

Telstra Corporation Limited

2019 Annual General Meeting

Tuesday 15 October 2019 at 9:30am

(Melbourne time)

Melbourne Room

Level 2

Melbourne Convention and Exhibition Centre

1 Convention Centre Place

South Wharf Vic 3006



How to get to the AGM

Venue: The Melbourne Room is located on level 2 of the Convention Centre (which is part of the Melbourne Convention and Exhibition Centre (MCEC)) at 1 Convention Centre Place, South Wharf in Melbourne. The Convention Centre is marked in red below.



Train

The closest train station is Southern Cross. MCEC is approximately a 20 minute walk from the station along Spencer and Clarendon Streets.

Trams

Trams 96, 109 and 12 stop outside the MCEC on Clarendon Street. From the tram stop it is a 5–7 minute walk along the length of the Exhibition Centre to the Convention Centre.

Taxis

Taxis can take you to the main doors of the Convention Centre via Convention Centre Place (next to the Pan Pacific Melbourne South Wharf).

Parking

Various car parking options are available close to the venue. These are marked with a P on the map above. The South Wharf multi level car park is the closest and can be accessed via Convention Centre Place.

Accessibility

The Melbourne Room is situated on Level 2 of the Convention Centre and is accessible by using the two-direction escalators on all levels or the lifts. Ramp access is available into the Centre. Further information is available at mcec.com.au/visit.

2019 Annual General Meeting

30 August 2019

Dear Shareholder

I am pleased to invite you to the 2019 Annual General Meeting (AGM) of Telstra Corporation Limited at 9.30am (Melbourne time) on Tuesday 15 October 2019.

The venue

The AGM will be held at the Melbourne Convention Centre in the Melbourne Room on level 2 at 1 Convention Centre Place, South Wharf. Information on how to get to the venue appears on the inside cover.

Shareholders attending the AGM can register from 8:30am (Melbourne time) at the Convention Centre. The Telstra Board and senior executives would like to invite shareholders to join them for refreshments prior to the start of the AGM. A light lunch will also be served during the course of the meeting.

Items of business at the AGM

The Notice of Meeting outlines the items of business for consideration at the AGM and commences from page 9. The explanatory notes supporting these items commence from page 14.

We have also included with our Notice of Meeting our 2019 highlights and an update on T22.

At the AGM, Craig Dunn and Nora Scheinkestel will be standing for re-election and Eelco Blok, having been appointed by the Board since the last AGM, will be standing for election. The Telstra Board (other than the relevant Director in relation to his/her own election and re-election) recommends the re-election of Craig Dunn and Nora Scheinkestel and the election of Eelco Blok.

At the 2018 AGM a significant number of shareholders voted against the Remuneration Report. The Board took this "first strike" very seriously. Since then we have spent many hours meeting with shareholders to discuss their concerns in more detail and we have adjusted our approach for FY20 as a result. As we received a "first strike" the Notice of Meeting also includes a conditional spill resolution (item 6). This resolution will only be put to the AGM if at least 25% of the votes are cast against the 2019 Remuneration Report (item 5) resulting in a "second strike". If this occurs and the conditional spill resolution passes, all non-executive Directors currently appointed to the Board, will be required to stand for re-election at a special meeting of shareholders, if they wish to continue to stand as Directors.

The Board recommends that shareholders vote against the conditional spill resolution if put to the AGM as the Board believes it is not in the best interests of shareholders. Further information on how we have addressed our shareholders' concerns on our remuneration practices and how a spill resolution will affect your company are outlined in the explanatory notes on pages 22 to 27.

Voting and asking questions

Enclosed with the Notice of Meeting is your Voting form and a shareholder question form providing an opportunity for you to ask a question(s) relating to the items of business. Frequently asked questions will be addressed by Andrew Penn, Chief Executive Officer, or myself at the AGM.

The AGM will be webcast live at telstra.com/agm.

If you are unable to attend the AGM we encourage you to lodge your vote in advance online at vote.linkmarketservices.com/tls. Alternatively, you may return your Voting form in the envelope provided.

For more information on voting, please refer to pages 14 and 15. Please contact the Telstra Share Registry at telstra@linkmarketservices.com.au or on (+61) 1300 88 66 77 if you have any queries regarding the AGM or your shareholding.

On behalf of my fellow Directors, I look forward to welcoming you to the 2019 Telstra AGM.

Yours sincerely



John P Mullen
Chairman

Customer service staff at the AGM

Expert staff will be available at the Telstra store located at the AGM venue to answer your customer enquiries before, during and after the AGM.

FY19 Financial performance

FY19 highlights

Reported results

Total Income¹ **\$27.8 billion**
Down 3.6 per cent

Earnings Before Interest, Tax
Depreciation and Amortisation (EBITDA)
Down 21.7 per cent **\$8.0 billion**

Net Profit After Tax (NPAT)
Down 39.6 per cent **\$2.1 billion**

FY19 reported performance in line with market expectations

1. Total Income excludes finance income

↑ 378,000

Net retail postpaid
mobile services

↓ \$456 million

(down 6.0 per cent)
Underlying fixed costs

Total FY19 dividends

16 cents

per share
fully franked

More than
\$1.9 billion

returned to
shareholders



Australia's first 5G network



Helped approximately 1 million
customers in vulnerable
circumstances stay connected



