BIGGER PICTURE 2012

OUR COMMUNITY
BUILDING MORE INCLUSIVE
COMMUNITIES

SUSTAINABILITY
REPORT 2012

IT'S HOW
WE CONNECT
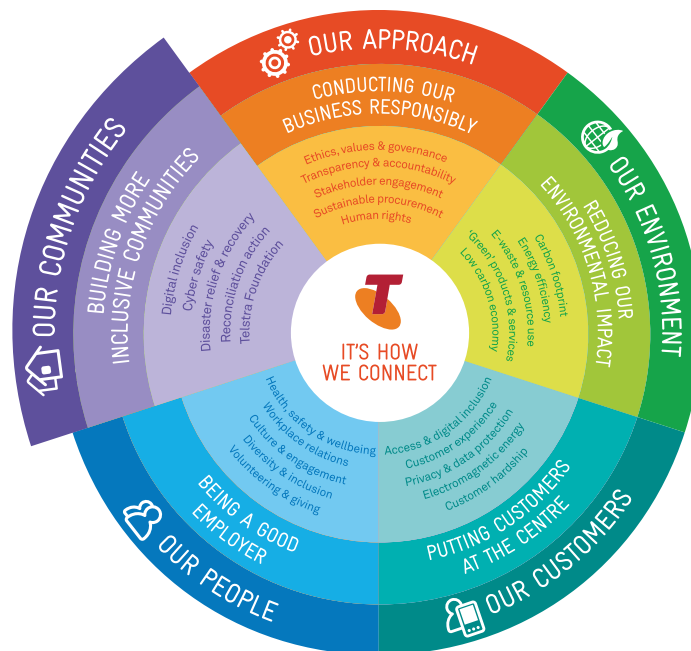
SUSTAINABILITY AT TELSTRA

TELSTRA IS AUSTRALIA'S LEADING TELECOMMUNICATIONS AND INFORMATION SERVICES COMPANY. WE OFFER A FULL RANGE OF SERVICES AND COMPETE IN ALL TELECOMMUNICATIONS MARKETS THROUGHOUT AUSTRALIA, PROVIDING 13.8 MILLION MOBILE SERVICES AND SERVING 2.6 MILLION RETAIL FIXED BROADBAND CUSTOMERS. TELSTRA'S INTERNATIONAL BUSINESSES INCLUDE TELSTRA INTERNATIONAL GROUP, THE HONG KONG MOBILE SERVICES BUSINESS CSL, AND A NUMBER OF DIGITAL BUSINESSES IN CHINA.

CONTENTS

ABOUT OUR SUSTAINABILITY REPORTING

Through our reporting we aim to provide relevant information about our social and environmental approach and performance, for all of Telstra's stakeholders. Our Annual Review is a concise summary of Telstra's financial and business performance, as well as the material sustainability issues impacting the company. The Bigger Picture sustainability reporting series and our website provide further sustainability information, including additional performance data. www.telstra.com.au/sustainability

SCOPE

Our social and community reporting covers the 2011/12 financial year for Telstra Corporation Limited and Sensis, our wholly owned Australian based controlled entity, unless otherwise stated. This excludes the following operations that comprised the wider Telstra Group in the reporting period: Telstra International Group, our controlled entities CSL, China digital businesses, REACH and TelstraClear and our 50 per cent ownership of Foxtel.

TELSTRA FOUNDATION

10 YEARS
7,000 PROJECTS
$40 MILLION

IN SUPPORT FOR THE AUSTRALIAN COMMUNITY

$4 MILLION INVESTED IN COMMUNITY PROJECTS

THROUGH THE TELSTRA FOUNDATION

THOUSANDS OF CUSTOMERS RECEIVED ASSISTANCE PACKAGES IN RESPONSE TO NATURAL DISASTERS 9

$1M IN EVERYONE CONNECTED COMMUNITY GRANTS TO SUPPORT DIGITAL INCLUSION

TOTAL SOCIAL AND COMMUNITY INVESTMENT

$239.8 M

OR 4.09% OF DOMESTIC PRE-TAX PROFIT

CONTEXT

WE UNDERSTAND THAT THE WELFARE OF OUR COMMUNITIES AND THE SUCCESS OF OUR BUSINESS ARE INTERDEPENDENT.

