SUSTAINABILITY AT TELSTRA
OUR APPROACH

BIGGER PICTURE
TELSTRA 2013 SUSTAINABILITY REPORTING SERIES
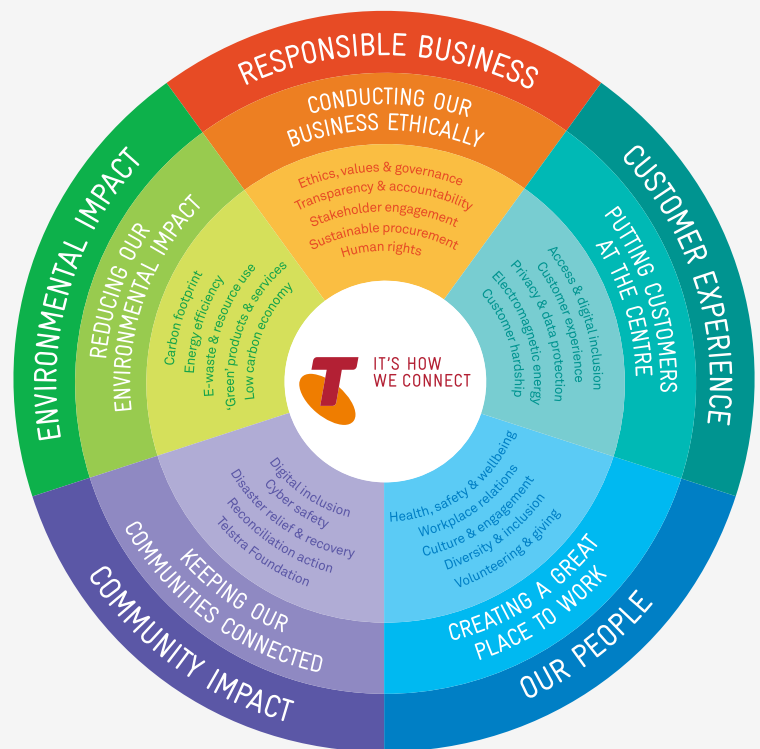
IT'S HOW
WE CONNECT

SUSTAINABILITY AT TELSTRA
CONTENTS

OUR BUSINESS

Telstra is Australia's leading telecommunications and information services company, offering a full range of communications services and competing in all telecommunications markets. In Australia we provide 15.1 million mobile services, 7.8 million fixed voice services and 2.8 million retail fixed broadband services. Telstra's international businesses include Hong Kong's leading mobile operator CSL New World, Telstra Global's networks and managed services business and Telstra's China-based search and advertising businesses.

ABOUT OUR SUSTAINABILITY REPORTING

Our sustainability reporting comprises the *Bigger Picture Telstra 2013 Sustainability Reporting Series*, our sustainability website and a concise summary of our approach and performance in our 2013 Annual Report. Through our reporting we aim to provide information on sustainability issues relevant to our business and of importance to our stakeholders.

We develop our sustainability reporting with reference to industry and sustainability standards including the United Nations Global Compact Communication on Progress, the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and Telecommunications Sector Supplement (pilot) and AccountAbility's AA1000 Principles Standard 2008. This financial year we apply the GRI framework to application level B+.

For more information visit
www.telstra.com.au/sustainability

SCOPE

Our sustainability reporting covers the 2012/13 financial year (1 July 2012 to 30 June 2013) for Telstra Corporation Limited and Sensis Pty Ltd (Telstra) unless otherwise stated. Aside from Sensis, all other controlled entities are excluded.

FEEDBACK

We welcome your feedback on our sustainability reporting, approach and performance. Please email us at
sustainability@team.telstra.com

SUSTAINABILITY AT TELSTRA
MESSAGE FROM THE CHAIRMAN AND CEO

Our industry is experiencing enormous change. In the last decade we have seen tremendous growth in the use and application of information and communications technologies (ICT).

