estate or on the Interim List of the Register of the National Estate.
- Places, buildings or things entered in a register relating to heritage conservation.
- Areas which under a law are entered in a register or otherwise identified as being of significance to Aboriginal persons or Torres Strait Islanders in accordance with their traditions.

When either planning work on infrastructure or installing new infrastructure Telstra considers whether the land that will be affected falls into 1of these 7 categories. We have established processes for our staff and contractors to assist them with properly identifying such areas.

To assist with our compliance with our environmental obligations we engage third party environmental experts to assess projects for environmental risks. Each month we provide information to Department of Environment & Heritage (DEH) on projects with environmental aspects.

Our performance

Fuel storage systems
In the past Telstra stored fuel at depots and other operational locations across Australia. We also have a large number of network sites that are backed up by diesel generators.

We have implemented an underground fuel storage tank remediation program to identify and manage any safety or environmental issues associated with underground fuel storage tanks located on Telstra sites. In 2005/06 29 sites underwent environmental audits resulting in 11 underground storage tanks being removed.

Visual Amenity
Telecommunications infrastructure such as towers, antennae, payphones and overhead cables can have a potential impact on the visual amenity of a locality or area where they are installed. We try to achieve the right balance between meeting the increasing demand for telecommunications services, and community concerns for the visual environment by considering visual amenity in our planning processes.

Telstra, along with other telecommunications carriers, actively participated in developing the 'Guidelines for Low Impact Mobile Facilities' in conjunction with the Mobile Carriers Forum (MCF). During the planning, design and construction process these guidelines are followed to minimise the impact on visual amenity.

Telstra is particularly conscious of the potential impact on visual amenity caused by the installation of new mobile facilities in urban Australia. Since 2004, Telstra has reduced the number of antennas deployed for each technology and largely discontinued the use of a bulky "headframe". Antennas are now commonly flush-mounted on monopoles or "tuft-mounted" on the top of slimline poles to minimise the intrusion into the landscape.

Where existing utility infrastructure, such as light poles, highway directional signage, high voltage transmission towers and water reservoir tanks, is available we place our antennas on this, reducing the need for new infrastructure. Where possible rooftop installations are colour matched to existing roof plant or screened with radio transparent materials.

Field Activities
We understand construction or repair activities, especially trenching and digging can cause short term disruption, inconvenience and visual impact. While some impacts cannot be avoided during the construction phase, we require staff and contractors to take steps to protect the environment, minimise the extent of impact and reinstate sites to the original condition or to local government standards.

When we plan field activities, we consider potential environmental impacts on Areas of Environmental Significance. The process we use to manage environmental risks arising from our field activities includes:

- **Pre-design environmental risk identification**: This involves reviewing and assessing potential impacts before work commences, taking into account technology, location, seasonal conditions when construction is required and any legislative requirements.
- **Design environmental risk assessment**: This stage looks at specific site requirements, determines the level of risk and appropriate responses i.e. specific construction environmental risks and controls. We then communicate this information to the people doing the construction works.

- **Managing environmental risks on site**: Project design details are used to identify and assess specific environmental hazards before construction activities commence. We then use this information to induct all personnel on site, implement controls and develop environmental work practices, supervise and monitor construction activities and manage site environmental documentation.

These processes assist Telstra in ensuring legal compliance and protection of the natural and urban environment in which Telstra works.

During the 2005/06 financial year Telstra commissioned 2242 new pieces of infrastructure into its various mobile networks, including 710 new mobile base stations. The vast majority of these activities were undertaken in accordance with the Telecommunications (Low Impact Facilities) Determination with consultation and or notification undertaken in compliance with the ACIF Deployment of Mobile Phone Network Infrastructure industry code. Despite the large amount of activity only 10 complaints were made to ACMA, regarding 10 different sites. Telstra was not required to take any action as a result of these complaints, highlighting the effectiveness of our processes in meeting Codes and legislation relating to land access.