Radically simplified plans
1800 → 20



↓ 22% Calls to
contact centres



New rewards program
for customers



Mobile: 2.5
million km² Even more
NB IoT[^]: 3.5
million km² coverage



↓ 40% Emissions intensity
since 2017



Provided digital
capability training to
almost 36,000 people

[^] Narrowband Internet of Things

Strategic pillars		
Radically simplify our product offerings, eliminate customer pain points and create all digital experiences	Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout	
Greatly simplify our structure and ways of working to empower our people and serve our customers	Industry leading cost reduction program and portfolio management	
Enabled by our up to \$3b investment program	New digital platforms	
	Australia's largest, fastest, safest, smartest and most reliable next generation network	
Delivering		
Market leading customer experience	Simplified products, business and operating model	Extended network superiority and 5G leadership
Achieve Global High Performance Norm in employee engagement	Net cost productivity of \$2.5b by FY22	Post-nbn ROIC > 10% ¹

¹Post-nbn defined as FY23 and beyond on AASB16 basis

Items of Business

1. Chairman and CEO Presentations

2. Discussion of Financial Statements and Reports

To discuss the company's financial statements and reports for the year ended 30 June 2019.

3. Election and Re-election of Directors

To consider and, if thought fit, pass the following resolutions as separate ordinary resolutions:

- 'That Eelco Blok, being eligible, be elected as a Director';
- 'That Craig Dunn, being eligible, be re-elected as a Director'; and
- 'That Nora Scheinkestel, being eligible, be re-elected as a Director'.

4. Allocation of Equity to the CEO

To consider and, if thought fit, pass the following resolutions as separate ordinary resolutions:

- 'That approval be given for all purposes, for the grant to the Chief Executive Officer and Managing Director, Mr Andrew Penn, of 372,187 Restricted Shares under the Telstra FY19 Executive Variable Remuneration Plan (EVP)';
- 'That approval be given for all purposes, for the grant to the Chief Executive Officer and Managing Director, Mr Andrew Penn, of 558, 281 Performance Rights under the Telstra FY19 EVP.

5. Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That the Remuneration Report for the year ended 30 June 2019 be adopted'.

Under the Corporations Act, the vote on this resolution is advisory only and will not bind Telstra or the Directors. However, if at least 25% of the votes cast on this resolution are against it, the conditional spill resolution in item 6 will be put to the AGM.

6. Spill resolution (conditional item)

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

‘That, subject to and conditional on at least 25% of the votes cast on item 5 being cast against adoption of the Remuneration Report for the year ended 30 June 2019:

- a) an extraordinary general meeting of Telstra Corporation Limited (the ‘spill meeting’) be held within 90 days of the passing of this resolution;
- b) all of the non-executive Directors in office when the Directors’ report for the year ended 30 June 2019 was approved and who remain in office at the time of the spill meeting, cease to hold office immediately before the end of the spill meeting; and
- c) resolutions to appoint persons to offices that will be vacated immediately before the end of the spill meeting be put to the vote at the spill meeting’.

If you **do not** want a spill meeting to take place, you should vote **“against”** item 6. If you want a spill meeting to take place, you should vote **“for”** item 6.

The items of business should be read in conjunction with the explanatory notes on pages 14 to 29. The explanatory notes form part of this Notice of Meeting.

Voting

In the interests of representing the views of as many shareholders as possible, the Chairman of the meeting intends to call a poll in relation to items 3, 4, 5 and 6 (if required). The ways in which you can vote are outlined below. Please refer to the table on pages 14 and 15 for the voting deadlines.

Voting online

We encourage you to lodge your vote online at vote.linkmarketservices.com/tls. To log in you will need your holder number and the postcode for your shareholding. These can be found on the top right hand corner of your Voting form.

Voting form

Enclosed with this Notice of Meeting is a personalised Voting form. The Voting form allows shareholders who are not attending the meeting to either lodge their vote directly, or appoint a proxy or nominee to vote on their behalf.

Voting forms are colour coded (refer to the tables on pages 14 and 15). If you hold Telstra shares in more than one capacity, please be sure to complete the Voting form that is relevant to each holding.

The Blue Voting form can be used to either vote your shares directly (Section A) or appoint a proxy to vote on your behalf (Section B). The Green Nominee form (sent to Telstra ESOP 99 Participants) can be used to appoint a nominee to vote on your behalf (Section A).

Direct voting

By completing Section A of the Blue Voting form, you are voting your shares directly and are not appointing a third party, such as a proxy, to act on your behalf. Shareholders should complete their voting directions by selecting ‘for’ or ‘against’ for each item on the Voting form. Do not complete the ‘abstain’ box if you are voting directly as it will result in an invalid vote. If no direction is given on an item, or if Section A and Section B are both completed on the Voting form, your vote may be passed to the Chairman of the meeting as your proxy.

Appointing proxies or nominees

Shareholders, Telstra ESOP 99 Participants and Participants in eligible employee share plans, who are entitled to attend and vote at the AGM, may appoint a proxy (in the case of a shareholder) or a nominee (in the case of a Participant) to act generally at the meeting on their behalf, and to vote.

To appoint your proxy or nominee you should complete Section B of the Blue Voting form or Section A of the Green Nominee form.

You should complete your voting directions by selecting ‘for’ or ‘against’ for each item on the Voting or Nominee form. If no direction is given, the proxy or nominee may vote as they see fit, subject to any voting restrictions applicable to the proxy or nominee. A proxy or nominee need not be a shareholder of the company.