Developments in digital technologies in recent years have provided significant economic, social and cultural change and opportunity, and we have seen the transformative effects telecommunications can have in sectors such as health and education. But not everyone enjoys these benefits. The most recent Australian Bureau of Statistics figures reveal that over 20 per cent of Australian households do not have access to the internet at home – that's over 1.8 million Australian households.

Through our Everyone Connected community programmes, we aim to help all Australians enjoy the everyday benefits of being connected – irrespective of age, income, ability, location or disadvantage.

Our community involvement affords us the opportunity to understand and respond to the unique needs and concerns of our customers and communities, and to work in partnership with government, business and non-profit organisations to help address some of the key challenges facing Australia.

PUBLIC POLICY AND STAKEHOLDER ENGAGEMENT

We engage with our stakeholders on the material issues affecting the communities in which we operate.

We also contribute to the development of public policy on these issues through submissions to public inquiries and participation in government, non-profit and business advisory groups. Our 2011/12 engagement and contributions are set out below.

INDIGENOUS AUSTRALIANS	Telstra lodged a submission to the 20 member Expert Panel formed to consult Australians about changing the Constitution to recognise Aboriginal and Torres Strait Islander peoples (You Me Unity). The submission reflects the respect Telstra has for the rights of Australia's Indigenous people as founding contributors to Australia's cultural identity.
CRISIS LINES	In 2011/12, Telstra developed the Crisis Line Initiative to stop charges to 1800 national helpline services from mobile phones. As part of this initiative, organisations that are national, open 24 hours a day and non-profit, can apply to have fees for users waived. The cost is covered by Telstra's $250 million support fund for underprivileged customers.
COMMUNITY CONSULTATION ON EME	In 2011/12, a number of communities expressed concerns about electromagnetic energy (EME) in response to new mobile base station proposals. Telstra responded with extended community consultation and proactive community engagement. Our team conducted 2,385 mobile infrastructure consultation projects in 2011/12. The Australian Media and Communications Authority (ACMA) confirmed a total of three complaints regarding Telstra proposals, signalling the success of our consultation activities.

ICT AND WELLBEING	Co-chaired by the Telstra Foundation and the Inspire Foundation, the Technology and Wellbeing Roundtable brings together thought leaders from academic, corporate, non-profit and government sectors to share insights into how technology can enable the wellbeing of young people. In 2011/12, the committee met three times and provided advice to the University of Western Sydney to inform an application for an Australian Research Council (ARC) grant to develop a young people, technology and wellbeing research facility.
CYBER SAFETY	Telstra's Officer of Internet Trust and Safety was reappointed for a fifth consecutive term to the Federal Government's Consultative Working Group to improve cyber safety, an important component of the Government's Cyber Safety Plan. The CWG comprises industry experts, including representatives from The Alannah and Madeline Foundation, Bravehearts, Google, Facebook and Yahoo, and provides advice on cyber safety issues faced by Australian children and on priorities for action. Telstra is the only telecommunications company and large internet service provider represented. Through this forum, we elevated the topic of social media education for Indigenous Australians.

EVERYONE CONNECTED
COMMUNITIES

ENSURING THAT EVERYONE
IN OUR COMMUNITIES
ENJOYS THE BENEFITS OF
MODERN COMMUNICATION
TECHNOLOGIES AND THE
SOCIAL AND ECONOMIC
BENEFITS THEY BRING.

At Telstra, digital inclusion means ensuring all Australians enjoy the everyday benefits of being connected to modern communication technologies – irrespective of age, income, ability, location or disadvantage. Our Everyone Connected community programmes enhance digital inclusion by utilising our core capabilities, assets, expertise and national presence to support access, skills development and safety for those Australians and communities most in need.