In 2005/06 65,000 land access notices were issued and involved:
- 25 notifications being provided to DEH;
- 61 Environmental Assessments undertaken; and
- 2 EPBC Act referrals made to the DEH.

This is similar to the number of notifications, environmental assessments and referrals which occurred in 2004/05.

Telstra places a high importance on environmental responsibility and requires its major contractors to have an environmental management system equivalent to ISO14001. The group in Telstra with responsibility for the majority of our construction activity has had environmental certification for a number of years. In 2006 the certification was upgraded to the latest standard, ISO14001:2004.

Payphones
Telstra has over 30,000 payphones across Australia. The majority of our payphones are low impact facilities and do not require environmental impact assessment. However, where payphones are to be installed in areas of environmental significance, further planning approval and assessment is required.

Our mechanisms to minimise the environmental impact from payphones include:

- use of solar power in remote areas;
- faulty electronic modules are repaired rather than replaced;
- re-usable packaging is provided for many payphone spare parts;
- surplus payphone parts are recovered and reused;
- whole payphones and booths are reused when relocations or removals occur; and
- where not reusable are broken down for parts and where necessary the materials are recycled.

Noise

Telstra requires all staff, contractors and suppliers of equipment to meet applicable Australian Standards, State, Territory and local government regulations for noise emissions. Generally in Telstra, noise is emitted from 3 main sources:

- generators for emergency or backup power;
- air conditioners and other equipment at sites and buildings; and
- field activities, such as concrete cutting during underground cable work.

Where a field activity is being undertaken that has the potential to generate noise with the potential of disrupting the community, the community requirements are considered and options addressed to eliminate or minimise that impact.

Telstra story

Ballina Ospreys

A Telstra team in Ballina, NSW recently completed a delicate and environmentally sensitive relocation of the threatened Osprey bird species, which had built and used a nest on top of the local network dish since 2000. The team had to devise a strategy that would ensure the ongoing survival and breeding of this threatened species.

Consultations were conducted with external environmental consultants and Telstra's structural engineers, to design a suitable nesting platform that would enclose the nest, incorporate the existing mobiles antennas and encourage the birds to return to the new nest site.

This was a tricky task involving the use of a cherry picker, a 30 ton crane, a Telstra crew and a crowd of interested locals!

Within an hour of placing the dish and the nest with its new supports in its new resting place the Ospreys fed and returned to the nest.

Next time you pass through Ballina, have a look at this local attraction at the telephone exchange. This two-year long project highlights our commitment to providing more than just leading edge communications. Delivering a range of services, including the protection of a threatened species, is just a phone call away.

Phillip Island Project

Telstra proposed the installation of a 24 fibre optic cable from Bass exchange on the mainland to Cowes exchange on Phillip Island to upgrade the diversity path from radio to cable. In order to maintain full physical diversity from the existing main cable installed on the bridge, the proposal was that the new optic fibre cable be bored under 'The Narrows' between San Remo and Phillip Island.

There were a number of sensitive environmental issues confronting this project both with The Narrows bore and on Phillip Island itself. These included:

- the Ramsar wetland of Western Port;
- the necessity for native vegetation removal; and
- the Environmental Significance Overlay and Vegetation Protection Overlay under the local government planning scheme.

All of these issues constituted areas of environmental significance which required referral to the Commonwealth Environment Minister under the *Environmental Protection and Biodiversity Conservation Act*. External environmental consultants were engaged to provide assistance on environmental, planning approval and geotechnical aspects of the overall project.

Telstra's diligence in complying with environmental requirements meant that the project, although in an environmentally sensitive area, was completed to the satisfaction of all environmental stakeholders. It now means more Australians can access higher quality communications in this part of our country.