A shareholder or Participant entitled to attend and vote can appoint two proxies or nominees as appropriate, and should specify the proportion or number of votes each proxy or nominee is appointed to exercise. If no proportion or number is specified, each proxy or nominee may exercise half of the shareholder’s or Participant’s votes. If you wish to appoint two proxies or two nominees, please call (+61) 1300 88 66 77 and request an additional Voting or Nominee form.

A corporate shareholder or proxy must appoint a person as its corporate representative (see the Voting form for further information).

Contact Details

Appointing the Chairman as your proxy or nominee

You may appoint the Chairman of the meeting as your proxy or nominee.

If you direct the Chairman of the meeting how to vote on an item of business, your vote will be cast in accordance with your direction. If you do not direct the Chairman of the meeting how to vote on an item of business, or the Chairman of the meeting becomes your proxy by default, then by completing and returning the relevant Voting form you will be expressly authorising the Chairman of the meeting to exercise your votes as undirected proxy or nominee on a resolution even though it may be directly or indirectly connected with the remuneration of a member of the Key Management Personnel (KMP).

More information on lodging your vote can be found on the back of the relevant Voting or Nominee form enclosed with this Notice of Meeting. This includes information on voting in relation to items 4, 5 and 6 (if required) where voting exclusions apply.

KMP voting restrictions for Items 4, 5 and 6 (if required)

Under the Corporations Act, voting restrictions apply to the company's KMP and their closely related parties for items 4, 5 and 6 (if required). The term "closely related party" in relation to a member of KMP includes a spouse, dependant and certain other close family members, as well as any companies controlled by the KMP. Further voting exclusions also apply to the CEO and any of his associates for item 4. Please refer to the explanatory notes for more details.

AGM webcast

Shareholders can view a live webcast of the AGM online at telstra.com/agm from 9:30am (Melbourne time) on Tuesday 15 October 2019. The webcast will be recorded and made available to view after the AGM.

2019 Annual Report

The 2019 Annual Report is available for shareholders on our investor website telstra.com/annualreport. If you would like to receive a hard copy of the 2019 Annual Report, at no charge, please contact the Telstra Share Registry on (+61) 1300 88 66 77. Shareholders who have previously elected to receive a hard copy of the 2019 Annual Report will receive it separately in the mail.

You can lodge your vote electronically, by facsimile, by mail or by hand to the Telstra Share Registry. See details below.

If you have any questions about this Notice of Meeting or the Voting form please contact:

Telstra Share Registry (Australia)

Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 2000 Australia
Telephone: +61 1300 88 66 77
Facsimile: +61 2 9287 0309

Telstra Share Registry (New Zealand)

Link Market Services Limited
Level 11, Deloitte Centre, 80 Queen Street,
Auckland 1010, New Zealand
Telephone: (within NZ) 0800 835 787
All Other: +64 (9) 375 5998
Facsimile: +64 (9) 375 5990

By order of the Board of Directors



Sue Laver
Company Secretary
30 August 2019

How to vote and voting deadlines

Investor	Right to vote and attend the AGM or view the proceedings	Lodging your vote	Deadline to lodge your vote*
Shareholders	Shareholders registered as at 9:30am (Melbourne time) on Sunday 13 October 2019.	To vote online, see instructions above or use the Blue Voting form to either vote directly (Section A) or appoint a proxy (Section B).	9:30am (Melbourne time) on Sunday 13 October 2019.
Telstra ESOP 99 Participants	Telstra ESOP 99 Participants registered at 5:00pm (Melbourne time) on Thursday 10 October 2019.	To vote online, see instructions above or use the Green Nominee form to appoint a Nominee (Section A).	5:00pm (Melbourne time) on Thursday 10 October 2019.
Participants of other eligible Employee Share Plans	Participants registered at 5:00pm (Melbourne time) on Thursday 10 October 2019.	Participants may only lodge their votes online at vote.linkmarketservices.com/tls Please refer to your AGM email notification from Telstra.	5:00pm (Melbourne time) on Thursday 10 October 2019.

* To be effective your completed documents must be received by the Share Registry no later than the time and date noted in the table.

Notice of Meeting

Explanatory notes

Item 2 – Discussion of Financial Statements and Reports

During this item of business, we will provide a reasonable opportunity for shareholders to comment on and ask questions on the financial statements and reports and on the business, operations and management of Telstra. There will also be an opportunity to ask questions of the company's auditor.

Item 3 – Election and Re-election of Directors

Eelco Blok

Age 62, MS, BBA

Non-executive Director appointed 15 February 2019. Member of the Nomination Committee.

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

Eelco started his career in Finance at KPN before becoming responsible for several businesses including Carrier Services, Corporate Networks and Network Operations. In 2006 he was appointed a member of the KPN Board of Management, where he was consecutively responsible for the Fixed Division, Business Market – Wholesale - Operations and Mobile International. He was appointed CEO in April 2011. From 2011 to 2017 Eelco was co-chairman of the Dutch National Cyber Security Council an advisory body of the Dutch government. He was also a Director for the international association GSMA from 2017 to April 2018.

Directorships of listed companies (past three years) and other Directorships/appointments:

Member of the Supervisory Boards of Post NL (from 2017), Signify NV (from 2017) and Koninklijke VolkerWessels N.V (from 2019). Director, OTE Group (from 2019). Other: Advisor, Reggeborgh Groep BV (from 2018). Member, Dutch Sports Council, an advisory Board of the Dutch Government (from 2019).

Craig W Dunn

Age 55, BCom, FCA

Non-executive Director appointed 12 April 2016. Chairman of the Audit & Risk Committee and member of the Nomination Committee.

