

Directors, Management and Employees

Directors

As at 19 August 2005, our directors were as follows:

Name	Age	Position	Year of initial appointment	Year last re-elected ⁽¹⁾
Donald G McGauchie	55	Chairman	1998	2003
Sol Trujillo ⁽²⁾	53	Chief Executive Officer	2005	-
John E Fletcher	54	Director	2000	2003
Belinda J Hutchinson	52	Director	2001	2004
Catherine B Livingstone	49	Director	2000	2002
Charles Macek	58	Director	2001	2004
John W Stocker	60	Director	1996	2003

⁽¹⁾ Other than the CEO, one third of directors are subject to re-election by rotation each year.

⁽²⁾ Sol Trujillo was appointed Chief Executive Officer 1 July 2005.

A brief biography for each of the directors and the company secretary as at 19 August 2005 is contained in the Directors Report.

Senior executives

As at 19 August 2005, the senior executives who are not directors are:

Name	Position	Year appointed to a GMD position	Year appointed to Telstra
Bruce Akhurst	CEO, Sensis	1999	1996
Phil Burgess	Group Managing Director, Public Policy and Communications	2005	2005
Douglas Campbell	Group Managing Director, Telstra Country Wide [®]	1992	1989
David Moffatt	Group Managing Director, Telstra Consumer and Marketing	2001	2001
Ted Pretty	Group Managing Director, Telstra Technology Innovation and Products	2000	1997
Michael Rocca	Group Managing Director, Infrastructure Services	2002	1968
Deena Shiff	Group Managing Director, Telstra Wholesale	2004	1998
John Stanhope	Group Managing Director, Finance & Administration and Chief Financial Officer	2003	1967
William Stewart	Group Managing Director, Strategic Marketing	2005	2005
David Thodey	Group Managing Director, Telstra Business and Government	2001	2001
Greg Winn	Chief Operations Officer	2005	2005

A brief biography of each of the senior executives who are not directors as at 19 August 2005 is as follows:

Bruce J Akhurst - LLB, BEc (Hons)

Bruce Akhurst is the Chief Executive Officer of Sensis. Within Telstra, he has management responsibility for our digital media strategy, which includes our investment in FOXTEL. In March 2005 Bruce was appointed Chairman of the FOXTEL board. Prior to his appointment as CEO of Sensis, Bruce was Group Managing Director Telstra Wholesale, BigPond[®] and Media Services and he also headed our Legal and Company Secretariat group and was Telstra's Group General Counsel. Bruce joined Telstra as General Counsel in 1996 and became Group Managing Director in 1999. Before joining the Company, he was the Managing Partner at a national law firm.

Directors, Management and Employees

Phil Burgess - PHD

Phil Burgess was appointed Group Managing Director, Public Policy and Communications on 15 August 2005. Phil has a long record of leadership in public policy and communications with broad experience as an academic, business executive, media commentator and writer on economic, political and cultural trends in the US and around the world. Prior to his appointment with Telstra, Phil has served most recently as president & chief executive of the National Academy of Public Administration in Washington, D.C. Phil also served as President of the Annapolis Institute, a U.S. think tank established in 1993 to help leaders manage change - at every level in both the public and private sectors. Phil also serves as a Visiting Professor of Policy Studies at UCLA's public policy school, where he teaches in the graduate program on communications and culture.

Douglas C Campbell - BEng, FAICD

Doug Campbell was appointed Group Managing Director, Telstra Country Wide® on 4 June 2000, and has over 30 years experience in the telecommunications industry both in Australia and Canada. Between August 2002 and October 2003, Mr Campbell, combined his Group Managing Director of Telstra Country Wide® role with management responsibility for the Telstra Technology unit. Prior to his appointment with Telstra Country Wide®, Doug held the positions of Group Managing Director, Telstra Wholesale and International, and Group Managing Director, Carrier Services Business. He has also held the position of Group Managing Director, Network and Technology, and Group Managing Director, Consumer and Commercial. Before the merger of Telecom Australia and Overseas Telecommunications Commission in March 1992, Doug was Deputy Managing Director of Telecom Australia. Originally from Canada, Doug was the President of Canadian National Communications.

David Moffatt - BBus (Mgt), FCPA

David Moffatt was appointed Group Managing Director, Telstra Consumer and Marketing from 1 October 2003. The group's activities encompass the sales and marketing of fixed and mobile communications, broadband and entertainment services to the Australian consumer and small business customers, the management of the Telstra brand, advertising and sponsorships and implementing product bundling initiatives. The group also manages the Telstra Shop chain and our extensive national network of mobile phone dealers as well as our payphone services. David is a Director and Chair of the Finance Committee at FOXTEL. David was previously Telstra Chief Financial Officer and Group Managing Director, Finance & Administration, a role he assumed in February 2001. Prior to joining the Company, David was Chief Executive Officer, General Electric - Australia and New Zealand.

Ted N Pretty - BA, LLB (Hons)

Ted Pretty was appointed Group Managing Director of the Telstra Technology, Innovation and Products group effective from 1 October 2003 and has accountability for the design, development and evolution of our fixed, wireless and data networks, products and services. The group also encompasses all IT services and Telstra's Research Laboratories. Ted is also on the boards of TelstraClear and KAZ Group Limited. Previously, Ted was Group Managing Director of the Telstra Consumer and Marketing group. Prior to this, Ted was the Group Managing Director, Telstra Retail. Ted has also held positions as Group Managing Director, Convergent Business and Managing Director, Telstra International. Before joining the Company in 1997, Ted gained extensive experience as a representative, director and key advisor to a number of international telecommunications companies. Ted ceased with the Company effective 19 August 2005.

Directors, Management and Employees

Michael Rocca – MBA, DipEng, GAICD

Michael Rocca was appointed Group Managing Director of Infrastructure Services in August 2002. This unit of about 18,000 Telstra staff as well as an extensive contract workforce, has the responsibility for providing design, installation and maintenance services to Telstra's 11 million customers. Prior to his current assignment, Michael held a range of posts during his career including Managing Director of a number of engineering and service organisations within Telstra. Michael Rocca is credited with dramatic improvements in regulated levels of customer service, greater customer engagement, network management, cost reduction, innovative workforce modelling and technology transformation. Michael holds a Master of Business Administration and post-graduate qualifications in Engineering and Management. Michael also has qualifications from INSEAD, Global Management, and is a graduate of the Australian Institute of Company Directors.

Deena Shiff - B.Sc (Econ) Hons; B.A. (Law) Hons

Deena has over fifteen years experience in the telecommunications industry. She held a number of positions in OTC Limited and, after the merger of AOTC and Telstra, in the company's International business unit. Between 1995 and 1998 Deena was a partner of the law firm Mallesons Stephen Jacques. Deena rejoined Telstra in 1998 as Director of Regulatory, and in November 2001 was appointed to the Wholesale business unit. In December 2004 she was appointed Group Managing Director, Telstra Wholesale. Deena has held a number of non-executive directorships in both the telecommunications industry and other sectors. She was a Director of the government owned rail operator, Freightcorp, from 1995 until it was privatised in 2002. During that time she chaired the Compliance Committee and later the Privatisation Committee of the Freightcorp Board. Deena was educated at the London School of Economics and Cambridge University, and was admitted to the Bar in London in 1981.

John Stanhope - B Com (Economics and Accounting), FCPA, FCA, FAICD, FAIM

John Stanhope was appointed to the role of Chief Financial Officer and Group Managing Director, Finance & Administration from 1 October 2003. He is responsible for finance, treasury, risk management and assurance, corporate services, corporate development, investor relations and the Office of the Company Secretary. John previously served as Director, Finance. In this role, which he assumed in 1995, he contributed to T1 and T2, cost reduction programs, growth strategies, debt raising, capital management and organisational restructures. In 2003, John was elected as National President to the Group of 100 for a two year period. He was also appointed as a member of the CPA Australia's Professional Education Board for a three year term and is Chairman of the Business Coalition for Tax Reform. John is a director of TelstraClear, Hong Kong CSL, Sensis, Telstra Super and is chairman of REACH.

William J Stewart - B.Sc (Mathematics & Physics)

Bill Stewart was appointed Group Managing Director of Strategic Marketing in July 2005. Prior to his appointment at Telstra, Bill was Executive Vice President of Strategic Marketing at Orange SA, based in London. Bill has over twenty-five years experience in the communications industry, including positions at Harris Corporation, GTE Corporation and US WEST. Bill has an excellent record of achievement in driving customer-focused strategies and world class marketing in the US and Europe.

Directors, Management and Employees

David Thodey - BA

David Thodey joined Telstra in April 2001 as Group Managing Director of Telstra Mobile. He was appointed to the position of Group Managing Director, Telstra Business and Government in December 2002 and is now responsible for the Company's industry, government and business customers. David is the Chairman of TelstraClear and KAZ Group. Before joining the Company, David was Chief Executive Officer of IBM Australia/ New Zealand and previously held several senior executive marketing and sales positions within IBM.

Greg Winn

Greg Winn was appointed Telstra's Chief Operations Officer (COO) on 11 August 2005. His responsibilities include Infrastructure Services, Telstra Technology, Innovation and Products, Human Resources, Corporate Services, Credit Management, the newly formed Program Office and the Productivity and Billing directorates. Greg Winn has more than 30 years experience in the telecommunications industry, with more than 10 years experience as a senior operations officer. Prior to joining Telstra, Greg served as Executive Vice President, Operations and Technologies, at US West, where he established and led major initiatives to increase productivity through systems improvement. Greg began his career in US West as a lineman and subsequently held positions in network services, corporate finance, small business services, product management, and sales. In 1994, he became Vice President, Consumer Sales and Customer service.

For a full discussion of the remuneration and benefits paid by the Company to the directors and officers see the Remuneration Report in the Directors Report of this annual report.

Business address

The business address for the Company and each of the above directors and officers is:

c/- the Company Secretary
Telstra Corporation Limited
Level 41, 242 Exhibition Street
Melbourne Vic 3000
Australia
Ph: +61(3) 9634 6400 or +61(8) 8308 1721 (Telstra Switchboard)

Directors, Management and Employees

Directors' and senior executives' shareholdings in Telstra

As at 19 August 2005, the directors' and senior executives' shareholdings in Telstra are:

Directors

	Number of shares held		
	Direct interest	Indirect interest ⁽¹⁾	Total
Donald G McGauchie	-	47,887	47,887
Sol Trujillo	-	-	-
John E Fletcher	-	57,117	57,117
Belinda J Hutchinson	37,111	32,289	69,400
Catherine B Livingstone	10,400	20,557	30,957
Charles Macek	-	44,538	44,538
John W Stocker	800	91,942	92,742

⁽¹⁾ Shares in which the director does not have a relevant interest, including shares held by director related entities, are excluded from indirect interests.

Senior executives

	Number of shares held		
	Direct interest	Indirect interest	Total
Bruce Akhurst	7,780	54,711	62,491
Phil Burgess	-	-	-
Douglas Campbell	9,700	27,500	37,200
David Moffatt	600	3,100	3,700
Ted Pretty	-	2,400	2,400
Michael Rocca	12,000	-	12,000
Deena Shiff	5,680	8,800	14,480
John Stanhope	6,980	3,960	10,940
William Stewart	-	-	-
David Thodey	12,462	5,800	18,262
Greg Winn	-	-	-

Employees

We are one of Australia's largest employers. As at 30 June 2005, the Telstra Group employed 42,523 full-time employees. Telstra also engages employees under flexible work arrangements including casual, supplementary and part-time employees. As at 30 June 2005, the Telstra Group had engaged the equivalent of 3,813 full-time employees under these flexible arrangements. In total, as at 30 June 2005, the Telstra Group's full-time equivalent (FTE) employee total was 46,336 which is 4,395 more than at the same time in 2004, where the equivalent FTE employee number totalled 41,941.

We saw an increase in Australian based full-time employee numbers during fiscal 2005 from 36,159 to 39,657 mainly due to the acquisition of:

- KAZ - 2,284;
- DAMOVO (Australia) - 304; and
- Universal Publishers - 120.

Directors, Management and Employees

More than 90% of our employees work in Australia. However, we also have international interests, with employees in New Zealand, Asia and other locations as follows:

	As at 30 June 2005	As at 30 June 2004
New Zealand	1,508	1,302
Asia	1,060	981
Other	298	122

The following table summarises full-time employees and equivalents in Australia and overseas for the past five financial years:

	As at 30 June				
	2005	2004	2003	2002	2001
Full-time Australian based employees of the Telstra Group	39,657	36,159	37,169	40,427	44,874
Full-time equivalent total for the Telstra Group	46,336	41,941	42,064	44,977	48,317

Superannuation

Our employees receive superannuation contributions that are either more generous than or comply with our legal obligations. The majority of our Australian employees are members of the Telstra Superannuation Scheme or, in the case of some employees who were employed prior to 1990, the Commonwealth Superannuation Scheme.

