Telstra Corporation Limited and controlled entities

Directors' Report

For the year ended 30 June 2007

In accordance with a resolution of the Board, the directors present their report on the consolidated entity (Telstra Group) consisting of Telstra Corporation Limited and the entities it controlled at the end of or during the year ended 30 June 2007.

Principal activity

Telstra's principal activity during the financial year was to provide telecommunications and information services for domestic and international customers. There has been no significant change in the nature of this activity during the year.

Strategy

We are Australia's largest telecommunications and information services company moving rapidly toward being a media communications company. We offer a full range of products and services throughout Australia and various telecommunication services in certain overseas countries.

During fiscal 2006, we announced our new strategic and operational focus to continually move forward as a market leader in the telecommunications industry. This review was a blueprint for improving our long term performance by providing a solid platform to drive future growth and create operational efficiencies.

Our vision is to streamline our processes to provide solutions that are simple and valued by our customers, which we believe will ultimately lead to the creation of long term value for our shareholders. Our strategy involves:

- providing customers with integrated telecommunication services;
- investing in systems and processes to remove complexity and cost from the business;
- continually improving our operating performance in mobiles and broadband, as well as accelerating opportunities in Sensis;
- investing in new services and applications to differentiate us from our competitors; and
- targeted investing in areas where we can create value for our shareholders.

We are delivering our strategy through the implementation of a one factory approach and market based management. The one factory approach involves bringing together the operations and management of our internal IT systems, removing duplication and complexity in our systems and implementing simpler and efficient processes and systems, which we believe will improve our operational efficiency and cost structure. Market based management involves us obtaining a better understanding of each of our respective customers' unique segment needs, priorities and expectations. It is based on extensive market research, which we will utilise to ensure our processes and procedures meet our various customer requirements to ultimately provide them with better services.

Transformation

Although the transformation of our Company is at an early stage, current progress is encouraging. We are now nineteen months into our five year transformation. Our key achievements in the past year, as we execute our five year transformation strategy, include that we:

- built our national Next G™ network in ten months which is the world's largest and fastest wireless high-speed broadband network. Our Next G™ coverage is expected to be the same or better than CDMA in mid October 2007;
- upgraded the network's speeds to 14.4 megabits per second (Mbps) nationwide - the world's fastest wireless broadband network;
- extended the Next G™ network range up to 200 kilometres (at selected sites);
- have two million 3GSM customers with over one million on the Next G™ network;
- launched national high-speed ADSL with network speeds up to 20Mbps;

- launched the Next IP™ network which, together with the Next G™ network, is the world's largest fully integrated wireline and wireless national Internet Protocol (IP) network;
- delivered important capabilities as part of our IT transformation and have exited 132 IT systems in fiscal 2007; and
- now have a more intimate knowledge of our customer needs as a result of market based management.

In April 2007 we launched our Next IP™ network. The Next IP™ network, together with our Next G™ network, will create a single integrated platform which is the largest integrated national network in the world. It is a network that is more secure, more reliable, high performing and simpler to access than any other network ever built in Australia. The Next IP™ network will reduce the network complexity and ultimately reduce costs as we migrate customers from all the fixed legacy networks to the new IP core.

Our Fibre to the Node (FTTN) project is on hold. Discussions were terminated with the ACCC in August 2006 due to its unwillingness to accept our cost estimates and provide appropriate investment safeguards. We have since engaged in discussions with the Government, the Opposition and others to explain our FTTN proposal and to achieve regulatory reform, including safeguards for shareholder investments. Our position for investment in the FTTN has not changed in the last 12 months, and until there are appropriate regulatory safeguards, we will not invest in a FTTN broadband network.

We continue to remain on track for achieving a successful transformation of our Company and believe that it will lead to:
- a simplified and integrated experience for our customers;
- Australia's leading broadband access and applications content provider;
- our Company being the leading wireless network with faster speeds and best in-building coverage;
- Telstra having Australia's largest IP network, providing customers with integrated telecommunications services;
- Sensis being Australia's leading information resource; and
- operational and cost efficiencies.

The IT transformation is key to operational and cost efficiencies and we are paying close attention to ensuring execution risks are managed and effective operational controls remain, or are added where appropriate.

Telstra will continue to devote substantial capital to upgrading and simplifying our telecommunications networks to meet customer demand, particularly for the new product and growth areas. We believe we are well positioned to focus on these areas of new customer demand by providing a broad range of innovative products with creative and competitive pricing structures.

Industry dynamics

The Australian telecommunications industry is continually changing. We have seen the number of mobile handsets in the Australian market continue to grow, as well as the use of mobile services. Most households continue to maintain a basic access line, however PSTN products are increasingly being substituted by wireless or broadband products.

Advances in technology continue to transform the telecommunications industry. In recent years, we have seen various new product offerings released to the market, including the provision of high-speed wireless services, 3G mobile services and our Next G™ network to accommodate this. As a consequence, we are in the process of migrating customers from the CDMA network to the Next G™ network, which we are on track to complete in January 2008.

We aim to be at the forefront of providing leading edge telecommunication services to meet the demands of our customers. During fiscal 2007, we completed the roll out of the new Next G™ 850 network. In addition to current services already experienced on existing networks, we believe future 3G 850 customers will enjoy many enhanced features, such as improved video calling services and faster broadband access speeds, in addition to better in-building coverage.

The broadband sector is in a significant growth phase as the demand for high speed internet access accelerates. We have recently seen large increases in broadband subscribers and a steady fall in prices as providers compete for market share. We expect the broadband sector to continue its expansion through the provision of new innovative products and we expect to be at the forefront of this market dynamic with our ability to integrate services over our fixed and wireless platforms.

Results of operations

Telstra's net profit for the year was $3,275 million (2006: $3,183 million). This result was after deducting:

- net finance costs of $1,087 million (2006: $933 million); and
- income tax expense of $1,417 million (2006: $1,381 million).

Earnings before interest and income tax expense was $5,779 million, representing an increase of $282 million or 5.1% on the prior year's result of $5,497 million. This increase was due to revenue growth in mobile goods and services and in internet and IP solutions.

The increase in earnings before interest and income tax expense was also attributable to reduced labour costs as a result of lower staff numbers and the utilisation of the redundancy provision raised in fiscal 2006, offset by higher goods and services purchased, particularly subscriber acquisition costs and retention costs supporting revenue growth, and increases in other expenses mainly due to transformational activities.

Review of operations

Financial performance

Our total income (excluding finance income) increased by $898 million or 3.9% to $23,960 million, reflecting a rise in total revenue (excluding finance income) of $975 million or 4.3% offset by a decrease in other income by $77 million or 23.5%.

Total income (excluding finance income) growth was mainly attributable to:

- mobile goods and services (including wireless broadband) - $695 million, up 13.9%;
- internet revenue (including wireless broadband) - $508 million, up 35.4%;
- CSL New World income - $168 million, up 20.2%; and
- Sensis income - $147 million, up 8.0%.

Mobile goods and services revenue increased largely due to the continued growth in the number of mobile telephone subscribers, as well as increased demand for 3GSM services and data services particularly on Next G™.

The increase in internet revenue was due to the significant growth in the number of subscribers to our Bigpond broadband product as well as customers demand for new applications and content.

In assessing the performance of the mobiles and broadband products we have changed the presentation from the prior year. As wireless data cards operate on the mobile network and provide a broadband service we have grossed up the mobile and broadband revenues to include the results from the sale of data cards and data packs. In fiscal 2007 wireless broadband revenues were $284 million, up $211 million over fiscal 2006. This revenue is included in both the mobile goods and services revenue and internet and IP solutions revenue. This gross up of wireless broadband revenues is removed from the other sales and services revenue line to ensure there is no double counting.

Sensis increased revenue compared with the prior year due to the introduction of new initiatives within print directories, an increase in customer numbers and the purchase of SouFun Holdings Limited (SouFun) in fiscal 2007.

CSL New World revenue increased 20.2% due to fiscal 2007 including a full year of revenue from New World, whereas fiscal 2006 included revenue from the merged group since March 2006.

The PSTN product revenue decline of $309 million or 4.1% continued as customers move towards mobile and broadband products. This reduction is at a significantly lower rate than prior periods. The decline in the second half of the year was only 2.5%.

Total operating expenses (before depreciation and amortisation, finance costs and income tax expense) increased by $600 million or 4.4% compared with the prior year. This growth was mainly attributable to:

- goods and services purchased - $450 million up 9.6%; and
- other expenses (excluding labour and goods and services purchased) - $497 million up 11.2%.

This was offset by a decrease in labour expense of $347 million, down 8.0%.

Goods and services purchased increased $450 million, up 9.6% due to the following:

- cost of goods sold increased mainly due to higher sales volumes for mobile handsets and a higher average cost per handset associated with strong 3G take up;
- higher handset subsidies from a rise in the take up of handsets on subsidised plans as well as higher subsidies offered again associated with our marketing campaign for Next G™ mobile; and
- partially offset by lower network payments as a result of a reduced mobile terminating access rate, and lower payments for international capacity and termination costs due to lower net costs from Reach Ltd, our jointly controlled entity.

Other expenses were higher by $497 million, up 11.2% due to the following:

- increased service contracts and other agreements largely due to costs associated with our transformational activities and payments to Brightstar for management of our channel logistics operation centre, which did not exist in fiscal 2006;
- higher promotions and advertising costs relating to spending on the launch of the Next G™ network, the Next IP™ network as well as more marketing activity of our wireless and other BigPond broadband products;
- the full expenses attributable to the merger of CSL with New World PCS, the consolidation of expenses from SouFun in the current fiscal year, and the acquisition of Adstream in the second half of the prior fiscal year;
- increased costs associated with our transformation initiatives, including software development, training and electricity costs and property maintenance costs associated with running multiple networks; and
- expenses associated with the impairment of the Trading Post masthead and increased bad and doubtful debtors expense as a result of write offs and increased aged debts associated with the increase in mobiles and broadband customers.

Labour costs decreased $347 million, down 8.0% in fiscal 2007 mainly due to the following:

- lower staff levels, and therefore a reduction in salary costs;
- a reduction in redundancy costs due to the utilisation of the redundancy provision that was raised in fiscal 2006; and
- lower overtime payments partially offset by higher contractor and agency payments.

Net finance costs increased by $154 million or 16.5% in fiscal 2007, primarily due to higher levels of debts driven by the cash requirements to fund the capital expenditure associated with our transformation. Our borrowings have also been affected by higher effective interest rates. The net debt gearing level at 53.7% remains within the financial parameters set by the Board.

Income tax expense increased by $36 million or 2.6% to $1,417 million in fiscal 2007 mainly as a result of the higher profit. The effective tax rate in the current year was 30.2% compared with the prior year rate of 30.3%. The effective tax rate is consistent with the Commonwealth statutory marginal income tax corporate rate of 30.0%.

Financial condition

We continued to maintain a strong financial position, as demonstrated by us generating free cash flow of $2,899 million. During fiscal 2007, we continued to develop our core infrastructure network through ongoing operational transformation. In addition, we acquired SouFun for $337 million and paid a total of $3,479 million to shareholders as dividends in fiscal 2007.

As part of our ongoing operational transformation, we have continued to apply the one factory methodology to consolidate and simplify the way we operate at all levels of the business. Previously, we had invested in multiple platforms in our exisiting networks. We intend using economies of scale to ensure rationalisation of the number of operational platforms. We are currently implementing new business support systems and operational support systems to deliver simplificiation of our current processes and new capababilities cost effectively.

We continue to implement market based management to improve our customers experience and bring more value to our customers.

During fiscal 2007, our credit rating outlook remained unchanged. Our credit ratings are as follows:

	Long term	**Short term**	**Outlook**
Standard & Poors	A	A1	negative
Moodys	A2	P1	negative
Fitch	A+	F1	negative

We reported a strong free cash flow position and we continue to source cash through ongoing operating activities and through careful capital and cash management.

Our cash flow before financing activities (free cash flow) position remains strong despite declining to $2,899 million in the year from $4,579 million in the prior year. This decline was driven by higher levels of cash used in investing activities as we undertake our network and information technology platform transformation and a decline in operating performance.

Cash used in investing activities was $5,621 million, representing an increase of $1,647 million over the prior year. The increase is mainly attributable to capital expenditure on our transformation activities.

Our cash used in financing activities was $2,757 million, resulting from the payment of the dividend and the refinancing of our maturing debt, offset by net proceeds from borrowings received from a number of our private placements.

Dividends, investor return and other key ratios

Our basic earnings per share increased to 26.3 cents per share in fiscal 2007 from 25.7 cents per share in the prior year. The increase was due to higher profit in fiscal 2007.

The directors have declared a final fully franked dividend of 14 cents per ordinary share ($1,740 million), bringing declared dividends per share for fiscal 2007 to 28 cents per share. The dividends will be franked at a tax rate of 30%. The record date for the final dividend will be 24 August 2007 with payment being made on 21 September 2007. Shares will trade excluding entitlement to the dividend on 20 August 2007.

The prior year declared dividends amounted to 34 cents per share. The dividends paid in fiscal 2007 were 28 cents per share compared with dividends paid in fiscal 2006 of 40 cents per share (which included two six cent special dividends).

