



11 August 2022

Office of the Company Secretary

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The Manager

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Dear Sir or Madam

ELECTRONIC LODGEMENT

Telstra Corporation Limited - Financial results for the full year ended 30 June 2022

In accordance with the Listing Rules, I enclose the following, approved by the Board, for immediate release to the market:

1. Appendix 4E – Full Year Report
2. Operating and Financial Review for the full year ended 30 June 2022, which accompanies the Directors Report
3. Directors Report (including the Remuneration Report)
4. Financial Report
5. Group Structure

Telstra will conduct an analyst and media briefing on its 2022 full year results from 9.15am AEST. The briefings will be webcast live at <https://www.telstra.com.au/aboutus/investors/financial-information/financial-results>.

A transcript of the analyst briefing will be lodged with the ASX when available.

Authorised for lodgement

Sue Laver
Company Secretary

Telstra Corporation Limited

**Financial results
for the year ended
30 June 2022**



Financial results for the year ended 30 June 2022

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Operating and Financial Review (OFR) comprising:	
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All amounts are expressed in Australian dollars (\$A) unless otherwise stated.

Telstra Corporation Ltd, ABN 33 051 775 556

APPENDIX 4E (ASX LISTING RULE 4.3A)

FINAL REPORT

30 June 2022

Telstra Corporation Limited ABN 33 051 775 556

1. Results for announcement to the market

Telstra Group	Year ended 30 June			
	2022	2021	Movement	
	\$m	\$m	\$m	%
Revenue (excluding finance income) from ordinary activities	21,277	21,558	(281)	(1.3)
Other income	768	1,574	(806)	(51.2)
Total income	22,045	23,132	(1,087)	(4.7)
Finance income	110	103	7	6.8
Profit for the year	1,814	1,902	(88)	(4.6)
Profit for the year attributable to equity holders of Telstra Entity	1,688	1,857	(169)	(9.1)
Profit from ordinary activities after tax attributable to equity holders of Telstra Entity	1,688	1,857	(169)	(9.1)

2. Dividend information

Telstra Group	Amount per share	Franked amount per share
	cents	cents
Interim ordinary dividend per share	6.0	6.0
Interim special dividend per share	2.0	2.0
Total interim dividend per share for the year	8.0	8.0
Final ordinary dividend per share	7.5	7.5
Final special dividend per share	1.0	1.0
Total final dividend per share for the year	8.5	8.5
Total dividend per share for the year	16.5	16.5
Final dividend dates		
Record date	25 August 2022	
Payment date	22 September 2022	

The above information is based on the 2022 Financial Report, including the consolidated financial statements and notes thereto, which have been audited by Ernst & Young (EY). Refer to note 4.2 to the financial statements and the Directors' Report for other dividend-related disclosures.

3. Net Tangible Assets per security information

Telstra Group	Year ended 30 June	
	2022	2021
	cents	cents
Net tangible assets per security	62.3	62.7

Net tangible assets are defined as the net assets of the Telstra Group less intangible assets and non-controlling interests. The net assets include both right-of-use assets and corresponding lease liabilities.

The number of Telstra shares on issue as at 30 June 2022 was 11,554,427,353 (2021: 11,893,297,855). As part of our capital management program, we announced the return of up to \$1.35 billion to shareholders via an on-market share buy-back which was conducted during the financial year 2022. The shares bought back during the year were subsequently cancelled. Refer to note 4.3 to the financial statements for further details.

The net decrease in net tangible assets per security from 30 June 2021 reflected the impact of:

- the disposal of a 49 per cent interest in our towers business to non-controlling interests (refer to note 6.1.2 to the financial statements for further details) which increased net tangible assets, and was more than offset by
- the on-market share buy-back and acquisition of intangible assets via business combinations (refer to note 6.1.1 to the financial statements for further details).

APPENDIX 4E (ASX LISTING RULE 4.3A)

FINAL REPORT

30 June 2022

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4. Dividend Reinvestment Plan

The Board has determined that the Dividend Reinvestment Plan (DRP) will continue to operate for the final dividend for the financial year 2022. The election date for participation in the DRP is 26 August 2022.

Additional Appendix 4E disclosure requirements and 'Guidance versus Reported Results' reconciliation can be found in the 2022 Financial Report, Directors' Report (including the Operating and Financial Review (OFR) and the Remuneration Report) and 2022 Group Structure lodged with this document.

Chairman & CEO message



Dear Shareholders

Thank you for your continued support and investment in Telstra during the 2022 financial year.

Four years ago, your company embarked on a bold transformation strategy to fundamentally change Telstra for the better and this year, we are delighted to report, those four years of discipline, focus and hard work under our T22 strategy have paid off and your company is now positioned for continued growth.

Our investments in innovation and technology, in digitisation and networks, in improving our customer experiences and ways of working, and our disciplined approach to capital management mean Telstra today is a fundamentally different company with an incredibly bright future.

A summary of our many achievements under T22 is included and more information is available on these and many other key initiatives in the Strategy and Performance section of this report.

Importantly, and even while the business was being transformed, we maintained a disciplined approach to our capital management, and this year our financial performance enabled the Board to resolve to pay a final dividend for FY22 of 8.5 cents per share, returning \$1.9 billion to shareholders. An additional \$1.35 billion was also returned to shareholders via an on-market share buy-back following the sale of a non-controlling interest in our Amplitel towers business for \$2.8 billion.

Work is also well progressed on our proposed re-structure. The Corporate Restructure is a legal re-organisation of the Telstra Group. Under the Corporate Restructure, a new structure will be established with New Telstra Corp as the head entity of the Telstra Group. Four key subsidiaries will sit under New Telstra Corp:

- **ServeCo** – which will own and operate the ServeCo Business;
- **InfraCo Fixed** – which will own and operate the InfraCo Fixed Business;
- **Amplitel** – which owns and operates the Amplitel Business. The Telstra Group's 51% interest in Amplitel is held by Amplitel HoldCo; and
- **Telstra International** – which will own and operate the International Business.

All of these businesses will continue to focus on creating innovative products and services, supporting customers and delivering an exceptional customer experience. Intercompany Agreements (ICAs) have been or will be established between the entities to help ensure they each have the infrastructure access, services and support required to enable them to achieve this.

The Corporate Restructure is a key component of the T25 strategy Telstra announced last year. It is an important next step in Telstra's drive to increase focus on its customer and infrastructure businesses, increase transparency of the assets in these businesses, and create greater flexibility and optionality to realise value from the Telstra Group's fixed infrastructure assets over time.

The Corporate Restructure is an internal legal re-organisation and will not, in itself, result in any immediate change to the underlying assets and business activity of the Telstra Group as a whole.

At the same time we have also continued to build on our work as a leading responsible business. Telstra is a key contributor to the economy, a major employer and a significant user of resources, so we have a responsibility to make contributions to the betterment of society.

That means the obligations we have to our customers are not just defined by the small print of our contracts but by our purpose and values as an organisation.

It also means continuing to take a leading position and acting on key issues including climate change, diversity, digital inclusion and human rights. It also means working to rebuild trust with First Nations communities and we were pleased to have launched our new Reconciliation Action Plan recently which sets out our commitments and actions we will take. We encourage you to learn more about our response to these key issues, and our broader approach to responsible business in **our Bigger Picture 2022 Sustainability Report, which will be available from 26 August 2022.**

From T22 to T25 – our new strategy for growth

In FY23 we move from T22 to T25. The move to T25 marks an exciting new era in Telstra's history, one that will see us accelerate growth from our core as well as continuing to scale our successful Health and International businesses while we invest in new businesses like Telstra Energy, where we see opportunities in the future.

We will build on the simpler world we have created for customers and give them an exceptional experience with even greater personalisation, more consistency across our channels, and the products and services they need to connect as individuals and grow as businesses.

We will take advantage of the many great strides made in our 5G rollout and boost capacity, speed and population coverage of our mobile network. We will also expand our regional network by an extra 100,000 square kilometres so we can continue to deliver leading mobile coverage and build on our network leadership.

We will continue to improve our reputation as a responsible business, further reducing our carbon emissions, supporting our most vulnerable customers and continuing to build fairness, inclusion and accessibility into all that we do. We know we are changing the business for the better, but we also know we need to continue to work hard to convince customers of the benefits of the changes so they want to do business with us.

We will continue to evolve how we work so that we build on what we have created by using Agile which has completely changed the way we do business, making us faster to market, more efficient and more customer focussed. Hybrid ways of working are also enhancing the flexibility in our workplaces and we continue to ensure our teams have all the learning opportunities and tools they need to grow so that we truly become the best place to work.

And, we will finally leave behind the nbn headwinds that have impacted our financials and make the most of the productivity gains we have made across the business to deliver sustained growth and more value for our shareholders.

We were successful with T22 because we were bold. We set ourselves some big, ambitious goals and executed with discipline and transparency. We will take this same disciplined approach with T25.

Thriving in a challenging environment

Of course, Telstra doesn't exist in a vacuum and just as we have transformed over the past four years, so too has the world around us. Technology innovation continues to accelerate, with the metaverse rapidly taking shape, 5G and 4G near-pervasive, and IoT and AI reaching real scale.

COVID-19 has turbo-charged the digitisation of businesses, under-scored the critical importance of connectivity and transformed education and healthcare. Norms around how - and where - we work socialise and educate ourselves have also been turned on their head. At the same time geopolitics is about as volatile and uncertain as most of us have seen

in our lifetimes, and that has changed the threat landscape and the demands on our cyber defences and strategic supply chains. Inflation and cost of living pressures also continue to challenge. And all the while the climate continues to change, with a corresponding increase in the frequency and severity of natural disasters.

All of these things will shape our country and our planet over the next decade, and they will shape Telstra. But with the transformative changes we have made through T22, and the changes we will continue to make through T25, we are in the best possible shape to deal with them, and to help our customers do the same.

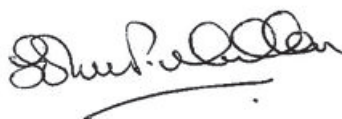
Our new era of growth will also be led by a new-look leadership team with Vicki Brady and Michael Ackland taking on the CEO and CFO roles respectively from 1 September. A new Group Executive of our Consumer & Small Business unit will also be appointed to drive our customer focus.

Thank you

The Telstra Board and senior management team would like to sincerely thank our millions of customers for their ongoing support during the year, because ultimately without them, there would be no Telstra. Thank you also to every Telstra employee for the great job you have done, often in trying circumstances, and for your constant willingness to step up and do what is needed.

The Board would also like to acknowledge and thank retiring directors Margie Seale and Peter Hearl for their outstanding contribution over many years.

And most importantly thank you, our shareholders, for your continued support of Telstra.



John P Mullen
Chairman



Andrew R Penn
Chief Executive Officer and Managing Director



CEO transition – message from the Chairman

Earlier this year I announced Vicki Brady would be the new Chief Executive Officer of Telstra from 1 September, 2022, replacing Andrew Penn who is retiring after more than seven years in the role.

Andy has led Telstra during a period of significant change and will be known for his courage in setting a bold ambition through the T22 strategy to deliver a transformed experience for customers, shareholders and employees.

There is no doubt T22 has delivered beyond expectations and has laid the foundations for Telstra's T25 strategy and a renewed focus on growth and innovation. During his time as CEO, Andy has driven a focus on digitisation underpinned by a commitment to simplifying our products and services for our customers and employees. He has also maintained our leadership in mobile and fixed networks, including recently through our investment to lead on 5G.

Delivery of the T22 strategy has seen Telstra return to underlying growth, achieve significant customer experience improvements, reduce costs by \$2.7 billion and reach high performing employee engagement levels with more than 17,000 people in the organisation now working in Agile.

In recent years, not only has Andy ensured the successful delivery of our T22 commitments he has provided leadership at what has truly been an extraordinary time as we have navigated both as a company and a nation through the challenges of the pandemic.

While in his role Andy made important contributions to Australian society including through his role as a Male Champion of Change advocating for diversity in the workplace, as Chair of the Australian Governments Industry Advisory Committee on Cyber Security and in the Arts where he received the 2020 Creative Partnerships Australia's Business Leadership Award for his exceptional contribution to Australia's cultural life.

During his time as CEO, Andy also developed a strong team to ensure the ongoing successful leadership of the company. The greatest testament to this was the ability to announce an internal successor to the role of CEO and I'm thrilled to welcome Vicki Brady into the role.

Having started her career with KPMG, Vicki subsequently worked in a range of finance, commercial and strategy roles before moving into broader business leadership positions. Vicki joined Telstra in 2016 and has held the role of Group Executive, Consumer and Small Business in addition to her current role of CFO and Group Executive responsible for Strategy and Finance, which she was appointed to on 1 July 2019. She is an experienced executive leader, who has built a strong and deep understanding of telecommunications and technology on top of her financial expertise. She has a Bachelor of Commerce from the Australia National University, a Masters from Stanford University Graduate School of Business, is a member of the Institute of Chartered Accountants Australia and New Zealand and is a graduate of the Australian Institute of Company Directors.

Vicki has made a significant contribution to Telstra including her work in developing our new go-to-market plans as part of the T22 strategy. She also played a key leadership role in the development of the T25 strategy and is well placed to lead the company through its next phase. She could not be more qualified to take over the reins to deliver on our T25 commitments.

On behalf of the Board, I would like to thank Andy for his extraordinary contribution to Telstra and congratulate Vicki on her appointment.

John P Mullen
Chairman

FY22/T22 Achievements

Our shareholders



8.5 dividend fully franked and \$1.9b returned to shareholders



\$2.7b productivity savings, further strengthening balance sheet



Sale of non-controlling 49 per cent interest of our InfraCo Towers business for \$2.8b, approx 50% of net proceeds returned to shareholders via an on-market share buyback



Proposed restructure to better realise the value of our infrastructure assets, take advantage of potential monetisation opportunities and create additional value for shareholders

Our customers



All Telstra Consumer & Small Business calls now answered in Australia – calls also down 71%



Over 4.5m Telstra Plus members, and 45b points redeemed



We have reduced our TIO complaints by 44% since FY21



Telstra Group eNPS achieved +37, a +18 uplift for T22

Our people



Employee engagement at global high performing norm levels



One of Australia's largest Agile workforces – more than 17,000 people



Flexible and hybrid work leadership – incl. location agnostic employment contracts



Exceeded our target to recruit new capabilities in new areas such as software engineering, data analytics, cyber security and artificial intelligence with more than 1,500 new hires

Our community



Over 17 million free calls made from Telstra payphones



We are targeting a 50% reduction in absolute greenhouse gas emissions by 2030, from a FY19 baseline. During FY22 we extended this target to also include scope 3 emissions



Blocked over 200 million scam calls from reaching our customers since introducing our scam call blocking feature in mid-2021



Helped more than 745,000 customers in vulnerable circumstances to stay connected

Our network



Australia's largest mobile network covering more than 2.6 million square kilometres of land



Invested \$11b in our mobile network over the last 7 years, including \$4b regional mobile network



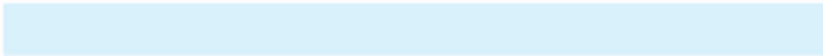
Telstra 5G now covers 80% of the Australian population

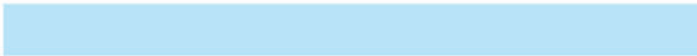


Own or operate 400,000km of subsea cables – enough to lap the world 10 times

Strategy and Performance

FY22 financial performance

 **\$22.0 billion**
Total Income on a reported basis¹

 **\$7.3 billion**
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

 **\$7.3 billion**
Underlying EBITDA on a guidance basis²

 **\$1.8 billion**
Net Profit After Tax (NPAT)



Total FY22 dividends **16.5 cents per share** fully franked



\$1.9 billion returned to shareholders



Maintained A-band credit ratings



\$2.7 billion reduction in underlying fixed costs since FY16

1. Total income excluding financial income.

2. This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management.

Strategy & Performance

Our strategic context and focus

When we launched our T22 transformation strategy in June 2018 we had to act boldly to fundamentally transform and radically simplify and digitise Telstra. We had to respond to the reality of the impact of the nbn rollout on Telstra. And we knew we had to transform and improve the core business, while investing in new technologies, simplifying our systems and removing customer pain points.

Our T22 Strategy

Launched in 2018 our T22 strategy had four pillars

1

Radically simplify our product offerings, eliminate customer pain points and create all digital experiences

2

Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout

3

Greatly simplify our structure and ways of working to empower our people and serve our customers







4

Implement an industry leading cost reduction program and portfolio management

The strategy leveraged many of the significant capabilities that had already been built through our strategic investment of up to \$3 billion announced in 2016 in creating the networks for the future and digitising the business.

T22 Scorecard

Our T22 program – which concluded in June this year - has been a clear success and Telstra today is a much simpler, more agile, more customer-focussed and more digitally-enabled business. Many indicators of the scale of progress made under T22 are evident right across the business.

Outcomes	 Customers Market leading customer experience	 Simplification Simplified products, business and operating model	 Network Extended network superiority and 5G leadership	 Employees Achieve Global High Performance Norm in employee engagement	 Cost reduction Net cost productivity of \$2.7bn by FY22 ¹	 Balance sheet ROIC ~8% by FY23 ¹
Metrics & Measurements	<ul style="list-style-type: none"> ● Increase NPS 3 to 6 points p.a. ● Double active app users from 4m to 8m by FY22 – 6m active users by FY20 Consumer & Small Business sales transactions through the digital channel: <ul style="list-style-type: none"> ✓ 24% by FY20 ✓ 45% by FY22 Active Enterprise customers on Telstra Connect: <ul style="list-style-type: none"> ✓ 4,000 by FY20 ✓ 7,100 by FY21 ● 40% of Enterprise service interactions through the digital channel by FY22 ● Increase average services per customer ✓ Eliminate two thirds of mass market servicing calls by FY22 – one third by FY20 ● All mass market incoming calls answered in Australia Telstra Plus members: <ul style="list-style-type: none"> ✓ 2m by FY20 ● 5m by FY22 	<ul style="list-style-type: none"> ✓ Build and launch new digital technology stack in FY19 ● Complete Digitisation program with key products built on the new stack ✓ Simplify from ~1800 to ~20 active Consumer & Small Business plans Services on in-market Consumer & Small Business plans: <ul style="list-style-type: none"> ✓ >3m by FY20 ● >10m by FY22 ● Migrate all Consumer & Small Business customers to the new product range on the new digital technology stack by FY21 ✓ Rationalise 50% of Enterprise products by FY21 ✓ Reduce 2 to 4 management layers in the organisation ✓ 700 apps decommissioned or contained by FY20 	<ul style="list-style-type: none"> ● Lead in all key industry network performance surveys from FY19 ✓ Network ready for 5G in H1 FY19 ✓ Full commercial deployment of 5G in capital cities, major regional centres and other high demand areas by FY20 ● Australia's largest 5G network ✓ Deliver 5x data growth at flat costs by FY21 	<ul style="list-style-type: none"> Agile teams at level 3 of Agile Maturity: <ul style="list-style-type: none"> ✓ 80% by FY20 ✓ >90% by FY22 ✓ 1 quartile increase in ease of doing business management practices of Organisational Health Index (OHI) by FY20 ● Increase employee engagement score 10 points ✓ Reduce total FTE by 8,000 net by FY22 	<ul style="list-style-type: none"> ✓ Net cost productivity – more than \$1.5bn cumulatively delivered by FY20 ● Total costs will be flat or decline in each year from FY18 ● Absorb nbn CVC/AVC costs ● Labour cost to sales ratio to decline ~one third by FY22 ● Top quartile cost metrics for full-service telco by FY22 	<ul style="list-style-type: none"> ● Underlying ROIC to improve from FY19 to FY22 ✓ Monetise assets of up to \$2bn by FY20 ✓ Establish standalone infrastructure business unit with effect from 1 July 2018 ✓ High level SLAs for infrastructure business to be defined by 1 October 2018 and segment reporting by 31 December 2018 ✓ Telstra InfraCo fully operational by June 19 ✓ EBITDA benefits of >\$500m p.a. from \$3bn strategic investment realised by FY21

Key	 Completed	 Completed after due date	 On track for delivery	 Progress but below target metric	 Below target metric	 Status change vs FY21
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Technology leadership

This year Telstra continued to operate Australia's best, largest and most reliable mobile network. We expanded our 5G footprint so it now covers 80 per cent of Australians where they live and our total network grew to cover 99.5 per cent of all Australians, taking it to over 2.6 million square kilometres. We also are ranked number one for Ookla on Overall Mobile Speeds.

We continue to innovate by trialling new technologies in our network and in February 2022, we achieved a record of 5.9 Gbps 5G peak download speed on a commercial network using mmWave spectrum. In December 2022, with our partners Ericsson and Qualcomm Technologies Inc., we achieved the highest uplink peak rate ever recorded on a commercial network during a live demo in Queensland, Australia, reaching an uplink data speed of close to 1Gbps.

Customer experience

We continued to take important steps to improve our customer experience through FY22. We completed our commitment to answer all calls from our Consumer & Small Business customers in Australia and our licensee stores have all been brought back in house, with all Telstra stores now Telstra owned and operated. Almost half of all sales interactions and more than three quarters of all service interactions with Consumer & Small Business customers are now digital, and since T22 began the number of calls coming into Telstra's consumer and small business contact centres has fallen by more than 70 per cent. These improvements are reflected in our Episode NPS results, which are stronger than ever, improving five points in the last 12 months and 18 points since the T22 program began.

Balance sheet and financials

FY22 was a pivotal year for Telstra financially as we saw the near-final negative transitional effects of the nbn rollout in our reported results and the growing momentum in our underlying performance.

Key results include:

- Total income: \$22.0 billion (-4.7%)
- EBITDA: \$7.3 billion (-5.0%)
- NPAT (Profit): \$1.8 billion (-4.6%)
- Earnings per share (EPS): 14.4 cents (-7.7%)

Transforming our culture and ways of working

T22 would not have been possible without radical cultural change inside Telstra. Our previous challenge to move more quickly and simply was one of the core internal pain points we faced and so, through T22, we have fundamentally changed the way we work.

The introduction of new Agile ways of working has been the centrepiece of this. Our adoption of Agile at scale has transformed our approach to prioritisation and resource allocation so that we are faster to market, more efficient and more customer-focussed. Other than front-of-house staff, field technicians and some specialist roles, all our Australian based staff now work in Agile. In fact, we have the largest Agile workforce in the country with more than 17,000 people in the organisation now working in Agile.

Telstra has long been a leader in flexible working. It's a big part of our culture and this meant that when COVID-19 hit we could quickly move most of our people to working from home, something we did over the course of a single weekend. From there, we have continued to embrace hybrid working and giving our people choice about where they work. In FY22, Telstra also moved to location agnostic contracts for many roles, removing the clause that states where an employee's place of work is from employment contract terms and conditions.

One of Telstra's values is "We Care" - showing care in all that we do for our people, customers and the community. In our diverse global operations, Telstra's focus is always on ensuring the safety and wellbeing of our people and those who have contact with our business operations. This has never been more important than over the past two years of the COVID-19 pandemic where we have guided and supported frontline and critical infrastructure people, who come to work every day for our customers, while embracing flexible work for the rest of our workforce.

Alongside this shift to Agile and flexible working, under T22 we also reduced our direct and indirect workforce by one third, in response to the transfer of a material part of our business to the nbn and as a result of our digitisation and efficiency initiatives. At the same time, we have exceeded our target to recruit new capabilities in new areas like software engineering, data analytics, cyber security and artificial intelligence with more than 1,500 new hires. On average four layers of management have also been removed.

New opportunities and capabilities

We continue to look for opportunities to grow our business and to unlock the true value of our infrastructure. Last year we finalised a significant transaction with a consortium made up of the Future Fund, Commonwealth Superannuation Corporation and Sunsuper to sell a non-controlling 49 per cent interest of our InfraCo Towers business for \$2.8 billion. We retain 51 per cent ownership and still own the active parts of our network, ensuring we can continue to deliver leading mobile coverage and maintain our network leadership.

Approximately 50 per cent, or \$1.35 billion, of net proceeds of this deal was returned to shareholders during FY22 via an on-market share buy-back. We also invested \$75 million of the proceeds to further enhance connectivity in regional areas. The remainder of the proceeds were used for debt reduction to ensure we maintain balance sheet strength and flexibility.

In October last year we announced the acquisition, in partnership with the Australian Government, of Digicel Pacific adding leading mobile businesses in PNG, Fiji, Vanuatu, Tonga, Nauru and Samoa with 2.8 million customers to our International business. We completed this acquisition in July 2022.

Telstra also announced two major telecommunications infrastructure projects this year to support the nation's digital economy and enable unprecedented levels of connectivity across Australia. Telstra will build and manage the ground infrastructure and fibre network in Australia for Viasat's new series 3 satellite system and construct a major fibre project to build state-of-the-art inter-city dual fibre paths across the country.

This year Telstra Health was selected to deliver 1800RESPECT for an initial five years at an estimated contract value of around \$200 million. This adds to strategic health software company acquisitions in GP practice management and specialist billing and clinical coding. We have also launched our Energy business where our goal is to grow by helping Australian families save money, time and emissions. There are three building blocks for our ambitions with Telstra Energy: to launch a simple, sustainable and integrated energy proposition, to leverage Telstra's channels and relationships to build scale, and to provide 100 per cent carbon neutral energy plans to customers. However, clearly the retail energy market is currently going through severe dislocation and given this we will not be scaling in FY23 as we keep the market dynamics under review.

This year we also announced a \$100 million deal with Intellihub to provide up to 4.1 million Internet of Things (IoT) SIMs over the next decade. This is our largest ever IoT deal in terms of value and the number of devices. The IoT SIMs will help deliver real-time monitoring and insights to help Intellihub and its customers better manage energy demand.

In November, we announced our intent to form a new joint venture with Quantum to bring together Quantum's market-leading data science and AI capabilities with our customer, product and network data assets. This unique partnership is a key enabler for our future data and AI ambitions.

Doing business responsibly

At the same time, we have also continued to build on our work as a leading responsible business. Telstra is a key contributor to the economy, a major employer, a large procurer of goods and services, and a significant user of resources so we have a responsibility to make contributions for the betterment of society.

That means the obligations we have to our customers are not just defined by the small print of our contracts but by our purpose and values as an organisation. It also means continuing to take a leading position and acting on key social issues including climate change, diversity, digital inclusion, human rights and working to rebuild trust with First Nations communities following inappropriate sales practices by a small number of our partner stores some years ago.

Our commitment takes many forms and includes significant action on climate change, where we were certified by the Australian Government's Climate Active program as carbon neutral in 2020 and continue progressing towards our other two climate targets – to reduce absolute emissions from FY19 by at least 50% by 2030 and to enable renewable energy generation equivalent to 100% of our consumption by 2025. As well as optimising our operations to reduce energy requirements we are also using our voice and influence to advocate on climate issues, demonstrate our climate and environmental leadership through our actions, and wherever possible enable and accelerate the action of others. Addressing climate change requires innovative thinking and a determination to act and, as part of this, Telstra is revegetating 240 hectares of land acquired at Yarrowyck in northern New South Wales. The project is expected to store around 160,000 tonnes of carbon dioxide over the next 25 years.

We are also focussed on improving our resource efficiency, through programs to re-use and recycle devices and the packaging they come in, reducing waste going to landfill.

Across our value chain, we aim to ensure our business and our business partners operate with respect for human rights. We have taken a clear and unequivocal position on modern slavery: we stand completely opposed to what is an inhumane, immoral practice and believe there is absolutely no place for it anywhere in our operations or supply chain. We are committed to preventing, identifying and addressing any instances of modern slavery in our business or supply chains in line with international business and human rights standards.

Telstra is also heavily involved in programs to build digital inclusion, because while the digital economy is generating incredible social, cultural and economic benefits for many Australians, these benefits are not being shared equally. Too many Australians, and particularly Australians in vulnerable circumstances, are at risk of being left behind in the digital age and even more marginalised. Telstra has a key role to play to build access, through our network investment, ensuring products and services are affordable, and by supporting a range of programs to build digital skills. We are focussed on supporting those on low-incomes, people with disability, older Australians, regional and remote communities, First Nations peoples and individuals who are experiencing unemployment, homelessness or family violence.

We are also providing more coverage to more people in regional and remote places. Over the 7 years to end FY22 Telstra will have invested \$11 billion in our mobile network nationally with \$4 billion of this invested in our regional mobile network, providing additional capacity and new and improved coverage. Last year we also announced significant forward investments, including \$150 million in regional investment for FY22, and an additional \$200 million co-investment fund to improve regional connectivity over the next four years.

This year we embarked on a journey of listening, learning and understanding, and developed a new Stretch Reconciliation Action Plan. These actions reflect a new starting point for us as we rebuild trust and forge a better path towards reconciliation with First Nations peoples and communities across Australia.

We continued to provide ongoing assistance packages and support programs during times of critical need, including during the COVID-19 pandemic, conflict in Europe and in areas hit by catastrophic natural weather events including floods and bushfires. Our response highlighted the strength of our values and the resilience of our organisation in maintaining our operations, supporting our customers and keeping our employees safe in times of dire need.

We are incredibly proud of the advances we have made this year in continuing to shape Telstra as a responsible, sustainable, and community-minded organisation. As the world continues to change around us, we remain purpose-led and values-driven.

Transitioning from T22 to T25

Throughout T22 we have remained disciplined and focussed, and we have now delivered one of the largest and most ambitious transformation programs for a telecommunications company globally.

Now we move from a strategy we had to do to a strategy we want to do – from a transformation strategy to a strategy focussed on continued growth. T25 marks an exciting new era in Telstra's history, one that will see us accelerate growth from our core as well as continuing to scale our successful health and international businesses while we invest in new businesses like energy, where we see opportunities in the future.

We will build on the simpler world we have created for customers and give them an exceptional experience with even greater personalisation, more consistency across our channels, and the products and services they need to connect as individuals, and to grow as businesses.

We will take the great strides we have made in our 5G rollout and boost capacity, speed and population coverage of our mobile network. We will also expand our regional network by an extra 100,000 square kilometres. We will boost our reputation and change the way Australians think about us by doing what's right by our customers and communities – further reducing our carbon emissions, supporting our most vulnerable customers and continuing to build fairness, inclusion and accessibility into all that we do.

We will continue to evolve how we work so that we get the most out of Agile and hybrid working, and make sure our employees have all the learning opportunities and tools they need to grow so that we truly become the best place to work. And finally we will leave behind the nbn headwinds that have impacted our financials and make the most of the productivity gains we have made across the business to deliver sustained growth and more value for our shareholders.

Our T25 Strategy

Like T22, T25 is built around four key strategic pillars

1

Provide an exceptional customer experience you can count on. Nothing is more important than continuing to improve customer experience and this sits at the heart of T25.

2

Provide the leading network and technology solutions that deliver your future

3

Create sustained growth and value for our shareholders

4







Be the place you want to work. T25 is a strategy focussed on growth by leveraging the capabilities we have built under T22

In the same way T22 would not have been possible without the foundational investments we announced in 2016, T25 would not be possible without all that we have accomplished in T22.

We will deliver T25 through our five key businesses – Consumer and Small Business, Enterprise, New Markets – comprising Energy and Health, International and Infrastructure. The four pillars of T25 are guiding the strategy for each of these businesses but each also has its own ambition reflecting the place it is at and the opportunities ahead.

In its implementation, we will be using the same disciplines and governance that we used for T22 including a T25 scorecard that lays out the key milestones and metrics that underpin the strategic pillars.

T25 Scorecard

	 Customer experience	 Network & Technology	 Growth and value	 New ways of working	 Digital leadership	 Responsible business
Our commitments and metrics	<p>Market leading CX with</p> <ul style="list-style-type: none"> eNPS >40 by FY25 sNPS uplift of +25 by FY25 <p>Getting it right for customers</p> <ul style="list-style-type: none"> >90% 'Once and Done' by FY25 (C&SB) 90% rating in support and engagement by FY25 (TE) <p>Reduce our complaints</p> <ul style="list-style-type: none"> One-third by FY23, 50% by FY25 (C&SB) >95% of billing disputes will be resolved in 1 cycle by FY25 (TE) <p>Grow Telstra Plus members (#) and engagement (%)</p> <ul style="list-style-type: none"> 5.4m and 70% by FY23 6m and 80% by FY25 <p>Grow digitally active users by 2m to 8.5m FY25 (C&SB)</p> <p>Improve availability of infra. assets for customers, by FY25</p> <ul style="list-style-type: none"> 250 new towers 20,000km of fibre deployed¹ 	<p>Network leadership; by FY25:</p> <ul style="list-style-type: none"> ~95% pop. coverage for 5G >80% of traffic on 5G 3G closed in FY24 <p>Win majority of key surveys for best fixed/ mobile network including</p> <ul style="list-style-type: none"> Coverage, and Overall customers speeds for mobile FY23-FY25 <p>Double metro cell sites by FY25 to densify the network</p> <p>Expand regional coverage</p> <ul style="list-style-type: none"> 100,000km² new coverage by FY25 	<p>Underlying EBITDA</p> <ul style="list-style-type: none"> \$7.5-8.0b by FY23 Mid-single digit CAGR FY21 to FY25 <p>Underlying ROIC</p> <ul style="list-style-type: none"> ~8% by FY23 Grow beyond to FY25 <p>Underlying EPS: High-teens CAGR FY21 to FY25</p> <p>Maximise fully-franked dividend and seek to grow over time</p> <p>Maintain cost discipline</p> <ul style="list-style-type: none"> \$500m net fixed cost out from FY23 to FY25 while investing for growth Maintain leading operating cost metrics for full-service telco <p>Maximise value from infra.</p> <ul style="list-style-type: none"> Amplitel EBITDAaL CAGR –low-to-mid single digit InfraCo Fixed EBITDAaL CAGR – low-single digit 	<p>Remain at 90th percentile employee engagement (equivalent to high-performance norm)</p> <p>Improve agile maturity of teams, with 70% scoring above 4 by FY25</p> <p>Halve our time to market for products and services from FY22 to FY25</p> <p>50% increase in representation of Data & Analytics workforce by FY25</p> <p>Direct software engineering workforce delivering ~2x the percentage of strategic development work by FY25</p>	<p>All key service transactions with customers are capable of being conducted digitally by FY25</p> <p>100% of key business processes enhanced/ improved using AI by FY25</p> <p>Reach top 20% in Digital Capability Index by FY25</p> <p>100% API-first architecture for customer management, product development, and external monetisation</p> <p>Move ~90% of applications to the public cloud by FY25</p>	<p>Enable renewable energy generation equivalent to 100% of our consumption by 2025</p> <p>Reduce absolute emissions from FY19 by at least 50% by 2030</p> <p>Increase digitally active customers by 2m, including building digital skills for 500k Australians, by FY25</p> <p>Help keep 1m customers in vulnerable circumstances connected each year from FY22-25</p> <p>4-7pt uplift in RepTrak reputation score by FY25</p>

Telstra transformed

The many changes we have made through T22, and the changes we will continue to make through T25, mean we are in the best possible shape to make the most of the many opportunities ahead, and to help our customers do the same. As Australia continues to develop an ever-increasing reliance on digital connectivity and to deal with challenges including rising cost of living pressures, geopolitical instability and climate change, we are very well placed to deliver the infrastructure, solutions, products and security needed by our customers (including our International customers) and to support Australia's journey toward becoming a world leading digital economy.

Our material risks

Our material risks

The importance of continuing to identify, measure and monitor the most material risks to our business is more pronounced than ever. We operate under a new normal of greater geopolitical and economic uncertainty and the continued challenges of the ongoing global pandemic that has disrupted several key parts of global and local life and commerce.

As a business, we are transitioning to our T25 strategy, which marks an exciting new era in Telstra's history. Our T25 strategy will see us accelerate growth from our core as well as scale our business, and brings several risks which we must adequately manage.

Managing our material risks well is an important part of ensuring the success of our strategy, as well as enhancing customer experience, our reputation, financial position and our capacity to pay dividends.

Below we describe the material risks that could affect Telstra in this context, including any material exposure to environmental or social risks, and how we seek to manage them. These are not listed in order of significance, nor are they all encompassing. They reflect the most significant risks identified at a whole-of-entity level through our risk management process.

Transformation, strategy and market forces

At the end of FY22, Telstra marked an important phase in our history with the conclusion of the T22 strategy. Telstra today is a simpler, more agile, collaborative and customer focused organisation. From this foundation, we are now transitioning from T22 to our T25 strategy, a transition from transformation to growth.

Our T25 strategy includes a focus on increasing 5G population coverage, network capacity and connection speeds, working to boost our reputation by doing what is right for our customers and communities, continuing to evolve by consolidating our Agile and hybrid ways of working and utilise productivity gains to deliver sustained growth and more value for our shareholders.

We acknowledge that our transition from transformation to growth poses a level of inherent risk, including the risk that the decisions we make lead to the design and delivery of products and services which do not sufficiently meet our customers' needs. We also recognise that Telstra operates in a competitive environment, and that despite our transformation, competitors have also made their own strides.

To manage these risks, we constantly monitor business performance and forecasts against changes in the external environment, and stress test our approach against various market scenarios. Our Agile ways of working, now at scale across the business, also allow us to rapidly respond to market challenges. We also continue to have a strong focus on maintaining effective governance and leadership so that we can identify, escalate, and manage growth risks, and risks within the market segments that we operate in.

Group restructure

The Telstra group restructure was a key component of our T22 transformation and is also a key component of our new T25 strategy. Our proposed legal restructure involves the establishment of New Telstra Corp as the head entity of the Telstra Group and four key subsidiaries which sit beneath New Telstra Corp: ServeCo, InfraCo Fixed, Amplitel and Telstra International. The restructure is an internal legal re-organisation and will not itself result in any immediate change to underlying assets or business activities of the Telstra Group. It is an important next step in Telstra's drive to increase focus on its customer and infrastructure businesses, increase transparency of assets in these businesses, and create greater flexibility and optionality to realise value from the Telstra Group's fixed infrastructure assets over time.

In FY22, the establishment of Amplitel was completed, with Telstra retaining 51% (majority ownership) of the business.

The establishment of a new holding company and the transfer of assets into ServeCo are proposed to occur by way of a scheme of arrangement that we intend to seek shareholder approval for.

While we continue to work on the restructure and to engage with Government, regulators and other key stakeholders, there is a risk that the group restructure may be delayed or not successfully completed, reducing the optionality and opportunity we have to realise additional value from our infrastructure assets. We also acknowledge that there are also risks associated with the implementation of the scheme and the legal restructure which we must manage, including that the scheme may result in higher ongoing costs than expected, operational implementation risks and managing increased regulatory complexity.

To mitigate these risks, we have a dedicated program and strong governance focused on addressing these risks and ensuring successful implementation of the restructure. We also have a comprehensive consultation program to explain the many benefits this restructure delivers to our stakeholders, including our shareholders, the Government, suppliers, customers, and our people.

Responsible business

For Telstra, doing business responsibly means doing the right thing – for our customers, our people and the communities in which we operate. We recognise that there has never been a more important time for businesses to think deeply about the role they play in society, and for this reason doing business responsibly is one of the key pillars in our T25 strategy.

The principles of sustainability are fundamental to us and the way we operate. Our purpose is to build a connected future so everyone can thrive. It's a powerful purpose, and it underpins our belief that Telstra has a very real responsibility to play a positive and meaningful role in creating a more sustainable and inclusive world. The foundational connectivity and digital solutions we provide create value for our customers, people, communities and shareholders.

We continue to work hard to ensure that our business practices are in line with our purpose and values and the expectations of the broader community. We know that our responsibility to do the right thing goes all the way to the core of our operational practices, particularly those that have the potential to impact customers in vulnerable circumstances. We acknowledge that we have not always gotten this right, but have focused significant attention and resources on learning from the past as we head into a new phase.

The risks associated with not conducting our business responsibly are extensive. We risk eroding community and customer trust in our standing as a responsible corporate citizen and our losing our reputation with stakeholders with potential negative regulatory and financial implications.

We are committed to conducting our business responsibly through a range of measures. These include enabling renewable energy generation, reducing absolute emissions, increasing digitally active customers including by building digital skills for Australians, focusing on keeping our customers in vulnerable circumstances connected, and embedding a broader culture that supports our people to act responsibly.

People and culture

It is essential we continue to attract, develop, and retain a skilled and engaged workforce. We seek to build an agile, enabled values-driven organisation focused on simplicity and accountability, and to build a workforce that can pivot in response to change.

We are also focused on maintaining a purpose and values-led culture that reflects the expectations and standards of the broader community in line with our commitment to responsible business practices, which we have identified as a priority as part of our T25 and sustainability strategies. Our corporate values are integrated across our business and embedded into our behaviours and decision-making. Our Appreciate reward and recognition program recognises our people who bring these values to life through their everyday actions.

We have several mechanisms to manage our people and culture risks, including employee engagement surveys, monitoring capability coverage in key talent segments and ensuring we have critical role succession coverage. Where behaviour occurs that is not in keeping with our values, we have processes in place to identify and deal with it appropriately, including through our whistleblower process and internal investigations team.

We continue to evolve our operating model, with several areas of the business transitioning to Agile at scale in the calendar year 2021 and early 2022. These included our Risk and Compliance and Legal areas. The Agile model delivers greater opportunities for growth and development for our teams and allows our staff to have a greater level of accountability and ownership over their work, helping create a more energised and engaged workforce that is motivated, impactful and regularly exposed to new opportunities through the flow to work.

We invest heavily to reskill and upskill our people, complementing our comprehensive suite of technical training with additional micro-credentials. In February 2022 we launched our Future Ready Program, which focuses on developing and upskilling in seven core capabilities, helping mitigate the risk that comes with our workforce not being across the latest skills and credentials needed to keep us competitive and effective.

Health, safety, and wellbeing

The effective management of health, safety, security, and wellbeing is a fundamental priority due to the risks they present our people (both physically and /or mentally), our assets, the environment and the communities in which we operate. The nature of this risk is continually evolving, as our business and the environment in which we operate changes.

We actively monitor and manage a diverse range of health, safety and wellbeing outcomes, including the physical safety in our varied workplaces (especially as more of our people work more often from home), the security of our people and places of work, their mental health and wellbeing (including the wellbeing risks associated with transformation) and the potential for harm to our environment and the communities in which we work.

We continue to support the safety and wellbeing of our people during the ongoing COVID-19 pandemic in what remains a challenging and frequently changing Australian and global landscape, including by focusing on the physical and mental health and wellbeing of those directly impacted by COVID-19. We have also played an important leadership role in discussions about COVID-19 safety, in Government/ Industry forums, in our approach to mandating vaccination for certain roles, in rewarding our employees for being vaccinated, and setting up our own vaccination hub at the Melbourne Office. Our approach has supported the wellbeing of our staff and have enabled business operations to continue throughout the pandemic.

Climate change

Climate change is a considerable threat to our economy, our environment, our health, our way of life and our future. It is the defining challenge of the 2020s, and as one of the largest consumers of power in the country, we have a major role to play in addressing this. Every year the consequences of inaction compound, with increasing threats of worsening heatwaves, unprecedented flooding and bushfires, and shifts in rainfall patterns that will leave some parts of the country drier and others more flood prone. We understand the economic and reputational risks associated with climate change and transitioning to a lower-carbon economy. Climate change also directly impacts our ability to conduct our operations, as we saw in the 2022 New South Wales flooding and subsequent localised network outages.

As part of our response, we have been certified carbon neutral in our operations since July 2020. We are committed to enabling renewable energy generation equivalent to 100 per cent of our energy consumption by 2025 (against our FY19 baseline) and reducing absolute greenhouse gas emissions by at least 50 per cent by 2030.

We are assessing the impact of retail energy growth in relation to our scope 3 emissions profile and will provide an update once this has been completed. We are also confirming the implications of our recently completed Digicel acquisition in relation to our carbon neutral and emissions reduction targets, and we will provide an update should there be any material impact once this analysis has been completed.

We are committed to leading by example by setting bold and ambitious targets to reduce greenhouse gas emissions, investing in renewable energy and to becoming a certified carbon neutral organisation. We are also using our scale and voice to help drive better environmental outcomes on the pathway to net zero emissions. Further, in FY22, we completed the physical climate risk analysis for our Australian above ground infrastructure and have also developed and implemented our first formal climate adaptation plan. While these are significant steps, we acknowledge that they are just the start.

Since 2020 we have aligned our reporting to the Taskforce on Climate-Related Financial Disclosures (TCFD) framework. Our 2022 Climate Change Report summarises our climate-related governance, planning, strategy and activities and aligns with the TCFD framework.

Network IT and resilience

One of Telstra's competitive advantages is the quality, scale, speed, and resilience of our network. The COVID-19 pandemic highlighted the demand for seamless and high-quality connectivity for customers working and studying from home. We recognise we need to plan our networks to increasingly cater to the changed nature of work and education as people live in a world where hybrid ways of working are now the norm.

Given so many customers depend on the quality of our network, we recognise the potentially significant impacts that flow from network congestion and outages. These events are disruptive and frustrating for customers, and significant for us in terms of financial loss, potential regulatory scrutiny, reputational risk and the trust people have in our brand.

The resilience of our network can be undermined by natural disasters, unforeseen spikes in demand, the activity of malicious actors, human error, equipment failure, data quality, or failure in the underlying electricity grid that powers our network. We raise and assess such risk scenarios through our mature risk management approach and respond to them through a range of strategies and processes that seek to prevent, respond to, and recover from service and network disruptions.

