

Bigger Picture

2016 Sustainability Report



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Message from the Chairman and CEO



In 2016 we saw ongoing advances in technology and constant innovation continue to reshape the telecommunications and technology markets and transform customer experiences. As the world continued to digitise, more and more people took advantage of the exciting and empowering possibilities of new technologies and being connected.

Our Bigger Picture 2016 Sustainability Report is designed to provide a deep understanding of how Telstra is responding to important social, economic and environmental issues within this climate, as well as how we're working to achieve our purpose to create a brilliant connected future for everyone.

If we are to truly deliver on our purpose, we must ensure that everyone can enjoy the benefits of being connected.

But while more and more people are getting online, it is clear that some are being left behind. To address this we continue to invest in promoting digital inclusion and work with government and non-profit partners to build digital skills and capabilities in the community. This year we helped more than one million vulnerable customers to stay connected through our Everyone Connected programs and reached more than 59,000 people with digital literacy training programs.

Through the Telstra Foundation we invested in partnerships with non-profits like Code Club Australia and ReachOut Australia who are changing the lives of young people using technology. We also launched the Telstra Imaginarium for Non-Profits, a digital boot-camp designed to help reimagine how technology can change the way they deliver products, services and programs.

Our third Reconciliation Action Plan was launched with the priorities of facilitating Indigenous connection and capability, employment and employee engagement. At its heart is a \$30 million, three year infrastructure co-investment agreement with the Northern Territory Government to connect more remote communities.

With connectivity at the core of our purpose we know our customers rely on our networks and services to help run their lives and businesses, and connect to the people and things that matter to them. Stakeholders will be aware that we experienced a series of network service interruptions in the second half of the financial year. Notwithstanding our long track record of leading network performance, these interruptions were disappointing given the impact they had on our customers, something for which we sincerely apologise. We continue to address these issues and are implementing the recommendations from our core network and IT system review, addressing sources of potential risk and building the durability and capability of our network.

Telstra is fiercely proud of its networks and we will continue to invest in providing the network of the future and the best possible experience for our customers. For more information on this work, please see page 18.

Improving customer advocacy remains our most important priority and our people are key to achieving this.

This year we continued to build a customer-centric culture and to equip our people with tools and training to improve customer service. To achieve this we invested \$45 million in learning and development programs and continued to build a diverse and inclusive workforce to respond to the diverse needs of our customers and communities.

While our overall health and safety indicators improved this year, tragically a contractor died when he fell from a mobile tower in the Northern Territory. We offer our sincere condolences to his family, friends and colleagues. This incident is a stark reminder of the risks sometimes faced by our people and our responsibility to ensure they return home safely every day.

More broadly, FY16 was a landmark year in global sustainable development.

All member states of the United Nations this year endorsed the Sustainable Development Goals. As a major Australian company with increasingly global operations, we welcome the introduction of these goals and are optimistic about the role technology can play in delivering this ambitious agenda. In line with our commitment to sustainable development, we remain committed to upholding the principles of the United Nations Global Compact.

Representatives at the United Nations Climate Change Conference also committed to maintain global average temperature rises to well below 2°C this year. We believe that business has an important role to play in addressing climate change and continue to minimise our environmental impacts and work with our customers to achieve better environmental outcomes. Thanks to a range of factors, including our energy efficiency programs, this year our total greenhouse gas emissions decreased by two per cent despite data load on our networks increasing by 62 per cent. This meant we achieved our three year greenhouse gas emissions intensity target a year earlier than planned.

We hope you enjoy our Bigger Picture 2016 Sustainability Report and welcome your comments, feedback and ideas.



Andrew Penn
Chief executive officer

John P Mullen
Chairman

FY16 highlights

\$27.1b

total
income

\$5.8b

net profit
after tax

\$1.3b

invested in our
mobile network

31

cent dividend per
share for FY16

\$1.5b

to be returned
to shareholders via buy backs



Recycled
5,543 tonnes
of e-waste



Reduced our greenhouse
emissions intensity by
56%
from our baseline year



Launched our third
Reconciliation Action Plan



Provided
\$175m
through our social and community
investment programs



Reached more than
59,000
through our digital literacy programs



Lost Time Injury
Frequency Rate of 0.66
↓ 33%



Named as an
Employer of Choice
for Gender Equality by the WGEA



Undertook
8,186
volunteering days in the community



Achieved a
Sustainable Engagement
score of 71%



58%
of customer interactions conducted
online, up six percentage points



4G service now reaching 98% of Australian
population

Our sustainability strategy

Our approach

At Telstra, our purpose is to create a brilliant connected future for everyone. The success of our business relies on it and our sustainability agenda is key to achieving it.

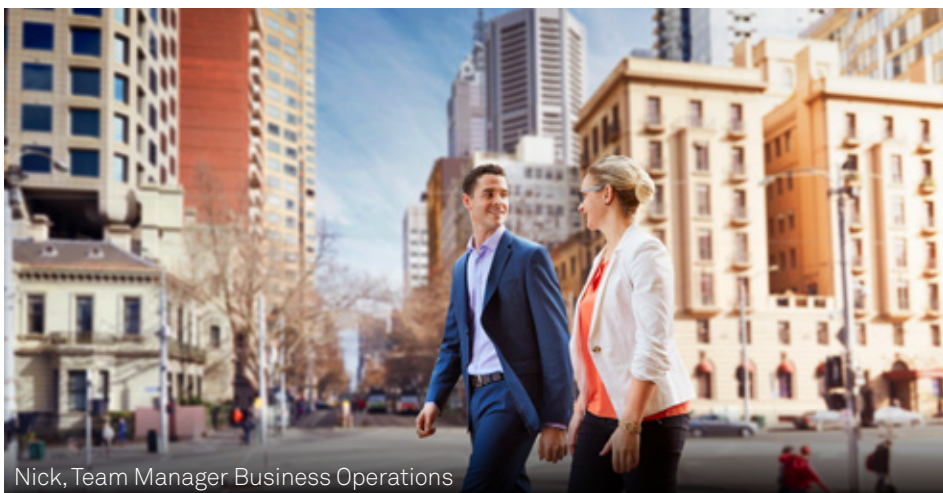
As a large telecommunications and technology company, we are committed to finding innovative, tech-based solutions to our biggest social and environmental challenges. We work with our customers and suppliers, engage our employees and develop partnerships with government and non-profit organisations to deliver programs that create targeted value in our communities, particularly for those most vulnerable and for the environment.

Governance of Telstra's sustainability strategy and performance is provided by the CEO and Telstra's Executive Committee. Regular reports on our progress and key developments are provided to the CEO and Telstra Board. Telstra's Chief Sustainability Officer provides strategic leadership and is responsible for the implementation of our sustainability approach and programs.

Our sustainability priorities

Our strategic ambition is to embed social and environmental considerations into the heart of the business in ways that create value for our company and stakeholders. As a large company in an increasingly dynamic industry, we are well positioned to make a difference.

Our three strategic sustainability priorities reflect the areas in which we can have the most cultural, reputational, commercial and social impact:



Nick, Team Manager Business Operations



Everyone Connected

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



Environmental leadership

We continue to build a more strategic approach to managing the environmental risks and opportunities across our value chain. We are using technology to minimise our environmental impacts, and are helping our customers and suppliers to do the same.



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 their local communities and the issues that matter.

Telstra's purpose is to create a brilliant connected future for everyone.

We are a proudly Australian telecommunications and technology company with a growing international business. We operate in an industry that's transforming the way people live and connect.

To achieve our purpose and ensure everyone enjoys the benefits of being connected, we must embed social and environmental considerations into the heart of our business in ways that create value. Our sustainability strategy is key to this.



EMPLOYEE INVOLVEMENT

We believe that with more than 33,000 of us, Telstra employees can make a big difference by getting involved in the community and the issues that matter.



EVERYONE CONNECTED

We believe that everyone - regardless of age, income, ability or location - should enjoy the benefits of being connected to modern communications technology. We want everyone to have the confidence and skills to participate safely in the digital world.



ENVIRONMENTAL LEADERSHIP

We continue to build a more strategic approach to managing the environmental risks and opportunities across our value chain. We are using technology to minimise our environmental impacts and are helping our customers and suppliers to do the same.

600,000 NON-PROFITS IN AUSTRALIA RELY ON VOLUNTEER SUPPORT AND DONATIONS



ICT HAS THE POTENTIAL TO ENABLE A **20%** REDUCTION OF GLOBAL CO2E EMISSIONS BY 2030, HOLDING EMISSIONS AT 2015 LEVELS



ELECTRICITY COSTS HAVE MORE THAN DOUBLED IN THE PAST 10 YEARS

42 MILLION TONNES OF E-WASTE ARE GENERATED GLOBALLY EACH YEAR



ICT IS RESPONSIBLE FOR 2% OF ANNUAL GLOBAL GHG EMISSIONS

3 MILLION AUSTRALIANS EXPERIENCE DIGITAL EXCLUSION



ONLY 51% OF SENIOR AUSTRALIANS ARE INTERNET USERS

52% OF TEENS REGRET POSTS THEY'VE MADE ONLINE



BY 2030 20% OF AUSTRALIANS WILL BE OVER 65

TELSTRA EMPLOYEES WHO VOLUNTEER TAKE FEWER SICK DAYS PER YEAR AND ARE MORE ENGAGED



IN FY16

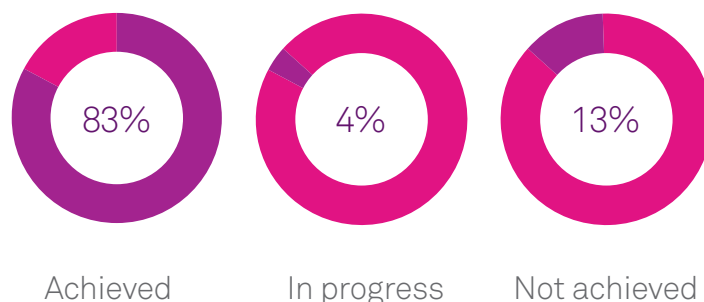
- Our employees completed 8,186 days of community volunteering
- We donated more than \$1.5 million to over 350 charities via matched payroll giving
- We got involved in the issues that matter, such as human rights, the environment and anti-corruption, in line with our UN Global Compact commitments
- Our Everyone Connected programs delivered \$175 million worth of benefits to our customers and communities
- We reached more than 59,000 people through our digital literacy programs
- Our Telstra Safe Connections program will provide up to 20,000 smart phones over three years to help women impacted by family violence to stay safely connected
- Our greenhouse gas emissions intensity decreased by 38%
- We increased the amount of e-waste we recycled by 40%, diverting 5,543 tonnes from landfill
- We diverted 16.0 tonnes of mobile phones and accessories from landfill, exceeding our target of 14 tonnes
- We avoided 33,000 tonnes of carbon emissions through energy efficiency initiatives

FY16 Performance



Performance overview

We achieved or made significant progress against 87 per cent of our stated targets in FY16. Progress against our sustainability scorecard can be found in the table below, and information on our full range of FY16 targets can be found on the Performance and highlights pages located throughout this report.



Our FY16 scorecard

KEY PERFORMANCE INDICATOR	FY16 TARGET	FY16 PERFORMANCE	FY15	FY14	FOR MORE INFORMATION
SUSTAINABLE EMPLOYEE ENGAGEMENT¹ Score (%)	SUSTAINABLE ENGAGEMENT: N/A ² STANDARD ENGAGEMENT: 84 ³	71 N/A ³	N/A ⁴ N/A ⁴	N/A ⁵ 82	OUR PEOPLE Page 39
VOLUNTEERING DURING TELSTRA TIME Total (days)	10,000	8,186	7,225	5,122	OUR PEOPLE Page 43
PAYROLL GIVING Participation rate (%)	6.0	5.5	5.8	5.3	OUR PEOPLE Page 43
GENDER EQUALITY Women in executive management (%)	30	25.5	25.6	25.9	OUR PEOPLE Page 44
HEALTH AND SAFETY Lost Time Injury Frequency Rate (LTIFR)	<1	0.66	0.98	1.12	OUR PEOPLE Page 48
TARGETED DIGITAL LITERACY COMMUNITY PROGRAMS People reached (000's)	40 ⁶	59 ⁶	117	143	CONNECTING COMMUNITIES Page 60
SOCIAL AND COMMUNITY INVESTMENT Value (\$millions)	TARGETED INVESTMENT	175.4	213.5	216.6	CONNECTING COMMUNITIES Page 65
CARBON EMISSIONS INTENSITY tCO ₂ e per terabyte of data	55% REDUCTION BY END OF FY17 ⁷	0.26	0.42	0.58	ENVIRONMENTAL STEWARDSHIP Page 72
E-WASTE Mobile phones (tonnes collected)	14.0	16.0	15.6	15.3	ENVIRONMENTAL STEWARDSHIP Page 75

1 This year we adopted Sustainable Engagement as our key metric. It provides a deeper understanding of the key drivers of performance and consists of three components: how engaged, enabled and energised our people are in their roles.

2 As Sustainable Engagement was introduced in FY16 no target was set.

3 As we adopted a new metric for employee engagement, our performance against this target was not measured.

4 Telstra did not undertake an Employee Engagement Survey in FY15.

5 Telstra did not measure sustainable engagement in FY14.

6 Our target and 'people reached' result for FY16 is lower than in previous years due to our increased focus on delivering face-to-face training. This training is more resource-intensive to deliver, but results in better learning outcomes for participants.

7 FY15 to FY17 target to reduce our GHG emissions intensity by 55 per cent to 0.261 tCO₂e per terabyte of data, calculated from a baseline year of FY14.

Our reporting



About our report

Our reporting comprises this Bigger Picture 2016 Sustainability Report and our interactive online report, available at www.telstra.com/sustainability/report. A concise summary of our approach and performance is also available in Telstra's 2016 Annual Report.

This year we have structured our report and reporting website by our key sustainability topics, as defined through our annual materiality process. Many of these issues represent global challenges, such as responding to the threat of climate change and promoting human rights. Others are key challenges for our industry, such as protecting our customers' privacy and data security, and ensuring all vulnerable customers can access the benefits of modern communications technologies.

For each topic we have provided an overview of our approach and progress across the reporting period, along with targets for FY17, with the aim of providing readers with a clear view of how we're addressing our most material impacts. A detailed issue summary for each topic, along with related videos and performance infographics can also be found on our reporting website.

Reporting standards

We develop our sustainability reporting in accordance with industry and sustainability standards including the United Nations Global Compact (UNGC) Communication on Progress; the Global Reporting Initiative (GRI) G4 Core Sustainability Reporting Guidelines (GRI G4 Guidelines); and AccountAbility's AA1000 Principles Standard 2008.

The GRI aspects and indicators we've reported on throughout the Bigger Picture 2016 Sustainability Report, as well as their internal and external boundaries, have been determined through our materiality process and can be found in the GRI Index accompanying this report. In instances where aspect boundaries extend beyond the scope of our reporting, we are working to increase our disclosures.

Our reporting scope

Our sustainability reporting covers the financial year 1 July 2015 to 30 June 2016 (FY16) for Telstra Corporation Limited unless otherwise stated.

As our international operations expand we are developing a global framework for sustainability data collection and reporting. Starting with our most material operations overseas we will continue to broaden the scope of our reporting over time. Wherever possible and relevant under the GRI G4 Guidelines we have extended the scope of this report to include our operations across the Telstra Group, as well as a discussion of any broader impacts across our value chain.

Information regarding the controlled entities in the Telstra Group can be found on our website at www.telstra.com/investor (Latest results).

Transparency through independent assurance

Independent assurance supports our commitment to transparency and accountability. Ernst & Young provides limited assurance, in accordance with the ISAE 3000 and ASAE 3410 assurance standards, over specified data and related performance disclosures in our 2016 Annual Report and Bigger Picture 2016 Sustainability Report.

We have obtained independent assurance over selected metrics in our report since 2010 and focus on the metrics most material to our business. On an annual basis we obtain independent assurance over our application of the principle of materiality, as outlined in the GRI G4 Guidelines. This provides readers with comfort that we have identified and reported on all our material issues. We obtain reasonable assurance each year over the environmental metrics that form part of our regulatory reporting. Each year we also select a range of further sustainability metrics to assure, to gain additional coverage of our reporting. We aim to assure each of these additional metrics on a three-year rolling basis.

For an overview of the metrics included in the assurance for this year, please see Ernst & Young's assurance statement at www.telstra.com/sustainability/report/downloads.

United Nations Global Compact

You will find the icon above throughout the Bigger Picture 2016 Sustainability Report. It indicates where we are providing information on our progress in implementing the 10 principles of the United Nations Global Compact.

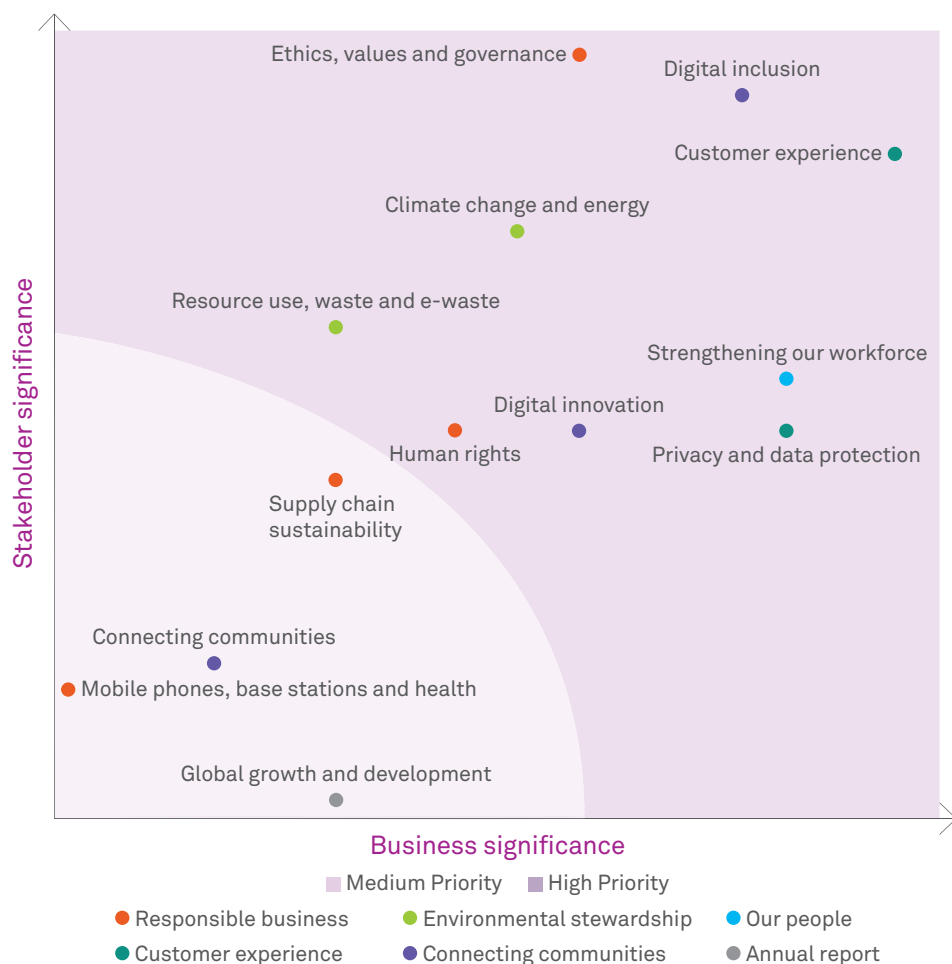
Feedback

We welcome your feedback on our sustainability reporting, approach and performance. Please email Tim O'Leary, Chief Sustainability Officer at sustainability@team.telstra.com.

Stay in touch

- @Telstra
- facebook.com/telstra
- sustainability@team.telstra.com

Managing our most material topics



We undertake a consultative materiality process each year to ensure we identify and respond to the sustainability issues, risks and opportunities that are most important to our business and stakeholders.

In accordance with the GRI G4 guidelines and AccountAbility's AA1000 Principles Standard (2008), we review the sustainability issues impacting Telstra, our stakeholders and the broader Information and Communications Technology (ICT) industry.

We prioritise topics according to their relative impact on our business and our stakeholders, as determined through analysis of a wide variety of sources. Inputs include internal documents, such as the Telstra Group material risk register

and business strategy, as well as insights gained from participation in industry and cross sector initiatives, peer benchmarking and future trends analysis.

We assess and validate our findings internally each year, based on our ability to address or influence each issue. We also test them externally through ongoing engagement and feedback from key stakeholder groups. In FY16 we engaged more than 80 of our key community and industry stakeholders, government representatives, institutional investors and Telstra employees to get their view of our most material sustainability issues.

The results of our materiality assessment help inform Telstra's sustainability strategy and programs. We also use our findings to identify emerging sustainability trends and

issues that have the potential to become more significant in the medium term. These issues are monitored and, where required, managed within Telstra to enable us to respond proactively. Emerging issues identified this year include the impacts of ICT on population growth, women's empowerment and the growth of individual empowerment through education, healthcare and commercial opportunities.

This year we refined our materiality process to bring more focus to our reporting. While a broad range of issues were assessed to determine their materiality, we have consolidated our list of key topics to focus on only our most material impacts. As outlined in the matrix above, this year our assessment identified our most significant sustainability risks and opportunities as being:

- Customer experience
- Climate change and energy
- Digital inclusion
- Ethics, values and governance
- Privacy and data protection
- Resource use, waste and e-waste
- Strengthening our workforce
- Human rights
- Digital innovation
- Supply chain sustainability
- Connecting communities
- Mobile phones, base stations and health
- Global growth and development.

Detailed information on each of these risks, as well as how we are managing them can be found throughout this Bigger Picture 2016 Sustainability Report and on our sustainability website (www.telstra.com/sustainability/report). For information regarding global growth and development, please see the Building new growth businesses section of our 2016 Annual Report.

Engaging with our stakeholders

As a company that connects with nearly every Australian in some way, we have many stakeholders. Our stakeholders are any group or individual that influences, or is impacted by Telstra's activities, as identified through ongoing engagement, feedback and analysis.

We want our stakeholders to be advocates for Telstra, so we work to develop quality relationships through meaningful engagement and dialogue. This helps us to keep abreast of evolving social and environmental expectations, to use stakeholder insights to develop targeted products, services and programs, as well as to drive advocacy.

Our approach to stakeholder engagement is guided by the Telstra values, in particular 'show you care' and 'better together'. Our engagement takes many forms, including face-to-face interactions, surveys, social media and market research. We are active in industry groups, participate in relevant networks and forums, and have teams across the company that manage relationships with specific stakeholder groups.



We know that we build greater trust with our stakeholders when we are transparent, responsive and accountable. Monitoring, measuring and reporting on our approach and performance – good and bad – helps us to achieve this as does talking with our customers and the community through social media. The high-level topics and concerns raised by our stakeholders this year are outlined in the table below and are a key component of our materiality assessment.

Detailed information on how we have engaged on and responded to each of these issues can be found throughout this report.

Best practice through collaboration

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

- Australian Packaging Covenant
- Carbon Disclosure Project
- FTSE4Good
- Global eSustainability Initiative
- Global Reporting Initiative
- MobileMuster
- Supply Nation
- Telco Together Foundation
- Transparency International Australia
- United Nations Global Compact.

STAKEHOLDER GROUP	KEY SUSTAINABILITY TOPICS FY16
COMMUNITIES We engage with our communities wherever we operate, including non-profit organisations and program partners, as well as community groups and individuals local to our operations.	Digital inclusion Ethics, values and governance Privacy and data protection Customer experience
CUSTOMERS Our customers are residential consumers, small to medium enterprises, large companies and organisations, as well as government.	Customer experience Digital inclusion Resource use, waste and e-waste Climate change and energy
EMPLOYEES Our workforce is large and diverse, with more than 33,000 employees in more than 20 countries.	Strengthening our workforce Customer experience Privacy and data protection Digital inclusion Climate change and energy
GOVERNMENT We engage with government at local, state and federal level in Australia, as well as in other countries. Engagement can be with minister and party leaders to department staff.	Customer experience Digital inclusion Ethics, values and governance Privacy and data protection Connecting communities
INDUSTRY We engage with our sector peers and competitors, as well as ICT and telecommunications specific associations.	Privacy and data protection Digital innovation Digital inclusion Customer experience Strengthening our workforce Climate change and energy
SHAREHOLDERS AND INVESTMENT COMMUNITY Our investment community comprises institutional investors, buy and sell-side analysts, as well as around 1.4 million retail shareholders, some of whom invest with social and environmental preferences.	Customer experience Ethics, values and governance Privacy and data protection Strengthening our workforce
MEDIA We regularly engage with representatives from print, radio, TV, social and online media at a local, national and international level.	Customer experience Ethics, values and governance Strengthening our workforce Digital inclusion Digital innovation
UNIONS We work closely with the relevant employee trade unions including CPSU, CEPU and Professionals Australia.	Customer experience Privacy and data protection Mobile phones, base stations and health Strengthening our workforce Human rights Ethics, values and governance
SUPPLIERS We engage around 4,400 suppliers each year with total spend around \$7.4 billion.	Supply chain sustainability Privacy and data protection Human rights Strengthening our workforce Ethics, values and governance
REGULATORS We work closely with industry regulators in all our markets.	Customer experience Digital inclusion Privacy and data protection Ethics, values and governance

Our business

About Telstra

We are a proudly Australian telecommunications and technology company with a growing international business.

