



Bigger Picture

2017 Sustainability Report

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Message from our Chairman and CEO

Telstra's vision is to be a world class technology company that empowers people to connect.

We have this ambition because connection is at our core – it is who we are – and we know that in this digital age, connectivity is vital to the success of communities, businesses and the lives of people across Australia and the world.

That is why over the past year we reviewed our approach to sustainability to make sure our strategy and activities continue to support our vision and the transformation of our business.

Our new sustainability strategy is a multi-year vision for a more holistic approach to sustainability that informs and integrates all of our business activities. Our efforts are focused on the issues that are most material for our business, the areas in which we have the expertise to make a meaningful impact, and where we see opportunities to use innovative, tech-based solutions to help address major societal challenges. It speaks to the fundamental role we have to play in helping our customers and society adapt to technological change and the opportunities it brings.

We want everyone to thrive in a digital world.

Responsible business

Today more is expected from businesses, particularly those as large and iconic as Telstra. What is important now is not just how we perform financially, but how we do business and how we contribute to our communities and particularly those most vulnerable.

Telstra supports the United Nations Sustainable Development Goals - a common, global framework for considering and addressing the world's most significant development challenges. We have identified initial priorities that reflect our business context, key risks and impacts and current social and environmental focus areas and this report details our progress in responding to these over FY17.

We are a signatory to the United Nations Global Compact and are committed to supporting its principles – on human rights, labour rights, environment and anti-corruption – wherever we operate.

One of our priorities is working towards gender equality. In 2017 we introduced a Global Recruitment Equality Procedure which requires recruitment and interview shortlists for all roles to include at least 50 per cent female representation. This applies to all current open roles and all new jobs, except in some specified roles where a 25 per cent requirement applies due to a known significant gender imbalance in the job market.

Digital futures

Telstra's commitment to customers living in rural and regional Australia is longstanding. That is why we welcomed the Australian Competition and Consumer Commission's draft decision not to declare domestic mobile roaming. This was the right decision for the people, businesses and communities of regional Australia because it promotes competition and encourages industry to further invest in better coverage.

For the past decade approximately 15 per cent of our investment in our mobile network has gone to provide services to the most remote 2 per cent of the population. In FY17 we announced further plans that could result in up to \$1 billion of investment and co-investment over the next five years, as we work to provide improved and expanded mobile coverage and high-speed mobile internet to regional communities.

The digital world is transforming the way we live and as more Australians do more online, being connected is not just an added extra, but an increasingly integral part of daily life. As services increasingly go digital, this divide will only continue to get deeper and those who are not connected risk falling even further behind. This year we released the Telstra Australian Digital Inclusion Index, a rich data source to provide critical insights in shaping the future of our programs and products – as well as that of our partners and policy makers. We are proud of the work we have done in ensuring Australians can benefit from being connected with an extensive range of products and services designed for low-income, vulnerable and disadvantaged customers. Since 2002, these have provided more than \$2 billion in value.

Environmental solutions

The digital transformation of economies globally will play a fundamental role in helping to reduce greenhouse gas emissions and limit global warming. Telstra too, must play its part. This year we were recognised on the CDP 2016 Climate A List which reflects our strategic approach to evaluating risks and opportunities posed by climate change, and our performance on our three year greenhouse gas emissions intensity target. We achieved a 68 per cent reduction from our FY14 baseline and in June, we announced a new emissions intensity target for a 50 per cent reduction by FY20, from a FY17 baseline.

Telstra faces an unprecedented world of technology innovation and digital disruption. This year further highlighted the significant challenges we face with rapidly changing customer expectations, intensified market pressures and increasing competition.

We know we need to change in order to do things quicker and in an easier way. We know we need new and different skills to support new technologies and services, and we need to challenge every aspect of how we work to continue to deliver brilliant experiences for our customers.

Within this environment we are proud of the work we do to ensure everyone can maximise the benefits of being connected. We remain committed to being a dynamic customer-centric company that invests deeply in leadership, agile ways of working and developing the skills of our people to keep pace with the changing nature of our industry.

We hope you enjoy reading our Bigger Picture 2017 Sustainability Report and welcome your comments, feedback and ideas.



Andrew R Penn
CEO and Managing Director

John P Mullen
Chairman

Performance highlights

\$28.2b

Total income¹

\$3.9b

Net profit after tax from continuing operations

71%

Sustainable engagement score

30.1%

female representation across Telstra Corporation Limited

1m

vulnerable customers we helped to stay connected



Episode Net Promoter Score (NPS) **up by 3 points** on last year

Strategic NPS **stable on last year**



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



Telstra Foundation committed **\$6 million** to community programs and partnerships



We collected **4,353 tonnes** of e-waste with a recycling rate of **99.9 per cent**



More than **17 million** messages to customers on mobile use, EME and tips to reduce exposure



Telstra recognised on the **CDP 2016 Climate A List**



Launched the **Australian Digital Inclusion Index**



8,910 Volunteering days undertaken in the community



Reduced our GHG emissions intensity by **68 per cent** since our FY14 baseline year



Launched our first **Accessibility and Inclusion Plan**

¹ On a reported and guidance basis. Excludes finance income.

About Telstra

Telstra is Australia's leading telecommunications and technology company with a growing international presence. Through our extensive network, we offer a broad suite of connectivity, media and content to customers in Australia, as well as connectivity and enterprise services globally. We have a diverse range of customers including consumers, small business, large enterprises and government organisations. We curate innovative technologies and capabilities from around the world to deliver exceptional experiences for all our customers.

Our core strength is in our leading network and connectivity, and we are utilising this to secure new opportunities in international markets and in emerging areas like eHealth, software and digital media.

We strive to provide exceptional customer experiences, forming strategic partnerships around the world to create and deliver innovative technology, capability and talent.

For more information about our business structure and strategy, please refer to Strategy and Performance in our [2017 Annual Report](#).



Over
32,000
employees



operating in
20
countries



One of Australia's largest
shareholder bases, with
1.4 million
shareholders



Over
350
Telstra Retail Stores



and
70
Business Centres



5.4 million
retail fixed voice services



3.5 million
retail fixed data services



17.5 million
domestic retail mobile services



4G network covering
99%
of Australia's population



460 million
calls, and



430 million
data connections made
over our network each day



More than
400,000km
of subsea cable



connecting to
2,000+
network points of presence
across the globe

Our changing world

Technological disruption is fundamentally changing the way the world works. Today's businesses, governments and consumers are creating and responding to shifts that would have seemed unimaginable even a few years ago. Telstra's products and services play a central role in the daily lives of millions of people, and technologies such as ultrafast 4GX™ mobile, fibre-optic networks, cloud computing, and the Internet of Things are transforming businesses big and small.

As our workplaces change, so too do our homes. People today have access to more content and information at the touch of a button than their grandparents did in their lifetimes. There is little doubt that technology is revolutionising access to education, healthcare and financial services for millions of people – but the pace of innovation also risks leaving many behind.

Telstra is operating in this changing market. The nbn™ rollout is altering our place in Australia's fixed service market, particularly in the broadband and fixed telephone market where we are moving from a network operator to one of many retailers competing in a lower-margin environment. Competitive dynamics are also shifting, with Australia set to gain a fourth mobile network operator and other local and international competitors entering the market to provide services including data, IP and NAS.

Our operations and our workforce are also fundamentally changing as a result of new technologies and business processes. Rapid changes in IT systems, data access, privacy laws and regulations are all creating a more challenging market, while customer expectations continue to grow and diversify in line with technological advances.

While these multifaceted challenges undoubtedly provide a more complex operating environment, they also underscore our unique advantage as Australia's leading telecommunications provider. We are well positioned to leverage our strong brand and reputation, a growing domestic and international customer base, world-leading mobile networks, the largest submarine cable network in the Asia Pacific, and cutting-edge technologies that will help us realise our vision to become a world class technology company that empowers people to connect.

For more information on our strategy, please refer to Strategy and Performance in our [2017 Annual Report](#).



Contributing to the United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) address the world's most significant development challenges. To achieve these goals, government, business and communities need to work together and challenge the way things are done. At Telstra we are working to align our business and sustainability agenda towards achieving these goals. As a universal agreement to work towards a better future, we believe the SDGs align closely with our own purpose to deliver a brilliant connected future for everyone.

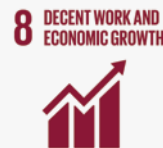
Last year we highlighted four initial priority goals in which we believed we could have the greatest impact. Our new sustainability strategy was developed with reference to the SDGs and will provide guidance as we continue to demonstrate on-going tangible action towards these goals.

For more detailed information on how we are delivering against the SDGs in FY17, please refer to our [reporting website](#).



Goal 5: Achieving gender equality and empowering women and girls

We are committed to achieving gender equality at Telstra and have implemented a range of policies, programs and engagement initiatives to help us achieve this goal. This includes our new recruitment shortlist gender equality procedure that mandates a minimum 50 per cent female representation on shortlists and interview lists for all roles. Telstra is also a signatory to the UN Women's Empowerment Principles.



Goal 8: Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

We are committed to creating a workplace where all our people can thrive. Our approach focuses on living our values, sustainable engagement and building capability. We strive to build a diverse and inclusive workforce that reflects our customers and the countries in which we operate. We also help build STEAM (Science, Technology, Engineering, the Arts and Mathematics) capability in future generations of digital innovators and problem solvers.



Goal 9: Building resilient infrastructure, promote inclusive and sustainable industrialisation and fostering innovation

We believe that the more connected people are, the more opportunities they have. We are connecting people in rural and regional Australia through significant investments to increase our mobile coverage, and we are preparing our global networks for the future to meet the rising demand for data and content. Our programs to help build people's digital skills and capabilities helped more than one million vulnerable customers stay connected this year.



Goal 13: Taking urgent action to combat climate change and its impacts

We believe business, and technology in particular, has a critical role to play in assisting our customers, and society more generally, move towards a low carbon future and become more resilient to a changing climate. We continue to reduce our emissions intensity across our business and work with our customers to develop ICT solutions that help them reduce their own environmental impacts. Our new cloud calculator for business helps customers estimate the carbon, costs and time we could help them save.

Our approach

Thriving in a digital world

In an increasingly inter-connected world, digital technology is disrupting traditional operating models and helping society respond to major issues in a more agile and scalable way – from managing the impacts of climate change to making healthcare and education more universally accessible. As a large telecommunications and technology company, Telstra has a fundamental role to play in helping our customers and society adapt to technological change and the opportunities it brings. We want everyone to thrive in a digital world.

In FY16 we reviewed our approach to sustainability in order to make sure our strategy and activities continued to support our corporate direction and generated stakeholder value. The review took into account the changing organisational environment,

the maturation of our sustainability approach, Telstra's contribution to the delivery of the UN Sustainable Development Goals, and reflects the views of a wide range of stakeholders, both internal and external. The result is a multi-year vision that represents a significant step forward to a more holistic approach to sustainability that informs and integrates all of our business activities.

Our purpose is to create a brilliant connected future for everyone, and our sustainability strategy is key to achieving this.

The core elements of the strategy and strategic focus areas reflect the issues that are most material for our business, the areas in which we have the expertise to make a meaningful impact, and where we see opportunities to use innovative, tech-based solutions to help address major societal challenges and opportunities.



Core elements	Focus areas		
Responsible business We will be a sustainable, globally trusted company that people want to work for and with	Ethics and governance Being ethical, responsible and transparent in how we do business	Culture and capabilities Creating a world-class workplace where our people can thrive	
Digital futures We will foster strong, inclusive communities that are empowered to thrive in a digital world	Everyone connected Ensuring everyone can enjoy the benefits of being connected	Networks Delivering leading telecommunications networks	Tech for good Using the power of technology to enable all young people to thrive
Environmental solutions We will use technology to address environmental challenges and help our suppliers, customers and communities do the same	Climate change and energy Mitigating climate change impacts and helping our customers and communities to do the same	Environment and resource efficiency Using resources efficiently and minimising environmental impacts across our value chain	

Our customers

Approach

In this environment of constant technological change, innovation, disruption and competition, only delivering brilliant customer experiences will allow us to serve more customers, successfully launch innovative new products, enhance our reputation and maintain our market-leading position.

We recognise we have more work to do in order to deliver brilliant experiences for all our customers. We are developing a range of initiatives that will deliver seamless, simple and integrated customer interactions. Continued investment in the digitisation of our business will also improve the way our customers deal with us.

We will continue to bring world class products to the market, because they help empower our customers to thrive in a connected world. We will differentiate these products through the speed, coverage and reliability of our networks, and through innovative design and new experiences, including access to media content.

Giving our customers more

We want to ensure we offer our customers world-leading products, services and content.

This year we switched on our one millionth Telstra Air® hotspot, giving mobile and eligible broadband customers even more places to enjoy free and unlimited data on Australia's largest Wi-Fi network.

With technology moving so fast, many customers want the latest mobile handset. That is why we introduced Go Mobile Swap lease plans allowing customers to upgrade their handset after 12 months for \$99, provided they return their working device and sign up to a new 24 month handset and service plan.

For small business we also launched our first home office bundle which pairs some of our best business-grade inclusions and productivity tools with key features from our consumer bundles to help customers thrive during business hours and enjoy their downtime outside of work.



Universal Service Obligation

The future of the Universal Service Obligation (USO) – the Australian Government's policy guaranteeing that no matter where someone lives, they can have access to a standard telephone service – is an important issue for many customers, especially those living in rural and regional areas. The Government's nbn™ policy is to build a high-speed fixed broadband network using a mix of technologies to 100 per cent of the population, which could in time become the delivery mechanism for USO services. Telstra is open to changes to the USO, but only if customers are not disadvantaged by those changes. We will continue to advocate for rural and regional customers to ensure they have confidence in the availability of a reliable voice service.



Making connecting easier

We are migrating more customers to the nbn™ network than ever before and continue to work to streamline the connection experience.

In an Australian first, we have introduced the Telstra Gateway Frontier®, an all-in-one hybrid modem, designed to get customers connected in minutes via our mobile network using their home broadband data while we complete a fixed network installation or migration to the nbn network. It also allows customers to get online over our mobile network if there is a fixed network disruption in their local area, providing peace of mind that home-based businesses in particular value.

Providing help whenever it's needed

Telstra continues to look for ways to provide our customers with the help they need, when they need it, through whichever platform suits them.

Currently more than three million unique visitors each month use the Telstra 24x7 App® to manage their accounts and services. We've consolidated the Telstra 24x7 App for iPhone® and the app for iPad® to a single app that will work on both devices, doubling the features available for the app on iPad®.

Customers now benefit from streamlined services when they are moving homes, as we have simplified the number of connection fees and are providing more clarity about



when a premise will be connected and the internet speeds and mobile coverage quality at the customer's new address.

We also continue to simplify the ordering and delivery processes for our IP products, so our business customers have a seamless end-to-end experience, from the time they order an IP product to the point of delivery. Thirty per cent of customer orders are now being processed via the new platform, providing faster delivery times, greater transparency on the status of their order and improved billing.

For more information on customer experience, please refer to Deliver brilliant customer experiences in our [2017 Annual Report](#).

Our NPS

We measure customer experience using the Net Promoter System (NPS). NPS enables us to measure our customers' experiences and respond to their feedback. Strategic NPS is a measure that uses independent market research to tell us how our customers and non-customers perceive Telstra, relative to our competitors. Episode NPS directly measures the actual service experience our customers have with Telstra.

In FY17 our Strategic NPS for the financial year was stable against last year's result. Importantly, there was a significant increase in the last six months, partly reflecting the work that has been done to rebuild trust with our customers after the impact of the network interruptions we experienced in the second half of 2016.

Our Episode NPS delivered a positive result, up three points on the year to hit our target for FY17. Telstra has measured Episode NPS for some time but this is the first year that we have introduced it as a specific corporate measure. This has been important to help our people have a stronger connection with what they're doing in their roles and how that then translates into how customers are feeling and the feedback they provide.

Materiality

Each year Telstra conducts a materiality assessment in accordance with GRI G4 guidelines and guided by AccountAbility's AA1000 Principle Standard (2008). This process makes sure our activities and programs remain focused on the issues, risks and opportunities that will most impact Telstra and our stakeholders.

This year, we considered materiality in the context of global trends, the UN Sustainable Development Goals and our overall corporate strategy. Topics were identified through analysis of a wide variety of sources as well as ongoing engagement and feedback from our stakeholders. In FY17, we engaged more than 120 community and industry stakeholders, government representatives, institutional investors and Telstra employees to get their view of our most material sustainability issues. Topics were then prioritised according to their impact on our stakeholders, the wider society in which we operate, and Telstra's ability to address or influence each topic. The results of our materiality assessment inform Telstra's sustainability strategy and priorities, as well as our reporting.

The outcomes of the materiality assessment show that our most material issues remain largely unchanged; they include customer experience, privacy and data security, ethics values and governance, and digital inclusion. Others such as human rights are of increasing interest to stakeholders, with many jurisdictions, including Australia, developing or considering legislative responses to the issue of modern slavery.

While last year we chose to consolidate our topics to high-level material impacts, this year we have kept our topics as they were originally identified and defined through the materiality process. This has allowed us greater visibility over specific topics, which will allow us to better respond to risks and opportunities.

All material topics identified are included in our reporting and are listed in the table below. Detailed information on these topics, as well as how we are managing them can be found throughout this Bigger Picture 2017 Sustainability Report and on our [website](#). Where applicable, more information may also be found within our [2017 Annual Report](#).

Emerging topics

Our materiality assessment has also highlighted a range of emerging topics with the potential to become more significant over time.

Emerging topics identified this year include: declining stakeholder trust in business; women's empowerment and the role of technology; business involvement in political and social advocacy; the role of ICT in preventing illegal online behaviours; and executive remuneration.

Early identification of these topics allows us to properly monitor their impact on Telstra and our stakeholders and be proactive in our response.