Our customers used as much mobile data in the first half of 2013 as they did in the previous two years combined, and more than half of all Australians now own a Smartphone.

New communications technologies have created a more connected and networked world, changing the way people live, work, learn, play, relate, organise and participate in society. This digital world is helping to meet the challenges of healthcare and education in regional and remote locations, providing more effective disaster responses, and is increasingly fundamental for full participation in economic and community life.

That is why the main focus of our social and community investment is to ensure that everyone, irrespective of age, income, ability, location or disadvantage, has the ability to enjoy the benefits of being connected. Not only does this focus make good business sense for Telstra, it enables us to apply our technological expertise to key social issues.

At a time when climate change and the rising cost of energy are defining global issues, we are also well placed to use our technology to help Australia's governments, businesses and consumers to reduce energy consumption, costs and carbon emissions. The rapid evolution in technology, combined with Telstra's significant investment, puts us in a strong position to help realise a low-carbon future.

The challenge for Telstra is to manage our carbon footprint as we meet increasing demand for energy intensive technology, such as data capacity and network storage.

The scale and speed of technological change and the integration of telecommunications in almost every facet of our lives present challenges in maintaining privacy, internet security and cyber safety. We know our customers enjoy using the latest technology, but they also want to maintain control over personal information. They want assurance that their privacy and personal information are protected and secure. It is a responsibility we take very seriously, and an area where we know we need to do better.

As a large telecommunications company with a presence across Australia and a growing international footprint, we recognise that our reputation and our long-term ability to prosper is dependent on how we respond to the changing social and environmental expectations of our employees, customers, investors, regulators and the wider public. These expectations increasingly extend beyond our own domestic operations, into our overseas operations, supply chain, and relationships with business partners. As a signatory to the United Nations Global Compact, we are committed to supporting its ten principles wherever we operate.

To help achieve this, building sustainability thinking, behavior and practices into the everyday work of our people is critical and with a workforce of more than 37,000, we are in a unique position to make a real difference. Our people want to be involved in the social and environmental issues affecting our business, society and the communities in which they live and work - and we are committed to facilitating this. As well as enhancing employee engagement, having our people actively involved in communities allows us to better understand and respond to their unique communications needs and concerns. The company's involvement in helping to shape public policy on the issues that matter is a part of our responsibility as a large, iconic Australian company.

PROGRESS

**We are pleased with the progress we have made on our sustainability agenda this year.**

Having established our Chief Sustainability Office last year, our aim this year was to build performance momentum in three key areas for sustainability – employee involvement, digital inclusion and environmental leadership.

Telstra people contributed more than 4,200 employee volunteer days, a 200 per cent increase on the previous year. In December 2012, we launched the Telstra Alumni program to help connect former employees to one another and to Telstra - with more than 8,600 members at year end.

We developed a new operating model and strategy for the Telstra Foundation to align key community investments with core customer digital inclusion programs. Now squarely focussed on Everyone Connected, the Foundation announced two flagship multi-year partnerships to help ensure all Australians - regardless of age, disadvantage, location or ability - enjoy the benefits of being connected to new communication technologies. The value of the partnerships, with The Alannah and Madeline Foundation and the National Centre of Indigenous Excellence, is $13 million over six years.

We completed significant research to inform a more proactive and strategic approach to the environment. In the coming year, we will focus on our efforts on three key areas – improving the energy efficiency of our operations, reducing environmental impact in our supply chain and developing greener products and services.