We have several indicators in place to dynamically monitor network and IT performance and resilience, and we proactively track risk remediations and improvements in our network over time to progressively reduce our risk exposure. Further, the end-to-end resilience of our systems and processes is a key enabler of our T25 Growth Strategy by enhancing resilience for our customers through small impact zones, orchestrated failover for apps and connectivity.

We continue to implement a cross-company approach which manages end-to-end resilience of key products and services, considering all elements that can potentially impact customer service, including disruptions to our network and IT technology.

Privacy, data and cybersecurity

With the growing demand for, and dependence on, being able to live, work and learn online, the information and cybersecurity threat environment has increased. This is one of the reasons we put data privacy, information security and cybersecurity at the forefront of everything we do. We understand that the failure to do so presents a material risk that has the potential to allow crime, espionage, and errors to happen at an unprecedented pace, scale, and reach.

While it is not possible to mitigate all cyber risks, it is critical that we take action to help our customers trust in the connectivity we provide. We use a range of technologies and security controls to minimise the likelihood and impact of unauthorised access to our networks and systems. These include logging and monitoring capabilities to pre-empt and proactively prepare for internal and external threats, and industry-standard infrastructure configuration.

We continuously invest in our security capabilities, including maintaining and enhancing our existing technologies to continue to stay ahead of new security threats. We also deploy new technologies to ensure we can adapt to the range of changing security and scamming threats.

Telstra is currently operating in a heightened threat posture due to the geopolitical situation and increased risk stemming from global cybersecurity threats and events. As part of our response, we have developed comprehensive response plans, reviewed our infrastructure and systems to ensure the integrity of the Telstra network, and are working extremely closely with both Home Affairs and the Australian Cybersecurity Centre to provide technical capability to help defend the country against significant cyber-attacks.

Our approach to cybersecurity risk management processes ensures appropriate ownership, oversight and ongoing risk management is applied to IT systems, data, and risks. We also have security processes that include technical reviews of projects and solutions and due diligence of third parties, to test the presence and effectiveness of security controls at critical points. We deliver programs designed to foster a strong cybersecurity culture, including mandatory annual training for all employees and contractors and regular phishing drills. As technology continues to evolve, we are conscious of emerging issues in relation to artificial intelligence and machine learning and have governance programs in place to monitor these risks.

We regularly review and update our privacy statements and procedures so that we remain compliant with our legal obligations and consider society's expectations in relation to collection, storage and use of our customers' personal information. Please refer to the Corporate Governance Statement for more detail on how Telstra manages privacy.

We also continue to work with the Australian Government as it executes its 2020 Cybersecurity Strategy, with our CEO chairing the Industry Advisory Committee.

Geopolitical environment

The current global geopolitical environment is one of increasing volatility and uncertainty. With international political tensions and conflict running high, there is a risk that we may be unable to effectively plan for and respond to significant shifts in the global political climate.

Geopolitical risks are complex and unpredictable in nature, and we recognise that failure to manage these risks effectively could result in significant impacts to our people, supply chain and business, including key material shortages, increasing economic market volatility, inflation and price changes of goods or services. As a leader in Australia's technology industry, we are also on the cyber front line as the current environment increases risk stemming from global cyber threats. The global use of economic and trade sanctions is changing rapidly, increasing our compliance risk due to the complexity and multi-jurisdictional nature of applying sanctions across our business, customer, and supplier base. Our international investment in Digicel may also increase the complexity of issues we face from both a cybersecurity perspective and the geopolitical risks extant in the international markets in which Digicel operates.

As part of our response, we have implemented several processes, including governance structures and frameworks for geopolitical monitoring, review of decisions in volatile regions and engagement of third parties to advise on the likely geopolitical scenario over the next three to five years.

We continue to actively monitor the evolving environment as we navigate greater international uncertainty, in order to maintain continuity of our business operations and to do what we can to keep our people and customers safe and informed.

Regulatory change and stakeholder engagement

Telstra's products and services and the way we deliver them are subject to constant scrutiny from a range of regulators and agencies.

To ensure we comply with these regulations, it is essential that we continue to maintain proactive and transparent relations with all relevant regulators, consumer and community groups and policy makers in an effort to ensure fair, balanced and socially appropriate policy and regulatory decisions are made.

The key regulatory matters currently relevant to Telstra arise in an environment of heightened expectations and relate to regulatory compliance, responsible business practices, establishing a new retail energy business, NBN Co regulation and policy, consumer safeguards and service standards, spectrum allocation, government security and digitisation policy, connectivity for regional and rural communities, and universal service policy.

These and other regulatory and policy matters may directly impact our strategy and business model as well as raise the risk of additional regulatory cost and complexity being imposed on our business. We have a strong framework to manage these risks, monitor trends, opportunities and threats to identify relevant government reform opportunities, and proactively engage with regulators, government bodies, industry and customer groups and other stakeholders.

Compliance

From how we sell devices to how we maintain our subsea cables, Telstra must comply with a broad range of obligations. As a responsible business, it is up to us to understand and meet them so that we are doing the right thing by our people, our customers, our communities and our shareholders.

We have several measures in place to manage our compliance risks, including a robust framework which sets out a standardised approach to compliance, a bi-monthly report on material compliance issues that do or could lead to a breach of our obligations to our Audit & Risk Committee, and a mandatory compliance training framework which includes monitoring training completion across all teams and consequences for non-completion.

In FY22, we established and progressed the Compliance Uplift program of work which was established to support the need to mitigate risks of non-compliance across the organisation, focusing on uplifting our control environment. A cross-company approach has been implemented to embed awareness and ownership of critical compliance obligations at all levels of the organisation, improve assurance, governance and oversight; and more promptly report and escalate breaches when identified.

While we acknowledge the need for continual improvement, we have made significant progress as an organisation in becoming more intimate with our obligations, creating a culture where acting responsibly is core to decision making and delivers compliant and sustainable outcomes.

Further detail on our risk management framework and our overall approach to managing risk is provided in our **2022 Corporate Governance Statement** available at www.telstra.com/governance.

Further information about our sustainability related risks is provided in our **2022 Bigger Picture Sustainability Report**, available at [our website](#).

Outlook

Outlook

As we enter the first year of our T25 strategy we are in a strong position to maintain our financial momentum and continue to build underlying growth. Our transformation under the previous T22 strategy means we are well placed to help build the foundation for, and take advantage of, the growing digital economy and emerging technology shifts, as well as help the nation respond to the continued disruption caused by the COVID-19 pandemic as well as respond to an uncertain economic outlook.

For FY23¹ guidance, we anticipate continued underlying business growth:

- Total Income of \$23.0 billion to \$25.0 billion
- Underlying EBITDA² of \$7.8 billion to \$8.0 billion
- Capex³ of \$3.5 billion to \$3.7 billion
- Free cashflow after lease payments (FCFaL)⁴ of \$2.6 billion to \$3.1 billion

We are confident our financial momentum will continue, driven by product growth, productivity improvements, and the end of the financial headwinds created by the nbn. We will continue to diversify our growth opportunities including by continuing to scale our successful Health and International businesses, investing in new opportunities like Telstra Energy, where we see opportunities in the future, and through our Digicel Pacific acquisition. This will support delivery of our financial ambitions under our T25 strategy.

In the year ahead our areas of focus will include improving the experience for our customers by continuing to build simpler digital experiences. We will look to achieve this through greater personalisation, more consistency across our channels and offering the products and services needed to connect as individuals and grow as businesses.

We will look to extend our leadership in 5G, boost capacity, speed and population coverage of our mobile network, and expand our regional network.

We will enhance our reputation and continue to change the way Australians think about us by always doing what's right by our customers and communities – further reducing our carbon emissions, supporting our most vulnerable customers and continuing to build fairness, inclusion and accessibility into all that we do.

We will continue to evolve how we work so that we get the most out of Agile and hybrid working, and make sure our team has all the learning opportunities and tools they need to grow so that we truly become the best place to work.

The Corporate Restructure is a key component of the T25 strategy Telstra announced last year. It is an important next step in Telstra's drive to increase focus on its customer and infrastructure businesses, increase transparency of the assets in these businesses, and create greater flexibility and optionality to realise value from the Telstra Group's fixed infrastructure assets over time. The Corporate Restructure is an internal legal re-organisation and will not, in itself, result in any immediate change to the underlying assets and business activities of the Telstra Group as a whole.

Delivering these priorities and making further productivity gains will promote sustained growth and more value for our shareholders.

While our strategic direction is clear, there are a number of significant factors which bring an element of unpredictability, and these are detailed in the Risk section of this report. These include the continued challenges in the economy including inflation and cost of living pressures, acceleration of technology innovation and the growth of the digital economy, geopolitical volatility and instability which is heightening demands on our cyber defences and strategic supply chains and the ever-growing threat of climate change with corresponding increases in catastrophic natural disasters. All of these things will shape our markets, our country and our planet over the next decade, and they will shape Telstra. But with the many changes made through T22, and the changes we will continue to make through T25, we are in the best possible position to deal with them, and to help our customers do the same.

Through all of this Telstra will continue to be guided by our purpose and our values and remain focused on creating long-term shareholder value. We are excited by the tech-driven future and the opportunities it presents us, as a company and a country.

¹ This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and other such items as determined by the Board and management.

² Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. FY20/21 underlying EBITDA also included depreciation of mobile lease right-of-use assets.

³ Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.

⁴ Free cashflow after lease payments (FCFaL) defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities', and excludes spectrum and guidance adjustments.

Full Year Results and Operations Review

Full year results and operations review

Summary financial results	FY22	FY21	Change
	\$m	\$m	%
Revenue (excluding finance income)	21,277	21,558	(1.3)
Total income (excluding finance income)	22,045	23,132	(4.7)
Operating expenses	14,758	15,470	(4.6)
Share of net loss from equity accounted entities	(31)	(24)	(29.2)
EBITDA	7,256	7,638	(5.0)
Depreciation and amortisation	4,358	4,646	(6.2)
EBIT	2,898	2,992	(3.1)
Net finance costs	417	551	(24.3)
Income tax expense	667	539	23.7
Profit for the period	1,814	1,902	(4.6)
Profit attributable to equity holders of Telstra Entity	1,688	1,857	(9.1)
Capex ¹	3,042	3,020	0.8
Free cashflow	3,854	4,887	(21.1)
Earnings per share (cents)	14.4	15.6	(7.7)

1. Capex is defined as additions to property, plant and equipment and intangible assets, excluding expenditure on spectrum and guidance adjustments, externally funded capex, and capitalised leases. Capex is measured on an accrued basis

Reported results

Telstra delivered FY22 results with an increase to our total dividend for the first time in seven years following the successful completion of T22 and strong momentum in our underlying business.

On a reported basis, total income decreased 4.7 per cent to \$22.0 billion. Reported EBITDA was \$7.3 billion, down 5.0 per cent. NPAT decreased by 4.6 per cent to \$1.8 billion, while earnings per share was down 7.7 per cent to 14.4 cents. Underlying EBITDA grew by 8.4 per cent to \$7.3 billion demonstrating strength in the core business. Underlying EPS¹ was up 48.5 per cent to 14.4 cents.

We also continued to take cost out of the business. Underlying fixed costs decreased 8.1 per cent or \$454 million and total operating expenses on a reported lease adjusted basis were down 5.8 per cent or \$906 million.

Our continued mobile network leadership led to a strong performance in our mobiles business with \$700 million EBITDA growth (+21.2 per cent), 2.9 per cent postpaid handheld ARPU growth and 6.4 per cent mobile services revenue growth. 155,000 net retail postpaid handheld services were added, including 121,000 branded with a strong contribution from Enterprise.

Consumer & Small Business Fixed grew sequentially in the second half and our Enterprise business returned to growth. We realised benefits from our infrastructure assets with InfraCo Fixed core access revenues up 3.1 per cent, including nbn recurring receipts up 3.3 per cent, and Amplitel revenue increased by 8.9 per cent. Amplitel was established as a standalone business with the sale of a non-controlling 49 per cent interest delivering net cash proceeds after transaction costs of \$2.8 billion.

Our FY22 results also mark the completion of our T22 strategy which has been a clear success with Telstra delivering a better experience for its customers and employees. We also reached our T22 productivity target of \$2.7 billion. FY22 also included several strategic announcements and early progress against some aspects of our T25 strategy. These included the landmark network sharing agreement with TPG Telecom, which is subject to ACCC clearance, and major infrastructure announcements through our partnership with Viasat and the upgrade of our inter-city fibre network. We also extended our 50 per cent emissions reduction target to cover scope 3 emissions and reached a number of new Enterprise Agreements with a large proportion of employees.

The Telstra Board resolved to pay a fully-franked dividend of 8.5 cents per share, bringing the total dividend for the year to 16.5 cents per share. This included an increase in the ordinary dividend from 10 to 13.5 cents per share, and will see around \$1.9 billion returned to shareholders, on top of the successful \$1.35 billion share buyback completed in May 2022. Telstra also provided financial guidance² including assumptions on a range of metrics for FY23, showing the continuation of growth in the underlying business.

1. Calculated as Profit After Tax after Minority Interests (PATMI) attributable to each share, excluding net one-off nbn receipts and guidance adjustments (guidance adjustments defined in footnote 2).
2. This guidance excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Refer to guidance vs reported results schedule which details the adjustments made for the current and comparative period to reflect performance on the basis on which we provided guidance to the market for FY22.

Other information

Consistent with information presented for internal management reporting purposes, the result of each segment is measured based on its EBITDA contribution. Refer to Note 2.1.1 in the Financial Report for further detail.

Commentary provided for statutory and management financial results.

Results on a guidance basis ¹	FY22	FY22 Guidance
Total income	\$22.0b	\$21.6b to \$23.6b
Underlying EBITDA	\$7.3b	\$7.0b to \$7.3b
Capex	\$3.0b	\$2.8b to \$3.0b
Free cash flow after payments for lease liabilities	\$4.0b	\$3.5b to \$3.9b

Guidance versus reported results ¹	FY22	FY22	FY22	FY21
	Reported results \$m	Adjustments \$m	Guidance basis \$m	Guidance basis \$m
Total income	22,045	(87)	21,958	22,924
Underlying EBITDA	7,256	(5)	7,251	6,689
Free cashflow	3,854	107	3,961	3,740

1. These tables detail adjustments made to the reported results for the current and comparative periods to reflect the performance of the business on the basis on which we provided guidance to the market, which excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. A detailed reconciliation of our reported results to guidance can be found in the guidance versus reported results schedule. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. FY21 underlying EBITDA also includes depreciation of mobile lease right-of-use assets. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases. Free cash flow after lease payments (FCFaL) is defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities, and excludes spectrum and guidance adjustments. Refer to the Guidance versus reported results schedule. The adjustments within the tables in this schedule have been reviewed by our auditors.

On 11 August 2022, the Directors of Telstra Corporation Limited resolved to pay a final fully franked dividend of 8.5 cents per ordinary share, comprising a final ordinary dividend of 7.5 cents per share and a final special dividend of 1 cent per share. Shares will trade excluding entitlement to the final dividend from 24 August 2022 with payment to be made on 22 September 2022. The total dividend for FY22 is 16.5 cents per share, fully franked, including 13.5 cents ordinary and 3 cents special, representing a total dividend payout of \$1,919 million. This is in line with our Capital Management Framework, which was updated at the September 2021 Investor Day.

The FY22 special dividend will be the final special dividend linked to one-off nbn receipts. We returned 79% of cumulative net one-off nbn receipts to shareholders via fully franked special dividends to the end of FY22. This was consistent with our commitment to return in the order of 75 per cent of net one-off nbn receipts to shareholders over time via fully franked special dividends.

Principle 2 of our updated Capital Management Framework is to 'maximise fully franked dividend and seek to grow over time'.

The final dividend represents a 115 per cent payout ratio on FY22 reported earnings per share and is well supported by free cash flow.

Segment performance

We report segment information on the same basis as our internal management reporting structure as at the reporting date. Segment comparatives reflect organisational changes that have occurred since the prior reporting period to present a like-for-like view.

Segment total income (including internal charges)



Total external income	FY22	FY21	Change
	\$m	\$m	%
Telstra Consumer and Small Business ¹	11,978	12,330	(2.9)
Telstra Enterprise	7,132	6,985	2.1
Networks and IT ²	248	244	1.6
Telstra InfraCo ²	3,638	3,790	(4.0)
All Other ²	624	1,295	(51.8)
Total management reported income	23,620	24,644	(4.2)
Transactions between segments	(1,575)	(1,512)	(4.2)
Total external income	22,045	23,132	(4.7)

1. Includes one-off nbn DA and Connection

2. Includes internal charges

On a reported basis, total income (excluding finance income) declined by 4.7 per cent to \$22,045 million. On a guidance basis, total income (excluding finance income) was \$21,958 million. The decline was primarily due to a reduction in low margin hardware revenues, one-off nbn income, on-net fixed income and nbn commercial works income. This was partly offset by growth in mobile service revenue. Segment performance is on a reported basis unless otherwise stated.

Telstra Consumer and Small Business

Telstra Consumer and Small Business provides telecommunications, media and technology products and services to Consumer and Small Business customers in Australia using mobile and fixed network technologies. It also operates call centres, retail stores, a dealership network, digital channels, distribution systems and a loyalty program in Australia.

Income decreased by 2.9 per cent to \$11,978 million impacted by a 5.3 per cent decline across fixed products including a 40.2 per cent decline in on-net revenue due to nbn migration and a 0.6 per cent decline in mobile income with higher mobile service revenues offset by lower hardware revenue.

Telstra Enterprise

Telstra Enterprise is responsible for providing telecommunications and technology services and solutions for government and large enterprise customers in Australia and globally. It also provides product management for advanced technology solutions through Data and Connectivity and Network Applications and Services (NAS) products such as unified communications, cloud, industry solutions and integrated services.

Income increased by 2.1 per cent to \$7,132 million driven by a 10.8 per cent increase in mobile income. Fixed revenue rose 0.1 per cent, with NAS revenue gains offset by declines in Data & Connectivity. NAS income growth of 5.8 per cent was due to growth in strategic areas as we execute our strategy, partly offset by calling applications legacy decline.

Networks and IT

Networks and IT is responsible for the overall planning, engineering architecture, construction and maintenance of Telstra networks, technology and information technology solutions. It primarily supports the revenue generating activities of other segments.

Telstra InfraCo

Telstra InfraCo is a standalone infrastructure business unit within Telstra. It owns and operates key passive network assets including data centres, exchanges, our fibre network, our physical mobile tower assets owned or operated by the Amplitel business, ducts and pipes. It also provides active mobile and fixed wholesale telecommunication products and services to other carriers and internet service providers.

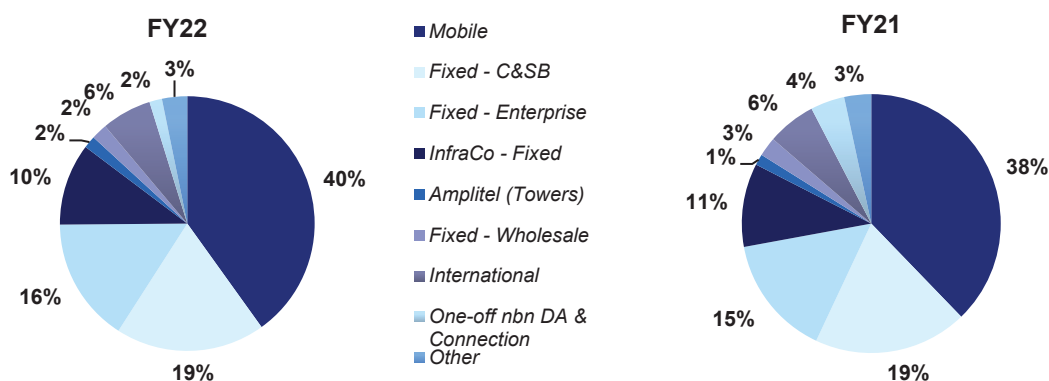
Telstra InfraCo income, including internal charges, decreased by 4.0 per cent to \$3,638 million due to expected declines from Fixed – Active Wholesale legacy products and commercial works supporting the nbn. This was partly offset by disposal of legacy network assets not in use, growth in income from our core passive infrastructure with increased recurring nbn DA receipts in line with CPI and other external access charges and an increase in wholesale mobility. Excluding internal access charges, income decreased by 8.1 per cent to \$2,354 million, which includes the decline in commercial works.

All Other

Certain items of income and expense relating to multiple reportable segments are recorded by our corporate areas and included in the All Other category. This category also includes Product and Technology Group, Global Business Services (GBS) and Telstra Health. Income decreased by 51.8 per cent to \$624 million, \$549 million excluding internal charges, mainly due to declines in Per Subscriber Address Amount (PSAA) receipts in line with the progress of the nbn network rollout.

Product performance

Product revenue breakdown (including internal charges)



Product income	FY22	FY21	Change
	\$m	\$m	%
Mobile	9,470	9,310	1.7
Fixed – C&SB	4,486	4,736	(5.3)
Fixed – Enterprise	3,729	3,724	0.1
Fixed – Active Wholesale	477	591	(19.3)
International	1,501	1,496	0.3
InfraCo Fixed	2,456	2,569	(4.4)
Amplitel	368	338	8.9
One-off nbn DA & connection	378	1,050	(64.0)
Other	755	830	(9.0)
Total management reported income	23,620	24,644	(4.2)
Eliminations	(1,575)	(1,512)	(4.2)
Total external income	22,045	23,132	(4.7)

EBITDA contribution margins ¹	FY22 %	2H22 %	1H22 %	FY21 %
Mobile	42.2	42.6	41.8	35.4
Fixed – C&SB	1.2	1.4	1.0	2.9
Fixed – Enterprise	17.9	19.1	16.5	17.3
Fixed – Active Wholesale	33.3	30.7	35.7	39.1
International	25.8	26.0	25.6	22.5
InfraCo – Fixed	67.4	68.3	66.4	65.1
Amplitel	79.9	75.1	84.9	88.8
Other	6.3	12.7	-2.0	10.9
Net one-off nbn DA less nbn net cost to connect	61.6	61.7	61.6	76.4

1. The data in this table includes adjustments to historical numbers to reflect changes in product hierarchy.

Detail on each of the products are outlined below on a reported basis unless otherwise stated, presented in accordance with our product reporting framework which was announced to the market on 13 January 2022. The restated product reporting framework aligns with our T25 strategy and includes:

- More transparency across our infrastructure business with InfraCo Fixed and Amplitel (Towers) on a standalone basis
- Mobile and Fixed product EBITDA margins inclusive of internal charges

Mobile

Mobile services revenue growth of 6.4 per cent strongly supported growth in overall Mobile product income, despite declines in hardware income. Overall Mobile income increased by 1.7 per cent to \$9,470 million. Growth in mobile services revenue was realised across all sub-products.

Retail services in operation (SIOs) increased by 1.3 million bringing the total to 20.8 million. We now have 8.7 million postpaid handheld retail SIOs, an increase of 155,000.

Postpaid handheld services revenue increased by 4.5 per cent to \$5,045 million as a 1.8 per cent uplift in SIOs was complemented by a 1.2 per cent ARPU increase from \$48.16 to \$48.74.

Prepaid handheld revenue increased by 14.2 per cent to \$924 million due to a 215,000 increase in unique users, higher ARPU and lower dormancy.

Mobile broadband revenue increased by 7.0 per cent to \$655 million, driven by a 14.0 per cent uplift in ARPU from \$16.20 to \$18.46 and a 0.4 per cent increase in SIOs.

Internet of Things (IoT) revenue increased by 8.9 per cent to \$268 million with SIOs increasing by over 1 million in the year. Growth was predominantly driven by SIO additions and value-add applications for Enterprise customers.

Wholesale revenue increased 15.4 per cent to \$308 million. Wholesale revenue growth was also supported by 218,000 net adds, bringing the total to 2.0 million, and ARPU growth, indicating continued growth in popularity of our Mobile Virtual Network Operator's (MVNO) plans on the Telstra mobile network.

Hardware, interconnect and other revenue decreased by 11.0 per cent to \$2,252 million largely due to lower hardware volumes impacted by supply constraints.

Mobile EBITDA contribution margin increased by 6.8 percentage points to 42.2 per cent due to increased high-margin service revenue, transitioning our customers off subsidy and lease plans, reduction in low margin hardware sales and cost-out.

Fixed - Consumer and Small Business (C&SB)

Fixed – C&SB income declined by 5.3 per cent to \$4,486 million impacted by nbn migration along with declines in legacy voice and SIOs. C&SB bundles and standalone data SIOs declined by 87,000 bringing the total to 3.5 million.

On-net fixed revenue, which is revenue from services on the Telstra network, decreased by 40.2 per cent to \$469 million while off-net fixed revenue, which is revenue from services for which we are a reseller, increased by 5.0 per cent to \$3,150 million as customers continue to migrate onto the nbn network. Off-net nbn resale margin was unchanged at 5.0 per cent.

Consumer content and services revenue declined by 9.1 per cent to \$601 million due to lower Foxtel from Telstra SIOs despite increases of 4 per cent year on year growth in SVOD (subscription video on demand) with closing SIOs of 669,000 and a 35% increase in gaming SIOs to 84,000.

Business apps and services revenue declined by 8.2 per cent to \$168 million due to legacy product decline.

Fixed – C&SB EBITDA contribution margin declined by 1.7 percentage points to 1.2 per cent due to a reduction in high margin revenue and growing nbn network payments, partly offset by cost-out.

Fixed – Enterprise

Fixed – Enterprise income grew by 0.1 per cent to \$3,729 million supported by gains in NAS income which offset declines in data and connectivity.

Data and connectivity income declined by 13.3 per cent to \$956 million. Declines were from ARPU compression caused by competition and technology change. Our T-Fibre customer base declined marginally, with churn confined largely to mid market and business segments.

NAS income increased by 5.8 per cent to \$2,773 million largely due to growth in strategic areas such as managed services, professional services, cloud applications and equipment sales, however this was partially offset by decreases in calling applications.

Calling applications revenue declined by 10.0 per cent to \$637 million due to ISDN and legacy fixed line calling products, in line with planned exit. This was partly offset by SIO growth and increased customer usage of collaboration communication software particularly in the first half.

Managed services and maintenance revenue increased by 10.0 per cent to \$738 million as more network customers attached cyber security services, managed data network and service management in strategic accounts.

Professional services revenue increased by 16.8 per cent to \$439 million driven by one-off infrastructure builds in large strategic contracts and digital transformation engagements by Telstra Purple.

Cloud applications revenue increased by 8.6 per cent to \$279 million from demand for public cloud.

Equipment sales revenue grew by 15.7 per cent to \$397 million as hardware spend rebounded following the COVID-19 market downturn.

Fixed - Enterprise EBITDA contribution margin grew by 0.6 percentage points to 17.9 per cent. Data and connectivity EBITDA contribution margin declined by 7.6 percentage points to 36.2 per cent due to revenue reduction. NAS EBITDA contribution margin grew by 5.3 percentage points to 11.5 per cent due to revenue growth in strategic areas and cost-out.

Fixed – Active Wholesale

Fixed – Active Wholesale income declined by 19.3 per cent to \$477 million impacted by ongoing migration to the nbn and legacy product decline.

Data and connectivity revenue decreased by 11.1 per cent to \$303 million reflecting an ongoing SIO reduction in largely low-end enterprise grade legacy products, price competition in wideband fibre products and migration of legacy services.

Legacy calling and fixed revenue declined by 30.4 per cent to \$174 million as nbn migration nears completion, with growth in nbn reseller.

Fixed - Wholesale EBITDA contribution margin decreased by 5.8 percentage points to 33.3 per cent due to continued legacy and nbn revenue decline offset partly by cost-out.

International

Income from our International business increased by 0.3 per cent to \$1,501 million (-1.3 per cent in constant currency (CC)). A strong performance in wholesale with continued investment in infrastructure was offset by declines in low margin legacy voice.

Fixed legacy voice revenue declined by 12.2 per cent (CC) in line with market trends.

Data and connectivity revenue increased by 1.2 per cent (CC) with wholesale growth offsetting enterprise decline.

NAS and other revenue decreased by 2.3 per cent (CC) but grew 1.6 per cent (CC) excluding the exit of TelkomTelstra, with growth from new managed services deals as well as managed networks and equipment.

International EBITDA contribution margin increased by 3.3 percentage points to 25.8 per cent with margin expansion from low margin fixed voice reduction and higher data and connectivity and NAS contribution as well as cost-out.

InfraCo Fixed

InfraCo Fixed income declined by 4.4 per cent to \$2,456 million. Our world class fixed passive infrastructure assets, across fibre, ducts and fixed network sites delivered stable growth in infrastructure access revenues. Recurring nbn income, disposal of legacy network copper assets which we expect to be ongoing, and sale of exchange air rights in the second half supported income. These positives were offset by a decline in nbn commercial works revenue, which is rolling off as the nbn rollout nears completion and contracts end.

Commercial and recoverable works revenue declined by 49.7 per cent to \$294 million. Excluding commercial and recoverable works and legacy network disposals, InfraCo Fixed income grew 3.1 per cent.

Recurring nbn DA income includes infrastructure services across ducts, racks and fibre provided to nbn Co. Income increased by 3.3 per cent to \$930 million reflecting CPI price increases.

InfraCo Fixed EBITDA contribution margin increased by 2.3 percentage points to 67.4 per cent. EBITDA contribution however declined by \$18 million due to lower commercial and recoverable works and additional investment in asset maintenance and growth opportunities, partly offset by positive contribution from legacy network asset disposals.

Amplitel (Towers)

Amplitel achieved income growth of 8.9 per cent to \$368 million, including internal charges, from continued demand for new tower builds and 5G upgrades. External revenue also increased due to demand from new non-mobile network operator (MNO) customers offset by one-off commercial works decline. We completed the disposal of a 49 per cent interest in our Towers business, valuing the business at \$5.9 billion, in September 2021.

One-off nbn DA & connection

One-off nbn DA & connection income includes receipts from nbn Co for disconnecting customers from our legacy network, and one-off income we receive from customers to connect to the nbn network. Income decreased by 64.0 per cent to \$378 million as migration to the nbn nears completion.

Other

Other product income includes Telstra Health and corporate adjustments. Telstra Health income increased 13 per cent organically, or 51 per cent to \$243m after including acquisitions of MedicalDirector and PowerHealth. Income in this category decreased by \$75 million to \$755 million, including internal charges, mainly due to bond rate movements and gains on sale and lease back of the Pitt Street exchange property and other M&A transactions in FY21 not repeated in FY22.

Other EBITDA contribution included positives of around \$80 million from the impact of bond rate changes on employee liabilities, and around \$50 million from cumulative catch-up adjustments to revenue recognised in the prior reporting periods.

Elimination

Elimination represents internal revenue with \$976 million in InfraCo Fixed, \$308 million in Amplitel and \$291 million in Other.

Expense performance

Total operating expenses declined by 4.6 per cent to \$14,758 million on a reported basis. On a reported lease adjusted basis total operating expenses declined by 5.8 per cent to \$14,758 million largely due to a \$863 million reduction in total underlying operating expenses, which are reported costs adjusted for one-off nbn and restructuring costs and other guidance adjustments. Underlying operating expenses on an underlying basis declined by 5.7 per cent.

Sales costs, which are direct costs associated with revenue and customer growth, decreased by 0.8 per cent to \$8,120 million. This was due to a \$170 million decline in other sales costs as a result of lower hardware costs and Foxtel service fees, partly offset by a \$106 million increase in nbn access payments.

Underlying fixed costs declined 8.1 per cent or \$454 million enabled by our ongoing drive to digitise and simplify our processes, as well as our move to an agile workforce. The continued migration of our fixed customers to the nbn network as well as our focus on rationalising 3rd party vendors and services have also contributed to cost reduction. Other fixed costs decreased by 24.9 per cent from cessation of mobile leases in FY21 and reduced commercial works costs.

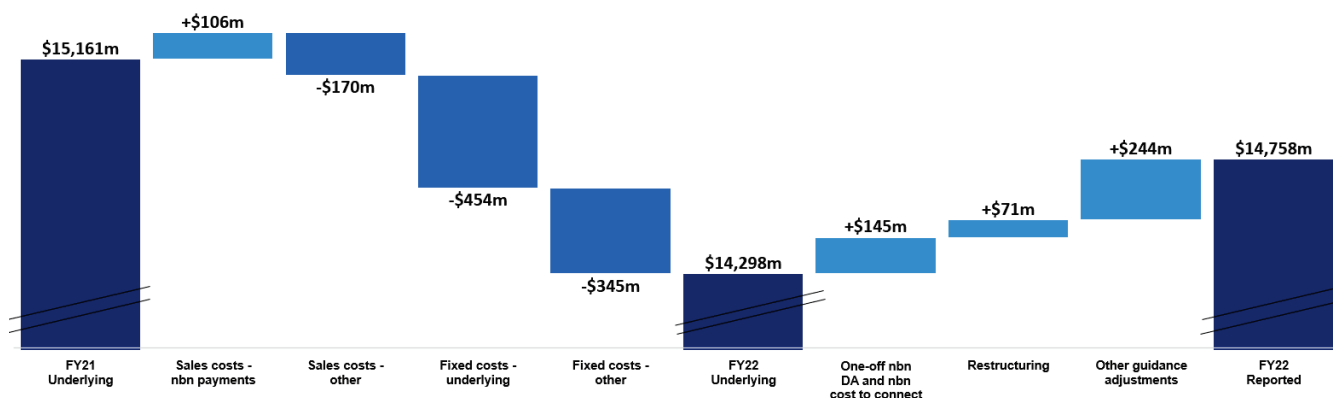
One-off nbn DA and nbn cost to connect declined by 41.5 per cent as the nbn network rollout nears completion. Operating expenses for other guidance adjustments rose by \$200 million largely due to \$125 million in transaction costs related to InfraCo Towers (now Amplitel) and \$58 million of transaction and integration costs related to our MedicalDirector and PowerHealth acquisitions.

In June 2018, we announced we would target a \$2.5 billion annual reduction in underlying fixed costs by FY22 compared with restated underlying fixed costs of ~\$7.9 billion in base year FY16. We subsequently increased our FY22 target by \$200 million to \$2.7 billion. We achieved our goal with approximately \$2.73 billion of annual cost-out since FY16. The \$2.7b of cost reduction has been achieved by simplifying product offerings, increasing digital experiences, reducing layers of management and moving to an agile workforce, optimising 3rd party spend and also due to the migration of customers to the nbn.

Operating expenses ¹	FY22	FY21	Change	
	\$m	\$m	\$m	%
Sales costs	8,120	8,184	(64)	(0.8)
- nbn payments	2,081	1,975	106	5.4
- other	6,039	6,209	(170)	(2.7)
Fixed costs	6,178	6,977	(799)	(11.5)
- underlying	5,139	5,593	(454)	(8.1)
- other ¹	1,039	1,384	(345)	(24.9)
Underlying	14,298	15,161	(863)	(5.7)
One-off nbn DA and nbn cost to connect	145	248	(103)	(41.5)
Restructuring	71	211	(140)	(66.4)
Other guidance adjustments ²	244	44	200	n/m
Reported lease adjusted³	14,758	15,664	(906)	(5.8)
Lease adjustments ⁴	0	(194)	194	n/m
Reported	14,758	15,470	(712)	(4.6)

- Fixed costs – other includes items supporting revenue growth including relevant NAS costs, mobile handset leases, and product impairment, and additional costs from insourcing retail channel from FY22.
- Guidance adjustments include material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum and such other items as determined by the Board and management
- 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA. There were no lease adjustments in FY22 due to immateriality.
- Refer to note 7 of the *Guidance versus reported results* schedule.

Our progress on achieving our productivity target is reported through the above operating expenses table. The detail below provides commentary on the operating expenses as disclosed in our statutory accounts



Operating expenses on a reported basis	FY22	FY21	Change
	\$m	\$m	%
Labour	3,620	4,012	(9.8)
Goods and services purchased	8,228	8,318	(1.1)
Net impairment losses on financial assets	98	160	(38.8)
Other expenses	2,812	2,980	(5.6)
Total	14,758	15,470	(4.6)

Labour

Total labour expenses decreased by 9.8 per cent or \$392 million to \$3,620 million. Salary and associated costs decreased by \$76 million due to workforce optimisation and process simplification as Telstra moves to agile, as well as lower field services support through field optimisation programs and the continued decline in legacy services post NBN migration. Labour substitution costs declined by \$83 million. Employee redundancy costs also decreased by \$173 million as our T22 commitment to deliver approximately 8,000 in workforce optimisation was achieved largely in FY21. Total full time staff equivalents (FTE) increased by 6.9 per cent or 1,874 to 28,889 largely due to the insourcing of our retail channel and onshoring of call centres.

Goods and services purchased

Total goods and services purchased decreased by 1.1 per cent or \$90 million to \$8,228 million.

Cost of goods sold, which includes mobile handsets and accessories, tablets, mobile broadband hardware, modems and other fixed hardware, decreased by 5.3 per cent or \$149 million to \$2,648 million mainly due to lower C&SB postpaid mobile hardware volumes and lower modem costs in our Fixed business.

Network payments increased by 2.2 per cent or \$70 million to \$3,223 million largely due to higher nbn payments which were driven by speed tier mix changes, higher volumes and higher Connectivity Virtual Circuit charges.

Other goods and services purchased declined by 0.5 per cent or \$11 million to \$2,357 million as a result of decreased service fees through lower Foxtel from Telstra volumes. This was offset by increased managed cost of sales due to an increase in NAS revenue in cloud applications and managed services.

Other expenses

Total Other expenses decreased by 5.6 per cent or \$168 million to \$2,812 million.

The decline in Other expenses is primarily due to the termination of handset leases and associated termination fees, and a reduction in IT costs through cost rationalisation and vendor negotiations. These were offset by Amplitel stamp duty expenses. Service contracts and other agreements expenses increased by 2.0 per cent or \$23 million to \$1,167 million. Impairment losses (excluding net losses on financial assets) decreased by 11.1 per cent or \$18 million to \$144 million due to impairment losses for our Sensis investment classified as held for sale in FY21 not repeated in FY22.

Depreciation and amortisation

Depreciation and amortisation decreased by 6.2 per cent or \$288 million to \$4,358 million mainly driven by reduction in right-of-use assets and network and IT applications assets fully depreciating in FY21. The reduction included a \$139 million decrease in depreciation of right-of-use assets largely resulting from our exit of swap handset leases, a \$34 million decrease in depreciation of property, plant and equipment, and a \$115 million decline in amortisation of intangible assets.

Foreign currency impacts

For the purposes of reporting our consolidated results, the translation of foreign operations denominated in foreign currency to Australian dollars (AUD) increased our sales revenue by \$34 million. This foreign exchange impact was partly offset by an increase in expenses by \$21 million across labour, goods and services purchased, and other expenses resulting in a favourable EBITDA contribution of \$13 million.

Net finance costs

Net finance costs decreased by 24.3 per cent or \$134 million to \$417 million. This decrease reflects a reduction in interest on borrowings of \$74 million and other financing items as set out in note 4.4.3 in the financial report. The reduction in interest on borrowings is primarily due to lower debt on issue and also reflects a marginal decline in our average gross borrowing cost from 3.8 per cent to 3.7 per cent.

Financial position

Summary statement of cash flows	FY22	FY21	Change
	\$m	\$m	%
Net cash provided by operating activities	7,249	7,231	0.2
Net cash used in investing activities	(3,395)	(2,344)	(44.8)
- Capital expenditure (before investments)	(3,094)	(3,140)	1.5
- Other investing cash flows	(301)	796	n/m
Free cashflow	3,854	4,887	(21.1)
Net cash used in financing activities	(3,971)	(4,236)	6.3
Net increase/(decrease) in cash and cash equivalents	(117)	651	n/m
Cash and cash equivalents at the beginning of the period	1,125	499	n/m
Effects of exchange rate changes on cash and cash equivalents	32	(25)	n/m
Cash and cash equivalents at the end of the period	1,040	1,125	(7.6)

Capital expenditure and cash flow

Free cashflow generated from operating and investing activities was \$3,854 million representing a decrease of \$1,033 million or 21.1 per cent due to increase in net cash used in investing activities.

Net cash provided by operating activities increased by 0.2 per cent or \$18 million to \$7,249 million mainly due to a \$2,914 million decrease in payments to suppliers and employees, partly offset by a \$2,851 million decline in receipts from customers. Net cash provided by operating activities was positively impacted by a \$923 million improvement in working capital driven by reduced receivables including from lower hardware sales, strong collections and lower bad debt. These working capital benefits were largely offset by a decline in reported EBITDA.

Net cash used in investing activities increased by 44.8 per cent or \$1,051 million to \$3,395 million primarily due to a \$745 million increase in payments for shares in controlled entities including our health acquisitions and insourcing of retail stores, a \$279 million decrease in proceeds from sale and leaseback, where FY21 included the sale and lease back of Pitt St exchange, and a \$214 million decrease in proceeds from sale of businesses, where FY21 included the sale of Velocity fibre assets.

Net cash used in financing activities decreased by 6.3 per cent or \$265 million to \$3,971 million. This was largely due to \$2,883 million in proceeds received from the 49 per cent disposal of our interest in InfraCo Towers' (now Amplitel). This was partly offset by \$1,350 million spent on our share buy-back, a \$838 million decrease in proceeds from borrowings and a \$490 million increase in repayment of borrowings.

Our accrued capital expenditure for the year on a guidance basis was \$3,042 million or 14.5 per cent of sales revenue.

On a guidance basis free cashflow after operating lease payments was \$3,961 million. Performance against guidance has been adjusted for free cashflow associated with lease payments (-\$775 million), M&A (+\$841 million) including the Telstra Health and retail store acquisitions described above and spectrum (\$41 million).

Debt issuance	\$m
Drawings (bilateral loan facilities)	901
Revolving bank facilities	14
Other loans	15
Total	930

Debt repayments	\$m
Euro bond	(1,002)
USD bond	(956)
Private placements	(140)
Bilateral loan facilities	(602)
Commercial paper (net)	(415)
Other loans	(95)
Total	(3,210)

Debt position

Our gross debt position was \$13,760 million comprising borrowings of \$10,982 million less \$509 million in net derivative assets plus lease liabilities of \$3,287 million. Gross debt decreased by 16.0 per cent or \$2,628 million due to debt repayments exceeding new debt issuance. Also, non-cash impacts and movement in lease liabilities also resulted in a net reduction to debt of \$348 million. Net debt decreased by 16.7 per cent or \$2,543 million to \$12,720 million reflecting the decrease in gross debt partially offset by a reduction in cash holdings of \$85 million.

Financial settings	FY22 Actual	FY22 Comfort zone
Debt servicing ¹	1.8x	1.5x to 2.0x
Gearing ²	43.0%	50% to 70%
Interest cover ³	14.5x	>7x

1. Debt servicing ratio is calculated as net debt/EBITDA.

2. Gearing ratio is calculated as net debt/total net debt plus equity.

3. Interest cover is calculated as EBITDA/net interest on debt (excluding capitalised interest and non-cash accounting impacts within net finance costs).

We remain within our comfort zones for our credit metrics. Our debt servicing is 1.8 times (2021: 2.0 times), gearing ratio is 43.0 per cent (2021: 50.0 per cent) and interest cover is 14.5 times (2021: 13.2 times).

Summary statement of financial position	30 Jun 2022	30 Jun 2021	Change
	\$m	\$m	%
Current assets	6,260	7,114	(12.0)
Non-current assets	35,368	35,411	(0.1)
Total assets	41,628	42,525	(2.1)
Current liabilities	9,860	10,424	(5.4)
Non-current liabilities	14,931	16,826	(11.3)
Total liabilities	24,791	27,250	(9.0)
Net assets	16,837	15,275	10.2
Total equity	16,837	15,275	10.2
Return on invested capital (%)	7.1	7.5	(0.4)pp
Return on average equity (%)	11.3	12.8	(1.5)pp

Statement of financial position

Our balance sheet remains in a strong position with net assets of \$16,837 million. Current assets decreased by 12.0 per cent to \$6,260 million. Cash and cash equivalents decreased by \$85 million. Derivative financial assets decreased by \$322 million largely from instruments maturing within the period and foreign currency and other valuation impacts, while a \$503 million decline in trade and other receivables and contract assets reflects deferred debt unwind, lower revenue and better collections. This was partly offset by a \$91 million rise in inventories largely due to the insourcing of Telstra-branded retail stores.

Non-current assets decreased by 0.1 per cent to \$35,368 million. Intangible assets increased by \$1,024 million due to acquisitions of controlled entities. This was offset by derivative financial assets decreasing by \$274 million due to instruments maturing in the next 12 months. Property, plant and equipment declined by \$378 million mainly due to depreciation expenses exceeding additions, while trade and other receivables and contract assets decreased by \$307 million consistent with current trade and other receivables.

Current liabilities decreased by 5.4 per cent to \$9,860 million. Borrowings decreased by \$941 million as maturities became due. Trade and other payables increased by \$423 million due to a \$101m increase in carrier network payables and \$76m in stamp duty payable on establishment of the Amplitel business, while current tax payables decreased by \$82 million mainly due to higher pay as you go income tax instalments.

Non-current liabilities decreased by 11.3 per cent to \$14,931 million. The reduction was primarily due to borrowings decreasing by \$2,213 million largely from reclassification to current liabilities of debt maturing within the next 12 months. This was partly offset by a \$224 million increase in other payables mainly due to spectrum, a \$75 million increase in deferred tax liabilities and \$47 million of cumulative catch-up adjustments to revenue recognised in the prior reporting periods.