Material topics	
Business resilience	Industry disruption and competition
Changing regulatory landscape	Mobile phones, base stations and health
Climate change resilience	Network investment
Community investment	New growth and business expansion
Customer experience	People capability
Cyber safety	Privacy and data security
Digital inclusion	Product responsibility
Diversity and inclusion	Resource efficiency
Energy and emissions	Social and environmental innovation
Environmental risk and compliance	Supply chain
Ethics, values and governance	Sustainable engagement
Health and safety	Talent attraction
Human rights	Workplace relations

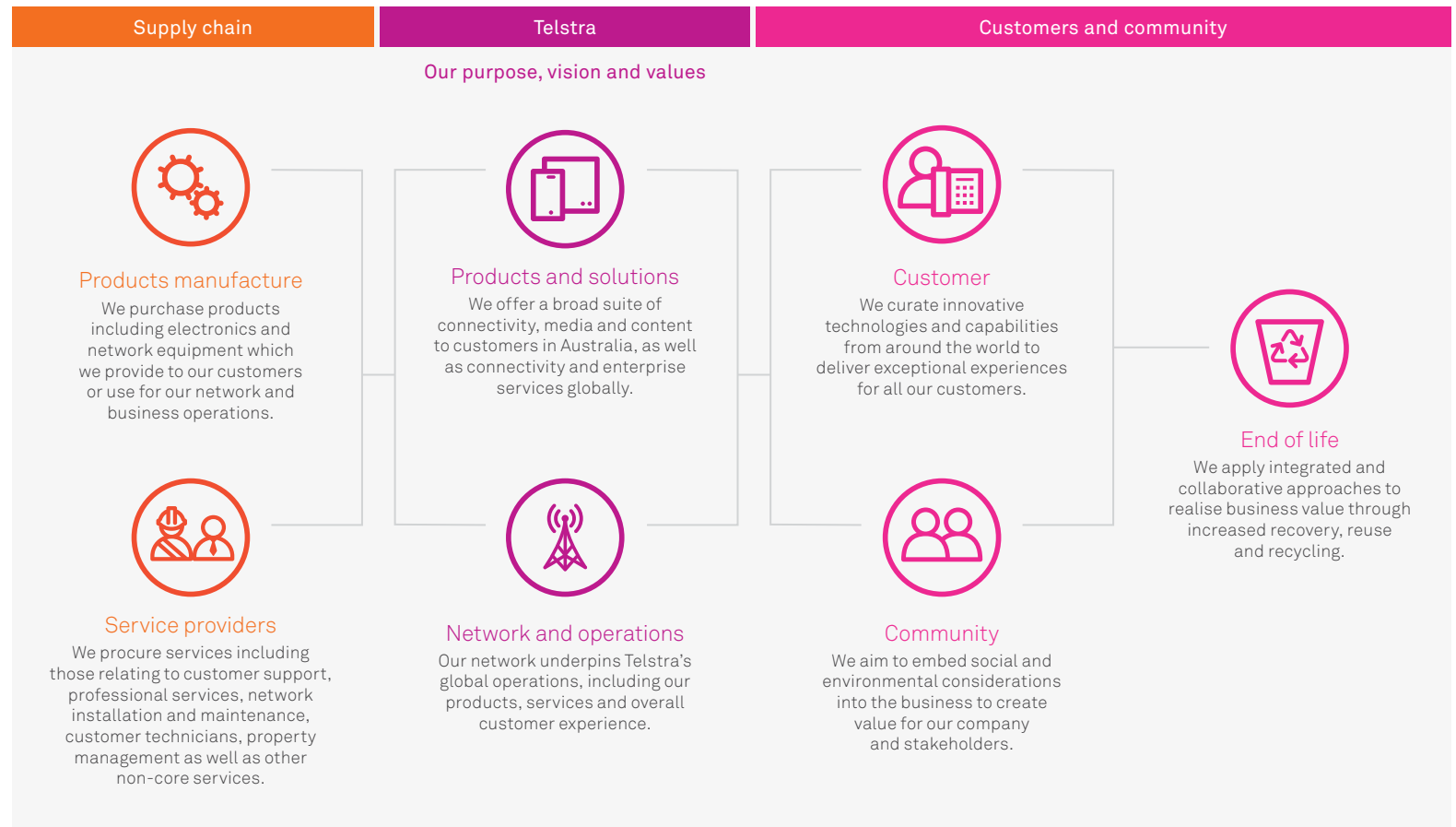
Managing material impacts across our value chain

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 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 and SDG priority targets is most relevant. 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 [reporting website](#).

Telstra is a signatory and participant to the following voluntary sustainability initiatives:

- Australian Packaging Covenant
- CDP
- FTSE4Good
- Global e-Sustainability Initiative
- Global Reporting Initiative
- MobileMuster
- Supply Nation
- Telco Together Foundation
- Transparency International Australia
- United Nations Global Compact



Stakeholder engagement

At Telstra, we regard stakeholder engagement as the foundation of our approach to sustainability. Our stakeholders are any group or individual who influences or is impacted by Telstra's activities, or who are interested in how we address our strategic priorities. Engagement with each identified stakeholder group is important to confirm we understand their expectations and respond to their various interests and concerns.

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, and to use stakeholder insights to develop targeted products, services and programs, as well as to improve the customer experience.

Our approach to stakeholder engagement is guided by the Telstra values. 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.

Our commitment extends to building greater trust with our stakeholders by being transparent, responsive and accountable. The following table presents a list of our key stakeholders and their interests, and how we engage with them.

For more details on how we engage with our stakeholders, please refer to our GRI Index available on our [reporting website](#).

Stakeholder group	Stakeholder group
 <p>Customers Our customers are residential consumers, small to medium enterprises, large companies and organisations, as well as government</p>	 <p>Shareholders and investment community Our investment community comprises institutional investors, buy and sell-side analysts, as well as 1.4 million shareholders, some of whom invest with social and environmental preferences</p>
 <p>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</p>	 <p>Media We regularly engage with representatives from print, radio, TV, social and online media at a local, national and international level</p>
 <p>Employees Our workforce is large and diverse, with more than 32,000 employees in 20 countries</p>	 <p>Unions We work closely with the relevant employee trade unions including Community and Public Sector Union, Communications Electrical Plumbing Union and Professionals Australia</p>
 <p>Government We engage with government at local, state and federal levels in Australia, as well as in other countries. Engagement can be with ministers, party leaders and department staff</p>	 <p>Suppliers We engage with approximately 4,500 domestic and 3,300 international suppliers</p>
 <p>Industry We engage with our sector peers and competitors, as well as ICT and telecommunications specific associations</p>	 <p>Regulators We work closely with industry regulators in all our markets</p>

About this report

Our reporting

Our reporting comprises this Bigger Picture 2017 Sustainability Report and our reporting website, which contains infographics, videos, case studies and comprehensive data packs. A concise summary of our approach is also available in Telstra's [2017 Annual Report](#).

This year we have aligned and structured our reporting to the three elements and strategic focus areas of our new strategy. Material topics identified through our materiality assessment have been aligned to these areas. In some cases, topics may be addressed in more than one section. Some topics represent global challenges, such as responding to the threat of climate change and respecting 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 enabled by modern communications technologies.

For each topic we have provided an overview of our approach and progress across the reporting period, along with 2020 targets and FY18 targets where relevant, with the aim of providing readers with a clear view of how we're addressing our most material impacts.

Reporting standards

Our sustainability reporting is prepared in accordance with 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 this report and on our website have been determined through our materiality process. The GRI Index accompanying this report contains a full list of indicators, including their internal and external boundaries and scope, and their alignment with the UNGC.

In instances where aspect boundaries extend beyond the scope of our reporting, we are working to increase our disclosures.

Reporting scope

Our sustainability reporting covers the financial year 1 July 2016 to 30 June 2017 (FY17) for Telstra Corporation Limited unless otherwise stated.

As our international operations expand we are expanding our sustainability data collection, starting with our most material impacts with a view to broadening 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](#).

Assurance

This year we engaged EY to provide a limited assurance in accordance with ISAE 3000 over:

1. our materiality process, including the way we have identified material topics
2. accuracy and completeness of disclosures for three material topics
3. a selection of performance metrics.

We also obtained a reasonable level of assurance in accordance with ASAE 3410 over our Energy and Emissions Report submitted in accordance with our obligations under the National Greenhouse and Energy Reporting (NGER) Act 2007.

Please see EY's Assurance Statement on our [reporting website](#) for more detail on the scope and conclusions of their assurance.

Responsible business



Ethics and governance

How we do business is important to us. We are committed to acting responsibly and being transparent and accountable, wherever we operate. A growing challenge is that the expectations – social, economic and environmental - that our employees, customers, investors, regulators and the community place on us continue to change. Partly driven by an unprecedented world of technology innovation and digital disruption but also by pressing social issues and growing environmental challenges.

We recognise that our long-term performance and sustainability of our company depends on how we respond to these changing expectations, not just within our own operations but into our supply chain and relationships with our business partners.

Highlights



99%

of Telstra Group employees and contractors completed mandatory annual compliance training



Paid

\$1.7 billion

in Australian income tax



Purchased

\$1.1 million

of goods and services from Indigenous suppliers



Created employment opportunities for

600+

people through our Supported and Indigenous Workforce programs



Sent more than

17 million

messages to customers on mobile use, EME and tips to reduce exposure

Sustainability 2020 Target

100 per cent completion of our new enterprise-wide values-based conduct training

Ethics, values and governance

Approach

Telstra is committed to excellence in corporate governance, accountability and ethical behaviour. We believe in creating and promoting a strong values-based culture and maintaining transparency in our activities. Above all, we recognise that long-term success depends largely on 'how' we do business.

Across our operations, we promote a fair and equitable culture through our Code of Conduct, mandatory compliance training, and support and incentives for employees who show care, creativity and courage in their work. We have strict guidelines to help employees pursue high ethical standards, avoid gifts and bribes, and speak out if they have any concerns about improper behaviour.

Progress

In pursuit of our vision and purpose

Our vision is to be a *world class technology company that empowers people to connect*.

The telecommunications industry is experiencing enormous growth; network traffic is growing faster than any other period of time and digital technology is changing our world. Telstra is at the heart of this change — and we're helping make it happen by connecting everything to everyone.

Our purpose is to create a brilliant connected future for everyone.

Our five core values¹:

show you care
better together
trust each other to deliver
make the complex simple
find your courage

Living our values

A purpose on its own is not enough. We also need values to express what we stand for and guide the way we do things. Our values are core to our business and we align everything we do to them.

Governance at Telstra

We are committed to excellence in corporate governance, transparency and accountability. This is essential for the long term performance and sustainability of our company, and 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 behaviour we expect of each other.

Our governance framework includes:

- open, clear and timely communications with our shareholders
- a skilled, experienced, diverse and independent Board, with a Board Committee structure suited to our needs
- clear delegation, decision making and accountability frameworks
- robust systems of risk management and assurance
- Telstra Values, Code of Conduct and policy framework which define the standards of behaviour we expect of each other as we deliver on our purpose and achieve our strategy.

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.

To learn more about Governance at Telstra, please refer to our [2017 Corporate Governance Statement](#).



Working ethically

Telstra's [Code of Conduct](#) and our Values set the behavioural standards for everyone who works for or on behalf of Telstra. The Code of Conduct helps us take a consistent, global approach to important ethics and compliance issues. Throughout the year we review our policies and procedures to align with all relevant regulatory requirements.

All Telstra employees are responsible for knowing and following the ethical, legal, and policy requirements that apply to their jobs and for reporting any suspected violations of law or our code. Our Executives and managers are accountable for creating and promoting a workplace environment in which compliance and ethical business conduct are expected and encouraged.

¹ The Telstra Values are registered trade marks of Telstra Corporation Ltd ABN 33 051 775 556.

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.

All new employees and contractors are required to complete an online induction training course. The induction course covers topics such as our values and code of conduct, key policies, fraud and ethical behaviour, health, safety and environment, discrimination and bullying and accessibility and disability awareness. All employees and contractors are required to complete annual refresher training, with each compliance topic covered every two years. The two exceptions, which are included annually, are our Structural Separation Undertaking, which responds to our regulatory commitments as part of our agreement with nbn co. and Our Workplace, which covers key company policies and standards of behaviour for employees.

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 2017, 99 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.



Commitment to anti-bribery and anti-corruption

Telstra's Anti-Bribery and Anti-Corruption Policy applies to all Telstra employees and contractors and is communicated through mandatory compliance training. Our anti-bribery and anti-corruption training is designed to educate our employees and contractors on recognising the many forms in which bribes can appear and how to avoid them, even at the risk of losing business opportunities.

We expect that our Suppliers and Business Partners acting on our behalf comply with

our minimum standards in relation to ethical dealings which are described in our [Supplier Code of Conduct](#).

We seek to ensure that gifts, prizes and hospitality are not given or accepted in inappropriate circumstances, including where the offering or acceptance may compromise (or be perceived to compromise) independence, or be construed as a bribe.

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 process that provides appropriate protections for our people and members of the public (including those in our supply chain) to report their concerns. Our process is supported by an independent service provider specialising in handling sensitive reports and disclosures. In July 2017 we enhanced this service improving accessibility for our international operations and stakeholders.

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 and Risk Committee oversees the whistleblowing process.

As at 1 July 2016, there were 19 whistleblowing alerts in progress within the Telstra Group. During FY17, 76 whistleblowing alerts were opened and 78 were closed. As at 30 June 2017, 17 remain in progress.

For whistleblowing contact details, visit our [website](#).

Political donations

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.

Managing our tax affairs

Our approach to tax strategy and governance

We are committed to the highest standards of tax governance. We comply with all tax laws and obligations in the jurisdictions in which we operate and pay tax consistent with our business presence and operations.

In accordance with our Tax Risk Management and Assurance Policy, we maintain a conservative tax risk profile. All transactions we enter into are based on commercial considerations and we do not take positions that are tax driven, artificial or contrived, or that interpret a tax law beyond its spirit and intent. Where appropriate, we minimise risk and uncertainty on tax matters 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 our tax compliance systems, processes and practices.

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 and the Justified Trust initiative. The ATO categorises Telstra Corporation Limited as a key taxpayer for both income tax and GST within the ATO's risk-differentiation framework.

We have adopted the Board of Taxation's Voluntary Tax Transparency Code, providing the recommended disclosures in this report and in Note 2.4 of the Financial Statements in the [2017 Annual Report](#).

Our Australian tax contribution

Telstra makes a significant contribution to Australian federal, state and local government tax revenues. During FY17, we:

- paid \$1.7 billion in Australian income tax¹, \$0.2 billion in state payroll taxes and \$0.1 billion in other Australian federal, state and local government taxes
- remitted \$1.2 billion in net GST (after claiming input tax credits)
- 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 tax accounts for approximately 2.6 per cent of total corporate income tax collected by the ATO².

The Telstra Group's effective income tax rate was 31.4 per cent, which is in line with the Australian corporate tax rate of 30 per cent³.

Our international related party dealings

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



We utilise our international telecommunications network (including submarine cables) to deliver telecommunications connectivity services and solutions to customers in over 20 countries. Our substantial overseas operations are located in Hong Kong, Singapore, the Philippines, UK and the US.

During FY17, our material transactions with our offshore subsidiaries included:

- paying and receiving fees for international connectivity
- paying for customer and network support services
- paying and charging interest on cash balances used to fund our subsidiaries' day to day operations.

Our international related party transactions are based on commercial considerations and are undertaken in accordance with the OECD's arm's length principles (supported by regular benchmarking). We comply with all Australian and foreign transfer pricing tax laws and filing obligations.

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 three years (i.e. FY14 to FY16) based on the Commissioner of Taxation's Annual Report 2015/16.

³ See Note 2.4 of the Financial Statements in the 2017 Annual Report.

Protecting our customers' data and privacy

Approach

As digital technologies become deeply integrated in people's lives, generating greater quantities of data, the twin challenges of privacy and cybersecurity loom ever larger. Our customers and the broader community are concerned about who has access to this data and we're committed to being transparent in how we manage this information.

Telstra manages these challenges through a stringent series of codes, policies and security controls, which protect customers' data from intrusions and unauthorised access, and commit our employees to the strictest standards of privacy and confidentiality. Compliance with these codes, policies and security controls are closely monitored. Telstra also has strict processes and operational guidelines in place for managing privacy related issues such as metadata retention, copyright infringement cases, and information requests from government.

Progress

Protecting our customers' privacy

Our Group Privacy Compliance Framework is integral to the way we both manage and ensure adherence to our privacy compliance goals and obligations. As part of our efforts to protect customers' personal information and our network from unauthorised access we use a combination of technical solutions, security controls and internal processes.

Our employees and contractors are subject to the Telstra Code of Conduct which requires them to treat the personal and confidential information of others with respect at all times. In addition, we take steps to reduce any risk of unauthorised access to our facilities, information, data or other assets. Throughout the organisation we have defined responsibilities and accountabilities, well understood policies and procedures, structured communication and training and regular reporting practices. We continue to review and expand our framework as we transition to a world class technology company to ensure that it remains fit for purpose. This year we refreshed our Privacy Statement, to reflect the evolution in the services and technology we offer and our commitment to transparent engagement with our customers.

Find out more on our [website](#).

Responding to privacy incidents and complaints

In FY17, there were two notable events regarding our customers' information.

In February 2017, a privacy incident arose out of a network disruption that affected the Telstra Chatswood Exchange. As a result of the loss of power to the exchange, around 300,000 SMSs were not received by their intended recipient but by an unrelated third party.

As soon as we became aware of the issue, we disabled the SMS service until we could be confident in the operation of the system and notified our customers of the incident.

Also, in February 2017, we successfully defended an appeal by the Office of the Australian Information Commissioner (OAIC) against a decision from the Administration Appeals Tribunal (AAT) on whether we had to provide our customers with access to network metadata relating to the use of their mobile services. We had successfully argued in the AAT that we had not breached the Privacy Act by refusing to provide a customer access to data generated within our mobile network while carrying calls and other communications relating to the use of his mobile service.

Responding to new privacy legislation

On 13 February 2017, the Federal Parliament passed an amendment to the Privacy Act to introduce a mandatory data breach notification scheme. The regime will come into force in February 2018 and will require notification to the OAIC and impacted individuals in the event of a data breach that is likely to cause serious harm to impacted individuals.



Managing cyber security

At Telstra, there are three main ways we manage cyber security:

Technology

We use a range of technologies and security controls to minimise the threat, likelihood and impact of unauthorised access to our networks and systems. Such technologies and controls include extensive logging and monitoring capabilities to pre-empt and proactively prepare for threats to our internal and external environments. Our infrastructure is configured in alignment with recognised industry approaches which are supported by company-wide policies and standards, backed up by a robust compliance and audit regime.