Our next steps

In the coming year, we will focus on:

- engaging with stakeholders to ensure telecommunications networks are built in accordance with the environmental legislation applicable to our business;
- continuing to provide ongoing training for our staff and contractors to ensure their compliance with our environmental policies, processes and procedures;
- integrating environment considerations into our business processes by:-
    - o having Telstra's strategic plan include environmental risks,

o ensuring appropriate environmental clauses are included in medium to high risk bids,

o reviewing existing standards, identifying gaps and ensuring appropriate environmental standards are in place or developed; and

- we will enhance internal engagement to raise the profile of environment by:-
  o delivering clear, consistent messages to the rest of Telstra on the value environmental management plays in executing Telstra's business strategy,
  o maintaining currency of environmental competency of the workforce.

Transport Matters

Why does this matter?

Transport is essential for Telstra staff to provide and maintain services. We manage one of the largest vehicle fleets in Australia, with a diverse range of cars, light trucks and mechanical aids operating in every part of the country.

At 30 June 2006 there were approximately 17,000 vehicles in the Telstra fleet, including staff salary sacrifice vehicles and mechanical aids such as excavators and trailers.

Operation of the vehicle fleet results in the emissions of air pollutants, greenhouse gases and noise. It also requires the use of non-renewable fuels such as petrol, diesel and LPG.

Our approach

Telstra has introduced a variety of initiatives to minimise the environmental impact resulting from fleet operations. These include continued expansion of the LPG vehicles in the fleet, smaller cars introduced as pool cars and introduction of more fuel efficient vehicles.

The use of global positioning systems (GPS) is transforming logistics industries through more effective route planning directly reducing fuel use in vehicles. Telstra is adopting GPS in our own service delivery fleet, the largest fleet of its kind in Australia.

Data related to activities such as business travel, staff commuting and transport by suppliers and contractors in providing products and services is not currently collected.

Our performance

In 2005/06, Telstra used 60,501,424 litres of fuel (LPG, petrol and diesel) and produced 161,654 tonnes CO_2 equivalent in greenhouse gas emissions. This compares with 151,581 tonnes CO_2 equivalent produced in 2004/05. The increase in greenhouse gas emissions is due to indirect greenhouse gas emissions from transport fuel use being included for the first time this year. This is in line with changed reporting practice required by the Australian Greenhouse Office and accounts for the increase in transport greenhouse gas emissions despite a reduction in transport fuel use.

We've increased the number of vehicles in our fleet that are powered by LPG – resulting in cleaner operation. These vehicles saved 2,111 tonnes CO_2 equivalent in 2005/06. A further saving of 629 tonnes CO_2 equivalent was achieved by purchasing fuel with an associated carbon offset program.

We have installed GPS in approximately 27% of our operational fleet vehicles, which will enable more efficient route planning, and a reduction in fuel usage by our fleet.

We partner with Greenfleet, a not-for-profit organisation that plants trees to offset vehicle emissions. As part of our salary sacrifice package for employees, a payment is made to Greenfleet for each vehicle. This was introduced in 2003 and by 1 July 2005, all salary sacrifice vehicles were covered by this payment. During 2005/06, Greenfleet planted 89,254 trees on our behalf, offsetting 23,920 tonnes CO_2 equivalent. This is a great improvement on 2004/05 where Greenfleet planted 16,735 trees on our behalf, offsetting 4,485 tonnes CO_2 equivalent.

Our next steps

In the coming year we will focus on the following priorities:
- continuing to purchase LPG and diesel vehicles;
- continuing our association with Greenfleet to offset the emissions from our salary sacrifice vehicles; and
- continuing to install GPS into the operational vehicle fleet aiming to reduce fuel consumption by 4 - 5% and increase productivity by 15%.

Environmental Incidents Matter

Why does this matter?

Part of evaluating Telstra's environmental management performance is monitoring the number, type and severity of environmental incidents. We have taken the broadest possible view of 'environmental incidents', based on the high standards set by our Environment Policy.

In Telstra, most environmental incidents reported have a relatively minor impact on the environment, and individual incidents are generally managed at a local level for quick resolution. However, where an incident is (1) beyond the expertise of local staff to resolve, (2) involves an environment authority or the media or (3) cannot be contained to the immediate work site, the incident must be escalated for involvement of our Corporate Environment Group.