On 4 July 2007, Telstra Corporation Limited announced the commencement of a dividend reinvestment plan ("DRP"). The election date for participation in the DRP is 24 August 2007.

During fiscal 2007, the following dividends were paid:

Dividend	Date declared	Date paid	Dividend per share	Total dividend
Final dividend for the year ended 30 June 2006	10 August 2006	22 September 2006	14 cents franked to 100%	$1,739 million
Interim dividend for the year ended 30 June 2007	15 February 2007	30 March 2007	14 cents franked to 100%	$1,740 million

At present, it is expected that, for fiscal 2008, we will be able to declare fully franked dividends. However, the directors can give no assurance as to the future level of dividends, or of the franking of these dividends. This is because our ability to frank dividends depends upon, among other factors, our earnings, Government legislation and our tax position.

No decision with respect to the payment or funding of future ordinary dividends has been made. The Board will make these decisions in the normal cycle having regard to, among other factors, the Company's earnings and cash flow requirements, as well as regulatory decision impacts.

Other relevant measures of return include the following:

- Return on average assets - 2007: 15.9% (2006: 15.7%)
- Return on average equity - 2007: 26.3% (2006: 24.3%)

The return on both average assets and average equity were higher in fiscal 2007 primarily due to the increased profit as previously discussed.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of our Company during the financial year ended 30 June 2007

Sale of the Commonwealth's remaining interest in Telstra

The Commonwealth proceeded with the sale of its 51.8% ownership interest in Telstra in the year ended 30 June 2007 where it sold 34.2% of its ownership interest through a public sale. The Commonwealth's remaining 17.6% interest in Telstra was transferred to the Commonwealth Future Fund in February 2007.

Listing on foreign stock exchanges

In June 2007, we delisted from the New York Stock Exchange and we are currently in the process of deregistering from the Securities Exchange Commission in the United States of America. We expect to be deregistered by early September 2007. As a consequence we have not prepared any USGAAP information in this years financial statements.

Likely developments and prospects

The directors believe, on reasonable grounds, that Telstra would be likely to be unreasonably prejudiced if the directors were to provide more information than there is in this report or the financial report about:

- the likely developments and future prospects of Telstra's operations; or
- the expected results of those operations in the future.

Events occurring after the end of the financial year

The directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future years Telstra's operations, the results of those operations or the state of Telstra's affairs, other than:

- In November 2002, Seven Network Limited and C7 Pty Limited ('Seven') commenced litigation against Telstra and various other parties ('the respondents') in relation to the contracts and arrangements between us and some of those other parties relating to the right to broadcast Australian Football League and National Rugby League, the contract between FOXTEL and us for the provision of HFC cable services (the Broadband Co-operation Agreement) and other matters.

  On 27 July 2007 the Federal Court dismissed Seven's case on all grounds. Final orders will be made, after the parties make submissions on costs. The decision could be subject to appeal by Seven.

Details of directors and executives

Changes to the directors of Telstra Corporation Limited during the financial year and up to the date of this report were:

- Geoffrey Cousins was elected as a director on 14 November 2006.

Information about directors and senior executives is provided as follows and forms part of this report:

- names of directors and details of their qualifications, experience, special responsibilities and directorships of other listed companies are given on pages 12 to 16;
- number of Board and Committee meetings and attendance by directors at these meetings is provided on page 17;
- details of director and senior executive shareholdings in Telstra are shown on pages 17 to 18; and
- details of director and senior executive remuneration is detailed in the remuneration report on pages 20 to 51.

Company secretary

The qualifications and experience of our company secretary are provided on page 16 and forms part of this report.

Directors' and officers' indemnity

Constitution

Our constitution provides for us to indemnify each officer to the maximum extent permitted by law for any liability incurred as an officer. It also provides for us to indemnify each officer, to the maximum extent permitted by law, for legal costs and expenses incurred in defending civil or criminal proceedings.

If one of our officers or employees is asked by us to be a director or alternate director of a company which is not related to us, our constitution provides for us to indemnify the officer or employee out of our property for any liability he or she incurs. This indemnity only applies if the liability was incurred in the officer's or employee's capacity as an officer of that other company. It is also subject to any corporate policy made by our CEO. Our constitution also allows us to indemnify employees and outside officers in some circumstances. The terms "officer", "employee" and "outside officer" are defined in our constitution.

Deeds of indemnity in favour of directors, officers and employees

Telstra has also executed deeds of indemnity in favour of:

- directors of the Telstra Entity (including past directors);
- secretaries and executive officers of the Telstra Entity (other than Telstra Entity directors) and directors, secretaries and executive officers of our wholly owned subsidiaries;
- directors, secretaries and executive officers of a related body corporate of the Telstra Entity (other than a wholly owned subsidiary) while the director, secretary or executive officer was also an employee of the Telstra Entity or a director or employee of a wholly owned subsidiary of the Telstra Entity (other than Telstra Entity directors); and
- employees of Telstra appointed to the boards of other companies as our nominees.

Each of these deeds provides an indemnity on substantially the same terms as the indemnity provided in the constitution in favour of officers. The indemnity in favour of directors also gives directors a right of access to Board papers and requires Telstra to maintain insurance cover for the directors.

Additionally, Telstra has executed an indemnity in favour of employees (including executive officers other than directors) in respect of certain liabilities incurred in the formulation, entering into or carrying out, of a Telstra Sale Scheme (as defined in the Telstra Corporation Act 1991 (Cwth)). The indemnity is subject to an exclusion for liabilities arising out of conduct involving a lack of good faith.

In April 2006, the Commonwealth Government also executed a Deed of Indemnity in favour of the directors of Telstra to cover liabilities incurred by those directors in connection with a Telstra Sale Scheme. This indemnity is subject to certain limited exclusions described in the Deed. The Commonwealth also executed a similar indemnity in favour of "Telstra Executives" (as defined in the Deed).

Directors' and officers' insurance

Telstra maintains a directors' and officers' insurance policy that, subject to some exceptions, provides worldwide insurance cover to past, present or future directors, secretaries or executive officers of the Telstra Entity and its subsidiaries. Telstra has paid the premium for the policy. The directors' and officers' insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

Environmental regulation and performance

Telstra's operations are subject to some significant environmental regulation under Commonwealth, State and Territory law, particularly with regard to:

- the impact of the rollout of telecommunications infrastructure;
- energy and water efficiency;
- packaging of products;
- site contamination; and
- waste management.

Telstra has established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force.

The directors are not aware of any significant breaches of environmental regulation during the financial year.

Auditor

During fiscal 2007, the Auditor-General of Australia resigned as Telstra's external auditor following the completion of the Government sale of its remaining shareholding in us. Ernst & Young have been appointed as Telstra's external auditor, having acted as agent for the Auditor-General to assist in performing independent external audit duties since fiscal 2000. The directors have appointed Ernst & Young for the fiscal 2008 and 2009 years, subject to shareholder approval at the Annual General Meeting in November 2007.

Non-audit services

During fiscal 2007, our auditor Ernst & Young has been employed on assignments additional to their statutory audit duties.

Details of the amounts paid or payable to Ernst & Young for audit and non-audit services provided during the year are located in note 8 to the financial statements.

The directors are satisfied that the provision of non-audit services during fiscal 2007 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, and the nature and scope of each type of non-audit service provided did not compromise the auditor independence requirements of the Act for the following reasons:

- all recurring audit engagements are approved by the Audit Committee each year through the Audit Committee's approval of the annual audit plan;
- additional audit and non-audit services are pre-approved by the Audit Committee provided they fall within a defined list of services specified by the Audit Committee. Those additional audit and non-audit services that are not listed have to be specifically approved by the Audit Committee prior to the commencement of any engagement. In addition, all non-audit services with a value over $100,000 must be separately approved by the Audit Committee, even if the service is listed as a pre-approved service;
- fees earned from non-audit work undertaken by Ernst & Young are capped at 1.0 times the total audit fee;
- the provision of non-audit services by Ernst & Young is monitored by the Audit Committee via bi-annual reports to the Audit Committee. In addition, where engagements involve services from the defined list of services, these are reported to the Audit Committee at the following meeting; and

- the Audit Committee submits annually to the Board a formal written report detailing the nature and amount of any non-audit services rendered by Ernst & Young during the most recent fiscal year and an explanation of why the provision of these non-audit services is compatible with auditor independence. If applicable, the Audit Committee recommends that the Board take appropriate action in response to the Audit Committee's report to satisfy itself of Ernst & Young's independence.

Ernst & Young are specifically prohibited from performing any of the following services:

- bookkeeping services and other services related to preparing our accounting records of financial statements;
- financial information system design and implementation services;
- appraisal or valuation services, fairness opinions, or contribution in kind reports;
- actuarial services;
- internal audit services;
- management function or human resources;
- temporary staff assignments;
- broker or dealer, investment adviser, or investment banking services;
- taxation advice of a strategic or tax planning nature; and
- legal services or expert services unrelated to the audit.

A copy of the auditors' independence declaration is set out on page 19 and forms part of this report.

Rounding of amounts

The Telstra Entity is a company of the kind referred to in the Australian Securities and Investments Commission class order 98/100, dated 10 July 1998 and issued pursuant to section 341(1) of the Corporations Act 2001. As a result, amounts in this report and the accompanying financial report have been rounded to the nearest million dollars, except where otherwise indicated.

This report is made in accordance with a resolution of the directors.

Donald G McGauchie
Chairman
9 August 2007

Solomon D Trujillo
Chief Executive Officer
9 August 2007

Directors' profiles

As at 9 August 2007, our directors were as follows:

Name	Age	Position	Year of initial appointment	Year last re-elected [1]
Donald G McGauchie	57	Chairman	1998	2005
Solomon D Trujillo	55	CEO and Executive Director	2005	-
Geoffrey Cousins	64	Director	2006	-
Belinda J Hutchinson	54	Director	2001	2004
Catherine B Livingstone.	51	Director	2000	2005
Charles Macek	60	Director	2001	2006
John W Stocker	62	Director	1996	2006
Peter J Willcox	61	Director	2006	2006
John D Zeglis	60	Director	2006	2006

(1) Other than the CEO, one third of directors are subject to re-election by rotation each year.

A brief biography for each of the directors as at 9 August 2007 is presented below:

Donald G McGauchie AO
Age 57

Mr McGauchie joined Telstra as a non-executive director in September 1998 and was appointed as chairman in July 2004. He is chairman of the Nomination Committee and is a member of the Remuneration Committee.

Experience:
Mr McGauchie has wide commercial experience within the food processing, commodity trading, finance and telecommunication sectors. He also has extensive public policy experience, having previously held several high-level advisory positions to the government including the Prime Minister's Supermarket to Asia Council, the Foreign Affairs Council and the Trade Policy Advisory Council.

Directorships of other listed companies - current:
Director, James Hardie Industries NV (2003-) and Nufarm Limited (2003-).

Directorships of listed companies - past three years:
Deputy Chairman, Ridley Corporation Limited (1998-2004) and Director, National Foods Limited (2000-2005).

Other:
Current: Director, Reserve Bank of Australia; Partner, C&E McGauchie - Terrick West Estate.
Former: President of the National Farmers Federation (1994-1998); Chairman, Rural Finance Corporation (2003-2004); Director, Graincorp Limited (1999-2003).

Awarded the Centenary Medal for service to Australian society through agriculture and business in 2003. Appointed an officer in the general division of the Order of Australia in 2004.

Solomon D Trujillo – BSc, BBus, MBA, Hon Doctor of Law Degrees
(University of Wyoming, University of Colorado)
Age 55

Mr Trujillo joined Telstra as Chief Executive Officer in July 2005.

Experience:
Mr Trujillo has spent his career in the communications sector where he managed fixed line, wireless, broadband and directory businesses and served as a leader in the shift to market-based management. He most recently served as CEO of Orange SA, one of Europe's leading wireless companies. Mr Trujillo was chairman and CEO of US West until he retired in July 2000 after the company's merger with Qwest Communications.

Directorships of other listed companies - current:
Target Corporation (1994-).

Directorships of listed companies - past three years:
Director, Electronic Data Systems Corporation (EDS) (2005-2005), PepsiCo Inc. (2000-2005), Orange SA (2001-2005) and Gannett Co Inc (2002-2006).

Other:
Current: Member, World Economic Forum (2005-) and UCLA's School of Public Affairs (2000-); Trustee, Boston College; Director, Tomas Rivera Policy Institute (1991-).
Recipient, the Ronald H. Brown Corporate Bridge Builder Award in 1999 from President Clinton for his lifetime commitment as an advocate of workplace diversity.

Geoffrey Cousins
Age 64

Mr Cousins joined Telstra as a non-executive director on 14 November 2006.

Experience:
Mr Cousins has more than 26 years experience as a company director. Mr Cousins was previously the Chairman of George Patterson Australia and is a former Director of Publishing and Broadcasting Limited, the Seven Network, Hoyts Cinemas group and NM Rothschild & Sons Limited. He was the first Chief Executive of Optus Vision and before that held a number of executive positions at George Patterson, including Chief Executive of George Patterson Australia.

Directorships of other listed companies – current:
Insurance Australia Group Limited (2000-).

Directorships of listed companies - past three years:
Globe International Limited (2001-2003).