Sustainability remains a key focus for the Board and management at Telstra.
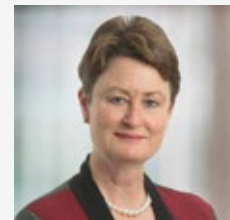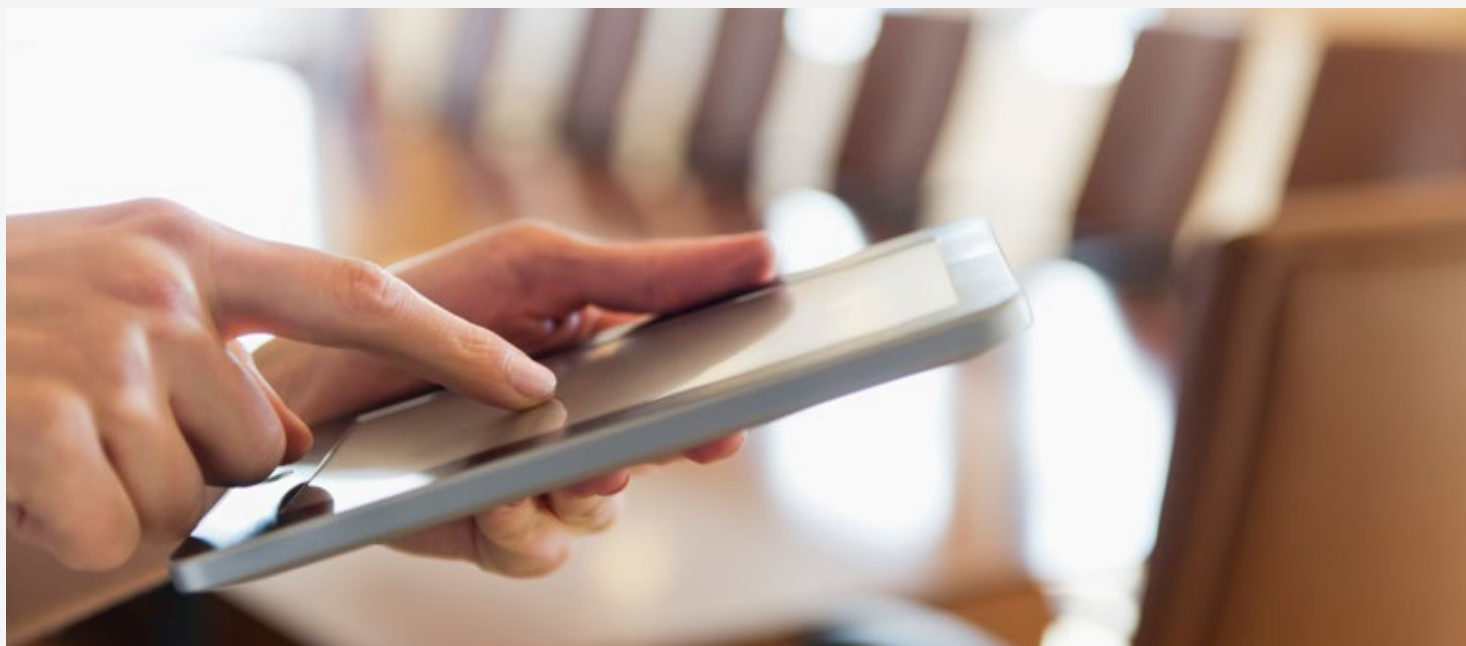
C B Livingstone

Catherine B Livingstone AO
Chairman

David Thodey

David I Thodey
Chief Executive Officer

SUSTAINABILITY AT TELSTRA
SUSTAINABILITY SCORECARD

Key performance indicator	Objective	2012/13	2011/12	2010/11
Employee engagement Score (%)	79	79	77	75
Health and safety Lost Time Injury Frequency Rate (LTIFR)	1.32	1.36	1.32	1.30
Gender equality Percentage of women in executive management	25	25	25	23
Volunteering during Telstra time Number of days	5,000	4,248	1,375	—
Payroll giving Participation percentage	3.5	3.6	1.6	—
Social and community investment Total ($ millions)	Ongoing investment	231.0	239.8	248.0
Everyone Connected Community programs (people impacted)	10% increase	145,800	101,500	—
Carbon emissions Tonnes of carbon dioxide equivalent (tCO_2e)	Minimise impact	1,633,712	1,676,925	1,659,714
Carbon emissions intensity tCO_2e per terabyte of data	15% reduction	0.83	1.24	1.93
E-waste Mobile phones (tonnes collected)	14.3 tonnes	14.0	14.3	17.3