Guidance versus reported results Schedule

This schedule details adjustments made to the reported results for the current and comparative periods to reflect the performance of the business on the basis on which we provided guidance to the market, which excludes material one-offs, such as mergers and acquisitions, disposals, impairments, spectrum, restructuring costs and such other items as determined by the Board and management. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. FY21 underlying EBITDA also includes depreciation of mobile lease right-of-use assets. Free cashflow after lease payments (FCFaL) defined as 'operating cash flows' less 'investing cash flows' less 'payments for lease liabilities', and excludes spectrum and guidance adjustments.

The following adjustments provide a detailed reconciliation from reported to guidance results for each guidance measure:

	Total Income		Reported EBITDA	Reported Free Cashflow	Underlying EBITDA		Free Cashflow	
	FY21	FY22			FY21	FY22	FY21	FY22
	\$m	\$m			\$m	\$m	\$m	\$m
Reported Total Income	23,132	22,045	Reported EBITDA	7,638	7,256	Reported Free Cashflow	4,887	3,854
<i>Adjustments</i>								
M&A adjustment ¹	(106)	(87)	M&A adjustment ¹	(96)	157	M&A adjustment ¹	(164)	841
Sensis impairment ²	n/a	n/a	Sensis impairment ²	34	n/a	Sensis impairment ²	0	n/a
Pitt St sale and leaseback ³	(102)	n/a	Pitt St sale and leaseback ³	(102)	n/a	Pitt St sale and leaseback ³	(282)	n/a
Restructuring costs ⁴	n/a	n/a	Restructuring costs ⁴	211	71	Restructuring costs ⁴	n/a	n/a
Net one-off NBN receipts ⁵	n/a	n/a	Net one-off NBN receipts ⁵	(802)	(233)	Net one-off NBN receipts ⁵	n/a	n/a
Spectrum payments ⁶	n/a	n/a	Spectrum payments ⁶	n/a	n/a	Spectrum payments ⁶	88	41
Lease ⁷	n/a	n/a	Lease ⁷	(194)	0	Lease ⁷	(789)	(775)
Guidance Total Income	22,924	21,958	Guidance Underlying EBITDA	6,689	7,251	Guidance Free Cashflow after Leases	3,740	3,961

The adjustments set out in the above tables have been reviewed by our auditor for consistency with the guidance basis as set out on this page.

Note:

- Adjustments relating to acquisitions and disposals of controlled entities, joint ventures, associates and other investments and any associated net gains or losses and contingent consideration. During FY22 we disposed of a 49 per cent interest in our towers business to non-controlling interests. During FY22 we acquired:
 - Power Solutions Holdings Pty Ltd and its subsidiaries (PowerHealth);
 - Clinical Technology Holdings Pty Ltd and its subsidiaries (MedicalDirector);
 - Alliance Automation Pty Ltd and its subsidiary;
 - Aqura Technologies Pty Ltd; and
 - Fone Zone Pty Ltd (Fone Zone) and its controlled entities and multiple individually immaterial retail stores from various licensees. Consistent with the guidance we provided to the market we are not adjusting Income, EBITDA or Free Cashflow for the trading results of these stores.
 FY21 includes the disposal of our e-commerce platform business, our FTTP Velocity business and the acquisition of Epcicon IT Solutions Pty Ltd (including its wholly owned subsidiary, Service Potential Pty Ltd) and Epcicon Software Pty Ltd and assets of Mediadcloud Ltd.
- Adjustment relating to impairment loss for our investment in Project Sunshine 1 Pty Limited (Sensis) in FY21.
- Adjustment relating to the sale and leaseback transaction of the Pitt Street exchange property in FY21.
- Adjustments for the strategic focus (T22 program) to establish a standalone infrastructure business, simplify structure, improve customer experience and cut costs, in addition to our normal business as usual redundancies for the period. FY22 adjustments include costs for Telstra's legal restructure including legal and IT costs.
- Adjustments for net one-off nbn receipts which is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA and Infrastructure Ownership) less nbn net cost to connect.
- Adjustment relating to the impact on free cashflow associated with our spectrum purchases and renewals for the period including:
 - \$28m for renewal of our national spectrum licence in the 900 MHz band
 - \$13m payments for spectrum and apparatus licences in various spectrum bands.
- Adjustment to EBITDA for depreciation of mobile lease right-of-use assets in FY21. Adjustment to Free Cashflow for payment of lease liabilities and interest.

n/a Adjustment is not relevant to the respective guidance measure.

Directors' Report

Directors' Report

In accordance with a resolution of the Board, the Directors present their report on the consolidated entity (Telstra Group) consisting of Telstra Corporation Limited (Telstra) and the entities it controlled at the end of, or during, the year ended, 30 June 2022. Financial comparisons used in this report are of results for the year ended 30 June 2022 compared with the results for the year ended 30 June 2021.

The historical financial information included in this Directors' Report has been extracted from the audited Financial Report accompanying this Directors' Report.

Principal activity

Our 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.

Review and results of operations

Information on the operations and financial position for the Telstra Group is set out in the Operating and Financial Review (OFR), comprising the Chairman and CEO's message, Strategy and performance, Our material risks, Outlook and Full year results and operations review sections accompanying this Directors' Report.

Dividend

The objectives of our Capital Management Framework are to maximise returns for shareholders, maintain financial strength and retain financial flexibility. The objectives of our Capital Management Framework are supported by the following principles:

- Committed to balance sheet settings consistent with an A band credit rating
- Maximise fully franked dividend and seek to grow over time
- Ongoing business-as-usual capex of circa \$3 billion per annum excluding spectrum
- Invest for growth and return excess cash to shareholders.

On 17 February 2022, the Directors resolved to pay an interim fully franked dividend for the financial year 2022 of 8 cents per ordinary share, comprising an interim ordinary dividend of 6 cents per share and an interim special dividend of 2 cents per share.

On 11 August 2022, the Directors resolved to pay a final fully franked dividend of 8.5 cents per ordinary share (\$982 million), comprising a final ordinary dividend of 7.5 cents per share and a final special dividend of 1.0 cent per share. The financial year 2022 special dividend will be the final special dividend linked to one-off nbn receipts. The record date for the final dividend will be 25 August 2022, with payment to be made on 22 September 2022. Shares will trade excluding entitlement to the final dividend on 24 August 2022.

Further information regarding the financial year 2022 dividends is set out in the Full year results and operations review accompanying this Directors' Report.

The Board determined that the Dividend Reinvestment Plan (DRP) will continue to operate for the final dividend for the financial year 2022. The election date for participation in the DRP is 26 August 2022.

Dividends paid during the year were as follows:

Dividend	Date resolved	Date paid	Fully franked dividend per share	Total dividend (\$ million)
Total final dividend for the year ended 30 June 2021	12 Aug 2021	23 Sept 2021	8 cents	951
Total interim dividend for the year ended 30 June 2022	17 Feb 2022	1 April 2022	8 cents	937

On-market share buy-back

On 12 August 2021, we announced that during the financial year 2022 we intended to return up to \$1.35 billion of net proceeds from the towers business transaction to shareholders via an on-market share buy-back. During the financial year ended 30 June 2022, we completed the buy-back and purchased 338.9 million shares for the total amount of \$1.35 billion. The shares were subsequently cancelled.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of our company during the financial year 2022.

Business strategies, prospects and likely developments

The OFR sets out information on Telstra's business strategies and prospects for future financial years, and refers to likely developments in Telstra's operations and the expected results of those operations in future financial years. Information in the OFR is provided to enable shareholders to make an informed assessment of the business strategies and prospects for future financial years of the Telstra Group. Detail that could give rise to likely material detriment to Telstra (for example, information that is commercially sensitive, is confidential or could give a third party a commercial advantage) has not been included. Other than the information set out in the OFR, information about other likely developments in Telstra's operations and the expected results of those operations in future financial years has not been included.

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:

- the final dividend for the financial year 2022 and that the DRP will operate in respect of that dividend
- the acquisition of Digicel Pacific
- the acquisition of Fetch TV.

Refer to note 7.4, Events after reporting date, of the 2022 Financial Report for details.

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:

- Margaret L Seale retired as a non-executive Director on 12 October 2021. Ms Seale (BA, FAICD) joined the Board in May 2012 and was a member of the Audit & Risk Committee and the Nomination Committee.
- Peter R Hearl retired as a non-executive Director on 31 December 2021. Mr Hearl (B Com (UNSW), MIML ANZ, FAICD, Member – AMA) joined the Board in August 2014 and was Chairman of the People & Remuneration Committee and was a member of the Nomination Committee.

Information about our Directors and Senior Executives is provided as follows:

- names of our current Directors and details of their qualifications, experience, special responsibilities, periods of service and directorships of other listed companies are set out in the Board of Directors section accompanying this Directors' Report
- details of Director and Senior Executive remuneration are set out in the Remuneration Report, which forms part of the Directors' Report.

Board and Committee meeting attendance

Details of the number of meetings held by the Board and its Committees during financial year 2022, and attendance by Board members, are set out below:

	Board		Committees ¹					
			Audit and Risk		Nomination		People and Remuneration	
	a	b	a	b	a	b	a	b
John P Mullen	18	18	-	(3)	6	6	-	(2)
Andrew R Penn	18	17	-	(6)	-	(4)	-	(4)
Eelco Blok	18	18	-	-	6	6	-	(1)
Roy H Chestnutt	18	18	6	6	6	6	-	(1)
Craig W Dunn	18	18	6	6	6	6	-	(1)
Peter R Hearl ²	10	10	-	-	3	3	2	2
Bridget Loudon	18	18	-	(1)	6	6	-	(1)
Elana Rubin	18	18	-	(1)	6	6	5	5
Nora L Scheinkestel	18	18	6	6	6	6	5	5
Margaret L Seale ²	7	7	2	2	1	1	-	-
Niek Jan van Damme	18	18	-	(1)	6	6	5	5
Total number of meetings held	18		6		6		5	

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

1. Committee meetings are open to all Directors to attend. Where a Director has attended a meeting of a Committee of which he or she was not a member, this is indicated by ().

2. Margaret L Seale retired as a non-executive Director on 12 October 2021. Peter R Hearl retired as a non-executive Director on 31 December 2021.

Director shareholdings in Telstra

Details of Directors' shareholdings in Telstra as at 11 August 2022 are shown in the table below:

Director	Number of shares held ¹
John P Mullen	126,159
Andrew R Penn ²	2,556,435
Eelco Blok	75,000
Roy H Chestnutt	70,000
Craig W Dunn	70,073
Bridget Loudon	2,500
Elana Rubin	67,961
Nora L Scheinkestel	151,101
Niek Jan van Damme	77,000

1. The number of shares held refers to shares held either directly or indirectly by Directors as at 11 August 2022 or, if earlier, as at the date of cessation as a Director. Shares in which the Director does not have a relevant interest, including shares held by the Directors' related parties (including relatives), are excluded. Refer to the Remuneration Report tables for total shares held by Directors and their related parties directly, indirectly or beneficially as at 30 June 2022.

2. Andrew Penn also holds 1,471,653 Performance Rights.

Company Secretary

Sue Laver BA, LLB (Hons) (Monash), GAICD, FGIA

Sue was appointed Company Secretary of Telstra Corporation Limited effective 1 February 2018.

Sue is a senior legal and governance professional with over 20 years' experience advising senior management and boards. Sue reports to the board and her duties include continuous disclosure compliance, corporate governance and communication with Telstra's 1.2 million shareholders.

Sue joined Telstra in 1997 and has served in senior legal roles throughout the company including as Deputy Group General Counsel, and General Counsel roles across the company including: Dispute Resolution, HR, Finance, Risk and Compliance, Media and Telstra Country Wide.

She holds a Bachelor of Laws (Hons) and a Bachelor of Arts from Monash University.

Directors' and officers' indemnity and insurance

(a) Constitution

Telstra's constitution contains permissive provisions allowing it to indemnify, to the maximum extent permitted by law:

- certain officers of Telstra and its related bodies corporate (Telstra Officers), for any liability and legal costs which they may incur in that capacity;
- certain employees of Telstra and its related bodies corporate (Telstra Employees), for any liability which they may incur in that capacity; and
- Telstra Officers and Telstra Employees, for any liability which they may incur as a director or other officer of a company that is not related to Telstra.

(b) Deeds of indemnity

Telstra has also executed deeds of indemnity in favour of (amongst others):

- Directors and secretaries of Telstra (past and present);
- certain senior managers and employees of Telstra and its wholly-owned subsidiaries and partly-owned companies (including, for example, in relation to particular projects); and
- certain Telstra Group senior managers, employees and other persons that act as nominee directors or secretaries, or in other positions (at Telstra's request) for entities or industry associations, including wholly-owned subsidiaries and partly-owned companies of Telstra,

in each case as permitted under Telstra's constitution and the Corporations Act 2001 (the Act).

The deeds in favour of Directors of Telstra also give Directors certain rights of access to Telstra's books and require Telstra to maintain insurance cover for the Directors.

(c) Directors' and officers' insurance

Telstra maintains directors' and officers' insurance policies that, subject to some exceptions, provide worldwide insurance cover to past, present and future directors, secretaries and officers and certain employees of Telstra and its subsidiaries and, in certain limited circumstances, other entities. Telstra has paid the premiums for these policies. The directors' and officers' insurance policies prohibit disclosure of the premiums payable under the policies and the nature of the liabilities insured.

Environmental regulation and performance

Telstra, as a minimum, seeks to be compliant with all applicable environmental laws and regulatory obligations relevant to its operations. Where instances of non-compliance may occur, Telstra has procedures requiring that internal investigations are conducted to determine the cause of the non-compliance and to ensure that any risk of recurrence is minimised. Telstra's procedures further require that the relevant government authorities are notified of any environmental incidents (where applicable) in compliance with statutory requirements. Telstra complies with notices issued by government authorities and regulators.

(a) Prosecutions or convictions

Telstra has not been prosecuted for, or convicted of, any significant breaches of environmental regulation during the financial year.

(b) Energy and greenhouse emissions

In Australia, Telstra is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007, which requires Telstra to report its annual Australian greenhouse gas emissions, energy consumption and energy production. Telstra has implemented systems and processes for the collection and reporting of data and has, in accordance with our obligations, reported to the Clean Energy Regulator on an annual basis. The next report is due on 31 October 2022 and will again be supported with an independent assurance report.

In the United Kingdom, Telstra is subject to the Energy Savings Opportunity Scheme (ESOS) Regulations 2014. Telstra qualifies for ESOS and must carry out energy savings assessments every four years. These assessments are audits of the energy used by our buildings, network facilities and transport to identify cost-effective energy saving measures. Telstra has met its obligations under ESOS for all compliance periods to date, being those first two compliance periods ended 5 December 2015 and 5 December 2019.

For more information on environmental performance, including environmental regulation, refer to the 2022 Bigger Picture Sustainability Report, which is available from 26 August 2022 online at telstra.com/sustainability/report.

Non-audit services

During the financial year 2022, Telstra's auditor, Ernst & Young (EY), has been engaged on assignments additional to its statutory audit duties. Details of the amounts paid or payable to EY for audit and non-audit services provided during the financial year are detailed in note 7.1 to the financial statements in our 2022 Financial Report.

The Directors are satisfied, based on advice provided by the Audit & Risk Committee, that the provision of non-audit services during the financial year 2022 is consistent with the general standard of independence for auditors imposed by the Act and that 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 EY engagements, including non-audit services, were approved in accordance with the external auditor services policy adopted by Telstra and subject to confirmation by both management and EY that the provision of these services does not compromise auditor independence;
- the external auditor services policy clearly identifies prohibited services, which include reviewing or auditing the auditor's own work or EY partners or staff acting in a managerial or decision-making capacity for Telstra; and
- the provision of non-audit services by EY is monitored by the Audit & Risk Committee via periodic reporting to the Audit & Risk Committee.

A copy of the auditor's independence declaration is set out in the Auditor's Independence Declaration to the Directors of Telstra Corporation Limited and forms part of this report.

Message from the People and Remuneration Committee Chair

Dear fellow shareholders,

On behalf of your company's People and Remuneration Committee, I am pleased to present Telstra's FY22 Remuneration Report.

Our bold T22 transformation program over the last four years has fundamentally changed Telstra for the better and positioned your company for growth. As the business has transformed, the Board has continued to focus on getting the balance right of protecting shareholders' interests while driving change and motivating and retaining the best management talent that we can attract.

FY22 executive remuneration outcomes

Telstra's Executive Variable Remuneration Plan (EVP) is designed to ensure a significant portion of remuneration is variable and at-risk. Performance is assessed against both primary performance measures (comprising financial, strategic, customer and transformation measures) and a secondary performance measure (being the Relative Total Shareholder Return performance condition on any Performance Rights awarded).

The FY22 primary performance measures and targets were selected by the Board to ensure that the CEO and Group Executives (GEs) continue to deliver against our T22 strategy, and their rewards are directly linked to their individual contribution, company performance and long-term shareholder value creation. The key remuneration outcomes under the FY22 EVP include:

- The CEO's Individual EVP Outcome was 62.1% of the maximum opportunity
- The average Individual EVP Outcome for all other Senior Executives (i.e. excluding the CEO) was 58.0% of the maximum opportunity.

Positive outcomes were achieved across many of the financial and non-financial primary performance measures for FY22 demonstrating strong delivery against our FY22 Corporate Plan and T22 strategy. The Board determined that the primary performance measure outcomes and the EVP Scorecard Outcome would be driven by the results achieved. No adjustments were made for the ongoing impact of the COVID-19 pandemic.

Further detail regarding the key FY22 remuneration outcomes for the CEO and other Senior Executives and our non-executive director fees is provided in our Remuneration Report that follows this letter.

Looking ahead

Now we move from a strategy we had to do to a strategy we want to do – from a transformation strategy to a strategy focused on continued growth. T25 marks an exciting new era in Telstra's history, one that will see us accelerate growth from our core as well as continuing to scale our successful health and international businesses while we invest in new businesses where we see opportunities in the future.

During the year we announced significant changes to our Senior Executive team that will take effect in FY23, with the CEO announcing his retirement, and the appointment of a new CEO and CFO. Further details on these changes are provided in Section 4.1 of our Remuneration Report.

The Board is taking this opportunity to address a difference in the pay-for-performance curve between the CEO and the Group Executives (with no change for the CEO). Individual EVP Outcomes for the CEO and Group Executives will all be determined by multiplying the EVP Scorecard Outcome by a percentage, based on the participant's individual performance. These changes better align the design of the EVP with market practice and with Telstra's Short-Term Incentive plan design and drive a greater differential in performance outcomes across plan participants. Of course, the Board will continue to have complete discretion in determining any final incentive payment outcomes. Further details are provided in Section 4.2 of our Remuneration Report.

As part of our commitment to provide market leading transparency and disclosure, we again provide detail on our remuneration framework and targets for the coming year. These are disclosed in Section 4.3 of our Remuneration Report. This provides our shareholders with meaningful information to assess the suitability of our remuneration targets and outcomes. In setting performance measures for FY23, the Board sought to ensure the targets were robust and sufficiently demanding, considering the key deliverables and milestones outlined in our T25 strategy, planned financial outcomes contained within our FY23 Corporate Plan and FY23 guidance (as announced on 11 August 2022).

On an annual basis the Board conducts a market review of Board fees. The Chair fee and non-executive Director annual base fee have not changed since 2014 and 2012 respectively and, from 1 October 2022, will increase by 1.9% and 2.1% respectively. The People and Remuneration Committee member fee had not changed since 2017 and, from 1 October 2022, will increase by 1.8%. Further details are provided in Section 3.1 of our Remuneration Report.

I want to take this opportunity to thank the Telstra team for navigating the many complexities of the T22 strategy and working so hard to position us for future growth.

On behalf of the People and Remuneration Committee, I would also like to thank you for your support as a Telstra shareholder and invite you to read the full report in detail.

A handwritten signature in black ink, appearing to read 'ERubin', with a small dot above the final 'i'.

Elana Rubin
People and Remuneration Committee Chair




Remuneration Report

Remuneration Report

This audited report details the remuneration framework and outcomes for Key Management Personnel (KMP) of the Telstra Group for the year ended 30 June 2022 (FY22).

Remuneration at Telstra and FY22 Remuneration Outcomes - Key Highlights

The following table includes the key highlights and remuneration outcomes for FY22.

Key area of focus	Highlights / Details														
 Remuneration Structure, fixed remuneration and non-executive director fees	<p>The overall structure and approach to remuneration at Telstra remained unchanged from FY21.</p> <p>There have been no Fixed Remuneration increases for Senior Executives during FY22, other than for the Group Executive - Product & Technology, Kim Krogh Andersen, whose remuneration was adjusted to reflect his growing experience, contribution and leadership since his commencement in the role and having regard to the fixed remuneration of executives holding similar roles in other ASX20 entities (refer to Section 2.1(b) for further information).</p> <p>There were no changes to the variable remuneration opportunity levels during FY22 or the Executive Variable Remuneration Plan (EVP) structure other than redistributing the 5% weighting for the TE Product Portfolio Simplification metric to the Episode NPS metric (as described in our FY21 Remuneration Report).</p> <p>With regard to non-executive Director remuneration, there have been no changes to the Chair's fee, non-executive Director annual base fee or any standing committee fees during FY22. Certain directors received remuneration for additional or special duties they performed in connection with the proposed corporate restructure of the Telstra Group announced on 12 November 2020 (Corporate Restructure). Refer to Section 3 for information regarding remuneration paid to non-executive Directors in FY22 and planned fee increases for FY23.</p>														
 FY22 performance and EVP outcomes	<p>The Individual EVP Outcomes for FY22 were as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Individual EVP Outcomes (% of maximum)</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>62.1%</td> </tr> <tr> <td>Other Senior Executives (average)</td> <td>58.0%</td> </tr> </tbody> </table> <p>Each Senior Executive's Individual EVP Outcome for FY22 was determined having regard to the EVP Scorecard Outcome (previously referred to as the Base EVP Outcome), their target EVP opportunity and their individual performance, and was ultimately at the discretion of the Board.</p> <p>The Board determined the EVP Scorecard Outcome following an assessment of Telstra's performance against the primary performance measures under the FY22 EVP. Positive outcomes were achieved across many of the financial and non-financial measures demonstrating strong delivery against our FY22 Corporate Plan and T22 strategy. Further details on the EVP Scorecard Outcomes can be found in Section 2.2.</p> <p>The form in which Senior Executives receive their Individual EVP Outcome for FY22 is:</p> <table border="1"> <thead> <tr> <th>Award</th> <th>Timing and conditions</th> </tr> </thead> <tbody> <tr> <td>25% Cash</td> <td>Payable in September 2022.</td> </tr> <tr> <td>35% Restricted Shares</td> <td>25% eligible to vest each year over 4 years through to 30 June 2026, subject to a continuing employment condition.</td> </tr> <tr> <td>40% Performance Rights</td> <td>Only vest at the end of FY26 if a Relative Total Shareholder Return (RTSR) performance condition and continuing employment condition are achieved.</td> </tr> </tbody> </table> <p>Refer to Section 2.1 for further information.</p>		Individual EVP Outcomes (% of maximum)	CEO	62.1%	Other Senior Executives (average)	58.0%	Award	Timing and conditions	25% Cash	Payable in September 2022.	35% Restricted Shares	25% eligible to vest each year over 4 years through to 30 June 2026, subject to a continuing employment condition.	40% Performance Rights	Only vest at the end of FY26 if a Relative Total Shareholder Return (RTSR) performance condition and continuing employment condition are achieved.
	Individual EVP Outcomes (% of maximum)														
CEO	62.1%														
Other Senior Executives (average)	58.0%														
Award	Timing and conditions														
25% Cash	Payable in September 2022.														
35% Restricted Shares	25% eligible to vest each year over 4 years through to 30 June 2026, subject to a continuing employment condition.														
40% Performance Rights	Only vest at the end of FY26 if a Relative Total Shareholder Return (RTSR) performance condition and continuing employment condition are achieved.														
 FY18 EVP Performance Rights (Tranche 2) RTSR outcome	<p>The RTSR performance condition for the second tranche of Performance Rights awarded under the FY18 EVP was tested following the end of the performance period on 30 June 2022. The results and vesting outcomes are detailed below and no Performance Rights vested. Refer to Section 2.4 for further information.</p> <table border="1"> <thead> <tr> <th>Performance Condition</th> <th>Telstra's Percentile Rank</th> <th>% of Performance Rights vested</th> </tr> </thead> <tbody> <tr> <td>RTSR – ASX100 (excluding resource companies) as at 1 July 2017</td> <td>42nd percentile</td> <td>0%</td> </tr> </tbody> </table>	Performance Condition	Telstra's Percentile Rank	% of Performance Rights vested	RTSR – ASX100 (excluding resource companies) as at 1 July 2017	42 nd percentile	0%								
Performance Condition	Telstra's Percentile Rank	% of Performance Rights vested													
RTSR – ASX100 (excluding resource companies) as at 1 July 2017	42 nd percentile	0%													

Key Management Personnel (KMP) covered in this report

Telstra's KMP are assessed each year and comprise the Directors of Telstra and the Senior Executives. The term "Senior Executives" refers to the CEO and those executives with authority and responsibility for planning, directing and controlling the activities of Telstra and the Group, directly or indirectly. Each KMP held their position for the whole of FY22, unless stated otherwise.

Non-executive Directors		Senior Executives	
Current	Current	KMP Position	
John P Mullen	Andrew Penn	Chief Executive Officer & Managing Director (CEO)	
Eelco Blok	Michael Ackland	Group Executive (GE) Telstra Consumer & Small Business (C&SB)	
Roy H Chestnutt	Kim Krogh Andersen	GE Product & Technology (P&T)	
Craig W Dunn	Alex Badenoch	GE Transformation, Communications & People (TC&P)	
Bridget Loudon	Vicki Brady	Chief Financial Officer and GE Strategy and Finance (CFO)	
Elana Rubin	David Burns	GE Telstra Enterprise (TE)	
Nora L Scheinkestel	Nikos Katinakis	GE Networks & IT (N&IT)	
Niek Jan van Damme	Brendon Riley	GE and CEO Telstra InfraCo	
Former	Dean Salter	GE Global Business Services (GBS)	
Peter Hearl (retired 31 Dec 2021)			
Margaret L Seale (retired 12 Oct 2021)			

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2. Senior Executive remuneration	2.1 FY22 Remuneration structure 2.2 FY22 EVP Scorecard Outcome 2.3 Individual performance and the exercise of Board discretion in determining Individual EVP Outcomes 2.4 FY18 EVP Performance Rights RTSR Outcome 2.5 Detailed remuneration and interests in Telstra shares
3. Non-executive Director remuneration	3.1 FY22 Fee structure 3.2 Detailed remuneration and interests in Telstra shares
4. Looking forward to FY23	4.1 Senior Executive Leadership Changes 4.2 FY23 Senior Executive Remuneration Framework 4.3 FY23 EVP Performance Measures and Targets
5. Glossary	

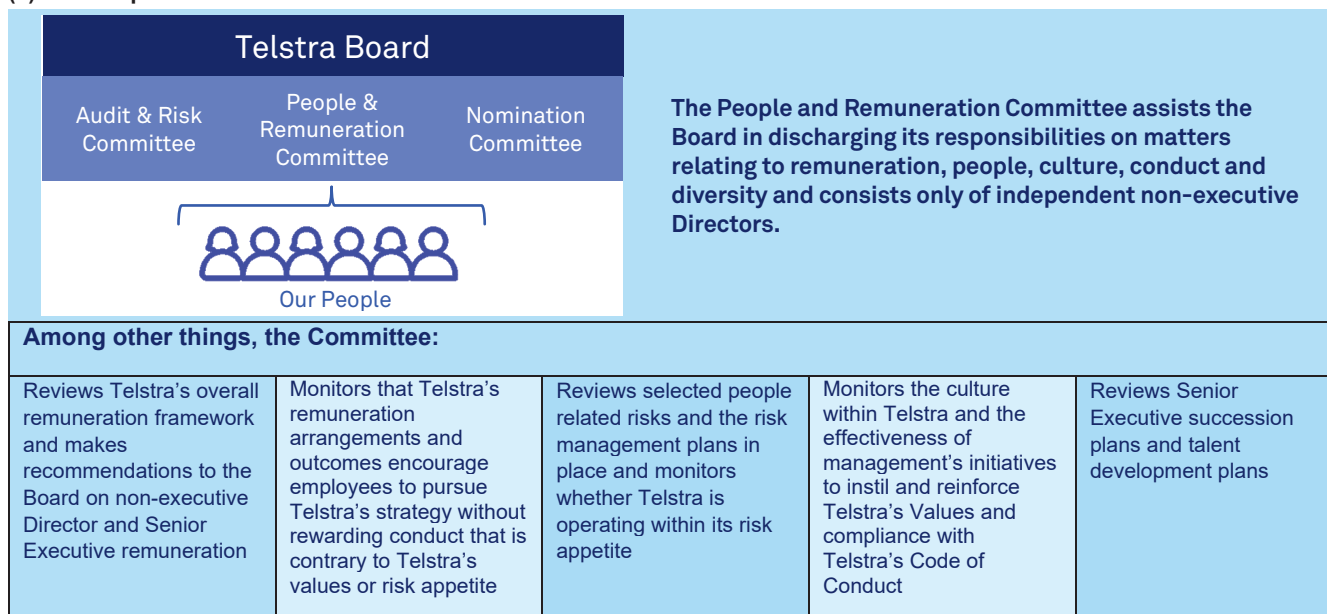
1. Policy

1.1 Remuneration policy, strategy and governance

Our remuneration policy and framework is designed to support our strategy and reinforce our culture and values. Further detail on our strategy is provided in Section C of this report under Strategy & Performance.

Our governance framework for determining Senior Executive remuneration includes the aspects outlined below.

(a) The People and Remuneration Committee



The Chair of the Audit and Risk Committee attends certain People and Remuneration Committee meetings. This provides an overview of the key issues considered by the Audit and Risk Committee that are likely to be relevant to the People and Remuneration Committee in assessing the remuneration outcomes for the CEO and the performance and remuneration outcomes for other Senior Executives. Information and papers considered by a Committee are also provided to other Committees and the Board as relevant.

Further detail about the People and Remuneration Committee and its responsibilities is provided in our Corporate Governance Statement and in the People and Remuneration Committee Charter, both of which are available at telstra.com/governance.

(b) Remuneration reviews

As part of its role, the People and Remuneration Committee reviews that CEO and other Senior Executive remuneration packages involve a balance between fixed and incentive pay, reflecting appropriate short and long-term performance objectives.

The People and Remuneration Committee has an established set of principles it follows in making recommendations on Senior Executive remuneration. Either at the time of a Senior Executive's appointment or as a part of an annual or ad-hoc remuneration review, the People and Remuneration Committee will consider a range of factors in making remuneration recommendations. Those considerations include, both internal and external relativity for roles of a similar size and complexity, any proven and persistent high performance and/or a notable increase in experience and contribution.

The People and Remuneration Committee reviews and makes recommendations to the Board (for final approval) on:

- the CEO's fixed and variable remuneration (having regard to the Board's assessment of the CEO's performance); and
- the fixed and variable remuneration and performance outcomes of other Senior Executives (having regard to the CEO's assessment of their performance).

(c) Incentive design and performance assessment

The People and Remuneration Committee oversees the setting of robust measures and targets to encourage performance and behaviour that is aligned to Telstra's values, including the primary performance measures for the EVP. The Board determines the EVP Scorecard Outcome by assessing performance against each primary performance measure. The EVP Scorecard Outcome is an input into the assessment of each Senior Executive's Individual EVP Outcome. The Board also has discretion to adjust an outcome to ensure there are no windfall gains or losses. Refer to Section 2.1(c) for further information.

(d) Board decision framework

The Board has a decision framework to provide guidance in exercising its discretion on variable remuneration outcomes and to provide greater consistency in remuneration adjustments. The framework was considered in determining the Individual EVP Outcomes under the FY22 EVP.

(e) Engagement with consultants

During FY22, Telstra did not seek a remuneration recommendation from a remuneration consultant in relation to any of our KMP.

(f) Engagement with shareholders and stakeholders

The Chair of the Board and the Chair of the People and Remuneration Committee engage throughout the year with stakeholders to seek feedback and consider opportunities to further enhance the effectiveness of our reward structure with a commitment to the alignment of the interests of all executives with the generation of long-term shareholder value. During FY22, numerous meetings were held with shareholders and shareholder advisory organisations.

(g) Share ownership policies

Telstra has in place share ownership policies which apply to the Senior Executives and non-executive Directors. The intent of these policies is to align the interests of the CEO, Group Executives and non-executive Directors with the interests of our shareholders.

As at 30 June 2022, the CEO held Telstra shares to the value of 470% of his Fixed Remuneration as recognised under the policy. Those Senior Executives who have held a Group Executive position for at least five years have met the shareholding requirement as at 30 June 2022. For information on Senior Executives' interests in Telstra shares refer to Section 2.5(e).

All non-executive Directors who have been on the Board for 2 years or more have met their minimum shareholding requirement. Directors' shareholdings as at 11 August 2022 are set out in the Directors' Report.

The requirements of our share ownership policies are summarised below:

Summary of requirements under the share ownership policies	
Position	Minimum holding requirement within 5 years of appointment to the position
CEO	200% of Fixed Remuneration
Group Executives	100% of Fixed Remuneration
Chair of the Board	200% of the annual non-executive Director base fee
Non-executive Directors	100% of the annual non-executive Director base fee

The following outlines how various Telstra securities are valued in calculating a person's shareholding for the purpose of the policies:

How Telstra securities are valued under the policies		
Position	Securities	Basis of valuation under the policies
CEO and Group Executives	Ordinary shares purchased on-market	Acquisition price
	Restricted Shares	The volume weighted average price of Telstra shares used to determine the number of Restricted Shares granted under the relevant employee equity plan
	Performance Rights	Not included
	Any shares granted upon vesting of Performance Rights	Telstra's closing share price on the date that the Performance Right vests
Chair and Non-executive Directors	Ordinary shares purchased on-market	Acquisition price

Senior Executives must obtain Board or, in certain circumstances, CEO or Chair approval before they sell Telstra shares if they have not yet met their minimum holding requirement. Progress towards the minimum holding requirement is monitored on an ongoing basis.

(h) Securities Trading Policy

All KMP must comply with Telstra's Securities Trading Policy, which includes a requirement that Telstra securities can only be traded during specified trading windows and with prior approval. KMP must also consider how any proposed dealing in Telstra securities could be perceived by the market and must not deal if the proposed dealing could be perceived as taking advantage of their position in an inappropriate way. They are also prohibited from entering into any hedging arrangement that limits the economic risk of holding Telstra securities (including those held under Telstra equity plans). This helps align our KMP's interests with shareholders' interests. KMP are required to confirm on an annual basis that they comply with our Securities Trading Policy, which assists in monitoring and enforcing our policy. Our Securities Trading Policy is available at [telstra.com/governance](https://www.telstra.com/governance).

(i) Clawback (Malus) Policy

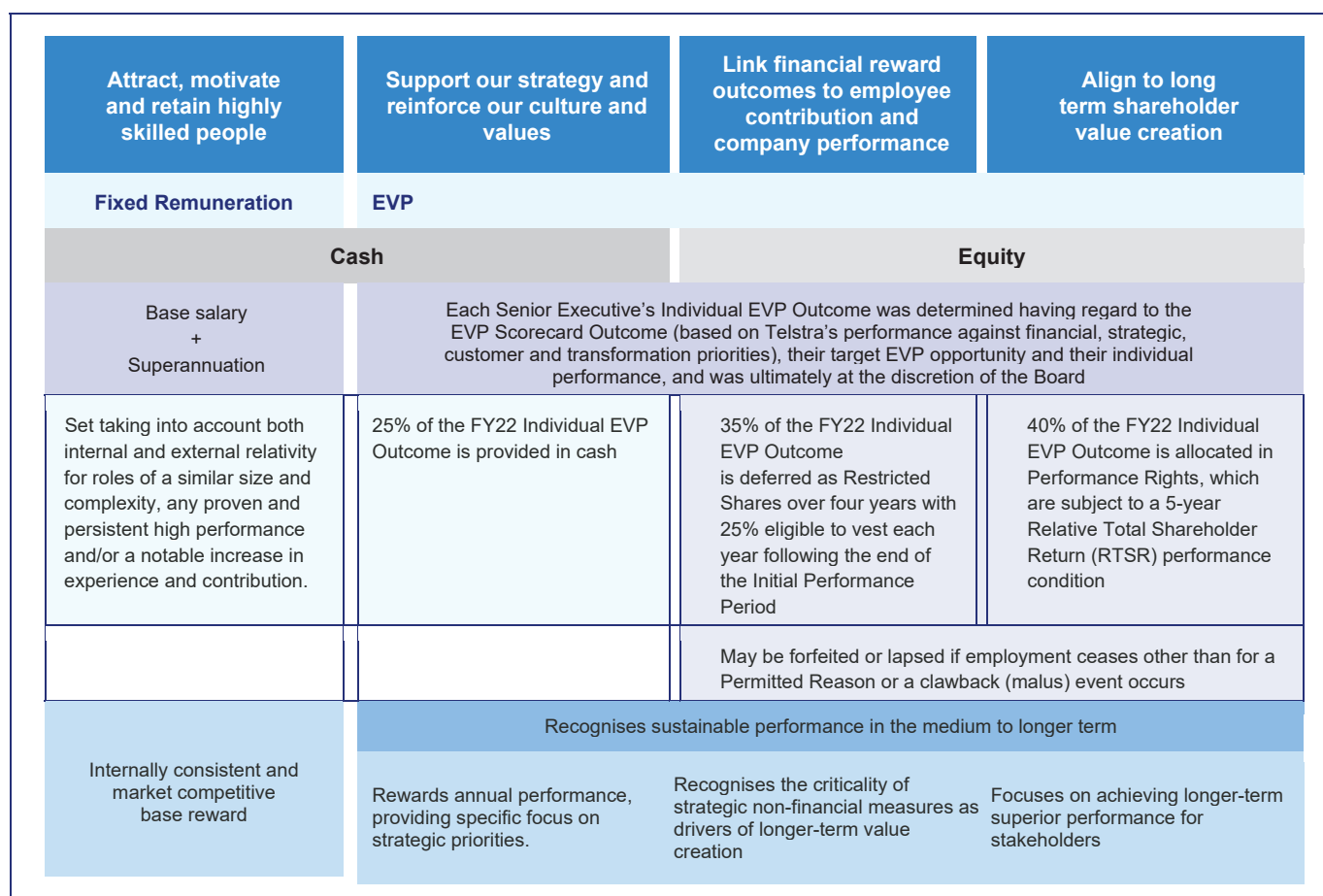
A Clawback Committee oversees the application of the Clawback (Malus) policy. This policy applies to all employees at Telstra and sets out the process that is followed to put the Board in a position to determine, before securities vest, whether a clawback event has occurred and whether to lapse or forfeit unvested Performance Rights, Restricted Shares and Cash Rights. The Clawback Committee meets quarterly and reports to the People and Remuneration Committee twice a year. The Clawback Committee is comprised of the GE Transformation, Communications & People (TC&P), the CFO, the GE Sustainability, External Affairs and Legal (SEAL) and the Chief Risk Officer. The People and Remuneration Committee subsequently makes recommendations to the Board as to whether to exercise its discretion to claw back any unvested equity. A member of the Clawback Committee is prohibited from being involved in a Clawback Committee recommendation in connection with any awards they hold.

Following the Clawback Committee’s review and recommendations, no clawback of unvested securities held by Senior Executives was recommended or approved during FY22.

2. Senior Executive remuneration

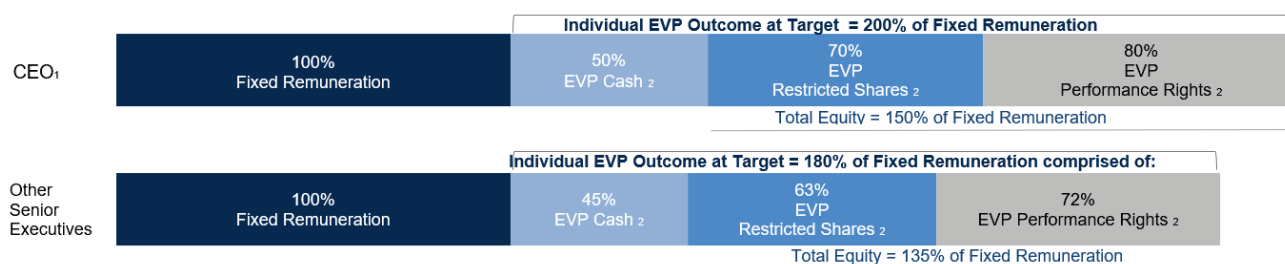
2.1 FY22 Remuneration Structure

The following diagram illustrates the remuneration framework that applied to our Senior Executives during FY22. This framework was unchanged from FY21.



(a) FY22 remuneration mix for Senior Executives

The graph below shows the FY22 remuneration mix for Senior Executives expressed as a percentage of Fixed Remuneration (FR).



- As the CEO will cease employment for a Permitted Reason before the allocation of his FY22 Restricted Shares and Performance Rights under the EVP, he will be granted Cash Rights in lieu of those Restricted Shares and Performance Rights. For further information on Cash Rights for Leavers, refer to the table in Section 2.1(c)
- The percentages shown are calculated from the 25% Cash, 35% Restricted Share and 40% Performance Right components of the FY22 EVP multiplied by the FY22 EVP target opportunity for the CEO (200% of FR) and other Senior Executives (180% of FR).

(b) Current Senior Executive Fixed Remuneration and contract details

The following table summarises the Fixed Remuneration and notice and termination payment provisions that apply under the ongoing service contracts for current Senior Executives as at 11 August 2022.

Name	Title	Fixed Remuneration	Notice Period	Termination Payment
Andrew Penn	CEO	\$2,390,000	6 months	6 months
Michael Ackland	GE Consumer & Small Business	\$1,150,000	6 months	6 months
Kim Krogh Andersen	GE Product & Technology	\$1,100,000*	6 months	6 months
Alex Badenoch	GE Transformation, Communications & People	\$930,000	6 months	6 months
Vicki Brady	CFO & GE Strategy and Finance	\$1,200,000	6 months	6 months
David Burns	GE Telstra Enterprise	\$1,150,000	6 months	6 months
Nikos Katinakis	GE Networks & IT	\$1,100,000	6 months	6 months
Brendon Riley	GE & CEO Telstra InfraCo	\$1,400,000	6 months	12 months**
Dean Salter	GE Global Business Services	\$950,000	6 months	6 months

* Kim Krogh Andersen's fixed remuneration was increased by 10% to reflect his growing experience, contribution and leadership since his commencement in the role and having regard to the fixed remuneration of executives holding similar roles in other ASX20 entities. This change took effect from 6 January 2022.

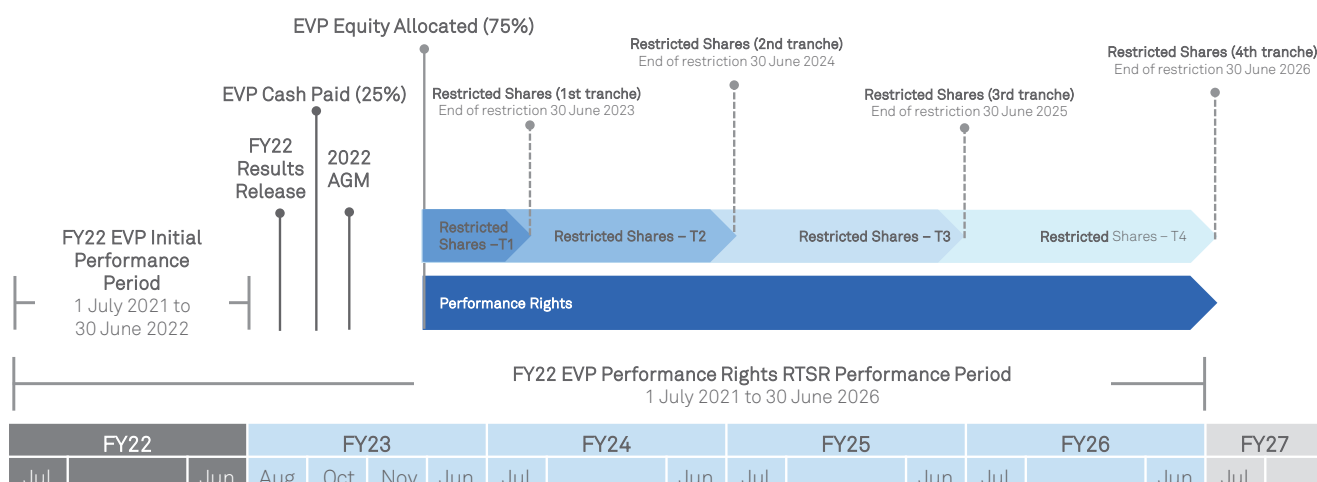
** Brendon Riley has a 12-month termination payment clause in his contract that was negotiated upon commencing employment at Telstra in February 2011. Telstra's current policy is to provide for a six-month termination payment in executive contracts.

Upon notice being given, Telstra can require a Senior Executive to work through the notice period or may terminate employment immediately by providing payment in lieu of notice, or a combination of both. Any payment in lieu of notice is calculated based on the Senior Executive's Fixed Remuneration as at the date of termination.

There is no termination payment if termination is for serious misconduct or redundancy (unless the severance payment under Telstra's redundancy policy would be less than the termination payment, in which case the termination payment applies instead).