In 2011/12, our objective was to bring strategic alignment to our social and community investment, with a stronger focus on digital inclusion reflected in the Telstra Foundation's Everyone Connected initiatives and a 'shared value' approach to philanthropy.

PROGRESS
Everyone Connected community grants programme

The Telstra Foundation launched its Everyone Connected community grants programme in May 2012. The programme will provide one million dollars in the form of one hundred $10,000 grants to local community organisations, supporting activities that enhance digital inclusion. We are targeting projects that connect disadvantaged children and young people to the internet, build their online skills, or promote cyber safety. Successful grant recipients will be announced in September 2012. In addition to this grants programme, in 2011/12 the Telstra Foundation supported eight ongoing digital inclusion projects with more than $890,000 in funding.

Next year, the Telstra Foundation will continue to work in partnership with organisations and leaders from academic, corporate, non-profit and government sectors to share insight and implement programmes that enhance digital inclusion.

eSmart Libraries

This year, the Telstra Foundation established a six-year partnership with The Alannah and Madeline Foundation to deliver eSmart Libraries to all public libraries in Australia. The initiative will assist 1,500 public libraries across the country to be safe and responsible in the online world. The programme will commence in 2012/13.

Connecting older Australians

In 2007, we established Telstra Connected Seniors® to address the 'digital divide' experienced by many older Australians. We provide grants to community organisations to deliver training courses and hold events to help senior Australians master new mobile and internet technology. Our training and education materials are continually updated to include the latest technologies and applications. This year, we introduced an internet training programme using tablet technology. Modules included using the internet for downloading music, playing videos and games, and online shopping. Next year, there will be an even greater focus on tablets and smartphones. We also trialled a new delivery model, partnering with South Australian aged-care provider Helping Hand and North Coast Institute of TAFE (NSW), to provide training to older, less able seniors.

For 2011/12, almost 52,500 senior Australians received training through events, face-to-face sessions and DVDs loaned through libraries across Australia. Around 45,000 seniors accessed online content through a dedicated website. These figures are lower than planned due to delays in the redevelopment of the website.

We also released a new mobile phone designed specifically to suit the needs of older Australians. This phone was designed and tested with Telstra Connected Seniors® participants and the Telstra Disability Forum.

To find out more about Telstra Connected Seniors® visit telstra.com.au/telstra-seniors

Cyber safety

This year, we delivered a series of cyber safety seminars for parents and close to 4,000 high school students around Australia. In addition, we visited remote Indigenous communities in Western Australia and Queensland to learn more about the impact of social media there. In partnership with the Australian Communication and Media Authority (ACMA), we are looking at ways to address social media and cyber safety issues in remote communities by customising support and training programmes for an Indigenous audience.

Measuring impact

We have established a baseline 'people impacted' measure to monitor the reach of targeted digital inclusion programmes. This year, 101,500 people participated in the programmes delivered by Telstra. We have set a target for next year to increase this by 10 per cent. This measure does not currently include the reach of programmes funded by the Telstra Foundation. We will determine how best to capture this over the coming year.

EVERYONE CONNECTED COMMUNITIES

Telstra Foundation celebrates a decade of supporting communities

In 2012, we celebrate the tenth anniversary of the Telstra Foundation. With a mission to make a positive and lasting difference to the lives of children and young people, the Telstra Foundation has supported the Australian community with more than 7,000 grants and $40 million over the past decade.

The iModelling project is one example of the difference the Foundation's funding has made. Autism SA has developed an application to assist children with Autism Spectrum Disorder to develop and improve social skills. The application makes particular use of videos to model constructive social interactions such as initiating a conversation or waiting in line.

The University of Adelaide conducted a 'social skills score' assessment which showed that children using the application improved their social skills and established friendship groups - something that is generally very difficult for kids with autism to do.