Our purpose is to create a brilliant connected future for everyone. The success of our business relies on it, and we are working to achieve it through both our business strategy and our sustainability strategy.

We employ more than 33,000 people directly in more than 20 countries, facilitate access to more than 2,000 network points of presence across the globe and have one of Australia's largest shareholder bases, with around 1.4 million shareholders.

We have a diverse range of customers, including consumer, small business, large enterprises and government organisations, and we strive to put them at the centre of everything we do. In Australia, our services are offered through 358 Telstra retail stores, 83 Business Centres and 16,500 retail points of presence managed by our partners.

For more information about our business structure and strategy, see page two of our 2016 Annual Report.

Contributing to the sustainable development goals

In September the United Nations launched the UN Sustainable Development Goals (SDGs). Developed with input from the business community and agreed by all member states of the UN, the SDGs comprise 17 ambitious goals and 169 targets that seek to eradicate extreme poverty and hunger, promote economic



growth and prosperity, improve health and education, and protect the planet.

The SDGs offer business a common framework for considering and addressing the world's most significant development challenges.

Telstra welcomes the introduction of the SDGs. It is clear to us that technology, as a key enabler, will have a central role to play in helping both business and government to work towards these targets.

With this in mind, this year we conducted a baseline assessment of how our current programs, initiatives and operations align to the SDGs and the areas in which we have can make the greatest impact. We identified opportunities to leverage ICT to achieve each goal, and assessed the relevance of each target to our business strategy and values. We also considered how the SDGs relate to our material issues and the key impacts and opportunities across our value chain, as outlined in the infographic overleaf.

We identified four initial priority areas that reflect our business context, key risks and impacts, as well as our social and environmental focus:

- Goal 5: Achieve gender equality and empower all women and girls
- Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- Goal 13: Take urgent action to combat climate change and its impact.

For an overview of the specific targets we are working to achieve, and where they are most relevant across our value chain, please see the UNGC and GRI Index that accompanies this report.

Alice Cope, Executive Manager
Global Compact Network
Australia

"The launch of the SDGs has been an important global milestone. We are seeing leading Australian companies incorporate the SDGs into their business and are encouraged by Telstra's considered approach".

Managing key impacts across our value chain

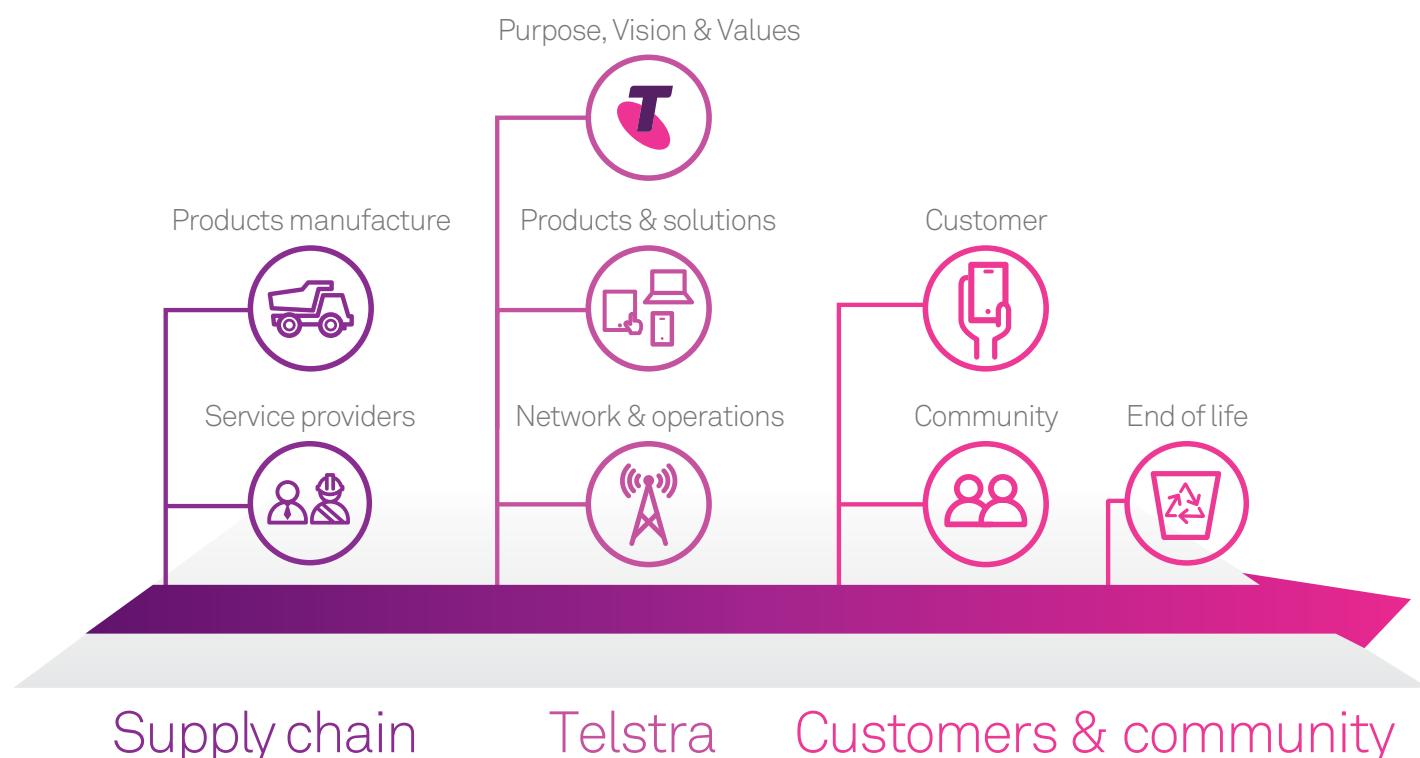
Telstra's influence extends beyond our own operations and as a result, so do our economic, social and environmental impacts. We have therefore taken a broad view of how we create value for our business and stakeholders. In accordance with the GRI G4 Framework, the infographic below identifies the key stages of Telstra's value chain, including our supply chain, our direct operations, as

well as our relationships with customers and the community through to end of life.

As part of our annual materiality process, we determine where along our value chain each of our material topics is most relevant. This year we also assessed how these topics relate to our SDG priorities, and where along our value chain our key impacts lie. We have represented the key outcomes from our assessment in the infographic below.

For more detail on the different stages of our value chain, including our key stakeholders, SDG priority targets and material topics, please refer to our sustainability report website at www.telstra.com/sustainability/report/valuechain.

More detailed information regarding the social value we generate across our value chain can be found in the [Connecting communities](#) chapter of this report.



SDGs	Material topics	
5 GENDER EQUALITY	• Human rights	• Strengthening our workforce
8 DECENT WORK AND ECONOMIC GROWTH		• Global growth and development • Ethics, values and governance
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Digital innovation	• Customer experience • Privacy and data protection
13 CLIMATE ACTION	• Supply chain sustainability	• Connecting communities • Digital inclusion • Mobile phones, base stations and health (EME) • Climate change and energy • Resource use, waste and e-waste



Putting our customers at the centre



Customer experience

Digital technologies and enhanced connectivity have transformed the way we live and connect. Amidst a backdrop of constant technological change, innovation and competition, it's more important than ever for us to deliver brilliant customer experiences.

To achieve this, we must put the customer at the centre of everything we do. We must protect customer privacy and security, take proactive steps to ensure our customers have a positive experience online and innovate to improve our processes, products and service capabilities to better meet customer needs.

Highlights



Surveyed more than 27,000 customers on average per day and used their feedback to improve customer experience



58 per cent of customer interactions conducted online, up six percentage points



Sent more than 81,500 messages per day to our customers with the name and contact details of the consultant they spoke to



Extended our 4G coverage to 98 per cent of the population



On average 55 million calls and 356 million data connections are made over our network each day



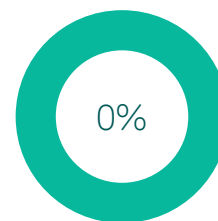
On average about 14 petabytes of data travel over our fixed and mobile network each week day. That's about 14 million hours of high definition video streaming

Performance

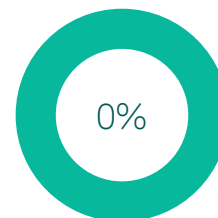
PROGRESS ON FY16 COMMITMENTS	RESULT	MORE INFO
Reduce further the effort required for customers to do business with us	●	Page 15
Deliver the second phase of our Digital First Program	●	Page 17
Provide improved access to My Account and Telstra 24X7 App and enhance security and identification options	●	Page 17
Simplify logistics and fulfilment processes to enable more customers to receive next day delivery of their online purchases	●	Page 17
Extend our 4G coverage to reach 98 per cent of the population	●	Page 18
Deploy the next generation of LTE technology, delivering peak network speeds of up to 600 mbps	●	Page 18
Expand the footprint of our Wi-Fi network, Telstra Air	●	Page 19
Continue to be vigilant in protecting our customers' personal information	●	Page 20
Continue to be transparent about how we're managing customers' personal information, particularly in the development of new products and services	●	Page 20



Achieved



In progress



Not achieved

● Achieved ◐ In progress ✕ Not achieved

Customer experience



We care about our customers and we're putting them at the centre of everything we do.

Enhancing customer advocacy

APPROACH

Improving customer advocacy remains our number one strategic priority. By providing great customer experiences we can change the way our customers talk about us. Customers who become advocates for Telstra will stay with us longer, buy more of our services, and recommend us to others.

We continue to listen to our customers to help us improve the way we do things. We ask our customers to complete a short survey after interacting with us and receive on average more than 27,000 responses, including 11,000 verbatim comments every day.



Our NPS



We measure customer advocacy using the Net Promoter System (NPS). NPS enables us to measure our customers' experiences and respond to their feedback. It's a simple metric that shows how our customers feel about us, based on their likelihood to recommend Telstra. Our overall NPS score declined four points since last year. The result was influenced by a number of factors, including system and process issues that lead to poor service experiences for our customers, network interruptions and the rate of change in customer expectations as new technologies emerge in the market. This result was disappointing, especially given our good performance reported in December, and shows we have more to do to deliver a great experience every time.

PROGRESS

Improving customer experiences

While our aim is to get things right the first time, we know we don't always succeed.

This year we continued to improve our processes, product and service offerings to better meet customer needs. For example, we have reduced the time it takes some customers to have their ADSL service installed and the time it takes customers to receive their hardware. We also expanded our range of online self-service tools, which we estimate has saved our customers from making and receiving more than 400,000 calls and technician visits this year.

To further save our customers' time, we introduced a process to proactively identify and fix unstable ADSL lines prior to customers contacting us to report these issues. We estimate this process has delivered more consistent speeds for 2.2 million ADSL customers, and avoided close to 280,000 customer calls and technician visits.

When customers are placing a new order, adding a service or recontracting, we have made changes to our order process to ensure we set the right expectations at the point of sale, to help them understand what they have ordered, what will happen next and what their bill will look like. We've also begun work to improve the way we place orders and to provide a seamless activation experience for our customers.

To support ongoing international growth, we have enhanced our 24/7 Global Service Desk for our International Global Enterprise and Government customers with more support in multiple languages. We have created a new global approach with service desks in Hong Kong, London and Kuala Lumpur.

Throughout FY16 we sent on average more than 81,500 emails and SMS to our customers every day with the name and contact details of the consultant they spoke to, continuing our focus on delivering personalised service.



The Telstra team working with locals from Yuendumu

Checking-in with our customers

We continue to check-in regularly with our customers to make sure they have the best products and plans to meet their needs.

This year we extended our Check-In program to include small and medium business customers. More than 1.1 million personalised Check-In communications were sent to business customers between February and April, to help them identify the best plans for them, and ensure they're receiving the best possible value from their Telstra service.

Overall, we delivered 6.6 million personalised Check-In communications to our business and consumer customers this year. We also invited customers to visit our stores for a face-to-face account health check. More than 2.8 million Check-Ins were completed in store this year, leading to an eight point increase to our in-store NPS results for our consumer customers and a two point increase for our business customers.

To help us reach customers in regional and remote areas we also undertook six Check-In Bus Tours, including a two week tour throughout remote Indigenous communities in the Northern Territory.

Throughout FY16 issues raised via our Check-In program were followed up by our customer service representatives within two working days.

The Telstra Thanks program offers Telstra customers a range of great rewards and extras. In entertainment, customers can access specially priced movie tickets, and get exclusive pre-sale offers for live music events and concerts. Telstra customers can also enjoy \$20 tickets to select AFL

games and 20 per cent off selected 2016 NRL tickets. In FY16, Telstra customers purchased more than 3.1 million tickets and experiences through Telstra Thanks™.

Delivering extra value

In May, we began rolling out double data allowances for all Telstra Business Broadband, Digital Office Technology™ (DOT) and BizEssentials® customers. Providing this data boost will help businesses take up new ways of working, such as video conferencing or setting up an online retail presence. We also doubled the data for new customers who signed up to a business broadband plan from May 2016.

We also increased the data available through our popular mobile plans to enable our customers make the most of their experience. Telstra consumer mobile and fixed broadband customers get access to a free 200GB Microsoft OneDrive subscription to store, share and access important documents, photos and files at home or on the go.

In addition to providing free cloud storage we expanded our content services offered to customers. Mobile customers are now able to access a range of free content including Apple Music, AFL Live Pass and NRL Digital Pass.

In response to customer concerns about international roaming costs, this year we extended the number of countries covered by the Telstra Travel Pass. Available for use in 54 countries, 15 more than was previously available, the new pass will make it even simpler for customers to use their Australian mobile overseas.

For information to help plan overseas trips, visit telstra.com/overseas.

Advocate feedback



Everything was changed the way I wanted. The staff members were helpful and polite. Now really happy with my new plan. The price is great and I get a lot of extra I'm happy with.

Passive feedback



Value for money. Fast data connection. Would have rated higher if service was more reliable.

Detractor feedback



The initial connection was not carried out on the requested day. On complaint the Telstra officer did her best to minimise the delays but we still ended up being without a phone service or internet for three days.

FY17 Targets



Continue to improve all aspects of how we deliver customer experiences.

Continue to improve how we activate our products and support our customers and our people, reducing the time and effort required of our customers to engage with us.

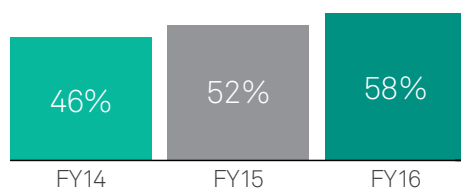


Ted Tolfree, Crisp Creative Salad, Victoria

Better service through digital experiences

The digital revolution is reshaping customer expectations – and the business models that answer their needs. Our goal is to be 100 per cent digitally enabled by the end of FY17 so that our customers can always engage with us online.

Service transactions conducted online



This year we undertook the second phase of our Digital First agenda, aimed at providing our customers with greater access to our products and services, and the flexibility to decide how, when and from where they interact with us. Through digitisation, our customers are gaining greater control of their accounts and services, product features and support options, all while saving valuable time.

Key initiatives in FY16 include:

- Launching a Customer Advisor Tool that has redesigned the front line staff experience for both our retail stores and global contact centres. 1,800 store staff and 7,000 contact centre staff use this tool each day
- Implementing a Mobile Toolkit App (MTA) for our field technicians to increase productivity by providing easy access to customer information on the go. The MTA enables our field team to conduct important activities such as ADSL/PSTN testing, Telstra ID password resets, easy customer logistics and accessing cable plans, all via the app. It's actively used by 74 per cent of eligible field technicians

- Improving customer access to My Account and the Telstra 24x7 App for the 4.8 million customers with a Telstra ID. Continuing to enhance security and identification options across all digital channels
- Simplifying our logistics and fulfilment processes to enable more customers to receive next day delivery of their online purchases. These changes enabled 97 per cent of digital orders to be processed within 24 hours in FY16.

We have provided 1,800 continuous days of customer service 24 hours a day, seven days a week via our digital channels.

Australian Digital Summit

This year Telstra hosted the fourth annual Australian Digital Summit, bringing together digital thought leaders from organisations such as Uber, Twitter, Lithium and the CSIRO. Designed to advocate Australia's role in the digital economy, the summit was attended by more than 1,000 people and streamed live around the world to thousands more. It explored the emergence of digital into the physical world, examined how new technologies are disrupting traditional business models and showcased opportunities for collaboration between big business and start-ups.

Our customers are increasingly making the choice to go digital. This year: the Telstra 24x7 App was used regularly by around

2.9 million
customers

2.6 million

customers use the Telstra 24x7 My Account online portal each month

More than

270,000

live chat sessions were held each month via Telstra 24x7 Chat

We responded to more than

8,500

digital customer care requests on Facebook and Twitter each week

Our customer community, CrowdSupport, had over one million views and now has a member base of more than

300,000 people

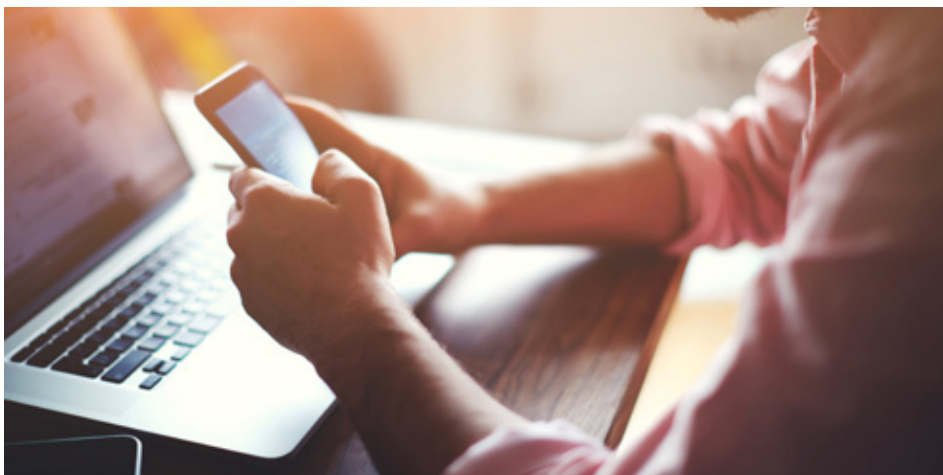
546,000

customers switched to Email Bill and more than 80 per cent of customer payments were made via digital channels

Just over

821,000

sales transactions were completed digitally which represents a 51 per cent increase on FY15



Consolidating our network leadership

Thanks to our long-term commitment to network investment, the Telstra mobile network currently reaches 99.3 per cent of the population and is the largest network in the country, covering more than 2.4 million square kilometres.

The rise of connected devices is driving an ongoing and insatiable demand for data and our customers are relying on mobile technology more than ever. In order to keep up with this demand, we continue to innovate and invest in expanding our mobile network.

This year we extended our 4GX coverage to a number of new regional and metropolitan areas across Australia, taking our overall 4G coverage (4G and 4GX) to 98 per cent of the population – an increase of four per cent, or one million people. We also deployed a range of Australia and world first innovations to our 4G long-term evolution (LTE) technology.

In September 2015 we launched Australia's first Voice over LTE (VoLTE) service, enabling voice calls to be carried on 4G for the first time. This technology provides our customers with faster voice call setup times, the ability to surf the internet at 4G speeds while also on a voice call, and adds high definition voice quality. It also enables us to serve new coverage areas more efficiently, using 4G technology alone.

Our commitment to network resilience

At Telstra we are fiercely proud of our network leadership. Our mobile network supports more than 17.2 million customer services and carries around 70 million voice calls every single day – more than all other Australian mobile networks combined. We know that our customers rely on us and that's why we were so disappointed to have experienced a series of network service disruptions this year.

Following these events, a team of internal and external experts undertook a review of every aspect of our end-to-end network. We also completed an end-to-end review of our core network and IT systems, pinpointing sources of potential risk. As a result of this work we will be investing \$250 million from our existing capital program over the next six to 12 months to provide a higher degree of network resilience and improved network performance. This includes investment in three key areas:

- Enhancing the mobile network's resilience, to improve recovery time and create more effective real-time monitoring

- Improving reliability and resiliency within our core network
- Increasing current ADSL broadband capacity to meet increasing customer demand.

All network operators around the world face the risk of disruptions whether they be the consequence of weather, accidental damage, hardware or other failures. We are committed to continuing to invest in building the durability and capability of our network, and in our ability to respond quickly if things do go wrong to minimise the impact on customers. For example, changes already made mean that our recovery time on the mobile network has been substantially improved.

We know that we have work to do to rebuild our customers' confidence in our networks, and we will not stop working until we do.

Throughout the year we have provided regular updates on the work we're doing to improve our network resilience. For more information, visit www.exchange.telstra.com.au.

We also enabled the functionality to support the next generation of LTE broadcast (LTE-B) technology across our entire 4GX network. This emerging technology enables large numbers of customers to view the same content in the same location using a single stream of data, enabling better video quality while also keeping the rest of the network free for other customers.

In a commercial world first, we delivered peak mobile network speeds of 600Mbps in September and then followed this up with a World First demonstration of 1Gbps peak network speeds on the live network in December. The Telstra network has now been enabled to support 1Gbps in the Melbourne, Sydney and Brisbane CBD areas, ahead of new mobile handsets being launched later this year.



Extending our network coverage

As part of our strategy to drive network innovation, last year we launched Australia's largest Wi-Fi network, Telstra Air. More than 1.1 million home broadband and mobile customers are now activated to use Telstra Air, Australia's largest Wi-Fi network. Our fixed broadband customers have created over 500,000 homespots nationally, which Telstra Air customers can access across Australia. We now have over 4,500 public hotspots including selected Telstra pink payphones, most Telstra stores and other outdoor locations. Home broadband customers can also access Wi-Fi at more than 19 million hotspots overseas through our partnership with international Wi-Fi provider, Fon.

As a national carrier and long-term supporter of regional Australia, Telstra is committed to delivering leading telecommunications products and services to our customers in remote, rural and regional areas.

This year we made a multi-million dollar investment in additional regional spectrum that will increase the capacity of our 4G services in regional areas, and allow the delivery of more data at faster speeds. The Australian Government auctioned off additional spectrum for use in 12 regional areas across the country, including Albury, Cairns, Grafton, Mackay, Darwin and their surrounding areas this year. Telstra invested \$190 million through the auction and has secured more spectrum than any other provider.

In June last year we announced that Telstra will spend \$165 million over three years to build 429 new 3G and 4G towers as part of the Australian Government's Mobile Black Spot Programme.

The Programme is aimed at improving coverage for customers in more than 400 regional, rural and remote communities across Australia. This year we constructed mobile base stations in 50 communities across Queensland, New South Wales, Victoria, Western Australia and Tasmania.

For information on our site locations and roll-out schedule, visit telstra.com/blackspots.



Mike Wright, Group Managing Director Networks

This year's mobile network upgrade at the MCG will help us to better connect up to 100,000 sports fans to the technology they crave. Spectators will be able to use their mobile device inside and around the stadium to stream video, browse the internet, upload photos, receive and make calls and access content on the AFL Live pass without experiencing slow speeds and network congestion.

Managing and minimising TIO complaints

When it comes to delivering brilliant customer service we don't always get it right first time, but pleasingly first stage (Level 1) complaints to the Telecommunications Industry Ombudsman (TIO) have decreased this year. By June 2016 the number of Level 1 complaints had reduced by 3.2 per cent compared to last year.