Other:
Mr Cousins was previously a consultant to the Prime Minister.

Belinda J Hutchinson –AM, BEc, FCA
Age 54

Ms Hutchinson joined Telstra as a non-executive director in November 2001. She has been a member of the Audit Committee since February 2005.

Experience:
Ms Hutchinson has had a long association with the banking industry and has been associated with Macquarie Bank since 1993 where she was an executive director. She was previously a vice president of Citibank Ltd.

Directorships of other listed companies - current:
Director, QBE Insurance Group Limited (1997-) and Coles Group Limited (2005-).

Directorships of listed companies - past three years:
Director, TAB Limited (1997-2004) and Crane Group Limited (1997-2004).

Other:
Current: Director, St Vincent's and Mater Health Sydney Limited (2001-); and Consultant, Macquarie Bank Limited (1997-).
Former: Director, Energy Australia Limited (1997- 2005); President, Library Council of New South Wales (2005- 2006) (member since 1997).

Catherine B Livingstone – BA (Hons), FCA, FTSE
Age 51

Ms Livingstone joined Telstra as non-executive director in November 2000. She is a member of the Audit Committee and the Technology Committee.

Experience:
Ms Livingstone has a degree in accounting and has held several finance and general management roles predominantly in the medical devices sector. Ms Livingstone was the chief executive of Cochlear Limited (1994-2000).

Directorships of other listed companies - current:
Director, Macquarie Bank Limited (2003-) and WorleyParsons Ltd (2007-).

Directorships of listed companies - past three years:
Nil

Other:
Current: Director, Macquarie Graduate School of Management Pty Ltd (2007-); Member, Business/Industry/Higher Education Collaboration Committee (BIHECC).
Former: Director, Goodman Fielder Ltd (2000–2003) and Rural Press Limited (2000–2003); Chairman and Director Australian Business Foundation (2000–2005);
Director, Sydney Institute (1998–2005), Chairman, CSIRO (2001-2006);
Former Member, Department of Accounting and Finance Advisory Board Macquarie University.

Charles Macek - BEc, MAdmin, FAICD, FCPA, FAIM, SF Fin, FCA
Age 60

Mr Macek joined Telstra as a non-executive director in November 2001. He is a member of the Audit Committee and Nomination Committee and is chairman of the Remuneration Committee.

Experience:
Mr Macek has a strong background in economics and has had a long association with the finance and investment industry. His former roles include 16 years as founding managing director and chief investment officer and subsequently chairman of County Investment Management Ltd.

Directorships of other listed companies - current:
Director, Wesfarmers Ltd (2001-) and Living Cell Technologies Limited (2006-).

Directorships of listed companies - past three years:
Nil

Other:
Current: Chairman, Sustainable Investment Research Institute Pty Ltd (2002-), Financial Reporting Council (FRC) (2003-); Director, Racing Information Services Australia Pty Ltd (2007-), Orchard Funds Pty Ltd (2007-); Member, New Zealand Accounting Standards Review Board and Investment Committee of Unisuper Ltd.
Former: Chairman, Centre for Eye Research Australia Ltd (1996-2003); Chairman and Director, IOOF Holdings Ltd (2002-2003); Director, Famoice Technology Pty Ltd (2001-2004), Vertex Capital Pty Ltd (2004-2006) and Williamson Community Leadership Program Limited (2004–2007); Victorian Councillor, Australian Institute of Company Directors.

John W Stocker - AO, MB, BSc, BMedSc, PhD, FRACP, FTSE
Age 62

Dr Stocker joined Telstra as a non-executive director in October 1996. He is chairman of the Audit Committee and Technology Committee.

Experience:
Dr Stocker has had a distinguished career in pharmaceutical research and extensive experience in management of research and development, and its commercialisation including in his roles as chief executive of CSIRO (1990 – 1995) and subsequently as chief scientist for the Commonwealth of Australia (1996-1999).

Directorships of other listed companies - current:
Chairman, Sigma Pharmaceuticals Ltd (2005-); Director, Circadian Technologies Ltd (1996-) and Nufarm Limited (1998-).

Directorships of listed companies - past three years:
Chairman, Sigma Company Ltd (1998-2005); Director, Cambridge Antibody Technology Group plc (1995-2006).

Other:
Current: Principal, Foursight Associates Pty Ltd; Chairman, CSIRO (2007-).
Former: Chairman, Grape and Wine Research and Development Corporation (1997-2004).

Peter J Willcox MA, FAICD
Age 61

Mr Willcox joined Telstra as a non-executive director in May 2006. He is a member of the Nomination Committee and the Remuneration Committee.

Mr Willcox holds a degree in physics from Cambridge University and following a 28 year career in the international petroleum industry was appointed as CEO of BHP Petroleum Limited, from 1986 to 1994. He has wide and diverse experience as a director and chairman of Australian and American listed companies.

Directorships of other listed companies - current:
Nil

Directorships of listed companies – past three years:
Chairman, AMP Limited (2002-2005), Mayne Group Ltd (2002-2005) and Mayne Pharma (2005-2007).

Other:
Former: Chairman and Director, CSIRO (2006-2007); Director, F.H.Faulding & Co Ltd (1996-2000); Energy Developments Ltd (1994-2002), Lend Lease Corporation (1994-2000), Schroders (Australia) Ltd (1994-1999), North Ltd (1994-2000), James Hardie Industries Ltd (1992-2001), BHP Ltd (1988-1994), Woodside Petroleum (1986-1993).

John D Zeglis BSc Finance, JD Law
Age 60
Mr Zeglis joined Telstra as a non-executive director in May 2006. He is a member of the Technology Committee.

Mr Zeglis has a legal background, and became partner with the law firm Sidley & Austin in 1978. His qualifications include a BSc in finance from the University of Illinois, and a JD in law from Harvard.

Mr Zeglis has had a long and distinguished career in the US telecommunications sector. He joined AT&T in 1984, and was elected as president of AT&T in 1998 and chairman and CEO of the AT&T Wireless Group in 1999. He continued as CEO of AT&T Wireless until retiring in November 2004 following the company's sale to Cingular Wireless.

Directorships of other listed companies - current:
Director, Helmerich & Payne Corporation (1989-).

Directorships of listed companies – past three years:
Director, Georgia Pacific Corporation (2001-2005).

Other:
Current: Director, AMX Corporation; (2005-) and State Farm Automobile Insurance (2004-).
Former: Director, Sara Lee Corporation (1998-2000) and Illinois Power Company (1992-1996).

Qualifications and experience of our company secretary

Douglas C Gration - FCIS, BSc, LLB (Hons), GDip AppFin
Age 41

Mr Gration was appointed company secretary of Telstra Corporation Limited in August 2001.

Before joining Telstra, Mr Gration was a partner in a leading national law firm. He specialised in corporate finance and securities law, mergers and acquisitions and joint ventures and other commercial contracts, and played a key role in the T1 and T2 privatisations. Mr Gration also advised on telecommunication regulatory matters. Other roles previously held in Telstra include deputy group general counsel and Infrastructure Services and Wholesale general counsel.

Directors' meetings

Each director attended the following Board and committee meetings during the year as a member of the Board or relevant committee:

	Board Revised post 9 August 2007		Committees[2]							
			Audit		Nominations		Remuneration		Technology	
	a	b	a	b	a	b	a	b	a	b
D G McGauchie	16	16	-	-	3	3	11	11	-	-
S D Trujillo	16	16	-	-	-	-	-	-	-	-
G Cousins [1]................	7	7	-	-	-	-	-	-	-	-
B J Hutchinson	16	16	6	6	-	-	-	-	-	-
C B Livingstone	16	16	6	5	-	-	-	-	2	2
C Macek	16	16	6	6	3	3	11	11	-	-
J W Stocker	16	16	6	6	-	-	-	-	2	2
P J Willcox[3]	16	16	-	-	2	2	10	9	-	-
J D Zeglis [4]	16	16	-	-	-	-	-	-	2	2

Column a: number of meetings held while a member.
Column b: number of meetings attended.

(1) Appointed to the Board on 14 November 2006.
(2) Committee meetings are open to all directors to attend in an ex officio capacity.
(3) Appointed to both Nomination Committee and Remuneration Committee on 9 August 2006.
(4) Appointed to Technology Committee on 9 August 2006.

Director and senior executive shareholdings in Telstra

As at 9 August 2007:

Directors

	Number of shares held		
	Direct interest	Indirect interest [1]	Total[2]
Donald G McGauchie	32,173	80,159	112,332
Solomon D Trujillo	250,000	-	250,000
Geoffrey Cousins	-	1,747	1,747
Belinda J Hutchinson	40,576	197,857	238,433
Catherine B Livingstone	13,744	50,349	64,093
Charles Macek	1,554	106,728	108,282
John W Stocker	6,178	125,971	132,149
Peter J Willcox	-	48,023	48,023
John D Zeglis	16,500	5,355	21,855

(1) Shares in which the director does not have a relevant interest, including shares held by the director related entities, are excluded from indirect interest.
(2) Some of the directors' holdings were instalment receipts purchased in the Telstra 3 Commonwealth share offering. Instalment receipts give rights to beneficial ownership of an ordinary share once the final instalment is paid. The final instalment is due by 29 May 2008.

Senior executives

	Number of shares held		
	Direct interest	Indirect interest (1)	Total(2)
Bruce Akhurst	4,880	-	4,880
Kate McKenzie	-	-	-
David Moffatt	364,722	-	364,722
Deena Shiff	5,680	-	5,680
John Stanhope	121,674	-	121,674
David Thodey	178,479	-	178,479
Gregory Winn	-	-	-

(1) Shares in which the senior executive does not have a relevant interest, including shares held by related entities of the executive, are excluded from indirect interest.

(2) Some of the senior executives' holdings were instalment receipts purchased in the Telstra 3 Commonwealth share offering. Instalment receipts give rights to beneficial ownership of an ordinary share once the final instalment is paid. The final instalment is due by 29 May 2008.

Auditor's Independence Declaration to the Directors of Telstra Corporation Limited

In relation to our audit of the financial report of Telstra Corporation Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mirco Bardella
Partner

9 August 2007
Melbourne, Australia

The Directors of Telstra Corporation Limited present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and the consolidated entity for the year ended 30 June 2007. This Report forms part of the Report of the Directors.

This Remuneration Report contains certain disclosures as required by Accounting Standard AASB 124 "Related Party Disclosures" as permitted by Corporations Regulation 2M.6.04.

Remuneration Snapshot

Chief Executive Officer and other key management personnel*		
Solomon Trujillo	Chief Executive Officer (CEO)	
Bruce Akhurst	Chief Executive Officer, Sensis	
Kate McKenzie	Group Managing Director, Telstra Wholesale	
David Moffatt	Group Managing Director, Telstra Consumer & Marketing	
Deena Shiff	Group Managing Director, Telstra Business	
John Stanhope	CFO and Group Managing Director, Finance & Administration	
David Thodey	Group Managing Director, Telstra Business & Government	
Gregory Winn	Chief Operations Officer (COO)	
ISSUE	**SUMMARY**	**DISCUSSION IN REPORT**
Remuneration strategy	Designed to attract and retain key talent in an increasingly globalised market, whilst at the same time aligning the interests of senior executives with those of shareholders. For fiscal 2007, the remuneration is closely linked to the broader business transformation strategy.	Page 22
Remuneration structure	A significant proportion of senior executive remuneration is "at risk" based on achievement of challenging performance hurdles linked to the achievement of transformation objectives and creation of shareholder value. The "at risk" component of remuneration has increased as a proportion of total remuneration for fiscal 2007.	Page 22 - 31
Fixed remuneration	Set based on the scope of the role and the knowledge, skills and experience of the relevant senior executive, having regard to market comparisons.	Page 24 - 25
Short term incentive	Offers reward based on achievement of annual performance targets linked to the transformation strategy. For fiscal 2007, senior executives, excluding the CEO and COO, will receive 25% of their actual STI payment in the form of Telstra Incentive Shares.	Page 25 - 27
Long term incentive	Offers reward where executives deliver sustained shareholder growth and reach key transformation milestones over a longer term. For fiscal 2007, the LTI comprised a grant of options, divided into 3 tranches that will be tested over a 2-4 year performance period. No Options will be exercisable unless a 4 year TSR "gateway" is achieved.	Page 28 - 31
CEO and COO remuneration	Set based on the same strategy and structure as for other senior executives, but with some differences to reflect the unique and important role of the CEO and COO in delivering the transformation strategy.	Page 32 - 35
Linking remuneration and performance	The key objective of the transformation strategy is to lay the foundations for sustained increases in earnings and shareholder wealth. Senior executive remuneration is structured to drive the achievement of the transformation objectives, with the underlying goal of improving company performance.	Page 35 - 38
Executive Share Ownership Policy	This was introduced during fiscal 2007 and requires senior executives to acquire and retain, over time, a minimum holding of Telstra shares to ensure that senior executives have a direct personal financial stake in the company's performance and that executives' interests are aligned with those of shareholders.	Page 24

NON-EXECUTIVE DIRECTORS		
Donald G McGauchie	John W Stocker	
Belinda J Hutchinson	Peter Willcox	
Catherine Livingstone	John Zeglis	
Charles Macek	Geoffrey Cousins (commenced as a director on 14 November 2006)	
ISSUE	**SUMMARY**	**DISCUSSION IN REPORT**
Remuneration strategy	Fees are not linked to the performance of the Company in order to maintain independence and impartiality. Directors are required to reinvest a minimum of 20% of their gross fees in acquiring shares at the prevailing market price, to align their interests with those of shareholders.	Page 47
Remuneration structure	Board and committee fees, as well as statutory superannuation, remain within the aggregate fee pool of $2 million approved by shareholders. Total remuneration is divided into three key components: cash, Directshares and superannuation.	Page 47 - 49
Retirement benefits	In 2007, those non-executive directors who remained entitled to retirement benefits agreed to terminate their existing retirement benefit arrangements. An amount equal to their accrued retirement benefit was credited to their member accounts with the Telstra Superannuation Scheme.	Page 49

* For the purposes of this Report the Board has determined that, in addition to the Non-executive directors listed above, the key management personnel (being those persons with authority and responsibility for planning, directing and controlling the activities of the Group) of the Group comprise the Chief Executive Officer and the 7 group executives named above.