Craig is a highly regarded business leader with more than 20 years' experience in financial services, pan-Asian business activities and strategic advice for government and major companies. Craig was Chief Executive Officer and Managing Director of AMP from 2008 to 2013 and held various roles at AMP in a 13-year career including Managing Director of AMP Financial Services, Managing Director for AMP Bank and head of Corporate Strategy and M&A. Previously he was at Colonial Mutual Group from 1991 to 2000, including Managing Director for EON CMB Life Insurance in Malaysia and senior roles in Group Strategy, M&A and Finance. He has also served as a member of the Federal Government's Financial System Inquiry in 2014 and the Consumer and Financial Literacy Taskforce.

Directorships of listed companies (past three years) and other Directorships/appointments:

Director, Westpac (from 2015). Other: Chair, ISO Blockchain Standards Committee (from 2017). Chairman, The Australian Ballet (from 2015 (Director from 2014)) and Co-Chair, the Australian Government Fintech Advisory Group (from 2016). Director, Financial Literacy Australia Limited (from 2012).

Nora L Scheinkestel

Age 59, LLB (Hons), PhD, FAICD

Non-executive Director since August 2010 and last re-elected in 2016. Member of the Audit & Risk Committee (previously Chairman Audit & Risk Committee 2012-2019), the Nomination Committee and the Remuneration Committee.

Nora is an experienced company Director with a background as a senior banking executive in international and project financing. She has served as Chairman and Director in a range of companies across various industry sectors and in the public, private and government arena. She is also an Associate Professor in the Melbourne Business School at Melbourne University and a former member of the Takeovers Panel. In 2003, Nora was awarded a Centenary Medal for services to Australian society in business leadership.

Directorships of listed companies (past three years) and other

Directorships/appointments: Chairman, Atlas Arteria Limited (from 2015 (Director from 2014)). Director, Atlas Arteria International Limited (from 2015), OceanaGold Corporation (from 2018), AusNet Services Ltd (from 2016), Stockland Group (2015-2018). Other: Trustee, Victorian Arts Centre Trust (from 2017).

Board recommendation

In view of Dr Scheinkestel's length of tenure, in recommending Dr Scheinkestel's re-election, the Board determined that she continues to make a significant and valuable contribution to the Board and provides continuity in light of changes on the Board in recent times.

The Board (other than the relevant Director in relation to his/her own election/re-election) recommends the election of Eelco Blok and the re-election of Craig Dunn and Nora Scheinkestel. The Chairman of the meeting intends to vote all available proxies in favour of election of Eelco Blok and the re-election of Craig Dunn and Nora Scheinkestel.

Item 4 – Allocation of equity to the CEO

Shareholders are being asked to approve a grant of 372,187 Restricted Shares and 558,281 Performance Rights to the Chief Executive Officer and Managing Director (CEO), Mr Andrew Penn, under the Telstra FY19 Executive Variable Remuneration Plan (EVP).

EVP terms and conditions

The CEO's total remuneration package for FY19 comprised fixed remuneration (paid in cash) of \$2,390,000 (Fixed Remuneration) and variable remuneration to be delivered through the EVP. The CEO's Fixed Remuneration has not changed since 1 October 2017. The FY19 EVP is delivered through a combination of cash (35%), Restricted Shares (26%) and Performance Rights (39%). It had the potential to deliver rewards that were valued at 200% of Fixed Remuneration for performance at target and 400% of Fixed Remuneration for stretch performance. Refer to pages 23 to 26 for a summary of the enhancements that will be made to the FY20 EVP.

The amount earned by the CEO under the EVP (EVP outcome) was determined based on the performance of Telstra over FY19 (being the initial one-year performance period) against the measures and weightings outlined below:

Financial - 50%			
Total Income 12.5%	EBITDA 12.5%	Free Cash Flow 12.5%	Net Opex Reduction 12.5%
Strategic, Customer & Transformation - 50%			
Episode NPS 12.5%	Product Portfolio Simplification 12.5%	Digital Delivery 12.5%	People Capability & Engagement 12.5%

Refer to pages 51 and 52 of our 2019 Remuneration Report for details as to how each of these performance measures was calculated for FY19.

The number of Restricted Shares and Performance Rights to be granted was based on the dollar value of the CEO's EVP outcome, multiplied by 26% for Restricted Shares and 39% for Performance Rights, and then divided by the five day volume weighted average share price (VWAP) of Telstra shares commencing on the day after the FY19 results announcement.

The CEO's EVP outcome was \$5,344,040, 111.8% of target opportunity and 55.9% of maximum. This EVP outcome delivered 372,187 Restricted Shares and 558,281 Performance Rights based on a VWAP of \$3.7332.

Restricted Shares and Performance Rights

The Restricted Shares and Performance Rights are granted under, and subject to, the EVP. The key terms of the Restricted Shares and Performance Rights are set out below.