The average number of complaints we received per 10,000 subscribers decreased by 3.5 per cent in FY16, demonstrating the positive impact of our focus on customer service. In FY16 we received an average of 1.95 first stage complaints per 10,000 subscribers, compared to 2.02 in FY15.

We continue to closely monitor the root cause of customer referrals to the TIO. Common areas of complaint include connection and order delays, charging disputes and fault and repair issues.

FY17
Target



Extend our 4G coverage to 99 per cent of the Australian population.

Privacy and data protection

APPROACH

Our customers trust us to protect their privacy and keep their data secure, and we continue to work diligently to respect this trust. Our priority is to ensure we keep customers' information safe and secure, and that we're transparent in the way we manage this information.

We've learnt a lot from past privacy incidents and remain committed to managing privacy risks as technology, and the way we use it, continues to evolve.

We continue to implement privacy controls throughout our business and supply chain to improve the protection of our customers' information. We have in place comprehensive security and network controls, business-wide policies and procedures, a network of business based privacy officers and mandatory training for all employees.

To view Telstra's Privacy Statement, visit www.telstra.com/privacy.

PROGRESS

Responding to privacy incidents and complaints

In FY16 there were two notable incidents regarding our customers' privacy that also attracted public attention. We worked collaboratively with the customers involved, regulators and other stakeholders to respond. We also improved the integrity of some of our processes and implemented technical responses to reduce the risk and likelihood of future incidents occurring.



In addition to this, in May 2015 the Privacy Commissioner issued a determination that Telstra had breached the privacy of an individual customer by failing to provide him with access to his personal information. With the exception of incoming call records, we were ordered to provide the individual with "all the metadata information" held in relation to his mobile phone service. We already provide our customers access to their personal information, but believed this decision could extend this practice to a large range of network data, whether the data reveals anything about our customers or not. Given the broad implications of this decision, we sought a review with the Administrative Appeals Tribunal (AAT). The AAT disagreed with the Privacy Commissioner's determination. The Privacy Commissioner has now appealed the decision of the AAT to the Federal Court, which will hear the matter in August 2016.

Contributing to privacy legislation

In December 2015, the Australian Government published an exposure draft of its Privacy Amendment (Notification of Serious Data Breaches) Bill 2015, to provide industry with the opportunity to comment on the proposed legislation. In our submission, we noted that our current reporting protocols are consistent with the voluntary guidelines published by the Office of the Australian Information Commissioner, and we support the Government's efforts to translate these guidelines into a legislative instrument. We also sought clarification on the practical implications of some requirements within the bill, and emphasised the need for an appropriate balance between delivering community safety and minimising the regulatory burden imposed on industry.

Managing metadata

With digital technology now central to our lives, we are generating more data than ever before. Some of our customers and the broader community are concerned about who has access to this data. Since last year, we have offered customers the same access to their data as we are required to offer to law enforcement agencies in response to a lawful request without a warrant.

This year Australian Government’s Data Retention Scheme came into effect, requiring Telstra and all other internet service providers to collect and store a significant amount of customer data for two years, and to make it available upon a lawful request by certain law enforcement and national security agencies.

In October, the Attorney General’s Department approved our Data Retention Implementation Plan, which detailed the steps we will take to meet their requirements, including our plans to build a compliance system that will help us to manage ongoing requests, while meeting our customers’ privacy expectations. This approval gives us until early 2017 to make sure we have the right processes in place.

To read the conditions for requesting access to your personal data and to make a request, visit www.telstra.com/privacy/customer-access.

What is metadata?

Metadata is the data generated when you use a telecommunications service – information such as the number you called, when you called and how long you spoke for. It does not include the content of a communication, such as the detail of what you said or wrote in an email or SMS. In certain circumstances the police and other enforcement agencies can lawfully access metadata.

Being transparent with our customers

Telstra’s Transparency Report is the first of its kind in Australia. Its aim is to give our customers more information about our legal obligations as a telecommunications carrier.

Like all telecommunications companies that provide services in Australia, we are required by law to assist Australian Government agencies for defined purposes, such as investigating and solving crimes. We also provide assistance to emergency services agencies in response to life-threatening situations and Triple Zero emergency calls.

We take protecting customer data very seriously and scrutinise any requests we receive from law enforcement agencies to ensure we only comply with lawful requests.

Between 1 July 2015 and 30 June 2016, Telstra received and acted on 92,882 requests for customer information.

TYPE OF LAW ENFORCEMENT REQUEST	FY16
Telstra customer information, carriage service records and pre-warrant checks	82,748
Life-threatening situations and Triple Zero emergency calls	7,138
Court orders	518
Warrants for interception or access to stored communications	2,478
Total	92,882

To view our full Transparency Report, visit www.telstra.com/transparency.

Online copyright infringement

Internet Service Providers (ISPs), including Telstra, have been engaged in constructive discussions with copyright owners (also known as rights holders) to address online copyright infringement for a number of years.

We believe that copyright infringement is wrong and that our industry needs a

balanced and sustainable approach to the issue that also respects customer privacy.

In FY15 a draft Copyright Notice Scheme Code was lodged with the Australian Communications and Media Authority (ACMA). Under the code, rights holders may notify ISPs of alleged online copyright infringements, and ISPs may be required to notify their customers of the allegations by sending them notices. The Code was not registered due to a number of outstanding issues, and the ACMA has effectively suspended further consideration of the draft Code until April 2017.

In mid-2015 legislation was passed to allow rights holders to apply to the Federal Court to compel Carriage Service Providers, including Telstra, to block overseas websites alleged to infringe copyright. The first of these actions were filed this year and are yet to be finalised.

Promoting cyber safety

Online safety is about more than protecting us from online danger and personal risk. It’s also about creating a sense of belonging and standards of behaviour that enable us all to have a positive experience online. At Telstra we want to empower people to participate safely in the online world and provide the networks, products and services that make it easy to do so.

For more information on our approach to cyber safety and our performance in FY16, please see the [Connecting communities](#) chapter of this report.

FY17 Target

Review and update our privacy framework to ensure it reflects this evolution and continues to comply with the requirements of the global privacy landscape, as Telstra continues its transition to a global technology company.

Digital innovation

APPROACH

In order to achieve our vision of becoming a world class technology company, we are committed to building innovative growth businesses in new markets and industries, along with promoting and nurturing innovation within our core business.

We define innovation as new ideas, products and services that provide solutions to problems, or a better, simpler outcome for our customers. Technology plays a key role in this.

We have created an innovation ecosystem at Telstra that brings together our support for startup incubation, early-stage investment, the development of new products and services and co-creation with our partners. This creates opportunities and new possibilities in regard to the things that really matter, such as keeping people healthy and safe, and creating a more sustainable and livable world.

Telstra's online employee innovation community, the Innovation Hub, has more than 20,000 users. More than 1,800 ideas have been submitted since it was launched, including 744 in FY16.



Telstra's startup accelerator program, muru-D® provides six months of tailored support to selected technology entrepreneurs across Sydney, Brisbane and Singapore. Participants in class three of our Sydney Program, pictured, began their muru-D® journey in February this year.

PROGRESS

Delivering integrated healthcare solutions through Telstra Health

Telstra Health is one of Australia's leading providers of ehealth services. We believe that the power of connection can also transform healthcare for all Australians and help to create a safer, more cost effective, convenient and productive healthcare system.

We launched a number of new services this year, including Telstra ReadyCare, a 24/7 telemedicine service that connects Australians to an experienced GP by phone or video and is now used by consumers, business and government.

We also extended our Image and Data Management Service to enable the storage and sharing of data and radiology images between different systems and providers.

Telstra Health was selected by the Commonwealth Department of Health to deliver the National Cancer Screening Register under a five year contract. Telstra Health will build and operate the Register, which will help manage bowel and cervical cancer screening programs for more than 11 million Australians by integrating existing databases and improving access for patients and practitioners to medical records as well increasing the screening rate by encouraging more people to participate using technology.

Creating value for our customers through environmental innovation

We're helping our customers to reduce their environmental impacts and improve productivity through the use of ICT. A key element of our approach to environmental innovation is our Green ICT service. This service is designed to help our enterprise customers identify opportunities to reduce their carbon emissions and electricity costs.

This year we completed research for a report due to be released later this year examining the opportunities from cloud services. The report, titled 'Connecting with the cloud, a low-carbon future is ahead', will quantify the financial and environmental benefits of Telstra's Australian dedicated and shared cloud services. Examination of the report's research shows that removing unused or underperforming infrastructure and moving to a dedicated sustainably designed facility results in improved energy performance. Supplementing this research, we will also be launching a customer carbon calculator in the first half of FY17 to assist customers to estimate the energy and cost savings of moving to Telstra's cloud services.

For more information on our Environmental Customer Value Proposition, see the [Environmental stewardship](#) chapter of this report.



Jurlique reaps the environmental benefits of the cloud

With a core brand value of environmental stewardship, global skincare leader Jurlique set a target to reduce its carbon emissions by 20 per cent over five years. Jurlique has moved closer to this goal by moving its core IT operations to Telstra's cloud service, which has led to a large reduction in its carbon emissions.

Making the switch has allowed Jurlique to shut down two large data servers and 15 smaller servers since 2011. This enabled Jurlique to save 130 tonnes of carbon emissions as well as \$23,000 annually thanks to reduced energy costs. Jurlique is also making indirect

sustainability gains. They introduced cloud based video conferencing, which along with aiding collaboration across their global locations has reduced the company's travel related carbon emissions by approximately 16 per cent.

The cloud is transforming the nature of ICT services. As a key enabler of the Internet of Things and Big Data analytics, the explosion of cloud based services has redefined connectivity, creating significant social and environmental benefits. For more information on Telstra's cloud services, visit www.telstra.com/cloud.

Enabling the Internet of Things

Telstra has made significant progress in the development of next generation connectivity for an Internet of Things (IoT) world. Along with extending our cloud capabilities this year, we supported the first purpose-designed IoT services through our LTE network, leading us one step closer to our aim of launching commercial IoT devices by the end of 2016.

In June this year we also enabled a world first Power Saving Mode capability across our entire LTE network. This technology will allow new IoT devices to operate on a small fraction of the power used by traditional devices, preventing unnecessary energy use and enabling products such as remote sensing or monitoring devices to be left unattended in the field for 10 or more years without needing to be recharged.

We also worked with partners to demonstrate the capabilities of Narrow Band IoT technology this year. The benefits of this technology include a dramatic extension of LTE coverage for applications that require only low data rates (such as sensors and meters) expanding both the geographic range and the in-building areas where our customers will be able to access IoT coverage.

What is IoT?



The Internet of Things (IoT) is the network of physical objects or 'things' that have electronics, software, sensors, and network connectivity implanted in them to enable these objects to collect and exchange data. IoT allows objects to be sensed and controlled remotely across network infrastructure, creating opportunities for integration between the physical world and computer-based systems.

Creating smarter cities

In November, Telstra hosted its first IoT challenge in partnership with the City of Melbourne. Over one week we brought together 80 of Australia's brightest developers and creatives, who worked together to build original Smart City devices for the Melbourne CBD. Exploring

possibilities for Smart Cities is a key part of our innovation strategy – it has a direct impact on how people live, work and play in Australia, with sustainability and efficiency at the heart. A total of 21 IoT apps and products were scoped and prototyped during the challenge, and five teams went on to work on their projects more closely with the City of Melbourne. These included solutions to make rubbish collection more efficient and to help citizens choose the right plants for their environment.

Creating smarter homes

This year we announced the upcoming launch of Telstra Smart Home. Telstra's Smart Home platform will enable customers to connect a wide range of smart home devices that can be controlled via a downloadable App. Customers can then access their smart home devices at home or remotely from a smartphone, desktop or tablet. The initial Smart Home package will introduce smart security, home

automation and energy solutions, assisting customers to improve the security and sustainability of their homes. Telstra's smart products will include door and window sensors, motion sensors, smart power plugs, cameras, lights, smart locks and thermostats, all of which can be controlled remotely from anywhere, at any time.

For more information about the sustainability benefits of IoT, see the [Environmental stewardship](#) chapter of this sustainability report.

FY17
Target



Launch Telstra Smart Home to assist customers to improve the security and sustainability of their homes.



The road to safety through IoT

With more than 650,000 trucks on Australian roads carrying freight on a daily basis, the challenges around safety and efficiency are numerous and proliferating. But thanks to the rapid growth of IoT, innovators are uncovering new opportunities to meet these challenges with leading edge technology.

Jamie Smith, Telstra Business Development Executive, says IoT is revolutionising the transport and logistics sector, resulting in smarter motorways, smarter systems, and even the connection of heavy vehicles to traffic lights.

"If heavy vehicles can communicate their location with upcoming traffic lights, the lights will be green at the right moment to allow the vehicle to move through the system without slowing down," Jamie explains. Small changes such as this will have a profound impact on infrastructure, emissions and fuel consumption.

The added bonus is accident prevention. "We're going to use advanced communications between vehicles to make sure we don't have any collisions," says Jamie. "We're going to put in technologies to allow for higher levels of productivity and efficiency."



Conducting our business ethically

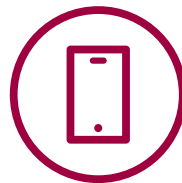
Responsible business

As a large telecommunications company with a presence across Australia and a global footprint, we recognise that our long-term success depends on how we respond to the changing social and environmental expectations of our employees, customers, investors, regulators and the community. These expectations extend beyond our own operations and into our supply chain and relationships with our business partners.

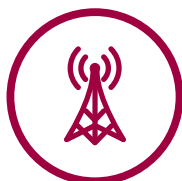
Highlights



97.7 per cent of Telstra Group employees and contractors completed mandatory annual compliance training



Sent out almost 17 million messages promoting safe mobile use



Completed 2,642 mobile infrastructure community consultation projects



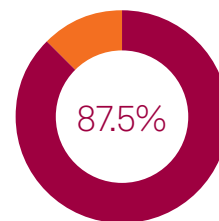
Purchased more than \$900,000 of goods and services from Indigenous businesses



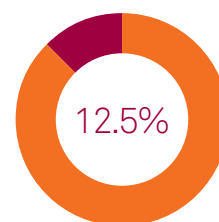
Employ more than 500 people with a disability and 32 people from a disadvantaged background

Performance

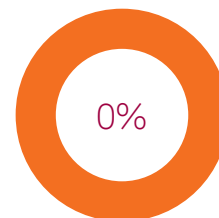
PROGRESS ON FY16 COMMITMENTS	RESULT	MORE INFO
Continue our three year ethical behaviour risk assessment program	●	Page 28
Asses compliance and training requirements arising from our revised Human Rights Policy	●	Page 31
Asses all critical suppliers to confirm they are in compliance or working towards compliance with Telstra's Supplier Code of Conduct	●	Page 33
Hold mandatory sustainability workshops for all procurement and supply chain staff	●	Page 33
Introduce energy efficiency metrics and targets for our suppliers of selected categories of network equipment	◐	Page 34
Develop a multi-lingual version of the ITU consumer guide to electromagnetic fields	●	Page 35
Continue our mobile safety SMS campaign to keep our customers informed of the latest information on EME	●	Page 35
Develop videos and fact sheets on 'how to read an EME Guide' and 'working safely around antennas' as part of our EME awareness program	●	Page 36



Achieved



In progress



Not achieved

● Achieved ◐ In progress ✗ Not achieved

Ethics, values and governance



APPROACH

We are committed to excellence in corporate governance, transparency and accountability. This is essential for our long term performance and sustainability, as well as to protect and enhance the interests of our shareholders and other stakeholders.

Our governance framework plays an integral role in supporting our business and helping us deliver on our strategy. It provides the structure through which our strategy and business objectives are set, our performance is monitored, and the risks we face are managed. It includes a clear framework for decision making and accountability across our business and provides guidance on the standards of behavior we expect of each other.

We regularly review our governance arrangements, to reflect developments in market practice, expectations and regulation as appropriate, and we comply with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

PROGRESS

In pursuit of our vision

Our vision is to make Telstra a world class technology company that empowers people to connect.

We strive to serve our customers better than anyone else and to provide world class connectivity and solutions. We actively seek out new growth opportunities and new technology in Australia and around the world. Our international presence spans more than 20 countries, including a growing footprint in Asia.



Living our values

Our purpose is to create a brilliant connected future for everyone. Our Telstra Values, together with our Telstra Group Code of Conduct and policy framework, define the standards of behaviour we expect.

Our values express what we stand for and are core to our business. As a values-led organisation, our values shape our people's decisions and actions. They guide how we work together. We align everything we do with them.

At Telstra, we have five values:

- Show you care
- Better together
- Trust each other to deliver
- Make the complex simple
- Find your courage.

To find out more, visit
www.telstra.com/governance.

Working ethically

Telstra requires all employees to observe high standards of business and personal ethics.

Our Code of Conduct and policy framework underpin our Telstra Values. Together they set out, in more detail, the standards of behaviour we expect of our people. They define our commitment to good corporate governance, responsible business practice, our customers, our workforce, the communities in which we operate and the environment. They also provide the structure through which we maintain compliance with our legal obligations.

Our governance framework includes elements that address the following key areas. These are central to how we promote good governance, and ethical and responsible behaviour:

- Anti-bribery and anti-corruption
- Conflicts of interest and outside activities
- Fraud and criminal conduct
- Gifts, prizes and hospitality.

Throughout the year we've continued to review our policies and procedures in light of changes and updates to local and global regulatory requirements. We are currently reviewing our Ethical Behaviour Framework to ensure we are in position to comply with a new international standard ISO 37001 – Anti Bribery Management Systems when it is released later in 2016.

We also continued to refine and update our ethical behaviour training content and mode of delivery. Our focus remains on providing in-person training where possible. This year, we provided face to face ethical behaviour training to 1,700 employees across 12 countries.

FY17 Target

We have conducted risk training and awareness sessions across all the Telstra executives and will be cascading the program throughout the organisation.

Telstra does not make political donations. However, like many other publicly listed companies, we do pay fees to attend events organised by political parties where those events allow for discussion on major policy issues with key opinion leaders and policy makers.

Governance at Telstra

Whistleblowing

We encourage our people across the Telstra Group to take action if they have any concerns about unethical, illegal or improper behaviour. Our whistleblowing policy is supported by a confidential, anonymous whistleblowing service that provides appropriate protections for our people and members of the public to report their concerns. Our process is supported by an independent service provider specialising in handling sensitive reports and disclosures.

Telstra's Group Whistleblowing Committee consists of senior executives and is chaired by the Company Secretary. Our Group Whistleblowing Committee

monitors disclosures, investigations, recommendations and where appropriate the implementation of actions, and our Audit & Risk Committee oversees the whistleblowing process.

As at 1 July 2015, there were 20 whistleblowing alerts in progress within the Telstra Group¹. During FY16, 65 whistleblowing alerts were opened and 66 were closed. As at 30 June 2016, 19 remain in progress.

For whistleblowing contact details, visit www.telstra.com/governance.

Compliance training

Training is an integral element of our compliance framework. It ensures our employees and contractors are aware of their legal, regulatory and compliance responsibilities. When people start working at Telstra they are required to complete a suite of online compliance training courses, including training on our Telstra Group Code of Conduct.

Mandatory refresher training is also completed annually, with each compliance topic covered every two years. The two exceptions, which are covered in our annual refresher training, are Structural Separation Undertaking, which responds to our regulatory commitments as part of our NBN agreement, and Working at Telstra, which covers key company policies and standards of behaviour for employees. This year we included a new topic on family and domestic violence.

We monitor, report and manage training completion rates. Employees who fail to complete mandatory compliance training without a valid reason may face disciplinary action.

As at 30 June 2016, 97.7 per cent of Telstra Group employees and contractors have completed this year's mandatory refresher course. We are currently following up with those who did not complete the training to determine any disciplinary consequences.

Actively managing risk

Understanding and managing our risks is part of how we work. It helps us meet our strategy and business objectives, and our legal and regulatory obligations, and make informed, business decisions and act ethically in the best interests of Telstra Group and our shareholders.

We have a risk management framework in place that provides the foundations and organisational arrangements for how we manage risks across the Group. The framework aligns with ISO 31000:2009, the International Standard for risk management.

One of the core components of our framework is the risk management process which provides the business with a process for assessing risks. Through this risk management process, we identify, monitor and report on risks to the achievement of our plans and objectives.

Managing climate change risk

Climate change risk is an operational risk that could impact our business through extreme weather events. The infrastructure we operate to deliver our products and services is exposed to the weather and is often located in remote locations. Increased frequency and severity of extreme weather can damage and disrupt our infrastructure and operations.

A robust and risk-based approach is important when it comes to managing the physical impacts of climate change. Therefore, this year, as part of our broader response to climate change,

we conducted a climate change risk assessment to better understand the risks posed and identify actions to build resilience within our business. The risk assessment included mapping our infrastructure and networks, layering this with geographic attributes and ranking assets in terms of vulnerability. As part of the risk assessment, an adaptation plan for all high risk assets is due to be developed in FY17.

To learn more about our response to climate change, please refer to the [Environmental stewardship](#) chapter of this report.

¹ Excludes Autohome as we sold down our interest in Autohome to 6.5 per cent during FY16.

The risk management process is inclusive of all types of risks, from internal and external sources, including strategic, operational, financial and regulatory, as well as social, economic and environmental sustainability risks.

Our material business risks, which are strategic in nature and can have a material impact on the achievement of our strategic growth objectives and future financial prospects, are monitored for changes in their exposure and are reported to the Board during the course of the financial year, along with their related controls and treatment plans. Our key operational risks, which are operational in nature, are monitored and reported to our Management Risk Committee and the Audit & Risk Committee.

We conduct reviews and self-assessments of our framework across the enterprise and report the results to our Management Risk Committee and the Audit & Risk Committee. We use the results of those reviews, as well as recommendations from Group Internal Audit, our third line of defence, to identify and implement opportunities for improving our framework. In respect of FY16, the Audit & Risk Committee has reviewed Telstra's risk management framework and satisfied itself that it continues to be sound.

To learn more about our risk management approach and for a summary of our material business risks, please refer to our 2016 Annual Report.



FY17 Target

We have conducted risk training and awareness sessions to all the Telstra executive and will be cascading the program throughout the organisation.

Generating social value

The contributions we make in the community go beyond taxes paid. We support and contribute to improving the lives of the people we interact with across our value chain, from our suppliers and employees to our customers and communities.

For FY16, Telstra Group¹ generated significant social value through the following:

Employed more than

33,000
people

Paid

\$4.3 billion
in salaries and wages

Paid

\$3.8 billion
in dividends to around 1.4 million shareholders

Paid

\$7.4 billion
for goods and services from around 4,400 suppliers

¹ Includes Telstra Corporation and controlled entity full time employees and equivalents, contractors and staff employed through agency arrangements in Australia and internationally.

Managing our tax affairs

APPROACH

We comply with all taxation laws and obligations and pay tax in accordance with the laws of the countries we operate in.

We are committed to full transparency and disclosure in all dealings with revenue authorities.

This open and cooperative approach includes regular interactions with the Australian Tax Office (ATO) under the Pre Lodgement and Post Lodgement Compliance Review Programs. The ATO categorise Telstra Corporation Limited as a key taxpayer for both income tax and GST within the ATO's risk-differentiation framework.

We maintain a conservative tax risk profile. All transactions entered into are based on commercial considerations and we do not take positions that are tax driven, artificial or contrived or interpret a tax law beyond its spirit and intent. Where appropriate, we minimise tax risk and uncertainty by obtaining sign-offs from revenue authorities.

We undertake a real time review of tax risks on all material transactions and are committed to continuous improvement of tax compliance systems, processes and practices.



Australian tax contributions

Telstra makes a significant contribution to Australian federal, state and local government tax revenues. During FY16:

- Telstra paid \$1.8 billion in Australian income tax¹, \$0.2 billion in payroll tax and \$0.1 billion in other Australian federal, state and local government taxes
- Telstra has remitted \$1.1 billion in net goods and services tax after claiming input tax credits
- Telstra has remitted \$1.0 billion in pay as you go withholding tax deducted from salaries paid to employees.

On average our annual payment of corporate income taxes account for approximately 2.4 per cent of total corporate taxes collected by the ATO².

The Telstra Group's effective tax rate for continuing operations was 31.6%, which is in line with the Australian corporate tax rate³.

International related party dealings

Australia's domestic and international tax laws are amongst the strongest in the developed world, resulting in high levels of tax compliance.