We continuously invest in our security capabilities. Our investment includes maintaining and enhancing our existing technologies to continue to stay ahead of new security threats. We also deploy new technologies to ensure we can adapt to the range of changing security threats. Our commitment to security has also seen us make substantial investments in firms which provide security technologies products and platforms.

Process

We apply [Telstra's Five Knows of Cyber Security](#) as a business engagement framework for informing our broader risk management processes and decision-making. Crucially, the Five Knows of Cyber Security is both educative and constructive. It is used to introduce security concepts to employees at all

organisational levels, explain the link between security posture and business risks, and facilitate a solution-driven discussion to remediate any security gaps.

We have robust security processes that include technical reviews of projects and solutions, due diligence of vendors and acquisitions to ensure project, procurement and acquisition gateways (among other reviews) are only passed once appropriate security measures are in place.

People

We invest in our people to best prepare them against the range of different methods used by malicious actors to gain access to systems. We have mandatory annual training for all employees and contractors, and run drills on our employees to test the effectiveness of our training.

Being transparent with our customers

Telstra's annual Transparency Report aims to give our customers more information about our legal obligations as a carrier and carriage service provider.

Like all telecommunications companies operating in Australia, we are required by law to assist a range of Government agencies who request customer information for purposes such as enforcing criminal law and laws imposing financial penalties, protecting public revenue and safeguarding national security.

We also provide assistance to emergency services organisations in life-threatening and time-critical situations.

We take protecting customer data very seriously. To protect your privacy, Telstra carefully assesses each request and only discloses customer information if the request is in accordance with the law. In FY17, Telstra received and acted on 74,867 requests for customer information.

Types of law enforcement requests	Number
Telstra customer information, call records and pre-warrant checks	65,715
Life-threatening situations and Triple Zero emergency calls	5,917
Court orders	479
Copyright - DNS Blocking	139
Warrants for interception or access to stored communications	2,617
Total	74,867



Telstra employees working at the Integrated Security Operations Command Centre.

Managing our supply chain

Approach

Telstra's purchasing spend puts us in a unique position to work with our suppliers to positively influence their environmental, social and ethical performance. Our [Group Code of Conduct](#) and [Supplier Code of Conduct](#) provide a framework for how we manage our relationship with suppliers and contractors. Critical areas include privacy and information security, human rights, fraud and corruption and environmental compliance. We are currently strengthening this approach through a dedicated supplier governance program which will improve our systematic monitoring of risks across each supplier's lifecycle.

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. The Telstra Supplier Code of Conduct sets out our minimum standards 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.



Progress

Managing risks in the supply chain

In FY17, we recognised that to further embed risk management, we need to enhance our enterprise wide approach to governing our suppliers.

We are in the process of embedding an approach to consistently manage our risks (including sustainability risks) in our supply chain. Our supplier governance program

of work focuses on key risk category such as operational, commercial, business continuity, privacy, information security, health and safety, anti-bribery and anti-corruption, fraud, trade sanctions, export controls, labour practices (human rights), and environmental practices.

To embed the approach, we have undertaken training within our procurement team including an increased focus on key risk categories, including labour practices (human rights). This training will be further enhanced in FY18.

Our supply chain

In FY17, Telstra Group engaged with approximately 4,500 domestic and 3,300 international suppliers, with our top 100 suppliers comprising 80 per cent of our total spend. Our key areas of spend include electronic and network equipment (52 per cent) as well as the procurement of services (48 per cent).

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. Network payments (e.g. carrier, international roaming and wholesale capacity) as well as other payments (e.g. pass-through and regulatory) have been excluded.

Increasing the social impact of our suppliers

Telstra is proud to continue its partnership with 13 non-profit groups around Australia to create employment opportunities for people living with disability or from disadvantaged backgrounds. These groups continue to perform grounds maintenance at around 6,000 of our network sites and also regularly clean 900 network buildings. At 30 June this year, 515 people living with disability and 36 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 is often challenging due to their remoteness.

This year we began upskilling IWP participants with nine people undertaking asbestos containing material pit remediation training. The first bundle of pit remediation work has been issued to the IWP team in the Kimberley, Western Australia, resulting in the creation of three extra local jobs. This program aims to build on its success, providing upskilling and employment opportunities for remote communities whilst also reducing costs associated with travel to remote locations. The IWP employs more than 73 people at over 550 sites across Queensland, the Northern Territory and Western Australia.

Last year, 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. In FY17, we spent \$1.1 million with Indigenous enterprises, exceeding our target of \$1 million.

To learn more about our broader reconciliation commitments, please refer to our [Reconciliation Action Plan](#).

Supporting Australian small business suppliers

We spend around \$2.9 billion each year with approximately 7,300 small business suppliers. This year we implemented a change to our payment terms for Australian small businesses which aims to assist them to better manage their cash flow. This change came into effect at the end of FY17 and has resulted in our Australian small business suppliers being paid within 30 days or less.

Approximately 88 per cent of our Australian small business suppliers were already being paid within this timeframe. This change is intended to provide our Australian small business suppliers with a more regular cash flow. We were also one of the first signatories to the Business Council of Australia's recently published Australian Supplier Payment Code, a voluntary, industry-led initiative that is designed to help improve the viability and vitality of small businesses.



Human rights

Approach

We work across our value chain with the aim of ensuring that we and our business partners operate without infringing on human rights. Since 2011 Telstra has been a signatory to the United Nations Global Compact, which commits companies to 10 guiding principles on human rights, labour rights, environmental protection, and measures to fight corruption. Our commitment to respect and support human rights is aligned to the UN Guiding Principles on Business and Human Rights, and is defined in our [Code of Conduct](#) and [Human Rights Policy](#).

Progress

Managing human rights

This year we responded 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'. Our [Modern Slavery Statement 2016](#) is available on our website and we will continue to publish our Statement annually as well as provide updates on our progress in our annual Sustainability Report.

To ensure a consistent approach to managing human rights across Telstra, this year we developed a human rights compliance plan. This will form part of our overall compliance program and includes obligations relating to our most salient human rights risk areas (see shaded area for further information).

The compliance plan requires each business unit to identify and assess their operations for human rights risks and to implement appropriate controls with a preference towards integrating these into existing processes.

As part of the plan, we identified areas of the business that are higher risk from a human rights perspective, and these teams will receive specialised human rights training. This includes personnel who purchase products or services, develop labour contracts or manage third parties.

The first area to receive training on human rights will be the procurement function in early FY18 as part of the broader training on the supplier governance program (refer to [Managing our supply chain](#)).

Human rights in our supply chain








This year, we incorporated the management of human rights risk in our supply chain into our new supplier governance program (refer to [Managing our supply chain](#)). To inform the supplier governance model, we completed a supplier human rights risk assessment that was aligned to the guidance outlined in the UN Guiding Principles on Business and Human Rights.

The outputs of the risk assessment have been integrated into the supplier risk governance model which will consolidate all risk areas to determine an overall management approach.

Understanding our human rights risks

Our particular business context means there are a number of human rights risk areas that need to be managed. Telstra is an international diversified business with a large workforce and contractor base. We also have a large supply chain where potentially high risk activities are undertaken, such as contracting to manufacture electronic equipment in countries where there are higher human rights risks.

This year we identified seven salient human rights issues across our value chain. These cover the potential impacts we have on our employees, our supply chain, business partners and the communities in which we operate and include:

	Labour rights (human rights) including: <ul style="list-style-type: none"> • forced or compulsory labour • wages and benefits • work hours • child labour 	Reported in this section
	Freedom of association	Refer to Employment and workplace relations
	Health and safety	Refer to Promoting health, safety and wellbeing
	Privacy and data protection	Refer to Protecting our customers' data and privacy
	Anti-discrimination	Refer to Employment and workplace relations
	Anti-bribery and corruption	Refer to Ethics, values and governance
	Access to grievance mechanisms	Refer to Ethics, values and governance

These risk areas have been taken into consideration when developing our management approach for human rights.

Product responsibility

Approach

Delivering brilliant customer experiences is about providing the best products and services on the best networks with a sales, service and support network that is simple, brilliant, intuitive and increasingly digital. Being transparent, accountable and accessible in all aspects of these relationships helps to build trust and maintain a strong foundation for the future. We continuously review and update our communications to ensure we are providing people with the latest information clearly and simply. We take seriously our commitment to keep our customers and the community informed about product use, and to maintain an open and honest dialogue on issues of concern.



Transparency in communication and marketing

Taking the lead on nbn™ data speeds

There can be confusion among Australians about the speeds they will receive when they connect to the nbn network. Many expect the speed would be the same for everyone, no matter which service provider they choose, where they live or what technology nbn co. is using to connect their area. But like any network, speeds on the nbn network vary depending on providers, technology used, time of day, location and a number of other factors. We have set these out for our customers in an online [guide](#).

Setting the right speed expectations for our customers moving to the nbn network is a high priority and an industry challenge. While it is important that our customers are aware of the factors that contribute to the speed they are able to get on the nbn network, it is also critical that they are getting the speeds they signed up for.

We recently reviewed the speeds our customers receive on the nbn network. While the vast majority are receiving the speeds they signed up for, a small number of our nbn customers are not. We've begun to proactively contact these customers to let them know the speeds they're getting and in some cases, moving them to a speed tier their nbn service supports. We're also now routinely reviewing our customers' speeds once they're connected and proactively contacting them if we believe that they are not receiving the speeds they signed up for.

Helping customers understand our charges

To help reduce bill shock and set clear upfront expectations about our fees and charges, we've introduced Order Estimator. Customers have told us they are often surprised by the charges they find on their bill, particularly after purchasing a product or service when connection fees and pro-rata charges often apply. Order Estimator is a tool that helps our Frontline clearly explain at point of sale the expected charges the customer will see on their next and subsequent bills, as well as providing an order timeframe. The Order Estimate is then emailed to the customer for their records.

Managing and minimising TIO complaints

Disappointingly, in FY17 our first stage (Level 1) complaints to the Telecommunications Industry Ombudsman (TIO) have increased by 43 per cent compared to last year.

The average number of complaints we received per 10,000 subscribers increased by 48 per cent in FY17. We received an average of 3.1 first stage complaints per 10,000 subscribers, compared to 2.1 in FY16. Whilst not unexpected, the increase in TIO complaints is disappointing.

A key driver of TIO complaints is nbn™ related which is being felt across the industry. Telstra is moving a significant number of customers to the nbn every month which is causing disruption for some of our customers. We are working with nbn co. to improve the nbn experience. We have also seen a steady

increase in our complaints relating to charging disputes.

We've been working on a number of initiatives on resolving customer concerns before they are escalated to the TIO and we have a customer improvement plan in place which includes:

- re-designing our nbn complaints process
- setting the right nbn speed expectations; customers prior to them taking up an nbn service
- providing comprehensive training and accreditation for our sales teams with a specific focus on complaint drivers coming from sales.

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 continue to provide information about EME on our [website](#) as well as our EME help desk. We also invite customers to go directly to the WHO, ARPANSA, Australian Communications Authority (ACMA) and 'EMF Explained' websites for further information.

The [Radio Frequency National Site Archive \(RFNSA\)](#) is the 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 RFNSA received more than 369,000 visits in FY17 to access information about network deployment activities, including EME and site safety, for all mobile base stations nationally.

All of our base stations are assessed for EME compliance, and the ARPANSA Environmental EME reports and compliance certificates for all sites are published on the RFNSA. Every mobile handset we sold in FY17 was certified by the manufacturer as compliant with the mandatory ACMA Radio Communications (Electromagnetic Radiation – Human Exposure) Standard 2014.

Progress

Communicating with our customers

Helping our customers and the community keep abreast of the latest information is important to us. This year, we continued our mobile safety information SMS campaign, sending out over 17 million messages referring customers to our [website](#), where we have information on mobile use, EME and tips to reduce exposure. We also updated our website with new information videos on EME and health.

In FY17, we completed 1,626 mobile base station consultation projects. 167 of these projects were for new sites, requiring development applications (of which all were approved) and 1,459 were for proposals to upgrade existing sites, where we consulted in accordance with the Communications Alliance Mobile Phone Base Station Deployment Industry Code. ACMA confirmed that they received one objection regarding a Telstra proposal in FY17, compared to four in FY16 and none in FY15. The ACMA also undertook a preliminary investigation in relation to a Telstra site and found that Telstra complied with the Code requirements.

This year we published 374 community consultation pages on the RFNSA. A small number of communities, including Paddington (NSW), Moe (VIC) and Main Arm (NSW), expressed concern about EME through the consultation process. We responded to these concerns through extended community consultation, individual meetings and our proactive community engagement.

Working safely around antennas

We continue to focus on our processes and education around working safely near radio frequency (RF) Emitting equipment. We have engaged with a number of industries such as height workers and the electricity industry to develop procedures to assist these workers to work safely around RF emitting equipment. We continue to develop the Radio Work Safe Application which will provide information to non-Telstra personnel who conduct work on sites with RF transmitting equipment.

National and International Standards
Telstra continues to contribute to international EME standards through chairing the International Electrotechnical Commission TC106 committee which is charged with developing standards for the assessment of EME compliance of electrical and electronic equipment.

Within Australia, the Mobile Phone Base Station Deployment Code (C564:2011) is due for the periodic five year review in 2017. Telstra's supports a review at this time to ensure that the Code aligns with technology progress, reflects the way carriers deploy wireless infrastructure and communicate with the community.



An example of the Radio Work Safe material developed to educate those to work safely near radio frequency emitting equipment.

Responsible business



Culture and capabilities

As we evolve from a modern-day telecommunications provider into a future-focused technology company, we recognise our need to transform our workplace. Our operating environment is now demanding fresh skillsets and career directions, while changing expectations are reshaping workplace hours and providing new opportunities for remote working and collaboration.

Our culture and capabilities program is focusing on the key capabilities of our people, cementing our core values while driving greater simplicity and accountability across our operations. While we need new skills to support different technologies and services, we also need to be more flexible and proactive with our resources. This evolution of roles is not exclusive to Telstra or our business – it is something that is happening in every industry worldwide.

Through this change, we're passionate about creating an environment that's inclusive and supportive, and making sure our workplaces give people the chance to shine. We do this with policies and practices that promote diversity and equality across our operations – and encouraging individual leaders to foster fairness and flexibility within their teams.

Highlights



32,293
employees



30.1%
female representation across
Telstra Corporation Limited



Sustainable engagement
score of
71%



Undertook
8,910
volunteering days
in the community



Introduced a new requirement
that recruitment and interview
shortlists include at least
**50% female
representation**

Sustainability 2020 Target

Achieve a sustainable engagement score that is in line with the global high performing norm

Building culture and engagement

Approach

We are committed to creating a world-class workplace where our people can personally develop and professionally thrive. Our approach focuses on living our values and building a culture that is highly engaged, customer focused, compassionate, collaborative and innovative.

At Telstra, we know that providing our people with the right tools, resources and support creates a positive work environment that energises people in their roles and makes us an employer of choice. This includes being open to considering flexible ways of working for every role, prioritising professional development, encouraging open conversations between employees and leaders, and recognising and rewarding employees who go the extra mile with customers. Our people are renowned for their community spirit, and we actively support this.

Progress

Living our vision, purpose and values

Making Telstra a world-class technology company that empowers people to connect will require tremendous change across the business and courage from every employee. It is critical that all employees use our values to help anchor them around what matters at Telstra.

Our values describe what we stand for and who we are; they should shape our decisions and actions and guide how we work together; and they provide an important compass as we accelerate our change programs.

In FY17 we introduced Enterprise Standards to bring clarity and consistency across the company to what we expect of each other and what our customers can expect of us. Standards are what bring our values to life, describing how we see, hear and feel them.

Sustainable engagement

We focus our engagement activities on sustainable engagement because it 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.

Our annual Employee Engagement Survey (EES) provides our people with an opportunity to share their views on how they are experiencing working at Telstra. It is an important measurement tool as it provides insights into key culture and engagement elements such as values, sustainable engagement and leadership. It also identifies areas where attention and action needs to be focused.

In FY17 we conducted a 'pulse' EES that focused on sustainable engagement, values, accountability and simplicity. The pulse survey was open to all Telstra Group employees and achieved our target of 80 per cent participation rate.

The results of the EES showed our top line sustainable engagement score was 71 per cent, which is unchanged from 2016. This is encouraging as it shows sustainable engagement was stable during a time of considerable change and provides a platform for our plans to increase to 73 in FY18 and 76 in FY19. It still remains short of the 83 per cent norm typical of global high-performing companies.

The survey highlighted areas for improvement, specifically continuing our focus on 'making the complex simple'. In response, we have developed an enterprise-wide action plan to address and respond to the feedback, including efforts to improve or remove overly complex processes that stand in the way of our people being able to deliver for our customers.

Our five core values¹:

show you care

better together

trust each other to deliver

make the complex simple

find your courage

¹ The Telstra Values are registered trade marks of Telstra Corporation Ltd ABN 33 051 775 556.

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. All Roles Flex is about balancing work with personal life including family. Our retention rate of parents (both male and female) returning from parental leave was 95 per cent in FY17.

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.

Our approach to performance at Telstra is informed by emerging best practices and feedback from our people. It 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. This year, our people have asked for more clarity about what's expected and we have responded with clear and consistent performance principles to help guide how our leaders recognise the contributions of people in their team.

Pay it Forward

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 helping disadvantaged families in Yogyakarta, Indonesia, and alongside traditional owners in the Matuwa Kurrara Kurrara Indigenous Protected Area in Wiluna, Western Australia.

Volunteering and giving

We encourage our people to get involved in issues they are passionate about by taking up their annual day of paid volunteering leave and matching every dollar they donate through payroll giving (up to certain limits).



Telstra graduates Vivien and Tim volunteering to rehabilitate penguin habitat at St Kilda's breakwater.

Volunteering

This year, our employees contributed 8,910 volunteer days, up 8.8 per cent from 8,186 days in FY16, meeting our target of 30 per cent participation¹. This represents a total value of \$1.7 million.