SUSTAINABILITY AT TELSTRA
SUSTAINABILITY HIGHLIGHTS 2013

SUSTAINABILITY HIGHLIGHTS 2013

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

RESPONSIBLE BUSINESS
CONDUCTING OUR BUSINESS ETHICALLY

We're committed to excellence in corporate governance, transparency and accountability.

- Developed a Supplier Code of Conduct
- Sent 15.4 million customers mobile phone safety information via SMS
- Supported Workforce program 2012 Disability Services Australia Award
- Emergency Alert System - Project of the Year, Telecoms Industry World Communications Awards
- Signatory to the United Nations Global Compact since 2011
- Developed an industry-first EME consultation web portal for the community

OUR PEOPLE
CREATING A GREAT PLACE TO WORK

Telstra is one of the largest employers in Australia, with a total workforce of more than 37,000 people.

- Employee engagement 79% - up by 2 percentage points
- 25% women in executive management
- $1.3 million contributed to 285 charities via matched payroll giving
- 4,248 days of community volunteering
- Invested $1,116 per employee on learning and development
- Launched the Telstra Alumni Program for former Telstra employees

ENVIRONMENTAL IMPACT
REDUCING OUR ENVIRONMENTAL IMPACT

We're focusing on operational excellence, influencing our supply chain and developing greener products and services.

- Carbon emissions intensity down by 33%
- 99% of our own e-waste recycled or reused
- 98% of national telephone directories reused or recycled
- Office, billing and printing paper usage down by 24%
- Recycled 14 tonnes of mobile phones and accessories through MobileMuster
- Estimated 72,724 tonnes of CO_2e emissions savings through project initiatives

CUSTOMER EXPERIENCE
PUTTING OUR CUSTOMERS AT THE CENTRE

We're committed to helping our customers improve the ways in which they live and work.

- Introduced the Net Promoter System
- Completed 10 million customer surveys
- Online transactions up 10 percentage points to 40%
- Telecommunications Industry Ombudsman Level 1 complaints fell by 8%
- Rewarding customer loyalty with our THANKS program
- Focus on reducing reduce bill shock
- 3 million SMS and MMS messages each month to customers exceeding 80% of their data plan

COMMUNITY IMPACT
KEEPING OUR COMMUNITIES CONNECTED

We use our technology, expertise, scale and presence across the nation to make a positive community contribution.

- Total value of social and community contributions - $231 million
- Provided digital literacy training for 59,000 people
- 11,500 parents and high school students at our cyber safety seminars
- 70,000 free calls from payphones in disaster affected areas
- $842,000 – value of employee community volunteering
- $5.8 million invested in communities through the Telstra Foundation
- Acknowledgment of Traditional Owners of the Land installed in every Telstra store

SUSTAINABILITY AT TELSTRA
OUR COMMITMENT AND APPROACH

Sustainability remains a key focus of the Board and management at Telstra.

Telstra's commitment is to manage our business well and to deliver an overall positive impact for our customers, employees, shareholders, the wider community and the natural environment.

Our primary corporate responsibilities are to:

- serve the needs of our customers

- increase shareholder value and protect shareholder interests

- make Telstra a great place to work

- provide good stewardship of the environment

- contribute resources - people, money, technology, products and services - to support the communities in which we operate

- advance the national interest by strengthening the capability of the nation's telecommunications infrastructure, and thereby providing a strong foundation for economic growth, productivity improvement, sustainable prosperity and global competitive advantage.

APPROACH

We undertake a formal and consultative approach to ensure that we identify and respond to key sustainability issues and opportunities that are important to our business and our stakeholders.