(c) FY22 Executive Variable Remuneration Plan (EVP) structure

The Senior Executives participated in the FY22 EVP. The construct of the FY22 EVP is illustrated in the diagram below:

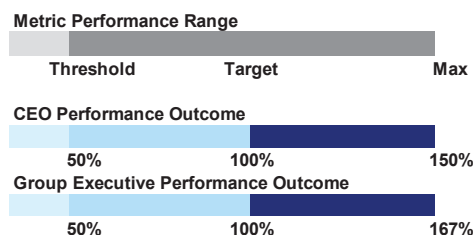


As announced on 30 March 2022, Vicki Brady will take over as CEO on 1 September 2022. At the 2022 AGM to be held on 11 October 2022, we will seek shareholder approval for the Restricted Shares and Performance Rights to be allocated to Vicki Brady under the FY22 EVP.

The table below outlines the key features of the FY22 EVP.

FY22 EVP design attributes	Detail																																													
EVP Reward opportunity	<table border="1"> <thead> <tr> <th colspan="3">FY22 Reward opportunity as a % of Fixed Remuneration</th> </tr> <tr> <th></th> <th>CEO</th> <th>Group Executives</th> </tr> </thead> <tbody> <tr> <td>Threshold</td> <td>100%</td> <td>90%</td> </tr> <tr> <td>Target</td> <td>200%</td> <td>180%</td> </tr> <tr> <td>Maximum</td> <td>300%</td> <td>300%</td> </tr> </tbody> </table>	FY22 Reward opportunity as a % of Fixed Remuneration				CEO	Group Executives	Threshold	100%	90%	Target	200%	180%	Maximum	300%	300%																														
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Initial Performance Period	1 year (1 July 2021 to 30 June 2022)																																													
Calculation of Individual EVP Outcomes	<p>Overview</p> <p>Each Senior Executive’s Individual EVP Outcome for FY22 is set out in Section 2.5(c).</p> <p>The CEO and each Group Executive’s Individual EVP Outcome was determined by the Board taking into consideration their ‘at target’ EVP reward opportunity, the EVP Scorecard Outcome, their individual performance (in the case of the Group Executives including their performance relative to each other) and other factors in accordance with its decision framework including any material risk events identified, the severity of their impact, and the executive’s accountability for the matter.</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">At Target EVP Reward Opportunity</p> $FR \\$ \times \text{Target EVP Opportunity \%} = \text{Target EVP Opportunity \\$}$ </div> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Calculating Individual EVP Outcome</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e0f0ff; padding: 5px;">Primary Performance Measures</td> <td style="padding: 5px;">→</td> <td style="padding: 5px;">Each primary performance measure outcome and total scorecard outcome subject to Board discretion</td> <td style="padding: 5px;">=</td> <td style="padding: 5px;">EVP Scorecard Outcome %</td> <td style="padding: 5px;">→</td> <td style="padding: 5px;">Differentiated for individual performance and subject to Board discretion</td> <td style="padding: 5px;">=</td> <td style="background-color: #003366; color: white; padding: 5px;">Individual EVP Outcome</td> </tr> <tr> <td style="padding: 5px;">Financial</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding: 5px;">Customer</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding: 5px;">Strategic</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding: 5px;">Transformation</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table> </div> </div> <p style="text-align: center;">EVP Scorecard Outcome</p> <p>The EVP Scorecard Outcome was determined by the Board following an assessment of Telstra’s performance against the primary performance measures (described in detail below) during the 2022 financial year (referred to as the Initial Performance Period).</p>	Primary Performance Measures	→	Each primary performance measure outcome and total scorecard outcome subject to Board discretion	=	EVP Scorecard Outcome %	→	Differentiated for individual performance and subject to Board discretion	=	Individual EVP Outcome	Financial									Customer									Strategic									Transformation								
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The primary performance measures operated independently, and each measure was given a weighting and defined threshold, target and maximum performance level. If performance fell between any of those levels, the outcome was determined proportionately for the CEO and the other Senior Executives commensurate with the following ranges.



The Board had discretion to adjust the outcome against each primary performance measure to ensure there were no windfall gains or losses. Details of the adjustments approved by the Board for FY22 are outlined in Section 2.2.

The Board also had discretion to adjust the overall EVP Scorecard Outcome if it was considered to be appropriate when taking into account matters including Telstra’s performance, customer experience and shareholder expectations. Such adjustment was not considered appropriate for FY22.

The EVP Scorecard Outcome was an input for determining each Senior Executive’s Individual EVP Outcome. Refer to Section 2.3 for further information on discretion exercised in determining FY22 Individual EVP Outcomes.

Primary performance measures

The primary performance measures outlined below were selected for FY22 because they provide the critical link between delivering Telstra’s T22 strategy and Telstra’s Corporate Plan and increasing shareholder value. The Board believes that the strategic, customer and transformation non-financial measures directly demonstrate the delivery of critical components of the T22 strategy and are fundamental key drivers of long-term value creation.

To assist shareholders understanding of these measures and their relevance to Telstra’s performance, further information on each measure is provided below.

Refer to Section 2.2 for the threshold, target and maximum for each measure and their weightings.

Primary Performance Measures	
Measure and metric	Rationale for why chosen
Financial (60%)	<p>Total Income</p> <p>Telstra External Income (excluding finance income)</p> <ul style="list-style-type: none"> • Key indicator of financial performance • Ensures continued focus on customer retention and growth • Aligns to Pillar 1 of the T22 strategy
	<p>Underlying EBITDA</p> <p>Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, and excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments</p> <ul style="list-style-type: none"> • Key indicator of financial performance • Ensures appropriate focus on profit and cost to deliver • A strong indicator of underlying company profitability • Aligns to Pillar 4 of our T22 strategy
	<p>Free Cash Flow (FCF)</p> <p>Free Cash flow after lease payments and excluding M&A and spectrum</p> <ul style="list-style-type: none"> • Key indicator of financial performance • Appropriate for a capital-intensive business and critical in managing the company’s ability to pay a dividend and maintain balance sheet strength • Aligns to Pillar 4 of our T22 strategy
	<p>Net Opex Reduction</p> <p>Year-on-year reduction in operating non-Direct Variable Cost (DVC) expenses</p> <ul style="list-style-type: none"> • Active reduction of our costs is key to competing and delivering strong financial performance in an increasingly competitive market • Delivering significant absolute cost reduction aligns with intent to drive productivity and reduce costs • Aligns to Pillar 4 of our T22 strategy
Non-financial	<p>Episode NPS</p> <p>Improvement in our Episode Net Promoter Score</p> <ul style="list-style-type: none"> • It is in our shareholders’ interests to have the executive team specifically focused on continuously improving the customer service experience, driving both customer attraction and retention • Underpins company-wide programs focused on improving our operational excellence by identifying and eliminating the causes of unnecessary customer effort and pain points. • Aligns to Pillar 1 of our T22 Strategy

	<table border="1"> <tr> <td data-bbox="411 203 751 443"> <p>C&SB Product Portfolio Simplification Consumer & Small Business Fixed and Postpaid Mobile services on in-market plans</p> </td> <td data-bbox="751 203 1444 443"> <ul style="list-style-type: none"> • Simplifying our products and services increases the simplicity, transparency and satisfaction that our customers experience and enables the delivery of material cost reductions • Moving customers to our 20 simplified connectivity plans supports the delivery of improved customer experiences, offers our customers simplicity and ease of dealing with Telstra, and supports readiness for future delivery of digitised experiences for customers • Aligns to Pillar 1 of our T22 strategy </td> </tr> <tr> <td data-bbox="411 443 751 660"> <p>C&SB Digital Engagement Consumer & Small Business digital sales interactions</p> </td> <td data-bbox="751 443 1444 660"> <ul style="list-style-type: none"> • Enhancing our digital engagement with our customers improves customer experience whilst supporting our cost reduction focus • Increasing engagement of our mass market customers through digital sales channels remains a strong focus, targeting just under half of sales to occur through digital channels. • Key to achieving this is maximising the value and ease for our customers in using our digital channels • Aligns to Pillar 1 of our T22 Strategy </td> </tr> <tr> <td data-bbox="411 660 751 772"> <p>TE Digital Engagement Telstra Enterprise Digital Service Interactions</p> </td> <td data-bbox="751 660 1444 772"> <ul style="list-style-type: none"> • Intended to provide customer choice and reduce our servicing costs. • Aligns to Pillar 1 of our T22 strategy </td> </tr> <tr> <td data-bbox="411 772 751 891"> <p>People, Capability & Engagement Top-line sustainable employee engagement score</p> </td> <td data-bbox="751 772 1444 891"> <ul style="list-style-type: none"> • Focusses on our employee engagement. • Supports our ability to both attract and retain the key leadership and technical talent required to deliver on our ambitious strategy • Aligns to Pillar 3 of our T22 strategy </td> </tr> </table> <p>To assess the primary performance measures, the Board reviewed the Group's results, including the financial statements which are audited by Ernst & Young (EY), our external auditor. It also reviewed other work undertaken by EY on performance against the primary performance measures. Refer to Section 2.2 for further information.</p>	<p>C&SB Product Portfolio Simplification Consumer & Small Business Fixed and Postpaid Mobile services on in-market plans</p>	<ul style="list-style-type: none"> • Simplifying our products and services increases the simplicity, transparency and satisfaction that our customers experience and enables the delivery of material cost reductions • Moving customers to our 20 simplified connectivity plans supports the delivery of improved customer experiences, offers our customers simplicity and ease of dealing with Telstra, and supports readiness for future delivery of digitised experiences for customers • Aligns to Pillar 1 of our T22 strategy 	<p>C&SB Digital Engagement Consumer & Small Business digital sales interactions</p>	<ul style="list-style-type: none"> • Enhancing our digital engagement with our customers improves customer experience whilst supporting our cost reduction focus • Increasing engagement of our mass market customers through digital sales channels remains a strong focus, targeting just under half of sales to occur through digital channels. • Key to achieving this is maximising the value and ease for our customers in using our digital channels • Aligns to Pillar 1 of our T22 Strategy 	<p>TE Digital Engagement Telstra Enterprise Digital Service Interactions</p>	<ul style="list-style-type: none"> • Intended to provide customer choice and reduce our servicing costs. • Aligns to Pillar 1 of our T22 strategy 	<p>People, Capability & Engagement Top-line sustainable employee engagement score</p>	<ul style="list-style-type: none"> • Focusses on our employee engagement. • Supports our ability to both attract and retain the key leadership and technical talent required to deliver on our ambitious strategy • Aligns to Pillar 3 of our T22 strategy 						
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<p>EVP outcome - cash vs equity balance</p>	<p>A Senior Executive's Individual EVP Outcome is provided as a combination of cash (25%), Restricted Shares (35%) and Performance Rights (40%) which are subject to a Relative Total Shareholder Return (RTSR) performance condition. This results in a 25:75 ratio of cash to equity. On vesting of a Performance Right, the holder receives a share or, at Telstra's discretion, a cash amount equivalent to the value of a share at vesting.</p>														
<p>Equity allocation methodology</p>	<table border="1"> <tr> <td colspan="2" data-bbox="391 1238 879 1294">Individual EVP Outcome Components</td> <td colspan="2" data-bbox="922 1238 1390 1323">Equity Allocation Calculation (face value methodology)</td> </tr> <tr> <td data-bbox="391 1294 879 1350">25% Cash</td> <td data-bbox="879 1294 922 1350"></td> <td data-bbox="922 1323 1011 1458" rowspan="3">5 Day VWAP</td> <td data-bbox="1011 1323 1390 1391">= No. of Restricted Shares allocated</td> </tr> <tr> <td data-bbox="391 1350 879 1417">35% Restricted Shares (pro-rata vesting over 4 years)</td> <td data-bbox="879 1350 922 1417">÷</td> <td data-bbox="1011 1391 1390 1458">= No. of Performance Rights allocated</td> </tr> <tr> <td data-bbox="391 1417 879 1458">40% Performance Rights (subject to 5 year RTSR)</td> <td data-bbox="879 1417 922 1458"></td> <td></td> </tr> </table> <p>The number of Restricted Shares and Performance Rights to be allocated to a Senior Executive is based on the dollar value of their Individual EVP Outcome, multiplied by 35% for Restricted Shares and 40% for Performance Rights, and then divided by the five day volume weighted average price (VWAP) of Telstra shares commencing on the day after the FY22 results announcement (i.e. a face value allocation methodology).</p>	Individual EVP Outcome Components		Equity Allocation Calculation (face value methodology)		25% Cash		5 Day VWAP	= No. of Restricted Shares allocated	35% Restricted Shares (pro-rata vesting over 4 years)	÷	= No. of Performance Rights allocated	40% Performance Rights (subject to 5 year RTSR)		
Individual EVP Outcome Components		Equity Allocation Calculation (face value methodology)													
25% Cash		5 Day VWAP	= No. of Restricted Shares allocated												
35% Restricted Shares (pro-rata vesting over 4 years)	÷		= No. of Performance Rights allocated												
40% Performance Rights (subject to 5 year RTSR)															
<p>Issue/exercise price</p>	<p>As the Restricted Shares and Performance Rights form part of a Senior Executive's variable remuneration, no amount is payable by the Senior Executive on grant of the Restricted Shares or on grant or vesting of the Performance Rights. Both the Restricted Shares and any shares to be provided on the vesting of Performance Rights will be purchased on-market.</p>														
<p>Restriction and performance periods for equity</p>	<p style="text-align: center;">Restricted Shares</p> <p>Restricted Shares will be eligible to vest in four equal tranches, with 25% eligible to vest each year for the four years following 30 June 2022 (being the end of the Initial Performance Period). i.e. on 30 June 2023, 30 June 2024, 30 June 2025, and 30 June 2026.</p> <p style="text-align: center;">Performance Rights</p> <p>The Performance Rights are subject to an RTSR performance condition, tested over a five-year performance period from 1 July 2021 to 30 June 2026. Refer to the secondary performance measures section outlined below for further information.</p> <p>In certain limited circumstances, such as a takeover event where 50% or more of shares of the Telstra group's head entity are acquired, the Board may exercise discretion to accelerate vesting of the Performance Rights and accelerate the end of the Restriction Periods for the Restricted Shares.</p>														

<p>Secondary performance measures</p>	<p>In addition to the primary performance measures (which are assessed over the one year period to 30 June 2022) the Performance Rights component of each Senior Executive's Individual EVP Outcome only vests if, and to the extent that, the RTSR performance condition is satisfied at the end of the five year performance period on 30 June 2026. Any Performance Rights that vest following the testing of the RTSR performance condition will be automatically exercised following the release of Telstra's annual results for FY26 and any Performance Rights that do not vest following the testing will lapse (and expire) at that time. This means Senior Executives have a double hurdle in relation to the Performance Right component of their Individual EVP Outcome, with performance measured over both the Initial Performance Period and the five-year RTSR Performance Period.</p> <p>RTSR measures the performance of a Telstra share (including the value of any cash dividends and other shareholder benefits paid during the RTSR Performance Period) relative to the performance of ordinary securities issued by the other entities in the comparator group (being entities in the S&P / ASX100 index as at 1 July 2021 (excluding resources companies)) over the RTSR Performance Period.</p> <p>The Board believes that RTSR is an appropriate secondary performance measure because it links executive reward to Telstra's share price and dividend performance relative to entities in the comparator group over the long-term. This reinforces the ultimate focus on shareholder value creation and helps align actual pay outcomes with returns delivered to long-term shareholders.</p> <p>Under the RTSR performance condition, the number of Performance Rights that vest will be determined as follows:</p> <table border="1" data-bbox="391 824 1412 974"> <thead> <tr> <th>RTSR Ranking</th> <th>Vesting</th> </tr> </thead> <tbody> <tr> <td>Below the 50th percentile</td> <td>0%</td> </tr> <tr> <td>At the 50th percentile</td> <td>50%</td> </tr> <tr> <td>Between 50th and 75th percentiles</td> <td>Straight-line vesting from 50% to 100%</td> </tr> <tr> <td>At the 75th percentile or above</td> <td>100%</td> </tr> </tbody> </table> <p>Both the starting price and end price for the purpose of calculating Telstra's RTSR are the average of Telstra's daily closing share price over the 30 day period to 30 June of the relevant year. The starting price that will be used to determine Telstra's RTSR at the end of the RTSR Performance Period for the FY22 EVP is \$3.57.</p>	RTSR Ranking	Vesting	Below the 50 th percentile	0%	At the 50 th percentile	50%	Between 50 th and 75 th percentiles	Straight-line vesting from 50% to 100%	At the 75 th percentile or above	100%
RTSR Ranking	Vesting										
Below the 50 th percentile	0%										
At the 50 th percentile	50%										
Between 50 th and 75 th percentiles	Straight-line vesting from 50% to 100%										
At the 75 th percentile or above	100%										
<p>Dividends</p>	<p style="text-align: center;">Restricted Shares</p> <p>Participants receive dividends on Restricted Shares during the Restriction Periods consistent with other Telstra shareholders. This is appropriate because these Restricted Shares do not have any further performance conditions. The intent is to mirror the experience of shareholders while deferring the remuneration so that it can be more easily subject to forfeiture if the Participant ceases employment other than for a Permitted Reason or clawback.</p> <p style="text-align: center;">Performance Rights</p> <p>No dividends are paid on Performance Rights prior to vesting. For any Performance Rights that ultimately vest following satisfaction of the RTSR performance condition, a cash payment equivalent to the dividends paid by Telstra during the period between allocation of the Performance Rights and vesting will be made at or around the time of vesting, subject to applicable taxation (Dividend Equivalent Payment).</p>										
<p>Leavers</p>	<p style="text-align: center;">Before the Restricted Shares and Performance Rights are allocated</p> <p>If a Senior Executive ceases employment for a Permitted Reason, the Senior Executive is eligible for a pro-rata Individual EVP Outcome based on the proportion of time they were employed during FY22. The Senior Executive will receive the cash component of their pro-rata Individual EVP Outcome. The Senior Executive will receive a grant of Cash Rights (or, at the Board's discretion, cash, if the Senior Executive ceases employment due to death, total and permanent disablement or certain medical conditions) in lieu of Performance Rights and Restricted Shares. On vesting, a Cash Right entitles the executive to a cash payment equivalent to the value of a Telstra share at the end of the applicable Restriction Period or the RTSR Performance Period (as applicable). A Cash Right granted in lieu of a Restricted Share also entitles the Senior Executive to receive an amount equal to dividends paid on Telstra shares between the date the Cash Right is allocated and the end of the applicable Restriction Period, at or around the same time that Telstra pays the dividend. A Cash Right granted in lieu of a Performance Right entitles the Senior Executive, if the Cash Right vests, to receive an amount equivalent to dividends paid on Telstra shares between allocation and vesting of the Cash Right after the end of the RTSR Performance Period. Where the Senior Executive receives Cash Rights, there is no change to the Restriction Periods, the RTSR Performance Period or the RTSR performance condition. If the Senior Executive ceases employment for any other reason, their EVP entitlement is forfeited. This ensures equal treatment for all executives and that departing executives continue to make decisions that are aligned to the long-term interests of our shareholders.</p>										

	<p style="text-align: center;">After the Restricted Shares and Performance Rights are allocated</p> <p>If a Senior Executive ceases employment for a Permitted Reason after the Restricted Shares and Performance Rights have been allocated, those Restricted Shares and Performance Rights will remain on foot. There is no change to the Restriction Periods, the RTSR Performance Period, or the RTSR performance condition. If the Senior Executive ceases employment for any other reason, their Restricted Shares and Performance Rights are forfeited.</p>
Clawback (malus)	<p>The Board has discretion to clawback Performance Rights and Restricted Shares if certain clawback events occur before the Performance Rights vest or the Restricted Shares are transferred to the Senior Executive following the end of the applicable Restriction Period. Clawback events include fraud, dishonesty, gross misconduct or material breach of obligations by the Senior Executive or behaviour that brings Telstra into disrepute or may negatively impact Telstra's long-term financial strength. It also includes where the Senior Executive causes a significant deterioration in Telstra's financial performance or negatively impacts Telstra's standing, reputation or relationship with its key regulators, where the financial results that led to the Performance Rights or Restricted Shares being granted are subsequently shown to be materially misstated, where the Senior Executive fails to fulfil responsibilities under Telstra's risk management framework resulting in a material breach of Telstra's risk management framework, or where the Board determines that the Performance Rights or Restricted Shares are an inappropriate benefit.</p>
Corporate Restructure	<p>As part of the broader Corporate Restructure, Telstra is proposing a scheme of arrangement that will result in Telstra Group Limited (New Telstra Corp) becoming the new head entity of the Telstra Group (Scheme).</p> <p>If the Scheme is implemented: (i) Performance Rights and Restricted Shares under the FY22 EVP will be granted after implementation of the Scheme and will be granted by New Telstra Corp; (ii) the Restricted Shares will be fully paid New Telstra Corp shares; (iii) Senior Executives will be provided with one fully paid ordinary New Telstra Corp share or, at New Telstra Corp's discretion, a cash amount equivalent to the value of a New Telstra Corp share for each Performance Right that vests; (iv) Telstra's RTSR performance over the RTSR Performance Period will take into account Telstra Corporation Limited's performance up to implementation of the Scheme and New Telstra Corp's performance after that time; and (v) New Telstra Corp will make decisions in connection with the Restricted Shares and Performance Rights.</p> <p>The same changes will also be made to other Restricted Shares and Performance Rights on issue at the time the Scheme is implemented.</p> <p>If the Scheme is not implemented, the Performance Rights and Restricted Shares under the FY22 EVP will continue to be issued by Telstra Corporation Limited.</p> <p>The Corporate Restructure will have no impact on the EVP structure other than as set out above.</p>

(d) Financial performance

The table below provides a summary of Telstra's key financial results over the past five financial years.

Financial Performance ¹	FY22	FY21	FY20	FY19	FY18
	\$m	\$m	\$m	\$m	\$m
Earnings					
Total Income	22,045	23,132	26,161	27,807	28,841
EBITDA	7,256	7,638	8,905	7,984	10,197
Net Profit ²	1,688	1,857	1,819	2,154	3,591
Shareholder Value					
Share Price (\$) ³	3.85	3.76	3.13	3.85	2.62
Total Dividend Paid Per Share (cents) ⁴	16.0	16.0	16.0	19.0	26.5

1. These results are not fully comparable due to changes in the accountings standards over the periods. For more details, refer to Note 1.5 to the financial statements in the 2020 Annual Report in relation to the adoption of AASB16: 'Leases' and Note 1.5 to the financial statements in 2019 Annual Report in relation to the adoption of AASB15: 'Revenue from Contracts with Customers'.

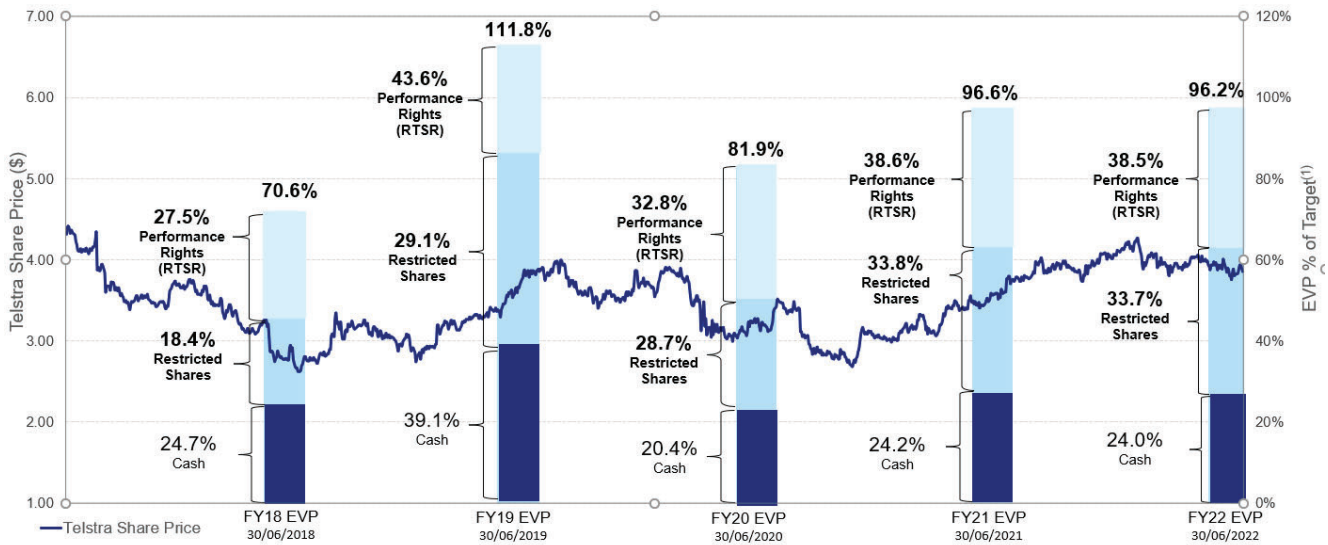
2. Net Profit attributable to equity holders of the Telstra entity includes results from continuing and discontinued operations.

3. Share prices are as at 30 June for the respective year. The closing share price for FY17 was \$4.30.

4. We paid dividends to holders of Telstra's ordinary shares twice each year over the past five financial years, an interim and a final dividend. The amounts included in this table relate to dividends paid during the financial year. Therefore, for each respective year, the amount includes the dividend paid for the previous year final dividend and the current year interim dividend. Refer to Note 4.2 to the financial statements in the Financial Report for further information about dividends paid in FY22.

(e) Historical Individual EVP Outcomes relative to the Telstra share price

The graph below provides a useful comparison of performance and shows the average Individual EVP Outcomes for FY18 through to FY22 as a percentage of the target opportunity, relative to the performance of Telstra's share price over the past five years.




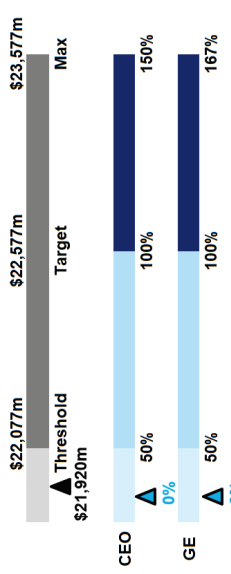

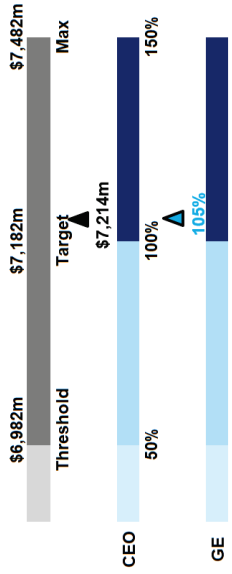

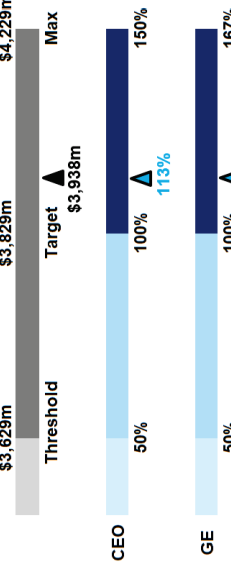
(1) The average Individual EVP outcomes as a percentage of target is shown for all Senior Executives (including the CEO) for the relevant period. There have been changes to the EVP structure over this period including to the relative proportions of cash, Restricted Shares and Performance Rights.




2.2 FY22 EVP Scorecard Outcome


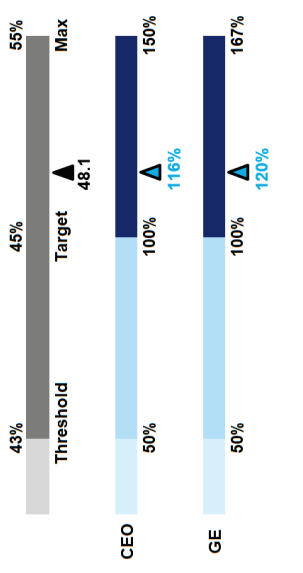
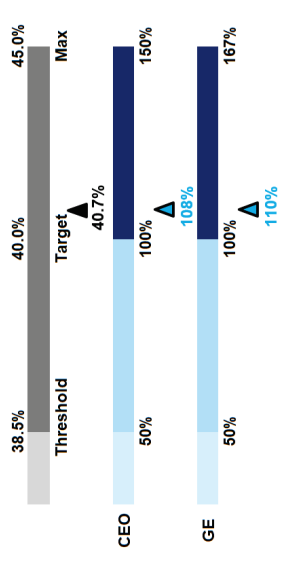

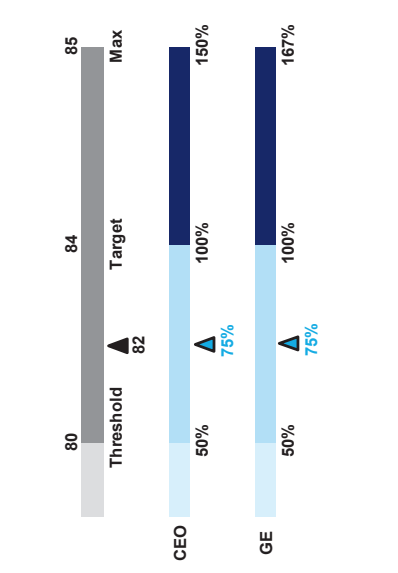
The Board evaluated Telstra's performance against the primary performance measures. The threshold, target and maximum levels for each measure (as outlined in our 2021 Remuneration Report) were set to be robust and appropriately demanding, taking into account the key deliverables and milestones outlined in our T22 strategy, planned financial outcomes contained within our Corporate Plan and FY22 guidance as announced on 12 August 2021. There were no changes to the EVP structure in FY22 other than redistributing the 5% weighting for the TE Product Portfolio Simplification metric to the Episode NPS metric (as described in our FY21 Remuneration Report). The levels for all financial measures (with the exception of Net Opex Reduction) were determined in line with market guidance, with each target level approximating the midpoint of that guidance and each maximum level equal to or above the maximum guidance range. It remains the Board's view that the levels were robust and demanding in the face of an exceptionally challenging market.

The Board maintained absolute discretion to ensure the EVP Scorecard Outcome was appropriate, taking into account matters which may include Telstra's performance, customer experience and shareholder expectations. The Board determined that the primary performance measure outcomes and the EVP Scorecard Outcome for FY22 would be driven by the results achieved. No adjustments were made for the ongoing impact of the COVID-19 pandemic.

The EVP Scorecard Outcome for FY22 was 93.1% of the target opportunity (62.1% of maximum) for the CEO and 96.6% of the target opportunity (58.0% of maximum) for the other Senior Executives.

Measures	Weighting	Targets and Performance Outcomes	Weighted Result (% of Target)		Additional Information
			CEO	GE	
 <p>Total Income (\$m) Is Telstra External Income excluding finance income</p>	15%	 <p>CEO: 100% (0%) GE: 100% (0%)</p>	0.0%	0.0%	<p>Total Income of \$22,045m was reported by Telstra for FY22. The calculation of this result was audited by our external auditor, EY.</p> <p>To ensure the FY22 EVP Scorecard Outcome appropriately reflected the performance of executives, the Board approved a negative adjustment of \$125m. This ensured no windfall gains or losses relative to how the target was set including the NBN Transaction.</p> <p>Assessed performance on this measure was therefore \$21,920, which was below the FY22 EVP threshold.</p>
 <p>Underlying EBITDA (\$m) is Earnings Before Interest, Tax, Depreciation & Amortisation, and excludes net one-off nbn DA receipts less nbn net CC2, one-off restructuring costs and guidance adjustments</p>	15%	 <p>CEO: 100% (105%) GE: 100% (107%)</p>	15.7%	16.1%	<p>Underlying EBITDA of \$7,251m was reported by Telstra for FY22. The calculation of this result was reviewed by our external auditor, EY.</p> <p>To ensure the FY22 EVP Scorecard Outcome appropriately reflected the performance of executives, the Board approved a negative adjustment of \$37m to ensure no windfall gains or losses relative to how the target was set including the NBN Transaction</p> <p>Assessed performance on this measure was therefore \$7,214m, which was between the FY22 EVP target and maximum.</p>
 <p>Free Cash Flow (\$m) Free Cash flow after lease payments and excluding M&A and spectrum</p>	15%	 <p>CEO: 100% (113%) GE: 100% (118%)</p>	17.0%	17.7%	<p>FCF on a guidance basis of \$3,961m was reported by Telstra for FY22. The calculation of this result was reviewed by our external auditor, EY.</p> <p>To ensure the FY22 EVP Scorecard Outcome appropriately reflected the performance of executives, the Board approved a negative adjustment of \$23m to ensure no windfall gains or losses relative to how the target was set including the NBN Transaction.</p> <p>Assessed performance on this measure was therefore \$3,938m, which was between the FY22 EVP target and maximum.</p>

Measures	Weighting	Targets and Performance Outcomes	Weighted Result (% of Target)		Additional Information
			CEO	GE	
<p> Net Opex Reduction (\$m) Year-on-year reduction in operating non-Direct Variable Cost (DVC) expenses</p>	15%	<p>CEO: 100% (103%) GE: 100% (103%)</p>	15.4%	15.5%	<p>As outlined in the FY22 Full Year Results and Operations Review, underlying fixed cost reduction (which is referred to as Net Opex Reduction for the purpose of the EVP) was \$454m. The Net Opex Reduction calculation was reperformed by our external auditor, EY.</p> <p>To ensure the FY22 EVP Scorecard Outcome appropriately reflected the performance of executives, the Board approved a negative adjustment of \$19m to ensure no windfall gains or losses relative to how the target was set.</p> <p>Assessed performance on this measure was therefore \$435m, which was between the FY22 EVP target and maximum.</p> <p>Through strong fiscal discipline and delivering significant cost reduction across the organisation, we have achieved our \$2.7 billion total net cost reduction target set at the start of our T22 strategy.</p>
<p> Episode NPS Improvement in our Episode NPS</p>	15%	<p>CEO: 100% (125%) GE: 100% (133%)</p>	18.8%	20.0%	<p>The overall Episode NPS is a weighted calculation of survey results from Telstra business segments – 65% Consumer and Small Business (combined calculation) and 35% Enterprise (Telstra Enterprise Australia only).</p> <p>At the end of FY22 our Episode NPS was +37, which was between the FY22 EVP target and maximum. The calculation of this result was reperformed by our external auditor, EY.</p> <p>Despite continuing challenges during this year with severe weather events and the ongoing effects of the COVID-19 pandemic this outcome reflected strong results across both Consumer & Small Business and Telstra Enterprise. Our ongoing focus on digitisation as well as people and process initiatives have contributed to historically high results in Sales & Activation.</p> <p>Overall under T22, over the 4 years from FY18 to FY22, Episode NPS has improved by +18 points against our T22 ambition of +12 to +24 uplift. The result has been delivered during the unprecedented times of a global pandemic and transformation. Our focus on the customer, resolution right first time, proactive resolution, reduction in cycle times, reduction in call volume, complaints management, digitisation, onshoring and many other people and process initiatives have all played a role.</p>
<p> C&SB Product Portfolio Simplification</p>	5%	<p>CEO: 100% (150%) GE: 100% (150%)</p>	7.5%	8.3%	<p>As part of our T22 transformation we launched our radically simplified product proposition and have 20 core connectivity plans in market for our Consumer and Small Business customers (compared to the 1,800 plans we had prior to the launch of our T22 transformation).</p> <p>By the end of FY22 we had 10.2 million services on fixed and post-paid mobile in-market plans, which was at the FY22 EVP maximum. The calculation of this result was reperformed by our external auditor, EY.</p>

Measures	Weighting	Targets and Performance Outcomes	Weighted Result (% of Target)		Additional Information
			CEO	GE	
 Digital Engagement C&SB digital sales interactions	5%		5.8%	6.0%	The new core capabilities we established as part of T22 enabled us to fast-track the digitisation and automation of our tools during COVID-19 and to move more customer enquiries online quickly, removing the need for many customers to call us at all. Digital sales interactions were also driven by new sales features including device selectors, personalisation, and proactive web messaging. By the end of the financial year, 48.1% of all Consumer & Small Business sales transactions took place digitally, which was between the FY22 EVP target and maximum. The calculation of this result was reperformed by our external auditor, EY.
			5.4%	5.5%	
 People Capability & Engagement Top-line sustainable employee engagement score	10%		7.5%	7.5%	The employee engagement result for the last quarter of FY22 was 82, which was between the FY22 EVP threshold and target. The calculation was reperformed by our external auditor, EY. This outcome places us among the top global high performing organisations. Throughout FY22, we have seen employee engagement improving by one point per quarter. This FY22 result is five points (rounded up) above our FY21 score and eight points above our pre-T22 (pre-FY18) engagement score. The overall increase in our employee engagement has shown that a holistic approach to addressing employee engagement works whereby we both: <ul style="list-style-type: none"> • Promoted and grew on our existing cultural strengths through programs and initiatives around flexible ways of working, diversity and inclusion, responsible business, employee wellbeing and leadership communications, and • Provided a dedicated level of resourcing, effort and commitment to work on improving the identified employee "pain points" around processes, tools, resourcing and workload.
Total			93.1%	96.6%	
			62.1%	58.0%	

2.3 Individual performance and the exercise of Board discretion in determining Individual EVP Outcomes

The EVP Scorecard Outcome (outlined above) was an input into each Senior Executive’s Individual EVP Outcome. As outlined in Section 2.1, each Senior Executive’s Individual EVP Outcome was determined taking into consideration the EVP Scorecard Outcome, their “at target” EVP reward opportunity and their performance (including, in the case of the Group Executives, their performance relative to each other). The Board also had discretion, in determining a Senior Executive’s Individual EVP Outcome, to take into account factors in accordance with its decision framework such as any material risk events identified, the severity of their impact and the executive’s accountability for the matter.

At the end of the 2022 financial year:

- the CEO’s individual performance was assessed by the Board in accordance with the annual performance evaluation process for the CEO, taking into account a range of considerations including his individual scorecard performance, leadership behaviour and conduct and effective application of risk management practices; and
- each Group Executive’s individual performance was assessed by the CEO in accordance with an annual performance evaluation process, taking into account a range of considerations including the Group Executive’s individual scorecard performance, leadership behaviour and conduct, effective application of risk management practices and performance relative to the other Group Executives. The CEO’s recommended assessment for each Group Executive was provided to the People and Remuneration Committee for endorsement, and then to the Board for approval.

Please refer to Table 2.5(c) for the FY22 Individual EVP Outcomes.

2.4 FY18 EVP Performance Rights RTSR Outcome

Two tranches of Performance Rights were awarded under the FY18 EVP and allocated in November 2018. The first tranche was subject to an RTSR performance condition measured over the four year performance period from 1 July 2017 to 30 June 2021. The second tranche was subject to a RTSR performance condition over a five year performance period from 1 July 2017 to 30 June 2022. The Performance Rights in each tranche only vest if Telstra’s RTSR ranks at the 50th percentile or greater against a comparator group comprising the ASX100 (excluding resource companies) as at 1 July 2017 over the relevant performance period. Each Performance Right that vests following testing of the performance condition entitles a Senior Executive to one Telstra share (or, at Telstra’s discretion, a cash amount equal to the value of one Telstra share).

The RTSR performance condition for the first tranche of Performance Rights was tested following the conclusion of the performance period on 30 June 2021 and no Performance Rights vested. Refer to the 2021 Remuneration Report for further details.

The RTSR performance condition for the second tranche of Performance Rights was tested following the conclusion of the performance period on 30 June 2022 and the results and vesting outcome are detailed below. The results were calculated by an external provider.

FY18 EVP (Tranche 2) Vesting Outcome			
Test date	Performance Condition	Percentile Rank	Vesting
30 June 2022	RTSR measured against the ASX100 (excluding resource companies) as at 1 July 2017	42nd Percentile	0%

The Board has discretion to remove companies from the comparator group in circumstances such as acquisitions, insolvency and de-listings. The Board exercised its discretion under the FY18 EVP terms to remove the following companies from the comparator group prior to the calculation of the Tranche 2 results.

FY18 EVP (Tranche 2) Peer Group Removals	
Company removed from the Peer Group	Reason for removal
Tatts Group	Acquisition
Westfield Corporation	Acquisition
Investa Office Fund	Acquisition
Fairfax Media	Merger
Healthscope	Acquisition
Duluxgroup	Acquisition
TPG Telecom Limited	Merger
Coca-Cola Group Limited	Acquisition
Vocus Group	Acquisition
Ausnet Services Limited	Merger
Sydney Airport	Merger
Cimic Group Limited	Acquisition

2.5 Detailed remuneration and interests in Telstra shares

The tables in this section disclose Senior Executive information and only represent their time as Senior Executives.

(a) Actual pay which crystallised in FY22 for Senior Executives

As a general principle, the Australian Accounting Standards require the value of share-based payments to be calculated at the time of grant and to be expensed over the performance period and applicable service period. This may not reflect what Senior Executives actually received, or became entitled to during the year.

The tables in this section are voluntary disclosures and are not prepared in accordance with Australian Accounting Standards. They are designed to provide greater transparency for shareholders on the pay and benefits the Senior Executives actually received, or became entitled to receive, during FY22 while they were a Senior Executive.

Senior Executives receive a significant portion of their variable remuneration in the form of equity. The value they actually receive from that variable remuneration is tied directly to Telstra's share price performance and whether the variable remuneration vests. We believe this demonstrates that our reward framework effectively aligns with our shareholders' interests and demonstrates the linkage between pay and performance.

The statutory tables for Senior Executive remuneration can be found in Sections 2.5(b) to (e).

The following table details the actual remuneration Andrew Penn (the CEO during FY22) received, or became entitled to receive, during FY22 in comparison to FY21. The 19.5% decrease in actual remuneration received by Andrew Penn reflects the fact that less Restricted Shares (relating to variable remuneration earned in prior financial years) became unrestricted in FY22 relative to FY21. All restricted shares under the FY19 EVP, as well as the first tranche (one quarter) of the Restricted Shares under the FY20 EVP became unrestricted on 30 June 2021. From the FY20 EVP onwards, Restricted Shares vest progressively over four years.

Name	Year	Fixed Remuneration (\$000)	Individual EVP Outcome payable as cash (\$000) ²	Value of EVP Restricted Shares that became unrestricted (\$000) ^{3,4}	Value of EVP Performance Rights and other rights that vested (\$000) ⁵	Total (\$000)	% change from prior year
Andrew Penn	2022	2,390	1,113	769	-	4,272	-19.5%
	2021 ¹	2,390	1,144	1,771	-	5,305	

1 As reported in our 2021 Remuneration Report.

2 For FY22, amount relates to the cash component of the FY22 EVP, earned in FY22 and payable in September 2022. For FY21, the amount relates to the cash component of the FY21 EVP, earned in FY21 and paid in September 2021

3 Equity in this table has been valued based on Telstra's share price at 30 June for each respective year. For FY22 this price is \$3.85 and for FY21 this price is \$3.76.

4 Amount relates to the value of variable remuneration earned in prior financial years which was provided as Restricted Shares. For the amount reported for FY22, the Restriction Period for these shares ended on 30 June 2022 and relates to Tranche 2 of the FY20 EVP and Tranche 1 of the FY21 EVP. For the amount reported for FY21, the Restriction Period for these shares ended on 30 June 2021 and relates to the FY19 EVP and Tranche 1 of the FY20 EVP.

5 The outcome of the FY18 (Tranche 2) EVP was that none of the Performance Rights vested.

The following table details the actual remuneration Senior Executives (other than the CEO) received or became entitled to receive during FY22.

Name	Fixed Remuneration (\$000)	Individual EVP Outcome payable as cash (\$000) ¹	Value of EVP Restricted Shares that became unrestricted (\$000) ^{2,3}	Value of EVP Performance Rights that vested (\$000) ^{2,4}	Total (\$000)
Michael Ackland	1,124	600	342	-	2,066
Kim Krogh Andersen	1,049	431	253	-	1,733
Alex Badenoch	930	495	329	-	1,754
Vicki Brady	1,200	570	381	-	2,151
David Burns	1,150	440	363	-	1,953
Nikos Katinakis	1,100	410	348	-	1,858
Brendon Riley	1,400	553	471	-	2,424
Dean Salter	950	375	51	-	1,376

The table only includes Senior Executives (other than the CEO) who held that position as at 30 June 2022.

1 Amount relates to the cash component of the FY22 EVP, earned in FY22 and payable in September 2022.

2 Equity in this table has been valued based on the Telstra closing share price on 30 June 2022 of \$3.85.

3 Amount relates to the value of Restricted Shares awarded under the FY20 (Tranche 2) and FY21 (Tranche 1) EVPs which were earned in a previous year, but subject to a Restriction Period ending 30 June 2022.

4 The outcome of the FY18 (Tranche 2) EVP was that none of the Performance Rights vested.

(b) Senior Executive remuneration (main table)

The table below has been prepared in accordance with the requirements of the Corporations Act and the relevant Australian Accounting Standards and relates only to the periods that the person was a Senior Executive. The figures provided under the equity settled share-based payments columns are based on accounting values and do not reflect actual payments received by Senior Executives. As continuing employment conditions and/or performance conditions apply, not all Restricted Shares, Performance Rights and Cash Rights may vest.