Our international related party transactions are based on commercial considerations and are undertaken in accordance with the OECD arm's length principles. We comply with all Australian and foreign tax laws and filing obligations. During FY16:

- Telstra paid and received fees for international connectivity services to and from its offshore controlled entities
- Telstra paid for telecommunications and management services to its offshore controlled companies
- Telstra received and paid interest on loans to and from its offshore controlled entities.

¹ Income tax paid by Telstra Corporation Limited on behalf of the Australian tax consolidated group (Telstra Corporation Limited and its wholly owned Australian subsidiaries).

² Average percentage calculated using our net Australian tax consolidated group cash tax paid divided by ATO net corporate income tax collections for the past 3 years (i.e. FY2013 to FY2015) based on the 2015 Commissioner of Taxation's Annual Report.

³ Refer to Section 2.4 Income Taxes in our Annual Report for further details.

Human rights



APPROACH

We respect and support human rights and work across our value chain to ensure that we and our business partners operate without infringing on human rights. Telstra has been a signatory to the United Nations (UN) Global Compact since 2011 and is committed to supporting the 10 principles on human rights, labour rights, environment and anti-corruption.

We recognise our responsibilities to respect and support human rights as set out in the Universal Declaration of Human Rights and our approach is aligned to the UN Guiding Principles on Business and Human Rights. Our commitment is defined in our Human Rights Policy.



Throughout this report, the icon above indicates information on our progress in implementing the UN Global Compact principles.

PROGRESS

Managing human rights

Our particular business context means there are a number of human rights risk areas that need to be managed. Telstra has a growing international presence and diversified business with a large workforce and contractor base. We also have a large supply chain through which we undertake potentially high risk activities, such as contracting to manufacture electronic equipment in non-Organisation for Economic Co-operation and Development (OECD) and developing countries.

Telstra is required to respond to the UK Modern Slavery Act 2015 (MSA), which requires companies operating in the UK



with annual global turnover exceeding £36 million to publish an annual 'Slavery and human trafficking statement'. We will publish a statement on our website by 31 December 2016 outlining the steps we have taken to ensure that slavery and human trafficking are not taking place anywhere in our business or supply chain.

This year, we assessed the compliance and training requirements arising from our revised Human Rights Policy and from the MSA. As a result, we updated our Code of Conduct to reflect our commitment to human rights. We have included reference to the Human Rights Policy in the revised employee induction course and plan to update the annual mandatory compliance refresher training to raise awareness of our approach to human rights. Specific training for areas of the business with heightened human rights risk is planned to be developed during FY17.

FY17
Target



Assess training needs for specific areas of the business with heightened human rights risks.

Supply chain sustainability



APPROACH

Our spend puts us in a position to work with our suppliers to positively influence their environmental, social and ethical performance. The Telstra Group Code of Conduct provides an overarching framework to ensure that we operate ethically and with integrity in purchasing goods and services, and in conducting business with suppliers.

The Telstra Supplier Code of Conduct sets out our minimum standards in the areas of labour and human rights, health and safety, environment, ethical dealings and supply chain diversity, and is modelled on other codes, including the Electronic Industry Citizen Coalition Code of Conduct. We expect suppliers to meet the standards described in our Supplier Code of Conduct and are working with them to achieve this.

Telstra's approach to sustainable procurement encompasses both social and environmental considerations. The key principles of our approach to sustainable supply chain management are reflected within our Supplier Code of Conduct, as well as other key procurement policies and processes. Our procurement criteria includes questions related to governance and ethics, health and safety, data security, energy efficiency and environmental compliance.



Our supply chain

This year, the Telstra Group purchased \$7.4 billion for goods and services from about 4,400 suppliers. The Telstra Group's key areas of purchasing are electronics and network components (around 44 per cent of our third party expenditure) as well as services (around 56 per cent).

Our procurement of electronics and network equipment includes mobile devices (phones, tablets, wireless internet), IT equipment (computers, modems, servers) and network

components (cables, wireless antenna, exchanges). These items are provided directly to customers, used to supply our network and data services, or used by Telstra employees.

Our procurement of services includes activities that relate to installing and maintaining our network, connecting our customers to the network, developing software, providing customer support, providing non-core services such as property management, as well as professional consulting services.



PROGRESS

Managing risks in our supply chain

The key supply chain risks for our industry include:

- Products or services being produced under poor labour conditions, including child labour, forced or compulsory labour and a lack of freedom of association and collective bargaining
- The potential use of conflict minerals in our products
- Use of rare metals in electronics production and a lack of recovery, recycling and reuse mechanisms for these metals
- Toxic chemicals discharged to air or water where factories are located in areas with insufficient regulation or no enforcement of minimum standards
- High energy use and carbon emissions associated with products and services.

In FY16 we continued to embed the management of sustainability risks and opportunities in our supply chain into our core activities. We continued to assess and manage risk within our supply chain through our sustainability risk questionnaire.

We are working with all of our 24 high risk suppliers to understand their approach to managing sustainability risks and assessing their performance. High risk suppliers were identified from a supply chain risk assessment conducted in FY14 covering 131 suppliers representing 66 per

cent of Telstra's spend. In FY15, we sent all high risk suppliers a sustainability risk questionnaire and we have now received responses from all 24 suppliers. Analysis of the supplier responses identified that many of our high risk suppliers have strong corporate governance over their own operations. However, not all could confirm that our expectations, as set out in our Supplier Code of Conduct, have been communicated beyond our direct suppliers (tier one suppliers) to those suppliers (tier two and beyond) who support them in supplying to Telstra. Having identified this, we will continue to work with our direct suppliers in FY17 to ensure they are cascading our expectations to our tier two and three suppliers.

During the year we continued to integrate sustainability considerations into our sourcing processes and included sustainability criteria in our standard procurement assessment templates, which cover the areas of environment, health and safety, labour practices, management systems and subcontractor management. We also held sustainability awareness sessions for more than 200 procurement and supply chain employees and contractors. The awareness sessions covered an overview of Telstra's sustainability strategy and key commitments, how they apply to procurement, Telstra's sustainability expectations of suppliers and how to manage sustainability risks when sourcing goods and services.

Delivering social impact with our suppliers

Telstra is proud to continue its partnership with 14 non-profit groups around Australia to create employment opportunities for people with disability or from disadvantaged backgrounds.

These groups perform grounds maintenance at around 6,000 of our network sites and also regularly clean 900 network sites. At 30 June this year, 501 people with a disability and 32 people from a disadvantaged background were accessing employment through the program.

Through the Indigenous Workforce Program (IWP) we partner with local Indigenous groups to undertake grounds maintenance at our sites. We have a large number of key facilities across regional and remote Australia including radio towers, mobiles base stations and exchanges. Grounds maintenance for these facilities is critical to maintaining our communications infrastructure but often challenging due to their remoteness. This year we continued to expand our program by bringing members of several smaller, isolated communities on board for the first time. The IWP employs more than 74 people at over 550 sites across Queensland, the Northern Territory and Western Australia.

In FY16, we expanded our engagement with Indigenous business suppliers through our membership with Supply Nation, an organisation that connects Australian corporates and government organisations with Aboriginal and Torres Strait Islander business suppliers. This year, we spent more than \$900,000 with Indigenous enterprises, exceeding our target of \$500,000.

To learn more about our broader reconciliation commitments, please refer to our RAP in the [Connecting communities](#) chapter of this report.

We also continued to increase the diversity of our supply chain by partnering with community organisations such as Beehive Industries, which manages the assembly of our \$2 Sim Card Starter Kits. Beehive Industries is a registered charity working to create more volunteering and training opportunities for seniors and people living with a disability, to promote social inclusion.

Improving the environmental performance of suppliers

Our supply chain is an important part of our overall value chain which offers both challenges and opportunities for reducing the environmental impacts of products and services. Suppliers consumed energy and water and generate greenhouse gas emissions and waste to produce the products we sell. We have a responsibility to work with suppliers and collaborate across the supply chain to reduce the environmental impacts of our products and services.

A sustainable supply chain is an important part of our Enterprise Environment Strategy. As part of the strategy, we are working to minimise the embodied carbon, operational energy consumption in the manufacturing and supply of products as well as the energy efficiency of products.

A collaborative effort between our Procurement team, the Chief Sustainability Office and Telstra Operations led to the development of a set of environmental standards, aimed at helping our suppliers to consider and improve the energy efficiency of their products and services. The standards cover primarily network and data centre equipment providers and requires them to meet energy efficiency specifications for any products they supply. The new purchasing requirements are planned to be implemented in early FY17.



Mahiyar Hira, Senior Operations Specialist
with volunteers from Beehive Industries

Adding social value through Indigenous procurement

There are a lot of barriers for small businesses to be suppliers to large corporations and government agencies. Telstra is working to reduce the barriers for Indigenous enterprises who operate on a small scale and may not have the formal standards or certifications required by larger companies.

This year, we explored opportunities to use smaller Indigenous enterprises to fulfil office consumable orders. As a result, we were able to commit to supporting the Indigenous owned Tjindgarmi Range of Office Products.

“Not only was this product sustainably sourced with Programme for the Endorsement of Forest Certification (PEFC) and Supply Nation Certification, proceeds from sales of the Tjindgarmi range support The Teter Mek Foundation, which produces educational materials and lesson plans for schools to teach about Indigenous culture. This added a level of social value that was attractive to Telstra” said James Sharman, who manages Telstra’s relationship with Supply Nation.

More than 95 per cent of Telstra’s office copy paper is Tjindgarmi branded and we plan to look for new ways to diversify our supply chain to create social value.

To find out more about sustainable procurement, visit
www.telstra.com/suppliers.

FY17
Target



Establish a new supply chain risk governance model across Telstra Group.

Mobile phones, base stations and health (EME)

We acknowledge that some people are concerned about possible health effects from electromagnetic energy (EME), and we are committed to addressing these concerns responsibly.

APPROACH

We are proactive, transparent and fact based in our communications regarding EME and comply with the standards set by regulators.

We rely on the expert advice of national and international health authorities including the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) and the World Health Organisation (WHO), and we actively contribute to scientific research on EME and health.

We provide information about EME on our website at www.telstra.com/eme. We also invite customers to go directly to the WHO, ARPANSA and 'EMF Explained' websites as well as the recently created ITU EMF Guide for further information.

We have a dedicated EME help desk and team that proactively reviews new site proposals, develops community consultation plans and works with the community to determine acceptable sites for new base stations.

The Radio Frequency National Site Archive (RFNSA) – www.rfnsa.com.au – is a consultation web portal that we use to provide the community with access to up to date information about new base station proposals across the country.



The community can also use the RFNSA to provide feedback and submissions about proposals. The RFNSA received more than 95,000 guest visits in FY16 and is used by all carriers to provide information about EME, site safety and network deployment for mobile base stations across the nation.

All of our base stations are assessed for EME compliance, and the ARPANSA Environmental EME reports and compliance certificates are published on the RFNSA. As a member of the Mobile Carriers Forum, we continue to participate in the annual survey program that measures radiofrequency levels in public areas around selected base stations and Wi-Fi locations to ensure they comply with Australian standards. Surveys are conducted by independent assessors who use a methodology endorsed by ARPANSA. Telstra has completed more than 50 surveys since the program started in 2014 and these reports will be made available to the public later in 2016.

PROGRESS

Keeping our customers informed

Helping our customers and the community keep abreast of the latest information is important to us. This year, we continued our mobile safety SMS campaign, sending out almost 17 million messages referring customers to www.telstra.com/mobiletips, our information site for safe and responsible phone use. We also updated our website to include specific information regarding EME and children.

In FY16 we developed a mobile smart phone application for the International Telecommunication Union (ITU) called the EMF Guide. The EMF Guide provides information and educational resources on EME. Following positive feedback, the ITU requested Telstra develop a multi-lingual version of the guide which was launched in Geneva by the ITU in October 2015. The EMF Guide is available in the six official UN languages from app stores and has more than 600 downloads since being launched. Earlier this year, the Malaysian Government launched a Malay version of the EMF Guide utilising the material produced by Telstra.

Measuring EME at base stations and Wi-Fi hotspots

Telstra complies with the safety standards set by ARPANSA, which are based on the safety guidelines recommended by the WHO. Each base station is assessed for safety compliance and a Certificate of Compliance is issued.

This year we continued our base station audit program. As part of this program, independent assessors measured EME levels in public areas surrounding 20 mobile telecommunication facilities. The latest round of sites in the audit program included full base stations, Telstra Air sites on public phone booths and small cells (small cells are installations which provide 4G data services to the area surrounding the facility). The results from the current program showed measured EME levels continue to be well below the allowable levels as set out in the relevant standard and also lower than those levels modeled using the ARPANSA methodology.

Community consultation for base station locations

In FY16, we completed 2,642 mobile infrastructure consultation projects. Some 315 of these projects were for new development applications (of which 312 were approved) and 2,327 were proposals where we consulted in accordance with the Communications Alliance Mobile Phone Base Station Deployment Industry Code. The Australian Communications and Media Authority (ACMA) confirmed that they received four objections (complaints) regarding one Telstra proposal in FY16, compared to none in FY15 and two in FY14.

This year we published 82 community consultations on the RFNSA. A small number of communities, including Bilgola Plateau (New South Wales), Sebastopol (Victoria) and Lockridge (Western Australia), expressed concern about EME through the consultation process. We responded to these concerns through extended community consultation, individual meetings and our proactive community engagement.



Product compliance with safety standards

Every mobile handset we sold in FY16 was certified by the manufacturer as compliant with the mandatory ACMA Radio Communications (Electromagnetic Radiation – Human Exposure) Standard 2014. It is designed to offer protection against identified health effects of EME and contains a large built-in safety margin.

We have seen product compliance requests extend beyond traditional hand-held devices such as mobile phones over the last 12 months. Wi-Fi routers for the home, business solutions, public Wi-Fi networks, along with new innovations must all comply with the standard. Telstra continues to assess and confirm compliance of products we are introducing. In addition, we are creating fact sheets and user guides that are made available to the public to ensure everyone has up to date information.

Working safely around antennas

This year we developed a mobile phone application called Radio Work Safe, to provide information to non-Telstra personnel who conduct construction work on sites with radio frequency (RF) transmitting equipment. The App can be downloaded at www.radioworksafe.com.au. Radio Work Safe complements our existing health and safety protocols and provides information on how to work safely around antennas. Through this App, the user can access a number of Telstra training videos and complete a checklist that highlights the important safety steps to observe prior to accessing areas close to RF emitting equipment. This App was developed by Telstra on behalf of the Australian Mobile Telecommunications Association (AMTA) and is now undergoing industry testing prior to launching later in 2016.

FY17
Target



Continue our mobile safety SMS campaign to keep our customers informed of the latest information on EME.



Creating a great place to work



Our people

Technology is evolving rapidly, customer expectations are changing and we're facing a more competitive global market. Adapting our ways of working to respond to these changes is critical.

To ensure we thrive in these conditions, we're taking a values-led approach to driving employee engagement, collaboration, diversity and inclusion. We're providing targeted leadership, learning and development opportunities and continuously improving our approach to health and safety. We're also investing in programs to attract and retain employees with the skills and passion to help transform Telstra into a world class technology company.

Highlights



Lost Time Injury Frequency Rate of 0.66 down 33%



Named as an Employer of Choice for Gender Equality by the WGEA



Invested \$1,352 per employee on learning and development



Achieved a sustainable engagement score of 71% in our Employee Engagement Survey



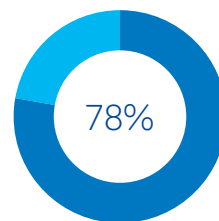
Undertook 8,186 volunteering days in the community



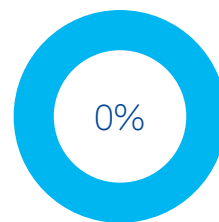
Achieved 30.6% female representation across Telstra Corporation Limited

Performance

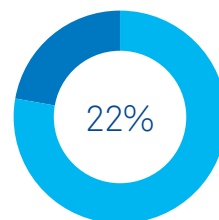
PROGRESS ON FY16 COMMITMENTS	RESULT	MORE INFO
Increase employee engagement to 84%	×	Page 39
Expand on our Core Capabilities and leadership development training programs	●	Page 41
Undertake 10,000 volunteering days in the community	●	Page 42
Roll out the next stage of our All Roles Flex program, focusing on global mobility and location flexibility	●	Page 47
Expand opportunities for Indigenous employment within our Retail division, growing traineeship and internship opportunities across all business units	●	Page 47
Develop a return-to-work program for older people who have been out of the workforce, to help promote age and generational diversity at Telstra	●	Page 47
Update our Group HSE standards as a key input to our HSE Risk Control Framework	●	Page 49
Continue to develop and implement health and wellbeing programs aimed at minimising workplace safety risks	●	Page 49
Finalise the negotiation of the new Telstra EA and implement it across the business	●	Page 51



Achieved



In progress



Not achieved

● Achieved ◐ In progress × Not achieved

Strengthening our workforce



We're working to create a brilliant, connected workplace for our people.

Enhancing our culture and engagement

APPROACH

We're working to create a customer focused, collaborative and innovative culture. Getting this right is vital to our ability to deliver on our vision, purpose and business strategy. We know that when our people are engaged, recognised and given opportunities to learn and grow in their roles, they enjoy greater job satisfaction and are more likely to deliver an outstanding customer experience.

PROGRESS

Living our vision, purpose and values

Our vision, introduced this year, is to be a world class technology company that empowers people to connect. Working towards this vision will help us to achieve our underlying purpose as a company, to create a brilliant connected future for everyone. Our values, along with our Telstra Group Code of Conduct and policy framework guide the way we work towards these goals.

At Telstra, we have five values:

- Show you care
- Better together
- Trust each other to deliver
- Make the complex simple
- Find your courage.

To help bring our values to life, this year we launched Values to Standards. Values to Standards helps teams to turn values into behaviours that they can tangibly apply and be accountable for in their day-to-day work.



Jaime Lee, Head of Cloud Practice

Employees recognise their peers for demonstrating Telstra's values through our Zing reward and recognition program. More than 139,000 Zings have been awarded this year.

Engaging our employees

Seeking and responding to employee feedback helps make Telstra a great place to work.

In March we conducted an Employee Engagement Survey (EES), with an 80 per cent response rate. This year we shifted our key metric to sustainable engagement, a more rigorous measure that provides a deeper understanding of the key drivers of performance. The sustainable engagement metric consists of three components - how engaged, enabled and energised our people are in their roles.

We achieved a sustainable engagement score of 71 per cent. This score is close to our global peers, with the global high

technology companies' norm being 73 per cent, but short of our aspiration to meet the global high performing companies' norm of 80 per cent.

Our target for FY16 was to achieve a standard engagement score of 84 per cent. As we shifted our engagement metric this year, we did not measure our performance against this target. Our new target is to achieve a sustainable engagement score that is in line with the global high performing norm by 2020.

The survey identified areas for improvement. Over the coming months we will develop action plans to help us to improve employee advocacy and empower our people to create brilliant customer experiences. This will include efforts to reduce complexity within our business and improve customer processes, and to better anticipate new products and services that our customers will love.

It also showed that our employees are proud of Telstra's purpose, integrity, diversity and social and environmental performance. They feel that their work is meaningful and that they're encouraged to discuss ideas and learn from mistakes.

Attracting and nurturing talent

As the market for talent continues to intensify it will become increasingly difficult to attract and retain the best employees to Telstra. We are working to continuously improve our talent and recruitment programs, to ensure we have the workplace capability we require to deliver on our vision to become a world class technology company.

This year we introduced a screening survey as an additional step to our external recruitment process, to help ensure we're hiring people who have the customer service and advocacy mindset necessary to succeed at Telstra.

We also embraced new opportunities to lift our collective performance and talent standards for existing employees. This year we conducted a series of talent workshops with all Executives and Band One people leaders, aimed at resetting our talent and performance standards and expectations of leaders, improving our succession pipeline and expanding the breadth of opportunities we're offering our people. We also rolled out a supporting toolkit that provides managers with information around our talent framework, guidance on having career conversations as well as detailed information on how they can help to encourage agile learning.



Jo, GM HRSS Operations and Chris, Global Talent Strategy and Operations Lead

Managing performance

Throughout the year our employees set performance objectives with their leader that, along with our customer advocacy and financial results, form a key component of our short term incentive plan.

In FY15 we introduced a new approach to performance at Telstra, informed by emerging best practices and feedback from our people. This year we have continued to embed this approach, which encourages our people to have ongoing conversations with their leaders throughout the year about their development priorities, progress and how they can contribute to achieving Telstra's key priorities. Our approach is fluid and flexible to account for the changing needs and aspirations of our people and business.

Reconnecting with Telstra's alumni

In FY16, the Telstra Alumni program has grown to over 22,000 members. The program provides former employees with access to discounts, including our THANKS™ Alumni program, networking and special events, job opportunities, as well as the chance to test new products and services. This year we conducted a survey to benchmark our program, better understand what is important to members and gain insights on how Telstra Alumni can improve. Overall, we found the program is world-class, member satisfaction was strong and alumni are highly engaged advocates who are committed to Telstra's future success. We focused on increasing member engagement through a range of activities, including networking events, reunions, digital training, business and industry updates, volunteering, community grants and local events centred on building advocacy in regional areas.

To find out more, visit www.telstra.com/alumni.

Providing learning and development opportunities

We're equipping our people with the tools and development required to be inspiring leaders, to foster a global mindset and to deliver increasingly responsive, personalised customer service. This year we:

- Continued to deliver targeted Core Capabilities development programs to enable our people to develop key business skills, such as driving change, strategic thinking and planning, commercial acumen, business partnering and coaching. More than 2,000 employees across Australia, the US, the UK, Singapore and Hong Kong completed Core Capabilities training in FY16
- Rolled out a suite of Telstra Leadership programs for aspiring, new, experienced, senior and executive leaders across Telstra. Incorporating both face-to-face and online learning modules, these programs were undertaken by more than 1,400 people leaders in FY16
- Launched Get Started, a new digital global induction portal. All new employees are now introduced to our culture and strategic priorities in a consistent way through the portal, with a particular focus on driving customer advocacy
- Piloted a Global Growth program – the first of two initiatives aimed at building Global Mindset capability. For more information, see the case study below.

In FY16 we invested \$45 million (not including labour costs) in learning and development across the Telstra Group, which equates to \$1,352 per employee (full time equivalent, excluding contractors). This included an \$8 million investment in talent and leadership development.



Global growth program participants

Building a global mindset for global growth

This year we piloted a Global Growth program, a training experience aimed at creating a pipeline of globally ready individuals across Telstra.

Throughout the program 25 participants from across the business were given the opportunity to learn and interact with leading global companies, Australian and regional government representatives, innovation experts and cultural intelligence specialists, to help them to build global mindset capability and progress their team-work projects.

Adam Day, Head of Enterprise Sales Strategy, Americas participated in the pilot and thought it represented a key step towards Telstra becoming a truly global, world class technology company.

"For a business with so much rich heritage and deep experience in Australia, but with so much of our future coming from our international operations, driving a truly global mindset across our company is and will be imperative to our success and to our ability to capitalise on the opportunities that are in front of us," he said.

"I met a diverse, exceptional group of leaders through this program who have a common intent to embed a global mindset across our organisation. To me, this is an incredibly exciting time for Telstra, and one I now feel better connected and empowered to be a part of".

FY17 Target

Launch the Telstra Leader Program, to assist our leaders to create a world-class culture for our people.



Team Telstra volunteering in Hong Kong

Volunteering and giving

APPROACH

As a large employer, we have a unique opportunity to contribute to the communities in which we live and work.

We encourage our people to get involved in our core sustainability programs by supporting them to give One Day. One Cause. One Dollar. For Everyone. Our 'ONE' employee call to action encourages our people to take up their One Day of volunteering leave, get behind One Cause that matters to them, and have every One Dollar they donate through payroll giving matched by Telstra.

In addition to providing paid volunteer leave, we maintain a number of partnerships that provide individual and team, skilled and unskilled volunteering opportunities. We also provide emergency response leave and blood donor leave to employees donating with the Australian Red Cross Blood Service.

With the support of the Telstra Foundation, we provide dollar-for-dollar matched payroll giving (up to \$1,000 per employee per year and \$750,000 overall), enabling employees to give to any registered charity in Australia. This provides an incentive for our people to donate and the freedom to choose causes they are passionate about.

We also encourage our people to support their local communities through the Telstra Kids Fund. Collectively, our employees can apply for up to \$1 million in grants each year to fund the little things that make a big difference to kids' lives.