In fiscal 2005 the Federal Government introduced legislation, which came into effect in July 2005, which allows employees the choice of where their employer superannuation contributions can be made. The legislation allows for certain categories of our employees to be exempted. However, we have decided to extend this flexibility to as many employees as possible, subject to other legislative restrictions.

Labour relations

The nominal expiry date of the six major business unit Enterprise Agreements was 22 June 2005 and provided employees covered by these agreements with an increase of 2% in January 2005. In June 2005 we reached 'in-principle' agreement with the relevant unions to enter into a new Enterprise Agreement (EA) to replace the six expired agreements. For the new EA to take effect it will need to be approved by a majority of voting employees and certified by the Australian Industrial Relations Commission (AIRC).

Under the proposed EA, employees will receive pay increases of 2.5% each year over a three year period. There are minimal changes to other existing terms and conditions of employment. It is proposed that the first increase will be paid from the first pay period on or after certification of the EA by the AIRC.

Major Shareholders and Related Parties

Major shareholders

The following table shows the number of unlisted and listed shares on issue at 19 August 2005. The table also shows, as a group, the shareholdings of our directors and officers:

Title of class	Identity of person or group	Amount owned	% of class
Shares	The Commonwealth	6,446,207,123 ⁽¹⁾	51.8
Shares	Listed shareholders	5,996,867,234	48.2
		<u>12,443,074,357</u>	<u>100.0</u>
Shares	Directors and officers as a group	489,364 ⁽²⁾	

⁽¹⁾ All shares held by the Commonwealth are unlisted, except for 211,629 listed shares.

⁽²⁾ Refers to direct and indirect holdings.

The shareholdings of each person known by us to be the owner of more than 5% of our voting securities, as at 19 August 2005, is shown in the table titled 'Twenty largest shareholders as at 19 August 2005'. As at 19 August 2005, we are not aware of any individual shareholder, other than the Commonwealth, whose shares represent more than 5% of the issued and outstanding shares. The Commonwealth has equal voting rights with all other shareholders.

Distribution of shares

The following table summarises the distribution of our public listed shares as at 19 August 2005:

Size of holding	Number of shareholders ⁽¹⁾		Shares ⁽²⁾	
	Number	%	Number	%
1 - 1,000	947,997	58.51	584,864,588	9.75
1,001 - 2,000	304,822	18.81	477,394,339	7.96
2,001 - 5,000	250,730	15.47	797,042,070	13.29
5,001 - 10,000	70,002	4.63	543,394,144	9.06
10,001 - 100,000	40,591	2.51	848,113,550	14.14
100,001 and over	1,067	0.07	2,746,270,172	45.80
Total	<u>1,620,209</u>	<u>100.00</u>	<u>5,997,078,863</u>	<u>100.00</u>

⁽¹⁾ Number of shareholders holding less than a marketable parcel of shares was 7,880 shareholders who held 607,833 shares.

⁽²⁾ Not including those shares held by the Commonwealth, except for 211,629 listed shares which are held by the Commonwealth.

As at 19 August 2005, we had 1,353 shareholders who were resident in the US. This does not include ADS holders.

Major Shareholders and Related Parties

Twenty largest shareholders as at 19 August 2005

The following table sets out the top 20 shareholders other than the Commonwealth when multiple holdings are grouped together:

Shareholders	Number of shares	% of issued shares ⁽¹⁾
1 National Nominees Limited	470,514,769	7.85
2 JP Morgan Nominees Australia Limited	443,396,383	7.39
3 Westpac Custodian Nominees Limited	397,157,410	6.62
4 CitiCorp Nominees Pty Ltd	155,508,025	2.59
5 RBC Global Services Australia Nominees Pty Ltd	145,596,965	2.43
6 ANZ Nominees Limited	138,311,384	2.31
7 Cogent Nominees Pty Ltd	94,230,428	1.57
8 Queensland Investment Corporation	94,207,376	1.57
9 Telstra ESOP Trustee Pty Ltd	59,763,800	1.00
10 HSBC Custody Nominees (Australia) Limited	59,660,844	0.99
11 AMP Life Limited	57,906,425	0.97
12 Australian Foundation Investment Company Limited	29,928,338	0.50
13 Telstra Growth share Pty Ltd	21,887,733	0.36
14 Government Superannuation Office	20,894,510	0.35
15 Argo Investments Limited	17,928,100	0.30
16 Westpac Financial Services Limited	17,273,565	0.29
17 PSS Board	16,865,090	0.28
18 Belike Nominees Pty Limited	15,393,829	0.26
19 Victorian Workcover Authority	15,202,015	0.25
20 Questor Financial Services Limited	13,552,744	0.23
Total	2,285,179,760	38.11

⁽¹⁾ Not including those shares held by the Commonwealth

Substantial shareholders

As at 19 August 2005, other than the Commonwealth of Australia, we did not have any substantial shareholders.

Relationship with the Commonwealth of Australia

We have a number of distinct relationships with the Commonwealth, including as shareholder, regulator and customer. The Commonwealth is our controlling shareholder and has special rights and privileges under the Telstra Act. Our relationship with all of our shareholders (including the Commonwealth) is, in general, regulated by the Corporations Act, the ASX Listing Rules and our constitution. Commonwealth departments and independent agencies are also responsible for the regulation of the telecommunications industry generally and Telstra in particular under the Telstra Act, the TPA, the Telecommunications Act and the Telecommunications (Consumer Protection and Service Standards) Act.

The Commonwealth as shareholder

At the end of fiscal 2005, the Commonwealth owned approximately 51.8% of our shares. The Telstra Act precludes any reduction in the Commonwealth's voting rights, paid-up capital or rights to distributions of capital or profit, if any, below a 50.1% interest without amending legislation. The effect of this is that we cannot introduce a dividend reinvestment plan or raise new equity capital in a way that would reduce the Commonwealth's ownership below this level.

Major Shareholders and Related Parties

In March 2005 the Government appointed external business advisers to undertake a scoping study to assess the possibility of a sale of the Commonwealth's remaining interest in us and to make recommendations to the Government. The scoping study was completed in June 2005 and advised that the preferred timing for any sale of the Commonwealth's remaining interest in us is late 2006. The Government has stated that it will make a further decision in early 2006 about proceeding with a sale. This decision will include an assessment of whether the level of demand for the shares would allow a partial or full sale of the Commonwealth's remaining interest in us. If the Commonwealth decides to proceed with a sale of its remaining interest in us, then the Telstra Act will need to be amended.

We are required under the Telstra Act to provide the Commonwealth with certain information that we would not generally be required to disclose concurrently, if at all, to other shareholders. This information includes:

- annual provision of our three-year corporate plan;
- interim financial statements, if requested by the Communications Minister; and
- reports regarding significant proposed events, including corporate restructurings, acquisitions and divestitures or joint venture and partnership activities.

We are also required to keep the Communications Minister and the Minister for Finance and Administration generally informed about our operations and to give them such information about our operations as they require. Our management is required to appear before and, with limited exceptions, provide information to Parliamentary committees.

The Communications Minister has the power under the Telstra Act to give us, after consultation with our Board, such written directions as appear to the Communications Minister to be necessary in the public interest. To date, no directions have been issued under this power. Our Board must ensure that we comply with any such direction. The Communications Minister may not give such directions in relation to the amounts to be charged for work done, or services, goods or information supplied by us. The Communications Minister, however, has some discretionary powers in relation to charges. The Communications Minister also has the power to direct us under the Telecommunications (Consumer Protection and Service Standards) Act. The Telstra Act deems the Commonwealth Auditor-General to have been appointed as our auditor for the purposes of the Corporations Act. The Auditor-General cannot be removed without legislative amendment.

The Commonwealth has the ability to control us. This includes the power to pass any resolution at a shareholders' meeting requiring a simple majority, which includes the appointment and removal of directors, with the exception of matters upon which the Commonwealth is not permitted to vote under the Corporations Act or applicable listing rules.

The Commonwealth has a set of general policies which apply to partially owned Government business enterprises, which provide significant commercial freedoms in the conduct of their business, subject to the oversight of appropriate Ministers. These general policies are applied principally through the Telstra Act, the Commonwealth Authorities and Companies Act 1997 (Cwth) and our constitution.

The Commonwealth as regulator

We are currently regulated by the Commonwealth and its departments and independent agencies under a number of statutes including:

- the Telstra Act;
- the Telecommunications (Consumer Protection and Service Standards) Act 1999;
- the TPA; and
- the Telecommunications Act.

Major Shareholders and Related Parties

The Commonwealth's role as regulator is independent and distinct from its role as shareholder. Like other regulatory regimes, it is unlikely that the current regime will remain static. It will change over time in light of experience and new developments in the industry, and the possible sale of the Commonwealth's remaining interest in us.

We are also subject to a range of other Commonwealth legislation, some of which does not apply to our competitors. This legislation covers a wide range of areas including administrative law, environmental law and employment related law.

The Commonwealth as customer

The Commonwealth is a major user of our services. The Commonwealth, as a result of telecommunications liberalisation, is increasingly seeking to take advantage of open competition when purchasing telecommunications services in such a competitive environment.

Related party transactions

A discussion of our related party transactions is contained in 'Operating and Financial Review and Prospects - Related party transactions'.

Listing Information

Markets in which our shares are traded

We are listed, and those of our shares that are not held by the Commonwealth are quoted, on the ASX and on the New Zealand Stock Exchange (NZSE). ADSs, each representing five shares, have been issued by the Depository and are listed on the NYSE.

The stock market operated by the ASX is the principal stock exchange in Australia. The exchange operates by way of the Stock Exchange Automated Trading System (SEATS) which is a fully computerised system.

Trading on SEATS takes place each business day between the hours of 10:00am and 4:05pm, Australian Eastern Standard Time or Australian Eastern Standard Summer Time. At 4:05pm each day, the ASX subsequently matches any buy and sell orders in the system that satisfy both buyers and sellers. The prices of all listed shares are continuously quoted while the market is open and the system prioritises orders first by price and second by time of placement in the system. Exchange participants can cross stock between buying and selling orders, at the buy or sell quote provided those quotes are no more than one marketable bid apart and can cross outside this range in amounts of A\$1 million or more. Transactions on the ASX are settled on the third business day following the trade date.

Our securities were initially listed on 17 November 1997. This followed the sale by the Commonwealth of 33.3% of its shares in the Company. Subsequently on 18 October 1999, the Commonwealth sold an additional 16.6% of the shares in the Company.

Markets on which our debt securities are listed

We also have debt securities listed on:

- the ASX;
- the London Stock Exchange;
- the Paris Stock Exchange; and
- the Swiss Stock Exchange.

Listing Information

Price history of our securities

The following tables give the price history of our securities.

Table A shows the high and low closing prices for shares and ADSs:

- highest and lowest closing sale prices for shares as derived from the daily official list of the ASX; and
- highest and lowest closing sale prices of ADSs quoted on the NYSE.

Table A - High and low closing price for shares and ADSs - on an annual basis - for a period of five years or time of trading if less than five years

Period	A\$ per share		US\$ per ADS ⁽¹⁾	
	High	Low	High	Low
Fiscal 2001	7.44	5.31	22.00	13.85
Fiscal 2002	5.68	4.48	14.85	12.10
Fiscal 2003	5.04	3.96	15.25	11.84
Fiscal 2004	5.15	4.45	19.17	14.87
Fiscal 2005	5.49	4.63	21.61	16.35

⁽¹⁾ Each ADS represents 5 ordinary shares.

Table A - High and low closing price for shares and ADSs - on a quarterly basis for the two most recent full financial years

Period	A\$ per share		US\$ per ADS ⁽¹⁾	
	High	Low	High	Low
2003				
1 July - 30 September	5.15	4.45	17.07	14.87
1 October - 31 December	4.99	4.71	18.32	16.40
2004				
1 January - 31 March	5.01	4.52	19.71	17.05
1 April - 30 June	5.06	4.50	17.72	15.80
1 July - 30 September	5.49	4.79	18.45	16.35
1 October - 31 December	4.94	4.63	19.42	16.77
2005				
1 January - 31 March	5.49	4.81	21.61	18.30
1 April - 30 June	5.17	4.79	20.01	18.37

⁽¹⁾ Each ADS represents 5 ordinary shares.

Listing Information

Table B shows for the most recent six months, the high and low market prices for each month.

Table B - High and low closing prices for the most recent six months

Period	A\$ per share		US\$ per ADS ⁽¹⁾	
	High	Low	High	Low
2005				
February	5.32	4.99	21.25	19.45
March	5.49	5.02	21.61	19.35
April	5.10	4.83	19.85	18.87
May	5.06	4.79	19.19	18.37
June	5.17	5.05	20.01	19.05
July	5.14	4.93	19.62	18.24

⁽¹⁾ Each ADS represents 5 ordinary shares.