Employees volunteered their time to a variety of causes. They raised awareness for Cystic Fibrosis by selling roses across retail stores in Western Australia, assisted families on low incomes into home ownership with Habitat for Humanity, and through online volunteering opportunities with SkillsForChange. Our international Telstra employees contributed over 1,300 additional volunteering days through events held in the UK, US and throughout Asia this year.

Payroll giving

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.

Throughout FY17, 4.9 per cent of our employees made donations via payroll giving, down from 5.5 per cent the previous year. Including Telstra's matched contribution, more than \$1.4 million was donated to 350 charities this year.

¹ Target relates to Telstra Corporation full-time and part-time employees eligible for volunteering leave only. Does not include casual employees.

Telstra Alumni

Since its launch in December 2012, the Telstra Alumni program has grown from a member-based loyalty program to a professional alumni community. Our program now has over 26,000 members and continues to outperform similar alumni programs in key metrics such as growth and member engagement.

In March, we launched the new interactive [Alumni website](#) that provides a more personalised and user-friendly experience for our members.

Developing our people

Approach

The development of a world-class technology company requires world-class employees, and at Telstra we are continuously working to maintain a workforce with people who have the skills, capabilities and experiences to deliver on our strategy.

As our company evolves, the size and nature of our workforce is also changing – with some positions transitioning and new roles being created. We are responding to these changes through highly responsive learning and development programs, more flexible and remote-working opportunities, and leadership development programs. We have also identified a number of strategic capabilities that will accelerate our cultural transformation, change the way we work and differentiate us from our competitors which will contribute to making Telstra a great place to work.

Progress

Building a new 'Employee Profile' tool

This year we have developed initiatives that will provide our employees the opportunity to control their own development. Initiatives like the Employee Profile tool which will help us understand what capabilities we have across the business, and where. Once the Employee Profile tool has been launched to our employees in FY18 it will allow employees to self-assess their capability, showcase their skills, and find the right opportunities to develop their career.

Employees will also be able to access their learning needs from this online portal. Critical to our success will be creating the space and the culture where learning is what we do and enable our people to opt in to training courses and opportunities for development.

In FY17, we invested over \$58 million (not including labour costs) in learning and development across the Telstra Group. This equates to \$1,817 per employee (full time equivalent, not including contractors or staff employed through agency arrangements).

Developing our leaders

The role of leadership in bringing about positive change was identified as an area of opportunity in the FY16 EES results, and work was undertaken throughout FY17 to re-align, develop, and measure our leadership capability.

This year we:

- communicated *Expectations of Leaders at Telstra* through regular senior leader forums, and ensuring they are referenced and taught in Telstra's Leadership programs
- piloted the Telstra Leadership and Values Pulse (360) with 350 of Telstra's senior leaders to provide feedback to them regarding how well their teams and peers see them demonstrating the Leadership Competencies and Values. From FY18 onwards, all Telstra leaders will be provided this feedback

- committed to significant acceleration of leaders' capabilities through our core Telstra Leader Program. We are aiming for 80 per cent of all senior Telstra leaders to have completed the critical development program for their level by FY19
- built on the momentum gained from the executive risk training we conducted in FY16 and provided training to our Band 1 middle management who have significant operational responsibility for managing risk across the organisation. In total, 109 sessions were delivered, reaching more than 1,300 leaders.

At the Australian Institute of Training and Development awards last year, our Leadership Program won Best Talent Development program, as well as the Silver Excellence in Practice award by the European Foundation of Management and Development.

Creating a diverse and inclusive workplace

Approach

We value diversity and inclusion and the benefits they bring to the Telstra Group in achieving our objectives, enhancing our reputation, and attracting, engaging and retaining talented people.

At Telstra, diversity means difference, in all its forms, both visible and not visible, and 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.

The diversity of our people should reflect our diverse global customers and the countries where we operate. The strategies we employ to support diversity and enable inclusion are in service of our business strategy, as well as imperatives around fairness and sustainability. We recruit, develop, promote and pay our people in a way that supports our commitment to being more diverse and inclusive. We are also open to considering flexible ways of working in every role. Everyone has a part to play in actively and intentionally behaving with inclusion in mind.

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 and leadership framework, we reinforce our expectations of all leaders to lead inclusively and value difference. We also have an active Diversity Council in each of our Business Units.



Serina, Telstra Security Product Specialist.

Diversity measurable objectives

Our diversity policy provides the framework for the Board to set our measurable objectives for achieving diversity and to annually assess our progress in achieving them. The table below summarises these objectives and our progress against them, as at 30 June 2017.

Measure	Progress/Result in respect of FY17 (or as otherwise stated)	Objective in respect of FY18
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 2017, there were four female Directors on the Board (including the Chairman of the Audit and Risk Committee), representing a female gender representation among non-executive Directors of 44%.</p>	There will be at least four women on the Board, representing a female gender representation among non-executive Directors of at least 40%.
Female representation in graduate intake	<p>Objective – 45% female representation in graduate intake selected in 2017, with an aspiration to achieve 50% female representation by 2020.</p> <p>Result – 52.7% female representation in graduate intake selected in 2017.</p>	50% female representation in the graduate intake selected in 2018, with an aspiration to also achieve 10% representation of people with a disability and 5% Indigenous representation among the graduate intake by 2020.
Promotion rates for women	<p>Objective – Promotion rates for women to exceed their representation at Business Unit level.</p> <p>Result – Promotion rates for women exceeded their representation 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 groups⁽ⁱ⁾	<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 exceeded the Telstra-wide engagement score. Engagement of Indigenous employees, employees with a disability, culturally and linguistically diverse employees and gay, lesbian, bisexual, transgender and intersex employees was lower than overall engagement, with the differences for employees with a disability and culturally and linguistically diverse employees being statistically significant.</p> <p>In order to achieve our FY18 targets for engagement of identified groups, we will continue our efforts through inclusive leadership learning experience, to help leaders better understand bias and adopt inclusive leadership behaviours and enable flexible ways of working to recognise the varied priorities, passion and interests that our people have in and out of Telstra.</p>	Engagement of identified groups' equal to or greater than Telstra-wide engagement score, with any negative differences not statistically significant.
Female representation⁽ⁱⁱ⁾ at 30 June	<p>Objective – Female representation at 30 June 2017 of 32% (Telstra Total) and 30% (Executive Management). For FY20 - 35% (Telstra Total) and 40% (Executive Management)</p> <p>Result – 30.1% (Telstra Total) and 27.8% (Executive Management)</p>	<p>FY18 – 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>

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

(ii) 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.

Progress

Our focus on gender equality

This year female representation across Telstra Corporation Limited and its wholly owned subsidiaries decreased 0.5 percentage points. We saw increases in female representation in some Telstra business units, however a number of exits due to structural changes in parts of our business has resulted in the overall Telstra total position remaining relatively flat throughout the year, ending at 30.1 per cent (9,384), a 0.5 percentage point decrease from our 30 June 2016 position of 30.6 per cent.

We are committed to achieving gender equality at Telstra and have a broad range of policies, programs and engagement initiatives in place to help us achieve this goal. Among our initiatives include our CEO, Andrew Penn being an active member of the 'Male Champions of Change'. This has translated into commitments across the organisation as part of our 'Men's Responsibility for Gender Equality' initiative that we launched in October 2016.

Telstra was named as a 2016 Employer of Choice for Gender Equality by the WGEA and is ranked in the top 100 companies globally for diversity and inclusion in the Thomas Reuters Index.

We are required by the Workplace Gender Equality Act 2012 (WGEA) to report our workforce gender profile as at 31 March each year. Our 2017 report was lodged with the WGEA on 31 May 2017 and is available on our [website](#).

To formally drive gender equality across Telstra and ensure a standard of equality across our recruitment process, in March 2017 we introduced a new recruitment shortlist gender equality procedure that mandates a minimum female representation of 50 per cent on shortlists and interview lists for all roles (except some specified roles where a 25 per cent requirement applies due to a known significant gender imbalance in the job market).

After three months in operation, we have seen strong progress, including a 6.5 per cent increase in female representation in shortlists and a 5.7 per cent increase in female commencements.

Representation of women in Telstra as at 30 June 2017

Role	Number	Percentage
Board ⁽ⁱ⁾	4	44.4%
Executive management ^{*(ii)}	67	27.8%
CEO	0	0.0%
CEO-1	5	41.7%
CEO-2	17	23.6%
CEO-3	45	28.7%
Middle management ^{*(iii)}	2,920	27.9%
Operational ^{*(iv)}	6,400	31.3%
Telstra Total*	9,384	30.1%
Telstra Group Total**	10,018	29.7%

* 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.

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

Information regarding the controlled entities in the Telstra Group can be found on our [website](#).

Notes:

(i) Number and percentage relates to non-executive Directors.

(ii) Executive management comprises persons holding roles within Telstra designated as Bands A, B and C.

(iii) Middle management comprises persons holding roles within Telstra designated as Bands 1 or 2, or equivalent.

(iv) Operational comprises persons holding roles within Telstra designated as Bands 3 or 4, or equivalent.

Board diversity

For FY17 the Board's measurable objective about Board diversity was that there would be at least three women on the Board, representing a female gender representation among non-executive Directors of at least 30 per cent, with an aspiration to achieve 40 per cent female representation among non-executive Directors by 2020. As at 30 June 2017, there were four female Directors on the Board (including the Chairman of the Audit & Risk Committee), representing a female gender representation among non-executive Directors of 44 per cent.

For FY18, the Board's diversity objective is that there will be at least four women on the Board, representing a female gender representation among non-executive Directors of at least 40 per cent, recognising that the level of gender diversity of the Board may be temporarily affected during periods of Board renewal.



Jo, HR and Jaimee Lee, IT.



Elijah, Telstra Customer Service Consultant nbn™.

Telstra is also a formally accredited White Ribbon Workplace, recognising our work to help stop violence against women, and we are a signatory to the UN Women's Empowerment Principles.

Gender pay equity

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. We consistently work towards identifying, targeting and reducing any notable gender pay gaps through targeted gender reporting and education to support managers in identifying and addressing gender pay equity issues.

The table below compares the average salaries across three levels for our Australian based employee population (reflecting over 90 per cent of our overall population). When we compare like for like roles, the gap is 2 per cent. However, the overall gap across the population is approximately 8 per cent, which reaffirms the importance of our focus on increasing the representation of females across all levels of our workforce.

The greater variance for roles at the Operational level is largely attributable to a significant proportion of operational employees being managed against fixed pay rates which are high compared to salaries of peers at the same level. This is coupled with the fact that operational roles are predominantly filled by males.

Percentage of Fixed Remuneration (FR) – Female to Male*

Level	Comparison
Executive management ⁽ⁱ⁾	102%
Middle management ⁽ⁱⁱ⁾	96%
Operational ⁽ⁱⁱⁱ⁾	88%
Overall % comparison	92%

* Includes full time and part time staff in Telstra Corporation Limited and its wholly owned subsidiaries, excluding casuals, contractors and agency staff. It does not include staff in any other controlled entities within the Telstra Group. Ratio calculated as base salary plus superannuation (female FR as a % of male FR)

Notes:

- (i) Executive management comprises persons holding roles within Telstra designated as Bands A, B and C. CEO is excluded from Executive grouping on the basis the role is held by a single person.
- (ii) Middle management comprises persons holding roles within Telstra designated as Band 1 or 2, or equivalent.
- (iii) Operational comprises persons holding roles within Telstra designated as Bands 3 or 4, or equivalent.

Employment pathways for diverse candidates

To attract and retain more Indigenous employees to Telstra, we provided new mentoring and engagement opportunities for 15 new Indigenous employees and interns, and created 25 new Indigenous traineeship and internship opportunities across many business units. These include our field-based traineeships, with nine trainees joining Telstra in this program, due to begin working at Telstra in 2019. This year, we also recruited five new Indigenous graduates in disciplines such as Business, Commerce, Finance, Marketing and Human Resources, representing 2.7 per cent of our total graduate intake.

During FY17, we hired 16 new employees who identify as living with a disability, and this year we continued to be the largest corporate provider of the Australian Network on Disability Stepping Into internship program, for university students with a disability. We hosted 43 students in FY17, and two have secured ongoing work at Telstra. In our most recent graduate intake 3.3 per cent of those selected identified as living with a disability. Providing employment pathways for people living with disability is a key pillar of our [Accessibility and Inclusion Plan](#).

For more information about our Accessibility and Inclusion Plan released in March 2017, please refer to [Digital inclusion](#).



Telstra employees marching for the first time at Midsumma's Pride March in Melbourne.

Lesbian, Gay, Bisexual, Transgender and Intersex (LGBT+) inclusion

We want our people to bring their whole selves to work and to feel comfortable doing so. We have long shown our support for LGBT+ inclusion by supporting events like Wear it Purple Day, International Day Against Homophobia, Biphobia and Transphobia and the Midsumma queer arts and entertainment festival. Within our business, this year we grew our LGBT+ employees and allies' network to over 2,000 members, including 149 Executive Ally Champions for LGBT+ Inclusion.

As a supporter of marriage equality, we continue to show our support of diversity, inclusion and equality, while recognising and respecting the right of the individual to hold their own view on this issue. In 2017 we reaffirmed our support for the Equality Campaign, a joint initiative of Australian Marriage Equality and Australians for Equality.

Recognition of our work in diversity and inclusion

Telstra is among the top employers for LGBT+ inclusion in the Australian Workplace Equality Index, a Silver employer for LGBT+ employees in the Hong Kong LGBT+ Index, Distinguished Performance as Best Employer and Best Practices for LGBT Asian Employees in the 2017 Asia Society Best Employer and Best Practices Award, and we were proud winners of the Big Business Category in the 2017 Australian Multicultural Marketing Awards for our Place to Belong™ segmented Indigenous employment brand.

Promoting health, safety and wellbeing

Approach

The health and safety of our employees, contractors and the community is of paramount importance to Telstra. Through our global health, safety and environment (HSE) management system, we embed the latest HSE strategies and processes in every element of our operations, in order to either eliminate or minimise risks and drive early intervention in injury management.

Our initiatives aim to build a high-performing HSE culture, where sharing insights and learnings are the norm. We encourage all employees and contractors to openly report HSE issues, incidents and hazards, and use data and analytics to help managers make sound decisions on corrective actions and controls.

Established HSE governance forums help manage progress against our HSE strategy, monitoring our performance through regular reporting to the Board, Audit and Risk Committee, executive leadership team and senior managers.

Progress

Licenses, accreditations and compliance

Telstra is a Commonwealth Safety, Rehabilitation and Compensation Commission approved self-insurer licensee, and we are subject to regulation by Comcare.

In 2016 Telstra complied with the prudential conditions of the licence and retained its Comcare self-insurance license at Tier 3 status (the highest possible) in all three areas of prevention, claims management and rehabilitation.

We also retained our HSE accreditations and certifications for our customers, including the Office of the Federal Safety Commissioner accreditation for all Federal Government contracts, such as the NBN. Based on our improved performance, Telstra was ranked at 'low risk' and was accredited for another six years. Our HSE management system is certified to AS/NZS4801 and ISO 14001: 2015 and we are an accredited Workplace Rehabilitation Provider.

In 2016 Telstra was runner-up for the Proactive Employer Award at Comcare's Work Health and Safety Awards.

Incident prevention

Throughout FY17 we made progress in reducing HSE risk to our people, contractors and the public. We are vigilant in identifying any emerging HSE risks and explore innovative ways to manage them. Examples of our proactive, risk based approach to health and safety management include:

- **our global HSE management system:** on 1 July 2016 we launched an integrated HSE management system that is consistent across our global operations and embedded into operational practices
- **supporting employee health and wellness:** our Thrive workplace resilience program spans across our global operations. In FY17 we initiated face-to-face and online workshops globally, covering topics such as mindfulness, culture, self and team leadership and mental wellness
- **driver and vehicle safety:** Telstra is a founding member of the National Road Safety Partnership Program in Australia. Our initiatives help improve driver behaviour and vehicle safety through awareness and training programs, in-vehicle monitoring, data analytics and supporting our people leaders to address 'at risk' driving behaviour
- **working at height:** in FY17, we re-trained technicians on harnesses and pole-top rescue, implemented an inspection schedule and ladders with stabilizers for our field technicians, and updated emergency planning processes and documentation for communication towers, including remote mobile network towers.

Rehabilitating our people

Telstra continues to deliver an effective and holistic early intervention program that is individually tailored to support the recovery and return to work for ill or injured employees. Our Return to Work program successfully saw 90 per cent of employees returning to work on pre-injury duties.

We continue to provide tailored rehabilitation and job seeking support for those current and former employees out of work long-term due to injury. In FY17, our Work Transition program helped improve quality of life and enabled a return to employment for nine current and former employees who had been away from work longer than two years.

Key health and safety performance indicators

Same day reporting

Same day incident and injury reporting is an essential metric for addressing risks and making sure our people receive timely care. Our focus on building a strong reporting culture across Telstra continues to deliver promising results with our same day reporting rate increasing to 82 per cent for FY17 compared to 77 per cent in FY16. This improved result was due to a focussed effort on HSE leadership across the Telstra Group with this key metric being driven through the organisation as part of the HSE Improvement Planning process.

Bolstering this effort was a separate programme, 'HSE Assist' which provided improved mobility functionality to our hazard, incident and injury reporting software making it easier for employees to report via any mobile or tablet device from June 2016.

Employee injury performance

Both primary prevention – Telstra's risk-based approach to health and safety management, and secondary prevention – Telstra's Early Intervention InjuryAssist Program initiatives have contributed to the decline in Workers Compensation claims. In FY17 we accepted 156 new claims¹, compared to 177 claims in FY16.

For more information on our health and safety performance indicators, please see our [reporting website](#).



¹ New claims include only accepted workers compensation claims within the reporting period.

Lost time Injury Frequency Rate (LTIFR)⁽ⁱ⁾ by calendar year

2014 1.69

2015 0.89

2016 0.84

Telstra measures Lost Time Injury Frequency Rate (LTIFR) as the reported number of accepted workers' compensation claims for work-related injury or disease that incur lost time, for each million hours worked. As claims are often not determined for some time after the initial injury, the reported Lost Time Injuries (LTI) and LTIFR for FY16 (and prior years) did not include those injuries that occurred within the reporting period but had not yet had an accepted worker's compensation claim.