Topic	Detail
Entitlements	<ul style="list-style-type: none"> • Restricted Shares: Each Restricted Share is a fully paid ordinary Telstra share. The Restricted Shares will be subject to a restriction period ending 30 June 2021. During the restriction period, the CEO may not trade, dispose or otherwise deal with the Restricted Shares. • Performance Rights: Each Performance Right entitles the CEO to one fully paid ordinary Telstra share, subject to the satisfaction of a relative total shareholder return (RTSR) measure, tested at the end of a five year performance period (1 July 2018 to 30 June 2023). The CEO may not trade, dispose or otherwise deal with any Performance Rights granted to him. On vesting of a Performance Right, Telstra has discretion to provide the CEO with a share or a cash amount equivalent to the value of a share on vesting of a Performance Right. Telstra shares allocated on vesting of the Performance Rights will not be subject to restrictions on dealing. • In certain limited circumstances, such as a takeover event where 50% or more of all issued fully paid Telstra shares are acquired, the Board may exercise discretion to accelerate vesting of Performance Rights and accelerate the end of the restriction period for Restricted Shares.
Performance measures	<ul style="list-style-type: none"> • As described above, the number of Restricted Shares and Performance Rights granted to the CEO was determined based on performance against certain predetermined performance measures over the initial one-year performance period. • In addition, the Performance Rights will only vest into Telstra shares (or a cash equivalent) if the RTSR measure is satisfied, i.e. if Telstra's RTSR ranks at the 50th percentile or greater against a comparator group comprising the ASX100 as at 1 July 2018 (excluding resource companies) over the 5 year performance period ending 30 June 2023. For the purpose of testing the

Topic	Detail
Performance measures (continued)	<p>RTSR performance measure for the FY19 EVP, the average market value of Telstra shares against which RTSR performance will be determined at the testing date of 30 June 2023, is \$2.76 and was calculated by reference to Telstra's daily closing share price over the 30 day period to 30 June 2018. Telstra measures the RTSR percentile ranking to two decimal places and rounds up to the nearest whole number if the two decimal places are .50 or above and rounds down to the nearest whole number if the two decimal places are below .50.</p> <p>If the RTSR measure is not satisfied over the performance period, all of the Performance Rights will lapse.</p> <p>Therefore the CEO's Performance Rights will be subject to two sets of performance measures: the first tested over the initial one year performance period and the second (the RTSR measure) tested over a five year performance period.</p>
Issue/exercise price	<ul style="list-style-type: none"> • As the Performance Rights and Restricted Shares form part of the variable remuneration component of the CEO's remuneration package, they will be granted at no cost to the CEO. No amount is payable by the CEO on the granting of Restricted Shares or on the granting or vesting of the Performance Rights. Both the Restricted Shares and any shares to be provided on the vesting of Performance Rights will be purchased on-market.
Dividends, ranking and voting rights	<ul style="list-style-type: none"> • Restricted Shares: The CEO will receive dividends on, and have voting rights in relation to, Restricted Shares during the restriction period. • Performance Rights: The CEO has no legal or beneficial interest in Telstra shares (or cash), no entitlement to receive dividends and no voting rights in relation to the Performance Rights during the period between allocation and vesting of the Performance Rights. However, for Performance Rights that vest, the CEO will receive a cash payment at or around the time of vesting equivalent to the value of the dividends paid by Telstra during the period

Topic	Detail
Dividends, ranking and voting rights (continued)	<p>between allocation and vesting, subject to applicable taxation. If the RTSR measure is not achieved over the performance period, no dividend equivalent payment will be made for the Performance Rights.</p> <ul style="list-style-type: none"> Restricted Shares and shares allocated on vesting of the Performance Rights will rank equally with other Telstra shares.
Treatment on cessation of employment	<ul style="list-style-type: none"> If the CEO ceases employment for reasons of redundancy, death, total and permanent disablement, certain medical conditions, retirement, separation by mutual agreement or Telstra initiated separation for a reason unrelated to performance or conduct (Permitted Reason): <ul style="list-style-type: none"> Restricted Shares that have been granted will be retained by the CEO and remain subject to the original restriction period; and Performance Rights that have been allocated will be retained by the CEO and remain subject to the original performance period and satisfaction of the RTSR measure. If the CEO ceases employment for any reason other than a Permitted Reason before the end of the performance period or restriction period, any unvested Performance Rights lapse and any Restricted Shares are forfeited.
Clawback (malus)	<ul style="list-style-type: none"> The Board has discretion to clawback Performance Rights and Restricted Shares if certain Clawback Events occur during the relevant performance period or restriction period. Clawback Events include fraud, gross misconduct, material breach of obligations by the CEO or behaviour that brings Telstra into disrepute or may negatively impact Telstra's long term financial strength. <p>It also includes where the CEO causes a significant deterioration in Telstra's financial performance or negatively impacts Telstra's standing with its regulators, where the financial results that led to the Performance Rights or Restricted Shares being granted are subsequently shown to be materially misstated, where the CEO fails to fulfil his responsibilities under Telstra's risk management framework resulting in a material breach of Telstra's risk management framework, or where the Board determines that the Performance Rights or Restricted Shares are an inappropriate benefit.</p>

Other information

- If shareholder approval is obtained, the Restricted Shares and Performance Rights will be granted within 12 months of the date of this meeting.
- The CEO is currently the only Director entitled to participate in the EVP.
- Following shareholder approval at the 2017 AGM, the CEO was granted 255,702 Restricted Shares and 383,554 Performance Rights in respect of the FY18 EVP, all of which were granted at no cost to the CEO. No other Restricted Shares or Performance Rights have been granted to Directors under the EVP since the 2017 AGM.
- There is no loan scheme in relation to the Restricted Shares or Performance Rights.
- The grant of Restricted Shares and Performance Rights to the CEO falls within the exception to ASX Listing Rule 10.14 set out in ASX Listing Rule 10.15B because the Restricted Shares will be purchased on-market and the terms of the Performance Rights require any shares to be granted on exercise of the Performance Rights to be purchased on-market. Telstra is voluntarily seeking shareholder approval for good governance.