PROGRESS

Volunteering in our communities

This year, our employees contributed 8,186 volunteer days, up 13 per cent from 7,225 days in FY15, but short of our target of 10,000 days. This represents a total value of \$1.7 million.

Employees volunteered their time to a variety of causes including youth mentoring with Foundation House, preparing and serving food to people in need with the Salvation Army and Sacred Heart Mission, and planting trees, mulching and weeding with Landcare.

Our Telstra International employees contributed an additional 578 volunteering days through events held in the UK, US and throughout Asia this year.

Two-thirds of our non-profit partners rate Telstra's volunteering contribution as 'extremely important' to achieving their organisational mission and goals.

This year we updated our volunteering intranet site, the EVERYONE portal to make it easier for Telstra employees to find and register themselves and colleagues for volunteering activities. The new social functionality of the portal aims to create a strong community of volunteers, where our people are encouraged to share their experiences and causes they are passionate about.



Jo Stentiford, Partnerships Manager, Landcare Australia

From Tassie's Bellerive Bluff to McMinns Lagoon in the Northern Territory, Telstra volunteers have cleared, dug, seeded and watered the vast diversity of Australia's landscapes. In fact, since forging a partnership with Landcare Australia four years ago, more than 3,000 Telstra employees have spent more than 22,000 hours volunteering with Landcare communities – making Telstra our largest corporate volunteering partner. However, the numbers only tell a small part of the story. Like us, Telstra people are committed to building a sustainable future, and it's been with their help that we've been able to have such an impact over the past few years.

To help us achieve our volunteering target we also undertook research this year to better understand our peoples' volunteering motivations, awareness and behaviours. This research found that 91 per cent of our people believe volunteering is important and 63 per cent volunteer in the community. As our recorded volunteering rate is only 29 per cent, this research tells us that we have work to do to encourage employees to volunteer with Telstra and to record their volunteering days in our leave system. This will be a key focus for FY17.

Our reward and recognition program, Pay it Forward, rewards individuals who have put the customer at the heart of everything they do. The intention of the program is to link staff recognition with advocacy and provides recipients with a life-changing opportunity to make a difference to communities in need. This year our Pay it Forward volunteer groups spent time working in two Indigenous communities in Western Australia. One group worked with the Central Desert Native Title Service team on Kiwirrkurra country. They built a ranger shelter, information stands, tables and chairs, and installed a new BBQ and water tanks. The other group worked alongside traditional owners to repurpose an old visitor accommodation block in the ex-community of Yakka Yakka. The facility will be used as an 'on country' hub to support the traditional owners to manage country and keep culture alive.



Steve Tinker, Telstra Country Wide volunteering at SACE

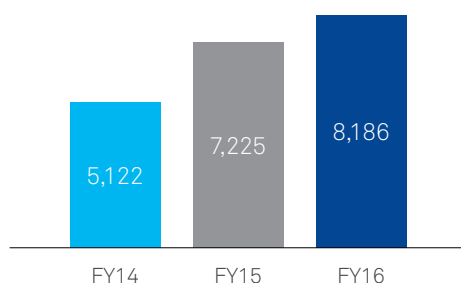
Launch of the Spirit of Anzac Centenary Experience

The Spirit of Anzac Centenary Experience is the Australian Governments' flagship activity of the Anzac centenary commemorations. It is a unique partnership between the Australian Government, the Australian War Memorial, Commonwealth Bank and Telstra. Opened in September 2015, the exhibition tells the story of Australia's involvement in the First World War and commemorates more than 100 years of Australian service. To date the Exhibition has visited 11 locations across Australia, and has been attended by more than 170,000 people.

This year more than 1,100 Telstra employees, alumni and friends have volunteered at SACE across Australia.

"Being part of the launch of the Spirit of Anzac Centenary Experience travelling exhibition in Albury-Wodonga last year was quite special for me. The exhibition, I believe, is amazing. Through the sounds and sights, it brings the Anzac spirit to life and the reality of so many Australians involved in war 100 years ago – and still today. Going through the experience, you feel to some extent what it must have been like. How people lived. How people died," said Steve Tinker, Area General Manager for Western Victoria and SACE volunteer.

Volunteering on Telstra time Number of days



**FY17
Target**



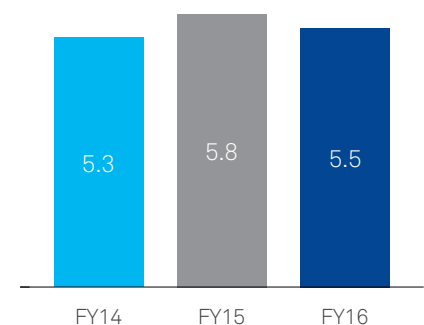
Achieve 30 per cent participation in employee volunteering.

Charitable contributions through employee giving

Throughout FY16, 5.5 per cent of our employees made donations via payroll giving, down from 5.8 per cent the previous year. Including Telstra's matched contribution, more than \$1.5 million was donated to 350 charities this year.

For details of our top 10 payroll giving recipients, see the [Connecting communities](#) chapter of this report.

Payroll giving Participation rate (%)



Embedding diversity and inclusion

APPROACH

Promoting diversity and inclusion across Telstra helps us improve our business results, enhance our reputation and attract, engage and retain talented people. In addition, having a diverse range of employees better enables us to understand our customers' individual needs and provide them with excellent customer service.

At Telstra, diversity means difference, in all its forms, both visible and not visible. This includes differences that relate to gender, age, cultural background, disability, religion and sexual orientation, as well as differences in background and life experience, and interpersonal and problem solving skills.

Our approach to diversity and inclusion is led by our Diversity Council, which is chaired by the CEO and comprises the entire CEO Leadership Team. Through this forum, along with our diversity policy, leadership framework and Business Unit Diversity Councils, we reinforce the expectation that our people create an inclusive culture and value difference.

The Telstra Board sets our diversity measurable objectives and assesses our progress in achieving them annually. The table on [page 46](#) summarises these objectives and our progress against them, as at 30 June 2016.

PROGRESS

Continuing our efforts towards gender equality

We are committed to gender equality and have a broad range of policies, programs and initiatives in place to help us achieve this goal.



Initiatives include ambitious gender representation targets across all business units, the gender equality 'plus one promise', which encourages leaders to consider gender balance in their hiring and promotion activities, as well as the 'panel pledge' to increase female representation on panels and at speaking events. We are a formally accredited White Ribbon Australia Workplace and a signatory to the UN Women's Empowerment Principles. Our CEO, Andrew Penn is also a member of 'Male Champions of Change', a group of male executives committed to showing leadership on gender equality.

We encourage our people to get involved by joining our Brilliant Connected Women network, a forum that now has more than 2,000 members, male and female, who are committed to advancing gender equality in our business.

Gender pay equity continues to be a key area of focus and we remain vigilant about how we administer and apply policy to avoid any bias in performance assessment and remuneration decisions.

To work towards gender pay equity, we examine our remuneration data across all business units every year to identify any pay disparities that can't be explained by differences in length of service, or levels of performance or role type. Each business unit has a dedicated budget for correcting disparities and we closely monitor the application of this budget to ensure funds are distributed in line with the core principles.

This year we saw a decrease in female representation across Telstra Corporation Limited and its wholly owned subsidiaries of 0.4 per cent. This decrease reflects the reversal of a consistent company-wide trend of female commencements exceeding female exits.

We will continue our efforts to attract and retain more women in FY17 in order to meet our targets by continuing our focus on gender-balanced recruitment, inclusive leadership and enabling more flexible ways of working.



Jason, GM HR Innovation

Our achievements in FY16 include:

- Introducing a learning experience called “Bias, Interrupted” to help leaders better understand bias and adopt inclusive leadership behaviours. Around 900 people leaders and team members have completed this program since it launched in April this year
- Launching our Family and Domestic Violence Support Policy globally, providing employees impacted by family and domestic violence across our international operations with up to an additional 10 days paid leave each year. Since this policy was first launched in Australia in 2014, 91 employees have accessed this leave, demonstrating its importance and that employees feel supported by their manager to apply for this specific leave type
- Being named as an Employer of Choice for Gender Equality by the Australian Government’s Workplace Gender Equality Agency.

Telstra is required by the Workplace Gender Equality Act 2012 to report our workforce gender profile as at 31 March each year. Our 2016 report was lodged with the WGEA on 30 May, 2016 and is available on our website at www.telstra.com/governance.

Representation of women in Telstra as at 30 June 2016

ROLE	NUMBER	PERCENTAGE
BOARD¹	3	33.3%
Non-executive directors		
EXECUTIVE MANAGEMENT¹	70	25.5%
Bands A, B and C within the Telstra Executive Team		
MIDDLE MANAGEMENT¹	3,014	28.1%
Bands 1 or 2 or equivalent		
OPERATIONAL¹	6,959	31.8%
Bands 3 or 4, or equivalent		
TELSTRA TOTAL¹	10,046	30.6%
TELSTRA GROUP TOTAL²	10,535	30.4%

Information regarding the controlled entities in the Telstra Group can be found on our website at www.telstra.com/investor (Latest Results).

Notes:

1 Includes full time, part time and casual staff in Telstra Corporation Limited and its wholly owned subsidiaries, excluding contractors and agency staff. It does not include staff in any other controlled entities within the Telstra Group.

2 Includes full time, part time and casual staff in controlled entities within the Telstra Group, excluding contractors and agency staff.



30.6 per cent female representation across Telstra Corporation Limited



45.5 per cent female representation on our CEO leadership team as at 30 June 2016



41% of new hires across the business are female



91.1 per cent of parents returned to Telstra this year after taking parental leave



Alice, Head of Hong Kong and Taiwan Global Sales

Diversity measurable objectives

MEASURE	OBJECTIVE AND PROGRESS/RESULT IN RESPECT OF FY15 (OR AS OTHERWISE STATED)	OBJECTIVE IN RESPECT OF FY17 (OR AS OTHERWISE STATED)
WOMEN ON THE BOARD	<p>OBJECTIVE - There will be at least three women on the Board, representing a female gender representation among non-executive Directors of at least 30%, with an aspiration to achieve 40% female representation among non-executive Directors by 2020</p> <p>PROGRESS - As at 30 June 2016, there were three female Directors on the Board (including the Chairman of the Audit and Risk Committee), representing a female gender representation among non-executive Directors of 33%</p>	There will be at least 3 women on the Board, representing a female gender representation among non-executive Directors of at least 30%, with an aspiration to achieve 40% female representation among non-executive Directors by 2020
FEMALE REPRESENTATION IN GRADUATE INTAKE	<p>OBJECTIVE - 45% female representation in graduate intake selected in 2016, with an aspiration to achieve 50% female representation by 2020</p> <p>RESULT - 37% female representation in graduate intake selected in 2016</p>	45% female representation in graduate intake selected in 2017, with an aspiration to achieve 50% female representation by 2020
PROMOTION RATES FOR WOMEN	<p>OBJECTIVE - Promotion rates for women to exceed their representation at Business Unit level</p> <p>RESULT - Achieved in Telstra overall and in eight out of 11 business units</p>	Promotion rates for women to exceed their representation at Business Unit level
ENGAGEMENT OF IDENTIFIED GROUPS¹	<p>OBJECTIVE - Engagement of identified groups equal to or greater than Telstra-wide engagement score, with any negative differences not statistically significant</p> <p>RESULT - Engagement of women and culturally and linguistically diverse employees exceeded the Telstra-wide engagement score. Engagement of Indigenous employees, employees with a disability, and gay, lesbian, bisexual, transgender and intersex employees was lower than overall engagement, with the differences for Indigenous employees and employees with disability being statistically significant</p>	Engagement of identified groups equal to or greater than Telstra-wide engagement score, with any negative differences not statistically significant
FEMALE REPRESENTATION² AT 30 JUNE	<p>OBJECTIVE - Female representation at 30 June 2016 of 32% (Telstra Total) and 30% (Executive Management). FY20 - 35% (Telstra Total) and 40% (Executive Management)</p> <p>RESULT - 30.6% (Telstra Total) and 25.5% (Executive Management)</p>	<p>FY17 - Female representation at 30 June of 32% (Telstra Total) and 30% (Executive Management)</p> <p>FY20 - Female representation at 30 June of 35% (Telstra Total) and 40% (Executive Management)</p>

¹ Identified groups are female employees, Indigenous employees, culturally and linguistically diverse employees, employees with a disability and lesbian, gay, bisexual, transgender and intersex (LGBTI) employees.

² Includes full time, part time and casual staff in Telstra Corporation Limited and its wholly owned subsidiaries, excluding contractors and agency staff. It does not include staff in any other controlled entities within the Telstra Group.



82 per cent of Telstra employees believe they have the flexibility they need to balance work and personal life.

Making flexibility the norm through All Roles Flex

Our people have varied priorities, passions and interests that it's important they can balance with work. We therefore offer flexibility as the starting point for all roles at Telstra.

This year we focused on global mobility and location flexibility. We also extended the scope of our global mobility policy to give employees wanting to work flexibly overseas the opportunity to do so.

Our EES tells us 82 per cent of Telstra employees believe they have the flexibility they need to balance work and personal life.

Employment pathways for diverse candidates

We are committed to providing employment pathways for candidates with diverse backgrounds and needs. This year 182 Telstra employees identified as being of Indigenous descent through our EES. Key initiatives included:

- Providing new mentoring and engagement opportunities for 32 new Indigenous employees to support retention and career development
- Creating new traineeship and internship opportunities across all business units including 10 new roles in Telstra Retail Indigenous work experience program
- Offering work-experience and long-term traineeship and internship opportunities to 24 students to help them build confidence and business skills ahead of entering the workforce.

In this year's EES, 2,546 Telstra employees identified as living with a disability. This year we were the largest corporate provider of the Australian Network on Disability Stepping Into internship program, which provides a paid internship program to university students with disability. We hosted 28 students in FY16, and three have secured ongoing work at Telstra.

For more information on our Reconciliation Action Plan and Disability Action Plan, see the [Connecting communities](#) chapter of this sustainability report.

Promoting age diversity within our workforce

In Australia, people aged 45 and over make up the fastest-growing employee category. It's therefore important for us to consider how we can best promote age and generational diversity, and offer the flexibility required to attract and retain talent of all ages.

This year we developed a return to work program for older people who have been out of the workforce for an extended period of time. This program will be rolled out across Telstra in FY17, helping to promote age and generational diversity.

Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) inclusion

LGBTI inclusion is important to us. We want our people to bring their whole selves to work and feel comfortable doing so. We have long shown our support for LGBTI inclusion by supporting events like Wear it Purple Day, which raises awareness and funds for LGBTI inclusion in the community, and the Midsumma arts and entertainment festival.

This year we launched Gender Transition Guidelines to help our people to understand how they can provide support for colleagues undertaking a gender transition.

We also celebrated the seventh anniversary of our Spectrum network for LGBTI employees and allies. This network is expanding across our global operations and contains 51 champions from the Telstra Executive Team.

Our stance on marriage equality

Earlier this year there was commentary regarding Telstra's position on marriage equality. While we initially advised that we would not actively participate in the marriage equality debate, out of respect for the wide range of views on the subject, it became clear to us that Telstra should step forward on this topic. We have renewed our active participation on marriage equality and are in discussions with Australians for Equality about what role Telstra might play in support of their campaign.

FY17
Target



Achieve 32 per cent female representation across Telstra.

Ensuring the health and safety of our people



APPROACH

The health and safety of our people is essential and we are making good progress in our efforts to continuously improve the Health, Safety and Environment (HSE) culture. Through our HSE strategy we continue to embed a strong risk management culture across our global operations.

The Telstra Board monitors our health and safety performance, and regular reports are also provided to the Board Audit and Risk Committee and Management Risk Committee. Our Health and Safety Policy details our commitment and expectations in relation to the health and safety of our people, contractors and the public across the Telstra Group.

Telstra is a Commonwealth Safety, Rehabilitation and Compensation Commission (SRCC) approved self-insurer licensee and we have maintained a Comcare Tier 3 status (the highest possible) for all three areas – prevention, claims management and rehabilitation. Telstra is certified to AS/NZS 4801 Standard for Occupational Health and Safety Management Systems and was accredited for a further three years in December 2014. Telstra also holds Federal Safety Commission accreditation.

We continue to maintain open communication with Comcare and all of our health and safety stakeholders. We are committed to prompt investigation and remediation of any issues that may arise.



Andrew, Team Manager Data Services

PROGRESS

Our health and safety performance

In February this year a contractor tragically died when he fell from a mobile telecommunications tower at our Fountain Head site near Hayes Creek in the Northern Territory. A Safety Alert was issued shortly after the incident, reinforcing Telstra's requirements for employees and contractors when working at height on our mobile towers. An audit was also undertaken of all relevant work at height activities taking place at our sites across Australia.

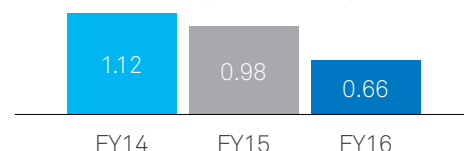
Senior members of the Telstra HSE team, along with Trauma Assist counsellors were available on site in the days following the incident to provide support to affected employees and contractors, as well as their families, and ongoing counselling was made available. Telstra has fully cooperated with Comcare during its investigation of this incident.

This tragic event is a strong reminder to all of us of the importance of having robust HSE programs and standards in place, and

of continuously engaging with our people to reinforce our policy that no job is so important that it cannot be done safely.

Despite this, throughout FY16 our injury rates continued to improve. Our risk reduction programs and enhancements to injury management and claims management delivered positive results. Our employee Lost Time Injury Frequency Rate (LTIFR) reduced by 33 per cent this year.

Lost Time Injury Frequency Rate¹



¹ LTIFR is the reported number of accepted workers' compensation claims for work-related injury or disease that incur lost time for each million hours worked. Includes Telstra Corporation Ltd employees only, not including subsidiaries or contractors.

Refreshing our global HSE Standards

This year we reviewed our enterprise-wide HSE Management System and developed a set of 10 Global HSE Standards that were introduced on July 1, 2016. They apply across all Telstra operations as well as our controlled entities both in Australia and overseas. The Global HSE Standards are supported by Minimum HSE Requirements for our critical and key HSE risks, such as vehicle safety, working at height and asbestos containing material. The HSE Standards and Minimum HSE Requirements have been supported by a two year program of work in understanding and controlling our risks. Two key risk reduction programs are our Driver and Vehicle Safety Program and the Thrive Employee Resilience program, as outlined below.

Preventing health and safety incidents

Our proactive, risk based approach to health and safety management is designed to prevent incidents from occurring.

We continue to strengthen our safety culture by focusing on health and safety leadership, risk management and control effectiveness. For example, one of our highest-ranked HSE risks is driver and vehicle safety. We have a significant number of controls in place to reduce the risk of vehicle incidents, and are focused on continually improving the effectiveness of these controls. This year we undertook a program of work aimed at building a deeper understanding of driver behaviour and vehicle safety risks by analysing factors like fatigue management, driver distraction and traffic management.

The Driver and Vehicle Safety Program has achieved significant positive change in the organisation. Our risk analysis identified there are potential safety risks related to vehicle collisions, speeding, red light infringements, vehicles not being parked properly, as well as driver distraction and fatigue. To minimise the risks related to vehicles not being parked properly, handbrake alarms have been fitted in operational vehicles where the risk is heightened.

Our key workplace health and safety indicators¹

KEY PERFORMANCE INDICATOR	FY16	FY15	FY14	% CHANGE FY15 – FY16
LTIFR Lost time injury frequency rate	0.66	0.98	1.12	-33
LTI² Number of occurrences of lost time	33	48	55	-31
SERIOUS INJURY RATE³ Rate of claims resulting in greater than one week lost time	1.8	1.9	2.6	-5
LOST DAYS Total days lost	496	791	1,105	-37
DAYS LOST PER LTI Average days lost	15	16.5	20.1	-9
NEW WORKERS COMPENSATION CLAIMS Number	339	434	430	-22
OPEN WORKERS' COMPENSATION CLAIMS Number	1,112	1,533	1,438	-27
FATALITIES⁴ Number	1	0	0	n/a

Notes:

¹ Includes Telstra Corporation Ltd employees only, not including subsidiaries or contractors.

² An LTI is the reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers' compensation claim.

³ For 12 month period 1 June 2015 to 31 May 2016 (latest available result from Comcare). Serious injury rate is defined as a claim that requires an absence from work of one working week or more per 1,000 full time equivalent employees.

⁴ Includes Telstra Corporation Ltd employees and contractors.

We are also transitioning our operational fleet to automatic transmissions and we have increased the number of vehicles with in-vehicle monitoring systems, enabling us to perform analytics and reporting on driver behaviour to help us identify and acknowledge our top performing drivers and work with any at-risk drivers.

We are also in the process of developing employee training related to these factors. This year, to promote employee awareness of fatigue management and to provide tools and tips for managing fatigue, we developed 12 short education videos building awareness of the risks associated with fatigue, and how to manage them.

We also continue to work on building a strong reporting culture across the Group and as a result have seen an 11 fold uplift in near-miss reporting and a four fold uplift in hazard reporting from both employees and contractors this year – helping us to proactively address risks.



Mick, General Counsel Finance & Strategy

Early intervention and claims management

Same day hazard, incident and injury reporting is essential for addressing risks and ensuring our people receive timely care. Our enhancements to injury management continue to deliver positive results. In FY16:

- 94 per cent of injured employees received early intervention care through our Injury Assist program
- 96 per cent of injured employees have been able to return to work and 89 per cent of injured employees were able to return to pre-injury duties.

Supporting employee health and wellness

Supporting our people in maintaining and improving their health and wellbeing is a key part of our health and safety program.

This year we introduced our Thrive Employee Resilience program after a successful pilot in FY15. The program is designed to assist employees to understand mental health, assess their own resilience and take actions to improve their ability to manage workplace and personal stress. The program is also designed for managers to build competence and confidence in identifying and addressing mental health issues and building resilience at work. In its first five months, 4,745 employees engaged with the program. 2,040 went on to complete an associated survey, which provides them with a personal mental health and resilience action plan. In response to the survey results we have run face-to-face and online workshops on coping strategies and healthy sleep this year.

We also encourage our people to report all incidents of aggression and provide support to anyone affected. This year we introduced a targeted program to enhance the skills of our front line staff to anticipate, identify, manage and react to incidents, with the primary goal of keeping themselves and others safe and de-escalating aggressive situations.

Asbestos and safety

Our communication network was built over a hundred year period, and some of our concrete pits and pipes were built with asbestos containing material at a time before the health issues associated with asbestos were known.

Telstra continues to take our duties regarding the safety of all workers and members of the public very seriously. We have invested in an ongoing safety program to remediate any hazardous asbestos containing materials in our pits and network sites. This year, 21,177 pits have been remediated, and more than 900 pit audits and 2,000 site audits have been conducted. While we undertook significant remediation work in FY16, no high potential asbestos-related incidents have occurred.

FY17 Targets

Continue our programs of work to drive risk reduction across the organisation.

Ensure 80 per cent of all HSE incidents are recorded on the same day they occur.

Preventing discrimination and bullying

In line with our values and the Telstra Group Discrimination, Bullying and Harassment Policy, we don't tolerate unlawful discrimination, bullying, harassment or victimisation of any kind. Our complaint procedure is aimed at providing our employees with a confidential, fair and supportive process for managing any issues that arise.

Throughout FY16, there were 197 reported cases of discrimination and bullying within Telstra Corporation, six less than in the previous year. As at 30 June 2016, 16 cases were open with ongoing investigations, and 198 cases were closed, including 17 that were reported in FY15. Outcomes for the closed cases were:

- 20 (10.1 per cent of closed cases) were substantiated and action was taken against the respondent (this included coaching, verbal warnings, written warnings, final written warnings or dismissals)
- 159 (80.3 per cent of closed cases) were found not to be substantiated. In some of these cases other appropriate action such as training or mediation was taken
- 19 (9.6 per cent of closed cases) were either withdrawn by the complainant or the investigation could not be completed (for example, where parties involved resigned and further investigation required their participation).

Employment and workplace relations



APPROACH

We aim to build constructive relationships with our employees and their representatives, including unions, with a focus on dialogue and resolution.

We carefully manage our workforce requirements, particularly the mix of skills required as the strategic direction of our business changes. We treat employees impacted by structural changes with compassion and respect.

