

AGM 2019 – Frequently asked questions by shareholders

We thank our shareholders for the questions they submitted ahead of the Telstra 2019 AGM (held on 15 October 2019) as well as the questions put forward at the meeting. The information below addresses the main themes of these questions. We hope you find it helpful.

Company performance and share price	<p>Telstra is operating in very challenging market dynamics and this affects your company's financial performance, share price and dividend. For the 2019 financial year, total shareholder return (including dividend) is 57.7 per cent, versus the ASX 200 of +11.5 per cent and Australian communications sector of 40.8 per cent.</p> <p>A unique challenge we have is the impact of the nbn, which is taking Telstra's place as the wholesale network provider of fixed line services in Australia. The impact of the nbn is further explained below.</p> <p>The Telstra Board is confident that we are doing the things within our control well - like defining our T22 strategy and executing on it.</p> <p>T22 was launched in June 2018 and we are progressing well. If we get T22 right, we will be able to improve the company's financial performance, which should be reflected in the price the market sets for Telstra shares.</p>
Company strategy – T22	<p>T22 is empowering us to simplify our operations and products, improving the experience of our people and customers, reducing our costs, and structuring the business to maximise the value of our assets.</p> <p>This is a benefit to our employees, our customers and our shareholders.</p> <p>T22 is about positioning us for the 2020's and beyond and taking advantage of the significant opportunities coming around the corner from growing demand, technology change and the arrival of 5G.</p> <p>A successful underlying business is what will underpin future returns to our shareholders.</p> <p>An overview of the T22 strategy is available on page 6 (below) and further information is also available on pages 8 and 11 of our 2019 Annual Report.</p>

<p>5G</p>	<p>In 2019 we were the first operator in Australia and among the first in the world to launch 5G, the next generation of mobile telecommunications technology. 5G is clearly an important platform for our growth in the future.</p> <p>The possibilities 5G offers are extensive. It's potential to deliver high speeds and low latency can enable not only fast download speeds for our customers, but also unlocks capacity for thousands of new devices working together on our network.</p> <p>5G will be a game changer for a range of applications where speed and latency are important, including 4K video, gaming and other new technologies such as autonomous driving.</p> <p>We have rolled out 5G to selected sites within 10 major and regional cities, and in FY20 we expect to increase our 5G coverage to reach into at least 35 Australian cities. Coverage is initially CBD-focused as this is where a high density of our customers' work and live.</p> <p>We currently offer five 5G devices for Telstra customers. All of our 5G devices will work in our 5G and 4GX coverage areas. As with 4G, we believe as 5G rolls out, customers will be willing to pay more to access this new technology and the great benefits that it will bring.</p> <p>In relation to electromagnetic energy (EME), we take our responsibilities regarding the health and safety of our customers and the community very seriously. We have conducted extensive EME testing on our 5G network and found the EME levels to be similar to 3G, 4G and Wi-Fi. This is well below the EME safety limits. It is also important to note that 5G wireless networks are designed to be very efficient and minimise EME.</p>
<p>Customer service</p>	<p>Our highest priority remains improving customer experience and we have made progress, but recognise that there is still more to be achieved.</p> <p>As part of T22 we initiated companywide improvement programs focused on improving the customer experience. We are increasing our customer value proposition by launching new plans, with no lock in service contracts and which eliminate customer pain-points such as excess data charges in Australia. Customers can tailor their plans to meet their needs. Our simpler products and processes have also created more ways for customers to self-serve and this has resulted in call volumes to our call centres reducing.</p> <p>Telstra uses a mix of Telstra staff, local agencies and overseas partners to manage our call centre needs and all our call centres are held to the same standards of customer service, privacy and security information. We are moving towards having a greater mix of large contact centres and smaller specialist centres which are geographically dispersed and can better focus on customers' needs.</p>

<p>Dividends</p>	<p>While we do not provide guidance on the dividend, we know how important it is to our shareholders.</p> <p>Our dividend policy is to pay ordinary dividends of 70-90 per cent of underlying earnings¹, fully-franked. In addition, it is our intention to return in the order of 75 per cent of net one-off nbn receipts² to shareholders over time via fully-franked special dividends.</p> <p>The FY19 ordinary dividend payout was below the 70–90 per cent range. However, the total dividend payout ratio based on earnings per share was 88 per cent.</p> <p>Dividends are subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with our Capital Management Framework.</p> <p>¹ Underling earnings is defined as: NPAT from continuing operations excluding net one-off nbn receipts (as defined in footnote 2) and guidance adjustments. Guidance adjustments includes one-off restructuring costs, impairments in and to investments or property, plant and equipment and intangible assets, proceeds on sale of business, mergers & acquisitions and purchase of spectrum.</p> <p>² "Net one-off nbn receipts" is defined as net nbn one off Definitive Agreement receipts (consisting of Per Subscriber Address Amount, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.</p>
<p>Dividend Reinvestment Plan (DRP)</p>	<p>Telstra operates a DRP which enables eligible shareholders to reinvest all or part of their dividend payments into additional Telstra shares. Please visit our DRP website for further information including the DRP rules.</p> <p>Residual amounts arising from shareholders participating in the DRP are donated to charity. Residual amounts from the recent 2019 final dividend paid, the few cents to a few dollars that would not buy a full Telstra share, were donated to the Alannah and Madeline Foundation (AMF). These donations will help AMF care for children who have experienced or witnessed serious violence, reduce the incidence of bullying, cyber bullying and other cyber risks, and advocate for the safety and wellbeing of children.</p> <p>Shareholders who wish to opt out of donating their residual amount to charity should email telstra@linkmarketservices.com.au. Donations previously made cannot be reversed but if \$2 or more they are tax deductible.</p>
<p>Executive remuneration</p>	<p>Our remuneration structure is designed to provide competitive remuneration to attract, motivate and retain highly-skilled employees to lead Telstra through constant innovation and disruption. It links financial rewards directly to employee contributions and company performance, and aligns to long term shareholder value creation. The structure provides a balance between Fixed and Variable remuneration.</p> <p>Fixed remuneration takes into account the level of skill, experience, scope of responsibilities and relativity to external comparator groups made up of similar size and complexity to Telstra.</p> <p>The variable remuneration plan design, measures and targets reflect both short and long-term performance objectives aligned to Telstra's T22 strategy, our Corporate Plan and increasing shareholder value.</p> <p>In FY19, the remuneration outcomes for the CEO and Senior Executives represented solid performance in financial outcomes and significant progress on the delivery of our T22 strategy which is critical to our future success.</p>