There were 5,997,078,863 shares issued and available for trading on the market as at 30 June 2005. This includes 211,629 shares held by the Commonwealth and listed for trading. At that date, 13,940,172 ADSs (equivalent to 69,700,860 shares) were held by 34 record holders and 2,312,630 ordinary shares were held by 1,320 US record holders.

On 15 November 2004, we announced the successful completion of our A\$750 million off-market share buy-back. A total of 185,284,669 shares were bought back at A\$4.05 per share, representing 3 per cent of the Company's non-Commonwealth owned issued capital. The A\$4.05 per share buy-back price comprised a fully franked dividend of A\$2.55 per share and a capital component of A\$1.50 per share bought back.

We also successfully completed a A\$1 billion off-market share buy-back in November 2003.

Before the buy-backs, the Company had 12,866,600,200 shares outstanding, including those held by the Commonwealth. As a result of the 2003 buy-back, the number of shares outstanding reduced to 12,628,359,026 and the number of shareholders reduced from approximately 1.805 million to 1.769 million. Following the 2004 buy-back, the number of shares outstanding reduced to 12,443,074,357 and the number of shareholders has reduced to 1.634 million. The Commonwealth did not participate in the buy-backs.

The closing price for our shares on the ASX on 18 August 2005 was \$4.74 and the closing price for our ADSs on the NYSE was US\$17.97.

Legal Proceedings

In November 2002, Seven Network Limited and C7 Pty Limited ('Seven') commenced litigation against us and various other parties in relation to the contracts and arrangements between us and some of those other parties relating to the right to broadcast Australian Football League and National Rugby League, the contract between FOXTEL and us for the provision of broadband HFC cable services (the Broadband Co-operation Agreement) and other matters. Seven seeks damages and other relief, including that these contracts and arrangements are void. Expert reports filed by Seven have been used to suggest that Seven's damages are around \$1.1 billion, although this involves significant double-counting and therefore a more realistic upper limit may be around \$480 million. Expert reports filed by the respondents put the upper limit of the damages at significantly less than this amount. Also, these amounts are the total damages claimed from all respondents, and an apportionment of the damages to particular respondents has not yet been made. Seven also seeks orders which would, in effect, require a significant restructure of the subscription television/sports rights markets in Australia. The matter is proceeding before the courts and the hearing is scheduled to commence on 12 September 2005 but is unlikely to have any material effect on our overall business or financial position.

We are also involved in routine litigation. Governmental authorities and other parties threaten and issue legal proceedings against us from time to time.

We do not consider that there are any current proceedings that could materially adversely affect our overall business or financial position.

Constitution and Documents on Display

Our constitution

The following provides information on the material provisions of our constitution. Our constitution describes many of the rights of a shareholder.

We may issue further shares but the Commonwealth must hold at least 50.1% of our shares

The directors may issue shares at their discretion. They must, however, act in accordance with our constitution, the Corporations Act, the Telstra Act, ASX Listing Rules, any special rights conferred on holders of any shares and any direction from the Company in general meeting where shareholders have been requested to authorise an issue of shares. However, under the Telstra Act, the Commonwealth must hold at least 50.1% of our issued shares. The Commonwealth may hold less than 50.1% of our issued shares only if legislation is passed permitting it to do so.

Calls

Our directors may only make calls on shareholders in respect of money unpaid on their shares. Our shareholders have no other liability to further capital calls. All shares currently on issue are fully paid.

Restrictions on foreign ownership

Our constitution contains provisions designed to enable us to monitor and enforce the foreign ownership restrictions contained in the Telstra Act. We have adopted rules to implement these provisions which bind all shareholders. These are outlined in the 'Exchange Controls and Foreign Ownership' section in this annual report.

Alteration of rights

The rights attaching to our shares may only be varied or abrogated with the written consent of the holders of three quarters of the issued shares of that class or with the approval of a special resolution passed at a separate meeting of the holders of the issued shares of that class. Currently, we have only one class of ordinary shares.

Borrowing powers

Our directors may exercise all of our borrowing powers in their absolute discretion. This power may only be varied by amending our constitution which would require a special resolution to be passed by our shareholders at a general meeting.

Shareholders' approval required

The management of the business and affairs of the Company is vested in our directors. However, the approval of shareholders is required for certain important matters, such as the election of directors and the sale or disposal of our main undertaking. As the Commonwealth holds at least 50.1% of our issued shares, it has the power to control most decisions made by shareholders.

Directors and shareholders may call a meeting

The directors may call a general meeting at their discretion. The directors must also call and arrange to hold a general meeting on the request of:

- shareholders who hold at least 5% of the votes that may be cast at the general meeting; or
- at least 100 shareholders who are entitled to vote at the general meeting.

Constitution and Documents on Display

General meeting attendance and notice

All shareholders are notified of and may attend all general meetings. We send a notice of the meeting to all shareholders at least 28 days before the meeting.

Voting rights

Shareholders (whether residents or non-residents of Australia) may vote at a meeting of shareholders in person, by proxy, attorney, or representative, depending on whether the shareholder is an individual or a company.

Three shareholders (one of whom must be the Commonwealth) must be present in person or by proxy, attorney or representative to form a quorum. If there is no quorum present at a meeting 15 minutes after the time set for the start of the meeting, then:

- if the meeting was called by a shareholder or shareholders, the meeting is adjourned to the same day, time and place in the next week or to such other day, time and place as the shareholder or shareholders who called the meeting appoint by notice to shareholders and others entitled to notice of the meeting; or
- in any other case, the meeting is adjourned to the same day, time and place in the next week or to such other day, time and place as the directors appoint by notice to shareholders and others entitled to notice of the meeting.

At the adjourned meeting, the quorum is two shareholders present in person or by proxy, attorney or representative. One shareholder must be the Commonwealth, unless the Commonwealth received written notice of the original meeting and did not attend that meeting. The adjourned meeting is dissolved if this quorum is not present within 15 minutes after the time specified for the meeting.

Shareholders must vote on a show of hands unless a poll is called. A poll may be called either before a vote is taken or before or immediately after the voting results on a show of hands are declared. A poll may be called by:

- the chairman of the meeting;
- not less than five shareholders who may vote on the resolution; or
- a shareholder or shareholders who together hold at least 5% of the votes that may be cast on the resolution on a poll.

If the demand for a poll is withdrawn, the vote is decided on a show of hands.

Subject to any rights or restrictions attaching to our shares, on a show of hands each shareholder present in person or by proxy, attorney or representative has one vote and on a poll, has one vote for each fully paid share held. Presently, we have only one class of fully paid ordinary shares and these do not have any voting restrictions. If shares are not fully paid, the number of votes attaching to the shares is pro-rated accordingly.

An ordinary resolution is passed:

- on a show of hands, by a majority of shareholders present in person or by proxy, attorney or representative voting in favour of the resolution; and
- on a poll, by shareholders present in person or by proxy, attorney or representative holding at least a majority of the votes cast in favour of the ordinary resolution.

Constitution and Documents on Display

A special resolution is passed:

- on a show of hands, by at least 75% of shareholders present in person or by proxy, attorney or representative voting in favour of the resolution; and
- on a poll, by shareholders present in person or by proxy, attorney or representative that represent at least 75% of the votes cast in favour of the special resolution.

Dividends

Subject to any special rights attaching to our shares and to the terms of any issue of shares to the contrary, shareholders receive dividends according to the number of shares held and the amount paid up on those shares. Currently, no special rights attach to any of our shares.

Rights to profits

The power to declare dividends, pay dividends and fix the time for their payment is vested in the Board. Our directors may, before declaring or paying a dividend, set aside out of our profits any amount that they think should be applied as a reserve. Our directors may also carry forward profits which they consider should not be distributed as a dividend, without transferring those profits to a reserve.

A declaration by our directors as to the amount of the profits available for dividend is conclusive and binding on all shareholders.

Documents to be sent to shareholders

Shareholders will receive a copy of any financial statements or other documents which we must send to shareholders under our constitution, the Corporations Act and the ASX Listing Rules. We also offer shareholders the opportunity to receive electronic copies of these documents via email as an alternative to receiving hard copies.

Winding-up

When the Company is being wound up, if the assets available for distribution among shareholders are insufficient to repay the whole of the paid up capital (including credited as paid), the surplus assets must be applied first in repayment of paid up capital (including credited as paid). Any remaining surplus assets will then be applied in repayment of the capital paid up (including credited as paid) on all shares that are restricted securities.

If in a winding-up the assets available for distribution among shareholders are more than sufficient to repay the whole of the paid up capital (including credited as paid), the excess must be distributed among shareholders in proportion to the capital paid up (including credited as paid) or which ought to have been paid up (including credited as paid) at the commencement of the winding-up on their shares.

Number of directors

At all times, we must have between 3 and 13 directors on the Board of directors. Shareholders may vote to increase the maximum number of directors.

Directors' share qualification

Our directors do not require a share qualification.

Constitution and Documents on Display

Retirement of directors

Our directors (other than the CEO) may not retain office for more than three years without offering themselves for re-election. At the annual general meeting (AGM) in each year, at least one third of our directors (other than the CEO) must retire from office. The directors to retire by rotation at each AGM are those who have been longest in office.

In addition, the Board's general policy on Board membership for non-executive directors is:

- in general, directors will be encouraged to retire at 72 years of age; and
- the maximum tenure is 12 years (usually four terms of three years).

Directors' interests

A director who has a material personal interest in a proposal, arrangement or contract that is being considered at a meeting of our directors has a limited right to be present at the relevant meeting and to vote on the matter.

The power to be present and vote only exists in certain circumstances prescribed by the Corporations Act. These are:

- when the Board has passed a resolution that identifies the director and his/her interest and states that the other directors are satisfied that the interest should not disqualify the director from voting or being present; or
- where the ASIC makes a declaration or class order that the director may be present and vote notwithstanding his/her material personal interest.

The directors' power to vote compensation to themselves in the absence of an independent quorum is limited. If there are not enough directors to form a quorum because interested directors are disqualified, the directors may:

- call a general meeting to consider a resolution to deal with the matter; or
- seek a declaration from ASIC allowing the interested director to vote and be included in the quorum (ASIC will only exercise this power when the matter needs to be dealt with urgently and cannot be dealt with in a general meeting).

Officers' indemnity and insurance

Our constitution provides for us to indemnify each officer, to the maximum extent permitted by law, against any liability incurred as an officer provided that:

- the liability is not owed to us or a related body corporate;
- the liability is not for a pecuniary penalty or compensation order made by a court under the Corporations Act; and
- the liability does not arise out of conduct involving a lack of good faith.

Our constitution also provides for us to indemnify each officer, to the maximum extent permitted by law, for legal costs incurred in defending civil or criminal proceedings.

If one of our officers or employees is asked by us to be a director or alternate director of a company which is not related to us, our constitution provides for us to indemnify the officer or employee out of our property for any liability he or she incurs. This indemnity only applies if the liability was incurred in the officer's or employee's capacity as a director of that other company. It is also subject to any corporate policy made by our CEO. Our constitution also allows us to indemnify employees and outside officers in some circumstances. The terms "officer", "employee" and "outside officer" are defined in our constitution.

Constitution and Documents on Display

We may pay an insurance premium insuring a person who is or has been a director, secretary or executive officer of us or of one of our related bodies corporate against certain liabilities incurred by that person in such a capacity. The insurance will not cover liabilities which arise out of conduct involving a wilful breach of that person's duty to us or a breach of their duty not to improperly use their position or company information.

Dividend policy and capital management

It is our current policy to declare ordinary dividends of around 80% of normal profits (excluding the impact of writedowns in assets and investments or other similar unusual items) after tax. The Board also expects to return A\$1.5 billion to shareholders each year for the next two years through special dividends and/or share buy-backs, subject to maintaining the Board's target balance sheet ratios. It is our policy to pay dividends to Australian and New Zealand shareholders by direct credit to the shareholder's or another nominated person's account with a bank or other financial institution. We consider that payment by direct credit is fast, efficient and secure and significantly reduces our administrative costs in relation to payment of dividends.

Documents on display

It is possible to read and copy documents referred to in this annual report that have been filed with the SEC at the SEC's public reference room located at 450 Fifth Street, NW, Washington DC 20549. Please contact the SEC at 1-800-SEC- 0330 for further information. The SEC also maintains a website at www.sec.gov where many of these documents may be accessed.

Exchange Controls and Foreign Ownership

Absence of exchange controls

We will remit dividends, interest or other payments to holders of our securities, unless we are prohibited from doing so.