Outcome if shareholder approval is not obtained

If shareholder approval is not obtained for the relevant grant, the proposed grant of Restricted Shares and/or Performance Rights to the CEO will not proceed. This may impact Telstra's ability to incentivise the CEO, to align his interests with those of shareholders and to align his remuneration arrangements with the remuneration arrangements of Telstra's other senior executives. In these circumstances, the Board will need to consider alternative remuneration arrangements (such as a cash payment).

Voting Exclusion Statement

The company will disregard any votes cast:

- in favour of items 4(a) and (b) by or on behalf of the CEO and any of his associates, in any capacity; and
- on items 4(a) and (b) as a proxy by a person who is a member of the company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on items 4(a) and (b):

- in accordance with a direction on the Voting form; or
- by the Chairman of the meeting and the Chairman has received express authority in the Voting form to vote undirected proxies as the Chairman sees fit even though items 4(a) and (b) are connected with the remuneration of the KMP.

Board recommendation

The Board (other than Andrew Penn) considers the grant of Restricted Shares and Performance Rights to the CEO under the FY19 EVP to be appropriate in all the circumstances and recommends that shareholders vote in favour of items 4 (a) and (b). The Chairman of the meeting intends to vote all available proxies in favour of the grant to the CEO.

Item 5 – Remuneration Report

The 2019 Remuneration Report contains information regarding:


- our remuneration policy and strategy;
- the structure of non-executive Director, CEO and certain senior executive remuneration arrangements, and how we seek to align senior executive remuneration with company performance; and
- the remuneration of non-executive Directors, the CEO and certain senior executives for the year ended 30 June 2019.


The 2019 Remuneration Report can be found on pages 38 to 71 of the 2019 Annual Report.

This item provides an opportunity for shareholders at the meeting to comment on, and ask questions about, the 2019 Remuneration Report.



The vote on this item will be advisory only and will not bind the Directors of Telstra, except as outlined below and in the explanatory notes for item 6. However, the Board will take the outcome of the vote into consideration when reviewing Telstra's remuneration practices and policies.

Telstra received a “first strike” against its Remuneration Report at the 2018 AGM. The Board took that very seriously. As a result, the Board completed a comprehensive review of our executive remuneration framework including our EVP. The following table summarises how we have responded to the issues raised by our shareholders and proxy advisers at our 2018 AGM and as part of our review process.

Issues Raised	Response
 EVP Structure	
<p>It is easier to achieve pay outcomes under a combined incentive plan (as opposed to a traditional STI/LTI incentive structure)</p>	<p>In a traditional STI/LTI construct, an executive receives their LTI grant (for example 200% of Fixed Remuneration) at the beginning of each year, irrespective of annual performance. Under Telstra's EVP the performance against the primary performance measures in the prior year dictates the number of Performance Rights (equivalent to LTI in a standard STI/LTI construct) that are granted. As an example, if the EVP outcome for a given year is 50% of maximum, then the Performance Rights granted will also only be 50% of maximum.</p> <p>Under the EVP, Performance Rights will only vest at the end of a five year performance period if a further RTSR performance condition has been achieved. This means executives have a double hurdle, with performance measured over both the initial performance period and the five year RTSR performance period, making it considerably more challenging for Senior Executives to obtain variable remuneration than was the case under the previous STI/LTI structure.</p> <p>Nonetheless, we have listened to shareholders and have introduced a more challenging second hurdle by tightening the RSTR performance condition through the use of a sliding vesting scale as explained further below.</p>
<p>Maximum opportunity considered excessive and a high portion of award provided in cash</p>	<p>Having considered feedback, the Board has enhanced the FY20 EVP by strengthening its alignment with shareholders' interests, and delivery of the T22 strategy through the following key changes:</p> <ul style="list-style-type: none"> • The weighting of financial performance measures within the primary performance measures has increased to 60% (previously 50%) with the remaining 40% covering customer, strategic and transformation performance measures. • The maximum opportunity for all Senior Executives has been reduced to 300% of Fixed Remuneration (previously it was 400% for the CEO and 360% for Group Executives).

Issues Raised	Response
 EVP Structure (continued)	
Maximum opportunity considered excessive and a high portion of award provided in cash (continued)	<ul style="list-style-type: none"> The cash component of the FY20 EVP has been reduced from 35% to 25% of a Senior Executive's EVP outcome. The overall portion of a Senior Executive's EVP outcome delivered in equity has increased and is now 75% (previously 65%), with 35% provided in Restricted Shares and 40% provided in Performance Rights. The Restricted Shares will be eligible to vest in four equal tranches, with 25% eligible to vest each year over the four years following the end of the initial performance period. The Performance Rights are eligible to vest 5 years from the start of the initial performance period subject to the RTSR performance condition. The secondary performance hurdle applying to the Performance Rights, has been strengthened by introducing a sliding vesting scale as opposed to 'cliff vesting' as described below. <p>Applicable to both the FY19 and FY20 EVPs, our claw-back (malus) framework has also been enhanced to drive greater executive accountability and focus on sustainable performance. We have introduced new Claw-back Events which focus on conduct that may negatively impact our reputation with key regulators or result in a material breach of our risk management requirements.</p>
The inclusion of the Dividend Equivalent Payment (DEP) which is payable if Performance Rights vest	<p>For Performance Rights that vest following satisfaction of the RTSR performance condition, a cash payment equivalent to the dividends paid by Telstra during the period between allocation of the Performance Rights and vesting will be made at or around the time of vesting. This is known as a Dividend Equivalent Payment (DEP). A minority of stakeholders believe Senior Executives should not receive this payment.</p> <p>After lengthy consideration, the Board has decided to retain the DEP on the basis that our approach enhances the alignment of executive remuneration with the shareholder experience over the performance period by balancing considerations of both price and yield. To reiterate, DEPs are only paid if the RTSR performance condition is met on the Performance Right component of the EVP.</p>