We provide a comprehensive program that runs for four to six weeks for all employees whose positions have been made redundant. The program involves career transition support as well as giving employees priority access to other job vacancies within Telstra, in line with our redeployment guidelines. We also provide professional support services for employees and their families through our Employee Assistance Program. Our Internal Resolution Policy ensures that employees can seek a review of certain decisions that impact them.

PROGRESS

Key changes within our workforce

As at June 30 2016, Telstra Corporation's total workforce was 28,563 (full-time equivalent), a decrease of 1.5 per cent, or 443 roles compared to last year. Telstra Group's total workforce was 35,853 people (full-time equivalent), a decrease of 8.1 per cent, or 3,164 roles compared to last year. While 583 new roles were created across our international operations in FY16, this downward shift was due to the sale of our majority stake in Chinese online business Autohome in June this year, which led to a decrease of 3,940 roles.



The sale of Autohome also resulted in an increase in the percentage of our people based in Australia. 92.2 per cent of the Telstra Group workforce was Australian based as at 30 June 2016, compared to 84.6 per cent in FY15.

For more information on our key workforce statistics, see www.telstra.com/sustainability/report/data.

Engaging with unions

In Australia, we regularly engage with the Community and Public Sector Union (CPSU), the Communications, Electrical and Plumbing Union of Australia (CEPU) and Professionals Australia (APESMA).

We consult with unions before we implement any significant changes to the way we work. Our aim is to maintain an open and constructive relationship with union representatives. This year, we conducted more than 50 formal union consultation meetings.

Our enterprise agreement and other employment instruments

In 2015, Telstra Corporation negotiated with unions and employee bargaining representatives for a new Enterprise

Agreement (EA) to cover approximately 28,000 employees (including casual employees) across Australia. In September 2015, employees were asked to vote on the EA. Of the eligible employees, more than 20,000 voted and 59 per cent voted yes. The EA was approved by the Fair Work Commission and came into effect on 12 November.

This EA continues to build on existing best-practice, such as the provision of 16 weeks' paid primary carer parental leave, family and domestic violence leave, an additional 'Telstra' day of leave and flexible working options.

The percentage of employees employed under the EA has increased to 68 per cent from 65 per cent last year. This percentage will continue to increase as the vast majority of new employees joining Telstra will be covered by the EA. The remaining 32 per cent of employees are employed on individual contracts or individual statutory agreements. Employees on individual statutory agreements can elect to revert to the EA at any time.



Bridging the digital divide



Connecting communities

Digital connectivity is vital, with access to the internet now supporting everything from social interactions to employment and social services.

The telecommunications sector has been successful in connecting the majority of Australians, but those missing out are at greater risk of being permanently left behind. Barriers to digital access - be they physical, financial or literacy-based - are likely to reinforce disadvantage. Digital inclusion is a key social challenge facing policy makers and communities worldwide.

Close to three million Australians are still not online and the education, health, social and financial benefits of being connected remain out of reach.

That's why our purpose - to create a brilliant connected future for everyone - is so important.

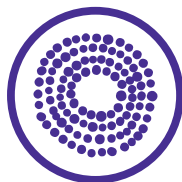
Highlights



Reached more than 59,000 people through our digital literacy programs



Increased our commitment to assist women impacted by family violence



Launched our third Reconciliation Action Plan



Helped more than one million vulnerable customers stay connected



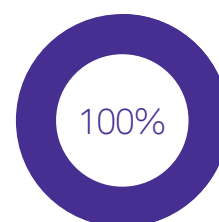
Helped 120 non-profit leaders build digital skills through Telstra's Imaginarium program



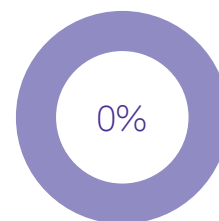
Provided \$175m of value through our social and community investment programs

Performance

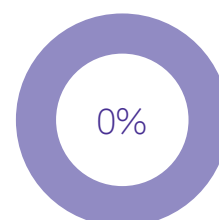
PROGRESS ON FY16 COMMITMENTS	RESULT	MORE INFO
Launch and implement our third Reconciliation Action Plan	●	Page 58
Enhance the quality and breadth of our cyber safety awareness materials for parents and adults	●	Page 60
Provide targeted cyber safety information to our vulnerable customers and communities	●	Page 60
Establish new partnerships to extend the reach of our Everyone Connected digital literacy programs	●	Page 60
Develop a new product offering for vulnerable and disadvantaged Australians	●	Page 60
Source three to five new Telstra Foundation investments	●	Page 61
Release national strategy for Indigenous Digital Excellence, in partnership with the NCIE	●	Page 62
Launch the first eSmart library and recruit an additional 260 libraries to the initiative, in partnership with The Alannah and Madeline Foundation	●	Page 62



Achieved



In progress



Not achieved

● Achieved ◐ In progress ✕ Not achieved

Digital inclusion



We use our technology, expertise, scale and local presence to make a difference in the community.

APPROACH

We believe that everyone – regardless of age, income, ability or location – should enjoy the benefits of being connected. We want everyone to have the confidence and skills to participate safely in the digital world.

Our Everyone Connected strategy has four key objectives:

› Affordability

Keeping people connected, especially when they're doing it tough

› Accessibility

Ensuring our products and information are accessible and easy to use

› Digital capability

Helping people gain the confidence and skills to enjoy the digital world and stay safe online

› Digital innovation

Connecting technology with great ideas for social good.

Through our Everyone Connected programs we support our most vulnerable customers. We invest beyond our regulatory obligations to provide these programs and partner with non-profit and government organisations to deliver them. We regularly review our approach to identify groups most in need, changing technologies and consumer preferences.



An Elder shares his story with Indigenous youth as part of the Tech Savvy Elders program

Telstra works closely with key consumer organisations in Australia to ensure our programs for vulnerable customers meet community needs. Since 2002, the Low Income Measures Assessment Committee (LIMAC) meets approximately four times per year to oversee the effectiveness of Telstra's low income package.

We meet regularly with the Australian Communications Consumer Action Network (ACCAN). Our bi-annual CEO Consumer Roundtable provides a regular forum for peak consumer organisations to meet with our CEO and senior leaders to discuss current and emerging issues.

FY17 Target

Complete our second year of research for the Australia Digital Inclusion Index measuring progress from the national baseline.

Measuring digital inclusion in Australia

We are partnering with the Swinburne Institute for Social Research, the Centre for Social Impact, and Roy Morgan Research to more deeply understand digital inclusion in Australia. In August 2016, we will publish the first Australian Digital Inclusion Index to baseline the extent of digital inclusion in Australia.

The index will also help to generate a national conversation about digital inclusion within community, academic, business and government organisations. This is a critical conversation to have if we are to realise the important benefits digital services can bring, as well as inform the development of more effective policies, products and programs to improve digital inclusion in Australia.

We invite you to join the conversation about digital inclusion in Australia. To do this, go to digitalinclusionindex.org.au to find out more.

PROGRESS

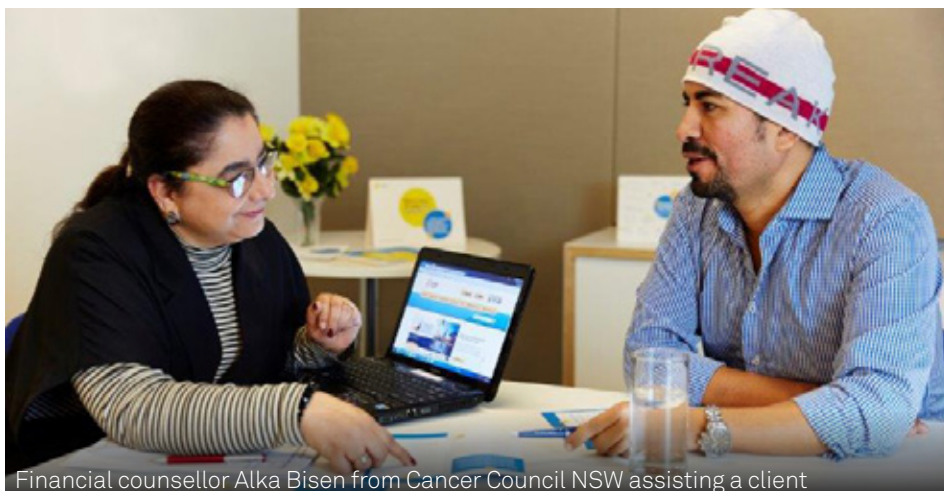
Ensuring our products are affordable for vulnerable customers

Through our largest digital inclusion program, Access for Everyone, we help people on a low income or facing financial hardship to stay connected. Since its inception in 2002, we've provided benefits to the value of more than \$2 billion. We work with more than 2,000 community organisations across Australia that assist people in crisis to deliver these programs.

In FY16, the benefit provided by all our programs for vulnerable customers was \$107 million, a reduction of 16 per cent compared to FY15, largely reflecting a lower take-up of our pensioner discount on fixed-line home phone services as more customers move to bundles. Around 758,000 pensioners received the discount this year to the value of \$86 million, compared to 885,000 people in FY15.

We provided home phone line rental relief for about 51,000 households and distributed around 95,000 pre-paid payphone and mobile phone calling cards (including Phonecards) and mobile phone recharge cards, compared to around 81,000 cards in FY15. Every month we also provided rebates on Telstra bills for around 1,700 customers seeking emergency relief.

To find out more about our vulnerable customer programs, visit www.telstra.com/hardship.



Financial counsellor Alka Bisen from Cancer Council NSW assisting a client

Supporting customers in times of need

Telstra assists people who are experiencing financial difficulty through its Telstra Bill Assistance Program. Participating non-profit community agencies are provided bill assistance certificates to give to those in need.

This year, we extended our relationship with Cancer Council Australia to support cancer patients nationally. Cancer patients and their carers often forgo their income and may need to pay for expensive treatment, which can add to the stress of coping with their diagnosis.

"Telstra's bill assistance certificates increase the impact of our broader Financial Assistance Program, and

help cancer patients, who often need to travel for treatment, connect with family and friends when they need it most." Alka Bisen, Financial Counsellor, Cancer Council NSW.

Cancer Council's Financial Assistance Program is a support service, typically accessed through Cancer Council's information and support line (13 11 20) or a social worker. Customers experiencing financial difficulties paying their Telstra bill should call Telstra on 13 22 00.

FY17
Target



Launch a new product offering for vulnerable and disadvantaged Australians.

Towards universal accessibility

Connecting rural and regional communities

Telstra is committed to delivering leading telecommunications products and services to our customers in remote, rural and regional areas.

Telstra's mobile network reaches 99.3 per cent of the population and 2.4 million square kilometres across Australia including rural and regional areas not served by any other carrier.

We understand how important communication is to communities outside of major capital and regional hubs. Under the Mobile Black Spot Programme Telstra is contributing \$165 million to assist in the construction of 429 3G/4G mobile base stations to extend coverage into more than 400 communities where there is currently little or no coverage.

Customers using our mobile network in regional areas are also set to get a significant boost, thanks to a multi-million dollar investment in additional spectrum that will increase the capacity of our 4G service and allow the delivery of more data and faster speeds.

Telstra has also commenced two new infrastructure projects to deliver modern standards of connectivity to some of the most remote parts of Queensland. The first project, a partnership between Telstra, the Barcoo and Diamantina shires, the Queensland Government and the Australian Government, is expected to deliver high-speed fibre connectivity to the townships of Jundah, Windorah, Stonehenge, Bedourie and Birdsville.

The second project, a partnership between Telstra, the Burke Shire Council, the Queensland Government and the Australian Government will extend our optic fibre to Burketown. With completion expected in 2017 these projects will, for the first time, provide residents and visitors with the same network experience as customers in major cities.

For greater detail on our network investment and performance this year, refer to the [Customer experience](#) chapter of this report.

Providing access to online education

When it comes to providing children with the best possible educational tools and support, rural and regional communities can face significant hurdles. That's why we offer unmetered access to a number of education websites for all BigPond and Telstra Mobile Broadband users. This helps ensure kids in rural and regional communities have the access to quality educational content. To learn more about the sites that are available and the terms and conditions of this offer, visit www.telstra.com/unmetered-sites.



Tech Savvy Elders participants

Supporting Indigenous Australians to get online

This year, we partnered with the NSW Government, MGoals and the NSW Aboriginal Education Consultative Group, to develop and launch Tech Savvy Elders. This is an intergenerational program that brings together school students and Indigenous seniors to share technology skills as well as insights into local culture and history. As part of the program primary school students used a tablet to provide

members with a tech tutorial, as well as interviewing and filming each elder for the creation of an online video. The Tech Savvy Elders program was designed to help Indigenous seniors gain digital technology skills and confidence, while connecting young people first-hand with their local Indigenous community, culture and history.



Assisting customers with disabilities

Telstra's Disability Action Plan (2013-16) ended in June this year. Some of the key achievements assisting customers, employees and communities with disability, included:

- Removed CAPTCHA-based customer verification (where users are asked to enter letters or numbers to prove they are a real user) requirements from our online consumer platforms
- Increased employment of people with disability through our Supported Workforce program by 26 per cent over the course of the plan – which now employs more than 500 people with disability
- Through the Telstra Foundation, invested in innovative community programs that use technology to enhance the social inclusion of people with disability
- Established a web portal to highlight accessibility features of Telstra's mobile devices.

Our next plan will help broaden the conversation from disability to accessibility, recognising the enormous role technology can play to support increased social and economic participation for people living with disability. We have consulted widely with disability organisations and consumers to inform Telstra's 2016-18 Accessibility and Inclusion Plan. This work has highlighted the need for product and service improvements and points to skills, confidence and affordability as key barriers to digital inclusion for people with disability. The Accessibility and Inclusion Plan will be launched by the end of 2016.

This year, our Disability Enquiry Hotline took more than 23,000 calls and processed more than 4,000 successful applications for more than 5,000 products as part of our Disability Equipment Program. Around 126,000 calls were made to our Directory Assistance Helpline by customers who are not able to use our printed or online telephone directories.

In FY16, the Telecommunications Industry Ombudsman (TIO) received three customer complaints that included reference to disability access or equipment. One related to a delay in connection for a priority assistance customer, one related to a delay in replacing faulty equipment, and the third complaint related to Telstra's failure to provide suitably accessible products at point of sale. We routinely analyse TIO compliance data in order to eliminate the root causes of complaints. One of the ways we have addressed these root causes is through Telstra's Online Accessibility Portal, which provides information on the accessibility features of the mobile handsets we sell. We continue to work with our retail employees to ensure they understand how to use and promote the Portal, and provided training on the Portal to all point of sale staff during Global Accessibility Awareness Day on 19 May.

This year, there were six new complaints to the Australian Human Rights Commission, the Anti-Discrimination Commission Queensland, the Victorian Equal Opportunity and Human Rights Commission and the Anti-Discrimination Commission Tasmania alleging disability discrimination. All complaints were addressed during the year, with three formally closed and three pending final confirmation prior to formal closure.

To find out more, visit telstra.com/disability.

Empowering women impacted by family violence

At the National Family Violence Summit in March this year, our CEO Andrew Penn joined Prime Minister Malcolm Turnbull and the Women's Services Network (WESNET) to announce the expansion of the Safe Connections program. The program provides safe smartphones for women impacted by family violence. Telstra's original commitment of 5,000 smartphones (over three years) was increased to 20,000 and includes a \$30 pre-paid starter kit and information on the safe use of technology.

“One in three women in Australia are likely to experience family violence. That is a shocking and unacceptable situation and we all have a role to play in addressing it.”

Andrew Penn,
Chief Executive Officer

The Safe Connections program provides women impacted by family violence with tools and training to help them stay safely connected with friends and family when they need it most. Technology, especially a mobile phone, is now a major part of everyday life and it is vitally important that anyone in a threatening situation understands how they can best use their phone to help secure their safety.

Our commitment to reconciliation

An update on our Reconciliation Action Plan

In September 2015, we launched our third Reconciliation Action Plan (RAP) (2015-2018). Our RAP has the highest rating, 'Elevate', from Reconciliation Australia and was developed following two years of extensive stakeholder research and engagement.

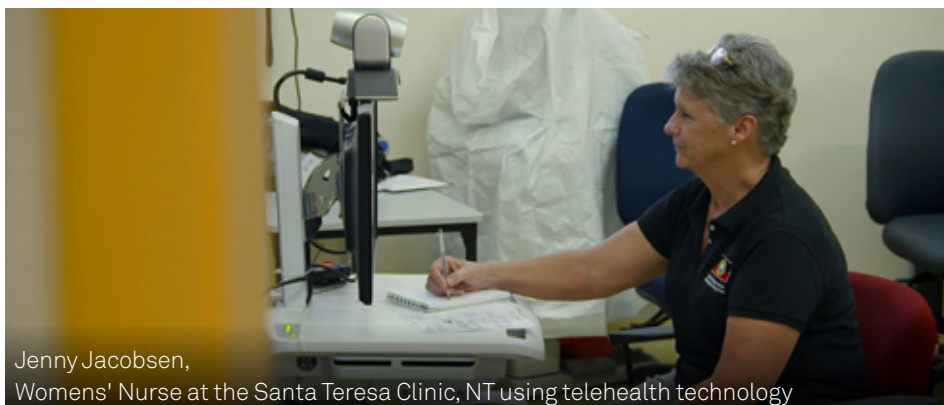
The RAP seeks to invest in three high-impact priorities:

Connection and capability

The centrepiece of our RAP is a \$30 million, three-year infrastructure co-investment agreement with the Northern Territory (NT) Government. We are working with the NT Government to provide high speed broadband access to remote communities. This initiative will be complemented with digital literacy initiatives and cyber safety programs, as well as the expansion of our remote telehealth services (see case study) to help ensure this investment makes a real difference for these communities.

Key achievements this year include:

- Launched inDigiMOB, a three year digital inclusion program designed to accelerate Indigenous participation in the wider economy and open up opportunities for education and business. The program was developed in partnership with the Indigenous Remote Communications Association (IRCA) and is designed to establish a network of local Indigenous mentors who provide peer-to-peer training and support in digital literacy, cyber-safety and internet access for remote community members in the NT. This year, the program is being piloted in two locations - Arlparra and Alice Springs.



Jenny Jacobsen,
Womens' Nurse at the Santa Teresa Clinic, NT using telehealth technology

Indigenous access to medical care

Telstra Health is working to establish greater access to telehealth services for health providers and patients in remote locations. In partnership with the NT Government and the Aboriginal Medical Services Alliance Northern Territory (AMSANT), Telstra is providing access to essential healthcare services through the National Telehealth Connection Service (NTCS).

Telehealth enables patients to connect to specialist appointments and clinics through high definition, secure video conferencing capabilities.

"Many patients in regional locations have limited access to appropriate healthcare because they are required to travel long distances to major cities for specialised treatments, which are costly and require extended stays away from home", explains Jen Vo-Phuoc, Senior Health Specialist for Telstra Health.

"A one year trial of this program led to savings of more than \$1.1 million in travel costs, an increase in the number of people attending appointments and improved health outcomes – which shows us this is a worthwhile investment".

In keeping with Telstra's RAP commitments, Telstra has committed to connect 15 'telehealth-ready' Aboriginal Medical Services in the NT to the NTCS over three years from FY15. Agreements with three Aboriginal Medical Services have been made and connection is in progress. These are Mutitjulu and Santa Teresa Health Services in Central Australian Aboriginal Congress and Anyinginyi Health. We continue to work with two further medical services to fulfil our FY16 commitments.

- Commenced fieldwork for a research partnership with the Swinburne Institute of Social Research to assess the effectiveness, transferability and long-term sustainability of cyber safety and digital capability strategies for use in remote Indigenous communities. Early findings highlight a need for straightforward, fact-based and accessible educational material,

including information from telecommunication providers and social media services. Year one findings were shared with key government and community stakeholders with the aim of informing the development of more effective policies and programs to address cyber safety issues in remote Indigenous communities.



Employment

We aim to double the number of Indigenous employees over the next three years by hiring additional recruitment managers, launching regional Indigenous marketing campaigns, increasing our mentoring and engagement programs, and extending our Indigenous Workforce Program.

Key achievements this year included:

- Hired two Indigenous Recruitment Coordinators to help accelerate progress
- Connected all new Indigenous employees with mentoring opportunities
- Linked Indigenous interns and trainees with 'buddies' to provide support and guidance
- Supported an Indigenous MBA scholarship.

Refer to the [Responsible business](#) section of this report for an update on our Indigenous Workforce Program.

Employee engagement

We plan to double the number of cultural immersion experiences for employees, celebrate and recognise National Reconciliation Week and NAIDOC Week, and further increase our support and promotion of the RECOGNISE campaign. Telstra is a proud supporter of RECOGNISE – the movement to recognise Aboriginal and Torres Strait Islander peoples in our Constitution.

Key achievements this year included:

- Launching Common Ground, a six-week Indigenous employee engagement program. A key part of the campaign was Telstra's Wurundjeri Immersion Day which gave Melbourne based employees a chance to personally connect and build an understanding of local Indigenous culture. The half-day event included demonstrations, presentations and panel discussions hosted by local Wurundjeri people.
- Hosting an Indigenous art exhibition, in conjunction with the Wurundjeri Tribe Land Council and the Banyule City Council.



Sarah McGeehan,
Director Business
Improvement

"I was privileged to participate in one of our Common Ground activities, the Koori Heritage Walk at Federation Square. Like many Melbournians, Federation Square is a place I have visited often but until I spent time with our terrific guide Donna, I did not have a real appreciation of how special this land is".

"I find learning more about Aboriginal culture fascinating. The connection to country and the perspective of 'custodianship' rather than 'ownership' underpins the responsibility to look after the land and all creatures to pass to the next generation".

FY17
Target



Expand inDigiMOB, our Indigenous Digital Mentors program, into eight new communities in the NT.

Improving digital literacy and online safety

This year, our digital literacy portfolio, which consists of our Tech Savvy Seniors program, Telstra Digital Ambassadors and our Cyber Safety Awareness programs, reached more than 59,000 people. This included face-to-face training as well as the use of instructional videos and guides available from our Tech Savvy Seniors and Cyber Safety websites.

Providing seniors with the confidence to connect

Being confident and literate with technology is an essential skill in the digital age.

Since 2014 we have partnered with state governments to deliver the Tech Savvy Seniors program, supporting seniors to build the skills and confidence they need to participate in the online world. The partnership helps to increase digital inclusion, reduce social isolation, improve access to government information and services via the internet, and improve awareness and resilience to online fraud and financial abuse.

In the past year, we recommitted to our partnerships with both the New South Wales (NSW) and Victorian Government and, for the first time, entered into partnership with the Queensland (QLD) Government. Our partnership in QLD focuses on improving the digital literacy skills of seniors in regional and remote areas, where seniors are at greater risk of social isolation.

This year, we trained more than 26,000 seniors in libraries and community colleges across NSW and QLD, with training delivered in English as well as Arabic, Cantonese, Dari, Greek, Hindi, Italian, Mandarin, Tagalog and Vietnamese.

Along with face-to-face training, we provided instructional digital literacy videos and training guides on our website. This year we refreshed our training content, developed quick reference guides in Croatian and Macedonian, produced an accessibility training module and made 16 of our Tech Savvy videos available in Auslan.

In partnership with the NSW and Victorian Governments we also announced a new discounted broadband bundle for NSW and Victorian Seniors Cardholders who are not

connected to the internet. The Seniors Card Starter Bundle (VIC) and Seniors Starter Bundle (NSW) include discounted home broadband costs and a low-cost tablet to assist seniors begin their online journey.

For more information on Tech Savvy Seniors, refer to www.telstra.com.au/tech-savvy-seniors.

Telstra Digital Ambassadors is an employee volunteering program that delivers simple coaching in small groups for seniors who have minimal or no digital literacy skills. The sessions help people learn how to communicate electronically with family and friends, play games, pay a bill and shop online. Sessions have been held at local community groups, retirement homes, Telstra stores and seniors' expos across Australia.

Almost 6,500 seniors have received coaching sessions since the program launched, and employees who participated identified that they have found it personally rewarding. The program is also multilingual, assisting seniors in Mandarin, Cantonese, Arabic as well as English.