Name and title	Year	Short-term employee benefits					Post-employment benefits			Share-based payments Accounting value (at risk) (\$) ⁷				
		Salary and fees (\$000) ¹	EVP Cash (\$000) ²	Non-monetary benefits (\$000) ³	Other (\$000) ⁴	Super-annuation (\$000) ⁵	Accrued leave benefits ⁶ (\$000)	Dividend Equivalent Payment Accrual (\$000)	Restricted Shares (\$000) ⁸	Performance Rights (\$000) ⁹	Cash Rights (\$000)	Total (\$000) ¹⁰		
Andrew Penn CEO ¹¹	2022	2,366	1,113	43	(26)	24	59	198	1,220	1,439	1,965	8,401		
	2021	2,368	1,144	12	20	22	59	156	1,338	662	-	5,781		
Michael Ackland GE C&SB	2022	1,100	600	1	54	24	28	81	605	309	-	2,802		
	2021	1,122	516	-	(21)	22	28	48	559	428	-	2,702		
Kim Krogh Andersen GE P&T	2022	1,025	431	120	15	24	27	31	482	169	-	2,324		
	2021	978	518	20	(5)	22	25	7	330	119	-	2,014		
Alex Badenoch GE TC&P	2022	906	495	2	(5)	24	23	84	532	313	-	2,374		
	2021	908	443	2	3	22	23	62	529	278	-	2,270		
Vicki Brady CFO	2022	1,176	570	33	(20)	24	30	69	618	321	-	2,821		
	2021	1,178	525	4	(5)	22	30	43	498	251	-	2,546		
David Burns GE TE	2022	1,126	440	3	(19)	24	28	85	544	296	-	2,527		
	2021	1,080	505	12	35	22	28	51	597	253	-	2,583		
Nikos Katinakis GE N&IT	2022	1,076	410	31	0	24	27	76	520	274	-	2,438		
	2021	1,078	500	20	(1)	22	27	43	526	234	-	2,449		
Brendon Riley GE & CEO InfraCo	2022	1,376	553	38	(46)	24	35	110	713	411	-	3,214		
	2021	1,378	723	16	(38)	22	35	81	734	387	-	3,338		
Dean Salter GE GBS	2022	926	375	1	21	24	23	5	258	76	-	1,709		
	2021	336	151	-	11	8	8	-	32	10	-	556		
Total KMP	2022	11,077	4,987	272	(26)	216	280	739	5,492	3,608	1,965	28,610		
	2021	10,426	5,025	86	(1)	184	263	491	5,143	2,622	-	24,239		

In the table above, EVP Cash, Restricted Shares, Performance Rights and Cash Rights are dependent on the satisfaction of performance conditions (an overview of those performance conditions is included above in Section 2.1(c)). All other items are not related to performance. The termination benefits column was removed as no termination benefits were paid in FY22.

1. Includes salary and salary sacrifice benefits (excluding salary sacrifice superannuation which is included under Superannuation), and where applicable is adjusted for leave without pay.
2. For FY22, the amounts relate to performance in FY22 under the FY22 EVP, which will be paid in September 2022. For FY21, the amounts relate to cash amounts paid for performance in FY21 under the FY21 EVP. Those cash amounts were paid in September 2021.
3. Includes the cost of personal use of Telstra products and services, the provision of car parking and where applicable, benefits in accordance with Telstra's relocation policy for those executives who were repatriated or relocated to Australia in recent years. Where applicable, the value of non-monetary benefits has been grossed up for FBT by the relevant FBT rates.
4. Includes the net movement of annual leave entitlement balance.
5. Represents company contributions to superannuation. Telstra does not provide any other post-employment benefits. Includes an increase in super contributions for FY22, partially funded from salary and fees, due to indexation of the Maximum Superannuation Contribution Base.
6. Includes the net movement of long service leave entitlement balances.
7. The accounting values included in the table relate to the current year amortised value of all Restricted Shares, Performance Rights and Cash Rights that had not yet fully vested at the commencement of the financial year. The value of each equity instrument is calculated by applying valuation methodologies or is based on the market value of Telstra shares at the grant date as described in note 5.2 to the financial statements and is then amortised, based on the maximum achievable allocation, over the relevant vesting period. This value includes an assumption that the instruments will vest at the end of the vesting period unless forfeited during the financial year.
8. This includes the amortised value of the Restricted Share component of the FY22, FY21 and FY20 EVPs. As the Board exercised discretion to permit Andrew Penn to retain his 404,414 FY21 EVP Restricted Shares, these shares have been accounted under AASB 2 as a forfeiture and replacement award and their fair value has been remeasured totalling \$1,465 million. The original fair value was \$1,602 million.⁹ This includes the amortised value of the Performance Right component of the FY22, FY21, FY20, FY19 and FY18 Tranche 2 EVPs.
10. The total for FY21 of \$24,239 million in this table is different to the total for FY21 in the FY21 Remuneration Report of \$26,636 million as it does not include \$2,397 million for Michael Ebeid AM (former GE Telstra Enterprise), reported in last year's report. Michael Ebeid's remuneration included \$1,154 million termination benefits.
11. As required under AASB 2, the accounting expense for the FY22 Cash Rights that will be awarded to Andrew Penn in lieu of Restricted Shares and Performance Rights will be amortised over the period 1 July 2021 to 30 September 2022 even though the EVP Cash Rights will not be eligible to vest until the end of their respective restriction and performance periods. The Cash Rights are subject to the same time conditions and performance measures as those applying to FY22 Restricted Shares and Performance Rights to be allocated to other Senior Executives.

(c) FY22 EVP Payments (cash and equity)

Name	Breakdown of FY22 Individual EVP Outcomes ¹						
	Maximum potential EVP opportunity (\$000) ²	25% Cash component (\$000)	35% Restricted Shares component ³ (\$000)	40% Performance Rights component (\$000)	Individual EVP Outcome (\$000)	% of maximum opportunity earned	% of maximum opportunity forfeited
Andrew Penn ⁴	7,170	1,113	1,558	1,779	4,450	62.1%	37.9%
Michael Ackland	3,374	600	840	960	2,400	71.1%	28.9%
Kim Krogh Andersen	3,300	431	604	690	1,725	52.3%	47.7%
Alex Badenoch	2,790	495	693	792	1,980	71.0%	29.0%
Vicki Brady	3,600	570	798	912	2,280	63.3%	36.7%
David Burns	3,450	440	616	704	1,760	51.0%	49.0%
Nikos Katinakis	3,300	410	574	656	1,640	49.7%	50.3%
Brendon Riley	4,200	553	774	883	2,210	52.6%	47.4%
Dean Salter	2,850	375	525	600	1,500	52.6%	47.4%

- The FY22 Individual EVP Outcomes were approved by the Board on 10 August 2022.
- Represents the maximum potential EVP opportunity specific to their time as Senior Executives for FY22, adjusted for any variation in Fixed Remuneration or any leave without pay taken throughout FY22 that impacts the maximum potential EVP opportunity available. If the minimum threshold performance is not met, the minimum possible EVP payment is nil. Michael Ackland's maximum opportunity was reduced by 6 days leave without pay.
- The Restricted Shares and Performance Rights awarded are expected to be allocated shortly after Telstra's 2022 Annual General Meeting and are subject to Restriction Periods and performance periods (as set out in Section 2.1(c)) and the Senior Executive's continued employment.
- As Andrew Penn will cease employment for a Permitted Reason before the allocation of his FY22 Restricted Shares and Performance Rights under the EVP, he will be granted Cash Rights in lieu of those Restricted Shares and Performance Rights. Refer to Section 4.1 for further information.

(d) Number and value of rights over equity instruments allocated, vested and exercised during FY22

Name	Equity Movements						Total held at 30 June 2022
	Total rights held at 1 July 2021	Rights allocated during FY22 ¹	Value of rights allocated (\$000) ²	Rights vested / exercised during FY22	Value of rights vested / exercised (\$000) ³	Other changes (lapsed rights) ⁴	
Andrew Penn	1,201,242	462,188	947	-	-	(191,777)	1,471,653
Michael Ackland	399,757	208,575	371	-	-	-	608,332
Kim Krogh Andersen	91,175	209,080	372	-	-	-	300,255
Alex Badenoch	494,273	178,778	318	-	-	(57,774)	615,277
Vicki Brady	389,760	212,110	378	-	-	(65,886)	535,984
David Burns	429,766	204,030	363	-	-	-	633,796
Nikos Katinakis	375,101	202,009	360	-	-	-	577,110
Brendon Riley	641,839	291,904	520	-	-	(101,104)	832,639
Dean Salter	-	61,108	109	-	-	-	61,108

All service and performance conditions for rights granted in previous financial years are summarised in the Remuneration Report for each relevant year of grant. Each equity instrument granted, vested or exercised in FY22 (where applicable) in the table above was issued by Telstra and resulted or will result (on vesting and exercise) in one ordinary Telstra share (or, at Telstra's discretion, a cash amount equal to the value one ordinary Telstra share) being provided to the holder per equity instrument. No amount is payable by the KMP on grant, vesting or exercise of their rights. Restricted Shares are excluded from this table. Refer to Sections 2.5(c) and (e) for further information.

If the Scheme is implemented, equity instruments issued by Telstra that vest and are exercised following the Scheme will result in one ordinary New Telstra Corp share (or, at New Telstra Corp's discretion, a cash amount equal to the value of one ordinary New Telstra Corp share) being provided to the holder per equity instrument. Refer to Section 2.1 for further information.

1. Rights allocated during FY22 were the FY21 EVP Performance Rights allocated on 8 November 2021. Approval for the issue of FY21 EVP Performance Rights allocated to Andrew Penn was obtained from shareholders at our 2021 AGM, and as a result the grant date of those awards for accounting purposes is considered to be the date of that AGM as described in note 2 below. The FY22 EVP Performance Rights will be allocated shortly after Telstra's 2022 AGM, refer to Section 2.1 for more information. Approval for the issue of FY22 EVP Performance Rights to be allocated to Vicki Brady will be sought from shareholders at our 2022 AGM, and as a result the grant date of those awards for accounting purposes will be considered to be the date of the 2022 AGM (rather than 11 August 2021).
2. The fair value reflects the valuation approach required by AASB 2 using an option pricing model for Performance Rights granted. The fair value of the Performance Rights allocated in FY22 under the FY21 EVP are based on the grant dates of 12 October 2021 for the CEO and 12 August 2020 for all other Senior Executives, respectively. The fair value of Performance Rights granted under the FY21 EVP are \$2.05 for the CEO, and \$1.78 for Senior Executives.
3. The value of the Performance Rights vested/exercised reflects the market value share price at the date the instruments vested.
4. Relates to rights that lapsed due to the specified performance measures or service conditions not being achieved. Rights lapsed in this column relate to the second tranche of Performance Rights awarded under the FY18 EVP that was performance tested following the conclusion of the performance period on 30 June 2022 and resulted in 100% of the Performance Rights lapsing.

There are no Performance Rights or options held by any KMP's related parties and no Performance Rights or options held indirectly or beneficially by our KMP. As at 30 June 2022, there were no options or Performance Rights vested, or vested and exercisable or vested and unexercisable.

(e) Senior Executive interests in Telstra shares

During FY22, our Senior Executives and their related parties held Telstra shares directly, indirectly or beneficially as follows:

Name	Total shares held at 1 July 2021 ¹	Restricted Shares allocated ²	Net shares acquired or disposed of and other changes ³	Total shares held at 30 June 2022 ⁴	Number of shares held nominally at 30 June 2022 ⁵
Andrew Penn	2,152,021	404,414	-	2,556,435	759,304
Michael Ackland	500,322	182,503	203,688	886,513	317,129
Kim Krogh Andersen	79,778	182,945	-	262,723	242,779
Alex Badenoch	441,549	156,431	-	597,980	295,331
Vicki Brady	389,489	185,596	-	575,085	343,301
David Burns	561,492	178,526	-	740,018	327,256
Nikos Katinakis	354,027	176,758	-	530,785	315,231
Brendon Riley	1,252,190	255,416	-	1,507,606	1,266,717
Dean Salter	5,500	53,469	-	58,969	58,969
Total	5,736,368	1,776,058	203,688	7,716,114	3,926,017

1. Total shareholdings include shares held by our Senior Executives and their related parties. Unless related to our employee share plans, shares acquired or disposed of by our Senior Executives and their related parties during FY22 were on an arm's length basis at market price.

2. Restricted Shares in this column were allocated on 8 November 2021 and relate to the FY21 EVP. The approval for the issue of Restricted Shares allocated to Andrew Penn was obtained from shareholders at our 2021 Annual General Meeting. The allocation of Restricted Shares under the FY22 EVP will be made after the reporting date of 30 June 2022, therefore they have not been included in the table above.

3. For Michael Ackland, the movement relates to Retention Rights that vested as shares in FY22.

4. The balance reflects the number of shares held at 30 June 2022

5. Nominally refers to shares held either indirectly or beneficially by Senior Executives and shares held by their related parties including certain Restricted Shares held beneficially by Senior Executives. These shares are subject to a Restriction Period, such that the Senior Executive is restricted from dealing with the shares until the Restriction Period ends. Refer to note 5.2 to the financial statements for further details.

Non-executive Director remuneration

3.1 FY22 fee structure

Overview

Our non-executive Directors are remunerated with set fees and do not receive any performance-based pay. This enables non-executive Directors to maintain independence and impartiality when making decisions affecting the future direction of the Company.

Superannuation contributions are included within each non-executive Director's total remuneration, in accordance with the ASX Listing Rules and Telstra policy. Non-executive Directors may choose to increase the proportion of their remuneration taken as superannuation, subject to legislative requirements.

Telstra does not provide retirement benefits for non-executive Directors other than the superannuation contributions noted above.

Sections 1.1(g) and (h) of this report provide details of the share ownership policy and securities trading restrictions that apply to our non-executive Directors. Section 3.2 provides full details of non-executive Director remuneration for FY22.

Non-executive Directors are remunerated in accordance with Telstra's Constitution, which provides for an aggregate fee pool that is set, and varied, only by approval of a resolution of shareholders at the AGM. The current annual fee pool of \$3.5 million was approved by shareholders at Telstra's 2012 AGM. The total of Board and Committee fees, including superannuation, paid to non-executive Directors in FY22 remained within the approved fee pool.

(a) FY22 Board and standing Committee fees

There were no increases in Board or standing Committee fees during the year. The Board and standing Committee fee structure (inclusive of superannuation) during FY22 was:

FY22 Board Fees	Chair	Non-executive Director (annual base fee)
Board	\$775,000	\$235,000
FY22 Committee Fee	Chair	Committee Member
Audit & Risk Committee	\$70,000	\$35,000
People and Remuneration Committee	\$56,000	\$28,000
Nomination Committee*	-	-

*All non-executive Directors are members of the Nomination Committee and do not receive a fee for this Committee.

The Board Chair does not receive Committee fees if he is a Member of a Board Committee.

On an annual basis the Board conducts a market review of Board fees. The Chair fee and non-executive Director annual base fee have not changed since 2014 and 2012 respectively. From 1 October 2022, the Board has determined to increase the Board Chair fee from \$775,000 to \$790,000 (1.9% increase) and the non-executive director Board fee from \$235,000 to \$240,000 (2.1% increase). The People and Remuneration Committee member fee had not changed since 2017 and, from 1 October 2022, will increase by 1.8% from \$28,000 to \$28,500. The total of Board and Committee fees will remain within the approved fee pool.

(b) Remuneration for additional or special duties in relation to Telstra's proposed Corporate Restructure

Under our Constitution if a Director, at the request of the Board, performs additional or special duties for the Company, Telstra may remunerate that Director as determined by the Board.

During FY22 Craig Dunn and Nora Scheinkestel received remuneration for additional or special duties they performed. These duties were as members of a committee established with the approval of the Board regarding the due diligence process for the scheme booklet in connection with Telstra's proposed Corporate Restructure.

Section 3.2 provides further details on the remuneration for additional or special duties received by Craig Dunn and Nora Scheinkestel.

(c) Changes to the Board and Committee composition

During the year, Margaret Seale and Peter Hearl retired from the Board effective 12 October 2021 and 31 December 2021, respectively. There were no other changes to Board and Committee composition during FY22.

3.2 Detailed remuneration and interests in Telstra shares

(a) Non-executive Director remuneration

Name and title	Year	Short-term employee benefits		Post-employment benefits	Total (\$000)
		Salary and fees (\$000) ¹	Non-monetary benefits (\$000) ²	Superannuation (\$000) ³	
John P Mullen Chair	2022	751	11	24	786
	2021	753	7	22	782
Eelco Blok ⁴ Director	2022	231	-	4	235
	2021	231	-	4	235
Roy H Chestnutt ⁴ Director	2022	265	-	5	270
	2021	265	-	5	270
Craig W Dunn Director	2022	292	1	24	317
	2021	296	-	22	318
Peter R Hearl ⁵ Director	2022	135	-	12	147
	2021	291	-	-	291
Bridget Loudon Director	2022	214	1	21	236
	2021	189	-	18	207
Elana Rubin ⁶ Director	2022	253	1	6	260
	2021	268	-	-	268
Nora L Scheinkestel Director	2022	283	1	24	308
	2021	284	-	22	306
Margaret L Seale ⁵ Director	2022	71	2	7	80
	2021	248	-	22	270
Niek Jan van Damme ⁴ Director	2022	258	-	5	263
	2021	258	-	5	263
Total	2022	2,753	17	132	2,902
	2021	3,083	7	120	3,210

1. Includes fees for membership on Board standing committees and remuneration for additional or special duties (where applicable). In FY22, the following non-executive Directors received remuneration for additional or special duties: Craig Dunn (\$11,000) and Nora Scheinkestel (\$9,000).
2. Includes the provision of car parking as well as the value of Telstra products and services provided to non-executive directors. The value of non-monetary benefits has been grossed up where required for FBT by the relevant FBT rates.
3. Includes an increase in super contributions for FY22, funded from salary and fees, due to indexation of the Maximum Superannuation Contribution Base.
4. As Eelco Blok, Niek Jan van Damme and Roy Chestnutt are overseas residents, their superannuation contributions for FY22 and FY21 are less than the contributions for Australian resident non-executive Directors.
5. Margaret L Seale (Director since 7 May 2012) and Peter R Hearl (Director since 15 August 2014) retired from the Board of Directors on 12 October 2021 and 31 December 2021, respectively.
6. An employer superannuation guarantee shortfall exemption certificate has been granted by the ATO for part of the 2022 financial year. Based on the exemption approval Telstra has met the required Superannuation Guarantee obligation.

(b) Non-executive Directors' interests in Telstra shares

During FY22, our non-executive Directors and their related parties held Telstra shares directly, indirectly or beneficially as follows:

Name	Total shares held at 1 July 2021 ^{1,2}	Net shares acquired or disposed of and other changes ¹	Total shares held at 30 June 2022 ¹	Shares held nominally at 30 June 2022 ³
John P Mullen	101,159	25,000	126,159	100,000
Eelco Blok	75,000	-	75,000	-
Roy H Chestnutt	70,000	-	70,000	70,000
Craig W Dunn	73,173	-	73,173	72,473
Peter R Hearl	100,000	-	100,000	-
Bridget Loudon	-	2,500	2,500	-
Elana Rubin	67,961	-	67,961	-
Nora L Scheinkestel	158,407	3,278	161,685	128,458
Margaret L Seale	310,540	-	310,540	310,540
Niek Jan van Damme	77,000	-	77,000	-
Total	1,033,240	30,778	1,064,018	681,471

1. Total shareholdings include shares held by our non-executive Directors and their related parties. Shares acquired or disposed of by our non-executive Directors and their related parties during FY22 were on an arm's length basis at market price.

2. For Margaret Seale and Peter Hearl, the balance as at 30 June 2022 represents shares held as at the date on which they ceased to be KMP.

3. Nominally refers to shares held either indirectly or beneficially by non-executive Directors including those shares held by their related parties.

Looking forward to FY23

4.1 Senior Executive Leadership Changes

During the year we announced significant changes to our Senior Executive team, with the CEO announcing his retirement, and the appointment of a new CEO and CFO. The remuneration implications of these changes are as follows:

<p>Andrew Penn retiring as CEO on 31 August 2022</p>	<p>Andrew Penn announced his retirement on 30 March 2022. He will work his notice period until 30 September 2022, continuing as CEO until 31 August 2022 after which he will remain available to advise and assist Telstra with transition.</p> <p>Upon ceasing employment, Andrew Penn will receive his accrued statutory entitlements and his entitlements under the EVP will be determined in accordance with the EVP terms. He will receive an FY22 Individual EVP Outcome of \$4,450,180 calculated as set out in Section 2.5, with 25% paid in cash and the remainder to be awarded in Cash Rights (in lieu of equity). For FY23, he will receive a prorated Individual EVP Outcome (based on the proportion of the time he is employed during FY23) with 25% to be paid in cash and the remainder to be awarded in Cash Rights (in lieu of equity). The Cash Rights granted to Andrew Penn will be subject to the same time conditions and performance measures as those applying to the Restricted Shares and Performance Rights that Andrew Penn would otherwise have been granted.</p> <p>In view of Andrew Penn's exemplary service to Telstra over the past 11 years, the Board exercised discretion to permit Andrew Penn to retain his 404,414 FY21 EVP Restricted Shares. In accordance with the plan terms, he will retain all his Restricted Shares under the FY20 and FY19 EVPs and his Performance Rights under the FY21, FY20 and FY19 EVPs. There will be no change to the Restriction Periods, the RTSR Performance Period or the RTSR performance condition applying to them as a result of Andrew Penn's retirement.</p> <p>To ensure a smooth transition, Andrew Penn has also entered into a consultancy agreement to provide ongoing advice and guidance to Telstra for up to 6 months following his retirement (until 30 March 2023 unless terminated earlier by Telstra). He will receive fees of \$10,000 per month for up to 10 hours of consulting services per week, and thereafter additional fees at a rate of \$1,200 per hour.</p>
<p>Vicki Brady CEO from 1 September 2022</p>	<p>Vicki Brady will commence in the role of CEO on 1 September 2022. As announced on 30 March 2022, Vicki Brady's fixed remuneration will increase to \$2,390,000 on commencement in the role. The Board set Vicki Brady's fixed remuneration taking into consideration the incumbent CEO's current fixed remuneration and market positioning relative to the ASX20. Her EVP reward opportunity levels as a percentage of Fixed Remuneration will be set at 200% (target) and 300% (maximum).</p>
<p>Michael Ackland, CFO from 1 September 2022</p>	<p>Michael Ackland will commence in the role of CFO on 1 September 2022 as announced on 2 May 2022. Michael Ackland's fixed remuneration will increase to \$1,250,000 on commencement in the role. The Board set Michael Ackland's fixed remuneration taking into consideration his experience, capability and market positioning relative to the ASX20.</p>

4.2 FY23 Senior Executive Remuneration Framework

As we transition to our T25 strategy for growth, the Board has taken the opportunity to review our variable remuneration structures across the entire company to ensure our remuneration framework remains appropriate and relevant to our strategy. The review covered both the EVP that applies to our Senior Executives and the Short-Term Incentive (STI) plan that applies to the majority of our employees.

Following that review, the Board believes the EVP remains an appropriate mechanism to reward the CEO and Group Executives and continues to drive appropriate performance and remuneration outcomes and to create long-term shareholder value. Therefore, we have not made any material changes to the Senior Executive framework. However, several refinements will be implemented from FY23 to reflect feedback provided by our stakeholders and to strengthen the alignment between the EVP and STI at Telstra.

These refinements are in addition to the normal annual changes in the EVP (and STI) performance metrics and targets for FY23 as set out in this Section 4.2.

The refinements being made to the EVP are summarised below:

Change 1: Align the pay-for-performance opportunity for the CEO and Group Executives (with no change for the CEO)

For the Group Executives, the EVP threshold and target opportunity as a percentage of fixed remuneration (FR) will increase as shown in the table below. There is no change to their maximum EVP opportunity. There is also no change to the threshold, target or maximum EVP opportunity for the CEO role.

FY23 Reward opportunity as a % of Fixed Remuneration			Rationale for change
	CEO	Group Executives	
Threshold	100% (no change)	100% (previously 90%)	<ul style="list-style-type: none"> Consistent with the EVP’s key design principle of being a simplified incentive structure Ensures our disclosures and messaging of executive remuneration outcomes are easier to understand for our key stakeholders Harmonised incentive structures across all disclosed executives is common market practice across the ASX20 A target opportunity of 200% for the CEOs and Group Executives is in line with market practice across the ASX20
Target	200% (no change)	200% (previously 180%)	
Maximum	300% (no change)	300% (no change)	

Change 2: Enhancing the way individual performance determines the calculation of the Individual EVP Outcome

From FY23, we are adjusting the way in which the Individual EVP Outcome is determined - to better reflect market practice and using an approach that is more consistent with how we will determine variable remuneration for other employees under our Short-Term Incentive (STI) plan.

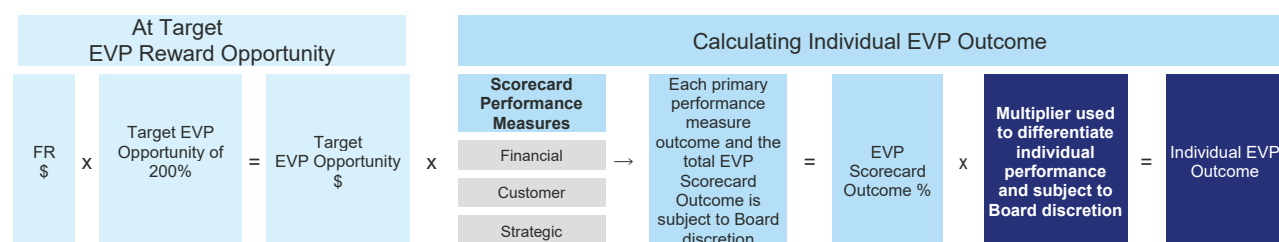
The Individual EVP Outcome for each Senior Executive will be determined by multiplying the EVP Scorecard Outcome by a percentage reflecting each participant’s individual performance relative to their peers in the executive team.

For a Senior Executive who has been assessed with a performance rating of 3 (on our 1 to 5 scale), this percentage will be in the range 90% to 110%. For those with a performance rating of 4 or 5, the percentage used would be higher – as is appropriate to reflect their relative individual performance.

In all cases the maximum possible Individual EVP Outcome, including both company performance (the EVP Scorecard Outcome) and individual performance (from the multiplier percentage), will be 150% of the individual’s target EVP opportunity.

The Board will continue to have complete discretion over determining the EVP Scorecard Outcome, approving the multiplier for each Individual EVP Outcome and determining any appropriate adjustments in accordance with its decision framework, including to reflect any material risk events identified, the severity of their impact, and the executive’s accountability for the matter.

Refer to the EVP structure diagram below for an illustration of the calculation.



Other than the two changes outlined above, the EVP structure remains unchanged for FY23. Further information on the FY23 EVP structure will be provided in our 2023 Remuneration Report.

4.3 FY23 EVP Performance Measures and Targets

It is our intention to continue to provide meaningful information to enable shareholders to assess the appropriateness of our remuneration targets and provide transparency over remuneration outcomes. The Board considers this an imperative as our operating environment requires careful shareholder consideration of the need to appropriately recognise and reward strong management performance for the value created for the company and its shareholders.

In FY23, as we move from a transformation strategy to a strategy focussed on growth, we plan to accelerate growth from our core as well as scale new businesses. We will build on the flexibility and simplicity we created for customers through T22,





and give them an exceptional experience with even greater personalisation, more consistency across our channels, and the products and services they need to connect as individuals, and to grow as businesses.





This is reflected in the performance measures and targets in the table below that will apply to the FY23 EVP. These performance measures and targets have been selected by the Board to focus the Senior Executives on delivering against the first year of our T25 strategy, and to help ensure that financial rewards are linked directly to their contributions, to company performance and to long-term shareholder value creation.

In setting the primary performance measures and targets for the FY23 EVP, the Board sought to ensure they were robust and sufficiently demanding, taking into account the key deliverables and milestones outlined in our T25 strategy and scorecard, planned financial outcomes contained within our FY23 Corporate Plan and FY23 guidance (as announced on 11 August 2022).

The targets that apply to the FY23 EVP do not constitute market guidance. Subsequent adjustments to guidance throughout the year (for example unplanned one-off events) and their impact on EVP outcomes will be considered both during the financial year as those events may occur and also at the end of the financial year, in accordance with established principles to ensure that outcomes appropriately reflect the performance of Senior Executives. Any adjustments that the Board makes will be fully disclosed to shareholders in next year's Remuneration Report. The Board also has the ability to amend the performance measures themselves if it considers it appropriate having regard to Telstra's business circumstances and priorities.

All of the following measures have been selected on the basis that they are directly linked to our T25 strategy.

FY23 EVP Performance Measures and Targets								
Performance Measure	Metric	Weighting	FY22 EVP Baseline [^]	FY23			Rationale for why chosen	
				Threshold	Target	Max		
Financial 60% of total weighting	 Total Income	Telstra External Income (excluding finance income)	15%	\$21,920m	At or above bottom end of Market Guidance*	Approx. Midpoint of Market Guidance*	At or above top end of Market Guidance*	<ul style="list-style-type: none"> Key indicator of financial performance. Ensures continued focus on income and customer retention and growth. Aligns to the growth and value pillar of our T25 scorecard.
	 Underlying EBITDA	Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation, excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments	15%	\$7,214m				<ul style="list-style-type: none"> Key indicator of financial performance. Ensures appropriate focus on profit and cost to deliver. A strong indicator of underlying company profitability. Aligns to the growth and value pillar of our T25 scorecard.
	 Free Cash Flow (FCF)	Free Cashflow after lease payments defined as 'operating cash flows' less 'investing cash flows', less 'payments for lease liabilities', and excludes spectrum and guidance adjustments	15%	\$3,938m				<ul style="list-style-type: none"> Key indicator of financial performance. Appropriate for a capital-intensive business and critical in managing the company's ability to pay a dividend and maintain balance sheet strength. Aligns to the growth and value pillar of our T25 scorecard.
	 Underlying Return On Invested Capital (ROIC)	Underlying ROIC is Total NOPAT less guidance adjustments after tax, less net nbn one-off earnings after tax, divided by Average Invested Capital	15%	7.0%				<ul style="list-style-type: none"> Key indicator of financial performance. The introduction of this metric in FY23 reflects our T25 strategy focus on growth and financial returns. Threshold, target and maximum levels for ROIC align to the corresponding threshold, target and maximum for Underlying

								EBITDA (which align to Market Guidance as described above). <ul style="list-style-type: none"> Aligns to the growth and value pillar of our T25 scorecard.
Customer 25% of total weighting	 Episode NPS	Measures our customer experience from their feedback on each transaction using a Net Promoter Score (NPS)	15%	+37	+38	+40	+42	<ul style="list-style-type: none"> Focuses leaders on continuously improving the customer service experience, driving both customer attraction and retention. Underpins companywide improvement programs focused on improving our operational excellence by identifying and eliminating the causes of unnecessary customer effort and pain points. Aligns to the customer experience pillar of our T25 scorecard.
	 RepTrak	Measures our reputation score on the RepTrak index	10%	62.2	63.6	63.8	64.5	<ul style="list-style-type: none"> Includes the sentiment of customers and non-customers, but also provides a broader, more holistic measure which picks up on all the key drivers of company reputation. Focuses leaders on the Company's reputation in the community, with customers and prospective customers, and with prospective employees, driving both customer and employee attraction and retention. Aligns to the responsible business pillar of our T25 scorecard.
Strategic 15% of total weighting	 Responsible Business	Our % reduction in absolute scope 1 + 2 greenhouse gas emissions from our FY19 baseline.	5%	13%	17%	20%	23%	<ul style="list-style-type: none"> These are reductions in the emissions caused by the fossil fuels and grid electricity we use. Inclusion of this metric in our scorecard leans into Telstra's contribution to addressing this pressing issue and specifically recognises broad community concern on our changing environment. Aligns to the responsible business pillar of our T25 scorecard.
	 Digital Leadership	% achievement of our target build of Application Programming Interfaces (APIs)	5%	n/a	88% of FY23 target achieved	100% of FY23 target achieved	100% of FY23 target achieved, and first product using those APIs being in market	<ul style="list-style-type: none"> This measure focuses our executives on enablers of Digital Leadership that will halve our new product time to market by building a 100% API-first architecture for customer management and product development. It will drive fundamental and significant change in the way we work, improving offerings to customers whilst reducing cost. Aligns to the digital leadership pillar of our T25 scorecard.
		Maintain employee engagement in the high	5%	n/a	80	82	84	<ul style="list-style-type: none"> Focuses leaders on our employee engagement and the

	People Engagement	performing norm (90 th percentile)						<p>importance of our employees as stakeholders.</p> <ul style="list-style-type: none"> • Supports our ability to have both the key leadership and technical talent required to deliver on our ambitious strategy. • The measurement of employee engagement is changing to a new benchmark in FY23. Previous FY22 performance may therefore not be a valid baseline and so has not been included here. • Aligns to the new ways of working pillar of our T25 scorecard.
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[^] For FY23 targets, for metrics continuing from FY22 the baseline refers to the FY22 EVP performance outcomes as outlined in Section 2.2. For metrics that are new in FY23, the baseline (where available) is our current internal measurement to the end of June 2022 where this provides relevant context to the determination of Threshold, Target and Maximum for FY23.

* Market Guidance means guidance for FY23 as set out in Telstra's ASX announcement dated 11 August 2022.

5. Glossary

Cash Rights	Rights granted to a Senior Executive who ceases employment for a Permitted Reason before the Restricted Shares and Performance Rights are granted in respect of the EVP in lieu of those Restricted Shares and Performance Rights. The Cash Rights are subject to the same time conditions and performance measures as those applying to those Restricted Shares and Performance Rights. On vesting, a Cash Right will entitle the Senior Executive to a cash payment equivalent to the value of a Telstra share at the end of the applicable Restriction Period or performance period. A Cash Right granted in lieu of a Restricted Share also entitles the Senior Executive to receive an amount equal to dividends paid on Telstra shares between the date the Cash Right is allocated and the end of the applicable Restriction Period, at or around the same time that Telstra pays the dividend. A Cash Right granted in lieu of a Performance Right entitles the Senior Executive, if the Cash Right vests, to receive an amount equivalent to dividends paid between allocation and vesting of the Cash Right after the end of the applicable performance period.
Corporate Restructure	The proposed restructure of the Telstra Group announced on 12 November 2020
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EVP	Executive Variable Remuneration Plan
EVP Scorecard Outcome	The outcome determined by the Board following an assessment of Telstra's performance against the primary performance measures under the EVP during the Initial Performance Period and making such adjustments as it considers necessary to ensure the outcome is appropriate, that is then used as an input for determining each Senior Executive's Individual EVP Outcome.
Fixed Remuneration or FR	Base salary plus company and private salary sacrificed superannuation contributions
FY	Financial year
Individual EVP Outcome	The individual award earned by a Senior Executive under the EVP taking into consideration their performance, the EVP Scorecard Outcome, their 'at target' EVP reward opportunity and other factors in accordance with the Board's decision framework such as any material risk events identified, the severity of their impact and the Senior Executive's accountability for the matter.
Initial Performance Period	1 year (1 July 2021 – 30 June 2022)
KMP	Key Management Personnel
NBN Transaction	Agreements with nbn co and the Government in relation to Telstra's participation in the rollout of the nbn access network. This includes the entire Definitive Agreement receipts and the net negative recurring nbn headwinds on our business.
NPS	Net Promoter Score is a non-financial performance metric that we use to measure customer experience at Telstra. The Episode NPS performance measure is based on responses to internal surveys following actual service experiences customers had with Telstra. The overall Episode NPS result for Telstra is a weighted average calculation of the survey results from Telstra business segments – Consumer & Small Business contribute collectively at 65% and Telstra Enterprise at 35%
Performance Right	A right to a share or, at Telstra's discretion, a cash amount equivalent to the value of a share, at the end of a performance period, subject to the satisfaction of certain performance measures and continuing employment conditions
Permitted Reason	Permitted Reason under the EVP, means death, total and permanent disablement, certain medical conditions, company initiated separation for a reason unrelated to performance or conduct, redundancy or retirement. Permitted Reason under the EVP Performance Rights and Restricted Share terms also includes mutual separation
Related parties	of a person means: <ul style="list-style-type: none"> • a close member of the person's family; and/or • an entity over which the person or close family member has, directly or indirectly, control, joint control or significant influence
Restricted Share	A Telstra share that is subject to a Restriction Period
Restriction Period	A period during which a Telstra share is subject to a continuing employment condition and cannot be traded. Restricted Shares are transferred to a Senior Executive on the first day after the end of the Restriction Period that Senior Executives are able to deal in shares under Telstra's Securities Trading Policy
RTSR	Relative Total Shareholder Return (RTSR) measures the performance of an ordinary Telstra share (including the value of any cash dividend and other shareholder benefits paid during the period) relative to the performance of

	ordinary securities issued by the other companies in a comparator group over the same period
RTSR Performance Period	The five-year performance period ending on 30 June 2026 over which the RTSR performance condition for the FY22 EVP Performance Rights will be measured.
Scheme	The scheme of arrangement that Telstra is proposing as part of the broader Corporate Restructure that will result in Telstra Group Limited (New Telstra Corp) becoming the new head entity of the Telstra Group
Senior Executive	Refers to the CEO and those Group Executives who are KMP with authority and responsibility for planning, directing and controlling the activities of Telstra and the Group, directly or indirectly
Underlying EBITDA	Underlying EBITDA is Earnings Before Interest, Tax, Depreciation & Amortisation. It excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments.

Directors' Report



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Rounding

The Telstra Entity is a company of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and issued pursuant to section 341(1) of the *Corporations Act 2001*. Except where otherwise indicated, the amounts in this Directors' Report and the accompanying financial report have been rounded to the nearest million dollars (\$m) and amounts in the Remuneration Report have been rounded to the nearest thousand dollars (\$000).

This report is made on 11 August 2022 in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'John P Mullen'.

John P Mullen
Chairman
11 August 2022

A handwritten signature in black ink, appearing to read 'Andrew R Penn'.

Andrew R Penn
Chief Executive Officer and Managing Director
11 August 2022

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

As lead auditor for the audit of the financial report of Telstra Corporation Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- (b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- (c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Telstra Corporation Limited and the entities it controlled during the financial year.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Sarah Lowe'.

Sarah Lowe
Partner
11 August 2022

A member firm of Ernst & Young Global Limited
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Board of Directors

John P Mullen

Age 67, BSc

Non-executive Director since July 2008, Chairman effective 27 April 2016 and last re-elected in 2020. Chairman of the Nomination Committee and previously Chairman of the Remuneration Committee (2009-2016).

John has extensive experience in international transportation and logistics, with more than two decades in senior positions with some of the world's largest transport and infrastructure companies. He has lived or worked in 13 countries over this time. From 2011 to 2017 John was Chief Executive Officer of Asciano, Australia's largest ports and rail operator. Prior to this, John spent 15 years with DHL Express, a US\$20b company employing over 140,000 people in 220 countries, serving as the global Chief Executive Officer from 2005 to 2009.

Prior to DHL, John spent ten years with the TNT Group, with four years from 1991 to 1994 as Chief Executive Officer of TNT Express Worldwide based in the Netherlands.

Other listed company directorships (past three years)

Chairman, Brambles Limited (Joined 2019, Chair from 2020) and Director, Brookfield Infrastructure Partners L.P (from 2021 and previously 2017-2020).

Other directorships and appointments

Chair, Australian National Maritime Museum (Joined 2016 and Chair from 2019).

Senior Advisor – Toll Holdings Pty Ltd (from July 2022).

UNSW Business School Advisory Council Member (from 2005).

Former - Chairman, Toll Holdings Pty Ltd (2017-2022) and the US National Foreign Trade Council in Washington (2008 - 2010).

Member, UNICEF Task Force on Workplace Gender Discrimination and Harassment (2018-2019).

Andrew R Penn

Age 59, MBA (Kingston), AMP (Harvard), FCCA, HFAIPM

Chief Executive Officer and Managing Director since 1 May 2015.

Andy Penn became the CEO and Managing Director of Telstra, Australia's largest telecommunications company, on 1 May 2015. At Telstra Andy has led an ambitious change program transforming Telstra to be positioned to compete in the radically changing technology world of the future with 5G at its core.

Andy has had an extensive career spanning 40 years across 3 different industries - telecommunications, financial services and shipping. He joined Telstra in 2012 as Chief Financial Officer. In 2014 he took on the additional responsibilities as Group Executive International.

Prior to Telstra, Andy spent 23 years with the AXA Group, one of the world's largest insurance and investment groups. His time at AXA included the roles of Chief Executive Officer 2006-2011 AXA Asia Pacific Holdings, Chief Financial Officer, Chief Executive Asia and Chief Executive Australia and New Zealand. At AXA, Andy was instrumental in building one of the most successful Asian businesses by an Australian company that was sold to its parent in 2011 for more than A\$10bn.

Other directorships and appointments

Member of the Council of Trustees of the National Gallery of Victoria; Board Director of the Groupe Speciale Mobile Association (GSMA) (from 2018), Chairman of the Australian Government's Cyber Security Industry Advisory Committee; Patron, on behalf of Telstra, of the National and Torres Strait Islanders Arts Awards (NATSIAA), Life Governor of Very Special Kids (from 2003) and an Ambassador for the Amy Gillet Foundation. He serves on the advisory boards of both The Big Issue Homes for Homes and Juvenile Diabetes Research Foundation.

Eelco Blok

Age 65, MS, BBA

Non-executive Director appointed on 15 February 2019 and elected on 15 October 2019. Member of the Nomination Committee.

Eelco has almost 35 years of telecommunications experience at Dutch-based landline and mobile telecommunications company, KPN, where he was CEO for seven years until April 2018.

Eelco started his career in Finance at KPN before becoming responsible for several businesses including Carrier Services, Corporate Networks and Network Operations. In 2006 he was appointed a member of the KPN Board of Management, where he was consecutively responsible for the Fixed Division, Business Market – Wholesale - Operations and Mobile International. He was appointed CEO in April 2011.

From 2011 to 2017 Eelco was co-chairman of the Dutch National Cyber Security Council an advisory body of the Dutch government. He was also a Director for the international association GSMA from 2017 to April 2018.

Other listed company directorships (past three years)

Director, OTE Group (from 2019). Former – Member of the Supervisory Board of Post NL (2017-2021) and Signify NV (2017 - 2022).

Other directorships and appointments

Member of the Supervisory Boards of Koninklijke VolkerWessels N.V (from 2019) and Fairphone (from 2020). Board Advisor, Glasfaser Plus (from April 2022) and and Glow Financial Services (from June 2022). Advisor, Reggeborgh Groep BV (from 2018).

Roy H Chestnutt**Age 63, BSc, BA, MBA**

Non-executive Director appointed on 11 May 2018, last re-elected on 12 October 2021. Member of the Audit & Risk Committee and the Nomination Committee.

Roy has more than 30 years of direct telecommunications experience. Most recently he was Executive Vice President, Chief Strategy Officer for Verizon Communications and has held leadership positions with other leading firms including Motorola, Grande Communications, Sprint-Nextel and AirTouch. Roy's last six years with Verizon included almost five as head of strategy responsible for the development and implementation of Verizon's overall corporate strategy, including business development, joint ventures, strategic investments, acquisitions and divestitures.

Roy has been a Director for international industry association GSMA and is a former chair of the Chief Strategy Officers Group including 25 global strategists from the world's leading wireless carriers.

Other listed company directorships (past three years)

Director, Intelsat (from March 2022) and Digital Turbine Inc (from 2018). Board of Advisors, Accenture Luminary (from 2021). Former – Director, Saudi Telecom (2018 – 2021) and Boingo Wireless, Inc (2019 – 2021).

Other directorships and appointments

Non-executive Partner, FTI Consulting Group/Delta Partners. Senior advisor, VMware Inc and Tillman Global Holdings LLC. Board Advisor, LotusFlare (from 2019).

Craig W Dunn**Age 58, BCom, FCA**

Non-executive Director appointed on 12 April 2016 and last re-elected in October 2019. Chairman of the Audit & Risk Committee and member of the Nomination Committee.

Craig is a highly regarded business leader with more than 20 years' experience in financial services, pan-Asian business activities and strategic advice for government and major companies. Craig was Chief Executive Officer and Managing Director of AMP from 2008 to 2013 and held various roles at AMP in a 13-year career including Managing Director of AMP Financial Services, Managing Director for AMP Bank and head of Corporate Strategy and M&A.

Previously he was at Colonial Mutual Group from 1991 to 2000, including Managing Director for EON CMB Life Insurance in Malaysia and senior roles in Group Strategy, M&A and Finance. He has also served as a member of the Federal Government's Financial System Inquiry in 2014 and the Consumer and Financial Literacy Taskforce.

Other listed company directorships (past three years)

Director, Westpac (2015-2021).

Other directorships and appointments

Chair, ISO Blockchain Standards Committee (from 2017) and The Australian Ballet (Joined 2014, Chair from 2015). Director, Lion Pty Limited and Lion Global Craft Beverages Pty Limited (from 2021).

Bridget Loudon**Age 34, BCom (University College Galway)**

Non-executive Director appointed on 14 August 2020 and elected on 13 October 2020. Member of the Nomination Committee.

Bridget is Founder and Chief Executive Officer of Expert360. Expert360 is Australia's number one skilled talent platform, using sophisticated vetting and matching technology to connect more than 1000 companies with more than 30,000 elite consultants, project managers, data analysts and developers. Expert360 has been recognised as a game-changing platform by, among others, Harvard Business Review and the Economist.

Prior to founding Expert360 in 2013, Bridget worked as a management consultant for Bain & Co in Sydney. At Bain, Bridget was part of teams that advised ASX 50 leaders on strategy and transformation across a range of industries such as Retail, Consumer, Mining and Education.