There are no general restrictions on moving money in or out of Australia. However, Australian foreign exchange and other controls are implemented from time to time against certain countries, entities and persons. Without prior approval of the Reserve Bank of Australia, we are currently prohibited from making payments to (or relating to) specified supporters of the former Milosevic regime of the Federal Republic of Yugoslavia and specified ministers and senior officials of the Government of Zimbabwe. Further, we are currently restricted from giving assets to the Taliban, Osama bin Laden, the Al-Qaida organisation and other persons and entities identified as terrorists or sponsors of terrorism without the permission of the Australian Government. We are also currently prohibited from transferring the assets of the previous Government of Iraq, Saddam Hussein, other senior officials of his regime and their immediate families other than to a development fund established to aid Iraq's reconstruction and rehabilitation.

Restrictions on foreign ownership

Telstra Act

The Telstra Act provides that an “unacceptable foreign-ownership situation” will exist in relation to Telstra if all “foreign persons” and their associates hold, in total, a “particular type of stake” in us of more than 35% of shares held by persons other than the Commonwealth (Aggregate Limit) or if any foreign person and its associates hold a “particular type of stake” in Telstra of more than 5% of shares held by persons other than the Commonwealth (Individual Limit). “Foreign person”, “associate”, “group”, “particular type of stake”, “direct control interest” and “interest” in a share are all defined in the Telstra Act and are summarised below under “Definitions”.

Where an acquisition of shares or interests in shares in any company results in:

- an “unacceptable foreign-ownership situation” in relation to Telstra;
- an increase in the total of any type of stake held by any group of foreign persons in Telstra where there already exists a breach of the Aggregate Limit; or
- an increase in any type of stake in Telstra held by any foreign person who is already in breach of the Individual Limit,

and the person acquiring the shares knew or was reckless as to whether the acquisition would have that result, that person is guilty of an offence punishable on conviction by a fine not exceeding A\$44,000.

The Communications Minister or Telstra may apply to the Federal Court for remedial orders where an unacceptable foreign ownership situation exists, including orders requiring the disposal of shares, restricting the exercise of rights attaching to shares or prohibiting or deferring receipt of sums due on shares. In addition, we are required under the Telstra Act to take all reasonable steps to ensure that an unacceptable foreign ownership situation does not exist in relation to us.

Our constitution contains provisions to enable us to monitor and enforce the foreign ownership restrictions. These provisions are binding on all shareholders. Our Board of directors has adopted rules to implement these provisions. The rules are outlined below. They may be amended at any time by resolution of our Board.

Exchange Controls and Foreign Ownership

On or after registration of a transfer or transmission application for a share, when the acquirer first becomes a shareholder, the acquirer must generally notify us whether it is either:

- a person with an interest in a share who is either a foreign person or an associate of a foreign person; or
- a person who holds a share in which a foreign person or an associate of a foreign person has an interest (foreign holder).

The information derived from these notifications is reflected in a register by means of a foreign coding.

Systems have been established for shares traded on the ASX so that notifications are given by brokers as part of routine provision of ASX settlement information (ASX systems). The ADR custodian under the ADR facilities is automatically treated as a foreign holder for the purposes of the constitution, as are all holders of shares on the New Zealand share register. In the case of other transfers or transmission applications, the onus is on the acquirer to notify us if it is a foreign holder.

All shares held by foreign holders will be treated as foreign unless the holder notifies that some of its shares are ones in which a foreign person or associate of a foreign person has an interest (foreign shares) whereas others are not and either:

- divides its holding into separate Holder Identification Numbers or Security Holder Reference Numbers under the ASX's CHES^S* system, one for foreign shares and one for shares which are not foreign; or
- provides bi-monthly notices indicating the breakdown of its holding into foreign and non-foreign shares.

The constitution and rules also contain provisions permitting us to send notices to registered holders of shares with a view to determining whether they are foreign holders or not and requesting details of any foreign persons or associates of foreign persons having interests in the relevant shares and any other information relating to foreign ownership which may be requested.

If we determine, as a result of information obtained from the notifications and responses to notices referred to above, that an unacceptable foreign ownership situation exists in relation to us, there is power under our constitution to require divestment of shares to remedy this situation. In exercising this divestment power, we are entitled to rely on foreign codings in the relevant register and upon the notifications and responses to notices referred to above. We will notify the ASX, NZSE and NYSE if the level of foreign codings comes within five percentage points of the Aggregate Limit and after that at one percentage point intervals. The divestment powers are broadly framed and we and our directors are not liable to shareholders for the manner of their exercise.

If we believe that the Individual Limit has been breached, we may require that any shareholder whose shares are believed to form part of the contravening "stake" be divested within 30 days of the date a notice requiring divestment (disposal notice) is given.

If we believe the Aggregate Limit has been breached, the rules currently provide that disposal notices will be given to all holders whose foreign shares became registered in their names or which became coded as 'foreign' on the day that the aggregate number of foreign coded registrations on the relevant register exceeded the limit and on each succeeding day whilst the limit is exceeded.

Exchange Controls and Foreign Ownership

The recipient of a disposal notice is required to divest the shares that are the subject of the notice before the divestment date specified in the notice. The divestment date will be the fifth business day of the month next following the month in which the disposal notice was issued, unless that would be less than 30 days after the date of issue of the notice, in which case the divestment date will be the fifth business day of the next month.

No divestment will be required on a divestment date if foreign shares, as shown on the relevant register on that date, do not exceed the Aggregate Limit. If a disposal notice is not complied with, the constitution contains provisions empowering us to sell the relevant shares on behalf of the holder on or after the relevant divestment date. The holder will lose the ability to transfer the shares itself after that date.

Transfers among foreign holders and ADR holders

Special arrangements apply to certain transfers from one foreign holder to another.

Disposal notices will not be given in respect of:

- foreign shares acquired from the international underwriters on closing of the international offerings in 1997 and 1999;
- foreign shares acquired under a particular form of ASX 'special crossing' for transfers among foreign holders. Shares can only be transferred under such a special crossing if they are not, and are not liable to become, the subject of a disposal notice; or
- shares registered on the New Zealand branch share register or deposited in the ADR facility, though shares may only be transferred onto the New Zealand branch share register or ADR facility if they are not, and are not liable to become, the subject of a disposal notice.

NZSE trading is only in shares registered on the New Zealand branch register.

All shares deposited in the ADR facility will be treated as foreign. Holders of ADRs are subject to the Individual Limit and must notify the Depositary, as applicable, if any of the ADRs they hold form part of a 'stake' which breaches the Individual Limit. Where the Individual Limit is breached, the Depositary may be required to divest the relevant shares and the corresponding ADRs may be cancelled. The deposit agreement contains provisions permitting the Depositary to obtain and supply to us information relevant in monitoring and enforcing the foreign ownership limits.

The above summary is not complete and is subject to, and qualified by, reference to the constitution and current rules and procedures that have been adopted by us for the administration of the foreign ownership provisions in the Telstra Act. Copies of the constitution, the rules and the Telstra Act, are available for inspection through the Company Secretary, Telstra Corporation Limited, 242 Exhibition Street, Melbourne, Victoria 3000, Australia during normal working hours.

Definitions

'Foreign person' is defined in the Telstra Act as:

- a foreign citizen (defined in the Telstra Act as a non-Australian citizen) not ordinarily resident in Australia (a 'foreign citizen');
- a company where a foreign citizen or a foreign company (defined in the Telstra Act as an overseas incorporated company) holds a particular type of stake in the company of 15% or more;
- a company where a group of two or more persons, each of whom is either a foreign citizen or a foreign company, holds in total a particular type of stake in the company of 40% or more;

Exchange Controls and Foreign Ownership

- the trustee of a trust estate in which a foreign citizen or a foreign company holds a substantial interest (essentially a 15% beneficial interest, including such foreign citizen's or foreign company's associates' interests); or
- the trustee of a trust estate in which two or more persons, each of whom is either a foreign citizen or a foreign company, hold an aggregate substantial interest (essentially a 40% beneficial interest including each such foreign citizen's or foreign company's associates' interests).

A 'particular type of stake' in any company held by any person is defined as the aggregate of the 'direct control interests' of that type in that company held by that person and that person's associates.

An 'associate' of a person is defined to include:

- a wide range of direct and indirect relationships such as relatives, partners, employees and employers of the person;
- if the person is an employee of an individual, other employees of the individual;
- if the person is a company, an officer of the company and, if the person is an officer of a company, the company and other officers of the company;
- the trustee of a discretionary trust where the person or an associate of the person is a beneficiary;
- a company whose directors are accustomed, or under an obligation, to act in accordance with the wishes, directions or instructions of the person;
- a company where the person is accustomed, or under an obligation, to act in accordance with the company's wishes, directions or instructions;
- a company in which the person has a particular type of stake of at least 15% or, if the person is a company, a person who holds a particular type of stake of at least 15% in it; and
- an associate of an associate of the person.

For the purposes of determining foreign ownership of any company, a person's associates also include any other person with whom the person has an arrangement enabling them to jointly control any of the voting power of such company or certain types of power over, or over the appointment of, the Board of directors of such company.

'Group', in relation to the foreign ownership limits, includes one person alone or a number of persons, even if they are not in any way associated with each other or acting together.

A 'direct control interest' of any person in any company is defined as the equivalent percentage of:

- the total paid up share capital of the company in which the person holds an interest;
- the voting power in the company that the person is in a position to control;
- the total rights to distributions of capital or profits of the company to its shareholders on a winding up, held by the person;
- the total rights to distributions of capital or profits of the company to its shareholders, other than on a winding up, held by the person; and
- traced interests held via interposed entities.

Exchange Controls and Foreign Ownership

'Interest in a share' is defined to include:

- legal or equitable interests in a share;
- certain rights under a contract to purchase a share;
- options to acquire a share or an interest in a share;
- a right to have a share transferred to the person's order; and
- an entitlement to acquire a share or an interest in a share or to exercise or control the exercise of a right attached to the share.

However, certain interests in shares are disregarded, including:

- certain interests of lenders under or following enforcement of security arrangements;
- interests of a trustee or manager of, or a custodian for, a unit trust or certain Australian complying or exempt superannuation funds, if such trustee, manager or custodian reasonably believes that foreign persons hold beneficial interests in less than 40% of the capital and income in the trust or fund;
- interests held by an Australian registered life insurance company or a custodian for it, in respect of a statutory fund, if the company reasonably believes that less than 40% of policy holder liabilities of the fund are owed to foreign persons;
- interests held by nominees, custodians or depositaries, or brokers acting on clients' instructions in the ordinary course of business, provided in each case the holder has no beneficial interest or discretionary voting authority in respect of the underlying shares;
- certain interests held by the international underwriters and their related corporations;
- shareholder interests in companies other than us, which are not 'foreign persons' under the Foreign Acquisitions and Takeovers Act 1975 (Cwth);
- interests held by persons who are not foreign persons and do not have any substantive foreign associates (that is, persons who directly or indirectly control them, with whom they act in concert or in accordance with whose wishes, instructions or directions they are obliged or accustomed to act);
- interests held by any person to the extent that, after such interests have been included in the 'stake' of that person and any of its substantive foreign associates, such interests would also be included in the stake of a non-substantive associate of the person; and
- interests held by any person who is not a foreign person to the extent that, in determining the total of the stakes of a group of foreign persons, such interests would be counted more than once for that purpose.

References to 'interests' in shares exclude disregarded interests.

Exchange Controls and Foreign Ownership

Foreign Acquisitions and Takeovers Act 1975 (Cwth)

The Foreign Acquisitions and Takeovers Act 1975 (Cwth) ('FATA') applies to an acquisition by a foreign person of an interest in the shares of an Australian company with total assets of A\$50 million or more which results in the acquisition of or addition to a substantial interest in the Australian company.

With effect from 1 January 2005 the Australia United States Free Trade Agreement increased this threshold to \$800 million for investors from the United States. However the increase does not apply to investments in prescribed sensitive sectors such as telecommunications. Therefore, the \$50 million threshold continues to apply to investors in Telstra shares.

A 'substantial interest' is defined to be any single foreign person and its associates controlling 15% or more, or two or more foreign persons and their associates in aggregate controlling 40% or more, of shares or voting power. Any proposed acquisition which would result in these thresholds being exceeded should be notified to the Federal Treasurer and a statement of no objection issued (with or without conditions) in advance of completion of the acquisition.

When assessing the proposed acquisition, the Federal Treasurer will have regard to the limits prescribed by the Telstra Act which are also reflected in Australia's Foreign Investment Policy.

Under the Foreign Acquisitions and Takeovers Regulations, a foreign person that is a foreign custodian may be certified by the Treasurer as exempt from the operation of the FATA in respect of interests held by the foreign custodian on behalf of Australians (or other expressly limited classes of investor). This regulation has the same effect as the regulations under the Telstra Act, which provide that certain interests in shares are disregarded including interests held by custodians in the ordinary course of business, provided the custodian has no beneficial interest or discretionary voting authority in respect of the underlying shares.

Foreign ownership status

At 19 August 2005, the number of Telstra shares recorded as foreign on our register was 6.0562% of the total number of issued Telstra shares.