The first half of the Remuneration Report will focus on detailing and explaining the underlying principles and strategies for setting and determining our reward strategies and ensuring they align with our blueprint for the future and with our shareholders' interests. The second half of the Remuneration Report will focus on providing the relevant details necessary to meet our statutory reporting obligations. In addition, we have included relevant information that was previously included in the Financial Notes.

A. GUIDING PRINCIPLES FOR REMUNERATION

Telstra's remuneration structure supports business strategy delivery by aligning reward to the achievement of strategic objectives while considering the needs of all stakeholders.

Telstra competes in an increasingly competitive global market for executive talent. Accordingly, it is crucial that we proactively manage our senior executive and director remuneration to ensure it successfully attracts, motivates and retains the highest quality individuals required to deliver Telstra's business transformation strategy.

The Remuneration Committee is guided by the following principles when formulating and making recommendations to the Board regarding remuneration strategy and structure.

Senior executive remuneration should:	Non-executive director remuneration should:
• reflect the size and scope of the role and be market competitive in order to attract and retain talent • be competitive in domestic and global markets • motivate executives to deliver short and long term business objectives • be aligned with shareholder value creation • be differentiated based on individual performance • reinforce executive accountability for achieving performance targets • ensure executive performance is measured against defined objectives and rewarded accordingly	• be distinguished from executive remuneration • be fee based, not performance based • be partly remunerated in the form of equity in order to align directors' interests with returns to shareholders

B. APPROACH TO SENIOR EXECUTIVE REMUNERATION

1. Remuneration strategy

Our remuneration strategy for our senior executives is designed to attract and retain key talent in an increasingly globalised market. The remuneration strategy includes performance measures that are aligned to the key elements of Telstra's transformation strategy.

The remuneration strategy for the CEO, COO and senior executive team has been positioned to drive the delivery of the transformation milestones that have been outlined in Telstra's business strategy. From fiscal 2006 through to fiscal 2010, the remuneration strategy will be based on performance measures that are strongly aligned to achieving those transformation outcomes as well as other traditional business measures. In fiscal 2006 and fiscal 2007 the performance measures were heavily weighted towards driving transformation. This weighting will shift over future fiscal years to return to a more traditional position of using:

- operational measures for the STI; and
- growth and return measures for the LTI.

2. Remuneration structure

The remuneration structure ensures that rewards are linked to strategic outcomes.

For fiscal 2007, the remuneration structure for the senior executives comprised the following components:

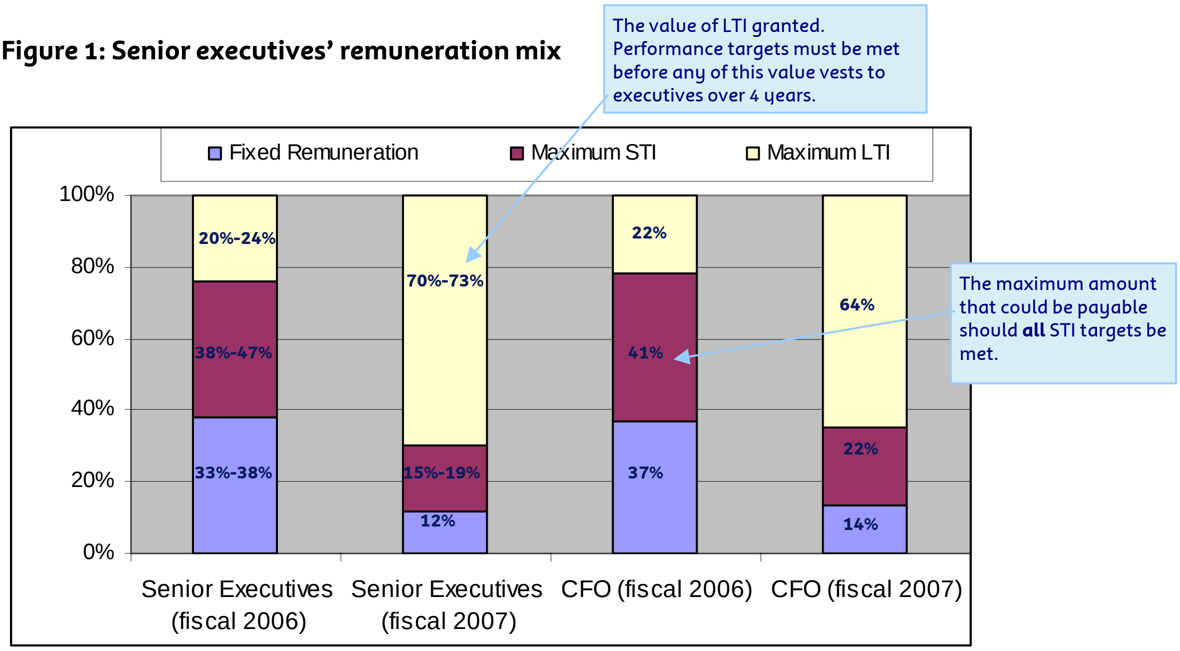
Component	At-risk?	Description
Fixed remuneration	No	Fixed remuneration is made up of: • base salary including salary sacrifice benefits and applicable fringe benefits tax; and • superannuation.
Short term incentive	Yes	The STI for fiscal 2007 is an annual "at risk" component of remuneration for the senior executives and is delivered in cash and Incentive Shares, except for the COO where all is delivered as cash (see section 8). The objective of the STI plan is to reward executives where they meet annual business objectives and their own individual performance targets.
Long term incentive	Yes	The LTI for fiscal 2007 is a grant of Options which are subject to performance measures tested over a 2-4 year period. The objective of the LTI plan is to reward executives for delivering sustained growth in shareholder value and achieving key transformation milestones.

To strengthen the link between senior executive remuneration and company performance, the Board has determined that a significant proportion of the total remuneration for the senior executives should be "at risk" representing components that are awarded based on performance. If the minimum performance level is not achieved, no STI or LTI will be awarded and the executive receives 100% of fixed remuneration and 0% of their "at risk" remuneration. This means senior executives will only earn significant rewards if pre-determined company measures and targets are achieved.

The remuneration mix for fiscal 2007 has incorporated a greater proportion of "at-risk" remuneration in order to meet Telstra's transformation priorities.

Figure 1 shows a comparison of the fiscal 2006 and fiscal 2007 remuneration mix based on the maximum level of reward for the senior executives.

Figure 1: Senior executives' remuneration mix



The discussion below sets out further details of each component of senior executive remuneration and explains how the performance targets for the STI and LTI have been tailored to reinforce the links between achievement of the transformation goals and rewards to senior executives.

3. Executive Share Ownership Policy

Executives will be required to maintain a direct stake in Telstra so that their interests are aligned with those of shareholders

Telstra believes that where senior executives have a substantial holding of Telstra shares this creates a strong alignment between executive reward, company success and returns to shareholders. With this in mind, Telstra has introduced an Executive Share Ownership Policy to ensure that the market performance of the company will have a direct economic impact on the individual executive.

The minimum holding for the senior executives who constitute the Key Management Personnel (KMP's), excluding the Chief Executive Officer and Chief Operations Officer, is that they must acquire and retain a minimum number of shares equivalent to **100%** of their Fixed Remuneration. This is to be achieved over a 5 year period commencing from 1 July 2007.

4. Fixed remuneration

Fixed remuneration is in line with similar roles in the applicable market.

Fixed remuneration for the CEO, COO and other senior executives is influenced by the scope of the role and the knowledge, skills and experience required of the position holder. To ensure remuneration is market competitive, the Remuneration Committee takes into account local, home country and global market rates. In determining what market rates to use for comparison purposes the Remuneration Committee assesses a range of factors including company size (based on market capitalisation), industry in which the comparative company operates and global footprint.

For superannuation, in addition to mandatory contributions, the senior executives may voluntarily salary sacrifice additional amounts, subject to legislative requirements.

Fixed remuneration is reviewed annually as part of the company's overall remuneration review process and is assessed against the company's and the individual's performance.

For fiscal 2007, the CFO was responsible for reviewing and determining the remuneration of the company secretary. The company secretary participates in the STI plan and the LTI plan on the terms set out in this report.

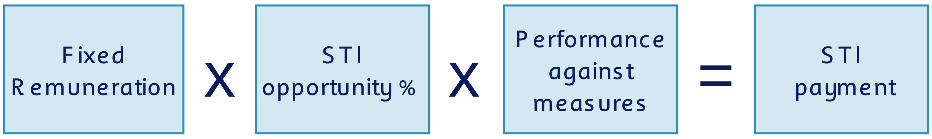
5. Short term incentive (STI)

The STI component delivers reward on achievement of annual performance targets.

How STI is calculated

The senior executives' STI payment is based on their fixed remuneration, individual STI opportunity (explained below) and achievements against performance measures. This is illustrated in Figure 2.

Figure 2: Calculating the STI payment



STI opportunity and performance levels required

Depending on the role they perform, each senior executive has an STI opportunity ranging from 120% - 200% of their fixed remuneration where maximum performance is met. The maximum STI opportunity varies according to the role.

Figure 3 sets out the performance measures for the STI for fiscal 2007 and explains how these measures have been tailored to reinforce the links between the requirements of the transformation business strategy and the level of reward available to senior executives. Each of the performance measures is independent and will be tested separately.

Figure 3: STI performance measures for fiscal 2007

Remuneration element	Performance measures	Weighting	How is it measured?	Link to business strategy
STI* (Cash and Incentive Shares)	Company Financial	20%	EBITDA - Earnings before interest, tax, depreciation, amortisation.	To achieve earnings objective.
	Revenue Growth	20%	Company revenue and Public Switched Telephone Network revenue.	To strengthen existing revenue streams while driving the development of new revenue and overall growth
	Network Transformation Milestones	25%	A mixture of network measures including Next G launch, IP core deployment, HFC upgrade and ADSL2+.	To deliver on the transformation network strategy that enables revenue growth and reduces cost.
	Broadband marketshare	15%	The increase in Telstra's share of retail broadband customers.	To achieve an increase in Telstra's retail broadband marketshare.
	Individual accountabilities	20%	The achievement of personal goals which include business unit specific targets.	To align the individual's personal goals with the business' goals.

*In the case of Bruce Akhurst the STI is measured against Sensis Revenue and EBIT contribution which make up 60% of his STI, Telstra STI measures (as detailed above) make up a further 20% and the remaining 20% is based on individual accountabilities. In the case of Kate McKenzie the Broadband Marketshare measure is replaced with a Telstra Wholesale specific performance measure.

At the end of each financial year, the Remuneration Committee reviews the company's audited financial results and the results of the other performance measures, and assesses performance against each measure to determine the percentage of STI that is payable. Measures are tracked by an internal project office and, where appropriate, the achievement against targets is independently audited.

As illustrated in Figure 4, each of the performance measures has three different levels of performance.

Figure 4: STI opportunity for differing levels of performance

Level of performance	Description	% of STI opportunity awarded
Gateway	The "gateway" level must be reached before any value can be attributed to each measure.	25%
Target	The "target" level represents challenging but achievable levels of performance.	50%
Maximum	Achievement of the "maximum" level requires significant performance above and beyond normal expectations and will result in significant improvement in key operational areas.	100%

The level of performance determines the level of payment against each weighted measure. For example, achieving the target level of performance on every measure would equate to the individual receiving half of their maximum possible STI payment.

Details regarding the STI payments awarded for fiscal 2007 are set out in section D below.

Short Term Incentive Shares

As part of the fiscal 2007 STI the senior executives, excluding the CEO and COO (refer to pages 32 - 34), will receive 25% of their actual STI payment in the form of Incentive Shares. These Incentive Shares are held in trust for the earlier of:

(a) 5 years from allocation; or

(b) until the senior executive meets the minimum shareholding level specified under the Executive Share Ownership Policy; or

(c) the senior executive ceases employment with Telstra; or

(d) a date the Board determines (in response to an actual or likely change in control).

6. Long term incentive (LTI)

The LTI component rewards delivery of sustained shareholder growth and achievement of key transformation milestones.