Issues Raised	Response
 Pay for Performance	
The FY18 performance measure targets were considered not sufficiently demanding and performance outcomes were therefore not aligned with shareholders' expectations	<p>Last year, the Board reduced the EVP outcome for Senior Executives by 30% as it recognised that our overall performance had been disappointing. The Board believed the 30% reduction was an appropriate reduction to balance the achievements of the management team with the experience of shareholders. Despite this action, we understand that some shareholders still felt that the remuneration outcomes were too high.</p> <p>In setting the FY19 performance measure targets the Board sought to ensure the targets were sufficiently demanding and aligned with market guidance provided by Telstra. In October 2018, we took the step of providing all shareholders with detailed information on the FY19 EVP performance measure targets and the rationale for adopting those targets. In addition, as part of our FY19 half year results released in February 2019, we provided the market with an update on how performance was tracking relative to each target. This step was taken to inform all shareholders of the performance expectations and reward alignment for FY19.</p>
Assessing performance on the Performance Right component of the EVP, with vesting occurring if RTSR ranks at the 50th percentile (referred to as 'cliff vesting')	<p>We listened to feedback that vesting 100% of the Performance Rights where Telstra's RTSR ranks at the 50th percentile of the comparator group, was not sufficiently challenging.</p> <p>Whilst the Board considers the current 50th percentile 'cliff vesting' to be a challenging performance measure as it is the second part of a double hurdle, to enhance our pay for performance alignment and delivery of long term shareholder value, the Board decided to change this element of the EVP structure for FY20. Vesting will now be determined on a straight-line vesting scale, with 50% of the Performance Rights vesting if Telstra's RTSR ranks at the 50th percentile of the comparator group, up to 100% of the Performance Rights vesting if Telstra's RTSR ranks at the 75th percentile of the comparator group. No Performance Rights vest if Telstra's RTSR ranks below the 50th percentile when compared with the comparator group.</p>

Issues Raised	Response
 Disclosure	
Lack of transparency with respect to the FY19 EVP performance measures	<p>In an effort to address this feedback in October 2018, the Chairman released a letter to shareholders, which included additional detail on the FY19 EVP performance measure targets and the rationale for adopting those targets. In addition, as part of our FY19 half year results released in February 2019, we provided the market with an update on how performance was tracking relative to each target.</p> <p>In the interest of continuing to be transparent, we have included our FY20 EVP performance measures and targets in the 2019 Remuneration Report (pages 66 to 69).</p>
 CEO Fixed Remuneration	
FY18 increase not in line with shareholder expectations and considered excessive relative to other employees	<p>In the four years since appointment in May 2015, the CEO has received only one Fixed Remuneration increase of 2.8% on 1 October 2017. In determining that increase, the Board took into consideration the fixed remuneration of CEOs at other ASX listed companies of similar size, complexity and market capitalisation. The CEO's Fixed Remuneration has remained unchanged for FY19 and we do not anticipate any further increases for FY20.</p>

Additional information

Under the Corporations Act, if at least 25% of the votes cast on the resolution to adopt the remuneration report at two consecutive AGMs are against the resolution, shareholders must be given an opportunity to vote on a 'spill resolution' (as set out in item 6) at the second meeting. This is known as the 'two strikes' rule.

Due to the 'two strikes' rule, votes against the resolution proposed in item 5 may lead to a further meeting to elect Directors.

As noted above, Telstra received a 'first strike' at the 2018 AGM against its 2018 Remuneration Report (with 61.98% of the votes cast on the resolution to adopt that report cast against the resolution). As a result, if at least 25% of the votes cast on item 5 are cast against that resolution, Telstra would receive a 'second strike' and would be required to put the conditional spill resolution in item 6 to the AGM. For details of the effect of the spill resolution, please read the explanatory notes for item 6.

Voting Exclusion Statement

The company will disregard any votes cast on item 5:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the 2019 Remuneration Report (and their closely related parties) in any capacity; and
- as proxy by a person who is a member of the KMP at the date of the meeting (and their closely related parties).

unless the vote is cast as proxy for a person entitled to vote on item 5:

- in accordance with a direction on the Voting form; or
- by the Chairman of the meeting and the Chairman has received express authority in the Voting form to vote undirected proxies as the Chairman sees fit even though item 5 is connected with the remuneration of the KMP.

Board recommendation

The Board recommends that shareholders vote in favour of item 5. The Chairman of the meeting intends to vote all available proxies in favour of this resolution.

Item 6 –Spill resolution (conditional item)

This item (“spill resolution”) will only be put to the AGM if at least 25% of the votes cast on item 5 are cast against that resolution. If less than 25% of the votes cast on item 5 are against the resolution, there will be no ‘second strike’ and the spill resolution will not be put to the AGM.

If the spill resolution is put to the AGM, it will be considered as an ordinary resolution. If the spill resolution is passed, then an extraordinary general meeting of shareholders (spill meeting) must be held within 90 days.

