Corporate Social Responsibility

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

In the second half of calendar 2003, Telstra will produce a first report on our performance in areas that fall into our definition of Corporate Social Responsibility. The report will be prepared with reference to internationally recognised reporting guidelines, particularly the Global Reporting Initiative. We envisage three key stakeholders – our employees, customers and shareholders – as the primary audiences for this first report, which will take the form of a detailed web-site together with a printed booklet summarising highlights which will be made widely available.

The report will be a collation of our key activities, performance and commitments in the following areas:

- **Here for the community -** In fire, floods, drought and, more recently, tragedies such as the Bali bombing, Telstra was there to help by way of donation, community support and prompt restoration of services. We are involved with communities across Australia and overseas through activities such as our 4000-strong volunteer network, Telstra Friends; our philanthropic trust for children and young people, the Telstra Foundation; disaster relief activities; and numerous sports, arts and community sponsorships. Telstra also helped set up the Australian Farmhand Appeal which started in October 2002 and raised approximately $23.5 million for drought stricken farmers.

- **Here for the environment -** Like any large company, Telstra is a big consumer of energy and other resources such as paper. We are focused on measuring and minimising that consumption. Our environment policy includes programs for waste management, reduction in greenhouse emissions, recycling initiatives and improvements in the use of resources.

- **Here for the economy -** Telstra has a significant impact on the economy. We are a major taxpayer, we pay dividends to shareholders, reinvest profits into our network and develop new opportunities for our business, often resulting in a benefit to the overall industry. Our diverse workforce is spread across metropolitan, regional and remote areas and internationally. Managing our costs, including their impact on our workforce levels, remains one of the most challenging issues facing Telstra as we continue to strive for excellent and cost-competitive service to customers.

- **Here for industry -** Telstra is a leader in the Australian telecommunications industry. We support programs that foster growth and development in areas such as broadband internet and mobile communications as well as other new technologies. We are also leading the development and introduction of industry-related consumer services and products which benefit society. For example, we established a national program educating drivers about the safe use of mobile phones, deterrent programs for mobile phone theft and a campaign on mobile phone etiquette.

Occupational Health and Safety

We believe that all workplace disease and injury is preventable and we are committed to providing a safe workplace, one that is free from injury and disease. To assist in achieving these aims, we have developed and implemented our own Telstra Care health and safety management system based on the Australian/ New Zealand Standard AS/NZS 4804:2001 Occupational Health and Safety Management Systems - General Guidelines on Principles, Systems and Supporting Techniques.

This system focuses on leadership in safety, together with measurable accountabilities, through all levels of management. It is underpinned by targeted training and a rigorous schedule of occupational health and safety audits. Since its inception in 1997, additional tools, resources and training courses have enhanced the Telstra health and safety management system ensuring we have continually improved safety at work.

In the past year, our activities have included:

- continuing our extensive external safety audit program – the audits focus primarily on leadership and many are commenced without prior notice to the workplace;

- further enhancement of our contractor management processes to ensure that contractors' safety performance is a criteria used in their selection and in the monitoring of ongoing work; and

- participating in external safety activities to benefit industry as a whole (eg. the development of Call Centre guidelines and review of health and safety representatives training).

As a result of widespread prevention activities, Telstra's lost-time injuries reduced by 30% compared with the previous year and the lost-time injury frequency rate reduced from 6.7 to 4.9 (excludes NDC).

For the 2003 fiscal year, in accordance with section 74 of the Occupational Health and Safety (Commonwealth Employment) Act 1991(Cwth), the following notices of accidents and dangerous occurrences were recorded:

Incidents

Fatality	Serious personal injury	Prescribed incapacity	Dangerous occurrence
0	33	7	261

Notices and directions

Type	Number
Provisional improvement notices (section 29)	0
Directions not to disturb workplace (section 45)	0
Prohibition notices issued by investigators (section 46)	0
Improvement notices issued (section 47)	0

Environment

In providing our diverse range of telecommunications products and services, Telstra impacts on the environment in a number of ways – from the direct impacts on land as a result of construction and maintenance of our networks to the resources used and the waste produced as a result of business operations and the packaging associated with our products.