Following a review of the LTI arrangements, the LTI plan for fiscal 2007 has been strengthened to focus executives on delivering superior Total Shareholder Return (TSR) through the successful delivery of the transformation strategy. The LTI plan drives this objective by:

- incorporating a TSR gateway of 11.5% compound annual growth, tested over the 4 years of the plan to 2010, to guarantee a minimum level of shareholder value that must be achieved before any Options can be exercised (including those that have previously vested);
- calibrating performance measures with the transformational outcomes and timeframes;
- using Options to leverage reward outcomes for executives and drive share price growth; and
- providing reward only for significant performance.

How Options are allocated

In order to reinforce the importance of the transformation strategy and our need to deliver extraordinary results and shareholder value the fiscal 2007 LTI plan is an enhanced "one off" allocation.

This "one off" allocation acknowledges the significant challenge and extraordinary performance required over the four year period from 1 July 2006 through to 30 June 2010 in order to achieve the transformation results.

In future years the emphasis on the transformation strategy will be reduced.

Figure 5: Overview of Fiscal 2007 LTI Performance Option Plan

	Tranche 1	Tranche 2	Tranche 3
% of total grant	27%	30%	43%
Tested based on performance over ...	2 years (1/7/2006 – 30/6/2008)	3 years (1/7/2006 – 30/6/2009)	4 years (1/7/2006 – 30/6/2010)
Vesting based on...	**One third:** • EBITDA **Two thirds:** • IT Transformation • Network Transformation • Revenue growth • TSR	**One third:** • EBITDA **Two thirds:** • IT Transformation • Network Transformation • Revenue growth • TSR • ROI	**One third:** • EBITDA **Two thirds:** • IT Transformation • Network Transformation • Revenue growth • TSR • ROI
Exercisable based on...	• Vesting based on performance to 30 June 2008 **AND** • Achieving TSR gateway at 30 June 2010	• Vesting based on performance to 30 June 2009 **AND** • Achieving TSR gateway at 30 June 2010	• Vesting based on performance to 30 June 2010 **AND** • Achieving TSR gateway at 30 June 2010

	Tranche 1	Tranche 2	Tranche 3
	AND • Paying exercise price	**AND** • Paying exercise price	**AND** • Paying exercise price

Performance measures

Figure 6 sets out the performance measures for the LTI for fiscal 2007 and explains how these measures have been tailored to reinforce the links with the transformation business strategy. Telstra believes the measures set out below best support the key elements of the strategy and have the greatest impact on sustained company performance.

Figure 6: 2007 LTI Performance measures

Remuneration element	Performance measures	How is it measured?	Link to business strategy
LTI (Options)	Revenue Growth	The year over year sales revenue growth rate.	To strengthen existing revenue streams while driving the development of new revenue and overall growth.
	IT Transformation milestones	The time taken to replace and rationalise the Business Support and Operational Support Systems across the company.	To reduce complexity and cost and provide an enhanced customer experience by rationalising and improving Telstra's IT systems.
	Network Transformation milestones	The time taken to achieve network simplification and build new platform.	To simplify the network to reduce complexity and cost, while providing the capability for new revenue growth.
	Return on Investment (ROI) over 3 years	EBIT over Average Investment (Average of Net Debt plus Shareholder Funds).	To measure the return gained from the financial investment in the transformational goals.
	Total Shareholder Return (TSR) Growth	Compound Annual Growth Rate (CAGR) in TSR of between 18% and 20.5%.	To measure the value derived from execution of the business strategy while reinforcing the importance of shareholder return. An absolute TSR hurdle has been established to deliver real value to shareholders whilst implementing a major transformation.
	Sustained earnings	CAGR in EBITDA to meet or exceed stretch targets over 2 or more consecutive years.	To encourage sustained year-on-year stretch EBITDA performance.
	Total Shareholder Return Gateway	Gateway TSR CAGR hurdle of 11.5% per annum tested at 30 June 2010.	To ensure focus on sustained shareholder value throughout the execution of the transformational strategy.

At the end of each financial year in which performance testing is to occur, the Remuneration Committee will review the company's audited financial results and the results of the other performance measures to determine the percentage (if any) of Options that vest.

Where an Option does not vest, because the performance measures have not been achieved, the Option will typically lapse and no benefit will accrue to the executive. The only exception to this general rule is that a proportion of Options that are subject to the absolute TSR and EBITDA hurdles and which have not vested at 30 June 2008 and/or 30 June 2009, may still be earned if the four year targets are achieved.

If a senior executive:

- resigns or retires and their Options are not yet vested, those Options will lapse;
- ceases employment due to death, total and permanent incapacity, contract completion, separation by mutual agreement or is made redundant, and their Options are not yet vested, the number of unvested Options is adjusted to reflect the executive's service period and will vest if the relevant performance measure is met in accordance with the prescribed schedule;
- ceases employment with Telstra for any other reason and their Options are not yet vested, the Board will decide whether those Options should lapse or remain available for exercise if the relevant performance measure is met; or
- is terminated for misconduct, then all vested and unvested Options will lapse.

Options that have vested but are not yet exercisable at the time a senior executive ceases employment, other than for misconduct, will still become exercisable if the TSR gateway target is achieved at 30 June 2010.

Exercising Options

An Option can only be exercised:

- if the relevant performance measure is satisfied and the Option vests;
- if the gateway TSR hurdle is satisfied as at 30 June 2010; and
- upon payment of the exercise price.

Once the Options have been exercised the executive becomes the owner of the underlying shares and is entitled to any dividend, bonus issue, return of capital or other distribution in respect of those shares.

Restrictions on hedging

The senior executives are restricted from entering into arrangements which effectively operate to limit the economic risk of their security holdings in instruments allocated under LTI plans during the period the instruments remain unvested.

Board discretion

As with the fiscal 2006 plan, the Board has discretion to reset the performance hurdles governing the fiscal 2007 plan in certain limited circumstances. Under the terms of the fiscal 2006 plan exercise of the discretion depends on the occurrence of one or more of the following factors:

(i) a material change in the strategic business plan;
(ii) a significant adverse business change occurs; or
(iii) an adverse regulatory change occurs.

The Board's discretion to reset the hurdles governing the fiscal 2007 LTI depends on the occurrence of one or more of the following factors:

(i) a material change in the strategic business plan;
(ii) a material regulatory change occurring; or
(iii) a significant out-of-plan business development occurring resulting in a material change to EBITDA. This material change could be either a positive or

adverse change for Telstra, but does not include improved or deteriorated operating or financial performance of Telstra's existing businesses.

No such change occurred during the year.

LTI awards made

Details regarding the Options granted for fiscal 2007, as well as details of other LTI awards outstanding during the year, are set out in section D below.

7. Chief Executive Officer remuneration

The CEO is rewarded on the delivery of transformational and operational outcomes in line with the key elements of the business strategy.

While the remuneration strategy and structure for the Chief Executive Officer (CEO) are generally the same as that described above, there are some differences from the senior executives that reflect the unique and important role the CEO plays in delivering the transformation strategy. The CEO's remuneration arrangements are detailed below.

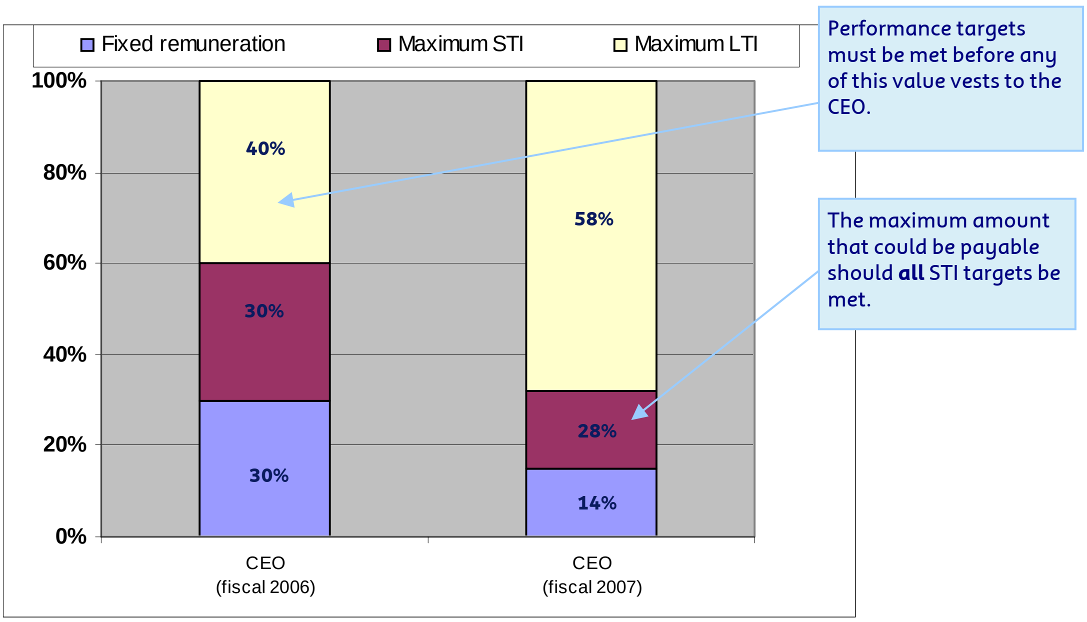
During fiscal 2007 the Board undertook an extensive review of the remuneration arrangements for the CEO. The revised remuneration arrangements reflect the importance of the transformation required at Telstra and of the competitive domestic and global CEO market. The new arrangements further re-inforce the principle of linking significant proportions of the CEO's reward to company performance.

CEO remuneration mix

The remuneration mix for the CEO for fiscal 2007 incorporates a greater proportion of "at risk" remuneration than for fiscal 2006 to reflect the key role that the CEO plays in the realisation of the transformation strategy.

Figure 7 shows a comparison of the fiscal 2006 and fiscal 2007 remuneration mix based on the maximum level of reward available for the CEO.

Figure 7: CEO remuneration mix



CEO STI opportunity and performance levels required

The CEO has a STI cash opportunity of 100% of fixed remuneration where maximum performance is met. If target performance is achieved across all performance measures he will receive a STI cash payment of 50% of the value of his fixed remuneration. In addition, he will receive Telstra deferred shares to a value equivalent to his cash STI payment for the year.

The CEO's STI payment is determined by the Board based on the same performance measures as detailed in Figure 3 and by assessment of his individual performance objectives by the Board. As illustrated in Figure 4, each of the performance measures has three different levels of performance. Refer to Figure 14 for details of the CEO's actual STI payment.

However, where the senior executives are required to receive 25% of their actual STI payment in Telstra shares, the above arrangement effectively requires the CEO to take 50% of the total actual value of his STI in the form of Telstra deferred shares. The number of STI deferred shares is based on the volume weighted average price of Telstra shares for the 5 trading days prior to allocation of the deferred shares.

The CEO is not eligible for the cash dividends on the deferred shares during the period up to 30 June 2009 but instead will have the number of STI deferred shares increased at the time of vesting by the value of the cash dividends. The volume weighted average price of Telstra shares for the five days prior to the dividend payment date will be used to calculate the number of additional deferred shares which will be allocated.

These STI deferred shares are held in trust until the earlier of 30 June 2009, or 6 months following ceasing employment with Telstra, at which time they will be automatically transferred to the CEO and all restrictions on dealing will cease.

CEO LTI

The CEO will receive a LTI allocation over the next 3 years as follows:

- 10,344,828 Options for Fiscal 2007;
- 5,172,414 Options for Fiscal 2008; and
- 5,172,414 Options for Fiscal 2009.

As explained previously, the allocation of Options to the CEO in fiscal 2007 is a larger than usual one-off allocation that reflects the importance of the transformation strategy.

The key conditions for the CEO's fiscal 2007 allocation are:

- The allocation is subject to a 2 year performance period;
- The Options have an exercise price of $3.67 being the volume weighted average price of Telstra shares traded in the five trading days prior to grant date;
- Options may vest, subject to meeting the prescribed performance hurdles that are aligned with the performance measures described in Figures 5 & 6, at 30 June 2008;
- Options can be exercised between 1 January 2009 and 31 December 2009, however, a restriction applies on the trading of any shares received upon exercise

of vested options until 30 June 2009 if he is still employed by Telstra or has resigned for other than good reasons.

The key conditions for the CEO's LTI allocations in fiscal 2008 and fiscal 2009 are:

- Allocations will be granted in August 2007 and August 2008 respectively;
- The exercise price will be determined by the volume weighted average price of Telstra shares traded in the five trading days prior to grant date;
- The options are subject to a one year performance period;
- The Options may vest, subject to meeting the prescribed performance hurdles, that are aligned with the performance measures described in Figures 5 & 6, at the end of the relevant performance period;
- Vested options may only be exercised:
    - For fiscal 2008 Options – between 1 January 2010 and 30 June 2011; or
    - For fiscal 2009 Options – between 1 January 2010 and 30 June 2012; or
    - 6 months following cessation of employment with Telstra (if earlier than the specified window for exercise);

Options that have met the required performance conditions may only be exercised if a minimum TSR hurdle of 11.5% Compound Annual Growth is achieved over each performance period.