PLANNED ACTIONS   STATUS

| Review and develop Telstra's social and community investment strategy. | ⊘ |
| Provide communication technology training through grants, events, online content and DVDs in libraries to more than 150,000 senior Australians. | ⊖ |

ACHIEVED ⊘ | PARTIALLY ACHIEVED ⊖ | NOT ACHIEVED ⊗

PERFORMANCE
Top five Everyone Connected community programmes by investment
Dollars
Year ended 30 June

PROGRAMME	DESCRIPTION	AMOUNT INVESTED
Telstra Connected Seniors® *Telstra*	Grants and training to help older Australians bridge the digital divide.	$1,088,500
eSmart Libraries *The Alannah and Madeline Foundation*	Digital inclusion programme for 1,500 public libraries across Australia.	$750,000
One Laptop Per Child *One Laptop Per Child Australia*	Purpose-built XO laptops for primary school students in remote communities.	$300,000
Engaging the Next Generation *Australian Indigenous Mentoring Experience*	Indigenous mentorship programme.	$150,000
iModeling™ project *Autism SA*	Video modelling to improve social interactions for kids with Autism Spectrum Disorder.	$142,900

NEXT STEPS – 2012/13
› Implement the Telstra Foundation and The Alannah and Madeline Foundation eSmart Libraries digital inclusion programme.
› Distribute $1 million in Telstra Foundation Everyone Connected community grants to support digital inclusion.

RECONCILIATION ACTION

BY MAKING RECONCILIATION EVERYBODY'S BUSINESS, TOGETHER WE CAN ACHIEVE REAL CHANGE.

APPROACH

Telstra's Reconciliation Action Plan is about securing a better future for our nation, by focusing on opportunities, partnerships and respect toward Indigenous people. The objectives of our Reconciliation Action Plan are to:

> provide affordable, innovative and accessible products and services which improve the lives of our Indigenous customers

> improve Telstra's attraction, recruitment, engagement and retention of Indigenous employees

> invest in, support and create opportunities for Indigenous communities.

The Telstra Foundation manages our Indigenous community investment. In addition, Telstra's sponsorship of awards, scholarships and sports and arts programmes provides additional Indigenous community support.

You can view Telstra's Reconciliation Action Plan at www.telstra.com.au/rap and see the Our Customers and Our People Bigger Picture reports for progress on the first two objectives.

PROGRESS

In 2011/12, the Telstra Foundation supported five Indigenous community projects with around $1.4 million in funding. The focus of this support has been on education, cultural maintenance and leadership development. This included support for the Cathy Freeman Foundation's Palm Island Early Learning Programme, which is making a positive impact on developing early childhood literacy skills, and the Long Walk Trust's Walk the Talk education programme, which helps to bring Indigenous culture and history alive in classrooms across Australia.

This year, Telstra also provided $300,000 in funding to continue support of One Laptop Per Child (OLPC) Australia, which provides remote primary school students with a purpose-built XO laptop and connects them, through the internet, to the rest of the world. Since May 2009, OLPC Australia has deployed more than 6,000 laptops in over 100 communities, largely benefiting Indigenous children.

This year marks our 21st year as the major sponsor of the National Aboriginal and Torres Strait Islander Art Award, or the Telstra Art Award as it has become known. The internationally recognised Award is the longest running, most prestigious Indigenous art award in Australia. It provides Indigenous artists with an opportunity to celebrate and share their culture with the wider public through a diverse range of art forms.

PERFORMANCE

Top five Indigenous Australians community programmes by investment
Dollars
Year ended 30 June

PROGRAMME	DESCRIPTION	AMOUNT INVESTED
Stronger Smarter Leadership Programme *Stronger Smarter Institute, Queensland University*	Stronger Smarter Institute is building a critical mass of 800 leaders and advocates in Indigenous education.	$513,200
Walk the Talk *The Long Walk Trust*	Introducing Indigenous studies in 90 schools across Australia.	$250,000
Leadership Plus *Australian Indigenous Leadership Centre*	Accredited leadership training for Indigenous people.	$250,000
National Aboriginal and Torres Strait Islander Art Award *Telstra*	Sponsorship of the longest running Indigenous art award in Australia.	$230,000
La Perouse Youth Haven *La Perouse Local Aboriginal Land Council*	Literacy and numeracy programmes for Indigenous children.	$196,700

NEXT STEPS – 2012/13

> Establish a national forum to better understand and prioritise Indigenous digital inclusion issues and opportunities.