Our goal is to minimise our environmental impact and, in doing so, set the standard for environmental performance in our industry and to pursue and achieve world's best practice in environmental management.

Our activities promote ecologically sustainable development (ESD) in a number of ways. In particular, the provision of telecommunications services has the potential to reduce the impact of our activities and the activities of our customers on the environment in the following ways:

- minimising reliance on transport (and its associated environmental impacts) by opting for "real-time" audio and visual communications;
- providing increased opportunity for communities to interact better;
- replacing paper-based and resource-intensive ways of transferring information; and
- improving the dissemination of information and ideas locally and globally.

To minimise our impact on the environment, Telstra has an environmental management system. This year we began the process of integrating our environmental management system with our health and safety management system to provide a single, comprehensive, efficient and robust system.

The application of our environmental management system, together with the engagement of staff, has led to continued improvement in our environmental performance. Initiatives carried out this year include:

- continued commitment to the Greenhouse Challenge;
- completing a comprehensive audit of product packaging under our National Packaging Covenant Action Plan;
- commencing Green Purchasing - requiring all our suppliers and contractors to meet stipulated environmental conditions and supporting them to improve their environmental performance;
- recycling more than 1,800 tonnes of paper, avoiding disposal in landfill; and
- recycling thousands of kilograms of mobile phones from Telstra shops and more than 60% of directories through the Book Muncher® initiative by Sensis.

More information on Telstra's environmental management system, policy and performance is available at www.telstra.com.au/environment.

Freedom of Information

Freedom of Information Act 1982 (Cwth)

This statement is made in accordance with section 8 of the Freedom of Information Act 1982 (Cwth) (FOI Act). The FOI Act gives a right of access, subject to exemptions and exceptions, to documents of the Telstra Entity.

We are exempt from the operation of the FOI Act in relation to documents in respect of our commercial activities.

Functions

The particulars and functions of the Telstra Entity are set out in detail in this annual report. From time to time the Telstra Entity may make decisions regarding the supply of telecommunications services and matters incidental, ancillary or complementary to the supply of telecommunications services that may affect members of the public.

Organisation

An outline of our organisation is given under "Information on the Company - Organisational structure".

Consultative arrangements

Consultative arrangements exist between us, a number of user groups for specific products, as well as a wide range of groups including:

- our Consumer Consultative Council (residential, Single Office and Home Office customers); and
- our Disability Forum and Disability Equipment Program Customer Advisory Group (customers with a disability).

We also liaise with:

- the National Farmers Federation (rural and regional customers); and
- the Australian Telecommunications Users Group (business and general).

Categories of documents

We produce and/or retain numerous documents, including documents that are available to the public free of charge.

Documents available to the public free of charge include Telstra's Customer Service Charter, our Standard Form of Agreement with customers, product and service brochures and our annual report. These and certain other categories of documents are available from our website, www.telstra.com.

The categories of documents that we produce and/or retain relate to the provision of telephone lines and customer premises equipment to homes and businesses, the provision of local, long distance and international telephone calls, the provision of payphones and provision of mobile, data, internet and online services. There are also documents relating to wholesale services provided to other carriers and carriage service providers.

Freedom of Information

Freedom of information requests

Initial enquiries concerning requests for access to documents or amendment of personal records under the FOI Act may be directed to:

Telstra's Information Access Unit
Locked Bag 5691
Melbourne Vic 3001

or:

Information Access Unit
Telstra Corporation Limited
Level 38
242 Exhibition Street
Melbourne Vic 3000

Telephone enquiries should be directed to the Information Access Manager on (03) 9632 3376.