The CEO will retain all options granted under the LTIP up to the time of termination, except in the case of serious misconduct. The Options will vest (to the extent not vested) in accordance with the performance hurdles and will be exercisable in accordance with the timetable for the exercise of such options under the terms of the LTIP as at the time of allocation.

The CEO is subject to the same restrictions on hedging as other senior executives.

8. Chief Operations Officer remuneration

The COO continues to be a key executive in delivering the transformation of the company. The COO was initially employed on a 2 year contract with a completion date of 10 August 2007, with an option to extend his employment for a further year. Mr Winn's contract has been renewed on the terms set out below and in Figure 18.

Remuneration mix (Fiscal 2007)

During the initial 2 year term of his contract, the COO did not have a LTI and as such his fixed remuneration made up 33.3% of his maximum potential remuneration and his at risk reward (STI) made up 66.7% of his maximum potential remuneration. In addition to these contractual entitlements he also received a cash bonus for delivery of the Next G wireless network as approved by the Telstra Board (refer to Figure 12).

Short Term Incentive Plan (Fiscal 2007 and 2008)

The COO has a STI cash opportunity of 100% of fixed remuneration where target performance is met, with the opportunity to achieve up to 200% of his fixed remuneration if stretch targets are achieved. The COO's STI payment is determined by the Board based on the same performance measures as detailed in Figure 3 and by assessment of his individual performance objectives by the Board. As illustrated in Figure

4, each of the performance measures has three different levels of performance. Refer to Figure 14 for details of the COO's actual STI payment for fiscal 2007.

Long Term Incentive Plan

The COO is eligible to participate in a cash long term incentive plan. The Board will assess performance under the plan as at 30 June 2008 against IT transformation, network transformation, financial and total shareholder return performance measures. These performance measures provide alignment with the long term incentive measures for other senior executives.

Share Price Incentive

The COO may also be entitled to a cash bonus dependant on performance hurdles linked to the achievement of increases in Telstra's share price. Performance for this element of his remuneration will be assessed on the average closing share price of Telstra shares for the 30 calendar days following the announcement of Telstra's fiscal 2008 annual results.

C. LINKING SENIOR EXECUTIVE REMUNERATION AND COMPANY PERFORMANCE

1. Defining "company performance"

Telstra ultimately assesses its company performance by reference to increases in "earnings" and "shareholder wealth".

The key objective of Telstra's transformation strategy is to lay the foundations for sustained increases in earnings and shareholder wealth going forward. The transformation objectives set by the Board represent the measures the Board considers to be essential to the enhancement of shareholder wealth and the delivery of superior earnings. Our remuneration structure continues to reflect this and plays a key role in driving the achievement of the transformation objectives.

2. Linking the remuneration structure to the transformation strategy

Our remuneration structure continues to drive the achievement of transformational objectives.

Given that the transformation strategy is seen as the key to sustained company performance going forward, it is essential that senior executive remuneration is structured in a way that rewards executives for delivery of the transformation objectives. By linking senior executive rewards to achievement of the transformation strategy, the interests of shareholders and senior executives are aligned.

In fiscal 2006, Telstra began this process by linking its remuneration structure to the transformation objectives. Further refinements have been made to the remuneration structure in fiscal 2007 to encourage the continued focus on key business outcomes and to ensure that rewards are only received when the company and the individual achieve the transformational and operational goals set by the Board. Key enhancements are detailed in Figure 8.

Figure 8: Key enhancements of the remuneration structure

Component	Enhancement	Rationale
Remuneration Mix	• The remuneration mix for fiscal 2007 has incorporated a greater proportion of "at-risk" remuneration.	• Focus attention on driving the key strategic outcomes.
STI	• Revenue growth has been included in fiscal 2007.	• To strengthen existing revenue streams while driving the development of new revenue and overall growth. • EBITDA maintains the focus on cost management.
	• Senior executives, excluding the COO, are required to sacrifice a minimum of 25% of their actual STI opportunity towards the purchase of Telstra Incentive Shares until share ownership targets are met. • The CEO is required to take 50% of the total actual value of his STI in the form of Telstra deferred shares.	• To provide a strong alignment between executive reward, company success and shareholder wealth creation.
LTI	• An Earnings measure and a Total Shareholder Return (TSR) gateway measure have been introduced for fiscal 2007.	• To encourage sustained earnings and shareholder value throughout the execution of the transformational strategy.
	• Options are to be used for the LTI in 2007.	• To leverage reward outcomes where executives share in the upside of an increase in share price resulting from the successful delivery of the transformation strategy.
Share Ownership	• Introduction of a minimum shareholding of Telstra shares through the Executive Share Ownership Policy.	• To encourage executives to further commit to the future performance of Telstra by strengthening the alignment between executive reward and company success, which benefits all Telstra shareholders.

As noted above, the performance measures for both the STI and LTI have been tailored to align "at risk" remuneration as closely as possible with delivery of transformation objectives. The achievement of the relevant performance measures in both fiscal 2006 and fiscal 2007 has demonstrated the essential role the remuneration structure plays in driving management's focus on delivering the transformation strategy, improving the customer experience, and most importantly, driving real and sustained increases in shareholder value.

Section 3 below sets out further details regarding the correlation between company performance achieved and remuneration paid to senior executives in recent years.

3. Remuneration vs company performance

The level of "at risk" remuneration paid to senior executives is directly linked to the company's performance. In recent years, the achievement of key transformation milestones has been coupled by an increase in the "at risk" remuneration received by senior executives.

Earnings and shareholder wealth

Earnings are defined in terms of sales revenue, EBITDA and net profit. Shareholder wealth is the total return to an investor over a given period. It consists of three components: dividends paid, the movement in the market value of shares over that period, and any return of capital to shareholders, excluding buy-backs.

Figure 9: Our 5 year shareholder wealth and earnings history

	Year ended 30 June 2007 $m	Year ended 30 June 2006 $m(1)	Year ended 30 June 2005 $m	Year ended 30 June 2004 $m (2)	Year ended 30 June 2003 $m (2)
Earnings					
Sales revenue	23,673	22,712	22,161	20,737	20,495
EBITDA	9,861	9,575	10,464	10,175	9,170
Net profit available to Telstra	3,253	3,183	4,309	4,118	3,429
Shareholder wealth					
Share Price ($)	4.59	3.68	5.06	5.03	4.40
Total dividends paid/declared per share (c)	28.0	34.0	40.0	26.0	27.0

(1) Comparatives for fiscal 2006 have been adjusted to reflect the impact of the transition to UIG4.

(2) We adopted in fiscal 2006 Australian equivalents to International Financial Reporting Standards (A-IFRS). We restated the comparative information for the year ended 30 June 2005. The financial years ended 30 June 2004 and 30 June 2003 are presented under the previous Australian Generally Accepted Accounting Principles (AGAAP).

During the five years to 30 June 2007 we undertook two off-market share buy-backs as part of our capital management strategy; one on 24 November 2003 (238,241,174 shares) and another on 15 November 2004 (185,284,669 shares) of which purchase consideration was $1,001 million ($4.20 per share) and $750million ($4.05 per share) respectively.

STI results and payments

Financial measures have represented a significant percentage of the STI plan over the last five years and therefore financial performance has a direct impact on the rewards received through the plan. The financial measures:

- provide a strong correlation with our ability to increase shareholder returns;
- have a direct impact on our bottom line; and
- are measures over which the executives can exercise control.

The average STI received by senior executives as a percentage of the maximum achievable payment for achieving those short term measures is reflected in Figure 10.

Figure 10: Average STI payment as a % of maximum payment

	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
STI received[3]	78.5%[1]	73.8%	54.6%[2]	31.4%	41.1%

(1) *This includes both the cash and equity components.*

(2) *This includes both the cash and equity components. While the total equity component is included in determining the above percentage, the value of the rights to Telstra shares granted in fiscal 2005 will be reflected in remuneration as the shares vest over their vesting period.*

(3) *The above calculation is made by aggregating the actual STI payments to the CEO and KMP's for the financial year and dividing that by the aggregate maximum achievable payments for those same executives. The result is then expressed as a percentage of the maximum achievable STI payment.*

LTI results and payments

As at 30 June 2007 the vesting status of LTI equity is as follows:

Figure 11: LTI Status

Status of plan	Instruments granted	Result	Next steps
The Sept 2001 plan failed to meet the performance hurdle in the first quarter of the performance period but subsequently did achieve the performance hurdle. The March 2002* plan failed to meet the performance measure during the performance period.	Performance Rights & Options	Half the maximum allocations expired and the remaining half vested. All instruments have expired.	The performance period for this plan expired in fiscal 2007 and the plan has ceased. Vested options can be exercised until 2011. The performance period for this plan expired in fiscal 2007 and the plan has ceased.
The performance measures for the fiscal 2003 plans are currently below the required performance hurdle.	Performance Rights	Half the allocations expired in fiscal 2006. No vesting has occurred.	The allocations for the Sept 2002 plan and the March 2003* plan will expire if the performance measures are not achieved by September 2007 and March 2008 respectively.
The fiscal 2004 plan did not meet the performance measures in the first quarter of the performance period.	Performance Rights	Half of all allocations expired.	The performance measures are currently below the required performance hurdles.
The fiscal 2005 plan has entered its performance period but is yet to reach a testing point.	Performance Rights	No instruments have expired or vested.	Performance measures reached the first testing point at 30 June 2007.
The fiscal 2006 plan has entered its performance period but is yet to reach a testing point.	Performance Rights	No instruments have expired or vested.	Performance measures will reach the first testing point at 30 June 2008.
The fiscal 2007 plan has entered its performance period for Accelerator options but the other options are yet to reach a testing point.	Options	50% of the maximum Accelerator options have expired. No other options have expired or vested.	Performance measures are tested at intervals throughout the performance period.

*March allocations were mid-cycle allocations to accommodate new executives.

As can be seen from the table above, senior executives have not received any monetary value from any of these LTI grants apart from the September 2001 plan either because the relevant long term performance measures were not satisfied over the performance period or because the performance period is continuing.

D. DETAILS OF SENIOR EXECUTIVES' REMUNERATION

Detailed explanation of the various components of remuneration received by the CEO and senior executives in fiscal 2007.

In this section we set out the remuneration of our CEO and the senior executives who are key management personnel (KMP). These executives had authority and responsibility for planning, directing and controlling the activities of Telstra and its controlled entities during fiscal 2007. They also include the five highest remunerated executives.

Total remuneration received in fiscal 2007 (and fiscal 2006)

The remuneration of our KMP (excluding non-executive directors) are set out in the following tables. In accordance with the requirements of AASB 124, the remuneration disclosures for fiscal 2007 and 2006 only include remuneration relating to the portion of the relevant periods that each individual was considered a KMP. As a result this approach can distort year-on-year remuneration comparisons.

Figure 12: 2007 Senior executives' remuneration

Salary and Fees: Includes salary, salary sacrificed benefits (other than superannuation), leave provisions and fringe benefits tax

Short Term Incentives: Includes the cash component of annual bonuses payable in relation to fiscal 2007

Non-monetary benefits: Such as the value of goods and services provided as well as the value of the interest free loan under TESOP 97 and TESOP 99

Other equity: Options, restricted shares & options granted under Telstra's LTI plans. This includes amounts accrued for current and prior year LTI grants

		Short term employee benefits				**Post-employment benefits**	**Termination benefits**	**Other long term benefits**	**Equity settled share-based payments**			
Name		Salary and Fees (1)	Short term Incentives (cash)(2)	Non-monetary benefits (3)	Other (4)	Superannuation (5)	Termination benefits	Accrued long service leave	Short term Incentive Shares (6)	Deferred shares (7)	Other equity (8)	Total ($)
Solomon Trujillo	Ongoing	2,987,314	2,656,800	-	621,275	12,686	-	75,000	2,656,800(9)	-	2,772,355	11,782,230
Bruce Akhurst	Ongoing	302,147	392,100	11,392	-	928,603	-	31,250	299,222	17,687	886,146	2,868,547
Kate McKenzie	Ongoing	555,564	506,250	1,331	-	45,686	-	15,625	195,087		211,818	1,531,361
David Moffatt	Ongoing	1,026,453	1,207,500	17,626	-	220,547	-	31,625	482,416	19,678	928,583	3,934,428
Deena Shiff	Ongoing	378,245	852,948	5,229	-	496,755	-	22,500	379,311	5,818	512,302	2,653,108
John Stanhope	Ongoing	887,218	1,073,742	8,674	-	196,032	-	27,500	435,207	12,773	614,364	3,255,510
David Thodey	Ongoing	665,078	1,029,356	7,385	-	475,922	-	29,000	409,486	16,187	812,686	3,445,100
Gregory Winn	Fixed term	1,749,814	3,188,160	2,037	724,446(10)	12,686	-	50,000	-	-	-	5,727,143
TOTAL		8,551,833	10,906,856	53,674	1,345,721	2,388,917	-	282,500	4,857,529	72,143	6,738,254	35,197,427

(1) Includes salary, salary sacrifice benefits (excluding salary sacrifice superannuation which is included under Superannuation) and fringe benefits tax.
(2) Short term incentive relates to performance in fiscal 2007 and is based on actual performance for Telstra and the individual and represents the cash element and not the amount payable as restricted Incentive Shares.
(3) Includes the benefit of interest-free loans under TESOP97 and TESOP99, the value of personal home security services provided by Telstra and the value of the personal use of products and services related to Telstra employment.
(4) Includes payments made to executives in accordance with their relocation agreement and which are classified as remuneration under the accounting standards.
(5) Represents company contributions to superannuation as well as any additional superannuation contribution made through salary sacrifice by executives.
(6) This includes the value of Short Term Incentive Shares allocated under the 2004/05 STI Equity plan whereby 50% of the STI payment was provided as shares to be distributed over 3 years at 12 month intervals. It also includes 25% of the actual STI payment for fiscal 2007 which will be provided as restricted Incentive Shares under the 2006/07 STI Incentive Share plan. The values shown represent the annualised value for fiscal 2007 in accordance with the relevant accounting standards.
(7) The value included in deferred shares relates to the current year amortised value of vested and unvested shares issued in fiscal 2004 under the Deferred Remuneration Plan. The values shown represent the annualised value for fiscal 2007 in accordance with the relevant accounting standards.
(8) The value represents the annualised value of performance rights and options as detailed in figure 15. The executive only receives value if the performance hurdles are met.
(9) This represents 50% of the total actual STI payment to the CEO which will be delivered as deferred shares. The deferred shares cannot be exercised until the earlier of 30 June 2009 or 6 months after termination of employment.
(10) Includes a cash bonus for delivery of the Next G wireless network as approved by the Telstra Board.