> Complete at least 60 per cent of actions in the 2011-2014 Reconciliation Action Plan.

IN TIMES OF NATURAL DISASTER, OUR TECHNICIANS ARE AMONG THE FIRST TO ENTER AFFECTED AREAS. OUR PRIORITY IS TO ASSIST THE EMERGENCY AND ESSENTIAL SERVICES ORGANISATIONS WITH THEIR TELECOMMUNICATIONS REQUIREMENTS AND RESTORE SERVICES TO OUR CUSTOMERS.

APPROACH

Along with our technical support, we provide telecommunications services to evacuation centres where we establish temporary internet and provide free loan handsets with SIM cards and free phone cards. We also provide relief assistance packages to affected residential and small business customers. Through the Telstra's Kids Fund, we provide equipment grants to local sport and community clubs in areas affected by large scale disasters.

Our Disaster Relief and Recovery Policy enables us to provide this comprehensive response in affected communities across Australia to keep them connected. Internationally, we provide free voice and text services to affected countries to help our customers stay in touch.

PROGRESS

After every disaster, we review our approach in order to ensure ongoing improvement. In 2011/12, we formalised a number of key processes to streamline and strengthen our response.

Our disaster relief and recovery response will now always involve:

> using local media to more widely promote our relief packages to our customers in disaster affected areas

> routing calls from disaster affected areas for customers ringing to report a fault or to register for a relief assistance package to a dedicated Telstra disaster relief team

> suspending marketing activities in disaster affected areas

> making payphones free to use in evacuation areas.

Next year, we will focus on simplifying our disaster relief processes to continue to improve our impacted customers' experience, and we will finalise a revision of our international disaster relief response.

PLANNED ACTION	STATUS
Introduce and implement an International Disaster Relief policy to strengthen and streamline our disaster response.	⊖

ACHIEVED ⊘ | PARTIALLY ACHIEVED ⊖ | NOT ACHIEVED ⊗

PERFORMANCE

In 2011/12, we provided assistance packages to thousands of customers affected by the following natural disasters:

> bush fires in the Margaret River area in southern Western Australia (November 2011)

> floods in the north coast area of New South Wales (January 2012)

> floods in Moree Plains and Tamworth in north west New South Wales (February 2012)

> floods in south west Queensland (February 2012)

> floods in the Cooma area in New South Wales (March 2012)

> floods in the Riverina Murray / Wagga Wagga area in New South Wales (March 2012)

> floods in the Forbes, Cowra areas in western New South Wales (March 2012)

> floods in northern Victoria (March 2012)

> mini tornado in Townsville in northern Queensland (March 2012).

NEXT STEPS – 2012/13

> Simplify our processes for issuing disaster relief credits to continue to improve the customer experience.
> Finalise our International Disaster Relief policy.

SUMMARY OF SOCIAL
AND COMMUNITY INVESTMENT

THROUGH OUR SOCIAL AND COMMUNITY INVESTMENT, WE HELP TO BUILD MORE INCLUSIVE COMMUNITIES. WE INVEST IN INITIATIVES THAT SUPPORT OUR COMMUNITIES, OUR CUSTOMERS AND OUR PEOPLE.

APPROACH

Our social and community investment reflects a 'shared value' approach - supporting our business goals, building our reputation and engaging our employees, at the same time as delivering significant social benefit. This past year, our objective was to bring strategic alignment to our social and community investment. We did this by consolidating all of the company's community investments within our Chief Sustainability Office and aligning our programmes with core business strategy.