The following non-executive Directors who remain in office at the time of the spill meeting will cease to hold office at the end of the spill meeting unless they are willing to stand for re-election, and are re-elected, at that meeting:

John Mullen
Eelco Blok
Roy H Chestnutt
Craig Dunn
Peter R Hearl
Nora L Scheinkestel
Margaret L Seale
Niek Jan van Damme

The CEO, Andrew Penn, would not be required to stand for election as a Director at the spill meeting, and would continue to hold office.

If Eelco Blok is elected at the AGM, he will need to be re-elected at the spill meeting to remain in office.

If Craig Dunn and Nora Scheinkestel are re-elected at the AGM, they would still need to be re-elected at any spill meeting to remain in office.

In deciding how to vote on item 6, the Board suggests that shareholders take the following factors into account:

- Response to first strike - The Board has taken significant action to address concerns expressed by shareholders relating to the company’s executive remuneration framework (refer to the explanatory notes for item 5 above).
- Loss of Directors’ leadership, skills and knowledge – Telstra has benefitted from the clear focus and leadership the Board has provided to the business. Each of the relevant non-executive

Directors has previously been elected as a Director (apart from Eelco Blok who was appointed as a Director during this year and is standing for election at this AGM) and received strong support from shareholders. There is no assurance that the current Directors would be willing to stand for re-election at the spill meeting or, if they are, that they would be re-elected at that meeting. This creates significant risk that the governance of the company would be disrupted and creates a real challenge to engage new Directors with the skills and knowledge expected of members of the Board.

- Disruption to the company – If the spill resolution is passed, this will create instability in leadership and potentially negatively impact Telstra’s ability to implement its critical T22 strategy. The Board has been integral in developing and overseeing this strategy.

Voting Exclusion Statement

The company will disregard any votes cast on item 6:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the 2019 Remuneration Report (and their closely related parties) in any capacity; and
- as proxy by a person who is a member of the KMP at the date of the meeting (and their closely related parties).

unless the vote is cast as proxy for a person entitled to vote on item 6:

- in accordance with a direction on the Voting form; or
- by the Chairman of the meeting and the Chairman has received express authority in the Voting form to vote undirected proxies as the Chairman sees fit even though item 6 is connected with the remuneration of the KMP.

If you **do not** want a spill meeting to take place, you should vote **“against”** item 6. If you want a spill meeting to take place, you should vote **“for”** item 6.

Board recommendation

The Board recommends that shareholders vote **against** item 6. The Chairman of the meeting intends to vote all available proxies against this resolution.

Conducting Telstra's Annual General Meeting

Our Annual General Meeting is intended to give shareholders the opportunity to:

- hear presentations from the Chairman and CEO about the operations and performance of the company and the outlook for the year ahead
- consider and vote on the resolutions contained in the Notice of Meeting
- ask questions of the Board, management and the auditor generally on the items of business, the management of the company or the conduct of the audit and the auditor's report. The Chairman and CEO will generally answer questions on behalf of the Board and management.

To help achieve these objectives we will:

- webcast the meeting for the benefit of those shareholders unable to attend in person. Shareholders can view the meeting live at telstra.com/agm. The webcast will be recorded and made available to view after the AGM
- enable shareholders to raise questions in writing prior to the meeting, by either completing the enclosed form or online at vote.linkmarketservices.com/tls. Shareholders asking questions online will need to log in using their SRN/HIN (found on your Voting form) and then select the 'Ask Question' option under the 'Action' column. We may not be able to answer all questions, however we will endeavour to address the more frequently raised shareholder matters during the course of the meeting
- provide a reasonable opportunity for shareholders, as a whole at the meeting, to ask questions of the Board
- make hearing loop facilities available for shareholders with hearing difficulties
- answer shareholders' questions honestly and fairly. If we can't answer a question at the meeting, we will seek to provide a response to the shareholder asking the question after the meeting
- inform shareholders as to the proxy and direct voting position with respect to the resolutions to be considered by the meeting and the manner in which the Chairman of the meeting intends to vote available proxies.

To help achieve these objectives we ask that shareholders:

- are courteous and respectful to all shareholders and others attending the meeting
- keep their questions and comments to a reasonable length of time to allow as many shareholders as possible who wish to speak at the meeting an opportunity to do so. Generally a maximum of two minutes each time a shareholder addresses the meeting will be appropriate
- confine their questions to the matters before the meeting. If a shareholder's question appears to be more relevant to the shareholder's own circumstances than to shareholders as a whole, we will ask that the shareholder raise the matter with the customer service attendants outside the meeting
- please respect the privacy of individual shareholders attending the meeting and assist in the orderly conduct of the meeting by not taking photographs or audio or video-recordings of the proceedings of the meeting.

Telstra's Sustainability Strategy

Our goal is to embed social and environmental considerations into our business in ways that create value for the company and our stakeholders.

Our Sustainability Strategy responds to the topics that are most material for our business, the areas in which we have the expertise to make a meaningful impact, and where we see opportunities to use innovative, tech-based solutions to help address societal challenges and opportunities whether they be emerging or major.

We want everyone to thrive in a digital world.



Responsible business

We will be a sustainable, globally trusted company that people want to work for and with.



Digital futures

We will foster strong, inclusive communities that are empowered to thrive in a digital world.



Environmental solutions

We will use technology to address environmental challenges and help our suppliers, customers and communities do the same.

Our Bigger Picture 2019 Sustainability Report, available online at telstra.com/sustainability/report, provides a transparent overview of our progress and performance in relation to our material topics in FY19. The report also details the work we are undertaking in support of the United Nations' Sustainable Development Goals (SDGs).