Taxation

Australian taxation

The Australian Taxation Office (ATO) has provided advice confirming the Australian income taxation implications of investment in shares and ADSs as summarised in the following discussion. This discussion is based on the law in force at the date of this annual report.

The tax profile of each investor will determine the applicable Australian income taxation implications for that investor. For example, some investors (such as financial institutions) may hold their investments on income account rather than on capital account, in which case the comments below concerning capital gains implications will not be applicable. Certain tax non-residents may, irrespective of whether the assets they dispose of are capital gains tax assets that have the necessary connection with Australia (for the purpose of these discussions, these assets are referred to as “taxable Australian assets”), be liable to tax in respect of a profit on a dealing in the asset as ordinary income.

Pursuant to taxation reforms enacted by the Commonwealth Government during fiscal 2003, the Telstra Entity and its Australian resident wholly owned entities elected, from 1 July 2002, to be treated as a single entity for income tax purposes.

Treatment of shares

Taxation of dividends

An imputation system operates in Australia in respect of company income tax. In the absence of an exemption or concession, Australian resident companies are liable for Australian income tax on their taxable income at the corporate rate which is currently 30%. The payment of Australian income tax by Australian companies generates a franking credit which, when the Company pays a dividend to shareholders, generally flows through to Australian resident shareholders.

At present, it is expected that we will be able to fully frank declared ordinary dividends out of fiscal 2006 earnings. However, no assurance can be given as to the level of franking of ordinary dividends in the future. This is because it depends upon, amongst other factors, our earnings, Government legislation and our taxation position.

A tax off set equivalent to the franking credit (known as a “franking rebate”) may be available to certain Australian resident shareholders. Under certain rules, there are circumstances where an investor may not be entitled to the benefit of franking credits. The application of these rules depends on the investor’s own circumstances including the period for which the shares are held and the extent to which the investor, if a resident, is “at risk” in relation to their investment.

Fully franked dividends paid to non-resident shareholders are not subject to dividend withholding tax (DWHT). Dividends to the extent that they are not fully franked are generally subject to DWHT at the rate of 30% (unless reduced by a double tax treaty). In the case of US tax residents who hold less than 10% of the voting power in Telstra, provided that the shares are not effectively connected with a permanent establishment or a fixed base of a tax non-resident in Australia through which the tax non-resident carries on business in Australia or provides independent personal services, the rate is reduced under the double tax treaty to 15%.

Accordingly, dividends paid by us to tax non-residents to the extent to which they are franked will not be subject to DWHT. The unfranked part of any dividends paid by us to tax non-residents will be subject to DWHT. We deduct DWHT and the tax non-resident receives dividends on the shares net of DWHT.

Fully franked dividends paid to tax non-residents and dividends that have been subject to DWHT are not subject to any further Australian income tax.

Taxation

Taxation of capital gains

Tax non-residents will be liable for income tax under the capital gains provisions on the gains (in certain circumstances after an allowance for inflation in Australia or a capital gains tax discount) realised on the disposal of certain assets which are “taxable Australian assets”. Taxable Australian assets include a share (or interest in a share) in a public company where at any time in the preceding five years the non-resident’s holding (together with the holding of associates) in the public company is 10% or more.

Tax non-residents who, together with their associates, hold less than 10% of our shares (or an interest in a share) will, on disposal of the shares, not be subject to any Australian income tax on capital gains. Restrictions on the extent of foreign ownership in Telstra should ensure that tax non-resident investors qualify for this exemption.

Certain tax non-residents may, irrespective of whether the assets they dispose of are taxable Australian assets, be liable to tax in respect of a profit on a dealing in the assets, as ordinary income. A double tax treaty between Australia and the country of residence of the investor may give relief from liability to pay the Australian income tax on ordinary income.

Generally, the “business profits” articles of Australia’s double tax treaties provide that a resident of a treaty country is not subject to Australian income tax on “business profits” derived in Australia, unless derived at or through a permanent establishment in Australia. In the case of residents of the US, Article 7 (1) of the Convention between Australia and the US for the Avoidance of Double Taxation (the US Treaty) provides that the business profits of a US enterprise are only taxable in the US unless the enterprise carries on business in Australia through a permanent establishment situated in Australia. The term “permanent establishment” is defined in Article 5 of the US Treaty. In the view of the ATO, capital gains realised on the disposal of shares would not be “business profits” and the domestic capital gains tax provisions would apply. Investors should seek their own independent taxation advice should they wish to rely on a double tax treaty for relief from liability to pay Australian income tax upon the disposal of a share.

Investors who incur a liability for Australian income tax will be required to file an income tax return in Australia.

Treatment of American depositary receipts

Non-resident holders of ADRs evidencing ADSs will be treated for Australian income tax purposes as the owners of the shares represented by the ADSs.

Taxation of distributions

The Depositary will receive dividends on the shares represented by the ADSs net of DWHT (where payable). Holders of ADRs will not be subject to any further Australian income tax on distributions representing fully franked dividends or dividends that have been subject to DWHT.

Taxation of capital gains

A disposal of an ADR by a tax non-resident investor will constitute a disposal by the investor of the Telstra shares represented by the ADS evidenced by that ADR. Tax non-residents who, together with their associates, hold less than 10% of the shares or interests in our shares (including through ADSs) will, on disposal of ADRs, not be subject to any Australian income tax on capital gains. Restrictions on the extent of foreign ownership in Telstra should ensure that tax non-resident investors qualify for this exemption.

Taxation

Certain tax non-residents may, irrespective of whether the assets they dispose of are taxable Australian assets, be liable to tax in respect of a profit on a dealing in the assets as ordinary income. A double tax treaty between Australia and the country of residence of the investor may give relief from liability to pay the Australian income tax on ordinary income.

As discussed above under ‘Treatment of Shares – Taxation of capital gains’, generally, the “business profits” articles of Australia’s double tax treaties provide that a resident of a treaty party is not subject to Australian income tax on “business profits” derived in Australia, unless derived at or through a permanent establishment in Australia. In the view of the ATO, capital gains realised on the disposal of ADRs would not be “business profits” and the domestic capital gains tax provisions would apply. Investors should seek their own independent taxation advice should they wish to rely on a double tax treaty for relief from liability to pay Australian income tax upon the disposal of a share or ADR.

Australian stamp duty

As we are incorporated in the Australian Capital Territory (ACT), the stamp duty treatment of the transfer of Telstra shares is determined by reference to the ACT’s stamp duty regime.

From 1 July 2001, stamp duty on the transfer of shares which are quoted on a recognised stock exchange was abolished in the ACT. This covers both the situation where the transfer of such shares is affected by way of an “on-market” transfer (ie. through a broker) or by way of an “off-market” transfer.

This abolition also applies to the transfer of ADRs because ADRs are treated in the same way as shares for stamp duty purposes. Accordingly, from 1 July 2001 the transfer of ADRs is also not subject to stamp duty in the ACT.

United States taxation

This section describes the material US federal income tax consequences to a US holder (as defined below) of owning shares or ADSs. It applies to investors only if they hold their shares or ADSs as capital assets for tax purposes. This section does not apply to investors if they are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organisation;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of our voting stock;
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction; or
- a person whose functional currency is not the US dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on the US Treaty all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

Taxation

An investor is a US holder if it is a beneficial owner of shares or ADSs and it is:

- a citizen or resident of the US;
- a domestic corporation;
- an estate whose income is subject to US federal income tax regardless of its source; or
- a trust if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorized to control all substantial decisions of the trust.

Investors should consult their own tax advisors regarding the US federal, state and local and the Australian and other tax consequences of owning and disposing of shares and ADSs in their particular circumstances. In general, and taking into account the earlier assumptions, for US federal income tax purposes, if investors hold ADRs evidencing ADSs, they will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to US federal income tax.

Taxation of distributions on shares or ADSs

Under the US federal income tax laws, if an investor is a US holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for US federal income tax purposes) is subject to US federal income taxation. For investors that are non-corporate US holder, dividends paid to them in taxable years beginning before 1 January 2009 that constitute qualified dividend income will be taxable to them at a maximum tax rate of 15% provided that they hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements.

Investors must include any Australian tax withheld from the dividend payment in this gross amount even though they do not in fact receive it. The dividend is taxable to investors when they, in the case of shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. The amount of the dividend distribution that investors must include in their income as a US holder will be the US dollar value of the Australian dollar payments made, determined at the spot A\$/US\$ rate on the date the dividend distribution is includible in their income, regardless of whether the payment is in fact converted into US\$. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date they include the dividend payment in income to the date they convert the payment into US\$ will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the US for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of their basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Australian tax withheld in accordance with the US Treaty and paid over to Australia will be creditable against investors' US federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate.

Dividends will be income from sources outside the US, but dividends paid in taxable years beginning before January 1, 2007 generally will be "passive income" or "financial services income" and dividends paid in taxable years beginning after December 31, 2006 will, depending on the investor's circumstances, be "passive income" or "general income" which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to investors.

Taxation

Taxation of capital gains

If an investor is a US holder and it sells or otherwise disposes of its shares or ADSs, it will recognize a capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount that it realizes and its tax basis, determined in US\$, in its shares or ADSs. Capital gain of a non-corporate US holder that is recognized before 1 January 2009 is generally taxed at a maximum rate of 15% where the holder has a holding period of greater than one year. The deduction of capital losses is subject to certain limitations. The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes.

Quantitative and Qualitative Disclosures about Market Risk

The potential for change in the market value of our financial assets and liabilities is referred to as “financial market risk”. We sometimes enter into financial instruments to manage our exposure to financial market risk such as interest rates and foreign currency rates that arise as part of our normal business operations.

Derivatives are financial instruments such as interest rate swaps, futures, foreign exchange forwards and cross currency swaps that derive their value from specified assets, indices, reference rates or a combination of these factors. We use derivative financial instruments, in accordance with Board approved policies, to hedge the market risks and volatility of financial outcomes arising from the underlying physical business or balance sheet exposure.

We are exposed to interest rate risk due to our borrowings

Our borrowings are generally for maturities of up to ten years and we manage our debt in accordance with targeted, currency, interest rate and debt portfolio maturity profiles.

Our target currency is principally A\$ matching our principal currency of operation. Our borrowings are derived both from A\$ and foreign currency sources with foreign currency borrowings in most cases swapped into A\$ at commencement through to maturity. A relatively small proportion of our foreign currency borrowings are not swapped into A\$ where they are used as natural hedges against our translation foreign exchange risk to offshore business investments.

Where the actual interest rate profile on the physical debt profile differs substantially from our desired target, we use derivatives, principally interest rate swaps, to adjust the net positions towards the target net debt profile. Our net debt portfolio therefore includes both physical borrowings (such as bonds and commercial paper) and associated derivative instruments (such as cross currency and interest rate swaps).

Our interest rate risk is calculated as the net of the interest rate exposure on our total net debt portfolio, after applying related derivatives and after offsetting any holdings of financial assets whose value is sensitive to interest rates.

The interest rate on a proportion (of face value approximately A\$2.94billion) of our borrowings is subject to the possibility of a limited increase through “coupon step-up” clauses that would be triggered by credit ratings downgrades from Standard & Poor’s and/or Moody’s Investor Service. The interest rates on this debt will increase by 0.25% up to a maximum of 0.50% pa if our minimum credit rating falls to A- (S&P) / A3 (Moody’s) or below depending on the particular trigger points of each borrowing and the extent of the rating change. The interest rate increase will step-down again for some borrowings if the minimum credit rating was to subsequently increase above the previously mentioned trigger points. Our current ratings are A+ Negative Outlook (S&P) and A1 Negative Outlook (Moody’s).

We have exposure to foreign currency risk due to our normal business operations and borrowings

Foreign currency exchange risk arises from:

- firm or anticipated transactions for receipts and payments for international telecommunications services settled in or dependant on foreign currencies;
- investments (both business and financial) denominated in foreign currencies;
- purchase commitments for material and supplies with prices dependent on foreign currencies; and
- borrowings that are denominated in foreign currencies.

Quantitative and Qualitative Disclosures about Market Risk

We manage the foreign exchange risk on the major part of our foreign currency denominated borrowings by effectively converting them to A\$ borrowings at drawdown by applying cross currency swaps to maturity. Where foreign currency borrowings are used to hedge a specific underlying foreign exchange exposure, they are not swapped to A\$ (eg. to hedge financial investments in foreign currency denominated securities and borrowings raised for offshore ventures).

Foreign exchange risks that arise from the purchase of goods and services are managed principally through the use of forward foreign currency derivatives.

We manage our translation foreign exchange risk to offshore business investments with a combination of foreign currency denominated borrowings (either physical or synthetic) in the currency of the entity concerned and forward foreign currency derivatives. Our economic foreign exchange risk is assessed for each individual currency, calculated by aggregating the net exposure for that currency.