Given that our annual reporting is released before workers' compensation claims may be finalised we have changed our measure to report by calendar year. For comparison purposes we have recalculated LTIFR for the past three calendar years. Our LTIFR reduced between calendar 2015 and 2016 by 5.6 per cent.

(i) 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 full-time, part-time and casual staff in Telstra Corporation Limited, excluding subsidiaries, contractors and agency staff.

Total Recordable Injury Frequency Rate (TRIFR)⁽ⁱⁱ⁾

FY16 7.5

FY17 8.1

This year we have introduced Total Recordable Injury Frequency Rate (TRIFR) as a key reporting metric. TRIFR is the reported number of all work-related injury or disease that require medical treatment greater than first aid per million hours worked. Currently the metric does not include contractor incidents or incidents internationally, but work is underway to review how this may be measured for inclusion in future reporting. To support this new measure for Telstra, we are working with business units to determine the right TRIFR targets for our FY18 HSE improvement plans.

(ii) TRIFR is the reported number of all work-related injury or disease that require medical treatment greater than first aid for each million hours worked. Includes full time, part time and casual staff in Telstra Corporation Limited, excluding subsidiaries, contractors and agency staff.

Employment and workplace relations

Approach

As the strategic direction of our business changes, we pride ourselves in maintaining consistently high standards in the way we manage our workforce and treat employees with respect and dignity. Our employees comprise a large and diverse mix of people, engaged in a vast array of roles, working hours, and contractual arrangements. As business evolves, we rely on our robust enterprise agreement, respectful relationships with the unions, and practical resolution channels to help secure the best future for each of our employees.

When structural changes are required, our aim is to mitigate any adverse effects on employees by making all reasonable efforts to appoint affected individuals to other suitable roles within Telstra. When this is not possible, we provide a comprehensive redeployment and career transition program for employees whose roles will be affected by redundancy.

Progress

Key changes within our workforce

As at June 30 2017, Telstra Group's total workforce was 34,598 (full-time equivalent)¹, a decrease of 3.5 per cent, or 1,255 roles, compared to last year.

While 87 per cent of our workforce is Australian based, we employ people across 20 countries as the Telstra Group continues to focus on establishing an international presence and expanding our global footprint.

In June 2017 we announced proposed organisational restructures and workforce changes across a number of teams within Telstra Corporation. This was in response to the disruption we are facing in our operating environment combined with increasing competitive pressures. The proposed changes would ultimately result in up to 1,400 roles no longer being required over the next six months. Telstra will consult with our employees and their representatives (typically the union) on changes which have a demonstrable impact on our workforce before making a final decision to proceed.

Our employees have the right to be treated fairly and to understand the reasons for decisions and actions that impact their employment. In cases where there is disagreement on a decision impacting an employee's employment, Telstra has various issue resolution options that employees can access, including an internal resolution policy and process.

In addition, all employees and their families have access to professional support services, funded by Telstra, through our Work Life Coaching (formerly the Employee Assistance Program).

Engaging with the 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). Our aim is to maintain open and constructive relationships with the representatives of these unions. We consult with our unions before we implement any significant changes to the way we work. This year, we conducted more than 35 formal union consultation meetings.

Employment Instruments

In Australia, Telstra has in place a single enterprise agreement covering our workforce - the Telstra Enterprise Agreement 2015-2018 (EA). The EA covers approximately 21,000 Telstra Corporation employees. The percentage of employees employed under the EA has increased from 68 to 73 per cent over the last year, reflecting our best practice provisions such as 16 weeks paid maternity leave, and All Roles Flex. In total, 27 per cent of employees in Telstra Corporation are employed on individual contracts or individual statutory agreements.

For more insight into employment at Telstra, a detailed breakdown of is available on our [reporting website](#).



Roxanne from Security Operations.

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

Digital futures



Everyone connected

Digital technologies and high-speed broadband are making lives simpler and quicker, while also unlocking amazing opportunities. Yet there remain thousands of people who risk missing out on the education, health, social and financial benefits that come with the online world.

At Telstra, we want everyone in Australia – and beyond – to enjoy the benefits of being connected. Through our digital inclusion programs, we're focused on supporting those in our community most at risk of digital exclusion. This includes people with disability, older Australians, remote Indigenous communities, those on low incomes, and people who are unemployed or homeless, as well as communities in times of natural disasters. Our approach is to integrate digital inclusion into our core business operations and to partner with governments and community organisations to achieve genuine reach and scale.

Our strategic priorities are focussed around affordability, accessibility and ability. This means keeping people connected, especially when they're doing it tough; ensuring our products, services and information are accessible and easy to use; and, building the digital skills and confidence of our vulnerable customers and communities.

Highlights



Helped more than
one million
vulnerable customers to
stay connected



Reached more than
63,000
people through our digital
literacy programs



Launched the
**Australian
Digital
Inclusion Index**



Launched our first
**Accessibility
and Inclusion
Plan**



Provided
\$157 million
of value through our social and
community investment programs



Launched a
**new product
offering**
for vulnerable and
disadvantaged Australians

Sustainability 2020 Target

Provide tailored support, products and services to enable
1.5 million people to connect or thrive online by 2020

Digital inclusion

Approach

Digital inclusion is based on the premise that everyone should be able to make full use of digital technologies – to manage their health and wellbeing, access education and public services, organise their finances, and connect with family, friends and the world beyond. Yet in 2017, some three million Australians are still not online – and with the increasing number of services going digital, the depth of exclusion for those not connected is continuing to grow.

We meet regularly with key consumer organisations in Australia to help ensure our digital inclusion programs meet community needs. This includes regular meetings with the Australian Communications Consumer Action Network (ACCAN), quarterly meetings with the Low Income Measures Assessment Committee (LIMAC), and a bi-annual CEO Consumer Roundtable, which provides a regular forum for peak consumer organisations to meet with our CEO and senior leaders.



Learning digital skills through inDigiMOB.

Australian Digital Inclusion Index

We are partnering with RMIT University, the Centre for Social Impact at Swinburne University, and Roy Morgan Research to produce the Australian Digital Inclusion Index. We have published two reports to date, in 2016 and 2017. The Index provides important insights on the barriers to digital inclusion across three areas – accessibility, affordability and digital ability – and is designed as an information tool to help policy-makers, businesses and community organisations take action on digital exclusion.

Using data from 2014-2017, the Index shows that overall digital inclusion in Australia is improving, and that Australians are spending more time – and doing more – online. However it also shows that the gaps between digitally included and excluded Australians are substantial and in some cases widening. Those with low levels of income, education and employment are significantly less digitally included.

In 2017, the Australian Digital Inclusion Index also found that over the past four years:

- nationally, digital access has improved steadily
- affordability remains a challenge for some excluded groups, though value has improved
- digital ability remains an area for further improvement
- Indigenous Australians, people with disabilities, and Australians aged over 65 score below the national average
- mobile-only users are less digitally included, linked closely to socio-economic factors
- geographical disparities exist across Australia, with some areas showing higher digital inclusion than others.

For more information, refer to the [Digital Inclusion Index website](#).

Progress

Low income customers

We work with partners across the government and community sector to develop and deliver a wide range of digital inclusion programs to assist people on low incomes. We regularly review our approach to identify groups most in need, changing technologies and consumer preferences.

Through our largest digital inclusion program, Access for Everyone, which is focused on affordability, we help people on low incomes 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 FY17, our Access for Everyone low income package provided benefits totalling \$87 million, a reduction of 18 per cent compared to FY16 (\$107 million), largely reflecting a lower take-up of our pensioner discount on fixed-line home phone services as more customers move to bundles. Around 760,000 pensioners received a discount this year to the value of \$69 million, which was about the same number of customers as in FY16.



Ask Izzy ambassador Pete Burns working with at-risk youth.

We provided home phone line rental relief for about 46,000 households and distributed around 51,000 pre-paid calling cards (including Phonecards) and mobile phone recharge cards. We also provided rebates on Telstra bills for around 1,780 customers each month seeking emergency relief.

We continue to provide access to important national crisis lines so that the cost of calling is not a barrier to seeking help. In addition to Lifeline, SES, Family Drug Support and Mensline Australia, this year we added beyondblue and Suicide Call Back Service to our program, which provides free calling from Telstra mobile phones to essential community support services.

Ask Izzy

Ask Izzy is a mobile website that supports people who are homeless or at risk of becoming homeless by providing details of more than 350,000 support services nationwide. This includes location-specific information on key areas such as housing, food, health, finding work, access to technology (e.g. Wi-Fi, charging locations) and other facilities (e.g. toilets, libraries etc.).

About 80 per cent of homeless people have a smartphone but don't always have access to credit or have limited data to search for the services they need. Telstra is supporting those in need by providing unmetered access to the Ask Izzy website for anyone with a mobile on the Telstra mobile network. We hope that providing free access to Ask Izzy on our extensive regional and metropolitan network will encourage more people to seek help.

Homelessness is a growing and complex issue across Australia, which often involves more than just a lack of housing.

Telstra Safe Connections®

In partnership with Women's Services Network (WESNET), Telstra was awarded an Australian Crime and Violence Award for our Safe Connections Program.

Over three years, the program will provide up to 20,000 smartphones and \$30 pre-paid starter kits and technology safety information to women experiencing family violence. Telstra Safe Connections aims to empower women by providing access to safe and secure communications, as well as the tools and training to help them stay safely connected with friends and family when they need it most.

In FY17, Telstra partnered with WESNET to deliver the inaugural Technology Safety Summit, which brought together more than 100 front line family violence workers to build awareness of the safe use of technology in family violence situations.

Supporting people living with disability

In 1996, Telstra was one of the first corporates in Australia to introduce a Disability Action Plan. Fast forward 20 years and six Disability Action Plans, in FY17 we are proud to have developed our first [Accessibility and Inclusion Plan](#).

The plan shifts our focus from disability to accessibility and aims to strengthen our commitment to removing barriers to access. Our ambition is to embed accessibility and inclusion in everything we do, to raise the bar on customer experience, and to use our technology expertise to create new products and services.



Brent Phillips from Vicdeaf and Cynthia Whelan, Group Executive New Businesses at the Accessibility and Inclusion Plan launch.

Our Accessibility and Inclusion Plan has three key pillars:

- **improve customer experience:** this is about intimately understanding the needs of our customers. We want to make sure that our premises, products, services and information are accessible, easy to use and meet the needs of our diverse customer base
- **create a fully inclusive workforce:** at its heart, this is about culture. We know our people are our most powerful tool in building inclusion
- **innovate for the future:** we will use our skills and capabilities as a leading innovator to create accessible new technology, products and services that empower everyone to fully participate.

We continue to provide support to our customers with disability to access telecommunications. This year, our Disability Enquiry Hotline took more than 18,000 calls and processed more than 4,000 successful applications for products as part of our Disability Equipment Program, including a new Telstra Easy Control cordless phone. We continue to see a decline in the provision of TTYs (Tele-Typewriters for deaf and speech impaired customers), supplying 32 in FY17 compared to 98 in FY16. Around 113,000 calls were made to our Directory Assistance Helpline by customers who are not able to use printed or online telephone directories.

In FY17, the Telecommunications Industry Ombudsman (TIO) received seven customer complaints with direct reference to disability access or equipment. Six of the seven related to impaired decision - making due to disability or psycho-social incapacity, a complex issue that we intend to explore further through research in FY18.

This year, we received three new complaints from the Australian Human Rights Commission claiming disability discrimination. One complaint was substantiated and addressed during the year, and is now awaiting formal closure. One complaint was withdrawn by the customer and the third was unsubstantiated and closed. The three pending complaints from last year have also been formally closed.

Regional and remote communities

The Australian Digital Inclusion Index 2017 demonstrates that geography plays a role in the uneven distribution of digital inclusion in Australia, revealing lower inclusion levels in rural compared with urban areas. This 'capital-country' gap is evident across all three areas of digital inclusion researched in the Index – access, affordability and digital ability. Although digital inclusion has improved overall in each of these areas, it is not improving at the same pace in regional areas as it is in cities.



Gallia the guide dog at the Accessibility and Inclusion Plan launch.

Overall, while the gap between country and metropolitan areas has narrowed slightly over the past three years, this is not reflected across all states and territories. While South Australia, Western Australia and Queensland narrowed the gap between capital city and country residents, the gap widened in Victoria, New South Wales and Tasmania.

In order to meet the challenges and needs of regional, rural and remote communities, we work to ensure that our digital capability programs include a focus on regional areas, and our Access for Everyone programs are available to assist people on a low income with access. We have begun investing more than \$1.5 billion over three years in addition to our business-as-usual investment to transform the next generation of networks, improve network resilience, enhance mobile differentiation including preparation for 5G, and expand our fixed network services. For more information on our progress against this commitment, please refer to [Networks](#).

Older Australians

Being confident and literate with technology is an essential skill in the digital age. Our Tech Savvy Seniors program helps build skills and confidence, increase digital inclusion, reduce social isolation, improve access to government services, and improve resilience to online fraud and financial abuse.

In the past year, our Tech Savvy Seniors programs, delivered in partnership with state governments in New South Wales, Victoria and Queensland, provided face-to-face digital literacy training for more than 35,000 older Australians in local libraries and community colleges across each state. Training is delivered in English as well as Arabic, Cantonese, Dari, Greek, Hindi, Italian, Mandarin, Tagalog, Vietnamese, Macedonian and Croatian. Along with face-to-face training, we provided instructional digital literacy videos and training guides on our website.

We have a strong focus on improving the digital literacy skills of seniors in regional and remote areas, where seniors are at greater risk of social isolation, and this year we visited 10 regional communities in NSW with our Tech Savvy Seniors Regional Roadshow.

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. These sessions help people learn how to communicate electronically with family and friends, pay bills and shop online.

Sessions have been held at local community groups, retirement homes and Telstra stores across Australia. This year the program provided coaching sessions for 895 older Australians.

For more information on Tech Savvy Seniors, refer to [our website](#).



Indigenous communities

Our [Reconciliation Action Plan \(RAP\)](#) sets out our commitment to support reconciliation and create social, economic and cultural change.

A key commitment in our RAP is a \$30 million infrastructure co-investment agreement with the Northern Territory Government to expand telecommunications infrastructure to remote communities. This year we provided mobile and fixed broadband coverage to Titjikala, a remote community of around 200 people 120 kilometres south of Alice Springs; with Timber Creek and Ali Curung receiving fixed broadband to complement existing mobile services.

Our RAP also includes our commitment to help build digital capability in remote Indigenous communities. In FY17 we piloted and evaluated inDigiMOB, a community digital capability program, in Arlparra and four Alice Springs town camps in the Northern Territory. More than 550 community members benefited from the program, which facilitated exposure to technology and skills development through on-the-ground partner organisations. inDigiMOB will continue in the pilot sites and expand to an additional eight communities by the end of 2017.

This year we also published the [Cyber Safety in Remote Aboriginal Communities and Towns](#) research report, highlighting the unique cyber safety issues facing many remote Indigenous communities. Researchers from Swinburne University found problems arising as a result of particular practices, including the high level of device sharing among kin. The second year of this research initiative will explore how to address these issues, and further understand the socio-cultural factors underpinning mobile/online related conflict.

Improving digital capability

This year, our digital literacy portfolio, which consists of our Tech Savvy Seniors program, Telstra Digital Ambassadors and our Cyber Safety Awareness information (available on our [website](#)), reached more than 63,000 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.

To access our free cyber safety materials, visit our [website](#).

Community investment

Approach

From promoting digital inclusion through our social and community investment programs, to keeping people connected in times of disaster, our community investments help ensure that 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.

We know how important our network is for the community especially in times of disaster. We work extensively to prepare for severe weather seasons, our priorities being protecting and maintaining our infrastructure, assisting emergency and essential services organisations with their telecommunications requirements, and restoring services to our customers.

Community grants - Telstra Kids

We encourage our people to support their local communities through Telstra Kids (formerly 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. Since 2002, Telstra Kids has contributed more than \$9.8 million to some 8,000 projects that connect kids to their local community. That's more than one project a day, every single day, for over a decade.

The Telstra Kids Digital Futures program is a new way that Telstra Kids can help young Australians thrive in their digital world. In FY17 we introduced a curated digital employee offer designed to help kids be great citizens, explorers and change agents. In FY18, every Telstra Kids grants round will include a different digital project that our employees can take to their local metro, regional, rural and remote communities. The first round in 2017 gave our people the opportunity to take a new anti-cyberbullying program, designed for year 7 to 9 students, to their local high schools.

Community investment data

The total value of our social and community investment programs, including contributions from Telstra, employees and the Telstra Foundation® equalled \$157.4 million in FY17. Our focus for these programs has been on digital inclusion initiatives. For more information about these initiatives refer to [Digital inclusion](#) and [Tech for good](#). For details of our social and community investments, please refer to our [reporting website](#).

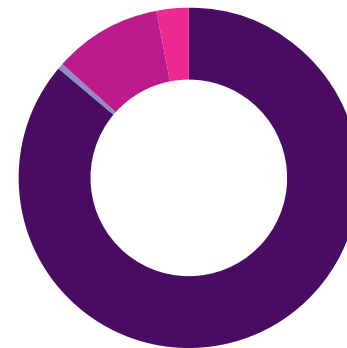
Social and community investment

Millions of dollars



Social and community investment by focus⁽ⁱ⁾

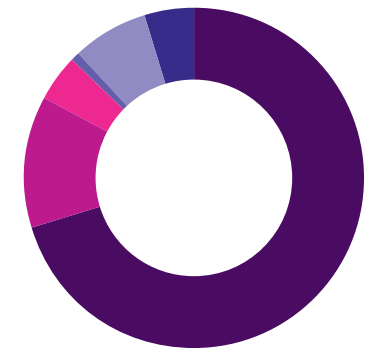
Millions of dollars



135.8	Everyone Connected
4.9	Employee volunteering and giving
16.2	Sponsorship
0.5	Disaster relief

Social and community investment by form of contribution

Millions of dollars



110.7	Revenue foregone
19.7	Cash
6.9	In-kind
1.6	Time
11.1	Management costs
7.4	Leverage

(i) Management costs associated with each program are included in the amounts invested.

Disaster relief and recovery

Following a flood, cyclone or bushfire, our technicians are usually the first ones in an area once it has been declared safe by emergency services. Where necessary, we provide temporary mobile base stations and repeaters to boost coverage for emergency service operators. 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 base station 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 prepaid credit.