Bridget is a leader in how organisations transform themselves to capture the opportunities presented by developments in technology. She has passion for solving customer problems and an impressive desire to create positive outcomes for society using technology.

Other directorships and appointments

Director, Expert 360 Pty Ltd (from 2013) and E360 Holdings Pty Ltd (from 2019).

Elana Rubin**Age 64, AM, BA (Hons), MA, SF Fin, FAICDLife**

Non-executive Director appointed on 14 February 2020 and elected on 13 October 2020. Chair of the People & Remuneration Committee and member of the Nomination Committee.

Elana has more than 20 years Board experience across the financial service sector, including superannuation and funds management as well as the fintech, property, infrastructure and government sectors. Her executive career spanned industrial relations, social and economic policy and superannuation.

Elana is adept at working in consumer facing organisations with a strong customer focus and can balance commercial interests with the complex requirements of regulated sectors.

Elana has strong risk management and regulatory experience, having worked in highly regulated sectors including as Chair of AustralianSuper, one of Australia's largest and innovative super funds, and Chair of Victorian WorkCover Authority, a highly regarded regulator and workplace injury insurer.

Other listed company directorships (past three years)

Director, Slater and Gordon Limited (from 2018. Acting Chair from August – November 2021). Former – Director, Afterpay Limited (2017-2022, Chair 2020-2022) and Mirvac Limited (2010-2019).

Other directorships and appointments

Chair, Victorian Managed Insurance Authority (from 2016).

Nora L Scheinkestel

Age 62, LLB (Hons), PhD, FAICD

Non-executive Director since August 2010 and last re-elected in October 2019. Member of the Audit & Risk Committee (previously Chairman Audit & Risk Committee 2012-2019), the Nomination Committee and the People & Remuneration Committee.

Nora is an experienced company director with almost 30 years' experience as a non-executive Chairman and Director of companies in a wide range of industry sectors including the public, government and private sectors. Dr Scheinkestel has a long track record in highly regulated sectors such as infrastructure and financial services and in industries facing significant disruption from technology and market changes.

Nora is a former banking executive and has significant experience in international and project financing. She has extensive financial and risk management expertise, which includes having chaired the audit and risk committees of a number of listed companies.

She is a published author, has worked as an Associate Professor in the Melbourne Business School at Melbourne University and a former member of the Takeovers Panel and was awarded a Centenary Medal for services to Australian society in business leadership.

Other listed company directorships (past three years)

Director, Origin Energy Limited (from March 2022), Brambles Limited (from 2020), Westpac Banking Corporation (from 2021). Former – Director, AusNet Services Ltd (2016-2022), Atlas Arteria Limited (2014-2020), Atlas Arteria International Limited (2015-2020) and OceanaGold Corporation (2018-2019).

Niek Jan van Damme

Age 61, Drs.

Non-executive Director elected on 16 October 2018, last re-elected on 12 October 2021. Member of the People & Remuneration Committee and the Nomination Committee.

Niek Jan has almost 20 years direct telecommunications experience, with the first part of his career focusing on brand and category management in a range of businesses including consumer goods and retail. Most recently he was a member of the Deutsche Telekom Board of Management, where he was responsible for fixed line and mobile communications in Germany. Niek Jan has held leadership positions with other leading firms including Ben Nederland, later T-Mobile Netherlands, a challenger mobile brand, where he was the Chairman of the Managing Board.

At Deutsche Telekom he led the merger of mobile and fixed line business, laying the foundation for making Deutsche Telekom the leading operator in converged services. He also led a major network modernisation program with the establishment of a new IP core, and high 4G network investments.

Other directorships and appointments

Chairman of the Supervisory Board, NGN Fiber Network (from February 2022). Board member, Infracore Germany GmbH (from November 2021). Board Advisor, Glow Financial Services Ltd (from May 2022) and LotusFlare (from November 2020).

Financial Report

Telstra Corporation Limited and controlled entities

Telstra Financial Report 2022

Australian Business Number (ABN): 33 051 775 556

Financial report: introduction and contents

As at 30 June 2022

About this report

This is the financial report for Telstra Corporation Limited (referred to as the Company or Telstra Entity) and its controlled entities (together referred to as we, us, our, Telstra, the Telstra Group or the Group) for the year ended 30 June 2022.

Telstra Corporation Limited is a 'for profit' company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

This financial report was authorised for issue in accordance with a resolution of the Telstra Board of Directors on 11 August 2022. The Directors have the power to amend and reissue the financial report.

Reading the financials

Section introduction

The introduction at the start of each section outlines the focus of the section and explains the purpose and content of that section.

Note and topic summary

A summary at the start of certain notes explains the objectives and content of that note, or at the start of certain specific topics clarifies complex concepts, which users may not be familiar with.

Narrative table

Some narrative disclosures are presented in a tabular format to provide readers with a clearer understanding of the information being presented.

Information panel

The information panel describes our key accounting estimates and judgements applied in the preparation of the financial report, which are relevant to that section or note.

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Income Statement

For the year ended 30 June 2022

Telstra Group	Note	Year ended 30 June	
		2022	2021
		\$m	\$m
Income			
Revenue (excluding finance income)	2.2	21,277	21,558
Other income	2.2	768	1,574
		22,045	23,132
Expenses			
Labour		3,620	4,012
Goods and services purchased		8,228	8,318
Net impairment losses on financial assets		98	160
Other expenses	2.3	2,812	2,980
		14,758	15,470
Share of net loss from joint ventures and associated entities	6.4	(31)	(24)
		14,789	15,494
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)			
		7,256	7,638
Depreciation and amortisation	2.3	4,358	4,646
Earnings before interest and income tax expense (EBIT)		2,898	2,992
Finance income	2.2	110	103
Finance costs	2.3	527	654
Net finance costs		417	551
Profit before income tax expense		2,481	2,441
Income tax expense	2.4	667	539
Profit for the year		1,814	1,902
Profit for the year attributable to:			
Equity holders of Telstra Entity		1,688	1,857
Non-controlling interests		126	45
		1,814	1,902
Earnings per share (cents per share)		cents	cents
Basic	2.5	14.4	15.6
Diluted	2.5	14.3	15.6

The notes following the financial statements form part of the financial report.

Statement of Comprehensive Income

Telstra Financial Report 2022

For the year ended 30 June 2022

Telstra Group	Note	Year ended 30 June	
		2022	2021
		\$m	\$m
Profit for the year attributable to:			
Equity holders of Telstra Entity		1,688	1,857
Non-controlling interests		126	45
		1,814	1,902
Items that will not be reclassified to the income statement			
Retained profits			
Actuarial gain on defined benefit plans attributable to equity holders of Telstra Entity	5.3	149	60
Income tax on actuarial gain on defined benefit plans		(45)	(18)
Fair value of equity instruments reserve			
Share of other comprehensive income of equity accounted investments		(189)	292
Income tax on share of other comprehensive income of equity accounted investments		40	(77)
Foreign currency translation reserve			
Translation differences of foreign operations attributable to non-controlling interests		2	(1)
		(43)	256
Items that may be subsequently reclassified to the income statement			
Foreign currency translation reserve			
Translation differences of foreign operations attributable to equity holders of Telstra Entity		49	(95)
Cash flow hedging reserve			
Changes in cash flow hedging reserve	4.5	204	68
Share of other comprehensive income of equity accounted investments		6	3
Income tax on movements in the cash flow hedging reserve	4.5	(54)	(20)
Foreign currency basis spread reserve			
Changes in the value of the foreign currency basis spread		79	(54)
Income tax on movements in the foreign currency basis spread reserve		(24)	16
		260	(82)
Total other comprehensive income		217	174
Total comprehensive income for the year		2,031	2,076
Total comprehensive income for the year attributable to:			
Equity holders of Telstra Entity		1,903	2,032
Non-controlling interests		128	44

The notes following the financial statements form part of the financial report.

Statement of Financial Position

As at 30 June 2022

Telstra Group	Note	As at 30 June	
		2022	2021
		\$m	\$m
Current assets			
Cash and cash equivalents	2.6	1,040	1,125
Trade and other receivables and contract assets	3.3	4,074	4,577
Deferred contract costs	3.6	116	113
Inventories	3.7	476	385
Derivative financial assets	4.4	302	624
Current tax receivables	2.4	17	5
Prepayments		235	285
Total current assets		6,260	7,114
Non-current assets			
Trade and other receivables and contract assets	3.3	861	1,168
Deferred contract costs	3.6	1,238	1,342
Inventories	3.7	28	21
Investments – accounted for using the equity method	6.4	814	1,018
Investments – other		15	15
Property, plant and equipment	3.1	20,485	20,863
Right-of-use assets	3.2	2,926	2,852
Intangible assets	3.1	8,155	7,131
Derivative financial assets	4.4	512	786
Deferred tax assets	2.4	60	60
Defined benefit asset	5.3	274	155
Total non-current assets		35,368	35,411
Total assets		41,628	42,525
Current liabilities			
Trade and other payables	3.8	4,189	3,766
Employee benefits	5.1	667	682
Other provisions		160	87
Lease liabilities	3.2	490	503
Borrowings	4.4	2,690	3,631
Derivative financial liabilities	4.4	-	26
Current tax payables	2.4	42	124
Contract liabilities and other revenue received in advance	3.4	1,622	1,605
Total current liabilities		9,860	10,424
Non-current liabilities			
Other payables	3.8	233	9
Employee benefits	5.1	132	150
Other provisions		119	126
Lease liabilities	3.2	2,797	2,802
Borrowings	4.4	8,292	10,505
Derivative financial liabilities	4.4	305	331
Deferred tax liabilities	2.4	1,655	1,580
Defined benefit liability	5.3	10	10
Contract liabilities and other revenue received in advance	3.4	1,388	1,313
Total non-current liabilities		14,931	16,826
Total liabilities		24,791	27,250
Net assets		16,837	15,275

Statement of Financial Position (continued)

Telstra Financial Report 2022

As at 30 June 2022

Telstra Group	Note	As at 30 June	
		2022	2021
		\$m	\$m
Equity			
Share capital	4.3	3,098	4,436
Reserves	4.3	2,333	138
Retained profits		9,918	10,014
Equity available to Telstra Entity shareholders		15,349	14,588
Non-controlling interests		1,488	687
Total equity		16,837	15,275

The notes following the financial statements form part of the financial report.

Statement of Cash Flows

For the year ended 30 June 2022

Telstra Group	Note	Year ended 30 June	
		2022	2021
		\$m	\$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		23,876	26,727
Payments to suppliers and employees (inclusive of GST)		(15,987)	(18,901)
Government grants received for operating activities		179	167
Net cash generated from operations		8,068	7,993
Income taxes paid	2.4	(819)	(762)
Net cash provided by operating activities	2.6	7,249	7,231
Cash flows from investing activities			
Payments for property, plant and equipment		(2,176)	(2,079)
Payments for intangible assets		(918)	(1,061)
Capital expenditure (before investments)		(3,094)	(3,140)
Payments for shares in controlled entities (net of cash acquired)		(771)	(26)
Payments for equity accounted investments		(30)	(30)
Payments for other investments		(50)	(152)
Total capital expenditure (including investments)		(3,945)	(3,348)
Proceeds from sale of property, plant and equipment		155	154
Proceeds from sale and leaseback	3.2	12	291
Proceeds from sale of businesses and shares in controlled entities (net of cash disposed)		4	218
Proceeds from sale of equity accounted and other investments		156	147
Distributions received from equity accounted investments		93	20
Receipts for the principal portion of finance lease receivables		92	120
Government grants received for investing activities		24	36
Interest received		14	18
Net cash used in investing activities		(3,395)	(2,344)
Operating cash flows less investing cash flows		3,854	4,887
Cash flows from financing activities			
Proceeds from borrowings		1,470	2,308
Repayment of borrowings		(3,750)	(3,260)
Payment of the principal portion of lease liabilities	3.2	(697)	(706)
Share buy-back	4.3	(1,350)	-
Purchase of shares for employee share plans		(5)	(39)
Finance costs paid		(534)	(613)
Dividends/distributions paid to non-controlling interests		(100)	(35)
Dividend paid to equity holders of Telstra Entity	4.2	(1,888)	(1,902)
Proceeds from the sale of units in a controlled trust	6.1	2,883	-
Other		-	11
Net cash used in financing activities		(3,971)	(4,236)
Net (decrease)/increase in cash and cash equivalents		(117)	651
Cash and cash equivalents at the beginning of the year		1,125	499
Effects of exchange rate changes on cash and cash equivalents		32	(25)
Cash and cash equivalents at the end of the year	2.6	1,040	1,125

The notes following the financial statements form part of the financial report.

Statement of Changes in Equity

Telstra Financial Report 2022

For the year ended 30 June 2022

Telstra Group	Note	Share capital	Reserves	Retained profits	Total	Non-controlling interests	Total equity
		\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2020		4,451	5	10,017	14,473	674	15,147
Profit for the year		-	-	1,857	1,857	45	1,902
Other comprehensive income		-	133	42	175	(1)	174
Total comprehensive income for the year		-	133	1,899	2,032	44	2,076
Dividend		-	-	(1,902)	(1,902)	(35)	(1,937)
Transactions with non-controlling interests		-	-	-	-	4	4
Amounts repaid on share loans provided to employees		7	-	-	7	-	7
Additional shares purchased		(39)	-	-	(39)	-	(39)
Share-based payments		17	-	-	17	-	17
Balance at 30 June 2021		4,436	138	10,014	14,588	687	15,275
Profit for the year		-	-	1,688	1,688	126	1,814
Other comprehensive income		-	111	104	215	2	217
Total comprehensive income for the year		-	111	1,792	1,903	128	2,031
Dividend		-	-	(1,888)	(1,888)	(127)	(2,015)
Share buy-back (net of income tax)	4.3	(1,350)	-	-	(1,350)	-	(1,350)
Transactions with non-controlling interests	6.3	-	2,084	-	2,084	800	2,884
Additional shares purchased	4.3	(5)	-	-	(5)	-	(5)
Share-based payments		17	-	-	17	-	17
Balance at 30 June 2022		3,098	2,333	9,918	15,349	1,488	16,837

The notes following the financial statements form part of the financial report.

Section 1. Basis of preparation

This section explains the basis of preparation of our financial report, describes changes in our accounting policies and provides a summary of our key accounting estimates and judgements.



1.1 Basis of preparation of the financial report

This financial report is a general purpose financial report, prepared by a 'for profit' entity, in accordance with the requirements of the Australian Corporations Act 2001, Accounting Standards applicable in Australia and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). It also complies with International Financial Reporting Standards (IFRS) and Interpretations published by the International Accounting Standards Board (IASB).

The financial report is presented in Australian dollars and, unless otherwise stated, all values have been rounded to the nearest million dollars (\$m) under the option available under the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The functional currency of the Telstra Entity and its Australian controlled entities is Australian dollars. The functional currency of certain non-Australian controlled entities is not Australian dollars. The results of these entities are translated into Australian dollars in accordance with our accounting policy described in note 1.3.1.

The financial report is prepared on historical cost basis, except for some categories of financial instruments, which are recorded at fair value.

Where relevant, comparative information has been reclassified to ensure comparability with the current year disclosures and presentation.

1.2 Terminology used in our income statement

EBITDA reflects earnings before interest, income tax, depreciation and amortisation. EBIT is a similar measure to EBITDA, but takes into account depreciation and amortisation.

We believe EBITDA is useful as it is a widely recognised measure of operating performance.

1.3 Principles of consolidation

Our financial report includes the consolidated assets and liabilities of the Telstra Entity and its controlled entities as a whole as at the end of the financial year and the consolidated results and cash flows for the year.

An entity is considered to be a controlled entity where we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. We consolidate the results of our controlled entities from the date on which we gain control until the date we cease control.

The effects of intra-group transactions and balances are eliminated from our consolidated financial statements.

Non-controlling interests in the results and equity of controlled entities are shown separately in our income statement, statement of comprehensive income, statement of financial position and statement of changes in equity.

The financial statements of controlled entities are prepared for the same reporting period as the Telstra Entity, using consistent accounting policies.

1.3.1 Translation of financial reports of foreign operations that have a functional currency other than the Australian dollar

The financial reports of our foreign operations are translated into Australian dollars (our presentation currency) using the following method:

Foreign currency amount	Exchange rate
Assets and liabilities including goodwill and fair value adjustments arising on consolidation	The reporting date rate
Equity items	The initial investment date rate
Income statements	Average rate (or the transaction date rate for significant identifiable transactions)

The exchange differences arising from the translation of financial statements of foreign operations are recognised in other comprehensive income.

1.4 Key accounting estimates and judgements

Preparation of the financial report requires management to make estimates and judgements.

1.4.1 COVID-19 pandemic

Financial impacts of the COVID-19 pandemic have been reflected in our financial performance for the financial year 2022 and considered in our financial position as at 30 June 2022. To the extent that ongoing impacts have been identified or could reasonably be expected, we have made specific disclosures in the following notes:

- note 3.1 regarding our judgements about impairment indicators for testing of our ubiquitous telecommunications network
- note 3.3 regarding our judgements in the measurement of expected credit losses of our financial assets
- note 4.5.5 regarding hedge accounting.

Telstra continues to have access to liquidity to support our short-term liquidity requirements and protect us against unforeseen events should the economic environment deteriorate.

Section 1. Basis of preparation (continued)

1.4 Key accounting estimates and judgements (continued)

1.4.2 Summary of key management judgements

The accounting policies and significant management judgements and estimates used, and any changes thereto, are set out in the relevant notes. The key accounting estimates and judgements are included in the following notes:

Key accounting estimates and judgements	Note	Page
Assessment of a significant financing component in mass market contracts	2.2	F19
Determining standalone selling prices	2.2	F20
Assessment of a significant financing component in Indefeasible Right of Use (IRU)	2.2	F20
Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income	2.2	F22
Assessment of a significant financing component in nbn DAs	2.2	F23
Unrecognised deferred tax assets	2.4	F28
Capitalisation of development costs	3.1	F32
Useful lives and residual values of tangible and intangible assets	3.1	F33
Impairment assessment of our ubiquitous telecommunications network	3.1	F34
Determining CGUs and their recoverable amount for impairment assessment of goodwill	3.1	F35
Determining lease term for property leases	3.2	F37
Determining incremental borrowing rates for property leases	3.2	F39
Estimating expected credit losses	3.3	F43
Amortisation period of deferred contract costs	3.6	F46
Long service leave provision	5.1	F65
Defined benefit plan	5.3	F70
Determining non-controlling interests in Power Health	6.1	F72
Joint control of Telstra Ventures Fund II, L.P.	6.4	F80
Significant influence over Telstra Super Pty Ltd	6.4	F80
Significant influence over Telstra Ventures Fund III, L.P.	6.4	F80

1.5 Other accounting policies

Relevant accounting policies are included in the respective notes to the financial statements. Changes in the accounting policies and impacts from the accounting standards to be applied in future reporting periods, as well as other accounting policies not disclosed elsewhere in the financial report are detailed below.

1.5.1 Changes in accounting policies

A number of new or amended accounting standards became effective in the current reporting period but none of those had a material impact on our accounting policies.

AASB 2020-8 'Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2' was issued in September 2020 and became effective for Telstra from 1 July 2021. These amendments provide certain relief on rules relating to discontinued hedge relationships and in accounting for modification of contractual cash flows as a result of the reform.

As at 30 June 2022 we held some floating rate derivative instruments hedging term debt issuances and bank facilities which have a reference to either BBSW, BBSY or EURIBOR. Unlike LIBOR, no decisions have been made for the replacement of these benchmark rates which continue to remain in place. We also have some interest rate swaps and short-term commercial paper issuance linked to the 3M USLIBOR and 6M USLIBOR benchmark which will remain in place until 30 June 2023. We continue to monitor the developments of international regulations to ensure preparedness for any changes relating to Interest Rate Benchmark Reform. None of these amendments impacted Telstra's financial results for the financial year 2022.

1.5.2 New accounting standards to be applied in future reporting periods

We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and we do not expect any of them to have a material impact on our financial results upon adoption.

1.5.3 Transactions and balances in foreign currency

Foreign currency transactions are translated into the relevant functional currency at the spot exchange rate at the transaction date. At the reporting date, amounts receivable or payable denominated in foreign currencies are translated into the relevant functional currency at market exchange rates as at the reporting date. Any currency translation gains and losses that arise are included in our income statement.

Non-monetary items denominated in foreign currency that are measured at fair value (i.e. certain equity instruments not held for trading) are translated using the exchange rates at the date when the fair value was determined. Differences arising from the translation are reported as part of the fair value gain or loss in line with the recognition of the changes in the fair value of the non-monetary item.

Section 2. Our performance

This section explains our results, performance of our segments, which are reported on the same basis as our internal management structure, and our earnings per share for the period. It also provides disaggregated revenue, details of selected income and expense items, information about taxation and a reconciliation of our profit to net cash generated from operating activities.



2.1 Segment information

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations of the Group through the eyes of management.

Our operating segments represent the functions which offer our main products and services in the market, however not all of our operating segments meet the criteria to be disclosed as reportable segments.

2.1.1 Operating segments

We report segment information on the same basis as our internal management reporting structure at the reporting date. Segment comparatives reflect any organisational changes that have occurred since the end of the prior financial year to present a like-for-like view.

During the financial year 2022, there were no changes to our operating segments despite the legal transfer of our towers business to a separate entity (refer to note 6.1.2 for further details about the transfer of the towers business). This is because the internal restructure did not change business functions' accountabilities, the way we assess performance or allocate resources, and therefore did not change our internal management reporting structure.

There were no organisational changes to our operating segments, however we have changed the way we measure our segment results as detailed in the sections following the table describing our segments.

In our segment results, the 'All Other' category includes functions that do not qualify as operating segments as well as the operating segments which are not material to be reported individually.

We have four reportable segments as follows:

Segment	Operation
Telstra Consumer and Small Business (TC&SB)	<ul style="list-style-type: none"> provides telecommunication, media and technology products and services to Consumer and Small Business customers in Australia using mobile and fixed network technologies operates call centres, retail stores, a dealership network, digital channels, distribution systems and Telstra Plus customer loyalty program in Australia
Telstra Enterprise (TE)	<ul style="list-style-type: none"> provides telecommunication services, advanced technology solutions, network capacity and management, unified communications, cloud, security, industry solutions, integrated and monitoring services to government and large enterprise and business customers in Australia and globally provides wholesale services outside of Australia, including both voice and data manages Telstra's networks outside Australia in conjunction with Networks and IT and Telstra InfraCo segments
Networks and IT (N&IT)	<ul style="list-style-type: none"> supports the other segments and their respective revenue generating activities by maintaining high level of reliability and security of our network platforms and data builds and manages our digital platforms underpinning our customer digital experience builds and manages software and provides information technology services to all internal functions
Telstra InfraCo	<ul style="list-style-type: none"> provides telecommunication products and services delivered over Telstra networks to other carriers, carriage service providers and internet service providers provides other Telstra functions and wholesale customers with access to network infrastructure within Telstra InfraCo's asset accountabilities operates the fixed passive network infrastructure including data centres, exchanges, poles, ducts, pits and pipes and fibre network designs and constructs fibre, exchanges and other infrastructure provides nbn co with long-term access to certain components of our infrastructure under the Infrastructure Services Agreement operates the passive and physical mobile tower assets owned or operated by the Amplitel business

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.1 Operating segments (continued)

Consistent with information presented for internal management reporting, the result of each segment is measured based on its EBITDA contribution, which differs from our reported EBITDA.

From 1 July 2021, we have changed the way we measure results of individual segments. The table below details how we determine segment income and EBITDA contribution of each segment.

Nature of transaction	Description	Measurement basis	Impact on segment results
Transactions with external parties	<p>Any transactions between any of the Telstra Group entities with:</p> <ul style="list-style-type: none"> • an external counterparty, e.g. supplier or customer • any related party which is not controlled by the Telstra Group, i.e. it is not eliminated on consolidation. 	<p>Accounted for in accordance with the Australian Accounting Standards.</p> <p>We no longer adjust EBITDA contribution for the depreciation expense related to the right-of-use assets for mobile handsets arising from leases which we subleased to our TC&SB customers because any remaining leases are immaterial.</p>	<p>The effects of all transactions with external parties are included in the segment results.</p>
Transactions with other segments	<p>Any transactions between segments arising from:</p> <ul style="list-style-type: none"> • inter-company legal agreements between entities controlled by the Telstra Group • internal arrangements for notional charges not governed by legal agreements. <p>The notional internal charges are determined based on a variety of internally and externally observable inputs to reflect an arm's length basis.</p> <p>In the comparative period, the transactions related to the performance of our infrastructure assets were arising from the notional internal arrangements, and only Telstra InfraCo segment had reported those transactions in their segment results (i.e. the counterparty segments to those arrangements did not report the effects of those transactions). To provide a like-for-like view, we have restated the comparative period to reflect notional internal charges in all relevant segments.</p>	<p>Different measurement bases apply to our transactions between segments depending on their nature:</p> <ul style="list-style-type: none"> • transactions related to the performance of our infrastructure assets are measured based on a 'management view', i.e. all charges earned/incurred are recognised as either income or expenses. Such recognition may differ from the requirements of the Australian Accounting Standards in a number of areas, for example lease accounting. • any transactions other than those described above are accounted for in accordance with the Australian Accounting Standards. <p>Transactions within the same segment are eliminated within that segment's results.</p> <p>Any transactions with other segments are eliminated on consolidation, therefore the total Telstra Group reported income and total reported EBITDA reconcile to the statutory financial statements.</p>	<p>The effects of the transactions with other segments are included in the segment results and - depending on the nature of the transaction - either measured based on the management view or as accounted under the Australian Accounting Standards.</p>
Some transactions which are managed centrally or by one segment	<p>Certain items and transactions are managed centrally or by one of the segments even if they relate to results of multiple segments.</p>	<p>Accounted for in accordance with the Australian Accounting Standards.</p>	<p>The effects of these transactions are included in the segment results as detailed in the table on the following page.</p>

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.1 Operating segments (continued)

The table below provides further details how some transactions are allocated and managed and, as a result, how they are reflected in our segment results.

Nature of transaction	TC&SB	TE	N&IT	All Other	Telstra InfraCo
Inter-company transactions for international connectivity disclosed as revenue from external customers and external expenses	EBITDA contribution includes inter-segment expenses recharged by TE	EBITDA contribution includes inter-segment revenue (earned from TC&SB and Telstra InfraCo) and expenses (recharged by Telstra InfraCo)	n/a	Elimination of inter-company transactions	EBITDA contribution includes inter-segment revenue (earned from TE) and expenses (recharged by TE)
Income from nbn disconnection fees and associated expenses	EBITDA contribution does not include these transactions		n/a	EBITDA contribution includes these transactions	EBITDA contribution does not include these transactions
Network service delivery expenses other than those supporting passive infrastructure	EBITDA contribution does not include the network service delivery expense for TC&SB and TE customers		EBITDA contribution includes network service delivery expenses related to TC&SB, TE and Telstra InfraCo customers		EBITDA contribution does not include the network service delivery expense for customers serviced by Telstra InfraCo's passive infrastructure
Telstra Entity redundancy and restructuring expenses for all segments	EBITDA contribution does not include those expenses			EBITDA contribution includes those expenses for the Telstra Entity	EBITDA contribution does not include those expenses

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results

Table A details our segment results and a reconciliation of EBITDA contribution to the Telstra Group's EBITDA, EBIT and profit before income tax expense.

Table A Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Subtotal	Elimina- tions	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Year ended 30 June 2022								
Mobility	7,449	1,675	-	332	14	9,470	-	9,470
Fixed - C&SB	4,486	-	-	-	-	4,486	-	4,486
Fixed - Enterprise	-	3,729	-	-	-	3,729	-	3,729
InfraCo Fixed	-	-	-	2,456	-	2,456	(976)	1,480
Amplitel	-	-	-	368	-	368	(308)	60
Fixed - Active Wholesale	-	-	-	477	-	477	-	477
International	-	1,705	-	-	(204)	1,501	-	1,501
One-off nbn DA and connection	43	-	-	-	335	378	-	378
Other	-	23	248	5	479	755	(291)	464
Total management reported income	11,978	7,132	248	3,638	624	23,620	(1,575)	22,045
Transactions between segments			(216)	(1,284)	(75)	(1,575)	1,575	-
Total external income	11,978	7,132	32	2,354	549	22,045	-	22,045
Share of net loss from equity accounted entities	-	(1)	-	-	(30)	(31)	-	(31)
EBITDA contribution	5,134	3,051	(2,255)	2,480	(1,154)	7,256	-	7,256
Depreciation and amortisation								(4,358)
Telstra Group EBIT								2,898
Net finance costs								(417)
Telstra Group profit before income tax expense								2,481

Section 2. Our performance (continued)

2.1 Segment information (continued)

2.1.2 Segment results (continued)

Table A (continued) Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Subtotal	Elimina- tions	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Year ended 30 June 2021								
Mobility	7,497	1,513	-	287	13	9,310	-	9,310
Fixed - C&SB	4,736	-	-	-	-	4,736	-	4,736
Fixed - Enterprise	-	3,724	-	-	-	3,724	-	3,724
InfraCo Fixed	-	-	-	2,569	-	2,569	(949)	1,620
Amplitel	-	-	-	338	-	338	(278)	60
Fixed - Active Wholesale	-	-	-	591	-	591	-	591
International	-	1,715	-	-	(219)	1,496	-	1,496
One-off nbn DA and connection	34	-	-	-	1,016	1,050	-	1,050
Other	63	33	244	5	485	830	(285)	545
Total management reported income	12,330	6,985	244	3,790	1,295	24,644	(1,512)	23,132
Transactions between segments	-	-	(211)	(1,227)	(74)	(1,512)	1,512	-
Total external income	12,330	6,985	33	2,563	1,221	23,132	-	23,132
Share of net loss from equity accounted entities	-	(1)	-	-	(23)	(24)	-	(24)
EBITDA contribution	4,830	2,921	(2,336)	2,701	(672)	7,444	-	7,444
Depreciation of mobile handsets right-of-use assets								194
Telstra Group EBITDA								7,638
Depreciation and amortisation								(4,646)
Telstra Group EBIT								2,992
Net finance costs								(551)
Telstra Group profit before income tax expense								2,441

The effects of the following inter-company transactions with other segments have been reported as external income and expenses in the respective segment EBITDA contribution:

- revenue from external customers in the TE segment includes \$204 million (2021: \$219 million) of inter-segment revenue treated as external expenses in the TC&SB and Telstra InfraCo segments, which is eliminated in the 'All Other' category
- EBITDA contribution in the TE segment reflects \$5 million (2021: \$7 million) of inter-segment expenses treated as external revenue in the Telstra InfraCo and eliminated in the 'All Other' category.

In the comparative period, the effects of the following transactions with other segments arising from notional internal charges have been restated to provide a like-for-like view:

- additional \$211 million internal revenue and \$1,203 million internal expenses have been included in the N&IT segment
- additional \$74 million internal revenue has been included in the 'All Other' category.

During the financial year 2021, in the 'All Other' category, we recognised \$1 million gain, net of \$34 million impairment loss, from the disposal of our investment in Project Sunshine I Pty Ltd (Sensis).

Information about our non-current assets by geographical market is presented in Table B.

Table B Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Carrying amount of non-current assets		
Located in Australia	30,630	30,128
Located offshore	1,750	1,736
	32,380	31,864

Our geographical operations are split between our Australian and offshore operations. No individual geographical area of our offshore operations forms a significant part of our operations.

The carrying amount of our segment non-current assets excludes financial assets, inventories, defined benefit assets, deferred contract costs and deferred tax assets.

Section 2. Our performance (continued)

2.2 Income

Table A Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Revenue from contracts with customers	20,920	20,998
Revenue from other sources	357	560
Total revenue (excluding finance income)	21,277	21,558
Other income		
Net gain on disposal of property, plant and equipment and intangible assets	158	66
Net gain on disposal of businesses and investments	7	107
Net gain on sale and leaseback transactions	-	102
nbn disconnection fees	329	1,022
Government grants	223	216
Other miscellaneous income	51	61
	768	1,574
Total income (excluding finance income)	22,045	23,132
Finance income		
Finance income (excluding income from finance leases)	102	93
Finance income from finance leases (Telstra as a lessor)	8	10
	110	103
Total income	22,155	23,235

Revenue from other sources includes income from:

- customer contributions to extend, relocate or amend our network assets, where the customer does not purchase any ongoing services under the same (or linked) contract(s)
- late payment fees
- our lease arrangements, including finance leases where Telstra is a dealer-lessor and operating leases (refer to note 3.2.2 for further details).

Net gain on disposal of businesses in the prior reporting period included:

- \$60 million gain on disposal of Telstra's Velocity business for total sale proceeds of \$140 million, with \$92 million received in the prior and current financial years, and the remaining balance to be received in instalments over the next two years
- \$45 million gain on disposal of assets and liabilities of e-commerce platform for total sale proceeds of \$55 million.

Net gain on sale and leaseback transactions in the prior reporting period resulted from sale and leaseback of our exchange property.

nbn disconnection fees earned under the Subscriber Agreement with nbn co are recognised as other income because they do not relate to our ordinary activities. We recognise this income when we have met our contractual obligations under this agreement.

Government grants include income under the Telstra Universal Service Obligation Performance Agreement, the Federal Government's Mobile Black Spot Program and other individually immaterial government grants. There are no unfulfilled conditions or other contingencies attached to these grants.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue

Table B presents the disaggregated revenue from contracts with customers based on the nature and the timing of transfer of goods and services.

We recognise revenue from contracts with customers when the control of goods or services has been transferred to the customer. Revenue from sale of services is recognised over time, whereas revenue from sale of goods is recognised at a point in time.

Other revenue from contracts with customers includes licensing revenue (recognised either at a point in time or over time) and agency revenue (recognised over time). Refer to note 2.2.2 for further details about our contracts with customers.

Table B Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Year ended 30 June 2022						
Revenue from contracts with customers						
Sale of services	9,767	6,267	-	2,007	133	18,174
Sale of goods	1,881	734	-	2	61	2,678
Other revenue from contracts with customers	18	47	-	-	3	68
	11,666	7,048	-	2,009	197	20,920
Year ended 30 June 2021						
Sale of services	9,762	6,194	-	2,281	-	18,237
Sale of goods	2,020	646	-	2	28	2,696
Other revenue from contracts with customers	17	44	-	-	4	65
	11,799	6,884	-	2,283	32	20,998

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue (continued)

Table C presents total revenue from external customers disaggregated by major products and by geographical markets.

Our geographical operations are split between our Australian and offshore operations. No individual geographical area of our offshore operations forms a significant part of our operations.

Table C Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Year ended 30 June 2022						
Total revenue from external customers by product						
Mobile	7,449	1,675	-	332	14	9,470
Revenue from contracts with customers	7,368	1,674	-	332	14	9,388
Revenue from other sources	81	1	-	-	-	82
Fixed - C&SB	4,296	-	-	-	-	4,296
Revenue from contracts with customers	4,255	-	-	-	-	4,255
Revenue from other sources	41	-	-	-	-	41
Fixed - Enterprise	-	3,729	-	-	-	3,729
Revenue from contracts with customers	-	3,702	-	-	-	3,702
Revenue from other sources	-	27	-	-	-	27
InfraCo Fixed	-	-	-	1,316	-	1,316
Revenue from contracts with customers	-	-	-	1,135	-	1,135
Revenue from other sources	-	-	-	181	-	181
Amplitel	-	-	-	60	-	60
Revenue from contracts with customers	-	-	-	60	-	60
Fixed - Active Wholesale	-	-	-	477	-	477
Revenue from contracts with customers	-	-	-	477	-	477
International	-	1,697	-	-	(204)	1,493
Revenue from contracts with customers	-	1,677	-	-	(204)	1,473
Revenue from other sources	-	20	-	-	-	20
One-off nbn DA and connection	43	-	-	-	-	43
Revenue from contracts with customers	43	-	-	-	-	43
Other products and services	2	(5)	-	5	391	393
Revenue from contracts with customers	-	(5)	-	5	387	387
Revenue from other sources	2	-	-	-	4	6
Total revenue from contracts with customers	11,666	7,048	-	2,009	197	20,920
Total revenue from other sources	124	48	-	181	4	357
	11,790	7,096	-	2,190	201	21,277
Other income	188	36	32	164	348	768
	11,978	7,132	32	2,354	549	22,045
Total revenue from external customers by geographical market						
Australian customers	11,790	5,645	-	2,190	403	20,028
Revenue from contracts with customers	11,666	5,603	-	2,009	399	19,677
Revenue from other sources	124	42	-	181	4	351
Offshore customers	-	1,451	-	-	(202)	1,249
Revenue from contracts with customers	-	1,445	-	-	(202)	1,243
Revenue from other sources	-	6	-	-	-	6
Total revenue from contracts with customers	11,666	7,048	-	2,009	197	20,920
Total revenue from other sources	124	48	-	181	4	357
	11,790	7,096	-	2,190	201	21,277
Other income	188	36	32	164	348	768
	11,978	7,132	32	2,354	549	22,045

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue (continued)

Table C (continued) Telstra Group	TC&SB	TE	N&IT	Telstra InfraCo	All Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
	Year ended 30 June 2021					
Total revenue from external customers by product						
Mobile	7,497	1,513	-	287	13	9,310
Revenue from contracts with customers	7,265	1,509	-	287	13	9,074
Revenue from other sources	232	4	-	-	-	236
Fixed - C&SB	4,556	-	-	-	-	4,556
Revenue from contracts with customers	4,500	-	-	-	-	4,500
Revenue from other sources	56	-	-	-	-	56
Fixed - Enterprise	-	3,724	-	-	-	3,724
Revenue from contracts with customers	-	3,682	-	-	-	3,682
Revenue from other sources	-	42	-	-	-	42
InfraCo Fixed	-	-	-	1,546	-	1,546
Revenue from contracts with customers	-	-	-	1,354	-	1,354
Revenue from other sources	-	-	-	192	-	192
Amplitel	-	-	-	60	-	60
Revenue from contracts with customers	-	-	-	60	-	60
Fixed - Active Wholesale	-	-	-	591	-	591
Revenue from contracts with customers	-	-	-	578	-	578
Revenue from other sources	-	-	-	13	-	13
International	-	1,706	-	-	(219)	1,487
Revenue from contracts with customers	-	1,691	-	-	(219)	1,472
Revenue from other sources	-	15	-	-	-	15
One-off nbn DA and connection	34	-	-	-	-	34
Revenue from contracts with customers	34	-	-	-	-	34
Other products and services	-	3	1	4	242	250
Revenue from contracts with customers	-	2	-	4	238	244
Revenue from other sources	-	1	1	-	4	6
Total revenue from contracts with customers	11,799	6,884	-	2,283	32	20,998
Total revenue from other sources	288	62	1	205	4	560
	12,087	6,946	1	2,488	36	21,558
Other income	243	39	32	75	1,185	1,574
	12,330	6,985	33	2,563	1,221	23,132
Total revenue from external customers by geographical market						
Australian customers	12,087	5,470	1	2,488	256	20,302
Revenue from contracts with customers	11,799	5,423	-	2,283	252	19,757
Revenue from other sources	288	47	1	205	4	545
Offshore customers	-	1,476	-	-	(220)	1,256
Revenue from contracts with customers	-	1,461	-	-	(220)	1,241
Revenue from other sources	-	15	-	-	-	15
Total revenue from contracts with customers	11,799	6,884	-	2,283	32	20,998
Total revenue from other sources	288	62	1	205	4	560
	12,087	6,946	1	2,488	36	21,558
Other income	243	39	32	75	1,185	1,574
	12,330	6,985	33	2,563	1,221	23,132

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Disaggregated revenue (continued)

Revenue from other products and services includes miscellaneous income and revenue generated by Telstra Health.

Other negative revenue amounts related to certain corporate level adjustments.

'All Other' category includes eliminations of the inter-segment transactions described in the segment results below Table A in note 2.1.2.

2.2.2 Our contracts with customers

We generate revenue from external customer contracts, which vary in their form (standard or bespoke), term (casual, short-term and long-term) and customer segment (consumer, small-medium business, government and large enterprise), with the main contracts being:

- retail consumer contracts (mass market prepaid and post-paid mobile, fixed and media plans)
- retail small to medium business contracts (mass market and off-the-shelf technology solutions)
- retail enterprise and government contracts (carriage, standardised and bespoke technology solutions and their management)
- network capacity contracts, mainly Indefeasible Right of Use (IRU)
- wholesale contracts for telecommunication services
- nbn Definitive Agreements (nbn DAs) and related arrangements.

The nature and type of contracts with customers are further described below.

We sell a wide range of goods and services, which are provided either directly by us or by third parties. Generally, we act as principal rather than an agent in our contracts with customers.

(a) Telstra Consumer and Small Business (TC&SB) contracts

We offer prepaid and post-paid services to our mass market customers. Our mass market contracts are homogeneous in nature and sold directly by us or via our dealer channel. These contracts often offer a bundle of goods and services, including products such as hardware, voice, text and data services, media content and others. Some also include options to purchase additional goods or services free of charge or at a discount (i.e. material rights).

We currently offer no-lock-in (monthly) service plans to our fixed and mobile mass market customers. In those arrangements, our customers can purchase hardware, either outright or on a device repayment contract, together with a no-lock-in service plan. If a customer cancels their no-lock-in service plan, any outstanding hardware balance becomes payable immediately.

Where we sell a service plan and a device on a device repayment contract together with that plan, and offer a discount to the customer who takes up that bundle and purchases directly from us, or through a dealer that is acting as our agent, we allocate the discount between handset and services based on their relative standalone selling prices. For our service bundle plans sold via dealers, who in their own right also sell the handset to the customer, the whole discount is allocated to services only.

Generally, we allocate the consideration, and any relevant discounts, to all products in the bundle based on a mixture of observable and estimated standalone selling prices of these products.

By and large we recognise revenue from sale of goods on their delivery and from sale of services based on passage of time. The consideration allocated at contract inception to material rights is recognised as revenue either when the customer exercises the option and benefits from the free or discounted products or when the rights are forfeited.

We offer deferred payment terms when customers purchase certain handsets and other devices under a device repayment contract.

Assessment of a significant financing component in mass market contracts

We have applied judgement to determine that no significant financing component exists in our bundled arrangements offering no-lock-in mobile plans and device repayment contracts sold directly by us. We considered factors such as significance of financing in the context of the contract as a whole, commercial objectives of our offers, the duration of deferred payment terms and interest rates prevailing in the marketplace.

We offer a loyalty program, Telstra Plus, under which our consumer and small business customers can earn points redeemable in the future for certain goods and services. The program also provides customers access to tier benefits in the form of free or discounted services like entertainment or technical support. Points awarded for purchases of Telstra goods and services are accounted for as material rights, with any amount allocated to the points initially recognised as a contract liability in the statement of financial position. When a customer redeems the points or they expire we recognise revenue from sale of goods or services transferred or from forfeiture of the material rights. Discretionary bonus points that do not relate to accounting contracts are classified as a marketing offer and expensed at the time the points are awarded. Tier benefits reduce revenue of the related accounting contracts.

Generally, mass market contracts are not modified due to their homogeneous nature. However, because our no-lock-in mass market fixed and mobile service plans are monthly contracts, customers can change plans each month or cancel their services altogether.

(b) Telstra Enterprise (TE) contracts

TE transacts with medium to large enterprise and government customers. Large and complex TE contracts are usually bespoke in nature as they deliver tailored solutions and services. Outside of the large customers, the contracts are mostly standard.

Our TE legal contracts often are in a form of multi-year framework agreements under which customers can order goods and services, include performance conditions and grant different types of discounts or incentives. Such framework agreements are rarely considered contracts for accounting purposes. Instead, revenue recognition rules are applied to goods and services ordered under each valid purchase order or a statement of work raised under the terms of the framework agreement.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(b) Telstra Enterprise (TE) contracts (continued)

In some of our TE contracts we also act as a dealer-lessor for computer mainframes, processing equipment and other related equipment used by our customers as part of the solutions management and outsourcing services. Leases embedded in those contracts are separately accounted for, usually as dealer-lessor finance leases with finance lease receivables recognised in the statement of financial position.

Some of our TE contracts include two phases: a build phase followed by the management of the technology solutions. Due to the complex nature of those arrangements, we analyse the facts and circumstances of each contract in order to determine goods and services ordered and timing of revenue recognition. If the build phase (or its components) qualifies as a separate service, we recognise the build phase revenue over the term of the build or at its completion depending on when the customer obtains control over the technology solution.

From time to time our bespoke TE contracts are varied or renegotiated. When this happens, we assess the scope of the modification or its impact on the contract price in order to determine whether the amendment must be treated as a separate contract, as if the existing contract were terminated and a new contract signed, or whether the amendment must be considered as a change to the existing contract.

Under some of our enterprise arrangements, we receive customer contributions to extend or amend our network assets to ultimately enable delivery of telecommunication services to that customer. Where the counterparty makes a contribution for network construction activities and purchases ongoing services under the same (or linked) contract(s), the upfront contribution is added to the total consideration in the customer contract and is allocated to the goods and services to be delivered under that contract.

Our TE accounting contracts include multiple goods and services. Generally we allocate the consideration and any relevant discounts to all the products in the accounting contract based on the standalone selling prices. However, some discounts granted under the framework agreements may be allocated to selected goods or services only if specific performance conditions apply. Any consideration allocated to a lease component is based on the relative standalone selling price of the lease.