We recognise that some of the services provided by some of our key contractors (and subcontractors) have significant inherent environmental risks. These include network construction, property management and waste management. Using our internal contract management process, we work closely with these contractors to achieve compliance with our environment policies.

It should be noted that Telstra undertakes thousands of construction-type activities throughout each year, which have the potential to impact on the environment.

Our approach

Telstra does not have a standardised approach for reporting environmental incidents. There are multiple systems recording varying incident data. As a result, it is difficult to provide accurate information on the number of incidents recorded.

Last year, a national on-line incident reporting system, designed primarily for reporting health and safety incidents, was updated to allow for the reporting of environmental incidents. This relies on Telstra staff identifying the incident as an environmental 'hazard' or 'incident'.

Contractors are required to submit monthly reports on environmental incidents as part of their contract under a separate system.

Our main construction business unit uses a separate reporting system to capture environmental incidents. This also requires contractors to be trained in reporting environmental incidents and other information.

Our performance

We have found that a significant number of health and safety incidents reported through the national on-line system are incorrectly classified as environmental hazards. This is primarily due to a lack of staff awareness and confusion over what is classified as an 'environmental incident'. We have also found that there has not been a consistent approach to the reporting of contractor environmental incidents.

Our field services business unit has reported that the number of environmental incidents doubled over the last 5 years from 16 to 31. The types of incidents include:
- oil spills via hydraulic hose failures ;
- minor fuel spills;
- asbestos not correctly removed from sites;
- a van causing a grass fire;
- potential weed infestation on a plough line; and
- a near miss where the design did not identify possible weed infestation, the situation was identified before construction commenced.

There were however, no incidents that resulted in legal sanctions (e.g. notices, fines or penalties).

Overall, we take all reported environmental incidents seriously and, through the monitoring of incidents at a national level, are committed to identifying any underlying causes and upgrading our processes to improve our performance. The focus remains on incidents with the potential to breach environmental legislation, including those involving contractors.

Our next steps

In the coming year, we will focus on the following priorities:
- reviewing the current incident management process and identify opportunities for improvement;
- reviewing existing conditions and documents used by Contract Operations and our field services business unit and other parts of Telstra and develop a risk based process for managing contractors; and
- communicating to staff and contractors the importance of reporting environmental incidents.

Environment Appendices

WASTE

Measure	2002-2003	2003-2004	2004-2005	2005-2006
Total waste to landfill/treatment (tonnes)	41931	41956	45872	32822
Total waste (tonnes) per staff member	1.13	1.16	1.16	0.87
Total waste recycled (tonnes)	11134	31307	21169	29635
Recycling as % of total waste (tonnes)	21%	43%	32%	47%

VOLUME OF WASTE: GENERAL AND SPECIAL

Waste	Unit	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
General Waste	tonnes	12,258	10,679	16,265	15,182	11,569	9,002
Asbestos	tonnes ^	954	478	490	64	195	61
Medical	tonnes ^	6	8	60	7	9	8
Miscellaneous Hazardous Waste	tonnes ^	48	65	225	99	29	15
Equipment containing PCBs & PCNs	tonnes	Not available	6,385	1,484	Not available*	-	-
Weight of recovered PCBs & PCNs waste	tonnes	39.0	31.0	27.4	36	7	1
Water from pits	tonnes				26,568	33,910	19,202
Other#	tonnes				2	153	381
Total waste	**tonnes**			**41,931**	**41,956**	**45,872**	**32,822**

*NOTE: 03/04 data reported in tonnes

*This figure is now incorporated in the scrap metal data in wastes returned to process or market