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 emergency services, and employees in disaster-affected areas can use their annual volunteer day to support their local communities in clean-up efforts.

We have also been working to use technology during times of disaster, including the use of drones or unmanned aerial vehicles

(UAVs) to provide rapid assessments of our infrastructure as well as to support emergency services. This year, we have been working with the Local Government Infrastructure Services in Queensland to trial the use of UAVs for emergency management, where the UAVs fly greater distances beyond visual line of sight, with navigation supported by Telstra's 4G mobile network. The trial, which was the first of its kind in Australia, was a success with further trials set to integrate UAVs into emergency management operations.



Taken near Broombee NSW, during times of crisis, drones can provide faster inspections of our infrastructure so that we can keep communities connected when they need it most.

Assisting communities affected by Australian natural disasters

This year over 170,000 customers were impacted by disasters in Australia. We received 10,240 calls to register for disaster relief packages, and provided assistance packages worth over \$180,000 for customers affected by major natural disasters, including the floods in Queensland and northern NSW, the black outs in South Australia, floods and fire in western NSW, the Carwoola NSW fire and fires in the greater Perth district.

Cyclone Debbie

Tropical Cyclone Debbie left a path of destruction across many towns and communities in Queensland and New South Wales in April 2017, and damaged a lot of Telstra infrastructure along the way. We experienced over 46,000 individual faults as a result of the cyclone and subsequent flooding. We also had damage to 200 main cables, 200 pillars and 150 distribution cables.

In addition to the field technicians we already have in the affected areas, we mobilised more technicians from parts of Queensland that weren't affected by the cyclone. We also brought in more resources from other parts of the country to help with our recovery efforts.

Telstra offered an assistance package for our residential and small business customers affected by the cyclone. The package included a range of measures relating to both fixed services and Bigpond® services such as free call diversion, one-off credits, and holding of numbers and email addresses.

We also gave out a series of Telstra Disaster Recovery grants totalling over \$100,000 to assist community organisations, non-profits and grass roots sporting clubs impacted by the disaster.

Digital futures



Networks

The digital world is transforming the way we live our lives. The benefits of being online are immense – we are empowered to learn in new ways, to communicate more freely, to take greater control of our health, finances and routines. Having access to a reliable network delivers these benefits across demographic boundaries, underpins economic growth, and provides tremendous opportunities to solve social and environmental challenges.

Over the next five years, we anticipate that our network traffic will grow by more than 500 per cent as video, virtual reality, artificial intelligence, connected machines, and even drone technologies place unprecedented demands on our network.

In November 2016, we announced a major capital expenditure program to consolidate our leadership position in Australia by investing in the next generation of mobile and fixed network services, expanding coverage and resilience, digitising all elements of our business, and making major improvements across our customer experience.

Highlights



Covering more than
2.4 million
square kilometres our 3G and 4G mobile network combined is able to reach 99.4 per cent of the Australian population



Deployed more than
150 mobile
base stations through the Mobile Black Spots Program



Introduced a world-first
'Always On'
service guarantee, to assure service availability across the busy Hong Kong, Singapore and Japan triangle



Switched on our
millionth
Telstra Air® hotspot



30%
of total intra-Asian data traffic carried on our submarine cables

Sustainability 2020 target

Extend 4G coverage towards 99.4 per cent of the Australian population

Building the networks of the future

Approach

The opportunities that new technologies bring hinge on access to fast, reliable and cost-effective data networks. Telstra's networks continue to be among the best in the world, and provide us with significant strategic differentiation. Over the three years from FY17-FY19, we will consolidate this advantage by investing more than \$1.5 billion in our networks in addition to our standard annual capital expenditure, delivering increased capacity and coverage, and unlocking the benefits that new technologies bring.

New investments will go towards building the next generation of networks, with a focus on maintaining our differentiated mobile service, including preparation for 5G, and making strategic investments in our fixed network services. Internationally, we are focused on growing our enterprise services across the Asia-Pacific region and exploring future growth opportunities in Asia, where Telstra's subsea cables already support the continent's single largest data network.



Progress

Continuing to invest in our network

Telstra is committed to building a new kind of network and we continue to make significant investments to create differentiation, build capability for the future and strengthen our network leadership. To do this, we have begun investing more than \$1.5 billion over three years in addition to our business-as-usual investment to transform the next generation of networks, improve network resilience, enhance mobile differentiation including preparation for 5G, and expand our fixed network services. We have also invested significantly in accelerating the digitisation of our business, and making other improvements to our customer experience.

Telstra Air[®] is Australia's largest Wi-Fi network. In June, we switched on our millionth Telstra Air hotspot in Mildura, Victoria.

Increasing mobile coverage

Our 4G mobile network is a world leader, developed through years of research and investment. Covering more than 1.4 million square kilometres of landmass, our 4G mobile network now covers 99 per cent of the Australian population.

Connectivity is vital to regional, rural and remote communities and we are acutely aware of the challenges facing communities living with limited mobile network access. Telstra has consistently weighted network investments towards extending mobile coverage. Over the past 10 years, 15 per cent of investment in our mobile network has gone to provide services to the most remote two per cent of the Australian population.

We are the first carrier in Australia to provide voice calling via 4G-only small cells and in November 2016 we also launched Wi-Fi Calling (VoWiFi), which seamlessly transfers calls between Telstra's 4G network and an accessible Wi-Fi connection, including Telstra Air hotspots.

We worked with the Barcoo and Diamantina Shires, the Queensland Government and the Federal Government to deliver a fibre link and new mobile bases to Birdsville, Jundah, Stonehenge, Windorah and Bedourie, as well as joint funding to deliver fibre and mobile services in Aurukun – helping connect some of Australia's most remote communities.

Another program delivering on our commitment to regional and remote communities is the rollout of the Mobile Black Spot Program (MBSP) co-funded by Federal, State and Local governments. Through MBSP we are deploying 577 new 3G/4G base stations to improve mobile coverage for communities across Australia. We have now added up to 40,000 square kilometres of new and improved mobile coverage, so that thousands of Australians who previously had little to no mobile reception can now access Telstra's high speed mobile coverage.



New technology

It is expected that 5G will enhance existing 4G services with additional capacity, higher speeds, and lower latency (delay time). It will also provide a platform for massive increases in video use and inter-connectedness on unprecedented scales across millions of connected devices such as water and electricity meters, sensors in wearable devices, in-car and traffic management systems and in-home appliances.

This year, we conducted 5G radio testing at Ericsson's 5G experience centre, with lab tests delivering download speeds of greater than 20Gbps. Following that, we played host to Ericsson's 5G test bed, enabling Telstra to conduct the first trial of 5G in Australia at our Global Operations Centre in Clayton, Victoria.

While major deployment of 5G is not expected until 2020, we are well advanced in our 5G network trials. We are also contributing to the development of international 5G industry standards, to make sure that the upcoming technologies are suited to our expansive rural environments in the 5G channel modelling to provide the best possible experience for our customers.

We will deploy the first 5G trial on Telstra's mobile network on the Gold Coast in 2018. Planning for this trial continues and we're excited to be testing new 5G technologies and applications.

International investment

We operate one of the largest international networks in Asia, carrying around 30 per cent of total intra-Asian traffic on our submarine cables, with the largest integrated data centre footprint in the region and Points of Presence in all major markets.

We own and operate the largest subsea network in the Asia Pacific region, and we're continuing to invest to meet increasing demand for connectivity. This has included entering into an agreement with AARNet, Google ^{INC}, Indosat Ooredoo, Singtel and SubPartners to build a new international subsea cable to connect Singapore, Indonesia and Australia.

We also introduced world-first assured availability across the busy Hong Kong, Singapore and Japan triangle. This 'Always On' service guarantee utilises the unmatched scale and diversity of our network to guarantee connectivity even in the event of a cable cut or damage due to a natural disaster.

As we offer more services around the world, we are diversifying our operations so that we now have dedicated customer sales and support teams in the United States, England, Hong Kong, India, China and Singapore. We also use mature customer service markets, like the Philippines, to give us scale to support growth in our Australian domestic business and the flexibility to improve the services we provide.

Saying goodbye to 2G

When our 2G mobile network service was launched in 1993, making a mobile call was a novelty. Since then our customers made around 87 billion phone calls and sent billions more text messages on the 2G network. But times have changed and with 2G mobile traffic accounting for less than 1 per cent of our total mobile network traffic, we formally closed our 2G network on 1 December, 2016. We worked with customers to migrate their 2G services prior to the network closure, and by upgrading to a 3G or 4G service customers instantly increased the number of places where they could use their mobile phone.

Building network resilience

In response to network interruptions we experienced in the second half of FY16, we embarked on expanding our network resiliency program. The program is designed to reduce the likelihood of future outages through increasing redundancy in our nodes (connection points), increasing core network capacity, implementing new procedures for key network element restarts, and improving resilience in our international connectivity.

In FY17 we made good progress in this two-year program, with our immediate focus being to boost our customer experience and safeguard the stability of the network. We strive to ensure that network incidents don't impact our customers. The program will reduce the number of service disruptions and enable faster recovery times by:

- simplifying our network architecture
- increasing redundancy in equipment and paths
- boosting core capacity and mass re-registration capability and
- accelerating the renewal of network equipment that is nearing end of life.

For more information on our networks, please refer to the Strategy and Performance section of the [2017 Annual Report](#).



Sheep and cattle farmer Anthony Close in Culla, Victoria.



The right call on mobile roaming

The Australian Competition and Consumer Commission (ACCC) announced in 2016 that it would investigate whether to regulate roaming – which would have forced us to give competitors access to Telstra's entire Australian mobile network.

In its draft decision on 5 May 2017, the ACCC proposed to not declare a wholesale domestic mobile roaming service.

We believe confirmation of this draft decision would be the right decision for the people, businesses and communities of regional Australia because it would ensure the industry still has the incentives to invest. We encourage others in the industry to follow Telstra's lead and put forward serious investment plans to deliver the kind of future regional Australia deserves.

We've invested significantly in our regional network and customers choose Telstra because we have Australia's leading mobile network. Regulated roaming would take away this competitive advantage and remove the incentive that we – and other carriers – have to keep investing to expand and improve our networks.

Digital futures



Tech for good

Digital technologies hold the key to solving or enabling solutions to many of society's challenges. From making our lives more convenient and comfortable, to bringing global lessons into rural classrooms, long-distance disease diagnoses and drones that help farmers monitor their fields, smart technologies are helping millions of ordinary people do more things, more quickly, in ever more remote locations.

At Telstra, we want technology to benefit society and the planet. Our 'tech for good' portfolio embraces a broad spectrum of technology enabling solutions – from start-up incubation and early-stage investment, to the identification of practical solutions with industry partners, and the development of new products and services that are closely aligned with our core assets.

And we are continuously looking ahead – recognising that true innovation requires encouragement for a future generation of innovators and problem solvers, who have the skills and support to navigate the online world confidently and safely.

Highlights



Committed more than
\$6 million
to the Telstra Foundation®
to support community programs
and partnerships



eSmart Libraries program
now rolled out in
67%
of public libraries
across Australia



3,126
community focused organisations
enabled to connect with learning
opportunities in digital citizenship,
STEAM and digital making



Over the past four years
Telstra start-up accelerator
muru-D® has accelerated
77 start-ups



Launched
**Telstra Smart
Home®**



Launched our
**Cloud Calculator
Tool**
to enable business to estimate
carbon savings when switching
to the cloud

Sustainability 2020 Target

Invest \$18 million over three years in Telstra Foundation funded initiatives designed to support young people to thrive in a digital world

Social and environmental innovation

Approach

The rate of change in technology is accelerating, presenting opportunities to create new innovative products, services and differentiating customer experiences. We work with industry partners, start-ups and non-profits to deliver practical solutions across Australia and around the world.

Telstra's investments in cloud storage, the Internet of Things (IoT), and applications give us new tools for creating a more sustainable environment, promising major dividends in energy efficiency and greenhouse gas reductions. While there is great potential across the economy, we see the agriculture sector as one where technologies have the potential to both significantly reduce carbon emissions and save Australian farmers millions of dollars.

Through the Telstra Foundation®, we're supporting inspiring non-profit organisations that are transforming the lives of vulnerable young people. This year we invested in digital learning experiences in schools, public libraries and remote Indigenous communities as well as accessible communications technologies to support the deafblind community, e-health tools for clinicians working in youth mental health, and robotics and wearable technology for children living with cerebral palsy.

Progress

Nurturing innovation

The unprecedented growth of the connected, digital world presents great opportunities for those that embrace technology to create new innovative products, services and differentiating customer experiences.

We have created an innovation ecosystem at Telstra that includes facilitating 'innovation challenges', our muru-D® start-up accelerator program and our Gurrova Innovation Lab - Telstra's flagship purpose built co-innovation centre.

In FY17, we launched Telstra Labs® – a single identity that brings together our innovation and tech capability. It's a unique environment that allows for rapid experimentation, validation and the implementation of new ideas within Telstra and with our partners and customers. Within Gurrova, we now have Australia's first publicly-accessible GSMA Open IoT Lab, opening up our networks and infrastructure expertise and resources to burgeoning start-ups. The IoT lab aims to provide innovators with space where they can create, test and prototype IoT solutions under controlled radio conditions.

Telstra topped a new corporate innovation index that ranks the top 50 ASX listed companies by their investments in corporate ventures, accelerators, incubators, internal innovation labs, co-working spaces and start-ups.

Telstra accounted for 18 per cent of the top 50 ASX-driven innovation activity in Australia.



Young people meet and interact with NAO the robot at a Telstra Kids Digital Futures workshop in regional Victoria.

High-tech agriculture

One sector with considerable potential for innovation in new technology in Australia is agriculture. ICT-enabled solutions such as sensor-based field equipment, data analytics, big data and traceability and tracking systems, can increase yields and productivity and reduce waste. Other benefits are environmental – smart agriculture solutions can lead to a considerable fall in agriculture-generated carbon emissions.

In FY17, Telstra released the white paper Regional Australia's Technology Future, which examines the opportunities that innovation and new technology may bring to regional communities across Australia.

The 2017 Telstra Innovation Challenge, also gave teams across Australia the challenge to design, build and code an innovative IoT prototype solution to help the agriculture industry. Forty teams across Australia built and pitched innovative and high-quality ideas,

such as our University Stream Winner – Team CQU who produced a modular fertigation control solution that attaches to irrigation systems and allows farmers to better control the proportions of nutrients distributed to their crops. From the IoT to drone technology, digital technologies offering new ways to monitor and collect data will help farmers make smart decisions and reduce or eliminate circumstances which can adversely impact profits and livelihoods.



The sky-high tech set to revolutionise the agriculture industry

FluroSat co-founder and CEO Anastasia Volkova, is focusing on putting actionable data into the hands of the people who need it – the agronomists and farmers making daily decisions about crop management. The FluroSat team takes the info from the drones and satellites, processes that data and delivers actionable data on the spot. Early projections show that the tech has the potential to save Australia's farming industry hundreds of millions of dollars through higher crop yields and savings on water, fertilisers and pesticides.

Using multi and hyper-spectral cameras mounted on drones and satellites, they are able to look at crop health and identify issues that may be impacting the fields. This allows them to see problems with crops (e.g. if a crop is water or nutrient deficient, or if part of a field needs a chemical applied to it to extinguish a disease outbreak) before a farmer on the ground is able to, and recommend precision fixes.

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Connecting to a low-carbon future

Through our Environmental Customer Value Proposition, we focus on helping customers transition to a low carbon future through the use of Information Communications Technology (ICT). A key element of our approach is to help our enterprise customers identify opportunities to reduce their carbon emissions and electricity costs.

One of these opportunities is through cloud technology. The cloud is transforming ICT. Simple to procure and manage, it's helping businesses realise the cost and efficiency gains that come from moving their data and workloads fully off their own premises. Cloud also offers businesses the ability to innovate and move fast for competitive advantage and manage security.

By adopting cloud computing infrastructure over in-house solutions, organisations in Australia could potentially save a collective \$1 billion in energy-related costs annually, and Australia would reduce its carbon emissions by 4.5 million tonnes per year¹. This is equivalent to the annual carbon emissions from 2.2 million cars, or the energy used by 250,000 Australian households.

With 10 million people in Australia commuting every day, and nearly 10 per cent of workers spending 10 hours or more per week commuting by car, it makes sense for the home to become the new office. Cloud-based communication and collaboration can alleviate productivity drains, and improve workplace flexibility by enabling employees to work remotely just as effectively as if they were in the office. With a rise in remote working, cloud is also removing cars from the road, reducing congestion and carbon emissions.

To help enterprise and small businesses considering their move to the cloud, Telstra has created our [Cloud Calculator Tool](#) as a part of our Connecting with the Cloud whitepaper released in June 2017. Telstra commissioned independent research to review our Australian cloud services and determine the energy and carbon emissions footprint. By comparing this information to the average onsite self-hosted server landscape, it is possible to estimate the potential direct savings in energy, cost and carbon emissions that organisations can expect to make by moving to Telstra's cloud services.

Find out more about our Connecting with the Cloud on our [website](#).

¹ Based on Australian Bureau of Statistics data on cloud adoption in Australia.

Creating smarter homes

Today the average Australian household has nine connected devices and by 2020, it's expected to be 29. In fact, there are more connected devices in the world than people. With all these connected devices, and rapid advances in technology, our homes are on the brink of a digital revolution. Just as the smartphone transformed our mobile lives, the home is set to change.

The Telstra Smart Home® concept is more than just a number of connected devices in the home, it's about how they connect and talk to each other and use data to automate and enhance different aspects of our lives. With the aim of bringing smart home technology to the mainstream, we launched our first range of products as a part of our Telstra Smart Home platform in November. In partnership with iControl, the range of connected gadgets are controlled from a smartphone or tablet through the Telstra Smart Home app.

Telstra Smart Home is here to make lives easier for the everyday person, whether it be to check on your home when you're away, make sure the kids are home safely from school, or making sure we remember to turn off an appliance. Smart home advancements also have huge potential for people living with a disability or those who want to remain in their own homes as they age.