Figure 13: 2006 Senior executives' remuneration

Salary and Fees: Includes salary, salary sacrificed benefits (other than superannuation), leave provisions and fringe benefits tax

Short Term Incentives: Includes annual bonuses payable in relation to fiscal 2006

Non-monetary benefits: Such as the value of goods and services provided as well as expatriate benefits including medical insurance, housing, private air travel

Other equity: Performance rights, restricted shares & options granted under Telstra's LTI plans. This includes amounts accrued for current and prior year LTI grants

		Short term employee benefits				**Post-employment benefits**	**Termination benefits**	**Other long term benefits**	**Equity settled share-based payments**			
Name		Salary and Fees (1)	Short term Incentives (2)	Non-monetary benefits (3)	Other (4)	Superannuation (5)	Termination benefits	Accrued long service leave	Short term Incentive Shares (6)	Deferred shares (7)	Other equity (8)	Total ($)
Solomon Trujillo	Commenced 1 July 2005	2,987,861	2,581,200	-	1,745,011	1,012,139	-	75,000	-	-	309,305	8,710,516
Bruce Akhurst	Ongoing	984,974	1,519,035	11,740	-	188,026	-	29,325	276,443	115,592	650,036	3,775,171
Kate McKenzie	Appointed GMD 16 Jan 2006	223,280	180,950	-	-	20,787	-	6,026	22,067	-	30,871	483,981
David Moffatt	Ongoing	876,970	1,019,991	18,138	-	316,030	-	29,825	131,095	129,101	779,461	3,300,611
Deena Shiff	Ongoing	645,857	768,951	6,062	-	116,643	-	20,000	155,829	37,438	214,391	1,965,171
John Stanhope	Ongoing	919,499	655,412	9,668	-	101,001	-	25,825	126,792	76,968	335,804	2,250,969
David Thodey	Ongoing	1,031,086	926,798	8,248	-	52,914	-	27,100	108,869	105,198	560,789	2,821,002
Gregory Winn	Commenced 11 Aug 2005	1,280,944	1,408,918	1,685	1,101,907	10,814	-	32,178	-	-	-	3,836,446
SUB-TOTAL		8,950,471	9,061,255	55,541	2,846,918	1,818,354	-	245,279	821,095	464,297	2,880,657	27,143,867

Name		Salary and Fees [1]	Short term Incentives [2]	Non-monetary benefits [3]	Other [4]	Superannuation [5]	Termination benefits	Accrued long service leave	Short term Incentive Shares [6]	Deferred shares [7]	Other equity [8]	Total ($)
Past Employees												
Zygmunt Switkowski	Ceased 1 July 2005	5,451	-	35	-	281	3,151,526 [9]	-	-	491,049 [10]	4,516 [11]	3,652,858
SUB-TOTAL		5,451	-	35	-	281	3,151,526	-	-	491,049	4,516	3,652,858
TOTAL		8,955,922	9,061,255	55,576	2,846,918	1,818,635	3,151,526	245,279	821,095	955,346	2,885,173	30,796,725

(1) Includes salary, salary sacrifice benefits (excluding salary sacrifice superannuation which is included under Superannuation) and fringe benefits tax.
(2) Short term incentive relates to performance in fiscal 2006 and is based on actual performance for Telstra and the individual.
(3) Includes the benefit of interest-free loans under TESOP97 and TESOP99, the value of personal home security services provided by Telstra and the value of the personal use of products and services related to Telstra employment.
(4) Includes payments made to executives on commencement of employment with Telstra and relocation payments made in accordance with their relocation agreement and which are classified as remuneration under the accounting standards.
(5) Represents company contributions to superannuation as well as any additional superannuation contribution made through salary sacrifice by executives.
(6) This represents the value of Short Term Incentive Shares allocated under the 2004/05 STI Equity plan whereby 50% of the STI payment was provided as shares to be distributed over 3 years at 12 month intervals. The values shown represent the annualised value for fiscal 2006 in accordance with the relevant accounting standards.
(7) The value included in deferred shares relates to the current year amortised value of vested and unvested shares issued in fiscal 2003 and fiscal 2004 under the Deferred Remuneration Plan. The values shown represent the annualised value for fiscal 2006 in accordance with the relevant accounting standards
(8) The value represents the annualised value of restricted shares, performance rights and options as detailed in figure 21. The executive only receives value if the performance hurdles are met.
(9) Includes payments made on cessation of employment with Telstra in accordance with his employment contract. The payments include unused annual and long service leave and an eligible termination payment equal to 12 months fixed remuneration.
(10) The value represents the remaining amortised value of deferred shares which has been brought forward due to the early vesting of Deferred Shares following separation from Telstra.
(11) The value represents the pro-rated amortised value of restricted shares, options and performance rights following Dr Switkowski's separation from Telstra on 1 July 2005.

STI payments for fiscal 2007

Figure 14 sets out the details of the annual STI for fiscal 2007, including the maximum potential STI and the actual value of the STI awarded. The minimum potential value of the STI is zero where gateway performance is not achieved.

Figure 14: STI for fiscal 2007

Name	Maximum potential STI ($)	Actual STI ($)	% of the maximum potential
Solomon Trujillo	6,000,000	5,313,600	88.6%
Bruce Akhurst	2,000,000	522,800	26.1%
Kate McKenzie	750,000	675,000	90.0%
David Moffatt	2,024,000	1,610,000	79.5%
Deena Shiff	1,440,000	1,137,264	79.0%
John Stanhope	1,760,000	1,431,656	81.3%
David Thodey	1,856,000	1,372,474	73.9%
Gregory Winn	3,600,000	3,188,160	88.6%

Where the actual STI payment is less than the maximum potential, (eg achieved performance was less than maximum performance level) the difference is forfeited and does not become payable in subsequent years.

Equity instruments granted as remuneration

Figure 15 provides the amortised accounting value of all LTI equity instruments granted as remuneration, including allocations of equity made from fiscal 2001 – 2007.

Where allocations have been made to the CEO and senior executives and have not yet vested, the CEO and senior executives may or may not derive any value from these allocations as they are still subject to performance measures and the performance period has not yet expired.

Figure 15: Amortised accounting value of all LTI equity for fiscal 2007

	Amortised value of LTI equity allocations (1) (2)			*Total*	*Amortised value as % of Total Remuneration*(4)
	Options ($)	Performance rights (3) ($)	Restricted shares ($)	($)	(%)
Solomon Trujillo	1,883,409	888,946	-	2,772,355	23.5
Bruce Akhurst	484,751	401,395	-	886,146	30.9
Kate McKenzie	130,068	81,750	-	211,818	13.8
David Moffatt	500,160	428,423	-	928,583	23.6
Deena Shiff	326,931	185,371	-	512,302	19.3
John Stanhope	325,222	289,142	-	614,364	18.9
David Thodey	446,649	366,037	-	812,686	23.6
Gregory Winn	-	-	-	-	-

(1) *The value of each instrument is calculated by applying option valuation methodologies as described in note 31 to the financial statements and is then amortised over the relevant vesting period. The values included in the table relate to the current year amortised value of all LTI instruments detailed as other equity in the remuneration table. The valuations used in current year disclosures are based on the same underlying assumptions as the previous year. Please refer to note 31 for details on our employee share plans.*

(2) *Where a vesting scale is used, the table reflects the maximum achievable allocation.*

(3) *The September 2003 plan failed to satisfy the performance measure in the first quarter of the performance period. In accordance with the terms of the plan half the maximum potential allocation of options lapsed on 6 December 2006. Although an accounting value is recorded above, the executives received no value from this plan.*

(4) *Total* Remuneration is the sum of short term benefits, post employment benefits and share based payments detailed in *Figure 12.*

The accounting value and actual number of the CEO and senior executives' options, restricted shares and options that were granted, exercised and lapsed in fiscal 2007 are set out in Figure 16 and Figure 17. The value of lapsed instruments in Figure 16 is based on the accounting value. This value is included to address our reporting obligations only. Where these instruments lapse, there is no benefit at all to the executive, and therefore no transfer of any equity or equity-related instrument. All instruments that have lapsed were tested against the external performance measure of Total Shareholder Return (TSR).

Figure 16: Value of equity instruments granted, exercised and lapsed in fiscal 2007

	Granted during period ($)(1)	Exercised ($)	Lapsed ($)	Aggregate of options granted, exercised and lapsed ($)
Solomon Trujillo	8,731,035	-	-	8,731,035
Bruce Akhurst	3,577,586	-	209,988	3,367,598
Kate McKenzie	1,073,276	-	-	1,073,276
David Moffatt	3,620,518	-	233,627	3,386,891
Deena Shiff	2,575,862	-	69,075	2,506,787
John Stanhope	2,518,621	-	151,658	2,366,963
David Thodey	3,320,000	-	192,182	3,127,818
Gregory Winn	-	-	-	-

(1) This amount represents an accounting estimate of the potential value executives may derive from Options over the vesting period. However, the executives will only derive value from the Options granted where the TSR gateway and the applicable performance measures are satisfied. Accordingly the minimum potential value of the Options granted is zero or may be greater than the above depending on the share price at the time of exercise.

The actual number of LTI instruments that were granted, exercised and lapsed in fiscal 2007 is set out in Figure 17. Of the Options allocated in fiscal 2007, 100% of the allocations were granted and none were forfeited or vested during fiscal 2007. However, unvested equity instruments may lapse in future years if the performance measures are not satisfied.

Figure 17: Number of Options – granted, vested, exercised and lapsed

	Instrument	Balance at 1 July 2006	Granted during period (1)	Vested during period	Exercised during period	Expired during period (2)	Balance at 30 June 2007 (3)	Vested and exercisable at 30 June 2007(4)
Solomon Trujillo	Performance Rights	836,821	-	-	-	-	836,821	-
	Options	-	10,344,828	-	-	-	10,344,828	-
Bruce Akhurst	Performance Rights	494,940	-	-	-	68,400	426,540	-
	Restricted shares	-	-	-	-	-	-	-
	Options	617,000	6,465,518	-	-	269,397	6,813,121	617,000
	Deferred shares	68,400	-	68,400	68,400	-	-	-
	Incentive Shares (5)	120,967	7,588	40,322	40,322	-	88,233	-
Kate McKenzie	Performance Rights	91,576	-	-	-	-	91,576	-
	Restricted shares	-	-	-	-	-	-	-
	Options	-	1,939,656	-	-	80,819	1,858,837	-
	Deferred shares	-	-	-	-	-	-	-
	Incentive Shares (5)	18,905	1,393	6,766	-	-	20,298	6,766
David Moffatt	Performance Rights	524,650	-	-	-	76,100	448,550	-
	Restricted shares	-	-	-	-	-	-	-
	Options	740,000	6,543,104	-	-	272,629	7,010,475	740,000
	Deferred shares	76,100	-	76,100	76,100	-	-	-
	Incentive Shares (5)	57,365	2,817	19,122	19,122	-	41,060	-
Deena Shiff	Performance Rights	215,220	-	-	-	22,500	192,720	-
	Restricted shares	-	-	-	-	-	-	-
	Options	178,000	4,655,173	-	-	193,966	4,639,207	178,000
	Deferred shares	22,500	-	22,500	-	-	22,500	22,500
	Incentive Shares (5)	68,188	5,023	24,403	-	-	73,211	24,403
John Stanhope	Performance Rights	372,866	-	-	-	49,400	323,466	-
	Restricted shares	-	-	-	-	-	-	-

	Instrument	Balance at 1 July 2006	Granted during period (1)	Vested during period	Exercised during period	Expired during period (2)	Balance at 30 June 2007 (3)	Vested and exercisable at 30 June 2007(4)
	Options	241,000	4,551,725	-	-	189,655	4,603,070	241,000
	Deferred shares	49,400	-	49,400	49,400	-	-	-
	Incentive Shares (5)	55,482	2,724	18,494	18,494	-	39,712	-
David Thodey	Performance Rights	453,268	-	-	-	62,600	390,668	-
	Restricted shares	-	-	-	-	-	-	-
	Options	534,000	6,000,000	-	-	250,000	6,284,000	534,000
	Deferred shares	121,600	-	121,600	121,600	-	-	-
	Incentive Shares (5)	47,639	2,339	15,880	15,880	-	34,098	-
Greg Winn	-	-	-	-	-	-	-	-

(1) Options granted during fiscal 2007 relate to the annual LTI plan for fiscal 2007. Incentive Shares granted during fiscal 2007 relate to the STI Equity plan for fiscal 2005.