 # This figure includes waste materials from payphones, rental phones, phonecards and e-waste

^ Data from 2000-01 to 2002-03 reported as m3

WASTE RETURNED TO PROCESS OR MARKET

Waste	Measure	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Aluminium **	tonnes ^	59	143				
Commingled (e.g. bottles, cans, milk cartons) *	tonnes ^	315	603	1,535	100	182	314
Electrical components (e.g. circuit boards, test equipment)****	tonnes ^	85	1,834	5,000			
Mixed metal	tonnes ^	707	794	60	10,577.3***	1,284	576
Mixed paper	tonnes	4,064	2,445	1,824	2,584	2,803	4,369
Furniture sold	tonnes ^	1,131	99	-	149	140	6
Cardboard	tonnes	172	295	1,021	2,527	2,631	3,533
Timber	tonnes	282	44	133	192	257	192
Scrap cable	tonnes	610	298	1,874	11,921	166	317
Rental telephones	tonnes	479	216	152	211	122	228
Payphones	tonnes					27	-
Batteries	tonnes ^	952	491	251	795	2,121	4,655
Water recycled	tonnes				2,189	11,436	15,440
Other #	tonnes				62	100	4
Total waste recycled	**tonnes**			**11,134**	**31,307**	**21,169**	**29,635**
Total waste to landfill/treatment	tonnes	-	-	41,931	41,956	45,872	32,822
Total waste	**tonnes**	**-**	**-**	**53,065**	**73,263**	**67,041**	**62,457**
% of general waste recycled	tonnes			21%	43%	32%	47%

* Commingled for 2001 was incorrectly reported in 2003 as 716 m3.

** From 2003 aluminium is included in 'mixed metal' and not reported separately.

*** Scrap metal collected from exchanges not previously recorded, has been included this year.

**** This figure is now included in the scap metal category

Includes combined glass & metal from construction activities (BLL)

^ Data from 2000-01 to 2002-03 reported as m3

GREENHOUSE

Measure	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Greenhouse gas emissions (tonnes CO2)	1,344,846	1,182,234	1,245,671	1,512,564	1,603,042	1,338,221	1,336,542
Greenhouse emissions per $M revenue	69.5	63.3	61.7	73.8	77.3	60.4	58.7

GREENHOUSE GAS EMISSIONS
(tonnes CO2 – equivalent)

2005 - 2006

Energy type	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Scope 1	Scope 2	Scope 3
Electricity Commercial sites			224,690	212,552	209,095	189,152	178,691	-	155,783	22,908
Network			868,631	1,149,545	1,236,961	980,806	1,008,177	-	875,794	132,384
Sub-total	1,110,947	1,001,242	1,093,321	1,362,097	1,446,056	1,169,957	1,186,868	-	1,031,576	155,291
Natural gas	22,858	12,729	Not available	Not available	Not available	416	805	584	-	221
Diesel	Not available	2,558	1,596	3,577	2,586	2,384	2,929	2,639	-	291
Solar (Note 1)	Not available	(279)	-	-	-	-	-	-	-	-
Fleet										
Petrol	150,062	122,094	109,465	111,432	100,279	106,767	110,692	100,116	-	10,576
Diesel	60,245	43,498	41,169	34,629	31,780	36,649	39,227	35,335	-	3,892
LPG	734	113	120	829	4,057	8,164	11,735	10,401	-	1,334
Sub-total	211,041	165,705	150,754	146,890	136,116	151,581	161,654	145,852	-	15,801
Waste (Note 2)					18,283	13,883	8,102			8,102
Total										
Including Natural Gas	1,344,846	1,182,234	1,245,671	1,512,564	1,603,042	1,338,221	1,360,358	**149,075**	**1,031,576**	**179,706**
Excluding Natural Gas						1,337,805	1,359,553			

Note 1: Greenhouse gas emissions saved by using solar have not been deducted from total greenhouse gas emissions.

Note 2: Emissions due to waste included from 2003-04 onwards.