Telehealth in action with the Royal Flying Doctor Service

A reality of living in regional Australia is that it often means it's difficult to see a specialist, with long wait times for an appointment that often requires having to travel considerable distance to attend.

Telehealth services offer great opportunities to deliver better access to healthcare for people living in regional and remote Australia. The Royal Flying Doctor Service in Victoria has been delivering telehealth to rural communities since November 2013 and as part of their partnership with Telstra Health®, local patients in Kerang (300 kilometres north of Melbourne) with diabetes can better connect with endocrinologists based in Melbourne from their local community centre, saving hours of travel time.

Telstra Health has worked with the Royal Flying Doctor Service to build a new telehealth platform that facilitates this service by bringing together video conferencing capabilities along with secure document management, advanced clinician scheduling and an online booking system in a fully integrated and customisable solution.

Telstra Health is the largest health software and solutions vendor in Australia, enabling healthcare providers to better connect with each other and with the patients they serve, and help improve the quality, safety and efficiency of health services. We believe that technology has the power to improve connections between healthcare providers and patients to help improve the quality, efficiency and security of health services in Australia.

Telstra Foundation®

The Telstra Foundation combines social innovation with digital connection to transform the lives of young people. We proudly support non-profits that create brilliant connected futures for young people living in Australia. Our investments focus on collaborations to help young people understand, create and safely engage with technology; and support tech savvy non-profits that are using technology to positively change the lives of young people.

In FY17, we partnered with 13 charity and social enterprise partners to enable young people to thrive online. We committed \$6 million through the Telstra Foundation to support community programs and partnerships, in addition to facilitating nearly \$1.4 million in charitable donations from Telstra employees and Telstra shareholders.

Building the next generation of digital makers and citizens

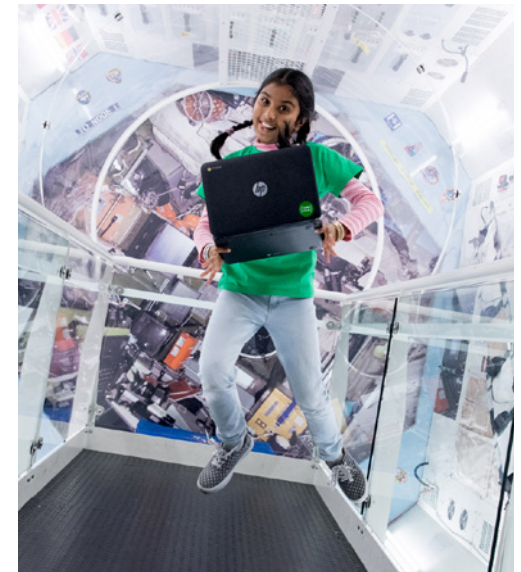
With our partners, we're building digital making and digital citizenship skills in communities, classrooms and public libraries across Australia. We invest in digital learning experiences focussed on coding, 3D printing, robotics, cyber safety and creativity skills.

In FY17, our investments supported 72,704 young people to create with technology, safely. We enabled 3,126 community focussed organisations (non-profits, libraries, schools and community groups) to connect with learning opportunities in digital citizenship, STEAM and digital making. We also upskilled 6,708 digital guides - a mix of Telstra employees, librarians, teachers, Indigenous Elders and other community leaders - to support young people to explore the positive benefits of being connected.

To bring this work to life, we partner with the National Centre of Indigenous Excellence (NCIE), Alannah & Madeline Foundation, PROJECT ROCKIT, Code Club Australia, Student Youth Network, Assistive Technology Australia, Cuberider, Sharing Stories Foundation and a selection of regional and remote Australian schools and libraries.

Highlights in FY17 include:

- eight regional and remote Indigenous community groups were selected to participate in IDX Flint, a free, train-the-trainer program within our Indigenous Digital Excellence partnership with the NCIE. IDX Flint works with communities to deliver engaging digital learning experiences for Indigenous youth. 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. IDX Flint teaches design thinking skills, robotics, 3D printing and digital making. Communities selected for an IDX Flint experience included Bourke (NSW), Robinvale (VIC), Alice Springs (NT), Bamaga/Inginoo (QLD), Broome (WA), Birdsville (QLD), Lake Macquarie (NSW) and Elcho Island (NT)
- supported over 1,909 Code Clubs and delivered train-the-trainer programs to 1,554 teachers as Code Club Australia's founding philanthropic investor. In July 2016, as part of the Telstra and Code Club Moonhack¹ event, more than 10,000 kids from around Australia set a world record in computer coding
- our Telstra Digital Kids program curated six digital citizen projects delivered across 40 regional locations across Australia with the aim to encourage young people to safely "create with tech not just consume it".



Code Club Australia wants to give every child in Australia the skills, confidence and opportunity to shape their world.

¹ Moonhack is a trade mark of Code Club Australia Limited.

Supporting non-profits that 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 FY17, we continued our multi-year partnerships with organisations tackling some of the tough issues facing young people today with a focus on identifying digital solutions.

Our investment is helping non-profits that work with young people to reimagine their products and services with technology. We focus on partners and projects that deliver benefits to young people at high risk of ill mental health, living with disability, living in regional, rural and remote communities and young Indigenous Australians. We provide a mix of funding and in-kind support to scope, develop and scale digital products and services for socially excluded young people.

Our current partners include:

- **ReachOut Australia and Orygen (National Centre of Excellence for Youth Mental Health):** we're investing in new ways to leverage technology to treat youth mental health, from awareness and prevention through to e-health tools for clinicians
- **Assistive Technology Australia:** our funding is connecting people living with complex communication needs to life changing tech solutions
- **Cerebral Palsy Alliance and MJD Foundation:** we're backing new technologies to improve the wellbeing of people living with disability, including gamified wearable tech, robotics, IoT, virtual and augmented reality.



ReachOut is Australia's leading online mental health organisation for young people and their parents.

We are also helping non-profits and social enterprises "do digital better" as the founding funder of the Remarkable accelerator (with Cerebral Palsy Alliance); our face-to-face Telstra innovation boot-camps; and our partnership with Fitzroy Academy to develop engaging online lessons and tools for social impact programs.

In addition, as part of the Telstra Shareholder Dividend Reinvestment Plan, Telstra shareholders donated over \$580,000 to our partner ReachOut in FY17, which helped to develop a new digital platform to improve access to mental health services for young people.

e-mental health gets a boost

The intersection of technology with mental health services is a key investment area for the Telstra Foundation®.

Orygen, a longstanding partner of the Telstra Foundation, has consistently driven thought leadership in the area of e-mental health interventions for young people. In FY17, the Telstra Foundation invested \$500,000 over three years in Orygen's new initiative to develop the world's first virtual clinic designed for young people suffering from severe and complex mental health conditions. The innovative project blends face-to-face and online clinical and therapy interventions. It features chat bots, sentiment analytics, machine learning, natural language processing, and also functionality such as video conferencing, real time online chat, SMS, appointment trackers, action plans, real time evaluations, and geo-located reminders to practice therapeutic skills.

It will be developed for clients and clinicians to integrate technology based care into different aspects of everyday life. A group of 150 young people will participate in the program pilot from design to delivery, and following evaluation, the program is expected to scale progressively to 30,000+ users globally.

Keeping safe in a digital world

Approach

Digital technology provides access to a world of information and communication but it can also leave us exposed to new risks in areas such as cyberbullying, privacy, data security and fraud. Through our programs and those of our partners, we work to build the skills and confidence needed to help understand these risks and promote safe and positive digital experiences.

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 infrastructure and support that make it easy to do so.

For more information about cyber security, please refer to [Protecting our customers data and privacy](#).

Progress

Cyber safety in our communities

The digital citizenship programs funded through the Telstra Foundation® promote positive online behaviours for people of all ages and experiences, including taking action on cyberbullying and online safety.

Our 2017 'Schoolyard to Screen' study found more than one in three (36 per cent) Australian teenagers have personally experienced cyberbullying. The study asked Australian parents to rank their biggest worries for their school-aged children. One in 10 parents told us they worried about their child smoking and drinking alcohol – while 15 per cent were concerned their child would take drugs. But 40 per cent said cyberbullying and bullying were their biggest worries for their kids.

In February 2017, we helped to launch PROJECT ROCKIT Online, a youth-designed digital classroom to tackle cyberbullying, funded by the Telstra Foundation. An Australian first, the online program developed by PROJECT ROCKIT targets school students in years 7 to 9 to take action on cyberbullying and online safety (see case study on next page).

Our eSmart Libraries partnership with Alannah & Madeline Foundation also tackles this important issue, equipping public libraries and connecting library users with the skills they need for smart, safe and responsible use of technology. eSmart Libraries is now in 67 per cent of public libraries across Australia, 49 per cent in regional locations. An external evaluation survey found that 100 per cent of

library managers said eSmart had made a difference to cyber safety and the management of cyberbullying in their library.

Knowing how to stay safe online is also an important part of digital ability and this is highlighted through our digital inclusion programs. For more information on our work in promoting cyber safety awareness, please refer to [Digital inclusion](#).



PROJECT ROCKIT is empowering young people to stand up and lead change.

Helping customers stay safe online

Telstra Broadband Protect™ helps protect devices connected to more than 1.5 million Telstra home broadband services – blocking visits to more than 3.7 million websites hosting known malicious content, scams or viruses each month. It does so by blocking those website at the Telstra network before they reach you. It is automatically activated on Home Internet Bundles purchased after 23 August 2016 and can be accessed through Telstra 24x7® My Account or the Telstra 24x7 App.

Telstra Broadband Protect also includes:

Parental controls – which allows users to choose which types of websites they're comfortable with family members visiting – helping protect children from known inappropriate sites and content on any device in the home. Parents can also set internet access times to help manage when kids can go online, and use Homework Time to restrict social networking and online gaming while they study.

Device protection – the Anti-Virus Plus Security helps keep devices free from known viruses, spyware and other threats. The Safe Browser function can help protect your personal and financial data when shopping and banking online.

Social network protection – which helps detect cyberbullying, unwanted attention and bad behaviour by monitoring children's activity on their social networks. It allows parents to receive notifications on their child's Facebook page, and see what they view on YouTube and Twitter to better manage their online experience.



PROJECT ROCKIT's digital classroom launched

At Telstra, we are passionate about helping young Australians maximise the potential of digital technology – but we want them to do so safely. We're proud to be working with PROJECT ROCKIT, a ground-breaking movement against bullying, to help launch a new digital classroom that aims to stamp out cyberbullying.

As well as funding PROJECT ROCKIT workshops in nine regional and remote towns across the country, we have also supported PROJECT ROCKIT to leverage technology to scale their important work. We have invested in PROJECT ROCKIT Online, a new online anti-bullying and leadership program to engage students in years 7 to 9. This youth-led and designed program comprises three 20-minute digital workshops and was launched in February 2017. An evaluation of PROJECT ROCKIT Online by Western Sydney University found that 96 per cent of students felt they could help to challenge bullying after completing the engaging, strengths-based, and empowering program.

Environmental solutions



Climate change and energy

While major advances in cloud storage, energy-efficient technologies and the Internet of Things (IoT) all have the potential to deliver significant emissions reductions, they are also driving the need for a new type of network – one with enormous capacity and flexibility. However, this type of network will require more energy to build and operate. But the reality is that Telstra's 'Network of the Future' will be more efficient with increasing data loads and will have the power to transform all of our lives – unlocking new opportunities to innovate, and drive energy efficiency across the Australian economy.

As we scale up our data capabilities to meet the growing demands posed by 5G, virtual reality and the IoT, our rapid expansion in these new arenas provides a unique opportunity to prepare for a more energy-focused, climate-conscious future.

We believe that business has an important role to play in addressing climate change and we are committed to helping our customers and communities identify new solutions to reduce emissions, limit global warming, and develop mitigation and resilience measures. We are also committed to continuously improving our own operations by setting tougher emissions intensity targets, implementing more energy-efficient processes and technologies, and protecting our infrastructure and assets from the impacts of extreme weather events.

Highlights



Telstra recognised on the CDP 2016

Climate A List



Reduced our emissions intensity by

68%

since our FY14 baseline year



Developed an

Adaptation Framework

to manage climate change risks

Sustainability 2020 Target

Reduce carbon emissions intensity (tCO₂e per petabyte) by 50 per cent by 2020, based on a baseline year of FY17

Scope for environmental reporting

Our sustainability reporting covers the financial year 1 July 2016 to 30 June 2017 (FY17) 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 greenhouse gas (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). In this section, we report Scope 1, 2, and 3 GHG emissions arising from Telstra's operations and employee business travel.

As our international operations expand we are committed to developing a global framework for sustainability data collection

and reporting. Starting with our most material international operations, we will continue to expand on the scope of our reporting over time. Wherever possible and relevant, 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](#).

Energy and emissions

Approach

At Telstra, we strive to reduce energy consumption across every aspect of our business, through a careful program of planning, monitoring and optimisation. This year, we continued to roll out energy-efficient improvements across our network sites, installing new lighting and air-conditioning controls, retiring inefficient cooling systems, developing improved fault detection and investing in solar PV and combined energy storage. We also expanded our support for a more renewable-powered future – investing in a major new solar farm development in central Queensland.

This year, we announced our vision for our Network of the Future, involving a major investment in our network leadership and growth that will transform the way customers interact with our network. This is an important opportunity to support the latest technologies including energy-efficient cloud services and the Internet of Things applications whilst allowing us to optimise our facilities. As we build the Network of the Future, we will need to operate our existing and future networks in parallel – which may result in our short-term emissions profile increasing in preparation for the longer term benefits the new network will bring.

For more information on our work to support businesses, customers and the community identify opportunities to improve their environmental performance, please refer to [Social and environmental innovation](#).

Progress

Managing our energy and 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.

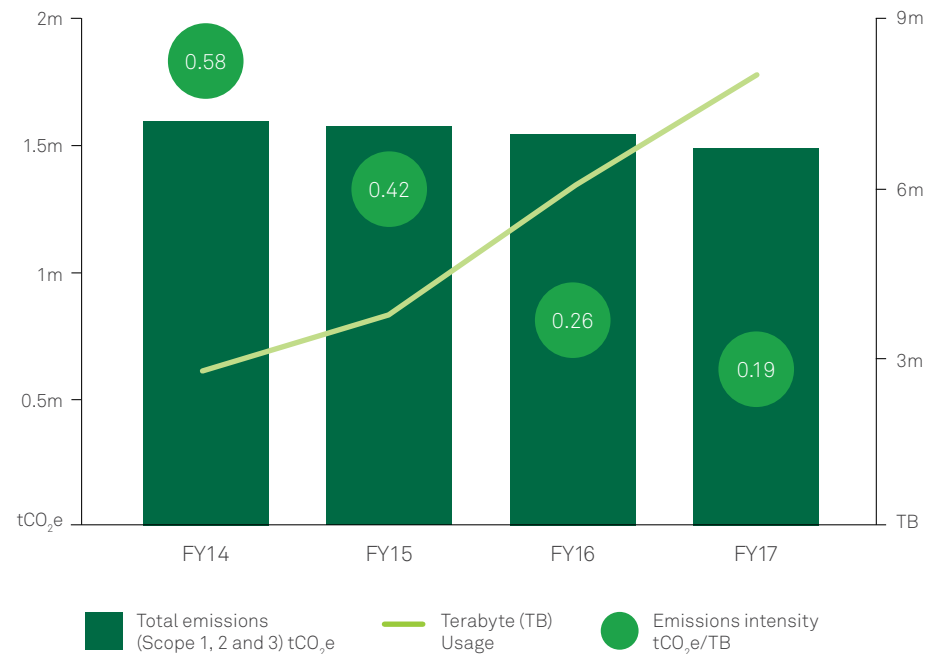
Our GHG emissions intensity has reduced by 68 per cent from our FY14 baseline year and exceeded our target of 55 per cent.

A main driver for this has been the significant rate of growth in data use – up by 192 per cent over the target period and up by 33 per cent during FY17.

From our baseline year of FY14 our absolute GHG emissions (Scope 1, 2 and 3 tCO₂e) have reduced by 5.9 per cent. The primary reason for the absolute emissions reduction is due to a decrease in the energy coefficients (emission factors) published by the Australia Government. Our ongoing program of energy efficiency projects has also contributed to the decline in emissions.

To demonstrate our commitment to environmental improvement, we have set a new carbon emissions intensity target covering the period FY18 - FY20. The target is to reduce carbon emissions intensity (tCO₂e per petabyte) by 50 per cent by 2020, based on a baseline year of FY17.

Greenhouse gas emissions, terabyte usage and emissions intensity⁽ⁱ⁾



(i) Greenhouse gas emissions are calculated using the latest emission factors at the time of reporting.

Energy efficiency

Our largest source of greenhouse gas (GHG) emissions is electricity consumption. This accounts for 95 per cent of our total GHG emissions (Scope 1, 2 and 3). Our network sites are our largest consumers of electricity and we continue to investigate opportunities to improve their energy efficiency through a range of activities.

Since 2011 we have invested \$52 million in improving the energy efficiency of our facilities. This year we invested \$5 million in energy reduction projects that delivered a collective saving 17,345 t CO₂e and more than 18,000 MWh of electricity.

For a detailed breakdown of our GHG emissions and energy consumption, please refer to our [reporting website](#).

We continue to identify energy efficiency improvements across all our operations. These include implementation of lighting and air conditioning controls, more rapid and comprehensive fault detection and repair, and optimised facility design.

This year, our energy team has been using an enhanced monitoring and analysis capability to identify unexpected peaks in consumption. Every week we examine the energy profiles of 1,200 Telstra network sites using a tool developed in-house. By bringing together local weather data and expected energy consumption profiles, we can identify issues soon after they occur and are able to dispatch our field staff to correct them.