PROGRESS

In 2011/12, the total value of Telstra's social investment was $239.8 million. In keeping with our focus on digital inclusion, the customer and community aspects of the Everyone Connected strategy account for the majority of our social investment. This is slightly down on the previous year, mainly due to a decrease in the demand for services provided through our Access for Everyone package. While Telstra is required to provide a low-income package under our Carrier Licence Condition 22, it is our choice as to what to do, how to do it, and how much to invest. Our Access for Everyone package includes the value of home phone lines provided free of charge for eligible households, discounts on line rentals for pensioners, rebates on Telstra bills for customers in financial hardship, phone cards for people in emergency situations, as well as pre-paid mobile handsets and starter kits for people who are homeless. The most significant decrease was in demand for our Pensioner Discount programme, largely due to customers taking up bundled offers.

PERFORMANCE

Social and community investment by focus

Millions of dollars
Year ended 30 June

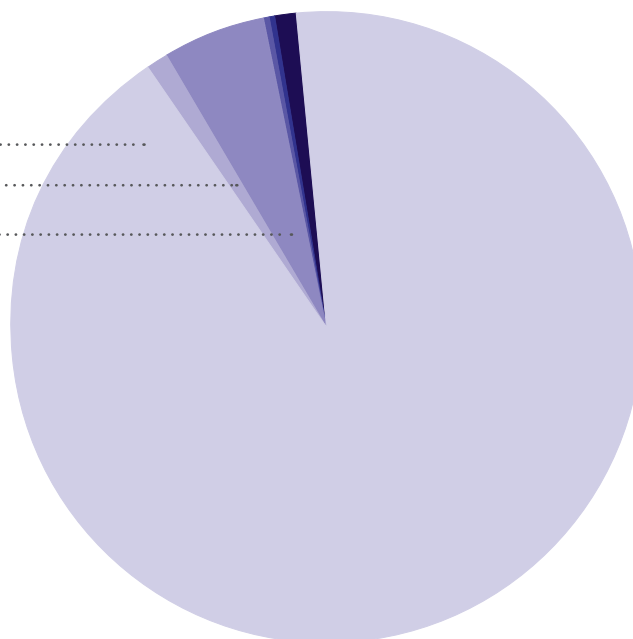| PROGRAMME	DESCRIPTION	AMOUNT INVESTED
Digital inclusion	Everyone Connected customer and community programmes.	$221.16
	Customer: Access for Everyone package for low-income customers, charity discounts on fixed lines, and disability support.	*$216.42*
	Community: Sponsorships, education and training and long-term Telstra Foundation partnerships.	*$4.75*
Employee community involvement	Value of employee volunteering, payroll giving (including matched giving, Telstra's Kids Fund grants, community campaigns fundraising, and Greenfleet offsets.	$2.35
Sponsorship	Ad-hoc local community and high profile national sponsorships. Focus on art, health, sport, children and youth, economic development and diversity.	$13.02
Environment	Costs associated with running environment focussed programmes (MobileMuster and ZooX Ambassadors).	$0.61
Disaster relief	Covers customer and community measures, including free payphones for use in disaster affected areas.	$0.06
Management costs	Costs borne by Telstra to deliver the suite of initiatives within its social and community investment programme.	$2.59
TOTAL		$239.8

SUMMARY OF SOCIAL
AND COMMUNITY INVESTMENT

Social and community investment by focus
Percentage
Year ended 30 June

- Digital inclusion - 92.2%
- Employee community involvement - 1.0%
- Sponsorship - 5.4%
- Environment - 0.3%
- Disaster relief - <0.1%
- Management costs - 1.1%

Social and community investment by form of contribution
Millions of dollars
As at 30 June