Our economic exposure to movements in market risks is assessed and measured on a fair value basis

Two methods used to assess and present our overall estimated market risk are:

- sensitivity analysis; and
- value-at-risk or “VaR”.

These are undertaken to assess the potential impacts of adverse movements in the fair value of the relevant portfolio at the reporting date as shown below. Since market rates move in both directions, these can be advantageous as well as adverse. Hedging to protect against a downside risk can, in its establishment, remove or diminish the potential upside benefits.

Sensitivity analysis

We undertake a sensitivity analysis on our net debt and foreign exchange exposure portfolios after application of all hedging transactions. This is based on an instantaneous adverse proportional movement of 10% in interest rates and exchange rates.

The probability of this occurring is not factored into this sensitivity analysis. Also, the diverse nature of the portfolios is not taken into account and concurrent adverse movements in all exchange rates and interest rates is assumed.

For these reasons, the analysis may be conservative and may not represent likely market volatility since based on historical movements it is unlikely that there would be a concurrent adverse movement across all factors in the future.

The numbers in the following tables represent fair value movement in the areas concerned after all underlying exposures and related hedges are taken into account. Fair value movements can contain profit and loss statement or balance sheet movements or a combination of both.

Adverse proportional movement of 10% across risk categories

Fair Value Risk	As at 30 June	
	2005	2004
	(A\$m approximate)	
Risk Categories		
Interest rates	286	210
Foreign currency rates	118	80
Total	404	290

Quantitative and Qualitative Disclosures about Market Risk

The foreign currency rate numbers include the translation exposure movements generated from our overseas investments in CSL and TelstraClear. A proportion of both these exposures is hedged using a combination of foreign currency borrowings and foreign currency derivatives.

VaR

VaR is used to assess the potential adverse economic outcome due to market movements over a defined time horizon and with a specified confidence level based on historical volatilities. This potential component is calculated using the current statistical volatility relevant to the particular instrument derived from representative market wide data.

For the VaR numbers reported below, a one month time horizon and a 99% confidence level were used. This one month time horizon differs from many financial institutions who hedge for trading purposes and where a shorter one day period may be more appropriate. We consider a one month holding period is appropriate as our hedging activities are of a non-trading nature.

The monthly figures quoted can be approximately converted to daily assessments by multiplying by 0.22 or to 12 monthly estimates by multiplying by 3.5. For example, the VaR monthly result for foreign exchange of \$32 million converts to an annual equivalent of approximately \$112 million. We derive the potential fair value impact by applying historical volatility measures to the identified current market risk.

Unlike the sensitivity analysis, our overall VaR analysis takes into account the diversified nature of our net debt and net foreign exchange exposure portfolios and incorporates historical correlation between the markets. This projection based on historical volatility is, however, only an estimation of future volatility. The actual future volatility could be substantially different.

We arrived at the VaR numbers by using a Monte Carlo simulation model developed by our consulting actuaries, Mercer Finance & Risk Consulting which is part of Mercer Human Resources Consulting Pty Ltd, which uses recognised market wide based data sets and volatility calculation methodology. The data sets comprise:

- interest rate and foreign exchange rate volatilities; and
- correlations between and within interest rates and foreign exchange rates.

The simulation model determines the distribution of the fair value of our debt portfolio and foreign exchange portfolio plus hedges at future rates. This is undertaken by simulating interest and foreign exchange movements against our actual transaction portfolio. In deriving the VaR numbers, 50,000 simulations have been undertaken to ensure the production of stable, robust results.

The VaR is the difference between the median expected value of the portfolio and the value at the 99% confidence level assuming an adverse movement (ie. there is a 1% chance that the result arising from an adverse movement will be more adverse than the VaR).

Quantitative and Qualitative Disclosures about Market Risk

VaR ⁽¹⁾	As at 30 June	
	2005	2004
Fair Value Risk – (One month holding period)	(A\$m)	
Risk categories		
Interest rates	175	164
Foreign currency rates	32	46
Sub-total	207	210
Diversification effect ⁽²⁾	(17)	(41)
Total	190	169

⁽¹⁾ For approximate conversions from monthly VaR cost multiply by 0.22 to give daily VaR and 3.5 to give twelve monthly VaR. These conversion factors assume that the portfolios continue with the same basis profiles, such as maturity and debt mix.

⁽²⁾ Equals the difference between the total monthly VaR and the sum of the monthly VaR's for the two risk categories. This effect arises because the volatility of diversified risks (ie not the same) is less than the volatility of undiversified risks. If both risks are the same the VaR of the combined risks would simply be the sum of the VaRs.

VaR calculations were undertaken for portfolio balances at the end of each quarter during fiscal 2005. The following table shows the high, low and average amounts of the portfolio VaR based on these quarterly results. It should be noted that the portfolio composition changes each quarter and the high and low quarters are selected based on the then existing portfolio values. These quarters may therefore not represent the high or low for each particular component of interest rate and foreign exchange rate movements and inter quarter exposures can change significantly

VaR ⁽¹⁾ analysis	As at 30 June 2005		
	High	Low	Average
Fair Value Risk - (One month holding period)	(A\$m)		
Risk categories			
Interest rates	175	135	158
Foreign currency rates	32	39	41
Sub-total	207	174	199
Diversification effect ⁽²⁾	(17)	(29)	(27)
Total	190	145	172

⁽¹⁾ For approximate conversions from monthly VaR cost multiply by 0.22 to give daily VaR and 3.5 to give twelve monthly VaR. These conversion factors assume that the portfolios continue with the same basis profiles, such as maturity and debt mix.

⁽²⁾ Equals the difference between the total monthly VaR and the sum of the monthly VaR's for the two risk categories. This effect arises because the volatility of diversified risks (ie not the same) is less than the volatility of undiversified risks. If both risks are the same the VaR of the combined risks would simply be the sum of the VaRs.

Additional information regarding our market risks is provided in note 29 to our financial statements.

Corporate Governance and Board Practices

The Telstra Board is committed to best practice in the area of corporate governance. Our main corporate governance and board practices in place during fiscal 2005 are described in this section and, where appropriate, elsewhere in our annual report, as indicated. Further information regarding our corporate governance and board practices (including copies of key policies and charters) can also be found on our website, www.telstra.com.au/abouttelstra/corp/governance.cfm.

We regularly review and update our corporate governance practices. The Board evaluates and, where appropriate, implements relevant proposals with the aim of ensuring that we maintain best practice in corporate governance, having regard to developments in market practice as well as new corporate governance requirements and guidance notes issued by the ASX, the New York Stock Exchange, the US Securities and Exchange Commission and other regulators.

We comply with the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" released in March 2003.

The Board of Directors

Role and responsibilities of the Board

The directors are accountable to shareholders for the management of our business and affairs and the Board is responsible to shareholders for our overall strategy, governance and performance. The Board's role includes:

- providing strategic direction to the Company by working with management to establish, monitor, develop and modify our strategy and performance objectives;
- approving significant business decisions;
- approving the annual corporate plan;
- establishing, overseeing and reviewing procedures for best practice corporate governance;
- appointing and assessing the performance of the CEO and approving succession plans and senior management remuneration policies and practices;
- overseeing shareholder reporting and communications;
- ensuring appropriate compliance frameworks and controls are in place and operating effectively;
- monitoring the integrity of internal control and reporting systems and monitoring strategic risk management systems;
- reviewing and approving statutory accounts and overseeing our financial position;
- approving decisions concerning our capital, including capital restructures and dividend policy; and
- complying with the reporting and other requirements of the Telstra Corporation Act.

The Board has adopted a charter that details the role and responsibilities of the Board and its members.

The Board delegates responsibility for day-to-day management of the Company to the CEO and has put a formal delegations structure in place which sets out the powers delegated to the CEO and those specifically retained by the Board.

Board membership, size and composition

The maximum number of directors provided for by our constitution is 13 and we currently have 7 directors on the Board. A casual vacancy to the Board may be filled or an additional director appointed, up to the maximum number of directors, either by:

- the directors after consulting with the Communications Minister; or
- an ordinary resolution of shareholders.

Corporate Governance and Board Practices

The tenure of the CEO is linked to his executive office, while one third of all other directors are subject to retirement by rotation each year. Directors who retire by rotation may be re-elected by shareholders. A director appointed by the directors is subject to election at the next annual general meeting. The Board's general policy on Board membership for non-executive directors is that, in general, directors are encouraged to retire at 72 years of age and the maximum tenure is 12 years (ie. four terms of three years).

A brief biography for each director setting out their experience and expertise, together with details of the year of initial appointment and re-election (where applicable) of each director, is outlined in the Directors' report of this annual report.

Role of the Chairman

The Chairman is appointed by the Board. The Chairman's responsibilities include:

- establishing the timetable and working with the CEO and Company Secretary to agree the agenda for Board meetings;
- chairing Board meetings and shareholder meetings;
- providing the appropriate leadership to us and the Board;
- facilitating Board discussions with the aim of ensuring that:
 - the discussions are conducted in an open and professional manner where directors are encouraged to express their views, leading to objective, robust analysis and debate; and
 - the core issues facing us are addressed;
- maintaining a regular dialogue and mentoring relationship with the CEO and Group Managing Directors, serving as a primary link between the Board and management;
- guiding and promoting the on-going effectiveness and development of the Board and individual directors;
- representing the views of the Board to shareholders including the Commonwealth and the public; and
- ensuring the meetings of shareholders are conducted in an open and proper manner with appropriate opportunity to ask questions.

Director Independence

With the exception of the CEO, all directors are non-executive directors and each non-executive director is considered by the Board to be independent.

Generally speaking, an independent director is a director who is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the director's unfettered and independent judgment, and ability to act in our best interests.

The Board considers the effect of a director's business and other relationships and interests annually from both our perspective and that of the director and has regard to a specific set of criteria set out in the Board's Charter. These criteria are consistent with the definition of independence set out in the best practice recommendations of the ASX Corporate Governance Council and the requirements of the NYSE. Materiality is assessed on a case-by-case basis from both our perspective and that of the relevant director and having regard to the director's individual circumstances.

Corporate Governance and Board Practices

Meetings of the Board

The Board meets for both scheduled meetings and on other occasions to deal with specific matters that require attention between scheduled meetings. The regular business of the Board includes strategic matters, governance, oversight, senior executive appointments, performance and remuneration, financial matters, risk management, compliance, and relationships with stakeholders including the Commonwealth. The Board also liaises with senior management as required and may consult with other Telstra employees and advisers and seek additional information.

Details of the number of meetings held by the Board during fiscal 2005 and attendance by Board members are set out in the Directors' report.

Performance Evaluation

The Board regularly reviews its performance and the performance of its committees and the individual directors. In fiscal 2005, the Board engaged an external consultant to facilitate a review of the Board's processes.

The Board makes recommendations to shareholders regarding re-election of directors having regard to the outcome of such reviews.

Declaration of Interests

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interest.

The Corporations Act, our constitution and the Board Charter require directors to disclose any conflicts of interest and to generally abstain from participating in any discussion or voting on matters in which they have a material personal interest. A director who believes he or she may have ceased to be independent, or who believes that he or she may have a conflict of interest or material personal interest in a matter is required to disclose the matter in accordance with the relevant Corporations Act and constitutional requirements.

Board access to management and independent professional advice

Directors have complete access to our senior management through the Chairman, CEO or Company Secretary at any time. In addition to regular presentations by senior management to the Board and Board committee meetings, directors may seek briefings from senior management on specific issues. Directors and Board committees are also able to obtain independent professional advice at our cost, in accordance with company policy.

Committees of the Board

The Board committees assist the Board in the discharge of its responsibilities. The role of Board committees is to advise and make recommendations to the Board. There are four standing committees:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee; and
- Technology Committee.

Details of the committee meetings held in fiscal 2005 and the attendance of each committee member is set out in the Directors' report. Following each committee meeting, the Board receives a report from the committee on the activities and performance of the relevant committee.

Corporate Governance and Board Practices

Each committee operates in accordance with a written charter. The Board appoints the members and the Chairman of each committee. Membership of the Audit, Nomination and Remuneration Committees is confined to directors who are determined by the Board to be independent as defined in the Board Charter.

The role, function, charter, performance and membership of each committee are reviewed on an annual basis as part of the Board's evaluation process. Each committee:

- undertakes an annual assessment of its performance against the requirements of its charter and provides that information to the Board; and
- reviews and assesses the adequacy of its charter annually and discusses any required changes with the Board and ensures any revisions to the charter are approved by the Board.

In accordance with its policy of regular review, new charters for the Board and each committee were approved by the Board in March 2005.