Helping everyone stay safe online

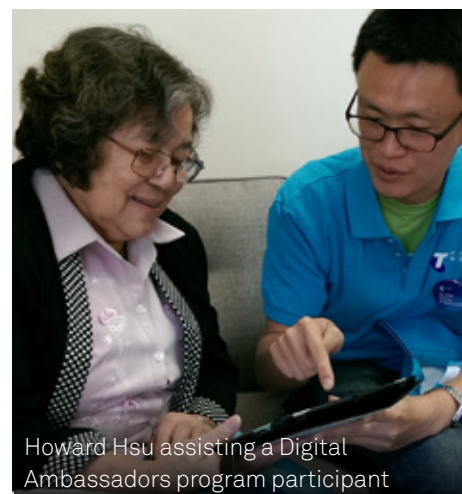
At Telstra, we recognise that safe behaviour isn't simply about technology but rather the combination of skills, knowledge and values that are needed for people to be effective, responsible and safe users of digital technology.

This year we continued to provide information and build awareness of cyber safety issues in the community. We delivered face-to-face cyber safety presentations to more than 2,700 children, teenagers and parents. We also refreshed our cyber safety website with new resources available for children and young people, and added a new section on personal mobile safety, along with our existing suite of cyber safety tips and information. On Day for Daniel, a national day of action to raise awareness of child safety and protection, Telstra store staff spent the day talking to parents and carers about their children's digital lives, raising awareness of the tools available to help them manage their families' online safety and to improve digital literacy.

We continued to play an active role as a member of the Children's e-Safety Commissioner's Online Safety Consultative

Working Group and as co-chair of the Technology and Wellbeing Roundtable with ReachOut.com by Inspire Foundation.

To access our free cyber safety materials, visit www.telstra.com.au/cybersafety.



Howard Hsu assisting a Digital Ambassadors program participant

Connecting across cultures

This year, a group of bilingual Digital Ambassadors visited Villa Maria, an aged care facility in Victoria to help Mandarin and Cantonese speaking seniors on their journey to being tech savvy.

The group visited the facility once a month over a six month period, sharing many stories and tips with their students along the way.

"My student Grace has gained the skills, confidence and excitement to be part of the digital world through our program. Believe me or not, she actually shared the moment on WeChat, proudly telling her family and friends about her graduation yesterday. She has received two likes already!" said Suzanne Ho, Application Manager with Telstra Operations.

FY17
Target



Continue to assist seniors to build their digital skills and confidence.

Digital innovation



Connecting technology
with great ideas for social good

APPROACH

Telstra's philanthropic arm, the Telstra Foundation believes that combining social innovation with digital connection can transform lives. We proudly support non-profits that create brilliant connected futures for young people living in Australia and drive our impact by investing in:

- › Tech-savvy non-profits that are changing the lives of young people
- › Collaborations that support young digital makers and young digital citizens.

In FY16, the Foundation implemented a new reporting and evaluation tool across its portfolio to drive greater visibility of its impact. The Telstra Foundation Board also approved a new investment framework that saw almost \$1 million (over three years) reinvested in four existing partnerships as well as more than \$300,000 invested in two new digital innovation capability programs.

PROGRESS

Supporting non-profits change the lives of young people

Non-profits inspire us every day, particularly those that support young people at high risk of social exclusion. In FY16, we continued to support our multi-year partnerships with ReachOut Australia, Cerebral Palsy Alliance, MJD Foundation, Independent Living Centre NSW and Orygen – National Centre of Excellence for Youth Mental Health. These organisations tackle some of the tough issues facing young people today with a focus on identifying digital solutions.



Telstra Imaginarium for non-profits

"There was so many great digital design tools and methods to be learnt. Not just how they can be used for digital projects but in their broader sense. The prototyping process for example is really

important when working on any given project that includes design or invention – not just digital."

Anyaa Abiel, Drummond Street Services (pictured).

In May this year, we launched the Telstra Imaginarium for non-profits, bringing 120 leaders from across the non-profit sector together to help build innovation skills and spark ideas that will create tech-driven change within their organisations. As part of the Imaginarium, the Foundation hosted six-day digital boot-camps in three states, covering design thinking, rapid prototyping,

user-experience and managing digital projects. Sessions were held in Melbourne and Brisbane in June and July this year, and a Sydney event will be run in August. To scale the program, the Foundation has also invested to build a digital platform to connect non-profits to online digital innovation tools and information, due to be launched in FY17.



Delivering mental health solutions for young people

In February this year with the support of the Foundation, ReachOut Australia launched the Orb, an online interactive game that provides teenagers with tools and strategies to improve and sustain their wellbeing. The game draws on positive psychology principles and is aligned to the Australian high school curriculum to help young people develop personal strengths, savour positive experiences and strengthen mental wellbeing and resilience.

The nationwide launch of the Orb follows a successful pilot trial with teachers and students. To view how the ReachOut Orb works in practice refer to www.reachout.com/orb.

Building the next generation of digital makers and citizens

With our partners, we're building digital making and digital citizenship skills in communities, classrooms and public libraries across Australia. We focus on coding, 3D printing, robotics, cyber-safety and encouraging creativity.

Our \$8 million, six year partnership with Alannah & Madeline Foundation (AMF), now in its third year, is designed to equip libraries and connect library users with the skills they need for the smart, safe and responsible use of technology. eSmart Libraries is in almost half of all Australian libraries, with a total of 647 out of 1,500 library branches registered. As part of the 2016 evaluation, 90 per cent of participant libraries reported improved knowledge as a result of the program.

As Code Club Australia's founding philanthropic investor, the Telstra Foundation helps give every child in Australia the chance to learn code. Over 875 Code Clubs are currently operating across the country and our 'train the trainer' program, which targets teachers



Indigenous youth at a robotics workshop. Image credit: Barkly Regional Arts

From digital consumers to digital makers

In October 2015, the IDX Initiative launched and piloted IDX Flint, a program that sparks the interest, ideas and talent of Indigenous youth to connect with digital technology such as robotics, 3D printing and coding. IDX Flint provided \$25,000 worth of in-kind support for regional communities via hands on workshops for Indigenous

youth, skills development for local facilitators as well as digital equipment and educational resources. Local Indigenous Elders and community groups are involved in the co-design of the program to ensure cultural elements are optimised alongside science and technology skills.

and prioritises schools in low socio-economic areas, has trained over 600 teachers. This year, the Foundation reinvested in this program committing to an additional \$517,000 over the next three years, with our investment matched by Australian Government funding.

Our \$5 million, five year partnership with the National Centre of Indigenous Excellence to support and grow Indigenous Digital Excellence (IDX) is in its third year. In April this year, we ran a three day IDX National Summit, building on national consultations with Indigenous Australian communities to inform the development of the country's first Indigenous digital excellence strategic roadmap. The event, which was attended by the Prime Minister, Malcolm Turnbull, developed a strategic roadmap including key focus areas to strengthen Indigenous participation, practice and entrepreneurship in the digital economy.

This year, we also reinvested in our partnership with Student Youth Network

(SYN) to expand SYN media hubs into the Kimberley and Fitzroy Crossing in Western Australia to train young people in digital broadcasting skills.

As part of the Telstra Shareholder Dividend Reinvestment Plan, Telstra shareholders donated \$590,000 to our partner the Summer Foundation in FY16. This funding has been invested into the Summer Foundation's Hunter Housing project where adaptable, purpose-built housing for people living with disabilities has been incorporated into a new large-scale property development in Belmont, New South Wales.

FY17
Target



Invest \$6 million through the Telstra Foundation to drive social innovation in Australia.

Connecting communities

APPROACH

At Telstra we don't just serve the community, we're a part of it. As a large Australian company with a growing international presence we know we have a huge role to play, from promoting digital inclusion through our social and community investment programs, to keeping people connected in times of disaster.

PROGRESS

Supporting disaster relief and recovery

Following a disaster, our technicians are usually the first ones in an area once it has been declared safe by emergency services. Our priorities include assisting emergency and essential services organisations with their telecommunications requirements and restoring services to our customers.

Where necessary, we provide temporary mobile base stations and repeaters to boost coverage for the emergency services. Satellite Cells on Wheels, or SatCOWs, provide satellite-assisted mobile coverage in remote areas, while trailer-mounted repeaters can pick up the signal from the nearest Telstra mobile tower and repeat it to improve reception in a specific location.

Along with technical support, we provide telecommunications services such as temporary internet and loan handsets to evacuation centres. We support affected residential and small business customers through relief assistance packages. This includes free call diversions, free calls from payphones, and in some cases, the distribution of free devices with pre-paid credit.

We are also working to increase communication to impacted customers



and have additional staff in our contact centres. Depending on our access to affected areas, we set up temporary Telstra shops to support customers.

We provide emergency response leave for our people who volunteer with the emergency services, and employees in disaster affected areas can use their annual volunteer day to support their local communities in clean-up efforts. Telstra also matches employee donations to emergency appeals.

In the case of international disaster, we help our customers check on friends and family by providing free or reimbursed calls and SMS to affected countries.

Assisting communities affected by domestic disasters

A lot of work goes on behind the scenes to prepare for severe weather season, including testing back-up network infrastructure, assessing back-up power at our exchanges and participating in exercises with emergency services agencies.

This year we improved our incident response framework, which defines our approach to planning and responding to catastrophic events. The guidelines were developed in consultation with key stakeholders and include pre-approved responses to a number of scenarios. These guidelines allow for faster, consistent deployment of recovery services. Key principles of the guidelines include:

- Keeping customers informed
- Responding quickly and pro-actively
- Being present, and easily accessible
- Assisting customers with impacts.

This year we provided assistance packages worth \$40,000 to more than 100,000 customers affected by the bushfires in South Australia, Esperance and Yarloop Western Australia, Scotsburn and Otway Ranges, Victoria and Strathgordon Tasmania and the floods in Tasmania and Picton New South Wales.

Free calls during international disasters

This year we assisted our customers wishing to check on family and friends affected by cyclone Winston in Fiji and the terrorist bombings in Belgium, France and Lebanon.

For one week following each disaster, we provided free voice calls and SMS for Telstra fixed line and post-paid mobile customers, and reimbursed pre-paid customers for all voice calls and SMS to the affected country. Over 63,000 customers benefited from these initiatives.

Volunteering and giving

We encourage our people to get involved in issues they are passionate about. Our employee call to action encourages our people to take up their One Day of volunteering leave, get behind One Cause that matters to them, and have every One Dollar they donate through payroll giving matched by Telstra.

To learn more about the contributions our people made to their communities in FY16, please refer to the [Our people](#) chapter of this report.



Telstra CEO, Andrew Penn with Team Telstra Philippines

This year, our top 10 payroll giving recipients were:

- World Vision Australia
- Cancer Council Australia
- The Salvation Army
- The Australian Red Cross
- The RSPCA
- The Smith Family
- Beyondblue
- Oxfam
- Maneki Neko Cat Rescue
- Médecins Sans Frontières Australia.

Supporting communities in the Philippines

Telstra Foundation Philippines' (TFP) goal is to make a difference to the lives of Filipino youth, with a focus on education.

This year, TFP provided daily meals to approximately 150 elementary school children at the Barrio Luz Elementary School in Cebu City to reduce malnutrition. At the year end, the nutritional status of approximately 90 per cent of students had risen to normal levels. In addition, TFP volunteers also donated school kits and rain gear, as well 166 days of volunteer time to help build classrooms, bathrooms and a gymnasium.

TFP also provided grants to employee nominated programs for reading, arts and sports, as well as home and community building initiatives in disadvantaged communities and disaster affected areas.

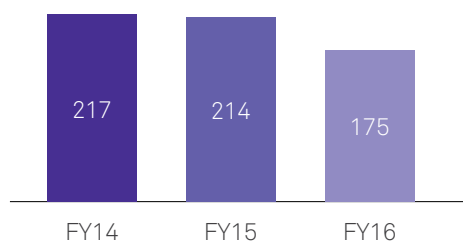
Delivering social benefits

We focus our social and community investment on the area of digital inclusion and helping to ensure everyone has access to the benefits digital technology can bring. We also encourage our people to get involved in their communities and the issues that matter to them.

The total value of our social and community investment programs, including contributions from Telstra, employees and the Telstra Foundation equalled \$175.4 million in 2016.

For more information on our social and community investment, see www.telstra.com/sustainability/report/data.

Total social and community investment (\$ m)



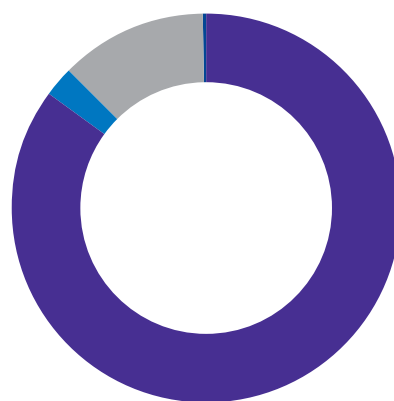
FY17
Target



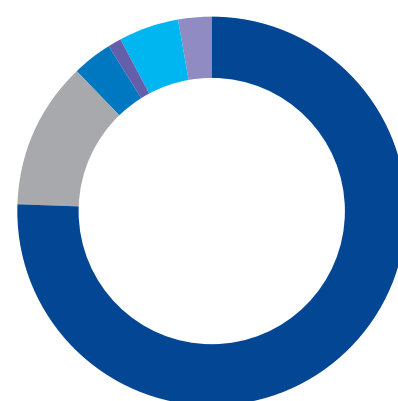
Continue to target our social and community investment on digital inclusion initiatives.



Social and community investment by focus (\$m)



Social and community investment by form of contribution (\$m)



FOCUS AREA	\$M
Disaster relief	0.3
Everyone Connected	149.2
Employee volunteering and giving	4.7
Sponsorship	21.2

Notes: Management costs associated with each program are included in the amount invested.

FORM OF CONTRIBUTION	\$M
Revenue foregone	132.9
Cash	21.1
In-kind	6.2
Time	1.6
Management	9.0
Leverage	4.6



Better environmental outcomes



Environmental stewardship

As we grow internationally to become a world class technology company, we have an increasing responsibility to manage our material environmental impacts. We are committed to continuously improving energy efficiency, reducing emissions, and conserving resources throughout our operations. We work to ensure our operations comply with international environmental obligations including monitoring and managing the increasing complexity of our environmental risks.

Along with managing our own impacts, we have a responsibility to improve the efficiency of our supply chain, products and services, as well as assisting customers and the community address their sustainability challenges. Utilising our extensive network coverage and depth of technical expertise, we have an opportunity to support government, businesses, customers and the community in addressing long-term sustainability challenges.

Highlights



Reduced our greenhouse gas emissions intensity by 56 per cent from our FY14 baseline year



Extended the coverage of our Environmental Management System accreditation to include Telstra's corporate and internal NBN business units. Telstra also transitioned to the new ISO14001:2015 standard



Recycled 5,543 tonnes of e-waste



Launched our first Electronics Reuse and Recycling Strategy

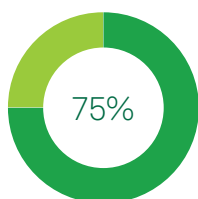


Invested \$7.5 million in energy reduction projects saving 33,900 MWh of electricity

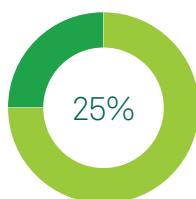
Performance

PROGRESS ON FY15 COMMITMENTS	RESULT	MORE INFO
Report on the environmental impacts and benefits of cloud computing	—	Page 69
Reduce our carbon emissions intensity by 55 per cent by FY17, against a baseline year of FY14	●	Page 72
Launch electronics reuse and recycling strategy	●	Page 75
Extend ISO 14001:2004 certification of our environmental management systems to Telstra's corporate business units	●	Page 78

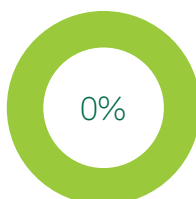
● Achieved — In progress ✕ Not achieved



Achieved



In progress



Not achieved

Our environment reporting scope

Our sustainability reporting covers the financial year 1 July 2015 to 30 June 2016 (FY16) for Telstra Corporation Limited. This includes relevant Australian subsidiaries, joint ventures and partnerships as set out in the National Greenhouse and Energy Reporting Act 2007.

We calculate our GHG emissions according to the Greenhouse Gas Protocol of the World Business Council for Sustainable Development and World Resources Institute as well as the Australian National Greenhouse and Energy Reporting (Measurement) Determination 2008 (as amended).

Information regarding the controlled entities in the Telstra Group can be found in on our website at www.telstra.com/investor (Latest Results).

Environment strategy



We are committed to minimising our environmental impacts and working with our customers and suppliers to achieve better environmental outcomes.

APPROACH

We continue to build a more strategic approach to managing the environmental risks and opportunities across our value chain. We use technology to minimise our environmental impacts, and are helping our customers and suppliers to do the same.

Our Environment Strategy provides a framework for addressing our most important environmental issues and opportunities. Our strategy seeks to advance the environmental performance of our operations and our stakeholders, right across our value chain.

Our strategy is aligned to Telstra's purpose and values, and has three strategic focus areas:



Environmental customer value proposition

Quantifying and communicating how our products and services can enable our customers to reduce their environmental impacts, particularly energy use and carbon emissions. Please refer to page 69 for information on our approach.



Operational excellence

Actively identifying and minimising material environmental impacts and operating costs of our business. Please refer to page 71 for information on our approach to climate change and energy and page 75 for information on our resource use, waste and e-waste.



Sustainable supply chain

Working with and influencing suppliers to manage and reduce the environmental and social impacts of their operations and of the products and services they provide to Telstra. Please refer to the [Responsible business](#) chapter for more information.

In order to embed environmental principles and minimise business risks across our operations, accountability for delivering the environment strategy is shared across Telstra. Progress against the strategy is overseen by the Chief Sustainability Officer and relevant Business Unit project sponsors. The Telstra Board also monitors Telstra's environmental performance.

As we continue to grow across new markets and operating environments, our environmental management approach, must also adapt. In the course of responding to this over FY16 we extended the coverage of our Environmental Compliance Program to cover Telstra's global operations. We are also looking to refresh our environment strategy over the next year to allow for greater flexibility to deliver actions and seize opportunities that are relevant to the many markets in which we operate.

Environmental customer value proposition



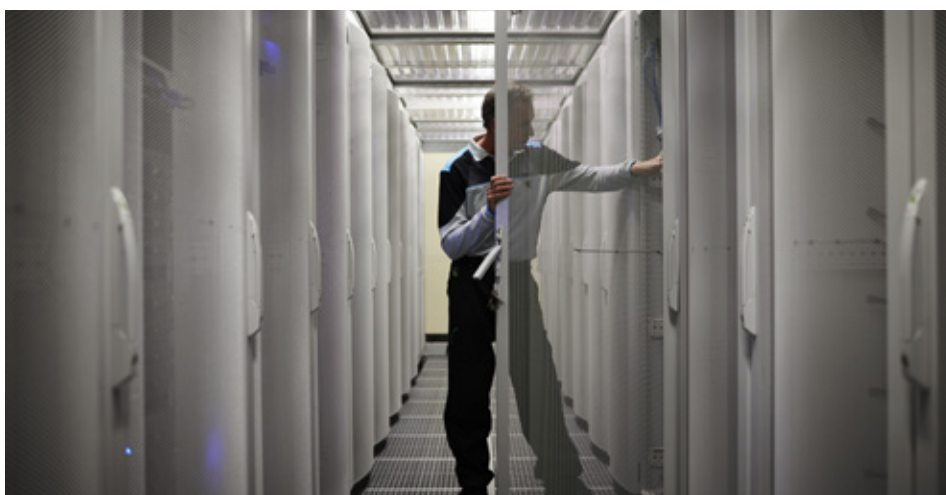
Technology is creating a world of constant innovation and enormous opportunity. ICT can help play a role in limiting global warming by unlocking smarter and more efficient ways of working and living. We continue to educate and work with businesses, customers and the community to help identify opportunities to drive sustainable outcomes.

There is a compelling business case for using ICT to reduce energy costs and greenhouse gas emissions.

APPROACH

Through our Environmental Customer Value Proposition (ECVP) we focus on helping customers transition to a lower carbon future using our products and services. Our activities include:

- **Communicating the environmental benefits of ICT**
Articulating the environmental benefits of the products and services we sell
- **Green ICT strategies**
Working with our largest customers to develop strategies for reducing their energy and carbon emissions through the use of ICT
- **Environmental innovation for new products and services**
Developing new products and services with environmental benefits



➤ Green product design and development

Embedding environmental considerations into existing product design and development processes.

PROGRESS

In FY16 we continued to work with our enterprise customers to help them identify opportunities to improve their environmental performance, with an emphasis on carbon emissions and electricity costs. To complement our Green ICT strategies focus, we reviewed the environmental impacts and benefits of Telstra's cloud services. We also undertook further research into the benefits of using ICT based services to deliver low carbon growth.

Environmental benefits of the cloud

This year we completed research for a report due to be released later in 2016 examining the opportunities from cloud services. The report, titled 'Connecting with the cloud, a low-carbon future is ahead', will quantify the financial and environmental benefits of Telstra's Australian dedicated and shared cloud services. Examination of the report's research shows that removing unused or underperforming infrastructure and moving to a dedicated sustainably designed facility results in improved energy performance. Supplementing this research, we will also be launching a customer carbon calculator in the first half of FY17 to assist customers to estimate the energy and cost savings of moving to Telstra's cloud services.

Towards a SMARTer 2030

Through our membership with the Global e-Sustainability Initiative (GeSI) we continue to engage with our global peers to conduct research into the role ICT can play in enabling low-carbon growth. Released in June 2015 the report 'SMARTer2030: ICT Solutions for 21st Century Challenges' focuses on the role ICT can play in facilitating low carbon growth, with a global focus.

This year, Telstra partnered with Fujitsu to develop the report 'Australian SMARTer 2030 Report Findings', which builds on the global report with an overlay of local policy context. The report, due to be released in FY17, highlights opportunities available to government, business and consumers to increase the use of ICT to help reach Australia's carbon emissions reduction target. According to the report, ICT has the potential to reduce carbon emissions in Australia by 190 million tonnes a year by 2030. In addition to the emissions reductions, the report also identifies broader environmental, social and economic benefits that can be created through ICT by 2030.

In May this year we again partnered with Fujitsu to showcase the SMARTer2030 research at the Australian Emissions Reduction Summit and our enterprise customers at the Telstra Sydney Customer Insight Centre to drive the uptake of ICT enabled energy efficiency opportunities.



ICT driving smart agricultural outcomes

Agriculture is one of Australia's most important industries. There are more than 300,000 people working in the sector who together represent a \$50 billion industry that grows enough food to feed 80 million people each year.

This year Telstra worked with customers, technology partners, governments and communities to deliver capabilities, insights and solutions that we believe will increase productivity and deliver more sustainable outcomes for the agriculture industry as a whole. At the centre of this technology-led innovation is connectivity.

Given the size of the industry, there are big incentives to find efficiencies in production processes, with the latest developments in mapping and satellite technology driving precision agriculture.

Technology such as online monitoring sensors and fly over drones provide real-time data and images allowing farmers to remotely inspect crops and analyze environmental conditions such

as moisture, nutrient levels and harvest health. This saves time, fuel costs and allows for precision farming, whereby water, nutrients and pesticides are applied to localized areas rather than entire crops.

"The Internet of Things is transforming the way stock and water levels are monitored, as well as equipment performance, helping to identify efficiencies in the production process", said Lavina Muscat, Industry Development Executive, Telstra.

"By assisting customers move towards precision agriculture through the use of data analytics, mapping and satellite technology alongside mobile apps, we are helping create herds and crops that are healthier as well as being produced more sustainably."

For more information on how Telstra is enabling the Internet of Things, please see the [Customer experience](#) chapter of this report.

Climate change and energy



Our approach to climate change

We believe that business has an important role to play in addressing climate change. We want to work in partnership with governments and the wider community to address the environmental, economic and social impacts of climate change.

Our climate change position statement acknowledges climate change as both a business risk and opportunity, highlighting the critical role ICT can play in assisting our customers and society move towards a low carbon future and become more resilient to a changing climate. Our response to addressing climate change is focused on key three areas:

➤ Building resilience

Our infrastructure is a long term asset, and often located in remote areas exposed to extreme weather conditions. Increased frequency and severity of extreme weather events can damage and disrupt our operations and service delivery. This year, we conducted a climate change risk assessment in order to better understand the risks posed by climate change to our infrastructure and people, and identify actions to strengthen resilience within our business.

To learn more about our climate change risk assessment, please refer to the **Responsible business** chapter of this report.



➤ Minimising our emissions

We strive to reduce energy consumption within our operations by identifying and implementing energy reduction and efficiency initiatives and investing in renewables. To learn more about our response, please refer to the Energy use and efficiency section of this chapter.