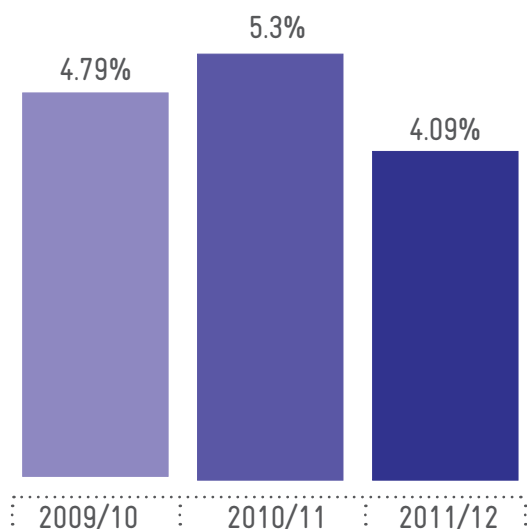|	2011/12	2010/11	2009/10
Revenue foregone *Social contribution in the form of missed earnings to assist the community, non-profit organisations or customers in time of need*	$215.7	$224.3	$126
Cash	$19.2	$22.1	-
In-kind *Contributions of products or services, valued at retail cost to Telstra, to assist non-profit organisations*	$1.1	$1.0	$2,142
Time *Contributions of employee time, during work hours, to assist non-profit organisations*	$0.6	$0.3	$17.0
Management costs[1] *Costs borne by Telstra to deliver the suite of initiatives within its social and community investment programme*	$2.6	-	-
Leverage[1] *Contributions by employees to a partner organisation or project as a direct result of the active support of Telstra (e.g. payroll giving, Greenfleet)*	$0.7	-	-
TOTAL	$239.8[2]	$248.0	$262.1

Notes:
1. Categories introduced this year. **2.** Total adds to 239.9 due to rounding.

SUMMARY OF SOCIAL AND COMMUNITY INVESTMENT

Social and community investment relative to domestic pre-tax profit

Percentage of domestic EBIT (pre-tax profit)
Year ended 30 June

4.79%   5.3%   4.09%

| 2009/10 | 2010/11 | 2011/12 |

Telstra Foundation – investment by programme

Millions of dollars
As at 30 June

	2011/12	2010/11	2009/10
Community Development Fund	$2.44	$2.97	$3.41
eSmart Libraries programme	$0.75	-	-
Telstra Kids Fund	$0.75	$0.75	$0.75
Other	$0.07	$0.30	$0.38
TOTAL	$4.01	$4.02	$4.54

Social value through economic footprint

Telstra creates significant social value through employment, investment and our supply chain. During 2011/12, the Telstra Group's business activities:

> supported close to 40,000 jobs

> paid more than $3.0 billion in salaries and wages

> paid $3.4 billion in dividends to more than 1.4 million shareholders

> paid $1.8 billion in Commonwealth, state and local taxes

> purchased $6.2 billion in goods and services from close to 8,000 suppliers

> contributed an estimated $14.3 billion to Australia's gross domestic product.

SUSTAINABILITY
AT TELSTRA

REPORTING FRAMEWORKS

We develop our reporting with reference to industry and sustainability standards including the United Nations Global Compact Communication on Progress (UNGC CoP), Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and Telecommunications Sector Supplement (pilot), and the London Benchmarking Group Corporate Community Investment Guidelines. This year, we apply the GRI framework to a level B+. You can access our GRI Index, including how we meet our UNGC commitments at www.telstra.com.au/ sustainability

ASSURANCE

To provide confidence to our stakeholders in our reporting:

› We use the AA1000 Principles Standard 2008 to prepare our 2011/12 reporting and establish control processes and quality checks to manage the accuracy of information.

› Banarra provides moderate assurance, in accordance with the AA1000 Assurance Standard 2008, of the sustainability component of our 2012 Annual Review and of the Bigger Picture sustainability reporting series.

› Ernst & Young provides limited assurance, in accordance with the ISAE3000 standard, over environment data included in the 2012 Annual Review and Bigger Picture sustainability series.

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

VOLUNTARY SUSTAINABILITY INITIATIVES

Telstra participates in the following voluntary initiatives to guide, benchmark or measure our sustainability performance:

› Australian Packaging Covenant (since 2001)
› Carbon Disclosure Project (since 2003)
› Dow Jones Sustainability Index (since 2001)
› FTSE4Good Index (included since 2002)
› Global Reporting Initiative (framework applied since 2008)
› London Benchmarking Group (since 2007)
› United Nations Global Compact (since 2011)

FEEDBACK

We welcome your feedback on our sustainability reporting. Please contact Natalie Falzon at sustainability@team.telstra.com