Glossary

1xRTT (One Times Radio Transmission Technology): a 3G development of CDMA technology for high speed packet switched data

2.5G: technology designed to expand the bandwidth and data handling capacity of existing mobile telephony systems such as GSM using GPRS

3G: third generation technology designed to further expand the bandwidth and functionality of existing mobile telephony systems beyond 2.5G

ACA: Australian Communications Authority

ACCC: Australian Competition and Consumer Commission

Access line: a fixed or wireless local access connection between a customer's premises and a carrier's local switch

ACIF: Australian Communications Industry Forum

ACT: Australian Capital Territory

ADR: American depositary receipt

ADS: American depositary share

ADSL (Asymmetric Digital Subscriber Line): a technology for transmitting digital information at a high bandwidth on existing phone lines

AGAAP: generally accepted accounting principles in Australia

ARPANSA (Australian Radiation Protection and Nuclear Safety Agency): a Commonwealth Government agency responsible for protecting the health and safety of people and the environment from the harmful effects of radiation

ARPU: average revenue per user

ASX: Australian Stock Exchange Limited

ATM (Asynchronous Transfer Mode): a high bandwidth, low delay technology for transmitting voice, data and video signals

Bandwidth: the capacity of a communication link

Broadband network: a network to support subscription television and online services

Carriage service provider: a person that supplies a telecommunications service to the public using Carrier network infrastructure

Carrier: a licensed owner of certain specified transmission infrastructure that is used to supply telecommunications carriage services to the public; any person holding a carrier licence

CDMA (Code Division Multiple Access): a mobile telephone system based on digital transmission

Churn (where expressed as a rate): the rate at which subscribers to a service disconnect from the service. Churn is usually expressed as total disconnects for a period divided by the average number of customers for that period

Churn (where expressed as an activity): the transfer of a customer's telecommunications service from one supplier to another. In the case of a transfer involving a resale arrangement, no disconnection occurs and a churn relates to a change in the legal entity responsible for a telecommunications service or account

Glossary

Communications Minister: the Commonwealth Minister for Communications, Information Technology and the Arts

Commonwealth: Commonwealth of Australia

Corporations Act and Australian Corporations Act: Corporations Act 2001 (Cwth)

CPE: customer premises equipment

CSG: customer service guarantee

CSL: Hong Kong CSL Limited

DDSO: digital data service obligation

Declared Services: a particular telecommunications service, or other service that facilitates the supply of services, that is subject to the regulated access regime. The ACCC has the responsibility for determining declared services, based on public inquiries

e-commerce: e-commerce includes buying and selling electronically over a network

EFTPOS: electronic funds transfer at point of sale

EME: electromagnetic energy

Frame relay: a packet switching technology for voice, data and video signals which uses packets of varying length, or frames. Frame relay can be used with any data protocol

Government: the Government of the Commonwealth of Australia

GPRS (General Packet Radio Service): a service that will allow compatible mobile phones and mobile data devices to access internet and other data networks on a packet basis. The devices can remain connected to the net and send or receive data information and e-mail at any time

GSM (Global System for Mobile Communications): a mobile telephone system based on digital transmission

HFC: hybrid-fibre coaxial

IN: intelligent network

INP: inbound number portability

IP: internet protocol

IP-VPN: internet protocol virtual private network

ISDN (Integrated Services Digital Network): a digital service providing switched and dedicated integrated access to voice, data and video

ISP (Internet Service Provider): an internet service provider provides the link between an end user and the internet by means of a dial-up or broadband service. An ISP is also likely to provide help desk, web hosting and e-mail services to the end user. An ISP may connect to the internet via their own backbone or via services acquired from an internet access provider

Glossary

LAN (**local area network**): a short distance data communications network used to link computers and other equipment

MNP: mobile number portability

Number portability: the ability of end users to keep their telephone number when they change their telephone service provider

PABX (Private Automated Branch Exchange): telephone equipment on a customer's premises seen as terminal equipment on the public network