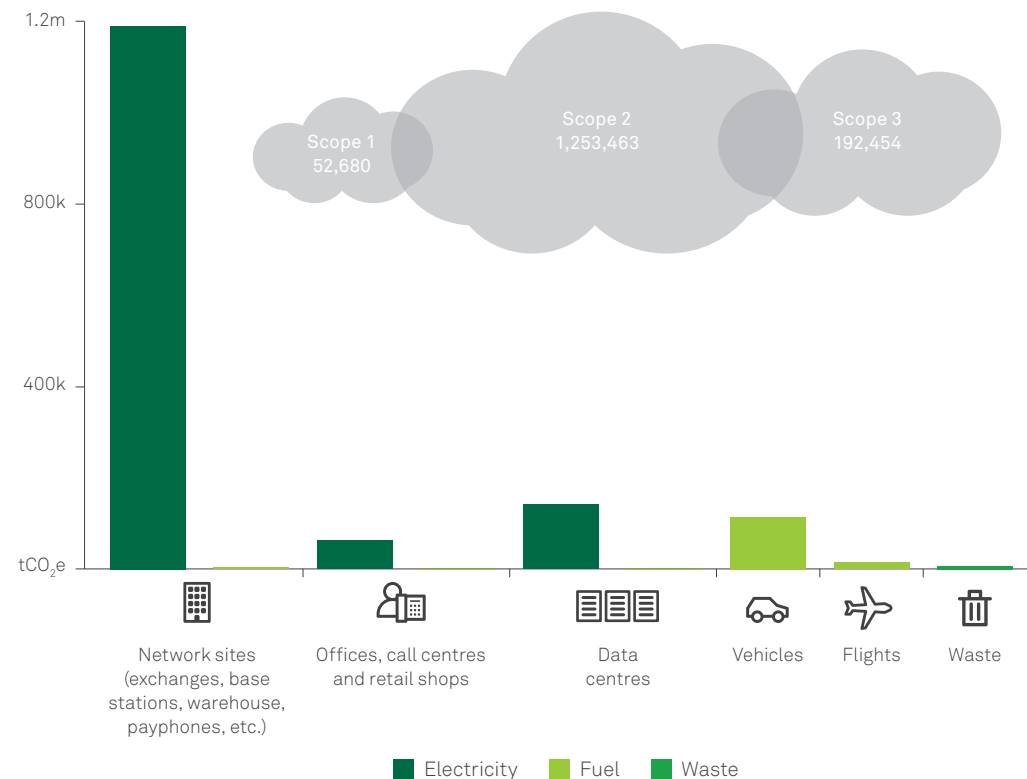
Some 644 energy audits were completed across our network portfolio as part of our

ongoing site optimisation program. These audits help us identify faults impacting energy consumption and identify new opportunities for capital investment.

We have also been working with our air-conditioning contractors to identify and deliver efficient operation and maintenance routines that are better suited to a Telstra network environment. We continue to provide support through our energy hotline number where our maintenance staff and contractors can obtain expert assistance and advice from local energy managers.

We also complete decommissioning activities which includes depowering redundant equipment and reconfiguring the network to optimise equipment utilisation and have saved 43,594 MWh this year.

FY 17 greenhouse gas emissions (scope 1, 2 and 3) by category



FY17 energy reduction initiatives

Initiative	Description	Savings (MWh)
Building services energy efficiency upgrades	Our capital works program includes the installation of fresh air cooling systems, high efficiency chillers, electronically commutated fans and lighting controls.	7,519
Upgrading rectifiers	Rectifiers convert electricity from AC mains power to DC power that is required to run our telecommunications equipment. We continue to upgrade older inefficient units to more modern, high efficiency rectifiers. These are now achieving efficiency levels of 96 – 98 per cent.	315
Heating, ventilation and cooling optimisation	We conduct physical inspections of our network sites to identify faults affecting power consumption and review equipment performance to identify optimisation opportunities.	9,826
Grid connected solar photovoltaics	We install rooftop solar panels at some of our exchange buildings to power our telecommunications equipment and reduce the amount the energy we consume from the electricity grid.	479
Total		18,139

Managing our transport emissions

Our fleet emissions are the second largest contributor to our emissions profile. This year the greenhouse gas (GHG) emissions from our fleet increased by 10 per cent. This was due to an increase in the number of fleet vehicles to support the addition of 1,000 technicians to our workforce assisting in critical nbn™ work and servicing our customers. We continue to work on reducing our fleet emissions through a range of initiatives including the removal of large six cylinder wagons from our fleet and replacing them with fuel efficient four cylinder models.

We participate in GreenFleet for all our salary packaging and novated leasing. Since 2003 Telstra employees through GreenFleet, have funded the planting of over 1.4 million trees around Australia.

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.

Investing in renewable energy

To assist our energy management programs, we have become a more active participant in the energy market. This year, we signed a long-term power purchase agreement with RES Australia, which will see the development of a new 70 megawatt solar farm near Emerald in central Queensland.

The electricity from this plant won't flow directly into Telstra facilities. It is however an important investment that helps protect us from movement in the costs of supplying energy to our facilities and also improves the overall carbon footprint of Australia's electricity supply. With Telstra as a confirmed long-term customer, RES Australia has gained the confidence to invest around \$100 million in the solar energy plant, which will be one of the largest renewable energy sources in northern Australia.

Construction of the Emerald solar project will begin later this year and electricity generation is expected to commence in 2018. The project will also collaborate with local businesses and Indigenous communities to create local supply arrangements to support the construction and operation of the plant.

Implementing solar and battery storage at our exchanges

We continue into the next phase of implementing AC grid-connected solar PV at our exchange buildings. This year we installed solar PV with a combined capacity of 340kW at five of our large network exchanges, which are significant energy-consuming sites and offered suitable conditions for installation. We have also been exploring new battery storage technologies that may be suitable for use in network facilities, delivering benefits through continued site support in the event of mains electricity failures, and cost savings through energy trading.

Emerging lithium-ion battery storage technology offers an innovative new way for Telstra to power our network. The visibility and control offered by this new technology provides us with the opportunity to ensure we have a reliable source of back-up power, and will enable us to reduce our energy costs by consuming electricity from the grid when it is cheaper and storing solar power for use after the sun goes down. We have installed and commenced operation of combined solar and lithium-ion battery storage solutions at a number of pilot sites to assess their potential benefits.



Dhanesh, Gavin and Anthony from Telstra Operations.

Our commitment to transparency

As part of our commitment to transparency, we have disclosed a detailed breakdown of our environmental performance data, available on our [reporting website](#).

To provide stakeholders' confidence in our environmental performance, we engage EY to provide limited assurance over our FY17 environmental performance data. For an overview of the metrics included in the assurance for this year, please see [EY's assurance statement](#).

Since 2003 we have also disclosed our GHG emissions and climate change risks annually through our questionnaire response to the CDP. Our submissions are available [online](#).

Climate change resilience

Approach

Climate change and increasing extreme weather events will demand adaptation or development of resilience measures to enable us to continue to deliver our products and services.

[Our climate change position statement](#) acknowledges climate change as both a business risk and an opportunity, and highlights the critical role ICT can play in assisting our customers and communities move towards a low-carbon future and become more resilient to a changing climate. We want to work in partnership with governments and the wider community to address the environmental, economic and social impacts of climate change. Our response to addressing climate change is focused on three key areas:

- minimising our emissions by identifying opportunities to improve the energy efficiency of our networks, through more efficient equipment and technologies, renewable energy sources and storage, and emissions intensity targets
- building resilience by assessing the risks of climate change and developing management approaches for our own operations, and supporting customers in responding to extreme weather events
- enabling low-carbon economic growth by making energy-efficient technology more accessible across our networks, and working with governments on policies that encourage and incentivise low-carbon innovation.

Progress

Building resilience

Our infrastructure is a long-term asset, much of it 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. To understand the influence of climate change on our operations (both present and future), we conducted a climate change risk assessment in FY16. The risk assessment identified the following key priority risks:

- higher temperatures leading to higher energy costs
- flood damage
- potential for more frequent and prolonged network outages due to extreme events.

In response, we developed an Adaptation Framework in FY17 to continuously improve how we manage our climate and extreme-weather risks. The framework outlines how we can use existing processes and systems most effectively and efficiently to manage climate change risks, including how we integrate these considerations into future decision making.

Key areas of the framework are:

- **adaptation principles:** a set of overarching principles for our teams to take into account when completing capital works or investment decisions. This includes considering cumulative impacts of multiple risks, as well as how risks may evolve or change over varying timeframes
- **adaptation actions:** actions to assist our teams implement the adaptation principles, including guidance on integrating climate change considerations into decisions, providing capacity building and training, building our operational and asset resilience and developing response plans for climate related events
- **governance and reporting:** guidance on governance requirements including executive oversight, defining strategic objectives and how we report and evaluate programs.

Work is underway to integrate the principles of this adaptation framework into standard business processes. The project team is working to prioritise strategic areas in key business units to develop action plans to embed climate resilience across current, planned and future business activities including asset planning, investment and service delivery.

For information on our progress for minimising our emissions, please refer to [Energy and emissions](#).

For more information on our work in helping to enable low-carbon economic growth through ICT, please refer to [Social and environmental innovation](#).

Telstra recognised on the CDP 2016 Climate A List

The CDP is a non-profit that runs a global disclosure system for investors, companies, cities, states and regions to manage and assess their environmental impacts.

The Global Climate Change Index which measures the transparency and integrity of a company's reporting on climate change recognised Telstra by including us on the global CDP 2016 Climate A List for the first time. Telstra was recognised as being among the top nine per cent of global companies awarded A grade performance.

Telstra's recognition in the Climate A List is a result of having strategies to mitigate or capitalise on the risks and opportunities associated with climate change. In part, our 2016 performance reflects:

- tracking ahead of our three year carbon emissions intensity target (55 per cent reduction by FY17, from a FY14 baseline)
- delivering absolute emissions reductions during the target period (FY14-17)
- public disclosure of our climate change position statement
- a more strategic approach to evaluating risks and opportunities posed by climate change.

Environmental solutions



Environment and resource efficiency

As consumers want the latest smartphones and other electronic gadgets, e-waste continues to increase and is one of the fastest growing types of waste in Australia. We know there are now more than 23 million unused mobile phones sitting on shelves or in drawers across the country. As one of Australia's leading technology companies, we have a major responsibility to improve our resource efficiency – and help our suppliers and customers minimise environmental impacts.

As we prioritise resource efficiency across our operations, it is becoming clear that these initiatives can also create business opportunities – including new revenue streams from reused materials, innovative products with enhanced sustainability credentials, and cost savings from reduced packaging materials. Telstra will continue to pursue these opportunities as we mature and adopt more rigorous reuse, recycling and efficiency targets.

We also have a responsibility to advocate for industry change and assist our customers to improve their environmental performance, while working to ensure our operations comply with international environmental obligations. These include monitoring and managing the increasing complexity of our environmental risks.

Highlights



Launched our new
Go Mobile Swap
and My Business
Mobile Lease plans



Launched our first
Electronics Reuse and Recycling Strategy



Collected
19.9 tonnes
of mobile phones and
accessories through the
MobileMuster program,
exceeding our target of
17 tonnes

Sustainability 2020 Target

Reuse or recycle 60 tonnes of mobile phones and accessories over the next three years

Resource efficiency

Approach

As a leading telecommunications and technology company, we are reliant on large volumes of electronic equipment to operate our network. The rapid evolution of technology requires us to continuously upgrade our network and has also increased customer demand for the latest devices – resulting in the increasing quantities of equipment becoming e-waste. Responsible management has become one of our most significant product stewardship issues.

The electronic equipment used by our networks and customers is made from critical finite materials, including rare earth minerals. The manufacture and distribution of electronic equipment also requires significant energy and resources associated with packaging and transport. However, in all of these areas, we also see opportunity – in cost savings from reduced and recycled raw materials, and in the development of more efficient products that appeal to a more eco-conscious market. We are promoting more flexible mobile plans that encourage consumers to lease rather than purchase the latest smartphones.

These initiatives present a unique opportunity for Telstra to unlock value through greater materials efficiency, keeping resources in use for as long as possible, recovering and remanufacturing products at the end of their service life, and providing an environmentally sustainable message that our employees and suppliers can carry to the wider community.

Progress

Telstra has 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 launched our first Electronics Reuse and Recycling Strategy, [Unlocking Hidden Value](#), to systematically manage and reduce our e-waste impact across our value chain. It brings focus to the importance of applying integrated and collaborative approaches to realise business value through increased electronics recovery, reuse and recycling.

This presents an opportunity for Telstra to unlock value through materials efficiency, which includes striving to keep resources in use for as long as possible, extracting the maximum value from them while in use, then recovering and remanufacturing products at the end of each service life.

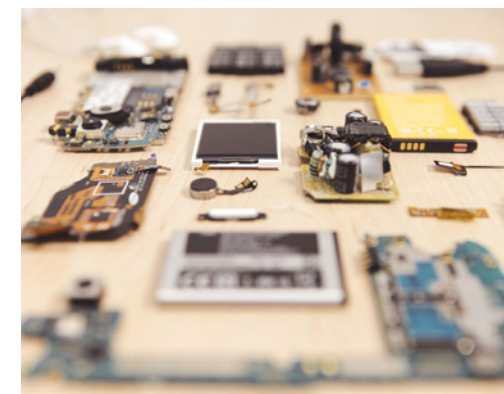
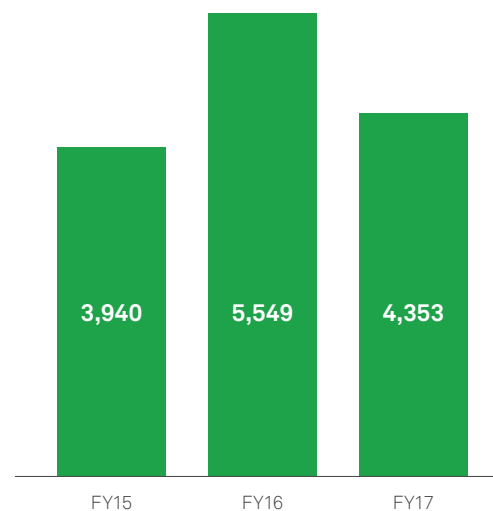
As our management of e-waste matures, we aspire to take a circular economy approach and work across our value chain to extend the life of the resources we consume from equipment design through to end-of-life disposal as well as taking responsibility beyond the point of manufacture or sale to influencing the total life cycle of products.

Our ambition is to harness the benefits of electronics reuse and recycling, while ensuring secure and responsible disposal practices.

In FY17 we collected 19.9 tonnes of mobile phones and accessories through the MobileMuster program, exceeding our target of 17 tonnes. We collected 4,353 tonnes of e-waste with a recycling rate of 99.9 per cent.

For a detailed breakdown of our resource consumption, please refer to our [reporting website](#).

Total e-waste collected (tonnes)



Extending the life of smartphones

In November this year, we launched our new customer and business [mobile lease plans](#), which give our customers the option to lease their smartphone and obtain a new device every 12 months. The swap plans are designed for smartphone users who want the latest generation smartphone each year while managing their monthly spend. It also allows customers to upgrade a damaged phone, taking the stress out of being left without a mobile device. As part of the plan, we collect and refurbish or recycle returned devices.

Re-using customer equipment

When we provide equipment upgrades to business and enterprise customers we supply switches, routers and other hardware. However, many parts of their old equipment are still useable. Previously we sent this equipment to e-waste traders to be repurposed, recycled or sold. This year, we have developed a new process to collect and catalogue the old equipment, and provide a list of available equipment to project managers to use before they order new equipment. Since April 2016, we have re-used 3,181 devices across 241 customers.

We have also moved to a 'just in time' ordering process, where we only order what is needed compared to our previous process where stock was ordered six months in advance. As a result, we have decreased 'on hand' volumes by 39 per cent. In FY17, the programs have delivered a \$4 million benefit.

Employee involvement

A key initiative of our Electronics Reuse and Recycling Strategy was establishing e-waste Recycling Hubs in major workplaces for our staff. From 1 October 2016, 40 major offices throughout Australia offer a central collection point.

Our internal Device Centre developed the Regener8 program, which collects and repurposes unused phones from across the business for internal purposes such as bulk device testing. This program extends the lifetime of the phones that would otherwise go to recycling, reducing our environmental impact by avoiding the need to produce new phones. This year, the program collected and repurposed more than 1,950 mobile devices.



Other materials efficiency initiatives

As well as managing e-waste, we recognise that broader materials efficiency also saves valuable resources and minimises our impact on the environment. This year we have worked to reduce the packaging associated with our SIM kits and have halved the size of the plastic card used to hold the SIM card. We're progressively introducing this change across our SIM kit range and to date have despatched more than 3.4 million of the half version SIM kits. The reduction has resulted in less plastic and packaging required to manufacture the SIM kits as well as lower energy use through optimising distribution and warehousing.

We are also reducing our paper consumption through the use of [DocuSign](#), a cloud based platform which allows our people and customers to quickly, easily and securely collect and transact business information and sign documents at any time on any compatible device. We have moved many of our enterprise, business and government customers onto DocuSign. Since implementing the solution in June 2015, we have over 30,000 customers using it and have saved almost three million pages from being printed. This has resulted in improved productivity, increased customer advocacy as well as saving more than 11 tonnes of wood fibre and 600 kilolitres of water.



Telstra's new half-size SIM kit range was released this year.

Environmental risk and compliance

Approach

Work continues to minimise our environmental impacts. Our approach is aligned with the new ISO 14001:2015 standard to which Telstra was certified at corporate level in 2016.

Our minimum environmental management requirements cover:

- **climate change and resource management:** proactive programs for conserving resource use, reducing greenhouse gas emissions, enabling low carbon economic growth and managing risks associated with a changing climate
- **contamination and pollution control:** systematic and consistent processes to identify, control, investigate, report and manage contamination and pollution in our owned and leased sites
- **hazardous materials and dangerous goods:** risk management processes include handling hydrocarbons and asbestos containing material
- **land stewardship:** respecting the land and the traditional owners of the land on which we operate by ensuring that land use is planned and managed to deliver a sustainable outcome, taking into account adjacent and future land use, cultural heritage and biodiversity
- **waste management:** proactively minimise the diversion of waste to landfill through sound procurement strategies, efficient use of resources, reuse or recycling of waste streams and diligent waste disposal.

Progress

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 that internal investigations are conducted to determine the cause of the non-compliance and to ensure that any risk of recurrence is minimised. Telstra's procedures further require that the relevant government authorities are notified of any environmental incidents (where applicable) in compliance with statutory requirements. Telstra ensures that it complies with notices issued by government authorities. Telstra has not been prosecuted for, or convicted of, any significant breaches of environmental regulation during the financial year.





For further enquiries, email us at sustainability@team.telstra.com

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