(2) A proportion of equity instruments granted during fiscal 2007 lapsed in fiscal 2007 due to the failure to achieve the first stretch EBITDA test as at 30 June 2007.

(3) This represents the number of vested and unvested equity instruments which have not been exercised or lapsed as at 30 June 2007.

(4) There are no equity instruments which have vested but are not exercisable as at 30 June 2007.

(5) These Incentive Shares relate to the 2004/05 STI plan and does not include any allocation in relation to the 2006/07 STI plan.

CEO and senior executives contract details

The key terms and conditions for the CEO and senior executive service contracts are summarised and set out in Figure 18.

A contract typically outlines the components of remuneration paid to the executive but does not prescribe how remuneration levels are to be modified from year to year.

Generally, contracts can be terminated by either the company or senior executive providing 6 months notice. Upon notice being given Telstra can require the executive to remain employed by Telstra for the notice period or terminate employment immediately by providing payment in lieu of notice.

Figure 18: Summary of contract arrangements for CEO and senior executives

Name	Term of agreement	Fixed remuneration at 30 June 2007	Additional conditions	Notice Period (1)	Termination payment (2)
Solomon Trujillo	Ongoing	$3,000,000	Refer to the STI and LTI conditions summarised on pages 32 and 33.	30 days	12 months
Bruce Akhurst	Ongoing	$1,250,000	nil	6 months	12 months
Kate McKenzie	Ongoing	$625,000	nil	6 months	12 months
David Moffatt	Ongoing	$1,265,000	nil	6 months	12 months
Deena Shiff	Ongoing	$900,000	nil	6 months	12 months
John Stanhope	Ongoing	$1,100,000	nil	6 months	12 months
David Thodey	Ongoing	$1,160,000	nil	6 months	12 months
Gregory Winn	11 August 2005 to 8August 2008(3)	$2,000,000	Contract completion payments. (4) Also refer to the STI and LTI conditions summarised on page 34.	3 months	6 months + pro-rata STI + contract completion payment

(1) *Upon notice being given Telstra can require the executive to work through the notice period or terminate employment immediately by providing payment in lieu of notice.*

(2) *Payment is calculated on fixed remuneration as at date of termination. There will be no payment if termination is a result of serious misconduct or redundancy (in which case Telstra's redundancy policy applies).*

(3) *Greg Winn was initially employed on a 2 year contract with a completion date of 10 August 2007. The contract has been extended by 12 months to 8 August 2008.*

(4) *Contract completion payment of up to $1.8m subject to performance against pre-determined measures to be paid in August 2007 in accordance with initial fixed term contract. An additional payment of $500,000 is payable if he remains employed by Telstra until 8 August 2008.*

E. NON-EXECUTIVE DIRECTORS

1. Remuneration policy and strategy

In order to maintain their independence and impartiality, non-executive directors are remunerated with fees which are not linked to company performance. The total fee pool is approved by shareholders.

Our non-executive directors are remunerated in accordance with our constitution, which provides for the following:

- an aggregate limit of fees is set and varied only by approval of a resolution of shareholders at the annual general meeting; and
- the Board determines how those fees are allocated among the directors within the fee pool.

The total non-executive director fees are not to exceed the annual limit of $2,000,000 per annum approved by shareholders

In determining the required level for the fee pool and individual director fee levels, the Remuneration Committee makes recommendations to the Board, and in the case of the fee pool, the Board makes a recommendation to shareholders, taking into account:

- the company's existing remuneration policies;
- independent professional advice;
- the fee pools of other comparable companies (based on company size using market capitalisation);
- fees paid to individual directors by comparable companies;
- the general time commitment and responsibilities involved;
- the risks associated with discharging the duties attaching to the role of director; and
- the level of fees necessary to attract and retain directors of a suitable calibre.

In order to maintain their independence and impartiality, the remuneration of the non-executive directors is not linked to the performance of the company, except through their participation in the Directshare plan, which is explained below.

2. Remuneration structure

Non-executive directors receive a total remuneration package based on their role on the Board and their committee memberships. Non-executive directors must sacrifice at least 20% of their fees into Telstra shares to align their interests with those of our shareholders.

All Board and committee fees, including superannuation, paid to non-executive directors in fiscal 2007 remain within the current fee pool. Board fees were increased in fiscal 2007 to take into account prevailing market rates for directors' fees. No change has been made to committee fees. The Board and Committee fees payable to directors in fiscal 2007 are set out below.

Board fees

	Chairman	Director
Board	$495,000	$143,000

Committee fees

Board members, excluding the Chairman, are paid the following additional fees for service on Board committees:

Committee	Chairman	Member
Audit Committee	$70,000	$35,000
Remuneration Committee	$14,000	$7,000
Nomination Committee	-	$7,000
Technology Committee	$7,000	$7,000

Components of the total remuneration package (TRP)

The Board has determined that a non-executive director's total remuneration will consist of three components: cash, shares (through the Directshare plan) and superannuation. Each year directors are asked to specify the allocation of their total remuneration between these three components, subject to the following conditions:

- at least 30% must be taken as cash;
- at least 20% must be taken as Directshares; and
- the minimum superannuation guarantee contribution must be made, where applicable.

The Board will continue to periodically review its approach to the non-executive directors' remuneration structure to ensure it compares with general industry practice and best practice principles of corporate governance.

Equity compensation – Directshare

Directshare aims to encourage a longer-term perspective and to align the directors' interests with those of our shareholders.

Through our Directshare plan, non-executive directors are required to sacrifice a minimum of 20% of their TRP towards the acquisition of restricted Telstra shares. The shares are purchased on-market and allocated to the participating non-executive director at market price. The shares are held in trust and are unable to be dealt with for 5 years unless the participating director ceases to be a director of Telstra. Although the trustee holds the shares in trust, the participant retains the beneficial interest in the shares (dividends, voting rights, bonuses and rights issues) until they are transferred at expiration of the restriction period.

If a non-executive director chooses to increase their participation in the Directshare plan, they take a greater percentage of TRP in Telstra shares, and their cash component is reduced. As the allocation of Directshares is simply a percentage of the non-executive director's TRP, it is not subject to the satisfaction of a performance measure.

Directors are restricted from entering into arrangements which effectively operate to limit the economic risk of their shareholdings allocated under the Directshare plan during the period the shares are held in trust.

Superannuation

Mandatory superannuation contributions are included as part of each director's total remuneration. Directors may choose to increase the proportion of their remuneration taken as superannuation, subject to legislative requirements.

Retirement benefits

In accordance with good corporate governance practice, we do not provide retirement benefits for directors appointed after 30 June 2002. However, non-executive directors appointed before that date were eligible to receive retirement benefits on retiring as a director.

At the annual general meeting on 25 October 2005, we explained that retirement benefits would cease to accrue. This meant that directors who were appointed before 30 June 2002 would receive cash equal to the benefits accrued to 25 October 2005 upon retirement. The benefits accrued were indexed by reference to changes in Telstra's share price between that date and the date the director's retirement takes effect.

Furthermore, The Board resolved on 29 March 2007 to provide the opportunity to Directors eligible for a retirement benefit to be credited with an amount equal to their accrued retirement benefit as at 18 May 2007 in their account with the Telstra Superannuation Scheme. As a consequence, all directors agreed to terminate their existing retirement benefit arrangements and be credited with an amount equal to their accrued retirement benefit in their member account with the Telstra Superannuation Scheme.

This approach preserves the principle that directors should not be entitled to retirement benefits aside from receipt upon retirement.

Figure 19 shows the increase in retirement benefits payable to non-executive directors appointed before 30 June 2002 and the value of the payment to the director if he or she had retired on 18 May 2007.

Figure 19: Non-executive directors – increases in retirement benefits

Name	***Balance as at 2006 ($)***	***Indexed increase in value to 18 May 07 ($)***	***Payment made to Telstra Superannuation Scheme (1) ($)***
Donald McGauchie	*400,767*	*167,954*	*568,721*
Belinda Hutchinson	*115,737*	*48,509*	*164,246*
Catherine Livingstone	*154,923*	*64,930*	*219,853*
Charles Macek	*130,048*	*54,505*	*184,553*
John Stocker	*355,202*	*148,858*	*504,060*

There are no individual contracts for service with our non-executive directors other than as described above in relation to retirement benefits.

(1) *The value is calculated by multiplying the number of notional shares plus additional notional shares allocated for re-invested dividends by $4.87 being the 5 day volume weighted average price of Telstra shares traded for the period 14 May to 18 May 2007.*

3. Details of non-executive directors' remuneration

Figures 20 and 21 provides the details of all remuneration paid to our non-executive directors in fiscal 2007 and 2006.

Figure 20: Non-executive directors – 2007 details of remuneration

	Short term employee benefits		*Post-employment benefits*	*Cash settled share-based payments*	*Equity settled share-based payments*	
Name	Salary and Fees (1)	Non-monetary benefits (2)	Superannuation	Retirement benefits (3)	Direct share	Total
Donald McGauchie *Chairman*	383,314	2,360	12,686	167,954	99,000	665,314
Geoffrey Cousins Director	65,576	-	6,486	-	18,015	90,077
Belinda Hutchinson *Director*	52,701	-	89,696	48,509	35,600	226,506
Catherine Livingstone *Director*	135,101	1,701	12,686	64,930	37,000	251,418
Charles Macek *Director*	146,276	2,037	12,686	54,505	39,800	255,304
John Stocker *Director*	73,500	1,701	102,500	148,858	44,000	370,559
Peter Willcox Director	114,304	-	10,287	-	31,148	155,739
John Zeglis Director	119,587	-	-	-	29,897	149,484
Total	1,090,359	7,799	247,027	484,756	334,460	2,164,401

(1) Includes fees for membership on Board committees.

(2) These payments relate to reimbursement received by directors for reasonable travelling, accommodation and other expenses incurred in travelling to or from meetings of the Board or committees, or when otherwise engaged on company business. This also includes telecommunications and other services and equipment provided to directors to assist them in performing their duties. From time to time, we may also make products and services available to directors without charge to allow them to familiarise themselves with our products and services and with recent technological developments.

(3) These amounts represent the accrued retirement benefit for fiscal 2007. This amount is not included as part of the total directors fee pool.

Figure 21: Non-executive directors – 2006 details of remuneration

		Short term employee benefits			Post-employment benefits	Termination benefits	Cash settled share-based payments	Equity settled share-based payments	
Name		Salary and Fees (1)	Non-monetary benefits (2)	Other	Superannuation	Termination benefits (3)	Retirement benefits	Direct share	Total
Donald McGauchie *Chairman*	Ongoing	312,236	3,078	-	12,158	-	60,094	81,099	468,665
John Ralph (4) *Deputy Chairman*	Retired COB 11 Aug 2005	17,474	380	-	(5)	462,548	-	-	480,402
Anthony Clark (4) *Director*	Retired COB 11 Aug 2005	9,015	458	-	970	278,846	-	-	289,289
John Fletcher (6) *Director*	Resigned COB 30 June 2006	94,209	2,775	-	8,056	134,575	-	26,422	266,037
Belinda Hutchinson *Director*	Ongoing	100,611	2,288	-	18,551	-	11,943	29,740	163,133
Catherine Livingstone *Director*	Ongoing	113,063	2,288	-	10,998	-	11,849	31,015	169,213
Charles Macek *Director*	Ongoing	123,032	2,748	-	11,227	-	12,099	33,565	182,671
John Stocker *Director*	Ongoing	110,817	2,288	-	39,006	-	13,026	37,390	202,527
Peter Willcox (7) Director	Commenced 17 May 2006	11,872	-	-	1,069	-	-	3,235	16,176
John Zeglis (7) Director	Commenced 17 May 2006	12,941	-	-		-	-	3,235	16,176
Total		**905,270**	**16,303**	**-**	**102,035**	**875,969**	**109,011**	**245,701**	**2,254,289**

(1) Includes fees for membership on Board committees.
(2) Includes the value of the personal use of products and services.
(3) These payments relate to eligible retirement benefits payable on cessation as Directors of Telstra.
(4) Mr Ralph and Mr Clark retired as Directors of Telstra effective 11 August 2005.
(5) Under current superannuation legislation Mr Ralph did not receive superannuation benefits as he had passed his 70th birthday.
(6) Mr Fletcher resigned as a Director of Telstra on 30 June 2006.
(7) Mr Willcox and Mr Zeglis were appointed as Directors on 17 May 2006. Mr Zeglis is based in the United States.
(8) There are no individual contracts for service with our non-executive directors other than as described above in relation to post-employment benefits.