Preselection: the ability of a customer to choose a service provider to provide a basket of services including national and international long distance and fixed to mobile services. Preselection is on a "permanent" basis when the customer selects a provider for all calls placed without an override code

PSTN (Public Switched Telephone Network): our national fixed network delivering basic and enhanced telephone service

REACH: Reach Ltd, a 50:50 joint venture with PCCW Limited

RDN: routed data network

Reseller: non-carrier providers of telecommunications services

SDN: switched data network

SIO: services in operation

SME: small and medium enterprises

SMS: short messaging service

TCW: Telstra Country Wide

Telecommunications Act: Telecommunications Act 1997 (Cwth)

Telstra: Telstra Corporation Limited and its controlled entities as a whole

Telstra: a registered trade mark of the Telstra Entity

Telstra Act: Telstra Corporation Act 1991 (Cwth)

Telstra Entity: Telstra Corporation Limited

TIO: Telecommunications Industry Ombudsman

TPA: Trade Practices Act 1974 (Cwth)

TSLRIC: total service long run incremental cost

ULL (Unconditioned Local Loop): one or more twisted copper pairs between the exchange and the network boundary at a customer's premises

US: United States of America

USGAAP: generally accepted accounting principles in the US

Glossary

USO (Universal Service Obligation): obligation imposed on carriers to ensure that standard telecommunications services are reasonably available to all persons in the universal service area

WAN: wide area network

WAP: wireless application protocol

WDM: wave division multiplexing

WHO: World Health Organisation

Wireless Local Loop: a range of radio technologies used to provide fixed access to customers in lieu of copper

xDSL: term used to describe various forms of digital subscriber line technologies that can provide very high speed service using existing copper lines

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Telstra Corporation Limited and controlled entities

Total Year Financial Summary

	2003 A$m	2002 A$m	2001 A$m	2000 A$m	1999 A$m
Sales revenue	**20,495**	20,196	18,679	19,343	17,571
Total revenue (including interest)	**21,700**	20,928	23,086	20,567	18,218
EBITDA[1]	**9,170**	9,483	9,834	8,563	8,351
Profit before income tax expense	**4,928**	5,446	6,297	5,349	5,320
Net profit after minorities.	**3,429**	3,661	4,058	3,677	3,486
Dividends	**3,345**	2,830	2,445	2,316	4,247
Total assets.	**35,599**	38,219	38,003	30,578	27,780
Gross debt	**12,272**	13,726	13,990	9,821	7,211
Net debt.	**10,972**	12,268	12,505	8,877	6,118
Shareholders' equity	**15,422**	14,106	13,722	11,602	10,294
Operating cash flows.	**7,057**	7,098	6,599	6,547	6,574
Investing cash flows	**(2,492)**	(3,258)	(6,370)	(4,896)	(4,064)
Financing cash flows.	**(4,317)**	(3,817)	94	(1,881)	(2,484)
Net movement.	**248**	23	323	(230)	26
Capital expenditure and investments (including capitalised interest).	**(3,437)**	(3,777)	(7,712)	(5,428)	(4,478)
Financial ratios	**%**	%	%	%	%
Return on average assets	**16.3**	17.5	21.6	21.1	22.4
Return on average equity[2].	**23.2**	26.8	32.7	33.7	29.9
Interest cover (times).	**6.4**	7.0	9.0	8.5	9.4
Gross debt to capitalisation[2] & [3]	**44.3**	49.3	50.5	45.8	36.9
Net debt to capitalisation[2] & [4]	**41.6**	46.5	47.7	43.3	37.3

[1] *Net profit before interest received/receivable, interest expense (borrowing costs), depreciation and amortisation and income tax expense.*
[2] *Excludes the effect of the special dividend of A$2,059 million provided for in the financial statements as at 30 June 1999.*
[3] *Based on gross debt (total current and non-current borrowings) as a percentage of gross debt plus shareholders' equity.*
[4] *Based on net debt (gross debt less liquid interest-bearing assets) as a percentage of net debt plus shareholders' equity.*