	<p>At our 2018 AGM we received a 'first strike' against our FY18 Remuneration Report. The Board took that very seriously and completed a comprehensive review of our executive remuneration framework, including our Executive Variable Remuneration Plan (EVP).</p> <p>Our Chairman and Remuneration Committee Chairman engaged throughout the year with stakeholders to seek feedback and consider opportunities to further enhance our reward structure.</p> <p>Following that review and considering the feedback received, the Board believes the EVP remains an appropriate mechanism to reward the Chief Executive Officer and Group Executives. However, having regard to the feedback provided by our stakeholders, the Board recognises that there are certain enhancements that should be made to the EVP to ensure it continues to meet the overall objectives of Telstra's remuneration policy. Given this, a number of enhancements have been made to the FY20 EVP. Please refer to our 2019 Annual Report from page 63 to view these enhancements.</p>
<p>Is it really Telstra calling? (Scam calls)</p>	<p>We know how frustrating and impactful scam calls can be.</p> <p>There are a number of things we do to reduce the number of scam calls that reach our customers, and we prevent millions of scam calls from reaching our customers each month by blocking calls using numbers that are known to be used for scam calling.</p> <p>We are working hard with other carriers, and liaising closely with the ACMA and the ACCC, to better identify the sources of scam calls that still get through and then take appropriate action to disrupt and prevent those sources from scamming in future.</p> <p>We need all telcos, big and small, to work together to help identify the source of scams to resolve this situation and make Australia safer for everyone.</p> <p>We are calling on all telcos to help our industry stop scam calls reaching our customers and proposing ways we can work together to fight this issue.</p> <p>Our advice - hang up immediately if you're not sure who is calling and don't call back a number if you don't recognise it.</p> <p>Telstra offers advice through our "Is it Really Telstra Calling" brochure which can be found at www.telstra.com/verify</p> <p>You can report a suspicious call to Telstra's Sales Watch Hotline on 1800 260 270.</p>
<p>Offshore call centres</p>	<p>Telstra is moving towards having a greater mix of large contact centres and smaller specialist centres which are geographically dispersed and can better focus on customers' needs.</p> <p>We use a mix of Telstra staff, local agencies and overseas partners to manage our call centre needs. All our centres are held to the same standards of customer service, privacy and security information.</p> <p>We are taking active steps to improve the customer experience across all areas of our business.</p> <p>More customers are moving online for service assistance and this trend will continue.</p>

<p>NBN</p>	<p>Migrating to the nbn We continue to work closely with nbn co to make the migration experience as smooth as possible as the rollout continues across the country, and to give our customers the best possible experience once they have made the move.</p> <p>If you need to check your address to find out if the nbn™ access network is available at your home or business or when it is being rolled out in your area, please visit https://www.nbnco.com.au/connect-home-or-business/check-your-address.</p> <p>nbn impact on Telstra The establishment of the nbn was a decision made by the Australian Government and we have been very transparent about the negative impact this decision has on Telstra. We estimate at least a \$3 billion of negative impact on our EBITDA and this was first disclosed to the market in May 2016.</p> <p>In June 2018, as the impacts of the nbn and competition became more profound, we recognised we needed to do even more in response to market dynamics. We needed to accelerate our rate of change, we needed to lift our level of aspiration and we needed to be more aggressive in leaving our legacy behind. This is why we launched T22 which is about simplifying the business, reducing our cost base for the future and maximising the value of our infrastructure assets. Continuing to execute against this strategy will be critical to our success over the longer term.</p>
<p>Shareholder discounts and benefits</p>	<p>In April this year we launched the Telstra Plus program to thank our customers for their continuing loyalty and support. We invite you to visit our website https://www.telstra.com.au/plus to sign-up and take advantage of any of the customer rewards you may be entitled to. Members can earn points by paying their monthly bill, recharging or by taking up special offers. Points can be redeemed for discounts on the latest accessories and handsets. Members can also access discounted sport and movie tickets, pre-sale tickets, complimentary extras and VIP services.</p> <p>We appreciate and understand that many shareholders would like their loyalty recognised. We have examined shareholder discount and reward programs a number of times and have found the programs are expensive to administer and would constrain our ability to offer programs to all of our loyal customers.</p> <p>Shareholders who are customers may also be able to receive a Telstra Pensioner Discount on their eligible Telstra fixed line service if they have a valid Pension Concession Card issued by the Department of Human Services (Centrelink) or Department of Veterans Affairs (DVA). To request the Pensioner Discount or to check your discount rates, please call 13 22 00 or visit your nearest Telstra store.</p>

T22

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					
Delivering	Australia's largest, fastest, safest, smartest and most reliable next generation network					
	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 \$2.5bn by FY22	Post-nbn ROIC > 10% ¹

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