Audit Committee

Role and responsibilities of the Audit Committee

The Audit Committee is a committee of the Board established to:

- assist the Board in discharging its responsibilities by monitoring and advising on:
 - financial reporting including:
 - the integrity, truth and fairness of the view given by our financial statements;
 - the integrity of our financial systems and processes; and
 - the appropriateness of our accounting policies and practices and consistency with current and emerging accounting standards;
 - our overall risk management process and the management of specific risk areas as specified by the Board;
 - the effectiveness of our financial internal controls and control environment;
 - compliance with legal and regulatory requirements and company policies;
 - the external audit including the external auditors' qualifications, scope, independence and performance and the non-audit services disclosures to be made in our annual report including the reasons for being satisfied that the auditors' independence was not compromised by the provision of these services;
 - the objectivity and performance of the internal audit function; and
 - the structure and operation of our corporate governance framework and related disclosures;
- provide a forum for communication between the Board, management and both the internal and external auditors; and
- provide a conduit to the Board for external advice on audit, risk management and compliance matters.

Subject to the role of the Auditor-General (as explained below), the Audit Committee is directly responsible for approving all audit engagement fees and programs, as well as the provision of all non-audit services by our external auditors. This is set out in greater detail in the Directors' report.

Corporate Governance and Board Practices

Composition and membership of the Audit Committee

The Audit Committee is comprised of at least three Board members, all of whom are independent as defined in the Board Charter and who will not, other than in his or her capacity as a member of the Board, Audit Committee or any other Board committee:

- accept directly or indirectly any consulting, advisory or other compensatory fee from us or any of our subsidiaries or any Board committee ; or
- be an affiliated person of us or any of our subsidiaries.

Each member is required to:

- be financially literate (i.e. able to read and understand financial statements) and have sufficient financial knowledge to allow them to discharge their duties and actively challenge information presented by management, internal and external auditors;
- have a reasonable knowledge of us, the industries in which we operate and our risks and controls ; and
- have the capacity to devote the required time and attention to committee meetings.

In addition, the Chairman of the Audit Committee must not be the Chairman of the Board and no director may serve as a member of the Audit Committee if such director serves on the audit committee of more than two other public companies.

Details of the members of the Audit Committee during fiscal 2005 and their qualifications are set out in the Directors' report of this annual report.

Meetings of the Audit Committee

Scheduled Audit Committee meetings are held six times each year. Additional meetings are held as required.

Board members are entitled to attend Audit Committee meetings and the Audit Committee may ask management, the external auditors and/or others to attend meetings and provide such input and advice as required. The Audit Committee regularly meets with the internal auditor and the external auditors in the absence of management.

Details of the number of meetings held by the Audit Committee during fiscal 2005 and attendance by the committee members are set out in the Directors' report.

Audit Governance and Financial Reporting

Relationship with external auditor

In accordance with section 36 of the Telstra Act, it is a legislative requirement that the Auditor-General of Australia is our auditor for the purposes of the Australian Corporations Act. The Auditor-General has appointed an agent, Ernst & Young, to assist in performing independent external audit duties.

The Audit Committee has the authority and responsibility to select, evaluate and, where appropriate, replace the external auditor for filings outside of Australia. Through the Audit Committee, we have appointed Ernst & Young as our external auditor for filings outside Australia and in this respect and for the purposes of these audits, Ernst & Young is responsible for financial reporting purposes rather than the Auditor-General.

The Auditor-General, as our auditor, owes duties to us and our shareholders as a whole. The Auditor-General also owes statutory duties as an independent officer of the Commonwealth. Ernst & Young, as the external

Corporate Governance and Board Practices

auditor appointed by us for filings outside Australia, is accountable to the Board, the Audit Committee and shareholders.

Restrictions on performance of non-audit services and auditor independence

For a summary of the restrictions placed on our auditors providing non-audit services and a summary of the auditors' independence, see the Directors' report.

External Auditor Rotation

As it is a legislative requirement that the Auditor-General is our auditor for the purposes of the Australian Corporations Act, the Auditor-General is not subject to rotation. During fiscal 2004 we, together with the Auditor-General, conducted a tender process in respect of our audit requirements and Ernst & Young was reappointed as the Auditor-General's sub-contractor to assist the Auditor-General with our audit functions in Australia and as our auditor for our US and other overseas auditing requirements. It is our policy that a competitive tender for audit services is conducted every three to five years. We also have a practice of 5-yearly rotation of the lead audit partner of our audit. The last rotation occurred in fiscal 2004.

External Auditors' Attendance at Annual General Meeting

Our external auditors attend our annual general meeting and are available to answer shareholder questions about the conduct of our audit and the preparation and content of the auditor's report.

Audit Committee Processes

The Audit Committee:

- on an annual basis meets separately with the internal auditor, the Auditor-General and Ernst & Young, with and without management, to discuss the results of their audits;
- considers key elements of reports and regulatory filings, including the Directors' report section of this annual report, prior to their release and discusses them with the Auditor-General and Ernst & Young, as appropriate; and
- reviews with management, the Auditor-General and Ernst & Young, the financial report to be included in the annual report, including the Auditor-General's and Ernst & Young's responsibilities under the Corporations Act, generally accepted auditing standards, significant accounting policies, management judgments and accounting estimates and adjustments arising from the audit, and discusses the Auditor General and Ernst & Young's judgments about the quality, not just the acceptability, of accounting principles as applied in the financial report.

Adoption of International Financial Reporting Standards

We will be required to comply with the Australian equivalents of the International Financial Reporting Standards (A-IFRS), as issued by the Australian Accounting Standards Board, when we report for the half-year ending 31 December 2005 and the year ending 30 June 2006. Further information regarding A-IFRS can be found in note 1.4 to our financial statements.

Nomination Committee

In March 2005 we separated our Nominations & Remuneration Committee into the Nomination Committee and the Remuneration Committee. Details of the members and their attendance at meetings are outlined in the Directors' report.

Corporate Governance and Board Practices

Role and responsibilities of the Nomination Committee

The Nomination Committee is a committee of the Board established to assist the Board in discharging its responsibilities by monitoring and advising on:

- composition and performance of the Board;
- director independence; and
- appointment of the CEO.

Composition and membership of the Nomination Committee

It is Board policy that the Committee is comprised of at least three Board members including the Chairman of the Board, all of whom are independent as defined in the Board Charter.

Each member is expected to:

- have a reasonable knowledge of us and the industries in which we operate; and
- have the capacity to devote the required time and attention to committee meetings.

Meetings of the Nomination Committee

Meetings are held no less than twice each year on pre-arranged dates.

The Nomination Committee may invite other people including any of our employees to its meetings, as it deems necessary. However, if a person has a material personal interest in a matter that is being considered at a meeting, he/she must not be present for consideration of that matter.

Remuneration Committee

Role and responsibilities of the Remuneration Committee

The Remuneration Committee is a committee of the Board established to assist the Board in discharging its responsibilities by monitoring and advising on:

- remuneration of the Board;
- performance and remuneration of the CEO;
- performance and remuneration of the Group Managing Directors;
- remuneration strategies, practices and disclosures generally; and
- employee share and option plans.

The Committee also exercises the administrative powers delegated to it by the Board under our share option plans and in certain circumstances, makes offers to employees under those plans.

Corporate Governance and Board Practices

Composition and membership of the Remuneration Committee

It is Board policy that the Committee is comprised of at least three Board members including the Chairman of the Board, all of whom are independent as defined in the Board Charter.

Each member is expected to:

- be familiar with legal and regulatory disclosure requirements in relation to remuneration;
- have adequate knowledge of executive remuneration issues, including executive retention and termination policies, and short term and long term incentive arrangements;
- have a reasonable knowledge of us and the industries in which we operate; and
- have the capacity to devote the required time and attention to committee meetings.

Meetings of the Remuneration Committee

Meetings are held no less than twice each year on pre-arranged dates scheduled to correspond with our remuneration review cycle.

The Remuneration Committee may invite other people including any of our employees to its meetings, as it deems necessary. However, if a person has a material personal interest in a matter that is being considered at a meeting, he/she must not be present for consideration of that matter.

Telstra's Remuneration Framework

Information in relation to our remuneration framework (including information regarding our remuneration strategy and policies and their relationship to Company performance), together with details of the remuneration paid to Board members and senior executives during fiscal 2005, can be found in the Remuneration Report included in the Directors' report.

Each year, the Board reviews our CEO's performance against agreed measures and considers the CEO's compensation and entitlement to performance based remuneration. Each year, the CEO undertakes the same exercise in relation to the GMDs. The results of the CEO's annual performance review of each GMD are considered by the Board.

Technology Committee

The Technology Committee is a committee of the Board established as a forum for the Board to review technology developments relevant to us and the industries in which we operate in greater detail than is possible at Board meetings. The Committee's purpose is educative only. Details of the members and their attendance at meetings are outlined in the Directors' report.

Risk oversight and management

We are committed to the management of risks throughout our operations. The role of the Board includes monitoring the integrity of internal control and reporting systems and monitoring the effectiveness of our management of strategic, financial, operational and compliance risks. The Audit Committee provides advice to the Board on the status of our business risks. The Audit Committee relies on the work undertaken by the risk management and assurance function, which independently assesses the adequacy and operating effectiveness of the controls in place surrounding the management of risk. Some of the significant risks that could affect us are described in the 'Key Information – Risk factors' section of this annual report. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material.

Corporate Governance and Board Practices

Primary responsibility for risk oversight and management lies with our management, who periodically review and update their significant business risks. The risk management and assurance function also plays a key role in this process, developing and promoting a common language and approach to be used by business units to enable them to proactively identify, manage and control their risks and transferring risk management expertise to them. The Audit Committee regularly receives reports independently prepared by the risk management and assurance function on significant business risks with an evaluation as to the adequacy and effective operation of controls that are in place surrounding the strategies applied by business units to manage these risks.

The financial risk arising from our underlying business activities is largely managed through a central treasury function which applies a prudential approach. The central treasury function manages the liquidity, cash flow, foreign exchange, interest rate, borrowing and other financial terms and conditions, financial support arrangements, counterparty credit risk and derivatives. The treasury function's principal objectives are to minimise the volatility of economic and financial outcomes and to establish sound operational controls.

We also use insurance to transfer significant risk exposures arising in the key areas of property, public and product liability, and directors' and officers' liability. However, in view of our size, we accept substantial 'excess levels' and do not insure for risks that we can readily accommodate. Some risks cannot be effectively insured such as potential claims in relation to electromagnetic energy and business interruption.

Risk Management, internal compliance, control systems and our financial reports

The CEO and CFO have provided the Board with the certifications required by the Corporations Act and those recommended by the ASX Corporate Governance Council Recommendations in relation to our risk management and internal compliance and control systems and our financial reports.

The CEO and CFO have confirmed to the Board that the Company's risk management and internal compliance and control systems to the extent they relate to financial reporting are operating efficiently and effectively in all material respects based on the risk management model adopted by the Company. The CEO and CFO have also provided the Board with confirmation that, in all material respects, the Company's financial reports for the year ended 30 June 2005 present a true and fair view of the Company's financial position and performance.

The CEO took office on 1 July 2005 and provided these confirmations based on his observations after taking office and representations by management as to the practices of the Company before 1 July 2005.

Telstra Values, Telstra Business Principles, Code of Conduct and other company policies

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

Corporate Governance and Board Practices

Telstra Values, Telstra Business Principles and company policies

We provide guidance to our directors, senior management and employees on the practices, principles and standards of corporate and personal behaviour required of all of our officers and employees in performing their daily business activities through our Company Values, the Telstra Business Principles and our company policies (including our Code of Conduct). Through the Telstra Business Principles, the Code of Conduct and other company policies we reinforce the standards of appropriate business and ethical behaviour we expect from all employees, which are aimed at understanding and complying with the spirit and letter of legal and regulatory standards. We have a mandatory ethics training program for all employees to reinforce these standards. We also provide assistance to employees on the application and interpretation of the Telstra Values, Telstra Business Principles, Code of Conduct and other company policies through employee help lines.

Whistleblowers

We have in place a Telstra Whistleblowing Service and whistleblowing policy which gives our staff the opportunity to raise concerns they might have with respect to actual or suspected illegal, unethical or improper business behaviour within Telstra. The service is operated by an independent third party and matters may be notified to the service confidentially and, if the employee wishes, anonymously. This service and policy provide protection for people who make disclosures, as well as the rights of anyone who may be named or affected by a report. They are also designed to complement existing policies and procedures such as our Code of Conduct and the fair treatment and equal employment opportunity procedures.

Share Trading

We have in place a share trading policy that prohibits directors, senior management and certain other employees (and their associates) from engaging in short-term trading of our securities (including the acquisition of derivatives and financial and other products issued or created over our shares by us or any third party). This policy also restricts the buying or selling of our securities to three “window” periods (between 24 hours and 1 month following the release of our annual results, the release of our half-yearly results and the close of our annual general meeting) and at such other times as the Board permits. Trading during these window periods is subject to the overriding requirement that buying or selling of our securities is not permitted at any time by any person who possesses price-sensitive information which is not generally available in relation to those securities.