<p>Determining standalone selling prices</p>	<p>We have applied judgement to determine standalone selling prices in order to allocate the consideration to goods and services sold under the same customer contract.</p> <p>In the absence of observable prices, we use various estimation methods, including an adjusted market assessment and cost plus margin approach, to arrive at a standalone selling price. We have determined that the negotiated prices are largely aligned to the standalone selling prices.</p>
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We recognise revenue from management services or fixed fee services based on passage of time and from usage-based carriage contracts when the services have been consumed.

Some of our framework agreements offer enterprise loyalty programs and technology funds under which a customer can obtain additional free products. At contract inception a portion of the consideration is allocated to such products and recognised as a contract liability in the statement of financial position. We recognise revenue when the customer either exercises the option and benefits from the free products or when the rights are forfeited.

Our large commercial arrangements often incorporate service level agreements, e.g. agreed delivery time or service reinstatement time. If we fail to comply with these commitments, we will compensate the customer. The expected amount of such compensation reduces the revenue for the period in which a service level commitment has not been met, and it is recognised as soon as not meeting the commitment becomes probable. Some arrangements also include benchmarking or consumer price index clauses, which are accounted for as variable consideration, usually from the time the price changes take effect.

Our international TE arrangements include long-term network capacity arrangements (some being take-or-pay arrangements) as well as managed services such as security and backups, for which revenue is usually recognised based on passage of time. IRU arrangements often include upfront payments for services which will be delivered over multiple years.

<p>Assessment of a significant financing component in Indefeasible Right of Use (IRU)</p>	<p>We have applied judgement to assess if a financing component is significant in the context of the contract as a whole and, where relevant, to determine appropriate discount rates.</p> <p>We account for a significant financing component in our domestic and international bespoke network capacity agreements, i.e. IRUs, where customers make an upfront payment in advance of receiving services. These contracts have an average legal contract term between 10 and 25 years.</p> <p>Where Telstra receives financing from the customer, revenue recognised over the contract term exceeds the cash payment received in advance of performance by the amount of interest expense recognised in net finance costs.</p> <p>In the financial year 2022 we recognised \$46 million interest expense for our IRU arrangements.</p>
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Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(c) Telstra InfraCo contracts (excluding contracts with nbn co)

Telstra InfraCo transacts with carriage services providers and internet service providers, who in turn sell their services to their end users.

Revenue arises from fixed network service contracts, including usage-based contracts and fixed bundles, with a term of up to three years. Other contracts provide data and IP and mobile products such as interconnect, bulk SMS and post-paid mobile services.

Telstra InfraCo legal contracts are generally signed as multi-year framework agreements, which set out pricing for the agreed services, the term and any renewal options, incentives, discounts and one-off fees.

Some of our framework agreements specify a minimum spend commitment (i.e. a take-or-pay arrangement), in which case the accounting contract may exist also at the framework agreement level.

Customer contributions to extend or amend our network assets to ultimately enable delivery of telecommunication services are recognised when those services are delivered.

Telstra InfraCo's service revenue is generally recognised over time during the period over which the services are rendered, mostly based on passage of time as the service provider (i.e. our customer) receives unlimited calls and data.

Some of Telstra InfraCo contracts include multiple goods and services. We allocate the consideration, and any relevant discounts, generally to all the products in the accounting contract based on the negotiated prices, which are largely aligned to the estimated standalone selling prices of goods and services promised under the contracts. However, some discounts granted under the framework agreements may be allocated only to selected goods or services based on the specific performance conditions in the framework agreement.

(d) Agreements with nbn co

The main contracts with nbn co are nbn DAs and related arrangements.

Revenue from contracts with nbn co is mainly reported within the Telstra InfraCo segment. Amounts recognised as other income are recorded in the TC&SB segment and in our corporate areas.

Our nbn DAs and related arrangements include a number of separate legal contracts with both nbn co and the Commonwealth Government which have been negotiated together with a common commercial objective. These contracts have been combined for revenue assessment. The combined contract has a minimum term of 30 years for accounting purposes.

The combined nbn DAs and related arrangements include a number of separately priced elements, some of which are not accounted for under the revenue recognition standard. For example, nbn disconnection fees are presented as other income as they do not relate to our ordinary activities and there is no price dependency on other nbn DAs.

Services provided under the Infrastructure Services Agreement (ISA) are accounted for under the revenue recognition standard. We recognise revenue from providing long-term access to our infrastructure, including ducts and pits, dark fibre and exchange rack spaces, over time, initially based on the cumulative nbn network rollout percentage and after rollout completion based on passage of time.

The build of nbn related infrastructure is not considered a separate service, therefore payments received for it under a separate legal agreement have been combined and accounted for together with the ISA long-term access services. These upfront payments have been recorded as a contract liability in the statement of financial position and are recognised as services transfer over the ISA average contracted period of 35 years.

ISA also includes payments for the sale of our infrastructure assets, with the net gain on sale of those assets recognised in other income at a point in time when the control passes to nbn co based on the incremental nbn network rollout percentage.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(d) Agreements with nbn co (continued)

We deliver a number of different services under these arrangements and the consideration includes a number of fixed and variable components as described below.

Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income

Under the ISA, we receive the following payments from nbn co:

- Infrastructure Access Payment (IAP) for long-term access to ducts and pits
- Infrastructure Ownership Payment (IOP) for the progressive transfer of infrastructure assets
- payments for long-term access to other infrastructure, including dark fibre and exchange rack spaces.

IAP are indexed to consumer price index (CPI) and will grow in line with the nbn network rollout until its completion (as defined under the DAs). Subsequently, IAP will continue being indexed to CPI for the remaining average contracted period of 25 years.

IOP are received over the duration of the nbn network rollout, CPI adjusted and linked to the progress of the nbn network rollout.

IAP and IOP are classified in the income statement as revenue and other income, respectively, and are recognised on a percentage rollout basis of the nbn network footprint.

For any given period, the IAP and IOP amounts ultimately received from nbn co may vary from the amounts recognised in the income statement depending on the progress of the nbn network rollout and the final number of our existing fixed line premises as defined and determined under the ISA. A change in the nbn network rollout progress and/or the final number of these premises could result in a material change to the amount of IAP and IOP recognised in the income statement and the associated cash flows. Some of these adjustments cannot be finalised and the related amounts cannot be settled until the completion of the rollout and are subject to interest.

The nbn network rollout progress and its completion date are controlled by nbn co and the final number of the fixed line premises may continue to change even after all the relevant assets have been transferred to nbn co. Therefore, the final price adjustments and the resulting cash flows, including interest payable where relevant, may not be known until nbn co declares that the nbn network rollout is complete in accordance with the DAs.

We have applied judgement in determining the amounts of IAP and IOP recognised for the for the financial year ended 30 June 2022 and did not identify material impacts resulting from reassessment of the assumptions described above. Should evidence exist in future reporting periods that changes these amounts, revenue and other income will be adjusted in the future reporting periods.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.2 Our contracts with customers (continued)

(d) Agreements with nbn co (continued)

Given significant variability in the overall ISA consideration, the legal contract includes specific clauses as to if, when and how an interest receivable or an interest payable should be calculated.

Assessment of a significant financing component in nbn DAs

We have applied judgement to assess if a financing component is significant in the context of the contract as a whole and, where relevant, to determine appropriate discount rates.

We do not separately account for the financing component in our nbn DAs and related arrangements because it is not significant to the accounting contract.

2.2.3 Revenue for contracted goods and services yet to be delivered

Sometimes goods and services purchased under the same customer contract will be transferred to the customer over multiple reporting periods.

Table D presents aggregate consideration allocated to the remaining goods, services and material rights promised under the contracts where a customer has made a firm commitment before the balance date but goods and services will be transferred after 30 June 2022. Any future amounts arising from contracts where the customer has not made a firm commitment, such as usage-based contracts, are not included in the disclosed amounts. Presented time bands best depict the future revenue recognition profile.

Table D Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Less than 1 year	4,360	4,589
Between 1 to 2 years	2,394	2,419
Between 2 to 5 years	4,100	3,864
Between 5 to 10 years	6,988	5,922
Between 10 to 20 years	14,385	13,659
More than 20 years	8,368	9,671
	40,595	40,124

Future revenue arising from nbn DAs is estimated based on a number of assumptions which are reassessed at each reporting period. However, given its size, long-term nature and a number of variable components impacting the contract consideration (refer to note 2.2.2 for details), the actual amounts recognised in the future periods may still materially differ from our estimates.

Any amounts arising from our existing customer contracts which will be recognised as 'revenue from other sources' or 'other income', for example operating lease income or net gain on sale of assets, are excluded from revenue for contracted goods and services yet to be delivered.

2.2.4 Recognition and measurement

Our revenue recognition accounting policies are described below.

(a) Revenue from contracts with customers

Revenue from contracts with customers arises from goods and services sold as part of our ordinary activities.

(i) Accounting contracts with customer

Revenue recognition principles are applied to accounting contracts which are agreements between two or more parties that create enforceable rights and obligations.

The accounting contract may not align with the legal contract and in some cases multiple legal contracts may need to be combined to form one accounting contract. In other instances, a legal contract may only provide a framework agreement (i.e. an offer) and an accounting contract only exists when the customer commits to purchase goods or services.

Any components of the contract which are accounted for under other accounting standards are separated out and accounted for under those other standards.

(ii) Goods, services and/or material rights

Revenue is recognised when Telstra fulfils its contractual obligation to deliver promised goods and services (or a bundle of goods and services) to the customer.

A contractual promise giving the customer an option to purchase additional goods and services at a discount (i.e. material right) is accounted for separately if the incremental discount is at least five per cent compared to other customers.

A good or service is separately accounted for if a customer can benefit from it on its own or together with other readily available resources, and no transformative relationship exists with other promised goods or services.

(iii) Variable consideration

If a contractual amount includes a variable component, we estimate the amount to which we will be entitled in exchange for promised goods and services. Examples of variable consideration include discounts, rebates, refunds, credits and price concessions. To estimate an amount of variable consideration, we use either the most likely amount or the expected value method depending on which better predicts the variable amount. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant reversal of cumulative revenue recognised will not occur.

(iv) Significant financing component

If the period between when we would transfer the good or service to the customer and when the customer would pay for them is expected to be greater than one year, we assess whether revenue should be adjusted for significant financing component, i.e. reduced if we offer deferred payment terms or increased if we receive an advance payment from customer. The significance of financing is assessed relative to the total contract value and interest rates used reflect credit characteristics of the counterparty receiving financing.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.4 Recognition and measurement (continued)

(a) Revenue from contracts with customers (continued)

(v) Allocation of revenue to goods and services

We allocate the consideration to the goods and services based on their relative standalone selling prices. Standalone selling price is the price for which we would sell the goods or services on a standalone basis, i.e. not in a bundle. We determine standalone selling price at contract inception using an observable price for a standalone sale of substantially the same good or service under similar circumstances and to a similar class of customers. If no observable price is available, we estimate the standalone selling price using an appropriate method, e.g. adjusted market assessment approach, expected cost plus a margin approach or a residual approach.

In some instances, in order to correctly reflect the amount of revenue we expect to be entitled to, we allocate variable consideration, discounts or a significant financing component to some but not all goods, services and/or material rights.

(vi) Timing of revenue recognition

Revenue is recognised when control of the good or service is transferred to the customer, i.e. when the customer can benefit from the good or service and decide how to use them.

We recognise revenue over time when the customer simultaneously receives and consumes the benefits provided to them or we create or enhance an asset controlled by the customer. Otherwise, we recognise revenue at a point in time.

We use either input or output methods to measure progress when selling goods or services. Output methods use direct measurements of the value to the customer, for example, milestones reached. Input methods use our efforts or inputs in measuring the performance, for example, our labour hours used relative to the total expected labour hours.

When revenue is recognised at a point in time, the allocated consideration is recognised when control over a good is transferred to the customer. In determining this, we consider the customer's obligation to pay, transfer of legal title to the good, physical possession of the good, the customer's acceptance, and risks and rewards of ownership.

(vii) Contract modifications

From time to time, our contracts are renegotiated after contract inception and their scope and/or price change. A contract modification will result in a cumulative change to revenue already recognised only when the remaining goods and services are not separate from those already delivered.

(viii) Gross versus net presentation

When we control the promised goods and services before they are transferred to the customer and we have primary obligation for their delivery, we act as principal in the contract with a customer and recognise revenue at gross amounts. When we act as an agent of a third-party provider, we recognise revenue net of amounts payable to that third party.

(b) Revenue from other sources

Revenue from other sources includes income arising from arrangements other than those accounted for under the revenue recognition standard.

Contract terminations generally trigger different rights and obligations. These rights and obligations are not related to our performance and were not considered at inception of the accounting contract. Therefore, where relevant, any income over and above the recovery of the consideration due for the delivered goods or services is not classified as revenue from customer contracts. Instead, we classify it as revenue from other sources.

We earn revenue from some of our lease arrangements described in note 3.2, in particular from finance leases where Telstra is a dealer-lessee of customer premise equipment. We recognise revenue from sale of these goods at a point in time at the commencement date of the lease.

Where a (combined) accounting contract includes lease and non-lease components and Telstra is a lessor, we allocate the consideration to lease and non-lease components applying the relative standalone selling prices requirements for revenue from contracts with customers.

We receive contributions to extend, relocate or amend our network assets. Where the counterparty makes a contribution for network construction activities that is neither a government grant nor relates to the purchase of ongoing services under the same (or linked) contract(s), we recognise revenue over the period of the network construction activities.

Revenue from other sources also includes late payment fees, which are recognised when charged and their collectability is reasonably assured.

(c) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and Telstra will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement as other income over the period necessary to match them with the costs that they are intended to compensate.

Section 2. Our performance (continued)

2.3 Expenses

We classify expenses (apart from finance costs) by nature as this classification more accurately reflects the type of operations we undertake.

Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Included in our labour expenses are the following:		
Employee redundancy	80	253
Share-based payments	19	18
Defined contribution plan expense	215	212
Defined benefit plan expense	45	52
Included in our goods and services purchased are the following:		
Network payments	3,223	3,153
Cost of goods sold	2,648	2,797
Other expenses		
Impairment losses (excluding net losses on financial assets)	144	162
Expenses relating to lease arrangements	21	214
Service contracts and other agreements	1,167	1,144
Promotion and advertising	248	248
General and administration	915	982
Stamp duty expenses	95	1
Other operating expenses	222	229
	2,812	2,980
Depreciation and amortisation		
Depreciation of property, plant and equipment	2,572	2,606
Depreciation of right-of-use assets	587	726
Amortisation of intangible assets	1,199	1,314
	4,358	4,646
Finance costs		
Interest on borrowings	444	518
Interest on lease liabilities (Telstra as a lessee)	78	83
Other	61	108
	583	709
Less: interest on borrowings capitalised	(56)	(55)
	527	654

The following paragraphs provide further information about our expenses and finance costs:

- share-based payments expense relates to both cash-settled and equity-settled share plans. Refer to note 5.2 for further details.
- impairment losses include \$107 million impairment of deferred contract costs (2021: \$113 million impairment of deferred contract costs and \$34 million impairment loss on remeasurement of our investment in Project Sunshine I Pty Ltd to its fair value less costs to sell)
- stamp duty expenses related mainly to the establishment of the Amplitel business
- interest on borrowings has been capitalised using a capitalisation rate of 3.7 per cent (2021: 3.7 per cent)
- other finance costs include unrealised valuation impacts on our borrowings and derivatives. These include net losses which arise from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not effective or the hedge

accounting criteria are not met. These fair values increase or decrease because of changes in financial indices and prices over which we have no control. All unrealised amounts unwind to nil at maturity of the underlying instrument.

Section 2. Our performance (continued)

2.4 Income taxes

This note sets out our tax accounting policies and provides an analysis of our income tax expense and deferred tax balances, including a reconciliation of tax expense to accounting profit.

Current income tax is based on the accounting profit adjusted for differences in accounting and tax treatments of income and expenses (i.e. taxable income).

Deferred income tax, which is accounted for using the balance sheet method, arises because the accounting income is not always the same as taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, a deferred tax asset or liability must be recognised in the statement of financial position.

This note also provides disclosures which form part of the requirements of the Australian Board of Taxation's Voluntary Tax Transparency Code.

2.4.1 Income tax expense

Table A provides a reconciliation of notional income tax expense to actual income tax expense.

Table A Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Major components of income tax expense		
Current tax expense	697	665
Deferred tax resulting from the origination and reversal of temporary differences	(23)	(138)
(Over)/under provision of tax in prior years	(7)	12
	667	539
Reconciliation of notional income tax expense to actual income tax expense		
Profit before income tax expense	2,481	2,441
Notional income tax expense calculated at the Australian tax rate of 30% (2021: 30%)	744	732
Notional income tax expense differs from actual income tax expense due to the tax effect of:		
Net (non-taxable) and non-deductible items	(5)	(194)
Deferred tax liabilities derecognised	(15)	-
Amended assessments	(18)	-
(Over)/under provision of tax in prior years	(7)	12
Different tax rates in overseas jurisdictions	(32)	(11)
Income tax expense on profit	667	539
Income tax expense recognised during the year directly in other comprehensive income or equity	83	99

Tables B and C include disclosures which form part of the requirements of the Australian Board of Taxation's Voluntary Tax Transparency Code. Any disclosed amounts are determined in accordance with the Australian Accounting Standards.

Table B provides a breakdown of effective income tax rates and Tax Transparency Code effective income tax rates (TTC ETR) for both the Australian Economic Group (the Telstra Entity and its Australian resident controlled entities) and the Telstra Group.

Table B Telstra Group	Year ended 30 June			
	2022		2021	
	Group	Australia	Group	Australia
Effective income tax rate	26.9%	28.4%	22.1%	22.7%
Tax Transparency Code effective income tax rate	27.9%	29.2%	21.2%	22.0%

The effective income tax rate for the Telstra Group of 26.9 per cent (2021: 22.1 per cent) was calculated as income tax expense divided by profit before income tax expense. Refer to the key non-taxable and non-deductible items impacting our effective tax rate as detailed on the next page.

The TTC ETR for the Telstra Group of 27.9 per cent (2021: 21.2 per cent) differs from the effective income tax rate due to excluding the impact of under or over provision of tax in prior years and amended

assessments. The 2021 TTC ETRs have been updated to include the impact of the net over provision of tax and amended 2021 assessments reflected in the current year income tax expense.

The TTC ETR forms part of the requirements of the Voluntary Tax Transparency Code to disclose the income tax expense borne by Telstra in respect of the Australian and global operations for the individual year.

Section 2. Our performance (continued)

2.4 Income taxes (continued)

2.4.1 Income tax expense (continued)

Non-taxable and non-deductible items include the tax effect of:

- \$61 million lease termination deductions relating to the acquisition of Telstra dealership stores
- \$46 million non-assessable gains on property disposals
- \$90 million non-deductible stamp duty costs relating to the establishment of the towers business.

Table C provides a reconciliation of income tax expense to income tax paid during the year.

Table C Telstra Group	Year ended/As at 30 June	
	2022	2021
	\$m	\$m
Income tax expense	667	539
Over/(under) provision in prior years	7	(12)
Temporary differences recognised in deferred tax expense		
Trade and other receivables and contract assets	3	(12)
Deferred contract costs	52	5
Investments	(1)	27
Property, plant and equipment	62	(40)
Right-of-use assets	50	52
Intangible assets	(84)	(39)
Trade and other payables	26	19
Provision for employee entitlements	(4)	(10)
Lease liabilities	(50)	(11)
Borrowings and derivative financial instruments	(5)	103
Contract liabilities and other revenue received in advance	(5)	60
Other	(21)	(16)
	23	138
Current tax expense	697	665
Income tax payments for prior years	130	213
Income tax payable next year	(25)	(119)
Other	17	3
Income tax paid	819	762

2.4.2 Deferred tax assets/(liabilities)

Table D details the amount of deferred tax assets and liabilities recognised in the statement of financial position, which include impact of foreign exchange movements.

Table D Telstra Group	Year ended/As at 30 June	
	2022	2021
	\$m	\$m
Deferred tax items recognised in the income statement		
Trade and other receivables and contract assets	(217)	(221)
Allowance for doubtful debts	52	54
Deferred contract costs	(318)	(370)
Investments	(12)	(15)
Property, plant and equipment	(1,545)	(1,626)
Right-of-use assets	(600)	(832)
Intangible assets	(688)	(567)
Trade and other payables	196	169
Provision for employee entitlements	244	246
Other provisions	99	128
Lease liabilities	665	909
Defined benefit asset	123	114
Borrowings and derivative financial instruments	44	46
Contract liabilities and other revenue received in advance	514	514
Capital tax losses	26	33
Income tax losses	8	9
Other	(5)	(13)
	(1,414)	(1,422)
Deferred tax items recognised in other comprehensive income or equity		
Investments	(69)	(109)
Defined benefit asset	(206)	(161)
Borrowings and derivative financial instruments	94	172
	(181)	(98)
Net deferred tax liability	(1,595)	(1,520)
Comprising:		
Deferred tax assets	60	60
Deferred tax liabilities	(1,655)	(1,580)
	(1,595)	(1,520)

Section 2. Our performance (continued)

2.4 Income taxes (continued)

2.4.2 Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

We apply judgement to recognise a deferred tax asset and review its carrying amount at each reporting date. The carrying amount is only recognised to the extent that it is probable that sufficient taxable profit will be available in the future to utilise this benefit. Any amount unrecognised could be subsequently recognised if it has become probable that future taxable profit will allow us to benefit from this deferred tax asset.

Table E details deferred tax assets not recognised in the statement of financial position.

Table E Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Deferred tax assets not recognised		
Capital tax losses	1,253	1,285
Income tax losses	255	257
Deductible temporary differences	111	118
	1,619	1,660

2.4.3 Tax consolidated group

Under the Australian taxation law, the Telstra Entity and its Australian resident wholly-owned entities (members) form a tax consolidated group and are treated as a single entity for income tax purposes. The Telstra Entity is the head entity of the group and, in addition to its own transactions, it recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and tax credits for all members in the group.

Entities within the tax consolidated group have entered into a tax sharing agreement and a tax funding arrangement with the head entity.

The tax sharing agreement specifies methods of allocating any tax liability in the event the head entity defaults on its group payment obligations and the treatment where a member exits the tax consolidated group.

Under the tax funding arrangement, the head entity and each of the members have agreed to pay/receive a current tax payable to/receivable from the head entity based on the current tax liability or current tax asset recorded in the financial statements of the members. The Telstra Entity will also compensate the members for any deferred tax assets relating to unused tax losses and tax credits.

Amounts receivable by the Telstra Entity of \$74 million (2021: \$27 million) and payable by the Telstra Entity of \$87 million (2021: \$17 million) under the tax funding arrangement are due in the next financial year upon final settlement of the current tax payable for the tax consolidated group.

2.4.4 Recognition and measurement

Our income tax expense is the sum of current and deferred income tax expenses. Current income tax expense is calculated on accounting profit after adjusting for non-taxable and non-deductible items based on rules set by the tax authorities. Deferred income tax expense is calculated at the tax rates that are expected to apply for the period in which the deferred tax asset is realised or the deferred tax liability is settled. Both our current and deferred income tax expenses are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Our current and deferred taxes are recognised as an expense in the income statement, except when they relate to items that are directly recognised in other comprehensive income or equity. In this case, our current and deferred tax expenses are also recognised directly in other comprehensive income or equity.

Our current and deferred taxes must also recognise the impact of any uncertain tax positions. If it is probable that a relevant tax authority would accept our tax treatment, our tax balances are recognised under that tax treatment. Otherwise, for each uncertain tax position for which it is not probable that the relevant tax authority will accept the tax treatment, we use the most likely amount or the expected value to estimate our tax balances.

We apply the balance sheet method for calculating our deferred tax balances. Deferred tax is the expected tax payable or recoverable on all taxable and deductible temporary differences determined with reference to the tax bases of assets and liabilities and their carrying amount for financial reporting purposes as at the reporting date.

We generally recognise deferred tax liabilities for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill
- the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither our accounting profit nor our taxable income at the time of the transaction (single transactions where both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount are excluded from this exemption).

For our investments in controlled entities, joint ventures and associated entities, recognition of deferred tax liabilities is required unless we are able to control the timing of our temporary difference reversal and it is probable that the temporary difference will not reverse.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carried forward unused tax losses and tax credits, can be utilised.

Deferred tax assets and deferred tax liabilities are offset in the statement of financial position where they relate to income taxes levied by the same taxation authority and to the extent that we intend to settle our current tax assets and liabilities on a net basis.

Section 2. Our performance (continued)

2.5 Earnings per share

This note outlines the calculation of Earnings per Share (EPS), which is the amount of post-tax profit attributable to each share. EPS excludes profit attributable to non-controlling interests and takes into account the average number of shares weighted by the number of days on issue.

We calculate basic and diluted EPS. Diluted EPS reflects the effects of the equity instruments allocated to our employee share schemes under the Telstra Growthshare Trust.

Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Earnings used in the calculation of basic and diluted EPS		
Profit for the year attributable to equity holders of Telstra Entity	1,688	1,857
Weighted average number of ordinary shares	Number of shares (millions)	
Weighted average number of ordinary shares used in the calculation of basic EPS	11,755	11,875
Dilutive effect of certain employee share instruments	9	17
Weighted average number of ordinary shares used in the calculation of diluted EPS	11,764	11,892
	cents	cents
Basic EPS	14.4	15.6
Diluted EPS	14.3	15.6

When we calculate the basic EPS, we adjust the weighted average number of ordinary shares to exclude the shares held in trust by Telstra Growthshare Trust (Growthshare).

Information about equity instruments issued under Growthshare can be found in note 5.2.

2.6 Notes to the statement of cash flows

2.6.1 Reconciliation of profit to net cash provided by operating activities

Table A Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Profit for the year	1,814	1,902
Add/(subtract) items classified as investing/financing activities		
Finance income	(110)	(103)
Finance costs	527	654
Net gain on disposal of property, plant and equipment and intangible assets	(158)	(66)
Net gain on disposal of businesses, controlled entities and equity accounted investments	(7)	(107)
Revenue of a dealer-lessor	(15)	(42)
Net (gain)/loss on lease related transactions	(2)	4
Government grants received relating to investing activities	(22)	(19)
Other	-	(1)
Add/(subtract) non-cash items		
Depreciation and amortisation	4,358	4,646
Share-based payments	19	18
Defined benefit plan expense	45	52
Share of net loss from joint ventures and associated entities	31	24
Impairment losses (excluding inventories, trade and other receivables)	26	40
Effects of exchange rate changes on other investments	(22)	15
Other	(6)	(12)
Cash movements in operating assets and liabilities		
Decrease in trade and other receivables and contract assets	620	589
(Increase)/decrease in inventories	(101)	31
Decrease/(increase) in prepayments and other assets	56	(88)
Increase/(decrease) in deferred contract costs	104	(18)
Increase/(decrease) in trade and other payables	241	(98)
(Decrease)/increase in contract liabilities and other revenue received in advance	(12)	111
Decrease in net taxes payable	(152)	(222)
Increase/(decrease) in provisions	15	(79)
Net cash provided by operating activities	7,249	7,231

Section 2. Our performance (continued)

2.6 Notes to the statement of cash flows (continued)

2.6.2 Cash and cash equivalents

Table B Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Cash at bank and on hand	417	266
Bank deposits and negotiable certificates of deposit	623	859
Cash and cash equivalents in the statement of cash flows	1,040	1,125

2.6.3 Recognition, measurement and presentation

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, bank deposits and negotiable certificates of deposit that are held to meet short-term cash commitments rather than for investment purposes.

Bank deposits and negotiable certificates of deposit are classified as financial assets held at amortised cost.

(b) Short-term borrowings in financing cash flows

Where our short-term borrowings are held for the purposes of meeting short-term cash commitments, we report the cash receipts and subsequent repayments in financing activities on a net basis in the statement of cash flows.

(c) Goods and Services Tax (GST) (including other value-added taxes)

We record our revenue, expenses and assets net of any applicable GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivable and payable balances in the statement of financial position, and receipts from customers and payments to suppliers in the statement of cash flows include GST where we have either included GST in our price charged to customers or a supplier has included GST in their price charged to us. The net amount of GST due to the ATO but not paid is included in our current trade and other payables.

Section 3. Our core assets, lease arrangements and working capital

This section describes our core long-term tangible (owned and leased) and intangible assets underpinning the Group's performance and provides a summary of our asset impairment assessment. This section also describes our short-term assets and liabilities, i.e. our working capital supporting the operating liquidity of our business.



3.1 Property, plant and equipment and intangible assets

This note provides details of our tangible and intangible assets, including goodwill, and their impairment assessment.

Our impairment assessment compares the carrying values of our cash generating units (CGUs) with their recoverable amounts determined using a 'value in use' calculation. The value in use calculations use key assumptions such as cash flow forecasts, discount rates and terminal growth rates.

3.1.1 Property, plant and equipment

Table A shows movements in the net book value of our property, plant and equipment assets during the financial year.

Table A Telstra Group	Land and buildings	Communication assets	Other plant and equipment	Total property, plant and equipment
	\$m	\$m	\$m	\$m
Net book value at 1 July 2020	624	20,627	248	21,499
Additions	52	2,064	48	2,164
Depreciation expenses	(55)	(2,476)	(75)	(2,606)
Other movements	(33)	(158)	(3)	(194)
Net book value at 30 June 2021, comprising:	588	20,057	218	20,863
Cost	1,344	62,302	1,096	64,742
Accumulated depreciation and impairment	(756)	(42,245)	(878)	(43,879)
Net book value at 1 July 2021	588	20,057	218	20,863
Additions	59	2,093	79	2,231
Additions due to acquisitions of controlled entities	27	-	6	33
Depreciation expenses	(60)	(2,433)	(79)	(2,572)
Other movements	1	(53)	(18)	(70)
Net book value at 30 June 2022, comprising:	615	19,664	206	20,485
Cost	1,274	62,475	1,130	64,879
Accumulated depreciation and impairment	(659)	(42,811)	(924)	(44,394)

The following paragraphs provide further information about our fixed asset classes:

- additions to property, plant and equipment include \$42 million (2021: \$41 million) of capitalised borrowing costs directly attributable to qualifying assets
- land and buildings include leasehold improvements related to right-of-use assets recognised under our leasing arrangements (Telstra as a lessee)
- communication assets include certain network land and building assets that are essential to the operation of our communication assets
- our property, plant and equipment assets include buildings and communication assets which are mainly used by us to generate revenue, however we also generate an insignificant rental income from those assets. Given the dual purpose and the insignificance of the rental income those assets continue to be presented as owned assets not subject to operating leases.
- as at 30 June 2022, \$1,137 million (2021: \$1,133 million) of property, plant and equipment was under construction and not installed or ready for use
- other movements include \$83 million (2021: \$30 million) net transfers to intangible assets, \$44 million increase (2021: \$74 million decrease) due to net foreign exchange differences, \$23 million (2021: \$5 million) impairment loss, \$5 million (2021: \$85 million) disposals, and other individually insignificant transactions.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.2 Goodwill and other intangible assets

Table B shows movements in the net book value of our intangible assets during the financial year.

Table B Telstra Group	Goodwill	Software assets	Licences	Other intangible assets	Total intangible assets
	\$m	\$m	\$m	\$m	\$m
Net book value at 1 July 2020	1,085	3,510	2,189	628	7,412
Additions	-	924	120	7	1,051
Additions due to acquisitions of controlled entities	14	7	-	6	27
Amortisation expense	-	(964)	(265)	(85)	(1,314)
Other movements	(47)	(22)	(1)	25	(45)
Net book value at 30 June 2021, comprising:	1,052	3,455	2,043	581	7,131
Cost	1,139	11,281	3,328	1,525	17,273
Accumulated amortisation and impairment	(87)	(7,826)	(1,285)	(944)	(10,142)
Net book value at 1 July 2021	1,052	3,455	2,043	581	7,131
Additions	-	891	238	42	1,171
Additions due to acquisitions of controlled entities	676	103	-	147	926
Amortisation expense	-	(823)	(282)	(94)	(1,199)
Other movements	41	83	(4)	6	126
Net book value at 30 June 2022, comprising:	1,769	3,709	1,995	682	8,155
Cost	1,856	12,048	3,547	1,735	19,186
Accumulated amortisation and impairment	(87)	(8,339)	(1,552)	(1,053)	(11,031)

The following paragraphs detail further information about our intangible asset classes:

- additions to software assets include \$14 million (2021: \$14 million) of capitalised borrowing costs directly attributable to qualifying assets
- software assets mostly comprise internally generated assets.
- licences comprise of the spectrum licences and apparatus licences obtained to operate a range of radiocommunications devices
- other movements include \$48 million increase (2021: \$61 million decrease) due to net foreign exchange differences, \$83 million (2021: \$30 million) net transfers from property, plant and equipment to intangible assets, and other individually insignificant transactions.

Capitalisation of development costs

We apply judgement to determine whether to capitalise development costs.

Development costs are only capitalised if the project is assessed to be technically and commercially feasible, we are able to use or sell the asset, and we have sufficient resources and intent to complete the development.

As at 30 June 2022, \$434 million (2021: \$451 million) of software assets were not installed and ready for use.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.3 Depreciation and amortisation

Table C presents the weighted average useful lives of our property, plant and equipment and identifiable intangible assets.

Table C Telstra Group	Expected benefit (years)	
	As at 30 June	
	2022	2021
Property, plant and equipment		
Buildings	30	30
Communication assets	25	25
Other plant and equipment	7	8
Intangible assets		
Software assets	9	9
Licences	14	13
Other intangibles	17	17

3.1.4 Impairment assessment

All non-current tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Goodwill and intangible assets with an indefinite useful life are not subject to amortisation and are assessed for impairment at least annually. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount.

The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. Fair value less cost of disposal is measured with reference to quoted market prices in an active market. Value in use represents the present value of the future amount expected to be recovered through the cash inflows and outflows arising from the asset's continued use and subsequent disposal.

We identify CGUs, the smallest groups of assets that generate largely independent cash inflows from other assets or groups of assets. CGUs to which goodwill is allocated cannot be larger than an operating segment.

Useful lives and residual values of tangible and intangible assets

We apply judgement to estimate useful lives and residual values of our assets and review them each year. If useful lives or residual values need to be modified, the depreciation and amortisation expense changes from the date of reassessment until the end of the revised useful life for both the current and future years.

Assessment of useful lives and residual values includes a comparison with international trends for telecommunication companies and, in relation to communication assets, a determination of when the asset may be superseded technologically or made obsolete. For intangible assets, specifically business software, useful lives are adjusted to align with expected retirement dates of the relevant applications under the current corporate strategies.

In the financial year 2022, there was no significant net effect of the assessment of useful lives.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.4 Impairment assessment (continued)

(a) Telstra Entity ubiquitous telecommunication network

An impairment assessment is performed at the level of our Telstra Entity ubiquitous telecommunications network CGU.

Impairment assessment of our ubiquitous telecommunications network

We have determined that assets which form part of the Telstra Entity ubiquitous telecommunications network, comprising the customer access network and the core network, are working together to generate independent cash inflows. No one item of telecommunications equipment is of any value without the other assets to which it is connected to deliver our products and services.

Indicators of impairment may include changes in our operating and economic assumptions or possible impacts from risks such as the COVID-19 pandemic and climate change. We apply judgement in determining whether certain trends with an adverse impact on our cash flows are considered impairment indicators.

The COVID-19 pandemic continues to create uncertainty in the economic environments we operate in. However, given the long-lived nature of the majority of our assets and the nature of the services we provide, we did not consider it as an impairment indicator of our ubiquitous telecommunications network.

We continue to assess the potential impacts of climate change and the transition to a lower carbon economy. Some financial impacts of meeting our medium-term environmental goals associated with both maintaining our carbon neutral status, and with enabling 100 per cent renewable energy generation equivalent to our consumption by 2025, are incorporated in our management forecasts. On the other hand, work is ongoing to incorporate the potential long-term financial impacts of climate change and our relevant adaptation strategies in our forward plans, as those impacts are progressively identified and strategies developed. Telstra operates significant physical assets including telephone exchanges, mobile towers, data centres and fibre network. These are located in city centres as well as urban and regional areas of Australia with many exposed to extreme weather conditions. Increased frequency and severity of extreme weather events such as bushfires, coastal inundation and flooding, cyclones, high temperatures, and flash flooding may damage and disrupt our operations and service delivery.

During the year, we progressed our understanding of the potential long-term financial impacts of extreme weather events from asset loss, asset damage and service disruption on our above ground assets in Australia, which is based on a range of climate scenarios to 2050. We have assessed the potential impacts of physical climate risks on Telstra associated with bushfires, cyclones, coastal inundation and urban flooding. We have not yet assessed in detail or quantified the impacts of other potential climate-related chronic physical risks (such as increases in temperature) or transition risks or opportunities.

Based on our experience with extreme weather events, and considering the diverse location and nature of our assets as well as our continued focus on network resiliency and business continuity programs, we do not consider the potential impacts of climate change and the transition to a lower carbon economy to be an impairment indicator at this stage. In addition, based on the sensitivity analysis performed, the range of financial impacts identified and quantified to date for possible climate scenarios, namely the cost to relocate and/or replace assets at risk, is not significant compared to the excess of the recoverable amount over the carrying value of our ubiquitous telecommunications network.

As we continue to assess climate impacts to our business we will incorporate any identified financial impacts into our impairment assessment. Should we identify material adverse effects of climate change or transition to a lower carbon economy on our cash flows, we may deem it an impairment indicator in the future.

Management forecasts require significant judgements and assumptions and are subject to risk and uncertainty that may be beyond our control. Hence, there is a possibility that changes in circumstances will materially alter projections, which may impact our assessment of impairment indicators and the recoverable amount of assets at each reporting date.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.4 Impairment assessment (continued)

(b) Goodwill

The carrying amount of goodwill has been allocated to the CGUs as detailed in Table D.

Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Telstra Enterprise International Group ¹	585	543
Telstra Enterprise Australia Group ²	437	437
Telstra Consumer & Small Business Group	323	9
MedicalDirector Group	224	-
Power Health Group	89	-
Other ³	111	63
	1,769	1,052

¹ These CGUs operate in overseas locations. Therefore, the goodwill allocated to these CGUs will fluctuate in line with movements in applicable foreign exchange rates.

² The Telstra Enterprise Australia Group includes goodwill from past acquisitions integrated into this business.

³ Other includes individually immaterial CGUs.

In regard to goodwill recognised on acquisitions completed during the financial year 2022 there were no impairment indicators in relation to these assets since their acquisition date. For all other CGUs with allocated goodwill we used a value in use calculation to determine the recoverable amount.

Determining CGUs and their recoverable amount for impairment assessment of goodwill

We apply judgement to identify our CGUs and determine their recoverable amounts using a value in use calculation. These judgements include cash flow forecasts, as well as the selection of growth rates, terminal growth rates and discount rates based on experience and our expectations for the future.

Our cash flow projections are based on five-year management-approved forecasts unless a different period is justified. The forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each asset and CGU.

We have concluded that the generated discounted cash flows continue to support the carrying values of our CGUs, thus no impairment has been identified.

We have used the following key assumptions in determining the recoverable amount of our CGUs to which goodwill has been allocated:

Telstra Group	Discount rate		Terminal value growth rate	
	2022	2021	2022	2021
	%	%	%	%
Telstra Enterprise International Group	9.9	9.0	2.0	2.0
Telstra Enterprise Australia Group	14.0	13.1	2.5	2.3

The discount rate represents the pre-tax discount rate applied to the cash flow projections. The discount rate reflects the market determined, risk-adjusted discount rate that is adjusted for specific risks relating to the CGU and the countries in which it operates.

The terminal value growth rate represents the growth rate applied to extrapolate our cash flows beyond the forecast period. These growth rates are based on our expectation of the CGUs' long-term performance in their markets.

We also perform a sensitivity analysis to examine the effect of a change in a key assumption on the remaining CGUs. The pre-tax discount rate would need to increase by 364 basis points (2021: 300 basis points) or the terminal value growth rate would need to decrease by 697 basis points (2021: 584 basis points) before the recoverable amount of any of the CGUs would equal its carrying value. No other changes in key assumptions will result in a material impairment charge for any of the CGUs.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.1 Property, plant and equipment and intangible assets (continued)

3.1.5 Recognition and measurement

Asset class	Recognition and measurement
Property, plant and equipment	<p>Property, plant and equipment, including assets under construction, is recorded at cost less accumulated depreciation and impairment. Cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use.</p> <p>We capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. All other borrowing costs are recognised as an expense in our income statement when incurred.</p> <p>Property, plant and equipment other than freehold land are depreciated on a straight-line basis in the income statement from the time when the assets are installed and ready for use. Items of property, plant and equipment excluding leasehold improvements are depreciated over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term and the useful life of the assets.</p>
Goodwill	<p>Goodwill acquired in a business combination is measured at cost. Cost represents the excess of what we pay for the business combination over the fair value of the identifiable net assets acquired at the date of acquisition.</p> <p>Goodwill is not amortised but is tested for impairment on an annual basis or when an indication of impairment arises.</p> <p>Goodwill arising on the acquisition of joint ventures or associated entities constitutes part of the cost of the investment.</p>
Internally generated intangible assets	<p>Internally generated intangible assets include mainly IT development costs incurred in design, build and testing of new or improved IT products and systems.</p> <p>Research costs are expensed when incurred.</p> <p>Capitalised development costs include:</p> <ul style="list-style-type: none"> • external direct costs of materials and services consumed • payroll and payroll-related costs for employees (including contractors) directly associated with the project • borrowing costs that are directly attributable to the qualifying assets. <p>Internally generated intangible assets have a finite life and are amortised on a straight-line basis over their useful lives.</p>
Acquired intangible assets	<p>We acquire other intangible assets either as part of a business combination or through a separate acquisition. Intangible assets acquired in a business combination are recorded at their fair value at the date of acquisition and recognised separately from goodwill. Intangible assets acquired through a specific acquisition are recorded at cost.</p> <p>Intangible assets that are considered to have a finite life are amortised on a straight-line basis over the useful lives. Intangible assets that are considered to have an indefinite life are not amortised but tested for impairment on an annual basis or when an indication of impairment exists.</p>

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements

This note provides details about our leasing arrangements, where Telstra is either a lessee or a lessor, including arrangements where Telstra is an intermediate lessor (i.e. subleases).

3.2.1 Telstra as a lessee

Our most significant lease contracts relate to network and non-network properties, including:

- land and buildings supporting our network assets and data centres
- office buildings, retail spaces and warehouses.

Other lease arrangements include:

- communication assets dedicated to solution management that we provide to our enterprise customers
- spaces on mobile towers
- renewable energy plants
- motor vehicles
- laptops, personal computers and printers.

None of our leases include residual value guarantees. Other features of our leases are described below.

(a) Leases with extension, termination and purchase options

We do not have any significant purchase options in our property leases.

Extension options are included in a number of commercial and network property leases and are taken up to maximise the operational flexibility in terms of managing the assets used in our core business operations.

The majority of extension and termination options within our lease contracts are exercisable only by us and not by the respective lessor, with the exception of 'holdover periods' in our property leases, where generally either party can terminate the lease.

The extension, termination and purchase options are considered when determining lease term.

On 31 August 2021, the assets and liabilities of our towers business were transferred to Towers Business Operating Trust (Trust). The trustee of the Trust is our subsidiary Amplitel Pty Ltd (Amplitel), previously known as Telstra Towerco No.1 Pty Ltd. On 1 September 2021, we disposed of 49 per cent interests in the Trust and Amplitel. Refer to note 6.1.2 for further details about the sale of units in the Trust.

As the towers business became operational, a number of inter-company arrangements with the Telstra Entity became effective, including long-term arrangements to access tower sites, some of which are located on leased land. We have considered those inter-company arrangements as a significant event impacting our judgement when reassessing the lease term of our external leases and adjusted the lease term for those leases where the inter-company sub-leases extended beyond the period of our previous judgement. As a result, we have recognised a \$349 million increase in our lease liabilities with a corresponding increase in our right-of-use assets.

Determining lease term for property leases

We apply judgement to determine a lease term for leases with extension, termination or purchase options. We also consider lease modifications where we continue to use the same underlying asset for an extended term.

Our property lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, with typical fixed term periods between three and 15 years.

In determining the lease term, we consider all facts and circumstances that create an economic incentive to exercise an extension, termination or purchase option, including holdover periods where relevant.

In particular, we consider contractual terms under which the lease term can be extended or terminated, potential relocation costs, asset specific factors and any relevant leasehold improvements or our wider strategy and policy decisions.

We also consider long-term inter-company arrangements to access tower sites located on land leased from third parties.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. Periods beyond termination options are only included in the lease term if it is reasonably certain that the lease will not be terminated.

The longer the fixed lease term, the less certain a lessee is to exercise an option to extend the lease.

The extension options for leases of office buildings have generally not been included in the lease term due to a competitive marketplace and our commercial ability to either substantially renegotiate or replace these assets instead of exercising the extension options.

None of our termination options have been considered reasonably certain to be exercised; therefore, the lease terms have not been shortened and all future cash flows have been included in the measurement of the lease liability.

The lease term assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and that is within our control as a lessee.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.1 Telstra as a lessee (continued)

(b) Leases with lease payment increases

Under most of our lease arrangements, we pay fixed lease payments, which are included in the measurement of lease liabilities at initial recognition or at the time of reassessment. Fixed lease payments in our property leases usually include fixed increases. However, some of our property leases contain other escalation clauses, including increases subject to the consumer price index, the greater of fixed increase or the consumer price index or increases subject to market rates. Market rent review terms are used to respond to competitive market trends and to minimise our fixed costs. No material adjustments to lease liabilities resulting from such escalation clauses were recognised during the financial year 2022.