➤ Helping to enable low-carbon economic growth

We are working with our customers to develop solutions that help them reduce their environmental impacts. To learn more about our approach, please refer to the ECVP section of this chapter.

FY17
Target



Develop a climate change adaptation plan.

Our commitment to transparency

As part of our commitment to transparency, we have disclosed a detailed breakdown of our environmental performance data, please see www.telstra.com/sustainability/report/data.

To provide stakeholders confidence we engaged Ernst & Young to provide limited assurance over our FY16 environmental performance data. For an overview of the metrics included in the assurance, please see Ernst & Young's assurance statement at www.telstra.com/sustainability/report/assurance.

Since 2003 we have also disclosed our GHG emissions and climate change risks annually through our questionnaire response to the Carbon Disclosure Project. Our submissions are available online at www.cdp.net.



Energy use and efficiency

APPROACH

Our approach to energy management is guided by the 'operational excellence' pillar of our Environment Strategy. We are actively identifying and reducing our material environmental impacts and identifying saving opportunities across Telstra's operations. Our focus areas include:

➤ Energy efficiency

Improve the energy efficiency of our network buildings, data centres, office buildings, network architecture and ICT equipment

➤ Renewable energy

Investigate opportunities for using renewable energy to further reduce emissions

➤ Electronic waste (e-waste)

Minimise e-waste by maximising opportunities to reuse and recycle, while ensuring responsible disposal practices

➤ Environmental risks and compliance

Implement risk-based environmental management systems to maintain our licence to operate and provide for continued performance improvement.

PROGRESS

Greenhouse gas emissions

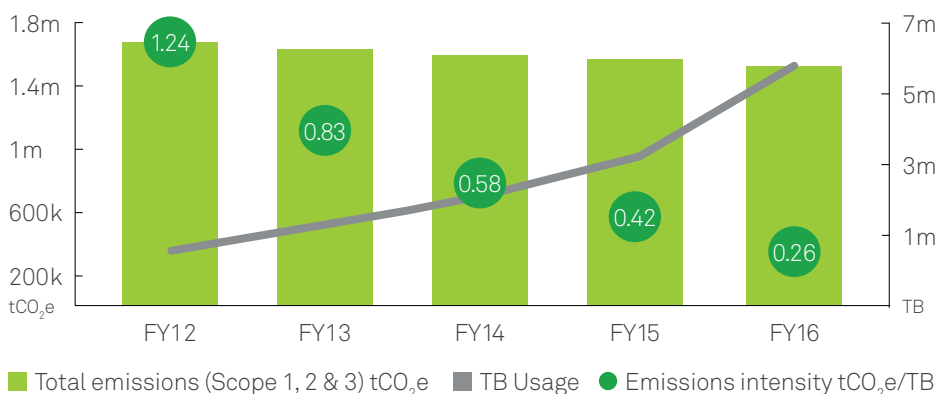
In FY14 we set a long term target to reduce our greenhouse gas (GHG) emissions per terabyte of data used (emissions intensity) by 55 per cent over the three year period from FY15 to FY17, from a baseline year of FY14.

Our GHG emissions intensity has reduced by 56 per cent from our FY14 baseline year, meaning we achieved our FY17 target a year earlier than planned.

A large driver for this has been the significant rate of growth in data use – up 62 per cent in FY16. From our baseline year of FY14 our absolute GHG emissions (Scope 1, 2 and 3 tCO₂e) have reduced by three per cent. The primary reason for the reduction is due to a reduction in energy coefficients (emission factors) published by the Australian Government for the reporting period. The other key driver for the reduction was the implementation of energy efficiency initiatives.

Emission factors used to convert Telstra's electricity consumption into emissions have decreased consistently over the past two years as cleaner forms of energy production have been introduced into the overall mix of electricity purchased off the grid. The implementation of a range GHG emission reduction activities has also assisted us to reach our target. Over the past two years, our emission reduction projects have delivered gross emission reductions of 68,809 tCO₂e. Through FY17 we will investigate opportunities to set additional GHG emissions targets.

Greenhouse gas emissions, terabyte usage and emissions intensity



Energy efficiency

Our largest GHG emissions source is the electricity we purchase, which accounts for 95 per cent of our total GHG emissions (Scope 1, 2 and 3). Therefore, our GHG emission reduction projects focus on energy efficiency opportunities.

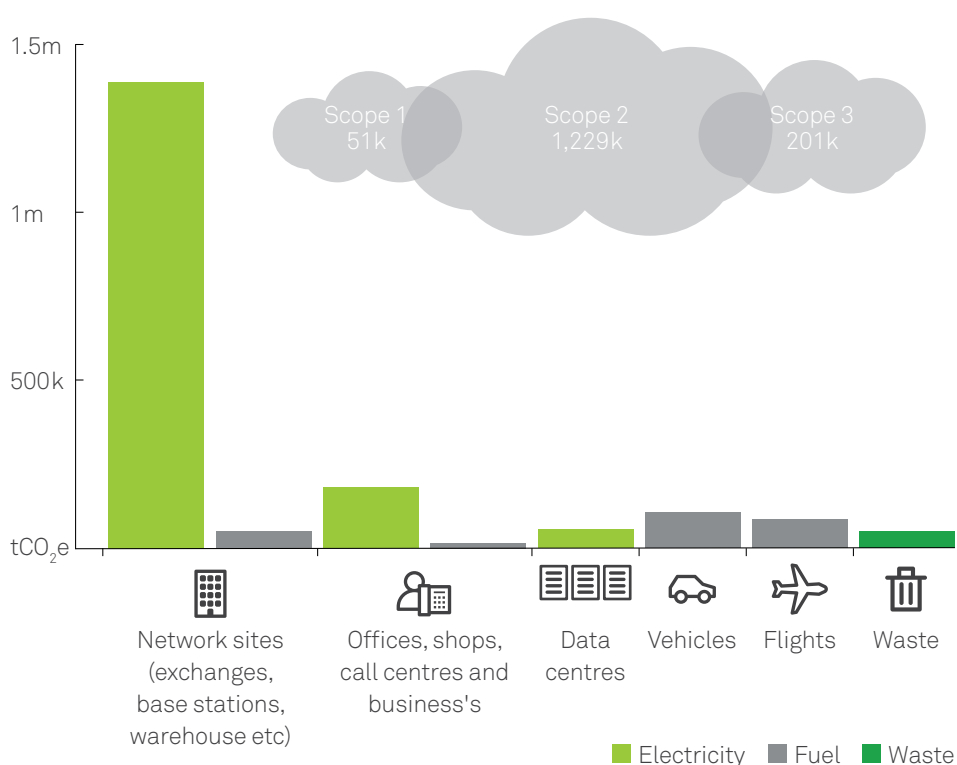
Improving energy efficiency is the most effective way to reduce our GHG emissions and energy costs. We take a broad approach and look to identify energy efficiency improvements across all our operations including optimising the performance of owned and leased buildings, retrofitting existing buildings including implementing smarter lighting and heating, ventilation and air conditioning (HVAC) controls, improved fault detection, and improving data centre design and optimisation.

In 2011 we announced a five year commitment to invest \$41.3 million into improving the energy efficiency of our facilities. Since the commitment period, we invested over \$47 million with a further \$5 million committed for energy efficiency projects for FY17.

This year we invested \$7.5 million in energy reduction projects that delivered a collective saving 33,600 tCO₂e and more than 33,900 MWh of electricity.

Our commercial building portfolio, which includes office buildings, warehouses, depots and retail stores, accounts for approximately six per cent of Telstra's electricity use. This year our property and leasing teams worked with our commercial office building owners to co-invest in several building upgrades that have delivered 377 MWh of energy efficiency savings.

FY16 greenhouse gas emissions (Scope 1, 2 and 3) by category





Reducing our transport emissions

Our fleet team has been working to reduce the GHG emissions associated with our transport use. Over the last five years we have reduced our GHG emissions from our fleet by 15 per cent, or approximately 8,450 tCO₂e. This is due to a reduction in vehicle numbers, moving to more efficient vehicles as well as using lower emissions intensive fuels.

This year, in conjunction with our strategic partner BP, we ran the Fuel Economy Challenge to encourage all Telstra Fleet customers, both operational and salary sacrifice drivers, to improve their fuel economy, use less energy and ultimately drive down our carbon emissions. Nearly 900 Telstra drivers registered for the challenge and were provided information on ways to reduce fuel consumption and incentivised with weekly prizes. The program reduced fuel consumption and led to indirect immeasurable savings on vehicle maintenance and accident costs as a result of safer driving habits.

Energy reduction initiatives

INITIATIVE	DESCRIPTION	ANNUAL SAVINGS
BUILDING SERVICES ENERGY EFFICIENCY UPGRADES	Our capital works program is the most significant contributor to our energy savings program and includes the installation of fresh air cooling systems, high efficiency chillers, electronically commutated fans and lighting controls.	7,332 MWh
UPGRADING RECTIFIERS	Rectifiers convert electricity from AC mains power to DC power that is required to run our telecommunications equipment and battery back-up systems. We continue to upgrade rectifiers across the network to a more energy efficient option.	4,934 MWh
HVAC OPTIMISATION	We conduct physical inspections and audits of our network sites to identify opportunities for energy savings through inspecting equipment operation to identify faults affecting power consumption and review equipment performance to identify optimisation opportunities.	9,732 MWh
DECOMMISSIONING OUR NETWORK	Our telecommunication equipment is a significant component of our energy use. Working with technical and planning groups, we identify opportunities to make our network more efficient which includes depowering redundant equipment and redesigning the network to maximise equipment usage allowing underutilised equipment to be depowered.	11,552 MWh

Renewable energy

We continue to investigate opportunities to use renewable energy, as well as fuel cells and batteries for energy storage across our network. Developments across solar energy and storage, software, and the Internet of Things are opening up new ways to utilise renewable energy, as well as make energy consumption more dynamic and efficient. We also use solar panels to power our small rural infrastructure where grid electricity is unavailable. We have more than 10,200 sites across Australia which have solar panels installed enabling equipment to be used without mains power.

Implementing solar at our exchanges

Our exchange buildings are large consumers of electricity in our network, with consistent predictable power loads that are housed in buildings with large roof surfaces that are generally owned

by Telstra. Therefore, they are a prime opportunity to investigate the ability to install solar panels at scale in our metropolitan locations.

This year we developed a model to assess all our exchange buildings to determine suitability for installing solar panels. This assessment took into consideration panel location availability, sunlight availability, installation feasibility and costs, as well as current operating energy consumption.

As a result, we installed AC grid connected solar PV power systems at four of our exchanges in Victoria. The systems range from 30 to 100 kW in capacity and are expected to produce 300 MWh of energy per year. This results in approximately 15 per cent of power consumption from these sites being generated from renewable energy. The locations of the exchanges are Deer Park (30kW), Lyndhurst (30kW), Scores by (60kW) and Lilydale (100kW). We plan to further roll out solar power systems on additional exchanges over the next few years.

Resource use, waste and e-waste



APPROACH

ICT delivers a wide range of economic, environmental and social benefits. A more connected digital world presents opportunities to live, work and play more efficiently and connecting more people. With the significant growth in e-waste, we have a responsibility to work across our value chain to create opportunities to adopt a more sustainable approach to managing our resource use, waste and e-waste.

In 2013, the United Nations forecast the volume disposed globally to increase from 48 million tonnes in 2012 to 65 million tonnes in 2017 – and in Australia e-waste is growing three times faster than any other waste stream.

PROGRESS

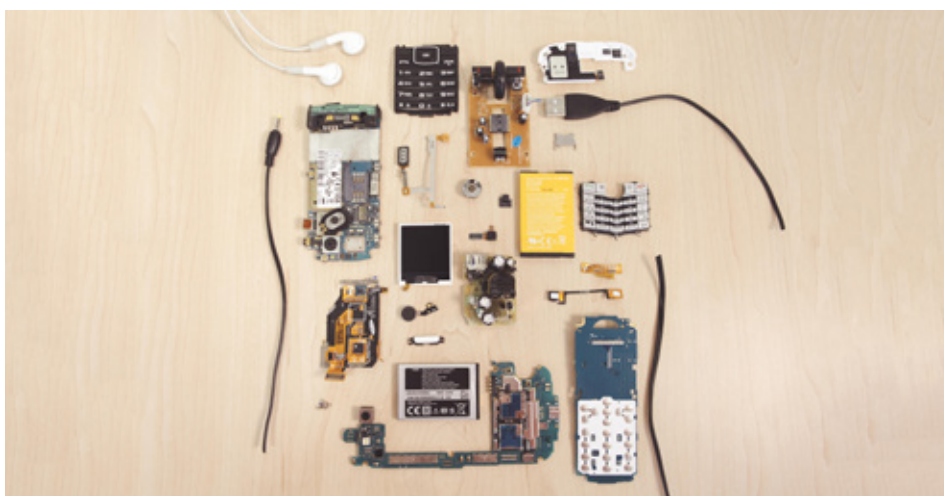
Electronics stewardship

What is e-waste?



E-waste is a term used to cover specific items of electrical and electronic equipment, and their parts, that have been disposed by the owner as waste without the intention of re-use.

For our industry e-waste includes end-of-life consumer devices, batteries, electronic accessories as well as network equipment including routers, servers and cables. Telstra's own e-waste also includes IT and lighting equipment.



Electronics stewardship seeks to reduce the impacts of technology – from equipment design through to end-of-life disposal. Electronic stewardship involves taking responsibility beyond the point of manufacture or sale, and influencing across the total life cycle of products to decouple product growth from the reliance on raw materials to manufacture.

We've recognised the importance of electronics reuse and recycling and have supported responsible recycling programs for nearly 20 years. We are a founding member of MobileMuster – a non-profit, government accredited, mobile phone recycling scheme in Australia.

This year we developed our first Electronics Reuse and Recycling Strategy (FY17-19), Unlocking Hidden Value, to systematically manage and reduce our e-waste impact across our value chain. The strategy has been communicated to employees and is planned to be launched externally in the first half of FY17.

Unlocking Hidden Value aims to bring focus on the importance of applying integrated and collaborative approaches

to realise business value through increased electronics recovery, reuse and recycling. Over the longer-term, we plan to participate in a wider product stewardship approach that recognises that manufacturers, importers, retailers, governments and consumers have a shared responsibility for the environmental impacts of products throughout their full life cycles, not just at end-of-life.

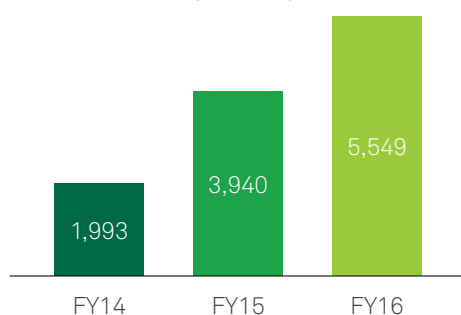
John Gertsakis,
Chief Sustainability Officer,
Infoactiv

"In today's environment of rapid technology innovation and the growing problem of e-waste, Telstra has taken a lead in managing the issue with the introduction of its Electronics Reuse and Recycling Strategy. A company-wide commitment to electronics stewardship will positively transform how Telstra interacts with its customers. We're pleased to have partnered with Telstra on eCycle to create opportunities for businesses and the community to manage their e-waste."

In FY16 we diverted 16 tonnes of mobile phones and accessories from landfill through the MobileMuster program, exceeding our target of 14 tonnes. We collected a total of 5,549 tonnes of e-waste with a recycling rate of 99.9 per cent.

We sought to engage employees in electronics removal and recycling through our annual e-waste collection campaign held during Business Clean Up Day in March 2016. Throughout the day our people collected old technology for responsible recycling. We also extended our campaign outside of Australia for the first time, involving our Hong Kong people across two major offices. During the campaign, we collected 13 tonnes of e-waste, and since 2013, the annual event has recycled over 46 tonnes of e-waste across more than 80 corporate offices and exchange buildings.

Total e-waste (tonnes)



FY17 Targets



Divert 17 tonnes of mobile phones and accessories from landfill through the MobileMuster program.

Implement our Electronics Reuse and Recycling Strategy.



Helping businesses to manage e-waste

To assist small businesses manage their old technology and free up valuable office space, we launched a pilot eCycle program in July 2015, offering small businesses a new free collection and recycling service for a wide range of electrical equipment – not just Telstra products.

The program was set up with the focus on small and medium businesses (SMEs) as research has shown that while large organisations generally had the skills and resources to properly manage e-waste, SME's often lacked the capacity and knowledge and frequently stockpile e-waste. The program aimed to overcome the key barriers

when it comes to recycling e-waste; including convenience, data security and privacy. An initial three month pilot was extended twice due to demand from more than 600 businesses across Australia, recovering more than 60 tonnes of e-waste this year.

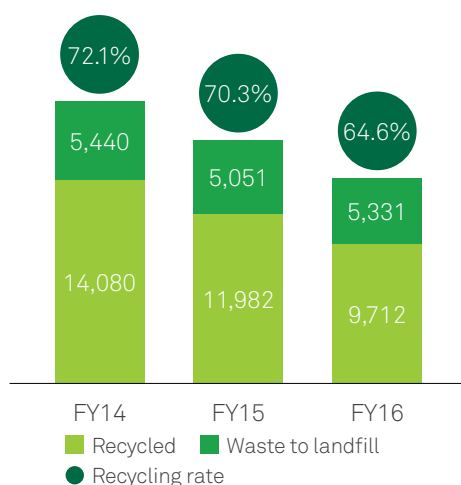
“Telstra eCycle gave us the opportunity to engage with local businesses and our local council to make a difference for the environment. Through the program our store helped local small businesses to recycle over 15 tonnes of e-waste, and we built lasting relationships in the process,” said Susan de Kort, Telstra Business Centre, Bayside (Pictured centre).

Waste management

Although our facilities do not generate large amounts of waste, we work to minimise all our environmental impacts across our operations.

Over the past three years we have reduced our total waste generated by 23 per cent. In FY16, we continued this trend with total waste decreasing by 12 per cent. However, this year our waste to landfill increased 6 per cent and our waste recycled reduced by 19 per cent. We continue to identify ways to improve our waste management and are working to raise the recycling rate of construction and demolition waste and are confirming all sites have access to appropriate recycling bins.

Waste (tonnes)

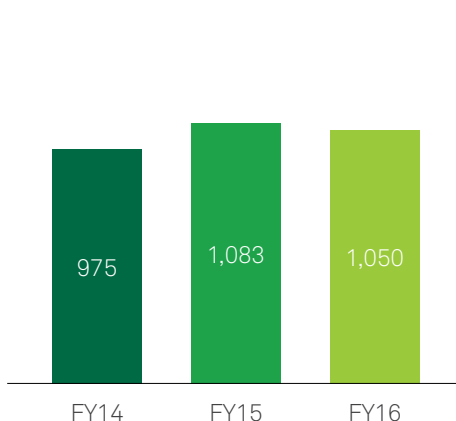


Water use

Water availability is a growing concern and we are committed to reducing our water consumption. In FY16, we used 1,054 megalitres of water in our network exchanges, data centres and corporate offices. This is a three per cent decrease compared to FY15 and is due to implementing a leak detection program at our operational sites, and responding to and rectifying identified leaks.

Wastewater is generated from the use of water to remediate telecommunication pits containing asbestos, as well as pumping out rainwater collected in pits to allow technicians access. This year, wastewater disposal decreased by 35 per cent due to a reduction in the quantity of remediation work completed compared to prior years.

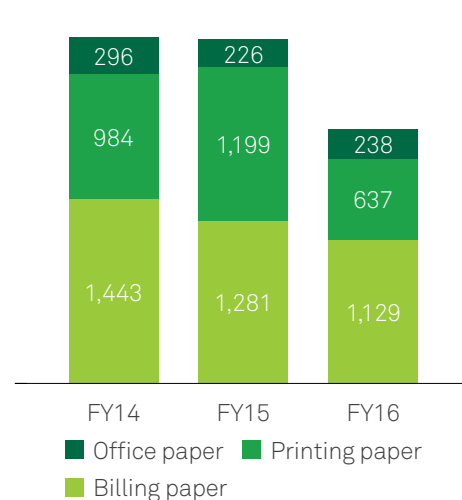
Water use (ML)



Responsible paper use

We encourage responsible paper use across our operations, which includes printed marketing material completed by professional printers (commercial print), office and billing paper. In FY16, paper use decreased by 26 per cent, primarily due to reductions in commercial printing and billing paper. Commercial printing decreased by 47 per cent from last year due to a continued move to online and digital advertising as well as the large once-off print run from last year associated with the Telstra 'Share Buy-Back' not occurring again this year. Billing paper reductions are due to the move to online billing and the use of thinner paper stock.

Total paper consumption (tonnes)



Environmental risks and compliance

APPROACH

Telstra performs a range of business activities which, by virtue of their nature, scale and geographical locations, have inherent environmental challenges. Protecting the environment is a priority and we seek to achieve this by cultivating a strong risk management culture and implementing a certified environmental management system.

Our Chief Sustainability Office is responsible for Telstra's overall corporate environmental compliance program. The program supports Telstra's business units to ensure their activities meet the relevant compliance requirements of our company and regulatory stakeholders. Our dedicated Health, Safety and Environment (HSE) team manages our operational environmental compliance and risks and is part of Telstra's Chief Risk Office. They are responsible for identifying, monitoring, reporting and supporting Telstra's business units to eliminate or minimise our environmental risks so far as reasonable practicable.

PROGRESS

Environmental management systems have existed within Telstra for over 16 years. This year we integrated our environment risk management approach into our Global HSE Management System. As part of this, we implemented 10 global HSE Standards and a set of Minimum Environmental Requirements (MERs) aligned to our key environmental risks:



- Climate change and resource management
- Contamination and pollution control
- Land stewardship
- Waste management
- Hazardous chemicals and dangerous goods.

We also extended the coverage of our Environmental Compliance Program to cover Telstra's global operations. We have commenced a comprehensive review to better understand the key regulatory requirements in our growth markets outside Australia.

To meet our growing customer expectations, Telstra has extended the coverage of its environmental management system certification from one line of business, Networks, to encompass Telstra's corporate environmental

processes and NBN delivery management system. In June this year, we also became one of the first in the telecommunications industry to achieve external certification to the new ISO 14001:2015 environmental management system standard.

Other key activities conducted this year include conducting risk assessment workshops on waste management, dewatering pits and manholes, as well as a Telstra Australia-wide diesel infrastructure risk assessment. This aimed to profile the nature and potential risk of loss of containment of diesel hydrocarbon from Telstra's assets. We also continued to improve our process for reporting HSE incidents. This included the release of an online 'HSE Assist' platform for completion of HSE incident/hazard reports and workplace HSE inspections directly on any mobile device anywhere in our global operations.



Telstra, as a minimum, seeks to be compliant with all applicable environmental laws and regulatory permissions relevant to its operations. Where instances of non-compliance may occur, Telstra has procedures requiring internal investigations to be conducted to determine the cause of the non-compliance and ensure that any risk of recurrence is minimised.

Our procedures also require that relevant government authorities are notified of any environmental incidents (where applicable) in compliance with statutory requirements.

As disclosed previously in the 2015 Bigger Picture Sustainability Report, on 6 July 2015 Telstra received an infringement notice penalty of \$8,538 for contravention of the Environmental Protection Act 1994 (Qld) as a result of a diesel spill from a fuel storage tank at a Telstra site in Cape Kimberley that occurred in April 2015. Telstra subsequently undertook work to remediate the site. Telstra paid the infringement notice on 28 July 2015. The Queensland Department of Environment and Heritage Protection are satisfied with the level of remediation and have closed off the incident.

In Australia, Telstra is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007. The Act requires Telstra to report its annual Australian GHG emissions, energy consumption and energy production. Telstra has implemented systems and processes for the collection and reporting of data and has, in accordance with our obligations, reported to the Clean Energy Regulator on an annual basis. The next report is due on 31 October 2016 and will again be supported with an independent assurance audit to a reasonable assurance standard.

In the United Kingdom, Telstra is subject to the Energy Savings Opportunity Scheme (ESOS) Regulations 2014. Telstra qualifies for ESOS and must carry out energy savings assessments every four years. These assessments are audits of the energy used by our buildings, network facilities and transport to identify cost-effective energy saving measures. Telstra has met our obligations under ESOS for the first compliance period, 5 December 2015.

FY17
Target



Continue to extend the coverage of our Environmental Management Systems.