In addition, directors, senior management and relevant employees must notify the Company Secretary before they or their close relatives buy or sell our securities. Changes to the interests of directors in our securities are, as required by law, notified to the ASX.

Our share trading policy also prohibits our directors, senior management, other employees and contractors from buying or selling securities of other companies (including shares, derivatives and financial and other products issued or created over those securities by the company or any third party) when in possession of price-sensitive information relating to that other company which is not generally available. This is so if the information is price-sensitive to the other company (and not generally available), even though it may not be price-sensitive information to us.

Market disclosure

We have established procedures intended to ensure that we comply with our market disclosure obligations. In particular, we have in place a comprehensive continuous disclosure procedure which is reviewed and updated on a regular basis. The aim of this procedure is to ensure that we release price-sensitive information

Corporate Governance and Board Practices

in a timely fashion to the various stock exchanges on which our shares and debt securities are listed. Our procedure runs as follows:

- ultimate management responsibility for continuous disclosure rests with the CEO and the Chief Financial Officer (CFO);
- our Continuous Disclosure Committee (Committee), chaired by the Company Secretary, advises the CEO and the CFO on disclosure matters. The Committee is responsible for an internal disclosure system which aims to ensure that information that might be disclosable is identified and reviewed quickly. The Committee's membership includes the Company Secretary, the Managing Director - Corporate Affairs, the General Counsel - Finance & Administration, the Director - Business and Finance Services and the General Manager - Investor Relations (or their delegates);
- specified members of senior management (including the CEO, the CFO, all other Group Managing Directors and their direct reports, the Group General Counsel and all Business Unit General Counsel (Respondents) must immediately inform the Committee of any potentially price-sensitive information or proposal as soon as they become aware of it; and
- the Committee's view is then presented to the CEO and the CFO. If the matter is disclosable, an announcement is prepared and immediately sent via the Company Secretary's office electronically to all relevant stock exchanges.

We implement several practices internally to reinforce the importance of our continuous disclosure obligations and the need to keep the Committee informed about potentially disclosable matters. These practices are reviewed regularly and include the following:

- every director is made aware of our continuous disclosure obligations upon taking office and each Respondent undertakes training with the General Counsel - Finance and Administration, in relation to our continuous disclosure obligations;
- a weekly email is sent to all Respondents reminding them to notify the Committee immediately if they become aware of any potentially price-sensitive information or proposals;
- the Committee monitors issues which, although not yet disclosable, may become disclosable;
- all proposed media releases and external speeches and presentations to be made by senior management are reviewed by internal legal counsel to determine whether they should be disclosed;
- the Compliance Report prepared for the Audit Committee every quarter includes reporting on continuous disclosure; and
- the Office of the Company Secretary maintains a record of all market announcements made. The announcements are also posted on our website after market release is confirmed.

We also have in place an investor relations policy governing communications and the provision of information to external parties, including shareholders, brokers, analysts and financial media. The aim of this policy is to ensure that we provide investors and the financial community with appropriate and timely information whilst at the same time ensuring that we fulfil our statutory reporting obligations under the Corporations Act and the ASX Listing Rules.

Legal and Regulatory Compliance

Telstra is committed to conducting its businesses in compliance with its legal and regulatory obligations. Compliance with these obligations is not just a legal requirement but is integral to Telstra's commitment to its employees, customers, shareholders and the community.

Corporate Governance and Board Practices

Telstra Values, Telstra Business Principles and company policies

We provide guidance to our directors, senior management and employees on the practices, principles and standards of corporate and personal behaviour required of all of our officers and employees in performing their daily business activities through our Company Values, the Telstra Business Principles and our company policies (including our Code of Conduct). Through the Telstra Business Principles, the Code of Conduct and other company policies we reinforce the standards of appropriate business and ethical behaviour we expect from all employees, which are aimed at understanding and complying with the spirit and letter of legal and regulatory standards. We have a mandatory ethics training program for all employees to reinforce these standards. We also provide assistance to employees on the application and interpretation of the Telstra Values, Telstra Business Principles, Code of Conduct and other company policies through employee help lines.

Whistleblowers

We have in place a Telstra Whistleblowing Service and whistleblowing policy which gives our staff the opportunity to raise concerns they might have with respect to actual or suspected illegal, unethical or improper business behaviour within Telstra. The service is operated by an independent third party and matters may be notified to the service confidentially and, if the employee wishes, anonymously. This service and policy provide protection for people who make disclosures, as well as the rights of anyone who may be named or affected by a report. They are also designed to complement existing policies and procedures such as our Code of Conduct and the fair treatment and equal employment opportunity procedures.

Share Trading

We have in place a share trading policy that prohibits directors, senior management and certain other employees (and their associates) from engaging in short-term trading of our securities (including the acquisition of derivatives and financial and other products issued or created over our shares by us or any third party). This policy also restricts the buying or selling of our securities to three “window” periods (between 24 hours and 1 month following the release of our annual results, the release of our half-yearly results and the close of our annual general meeting) and at such other times as the Board permits. Trading during these window periods is subject to the overriding requirement that buying or selling of our securities is not permitted at any time by any person who possesses price-sensitive information which is not generally available in relation to those securities.

In addition, directors, senior management and relevant employees must notify the Company Secretary before they or their close relatives buy or sell our securities. Changes to the interests of directors in our securities are, as required by law, notified to the ASX.

Our share trading policy also prohibits our directors, senior management, other employees and contractors from buying or selling securities of other companies (including shares, derivatives and financial and other products issued or created over those securities by the company or any third party) when in possession of price-sensitive information relating to that other company which is not generally available. This is so if the information is price-sensitive to the other company (and not generally available), even though it may not be price-sensitive information to us.

Market disclosure

We have established procedures intended to ensure that we comply with our market disclosure obligations. In particular, we have in place a comprehensive continuous disclosure procedure which is reviewed and updated on a regular basis. The aim of this procedure is to ensure that we release price-sensitive information

Corporate Governance and Board Practices

in a timely fashion to the various stock exchanges on which our shares and debt securities are listed. Our procedure runs as follows:

- ultimate management responsibility for continuous disclosure rests with the CEO and the Chief Financial Officer (CFO);
- our Continuous Disclosure Committee (Committee), chaired by the Company Secretary, advises the CEO and the CFO on disclosure matters. The Committee is responsible for an internal disclosure system which aims to ensure that information that might be disclosable is identified and reviewed quickly. The Committee's membership includes the Company Secretary, the Managing Director - Corporate Affairs, the General Counsel - Finance & Administration, the Director - Business and Finance Services and the General Manager - Investor Relations (or their delegates);
- specified members of senior management (including the CEO, the CFO, all other Group Managing Directors and their direct reports, the Group General Counsel and all Business Unit General Counsel (Respondents) must immediately inform the Committee of any potentially price-sensitive information or proposal as soon as they become aware of it; and
- the Committee's view is then presented to the CEO and the CFO. If the matter is disclosable, an announcement is prepared and immediately sent via the Company Secretary's office electronically to all relevant stock exchanges.

We implement several practices internally to reinforce the importance of our continuous disclosure obligations and the need to keep the Committee informed about potentially disclosable matters. These practices are reviewed regularly and include the following:

- every director is made aware of our continuous disclosure obligations upon taking office and each Respondent undertakes training with the General Counsel - Finance and Administration, in relation to our continuous disclosure obligations;
- a weekly email is sent to all Respondents reminding them to notify the Committee immediately if they become aware of any potentially price-sensitive information or proposals;
- the Committee monitors issues which, although not yet disclosable, may become disclosable;
- all proposed media releases and external speeches and presentations to be made by senior management are reviewed by internal legal counsel to determine whether they should be disclosed;
- the Compliance Report prepared for the Audit Committee every quarter includes reporting on continuous disclosure; and
- the Office of the Company Secretary maintains a record of all market announcements made. The announcements are also posted on our website after market release is confirmed.

We also have in place an investor relations policy governing communications and the provision of information to external parties, including shareholders, brokers, analysts and financial media. The aim of this policy is to ensure that we provide investors and the financial community with appropriate and timely information whilst at the same time ensuring that we fulfil our statutory reporting obligations under the Corporations Act and the ASX Listing Rules.

Legal and Regulatory Compliance

Telstra is committed to conducting its businesses in compliance with its legal and regulatory obligations. Compliance with these obligations is not just a legal requirement but is integral to Telstra's commitment to its employees, customers, shareholders and the community.

Corporate Governance and Board Practices

The Board is responsible for requiring appropriate compliance frameworks and controls to be in place and operating effectively for compliance with relevant laws, regulations and industry codes. The Audit Committee has been delegated specific responsibility for reviewing our approach to achieving compliance with laws, regulations and associated industry codes in Australia and overseas and the oversight of compliance issues. This oversight is facilitated by the preparation of a quarterly compliance report summarising our compliance initiatives and issues.

We have a number of compliance programs in place to address specific legal and regulatory obligations. These include programs directed to health, safety and environment, equal employment opportunity, privacy, trade practices and industry regulation.

The principles of the Australian Standard on Compliance Programs, AS 3806, have been incorporated into these programs and a number of programs, including the privacy compliance program, are subject to periodic, independent external audits which are intended to ensure that our approach is comprehensive, robust and rigorous.

This program based approach at a corporate level is supported by a network of managers and other personnel at the business unit level with specific responsibility for the implementation of the compliance programs within the business units. This structure has been designed with the aim of ensuring that each business unit's operations are conducted in accordance with our obligations. This is achieved through a focus on policies, procedures and work instructions that is intended to ensure that we, together with our employees, achieve transparent compliance with these obligations. There is a complementary focus on training, dissemination of information and monitoring of compliance outcomes.

These initiatives reflect our commitment to maintaining a strong compliance record and reducing the risk of future legal and regulatory compliance issues.

Corporate Social Responsibility

We have 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. Being a successful company is not just about financial performance, it is also about being a good corporate citizen, living our Telstra Values in every decision we make, every day. Further information regarding corporate social responsibility can be found in the "Corporate Social Responsibility" section of this annual report.

Political and Other Donations

We do not make political donations. However, in line with other major publicly listed companies, we do pay fees to attend a range of functions organised by major political parties where those functions allow for discussion on major policy issues with key opinion leaders and policy makers.

We make donations and contribute funds to community and other organisations as part of our approach to corporate social responsibility.

Shareholder Communications Strategy

We have implemented a number of initiatives to promote effective communication with our shareholders. These include:

- maintaining an investor relations website;
- placing all relevant announcements made to the market and related information on our website;
- webcasting certain events such as briefings and our annual general meeting; and

Corporate Governance and Board Practices

- using electronic communications to advise investors, who have provided us with their email address, of significant matters that may be of interest to them.

We are also seeking to encourage our shareholders to receive their communications from us electronically through our participation in the eTree program, of which we are a foundation member. Through the eTree program, we currently donate to Landcare Australia:

- \$2 for every shareholder who chooses to receive all of their communications from us electronically; and
- \$1 for those shareholders who choose just to receive electronic shareholder reports and notices of meetings from us.

During fiscal 2005, we donated over \$93,000 to Landcare Australia through this initiative.

Other Considerations

We are, and while the Commonwealth owns more than 50% of the shares in Telstra, we expect to remain subject to various ministerial and other controls to which other publicly listed companies are not subject. This includes a ministerial power to give us written directions that the Communications Minister believes are in the public interest (section 9 of the Telstra Corporation Act). The Board continues to strive to achieve best corporate governance practice, in the context of this shareholding structure.

Compliance with NYSE requirements

The NYSE has corporate governance requirements for companies listed on the NYSE. The NYSE has granted foreign private issuers such as Telstra a “home country” exemption from most of these requirements. We are, however, required to provide a brief description of the material differences between our corporate governance practices and the NYSE corporate governance requirements. These differences are described below.

Corporate Governance Committee

Under the NYSE listing rules, each listed company must have a nominating/corporate governance committee with a written charter that requires the committee to, among other matters, develop and recommend to the board of directors a set of corporate governance principles applicable to the company. We have determined that this function is best served by the Board of directors as a whole supported by our Audit Committee, rather than our Nomination or Remuneration Committees. Accordingly, our Nomination and Remuneration Committees’ charters do not require the Committees to perform this function.

Equity Compensation Plans

Under the NYSE listing rules, each listed company must give its shareholders the opportunity to vote on the adoption of, or material revisions to, equity compensation plans. Under the Australian Stock Exchange listing rules, shareholders are only provided with the opportunity to vote on new equity compensation plans or material revisions to existing equity compensation plans in limited circumstances, including an issue of shares under an employee incentive scheme to a director. In accordance with the home country exemption, we only seek shareholder approval in relation to equity compensation plans in the circumstances required under Australian law.

(This page has been left blank intentionally)