We seek to identify ways in which we can utilise our core telecommunications capabilities, assets, expertise, workforce and national presence to contribute to the communities in which we operate. To do this, we work with our customers and suppliers, engage our employees and develop partnerships with government and non-profit organisations.

Governance of Telstra's sustainability strategy and performance is provided by the Telstra Sustainability Council, which is chaired by the CEO and comprises Telstra's Executive Leadership Team. Reports on sustainability progress are also regularly provided to the CEO and the Telstra Board. Telstra's Chief Sustainability Officer provides strategic leadership for sustainability and is responsible for the implementation of its approach and programs.

SUSTAINABILITY AT TELSTRA
SUSTAINABILITY PRIORITIES

> Our challenge is to bring alignment and focus to our sustainability activities and build performance and momentum.

Our strategic ambition is to embed the social and environmental into the heart of the business in ways that create value for the company and our stakeholders.

As Australia's largest telecommunications company, we're in a unique position to make a difference to the lives of all Australians. This increasingly dynamic challenge is a source of innovation for our business and helps us to proactively meet the changing expectations of our stakeholders.

We aim to develop innovative business offerings, reduce ecological impacts and build a reputation that reflects who we are and what we stand for as a company. Our challenge is to bring alignment and focus to our sustainability activities and build performance and momentum.

Our three strategic sustainability priorities reflect this ambition:

Employee involvement

We aim to make Telstra a great place to work, enhance our reputation and strengthen the communities in which we operate by providing opportunities for our people to get involved with local communities - through volunteering, community campaigns and workplace giving.

Everyone Connected

We believe that the more connected people are, the more opportunities they have. We want everyone to enjoy the benefits that new communication technologies can bring - regardless of age, income, ability or location. Our Everyone Connected programs focus on making our products and services more accessible, enhancing digital literacy and cyber safety, and supporting technological innovation for social good.

Environmental leadership

We need to be more proactive and strategic in our approach to the environment. We're doing this by identifying and minimising the material environmental impacts of our operations, working with our suppliers to reduce the impacts of the products and services they provide to us, and considering the environment when we develop our own products and services. We also examine the environmental impacts and benefits of information and communication technologies.

SUSTAINABILITY AT TELSTRA
STAKEHOLDER ENGAGEMENT

> As a company that connects with nearly every Australian in some way, we have a wide range of stakeholders.

Our stakeholders are any group or individual that influences, or is impacted by, Telstra's operations and activities. We want our stakeholders to be advocates for Telstra, so we aim to develop quality relationships, with a focus on trust, mutuality, commitment and satisfaction.

We know that quality engagement with our stakeholders helps us to keep abreast of the changing social and environmental expectations of business, and enhances innovation.

We engage with our stakeholders in many ways, including though surveys, websites, social media and market research. We are also members of industry groups, we participate in networks and forums with a focus on issues relevant to our business, and we have teams across the company that manage specific stakeholder groups.

As a company that connects with nearly every Australian in some way, we have many stakeholders. Our key stakeholder groups are identified below. You'll find detailed information on the stakeholder engagement we've undertaken with these groups this year throughout the *Bigger Picture Telstra 2013 Sustainability Reporting Series*.

KEY STAKEHOLDERS

● Communities

Across the metropolitan, regional and remote areas of Australia. Includes non-profit organisations.

● Customers

Residential consumers, small to medium enterprises, large companies and organisations, government and consumer groups.

● Employees

Telstra's workforce is large and diverse with around 37,000 employees.

● Government

At local, state and national levels, from ministers and leaders to department staff.

● Industry

Including information and communication technology (ICT) and telecommunications specific associations.

● Shareholders and investment community

Including institutional investors and sell-side analysts, and 1.4 million shareholders.

● Media

Includes representatives from print, radio, TV, social and online media.

● Unions

Telstra engages with its relevant employee trade unions - CPSU, CEPU, AMWU, APESMA.