GREENHOUSE GAS EMISSIONS SAVINGS
(tonnes CO2 - equivalent)

Measure	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
New energy savings (for current year)	17,541	21,225	20,018	31,915	24,442	20,031
Cumulative energy savings (from prior years)		17,541	38,766	58,784	90,699	115,141
Fleet			317	695	1,862	2,112
Waste	12,320	7,681	10,757	14,711	15,755	20,122
Total	**29,861**	**46,447**	**69,858**	**106,105**	**132,758**	**157,406**

ENERGY USE

Energy type	Unit	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Electricity								
Commercial sites	GJ			719,653	637,352	644,566	579,717	544,847
Network	GJ			2,966,692	3,733,405	3,986,286	3,792,380	3,261,562
Sub-total (Note 1)	GJ	3,927,642	3,429,563	3,686,345	4,370,757	4,630,853	3,792,380	3,806,408
Natural gas (Note 2)	GJ	384,169	214,286	Not available	Not available	Not available	6,541	11,296
Diesel (Note 3)	GJ	Not available	36,709	22,678	49,305	36,977	34,085	25,133
Solar (Note 4)	GJ	Not available	3,996	Note 5	Note 6	Note 8		Note 9
Fleet (Note 7)								
Petrol	GJ	2,104,654	1,850,072	1,507,729	1,524,389	1,371,816	1,460,578	1,165,204
Diesel	GJ	804,340	624,178	584,881	495,071	454,342	523,941	336,580
LPG	GJ	11,350	1,895	1,979	13,315	65,173	131,141	260,285
Sub-total	GJ	2,920,344	2,476,145	2,094,589	2,032,775	1,891,331	2,115,661	1,762,069
Total	GJ	7,232,155	6,160,699	5,803,612	6,452,837	6,559,161	5,948,666	5,604,906

Notes

Note 1: Data measurement methodology changed from 2002 to improve accuracy.

Note 2: 2001 figure an estimate only.

Note 3: 2001 figure an estimate provided by consultant's report (Energetics).

Note 4: 2001 figure an estimate provided by consultant's report (Energetics).

Note 5: Telstra network sites consume 157 kW (157 kJ/sec) generated by solar. The actual installed capacity would be higher to allow for recharging and cloudy days.
  Solar powered customer access sites such as a remote homestead or small community can generate 975 kW (975 kJ/sec).

Note 6: Telstra network sites consume 151 Kw (151 kJ/sec) generated by solar. The actual installed capacity would be higher to allow for recharging and cloudy days.
  Solar powered customer access sites such as a remote homestead or small community can generate 581 kW (581 kJ/sec).

Note 7: Fleet fuel figures in 2000, 2001 and 2003 are for Telstra, NDC and for fleet vehicles leased to other companies.
  Fleet fuel figures in 2002 are for Telstra and NDC only.

Note 8: Total installed capacity for Network and Customer End Sites is 3,493 kW, actual generated capacity is less to allow for cloudy days etc

Note 9: Total installed capacity is 3,894 kW. Actual generated capacity is not known.

ENERGY USE (litres)

Energy type	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Diesel	Not available	951,010	587,522	1,277,340	957,955	883,020	970,135
Fleet							
Petrol	61,539,624	54,095,673	44,085,646	44,572,768	40,111,581	42,706,972	39,849,970
Diesel	20,837,820	16,170,416	15,152,347	12,825,668	11,770,514	13,573,613	12,992,000
LPG	441,653	73,762	76,504	518,199	2,535,929	5,102,779	6,689,319
Sub-total	82,819,097	70,339,851	59,314,497	57,916,635	54,418,024	61,383,364	59,531,289
Total	**83,770,107**	**71,290,861**	**59,902,019**	**59,193,975**	**55,375,979**	**62,266,384**	**60,501,424**

MATERIALS

Measure	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Volumes of office paper (reams)	681,164	403,535	383,000	353,112	358,243	278,678
Volume of paper (reams) per staff member	15.2	10.0	10.3	9.8	9.0	7.4

NOTE: Volume of paper (reams) per staff member for 03/04 has been calculated using 02/03 domestic full-time staff figure as 03/04 unavailable until release of 2004 Annual Report