● Suppliers

Telstra engages with around 8,000 suppliers each year with total spend around $6 billion.

SUSTAINABILITY AT TELSTRA
KEY ISSUES

Our process to identify, prioritise and respond to key sustainability challenges and opportunities is based on AccountAbility's AA1000 Principles Standard (2008). It includes:

- reviewing current and emerging sustainability issues impacting Telstra and the wider information and communications technology industry
- identifying the social, environmental and ethical issues of concern to our stakeholders
- assessing our ability to address or influence the issues and seize the opportunities
- ranking issues according to their importance to our stakeholders and significance to our business, including assessment of risk
- receiving feedback and having constructive dialogue through ongoing engagement with key stakeholder groups.

This year, we commissioned the Australian Centre for Corporate Social Responsibility (ACCSR) to conduct a consultation with 25 of our strategic stakeholders - representing customers, suppliers, employees, community groups, the investment community, government and industry. We sought their views on our sustainability reporting and tested the validity of our identified material sustainability issues. Their research confirmed that our reporting does cover the key issues of concern to our stakeholders, and suggested that we could enhance our reporting by providing more context on how our sustainability activities relate to Telstra's business strategy.

Detailed information about our approach to our key sustainability issues, our progress and performance for 2012/13 and our commitments for 2013/14 can be found in our *Bigger Picture Telstra 2013 Sustainability Reporting Series* chapters – Responsible Business, Customer Experience, Our People, Community Impact and Environmental Impact.

ICT ENABLING SUSTAINABILITY
VOLUNTEERING AND GIVING
ATTRACTING TALENT AND EMPLOYEE DEVELOPMENT
MOBILE PHONES, TOWERS & HEALTH
SUSTAINABLE PROCUREMENT
DIGITAL LITERACY
VOLUNTEERING AND GIVING
HEALTH SAFETY & WELL BEING
ACCESS
CYBER SAFETY
DIVERSITY AND INCLUSION
WORKPLACE RELATIONS
CUSTOMER EXPERIENCE
IMPACT OF COMMUNITY INVESTMENT
PRIVACY AND DATA PROTECTION
ETHICS, VALUES AND GOVERNANCE
INDIGENOUS AUSTRALIANS
HUMAN RIGHTS
RESOURCE USE, WASTE & E-WASTE
GENDER EQUALITY
DISASTER RELIEF AND RECOVERY
CULTURE AND ENGAGEMENT
ENERGY EFFICIENCY & CARBON EMISSIONS

SUSTAINABILITY AT TELSTRA
TRANSPARENCY AND ACCOUNTABILITY

We know that we build greater trust with our stakeholders when we are transparent and accountable. Monitoring, measuring and reporting on our approach and progress helps us to improve our performance.

ASSURANCE

We believe independent assurance demonstrates our commitment to transparency and accountability. To provide greater confidence to our stakeholders in our reporting:

- Banarra provides moderate assurance to assess our adherence to AccountAbility's AA1000 principles. Banarra's assurance also includes evaluating the reliability of specified sustainability performance information in the sustainability component of our *2013 Telstra Annual Report* and in the *Bigger Picture Telstra 2013 Sustainability Reporting Series*, as well as a check against GRI G3 application level

- Ernst & Young provides limited assurance, in accordance with the ISAE3000 standard, over environment data included in the 2013 Telstra Annual Report and *Bigger Picture Telstra 2013 Sustainability Reporting Series*.

You can access these assurance statements at
www.telstra.com.au/sustainability

VOLUNTARY SUSTAINABILITY INITIATIVES

To ensure continuous improvement and to guide, benchmark or assess our sustainability performance, we participate in the following voluntary initiatives:

- Australian Packaging Covenant
- Carbon Disclosure Project
- Dow Jones Sustainability Index
- FTSE4Good
- Global Reporting Initiative
- United Nations Global Compact.