(c) Leases with variable lease payments that do not depend on an index or a rate

Some of our leases, such as leases of renewable energy plants, include variable lease payments that do not depend on an index or a rate. Such payments are not included in the measurement of the lease liability and are expensed as incurred in 'other expenses' in the income statement.

(d) Right-of-use assets

Table A shows movements in net book value of our right-of-use assets during the financial year.

Table A Telstra Group	Right-of-use assets for underlying assets		
	Land and buildings	Other	Total
	\$m	\$m	\$m
Net book value at 1 July 2020	2,782	248	3,030
Additions	409	243	652
Depreciation expense	(448)	(278)	(726)
Terminations	(33)	(25)	(58)
Other movements	(17)	(29)	(46)
Net book value at 30 June 2021, comprising:	2,693	159	2,852
Cost	3,583	400	3,983
Accumulated depreciation and impairment	(890)	(241)	(1,131)
Net book value at 1 July 2021	2,693	159	2,852
Additions	513	121	634
Additions due to acquisitions of controlled entities and businesses	96	-	96
Depreciation expense	(482)	(105)	(587)
Terminations	(32)	(13)	(45)
Other movements	1	(25)	(24)
Net book value at 30 June 2022, comprising:	2,789	137	2,926
Cost	4,149	351	4,500
Accumulated depreciation and impairment	(1,360)	(214)	(1,574)

In the prior financial year, terminated leases of other assets mainly included derecognised right-of-use assets for our mobile handset leases (Telstra as a lessee), which we ceased following terminations of the back-to-back customer operating leases.

Other movements include other individually insignificant transactions.

Table B provides information about the weighted average useful lives of our right-of-use assets.

Table B Telstra Group	Weighted average useful life (years)	
	As at 30 June	
	2022	2021
Right-of-use assets		
Land and buildings	9	9
Other	3	4

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.1 Telstra as a lessee (continued)

(e) Lease liabilities

Lease liabilities do not include liabilities for leases of low value assets (such as personal computers, laptops and printers) or leases with variable payments which do not depend on an index or a rate, for which associated outstanding rental payments as at balance date continue to be included in trade and other payables.

Determining incremental borrowing rates for property leases

We apply judgement to determine incremental borrowing rates for our property leases because the interest rates implicit in leases are not readily determinable for those arrangements.

The incremental borrowing rates are determined with reference to rates sourced from market-based credit adjusted yield curves which are independently derived and reasonably reflect the credit risk of the lessee. The discount rates also reflect:

- the lease term (based on the weighted average repayment term)
- any guarantees which may be in place
- the impact of any security if significant to pricing.

As at 30 June 2022, the weighted average incremental borrowing rate was 2.4 per cent.

Table C presents maturity analysis of our lease liabilities.

Table C Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Undiscounted future cash flows		
Less than 1 year	550	566
1 to 2 years	546	577
2 to 5 years	1,196	1,118
More than 5 years	1,394	1,444
Total undiscounted lease liabilities	3,686	3,705
Future finance charges	(399)	(400)
Present value of lease liabilities	3,287	3,305
Comprising:		
Current	490	503
Non-current	2,797	2,802
	3,287	3,305

Measurement of lease liabilities reflects judgements made about discounted future cash flows arising from reasonably certain extension options and lease modifications, which must be reassessed should the circumstances change.

Potential future cash outflows of \$1,961 million (2021: \$2,194 million) are not reflected in the measurement of lease liabilities as they relate to leases which are yet to commence and/or extension options that we assessed as not reasonably certain. Almost 90 per cent of those cash flows will occur after five years. These outflows represent contractual undiscounted future cash flows estimated based on fixed lease payments only, payable over:

- for leases yet to commence - the legally non-cancellable lease term
- for leases already recognised in the statement of financial position and for those yet to commence - all extension options exercisable only by us (i.e. excluding holdover periods).

Such cash flows are not contractually payable until options have been legally exercised (if at all) and/or until the effective dates of already executed new contracts.

(f) Amounts recognised in the income statement and cash outflows for leases

Table D presents amounts recognised in the income statement and the cash outflows related to our lease arrangements.

Table D Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Amounts recognised in the income statement		
Income from operating subleases (in revenue from other sources)	40	181
Depreciation of right-of-use assets (in depreciation and amortisation expense)	(587)	(726)
Interest expense on lease liabilities (in net finance costs)	(78)	(83)
Net gain on sale and leaseback transactions (in other income)	-	102
Net gain/(loss) on termination and modification of leases (in other income/expenses)	2	(189)
Expense for leases of low value assets and variable payments (in other expenses)	(21)	(25)
Cash outflows for leases		
In cash flows from operating activities	(21)	(25)
In cash flows from financing activities (principal portion)	(697)	(706)
In cash flows from financing activities (interest portion)	(78)	(83)

During the financial year 2022, we did not enter into any individually significant sale and leaseback transactions. In the prior financial year, we recognised a \$102 million net gain from a sale and leaseback transaction for an exchange property and received \$282 million in sale proceeds. We also recognised a \$136 million lease liability and a \$39 million right-of-use asset for the transaction.

Net loss on termination and modification of leases in the prior financial year mainly included early termination charges for our mobile handset leases which has been partly recovered from the income recognised on termination of the operating subleases of those handsets.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.2 Telstra as a lessor (including a dealer-lessor and an intermediate lessor)

Our lease arrangements where Telstra is a lessor, including a dealer-lessor and intermediate lessor, include the following main categories:

- leases and subleases of property assets, including office and network buildings
- finance leases where Telstra is a dealer-lessor of communication assets dedicated to solution management.

Our key finance and operating leases are described below.

(a) Finance leases

(i) Finance leases where Telstra is a dealer-lessor

We enter into finance lease arrangements with our customers predominantly for communication assets dedicated to solution management. At lease commencement date, we recognise revenue and a selling profit from these transactions as we have no risks associated with the remaining rights in the underlying assets. The weighted average remaining term of the finance leases in our customer contracts is four years (2021: four years).

(ii) Subleases

Generally, we rent office and network buildings for our own use and not with the intention to earn rental income. However, where our needs or the intended use of the rented properties change and we have assessed that exiting a lease is uneconomical, we sublease property assets on market terms for the remaining non-cancellable lease term of the head lease.

These subleases are classified as finance leases and, at lease commencement date, we record a net gain or loss on the derecognised right-of-use asset and recognise a finance lease receivable. We have no risks associated with any retained rights in the underlying assets as the properties are vacated and returned to the landlords at the end of the non-cancellable lease term.

(iii) Finance lease receivable maturity analysis

Table E sets out the maturity analysis of undiscounted lease payments receivable and the unearned finance income for our finance lease receivables. No unguaranteed residual values accrue under our finance leases.

Table E Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Undiscounted lease payments receivable under finance leases		
Less than 1 year	70	89
1 to 2 years	46	64
2 to 3 years	26	38
3 to 4 years	20	22
4 to 5 years	13	22
More than 5 years	17	30
Total undiscounted lease payments receivables	192	265
Less: unearned finance income	(16)	(24)
Net investment in the lease	176	241
Allowance for doubtful debts	(1)	(1)
	175	240
Comprising		
Current	63	80
Non-current	112	160
	175	240

During the financial year, we added \$31 million (2021: \$61 million) new finance lease receivables and recognised interest income of \$8 million (2021: \$10 million).

Refer to note 3.3.1 for details regarding impairment assessment of our finance lease receivables.

(b) Operating leases

The undiscounted future lease payments receivable under our operating leases totalled \$67 million (2021: \$60 million), with 70 per cent (2021: 55 per cent) of that amount maturing within the next two years.

(c) Amounts recognised in the income statement

Table F presents amounts relating to our lease arrangements where Telstra is a lessor (including an intermediate lessor) recognised in the income statement during the financial year.

Table F Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Revenue from dealer-lessor finance leases (in revenue from other sources)	22	39
Income from operating leases, including subleases (in revenue from other sources)	73	203

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.3 Recognition and measurement

(a) Lease identification and lease term

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset, including a physically distinct portion of an asset, for a period of time in exchange for consideration. The customer has the right to control the use of an identified asset if the supplier has no substantive substitution rights, and the customer obtains substantially all of the economic benefits from use of the identified asset and has the right to direct its use.

A contract may include lease and non-lease components, which are accounted for separately. We allocate the consideration to lease and non-lease components based on their relative standalone (selling) prices.

If a lease has been identified at inception of the arrangement, a lease term is determined considering a non-cancellable period and reasonably certain extension, termination or purchase options.

(b) Telstra as a lessee

A lessee recognises a right-of-use asset and a lease liability at a lease commencement date. The lease liability is initially measured as a present value of the following lease payments:

- fixed payments (including any in-substance fixed lease payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially using the index or rate as at the commencement date
- the exercise price of a purchase option, if the purchase option was assessed as reasonably certain to be exercised
- payments for penalties for terminating the lease, if the lease term reflects that the lessee will exercise that option.

Lease payments expected to be made under a reasonably certain extension option are also reflected in the measurement of the lease liability.

Where lease arrangements include market rent review clauses, lease liabilities are measured excluding any expected impacts from market rent reviews until they are legally binding and can be reliably measured.

The lease payments are discounted using the interest rate implicit in the lease, unless that rate is not readily determinable, in which case the lessee's incremental borrowing rate is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that do not depend on an index or a rate are recognised in the income statement in the period in which the event or condition that triggers those payments occurs.

Payments associated with leases of low value assets are recognised on a straight-line basis as an expense in the income statement.

At the commencement of the lease right-of-use assets are measured at cost, which comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. Where an obligation exists to dismantle, remove or restore a leased asset or the site it is located on and a provision has been raised, the right-of-use asset also includes these restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that we will exercise the purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The depreciation starts at the commencement date of the lease.

Right-of-use assets are reviewed for impairment under the same policy as our property, plant and equipment assets. Refer to note 3.1.4 for further details regarding impairment testing.

Costs of improvements to the leased properties are capitalised as leasehold improvements and usually depreciated over the shorter of the useful life of the improvements and the term of the lease.

We reassess lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed (reflecting reassessment of or exercise of an extension or termination options previously not included in the measurement of the lease liability) or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the future lease payments change due to changes in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(c) Telstra as a lessor (including a dealer-lessor and an intermediate lessor)

We distinguish between finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased asset from the lessor to the lessee, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Lease classification is made at the inception date and is only reassessed if there is a lease modification.

Where we are an intermediate lessor, we account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Where we lease assets via a finance lease, a finance lease receivable (i.e. a net investment in the lease) is recognised at the lease commencement date and measured at the present value of the lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term and discounted using the interest rate implicit in the lease.

Finance lease receipts are allocated between finance income and a reduction of the finance lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Where we are a dealer-lessor, at the commencement of the lease, in addition to the finance lease receivable we also recognise a selling profit or loss (being the difference between revenue from other sources and the cost of sale) from the sale of the underlying asset.

Income from operating leases is recognised on a straight-line basis over the term of the relevant lease and presented in the income statement as revenue from other sources.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.3 Recognition and measurement (continued)

(d) Sale and leaseback transactions

When we sell and lease back the same asset, the accounting treatment depends on whether the control of the asset has been transferred to the buyer:

- if yes, we measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the rights retained by us as a seller-lessee. Accordingly, we recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.
- if not, as a seller-lessee we continue to recognise the transferred asset and we recognise a financial liability equal to the transfer proceeds.

3.3 Trade and other receivables and contract assets

3.3.1 Current and non-current trade and other receivables and contract assets

Table A Telstra Group	Note	As at 30 June	
		2022	2021
		\$m	\$m
Current			
Trade receivables from contracts with customers		2,755	3,136
Finance lease receivables	3.2	63	80
Accrued revenue		260	325
Other receivables		166	253
		3,244	3,794
Contract assets	3.5	830	783
		4,074	4,577
Non-current			
Trade receivables from contracts with customers		412	694
Finance lease receivables	3.2	112	160
Amounts owed by joint ventures and associated entities	6.4	132	79
Other receivables		47	51
		703	984
Contract assets	3.5	158	184
		861	1,168

The majority of our receivables are in the form of contracted agreements with our customers. In general, the terms and conditions of these contracts require settlement between 14 and 30 days from the date of invoice. Credit risk associated with trade and other receivables and contract assets has been provided for.

Our trade receivables include receivables with deferred payment terms over 12, 24 or 36 months arising from mass market plans of hardware and services. Amounts expected to be collected within 12 months from the reporting date are presented as current assets.

Trade receivables from contracts with customers represent an unconditional right to receive consideration (primarily cash) which normally arises when the goods and services have been delivered and/or a valid invoice has been issued. By contrast, contract assets relate to our rights to consideration for goods or services provided to the customer but for which we do not have an unconditional right to payment at the reporting date.

In general, we invoice customers in advance for services provided under our prepaid or fixed fee (usually monthly) contracts and in arrears for usage-based contracts (e.g. carriage services under enterprise contracts). In those cases we would recognise a contract liability and a contract asset, respectively.

Refer to note 3.5 for movements in net contract assets and contract liabilities.

(a) Impairment of trade and other receivables and contract assets

Trade and other receivables and contract assets are exposed to customers' credit risk and are subject to impairment assessment.

If a credit loss (i.e. a shortfall between the contractual and expected cash flows) is expected, an allowance for doubtful debt is raised to reduce the carrying amount of trade and other receivables and contract assets. For both receivables and contract assets we estimate the expected credit loss using one or a combination of a portfolio approach and/or an individual account by account assessment as detailed below.

(i) Portfolio approach

The portfolio approach is based on historical credit loss experience and, where appropriate, adjusted to reflect current conditions and estimates of future economic outlook. This approach is mostly applied to balances arising from our consumer and small business customer contracts. Under this approach, receivables and contract assets are grouped based on shared credit risk characteristics, such as:

- account status (services still active or not)
- customers' payment history
- the days past due.

For each grouping, the expected credit loss is then calculated on the probability that an account within the group will default (i.e. it will become past due by more than 90 days) and the expected loss rate when they default, both represented as a percentage of the exposure at default and determined at the customer account level.

Our provision rates range from 0.1 per cent (2021: 0.1 per cent) for balances not past due to 92.0 per cent (2021: 91.0 per cent) for balances where the payment is overdue by more than 90 days and the customer's services have been deactivated.

(ii) Individual approach

The individual approach is an account by account assessment based on credit history, knowledge of debtor's financial situation, such as insolvency or entering a payment plan, or other known credit risk specific to the debtor, such as judgement based on the debtor's industry. This approach is applied to balances arising from contracts with large enterprise and government customers as well as to other accounts in Telstra Enterprise, Telstra InfraCo and Telstra Consumer & Small Business segments where some detrimental change in payment behaviour has been noticed or certain thresholds have been exceeded by a customer.

Balances arising from our transactions with nbn co (reported mainly in TC&SB segment and in 'All Other' category) are separately assessed based on the Australian government credit risk rating.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.3 Trade and other receivables and contract assets (continued)

3.3.1 Current and non-current trade and other receivables and contract assets (continued)

(a) Impairment of trade and other receivables and contract assets (continued)

We estimate our allowance for impairment as detailed below.

Estimating expected credit losses

We apply judgement to estimate the expected credit losses for our trade and other receivables measured at amortised cost and for contract assets.

For trade receivables and contract assets arising from our Telstra Consumer & Small Business and Telstra Enterprise Australian customers, we have implemented a scenario-based approach incorporating base, good and bad economic scenarios. The overall expected credit loss was calculated as a weighted average of the three scenarios.

Our analysis has shown that generally overall macroeconomic factors, such as unemployment rates, interest rates or gross domestic product have no strong correlation with our bad debt losses unless certain thresholds are exceeded. As at 30 June 2022, those macroeconomic factors were within the relevant thresholds. During the financial year 2022 there were no significant adjustments to our allowance for impairment due to COVID-19-related factors.

The aging analysis and loss allowance in relation to trade receivables from contracts with customers, finance lease receivables and contract assets are detailed in Table B. The analysis is based on the original due date of the receivables, including where repayment terms for certain long outstanding receivables have been renegotiated. Contract assets are not yet due for collection, thus the entire balance has been included in the 'not past due' category.

Table B Telstra Group	As at 30 June			
	2022		2021	
	Gross	Allow- ance	Gross	Allow- ance
	\$m	\$m	\$m	\$m
Not past due, including measured at:				
- amortised cost	3,892	(43)	4,266	(47)
- fair value	65	-	397	-
	3,957	(43)	4,663	(47)
Past due 1 - 30 days	277	(10)	301	(21)
Past due 31 - 60 days	100	(9)	84	(11)
Past due 61 - 90 days	41	(10)	44	(10)
Past 91 days	157	(130)	144	(110)
	4,532	(202)	5,236	(199)

Accrued revenue, amounts owed by joint ventures and associated entities, and other receivables (before allowance for doubtful debts) totalling \$613 million (2021: \$717 million) are subject to impairment assessment using the general approach and include 49 per cent (2021: 67 per cent) of balances with counterparties with an external credit rating of A- or above, and 28 per cent (2021: 11 per cent) of balances with counterparties with an external credit rating between BBB- and A-.

We hold security for a number of trade receivables, including past due or impaired receivables, in the form of guarantees, letters of credit and deposits. During the financial year 2022, the securities we called upon were insignificant. These trade receivables, along with our trade receivables that are neither past due nor impaired, comprise customers who have a good debt history and are considered recoverable. Further, we limit our exposure to credit risk from trade receivables by establishing a maximum payment period and, in certain instances, cease providing further services after 90 days from the past due date.

Movements in the allowance for doubtful debts in respect of all our trade and other receivables and contracts assets, regardless of the method used in measuring the impairment allowance, are detailed in Table C.

Table C Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Opening balance 1 July	(208)	(210)
Additional allowance	(122)	(121)
Amount used	25	26
Amount reversed	90	97
Disposal of controlled entities	5	-
Closing balance 30 June	(210)	(208)

Impairment allowance related to accrued revenue, amounts owed by joint ventures and associated entities, and other receivables (i.e. balances not presented in Table B) amounted to \$8 million (2021: \$9 million).

Section 3. Our core assets, lease arrangements and working capital (continued)

3.3 Trade and other receivables and contract assets (continued)

3.3.2 Recognition and measurement

Trade and other receivables and contract assets are financial assets which are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method, with the exception of certain trade receivables from contracts with customers, which are subsequently measured at fair value (refer to note 4.5.6 for further details).

Contract assets are initially recorded at the transaction price allocated as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other goods or services under the same contract (or group of contracts) and/or we are yet to issue a valid invoice. Contract assets are subsequently measured to reflect relevant transaction price adjustments (where required) and are transferred to trade receivables when the right to payment becomes unconditional.

(a) Impairment of financial assets

We estimate the expected credit losses for our financial assets (including contract assets) measured at amortised cost depending on their nature on either of the following basis:

- for accrued revenue, amounts owed by joint ventures and associated entities, and other receivables - using a general approach, i.e. 12-month expected credit loss which results from all possible default events within the 12 months after the reporting date. However, if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, loss allowance is calculated based on lifetime expected credit losses.
- for trade receivables from contracts with customer, contract assets and lease receivables - using a simplified approach, i.e. lifetime expected credit loss which results from all possible default events over the expected life of a financial instrument.

Any expected credit loss is discounted at the original effective interest rate.

Any customer account with debt more than 90 days past due is considered to be in default.

Trade and other receivables and contract assets are written off against the impairment allowance or directly against their carrying amounts and expensed in the income statement when all collection efforts have been exhausted and the financial asset is considered uncollectable. Factors indicating there is no reasonable expectation of recovery include insolvency and significant time period since the last invoice was issued.

3.4 Contract liabilities and other revenue received in advance

Contract liabilities arise from our contracts with customers and represent amounts paid (or due) to us by customers before receiving the goods and/or services promised under the contract.

Revenue received in advance comprises of upfront consideration under contracts giving rise to revenue from other sources or other income, for example from sale of assets.

Amounts expected to be recognised as revenue within 12 months from the reporting date are presented as current liabilities.

Table A presents customer payments received in advance under different types of our commercial arrangements.

Table A Telstra Group	Note	As at 30 June	
		2022	2021
		\$m	\$m
Current			
Contract liabilities	3.5	1,561	1,534
Other revenue received in advance		61	71
		1,622	1,605
Non-current			
Contract liabilities	3.5	987	974
Other revenue received in advance		401	339
		1,388	1,313

3.5 Net contract assets and contract liabilities

Contract assets and contract liabilities arise due to the timing differences between revenue recognition and customer invoicing. Our billing arrangements for goods and services as well as different types of discounts, credits or other incentives can vary depending on the type and nature of the contracts with customers. As a result, at times under the same accounting contract, we may recognise both a contract asset and a contract liability. At each reporting date, any balances arising from the same accounting contract are presented net in the statement of financial position as either a net contract asset or a net contract liability.

The net presentation mainly impacts our small business and enterprise framework arrangements that offer loyalty programs and technology funds, and nbn Definitive Agreements, where multiple legal contracts have been combined as one accounting contract.

Table A presents opening and closing balances of our current and non-current contract assets and contract liabilities and their total net movement for the period.

Table A Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Current contract assets	830	783
Non-current contract assets	158	184
Total contract assets	988	967
Current contract liabilities	(1,561)	(1,534)
Non-current contract liabilities	(987)	(974)
Total contract liabilities	(2,548)	(2,508)
Total net contract liabilities	(1,560)	(1,541)
Increase in net contract liabilities for the year	(19)	(146)

Generally, contract assets increase when we recognise revenue for goods and services transferred to the customer before billing and decrease when we invoice customers for already provided goods and services.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.5 Net contract assets and contract liabilities (continued)

On the other hand, contract liabilities increase when we receive consideration in advance of transferring the goods and services to the customer, and decrease when we recognise revenue for the goods and services previously prepaid by the customer.

Other changes in our contract assets and contract liabilities represent movements resulting from changes in the transaction prices due to timing of invoicing and recognition of discounts, credits and other incentives.

The following selected movements contributed to the overall increase of \$19 million (2021: \$146 million) in the net contract liabilities:

- \$1,628 million (2021: \$1,562 million) revenue recognised in the reporting period that was included in the contract liabilities balance at the beginning of the reporting period
- \$47 million (2021: \$15 million) cumulative catch-up adjustments to revenue recognised in the prior reporting periods.

Refer to note 3.3.1 for details regarding impairment assessment of contract assets.

3.6 Deferred contract costs

We pay dealer commissions to acquire customer contracts and we incur upfront set-up and other costs related to customer contracts. When those costs support the delivery of goods and services in the future and are expected to be recovered, they are deferred in the statement of financial position and amortised on a basis consistent with the transfer of goods and services to which these costs relate.

Table A provides movements in net book values of the deferred contract costs.

Table A Telstra Group	Costs to obtain a contract	Costs to fulfil a contract			Total deferred contract costs
	Commissions	Set-up costs	Costs of service provider	Total	
	\$m	\$m	\$m	\$m	
Net book value at 1 July 2020, comprising:	1,161	47	228	275	1,436
Current	n/a	-	82	82	82
Non-current	1,161	47	146	193	1,354
Additions	488	14	835	849	1,337
Amortisation expense	(390)	(20)	(795)	(815)	(1,205)
Impairment losses	(113)	-	-	-	(113)
Net book value at 30 June 2021, comprising:	1,146	41	268	309	1,455
Current	n/a	-	113	113	113
Non-current	1,146	41	155	196	1,342
Net book value at 1 July 2021	1,146	41	268	309	1,455
Additions	365	11	809	820	1,185
Amortisation expense	(382)	(9)	(788)	(797)	(1,179)
Impairment losses	(107)	-	-	-	(107)
Net book value at 30 June 2022, comprising:	1,022	43	289	332	1,354
Current	n/a	-	116	116	116
Non-current	1,022	43	173	216	1,238

Section 3. Our core assets, lease arrangements and working capital (continued)

3.6 Deferred contract costs (continued)

Amortisation period of deferred contract costs

We apply judgement to estimate the amortisation period of deferred contract costs to obtain a contract.

For sales commissions paid on acquisition of the initial contract which are not commensurate with recontracting commissions, the amortisation period reflects the average estimated customer life for respective types of contracts.

3.6.1 Recognition and measurement

We capitalise costs to obtain an accounting contract when the costs are incremental, i.e. would not have been incurred if the contract had not been obtained and are recoverable either directly via reimbursement by the customer or indirectly through the contract margin.

We immediately expense the incremental costs of obtaining contracts if the period of benefit is one year or less.

Costs to fulfil a contract relate directly to an identified good or service or indirectly to other activities that are necessary under the contract but that do not result in a transfer of goods or services.

Costs to fulfil a contract include set-up costs and prepaid costs of a service provider related to goods and services which will be transferred in the future reporting periods.

We capitalise costs to fulfil a contract if:

- the costs relate directly to a contract or a specifically identified anticipated contract
- the costs generate or enhance resources that we control and will use when transferring future goods and services
- we expect to recover the costs.

We amortise deferred contract costs in 'goods and services purchased' expense over the term that reflects the expected period of benefit of the expense. This period may extend beyond the initial contract term to the estimated customer life or average customer life of the class of customers. We use the amortisation pattern consistent with the method used to measure progress and recognise revenue for the related goods or services.

We assess whether deferred contract costs are impaired whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We recognise impairment losses in 'other expenses'.

3.7 Inventories

Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Current		
Goods for resale	400	305
Network and other inventory	76	80
	476	385
Non-current		
Network and other inventory	28	21
	28	21

3.7.1 Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. For the majority of inventory items, we assign cost using the weighted average cost basis.

Net realisable value of items expected to be sold is the estimated selling price less the estimated costs incurred in marketing, selling and distribution.

Net realisable value of items expected to be consumed, for example used in the construction of another asset, is the net value expected to be earned through future use.

3.8 Trade and other payables

Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Current		
Trade payables	1,297	1,204
Accrued expenses	1,877	1,723
Accrued capital expenditure	316	280
Accrued interest	142	185
Contingent consideration	19	2
Other payables	538	372
	4,189	3,766
Non-current		
Contingent consideration	53	2
Other payables	180	7
	233	9

Trade payables and other payables are non-interest bearing liabilities. Our payment terms vary, however payments are generally made within 20 days to 90 days from the invoice date.

3.8.1 Recognition and measurement

Trade and other payables, including accruals, are recorded when we are required to make future payments as a result of purchases of assets or services. Trade and other payables are financial liabilities initially recognised at fair value and carried at amortised cost using the effective interest method.

Section 4. Our capital and risk management

This section provides information on our approach to capital management and our capital structure. Our total capital is defined as equity and net debt. Also outlined in this section are the financial risks that we are exposed to and how we manage these financial risks.



4.1 Capital management

Capital management is undertaken in accordance with the financial parameters regularly reviewed and approved by the Board.

We manage our capital structure with the aim to provide returns for shareholders and benefits for other stakeholders, while:

- safeguarding our ability to continue as a going concern
- maintaining an optimal capital structure and cost of capital that provides flexibility for strategic investments.

In order to maintain or adjust our capital structure, we may issue or repay debt, adjust the amount of dividend paid to shareholders or return capital to shareholders.

Notes 4.3 and 4.4 provide further details on each component of capital, being equity and net debt.

4.2 Dividend

This note includes the previous year final dividend and the current year interim dividend paid. Our dividend comprises of ordinary and special dividends.

We currently pay dividends to equity holders of the Telstra Entity twice a year, an interim and a final dividend. Table A below provides details about the dividends paid during the financial year.

Table A Telstra Entity	Year ended 30 June			
	2022	2021	2022	2021
	\$m	\$m	cents	cents
Previous year final dividend paid	951	951	8	8
Interim dividend paid	937	951	8	8
	1,888	1,902	16	16

On 11 August 2022, the Directors of Telstra Corporation Limited resolved to pay a fully franked final dividend for the financial year 2022 of 8.5 cents per ordinary share, comprising a final ordinary dividend of 7.5 cents and a final special dividend of 1.0 cent. The final dividend will be fully franked at a tax rate of 30 per cent. The record date for the final dividend will be 25 August 2022, with payment to be made on 22 September 2022. From 24 August 2022, shares will trade excluding entitlement to the dividend.

On 11 August 2022, the Board determined that the Dividend Reinvestment Plan (DRP) will continue to operate for the final dividend for the financial year 2022. The election date for participation in the DRP is 26 August 2022.

As at 30 June 2022, the final dividend for the financial year 2022 was not determined or publicly recommended by the Board. Therefore no provision for the dividend had been raised in the statement of financial position. A \$982 million provision for the final dividend payable has been raised as at the date of resolution.

There are no income tax consequences for the Telstra Group resulting from the resolution and payment of the final dividend, except for \$421 million of franking debits arising from the payment of this dividend that will be adjusted in our franking account balance.

Table B provides information about franking credits available for use in subsequent reporting periods.

Table B Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Franking account balance	24	29
Franking credits that will arise from the payment of income tax payable as at 30 June (at a tax rate of 30% on a tax paid basis)	24	99
	48	128

We believe that our current balance in the franking account, combined with the franking credits that will arise on income tax instalments expected to be paid in the financial year 2023, will be sufficient to fully frank our 2022 final dividend.

4.3 Equity

This note provides information about our share capital and reserves presented in the statement of changes in equity.

We have established the Telstra Growthshare Trust to administer the Company's employee share schemes. The trust is consolidated as it is controlled by us. Shares held within the trust are used to satisfy future vesting of entitlements in these employee share schemes and reduce our contributed equity.

4.3.1 Share capital

Table A details components of our share capital balance.

Table A Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Contributed equity	3,180	4,530
Shares held by employee share plans	(36)	(69)
Net services received under employee share plans	(46)	(25)
	3,098	4,436

Section 4. Our capital and risk management (continued)

4.3 Equity (continued)

4.3.1 Share capital (continued)

(a) Contributed equity

During the financial year 2022, we conducted an on-market share buy-back of 338,870,502 ordinary shares for the total consideration of \$1.35 billion. The buy-back was conducted in the ordinary course of trading at an average price per share of \$3.98. The shares bought back were subsequently cancelled.

As at 30 June 2022, we had 11,554,427,353 (2021: 11,893,297,855) authorised fully paid ordinary shares on issue. Each of our fully paid ordinary shares carries the right to one vote on a poll at a meeting of the Company.

Holders of our shares also have the right to receive dividends and to participate in the proceeds from sale of all surplus assets in proportion to the total shares issued in the event of the Company winding up.

(b) Share buy-back impact on earnings per share (EPS)

EPS is the amount of post-tax profit attributable to each share. It excludes profit attributable to non-controlling interest and takes into account the average number of shares weighted by the number of days on issue.

The EPS would have been higher had we completed the on-market share buy-back at the beginning of this reporting period.

(c) Shares held by employee share plans

As at 30 June 2022, the number of shares held by employee share plans totalled 10,132,961 (2021: 19,895,768).

During the financial year 2022, Telstra Growthshare Pty Ltd (the trustee of the Telstra Growthshare Trust that administers our employee share schemes) purchased on-market 1,224,568 shares for the purposes of the employee incentive schemes for a total consideration of \$5 million and at the average price per share of \$3.92.

(d) Net services received under employee share plans

We measure the fair value of services received under employee share plans by reference to the fair value of the equity instruments granted. The net services received under employee share plans represent the cumulative value of all instruments issued.

4.3.2 Reserves

Table B details our reserve balances.

Table B Telstra Group	Foreign currency translation reserve	Cash flow hedging reserve	Foreign currency basis spread reserve	Fair value of equity instru- ments reserve	General reserve	Total reserves
	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2020	130	(177)	(25)	84	(7)	5
Other comprehensive income	(95)	51	(38)	215	-	133
Balance at 30 June 2021	35	(126)	(63)	299	(7)	138
Other comprehensive income	49	156	55	(149)	-	111
Transactions with non-controlling interests	-	-	-	-	2,084	2,084
Balance at 30 June 2022	84	30	(8)	150	2,077	2,333

The table below details the nature and purpose of our reserves.

Reserve	Nature and purpose
Foreign currency translation reserve	Represents exchange differences arising from the conversion of the non-Australian controlled entities' financial statements into Australian dollars. This reserve is also used to record our percentage share of exchange differences arising from our equity accounted non-Australian investments in joint ventures and associated entities.
Cash flow hedging reserve	Represents the effective portion of gains or losses on remeasuring the fair value of hedge instruments, where a hedge qualifies for hedge accounting.
Foreign currency basis spread reserve	Represents changes in the fair value of our derivative financial instruments attributable to movements in foreign currency basis spread. Currency basis is included in interest on borrowings in the income statement over the life of the borrowing.
Fair value of equity instruments reserve	Represents changes in fair value of equity instruments we have elected to measure at fair value through other comprehensive income.
General reserve	Represents other items we have taken directly to equity.

Section 4. Our capital and risk management (continued)

4.3 Equity (continued)

4.3.3 Recognition and measurement

Issued and paid-up capital is recognised at the fair value of the consideration received by the Telstra Entity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity, net of income tax, as a reduction of the share proceeds received.

Services received under employee share plans (i.e. share-based payments) increase our share capital balance and vested employee share plans decrease the share capital balance resulting in a net movement in our equity.

We record purchases of the Telstra Entity shares underpinning our employee share plans as a reduction in share capital.

4.4 Net debt

As part of our capital management we monitor net debt. Net debt equals total borrowings and derivative financial instruments, less cash and cash equivalents.

This note provides information about components of our net debt and related finance costs.

Table A lists the carrying value of our net debt components (both current and non-current balances).

Table A Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Lease liabilities	(3,287)	(3,305)
Borrowings	(10,982)	(14,136)
Net derivative financial instruments	509	1,053
Gross debt	(13,760)	(16,388)
Cash and cash equivalents	1,040	1,125
Net debt	(12,720)	(15,263)

No components of net debt are subject to any externally imposed capital requirements. We did not have any defaults or breaches under any of our agreements with our lenders during the financial year 2022.

Table B summarises the key movements in net debt during the financial year and provides our gearing ratio. Our gearing ratio equals net debt divided by total capital, where total capital equals the equity, as shown in the statement of financial position, plus net debt.

Table B Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Opening net debt at 1 July	(15,263)	(16,844)
Drawings (bilateral bank loans)	(901)	(753)
Commercial paper (net)	415	(463)
Revolving bank facilities (net)	(14)	260
Debt repayments	2,795	2,357
Other borrowings	(15)	(449)
Lease liability payments	697	706
Net cash outflow	2,977	1,658
Fair value gain impacting:		
Equity	284	15
Other expenses	1	31
Finance costs	23	10
Other non-cash movements		
Lease liability (Telstra as a lessee)	(679)	(713)
Other loans	22	(46)
Total non-cash movements	(349)	(703)
Total decrease in gross debt	2,628	955
Net (decrease)/increase in cash and cash equivalents (including effects of foreign exchange rate changes)	(85)	626
Total decrease in net debt	2,543	1,581
Closing net debt at 30 June	(12,720)	(15,263)
Total equity	(16,837)	(15,275)
Total capital	(29,557)	(30,538)
	%	%
Gearing ratio	43.0	50.0

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.1 Borrowings

Table C details the carrying and fair values of borrowings included in the statement of financial position.

Table C Telstra Group	As at 30 June 2022		As at 30 June 2021	
	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m
Current borrowings				
Unsecured notes	2,035	2,033	2,704	2,727
Bank and other loans - unsecured	206	208	65	65
Commercial paper - unsecured	448	448	862	864
Other financial liabilities	1	1	-	-
	2,690	2,690	3,631	3,656
Non-current borrowings				
Unsecured notes	7,137	7,177	9,425	10,151
Bank and other loans - unsecured	739	751	667	686
Other financial liabilities	416	346	413	416
	8,292	8,274	10,505	11,253
Total borrowings	10,982	10,964	14,136	14,909

Unsecured notes comprise bonds and private placements.

Our commercial paper is used principally to support working capital and short-term liquidity and continues to be supported by a combination of liquid financial assets, and access to committed bank facilities.

(a) Recognition and measurement

Recognition and measurement	
Initial recognition and measurement	<p>Borrowings are recognised initially on the trade date (the date on which we become a party to the contractual provisions of the instrument).</p> <p>All loans and borrowings are initially recorded at fair value, which typically reflects the proceeds received, net of directly attributable transaction costs.</p>
Subsequent measurement	<p>After initial recognition, all borrowings are stated at amortised cost, using the effective interest method. Any difference between proceeds received net of direct transaction costs and the amount payable at maturity is recognised over the term of the borrowing using the effective interest method.</p> <p>Borrowings that are in designated fair value hedge relationships are adjusted for fair value movements attributable to the hedged risk.</p>
Derecognition	<p>Borrowings are derecognised when our contractual obligations are discharged, canceled or expired. A gain or a loss is recognised in the income statement when the borrowing is derecognised.</p>

Borrowings are classified as non-current borrowings except for those that mature in less than 12 months from the reporting date, which are classified as current borrowings.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.2 Derivatives

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rate, foreign currency exchange rate, credit spread or other index.

We enter into derivative transactions in accordance with policies approved by the Board to manage our exposure to market risks and volatility of financial outcomes that arise as part of our normal business operations. We do not speculatively trade in derivative financial instruments.

Table D shows the carrying value of each class of derivative financial instruments.

Table D Telstra Group	As at 30 June 2022		As at 30 June 2021	
	Assets	Liabilities	Assets	Liabilities
	\$m	\$m	\$m	\$m
<i>Current derivative financial instruments</i>				
Cross currency swaps	267	-	552	-
Interest rate swaps	8	-	42	(15)
Forward foreign exchange contracts	27	-	30	(11)
	302	-	624	(26)
<i>Non-current derivative financial instruments</i>				
Cross currency swaps	486	(292)	728	(223)
Interest rate swaps	26	(13)	58	(108)
	512	(305)	786	(331)
Total derivative financial instruments	814	(305)	1,410	(357)

The terms of a derivative contract are determined at inception, therefore any movements in the price of the underlying item over time will cause the contract value to fluctuate, which is reflected in the change in fair value of the derivative.

Where the fair value of a derivative is positive, it is carried as an asset, and where negative, as a liability. Both parties are therefore exposed to the credit quality of the counterparty. We are exposed to credit risk on derivative assets as a result of the potential failure of the counterparties to meet their contractual obligations.

Refer to note 4.5.3 for information about our credit risk policies.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.2 Derivatives (continued)

(a) Recognition and measurement

Recognition and measurement	
Initial recognition and subsequent measurement	<p>Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value at each reporting date.</p> <p>Recognition of resulting gains or losses depends on the designation of the derivative as a hedging instrument and the nature of the item being hedged.</p>
Right to set-off	<p>We record derivative financial instruments on a net basis in our statement of financial position where we have a legally recognised right to set-off the derivative asset and the derivative liability, and we intend to settle on a net basis or simultaneously.</p>
Derecognition	<p>Derivative assets are derecognised when the rights to receive cash flows from the derivative assets have expired or have been transferred and we have transferred substantially all the risks and rewards of the asset.</p> <p>Derivative liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.</p>

Derivative financial instruments are included as non-current assets or liabilities, except for those that mature in less than 12 months from the reporting date, which are classified as current.

Derivatives embedded in host contracts that are financial assets are not separated from financial asset hosts and a hybrid contract is classified in its entirety at fair value.

Derivatives embedded in other financial liabilities or host contracts are treated as separate financial instruments when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Section 4. Our capital and risk management (continued)

4.4 Net debt (continued)

4.4.3 Finance costs

Table E presents our net finance costs. Interest expense on borrowings are net amounts after offsetting interest income and interest expense on associated derivative instruments.

Table E Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Interest income	15	12
Finance income from finance leases (Telstra as a lessor)	8	10
Finance income from contracts with customers	84	79
Net interest income on defined benefit plan	3	2
Total finance income	110	103
Interest expense on borrowings	(444)	(518)
Interest expense on lease liabilities	(78)	(83)
Gross interest on debt	(522)	(601)
Finance costs from contracts with customers	(100)	(134)
Net gains on financial instruments included in remeasurements	39	26
	(61)	(108)
Interest capitalised	56	55
Total finance costs	(527)	(654)
Net finance costs	(417)	(551)

Net gains on derivative financial instruments included in remeasurements within net finance costs comprise unrealised valuation impacts on our borrowings and derivatives. These include net unrealised gains or losses which arise from changes in the fair value of derivative financial instruments to the extent that hedge accounting is not achieved or is not effective. These fair values increase or decrease because of changes in financial indices and prices over which we have no control.

4.5 Financial instruments and risk management

Our underlying business activities result in exposure to operational risks and financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk.

Our overall risk management program seeks to mitigate these risks in order to reduce volatility of our financial performance and to support the delivery of our financial targets. Financial risk management is carried out centrally by our treasury department under policies approved by the Board.

Our financial risk management strategies ensure that we can withstand market disruptions for extended periods.

This note summarises how we manage these financial risks. There have been no material changes to our risk management policies since 30 June 2021.

4.5.1 Managing our interest rate risk

Interest rate risk arises from changes in market interest rates. Borrowings issued at fixed rates expose us to fair value interest rate risk. Variable rate borrowings give rise to cash flow interest rate risk, which is partially offset by cash and cash equivalents balances held at variable rates.

We manage interest rate risk on our net debt portfolio by:

- setting a target ratio of fixed interest debt to variable interest debt, as required by our debt management policy
- ensuring access to diverse sources of funding
- reducing risks of refinancing by establishing and managing our target maturity profiles
- entering into cross currency and interest rate swaps. Refer to note 4.4.2 for further details on derivatives.

(a) Exposure

The use of cross currency and interest rate swaps allows us to manage the level of exposure our borrowings have to interest rate risks. Table A shows our fixed to floating ratio based on the carrying value of our borrowings. The post hedge position differs from the pre hedge position where we have derivative hedging instruments in place.

Table A Telstra Group	As at 30 June			
	2022		2021	
	Pre hedge	Post hedge	Pre hedge	Post hedge
	\$m	\$m	\$m	\$m
Floating rate borrowings	(1,217)	(3,611)	(1,321)	(5,236)
Fixed rate borrowings	(9,348)	(6,954)	(12,402)	(8,487)
Other financial liabilities	(417)	(417)	(413)	(413)
Total borrowings	(10,982)	(10,982)	(14,136)	(14,136)

Refer to note 4.4.1 for further details on our borrowings.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.1 Managing our interest rate risk (continued)

(a) Exposure (continued)

Table B summarises as at 30 June our floating rate derivative instruments in hedging relationships that would be affected by IBOR reform (refer to note 1.5.1 for further information), showing estimated gross nominal floating rate interest cash flows until maturity, associated nominal amounts in the underlying currency and weighted average maturity.

Table B Telstra Group			As at 30 June 2022			As at 30 June 2021		
	Native currency	Receive/ (pay)	Nominal interest flows	Nominal/ Principal amounts	Weighted average maturity	Nominal interest flows	Nominal/ Principal amounts	Weighted average maturity
			\$m	\$m	years	\$m	\$m	years
Interest rate swaps								
3MBBSW	AUD	Receive	50	1,268	1.2	7	2,223	1.4
3MBBSW	AUD	Pay	(4)	(50)	1.5	(3)	(50)	2.5
3MEURIBOR	EUR	Pay	(3)	(1,000)	0.2	(17)	(1,750)	1.1
3MLIBOR	USD	Pay	-	-	-	(6)	(1,000)	0.3
6MUSLIBOR	USD	Receive	36	300	3.8	-	-	-
Cross currency swaps								
3MBBSW	AUD	Pay	(513)	(3,538)	2.5	(381)	(5,495)	2.5
3MEURIBOR	EUR	Receive	3	1,000	0.2	17	1,750	1.1
3MLIBOR	USD	Receive	-	-	-	6	1,000	0.3

(b) Sensitivity

We have performed a sensitivity analysis based on the interest rate risk exposures of our financial instruments as at 30 June. In accordance with our policy to swap foreign currency borrowings into Australian dollars, interest rate sensitivity relates primarily to movements in the Australian interest rates.

We have selected a sensitivity range of plus 100 basis points (2021: 100 basis points) and minus 25 basis points (2021: 25 basis points) as a reasonably possible shift in interest rates taking into account the current level of both short-term and long-term interest rates, historical volatility and market expectations of future movements. The sensitivity reflects a change in benchmark rates only. This is not a forecast or prediction of future market conditions.

Table C shows the results of our sensitivity analysis on the impacts to profit after tax and on equity.

Table C Telstra Group	As at 30 June			
	2022		2021	
	Gain/(loss)			
	Net profit	Equity	Net profit	Equity
	\$m	\$m	\$m	\$m
Interest rates (+100bp)	(20)	(2)	(28)	(11)
Interest rates (-25bp)	5	1	7	3

The results of the sensitivity analysis are driven primarily from the following factors:

- any increase or decrease in interest rates will impact our net unhedged floating rate financial instruments and therefore will directly impact profit or loss
- changes in the fair value of derivatives which are part of effective cash flow hedge relationships are deferred in equity.

The analysis does not include the impact of any management action that might take place if the interest rate shifts were to occur.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.2 Managing our foreign currency risk

Foreign currency risk is our risk that the value of a financial commitment, forecast transaction, recognised asset or liability will fluctuate due to changes in foreign exchange rates. We issue debt offshore and operate internationally and hence we are exposed to foreign exchange risk from various currencies.

This risk exposure arises primarily from:

- borrowings denominated in foreign currencies
- trade and other creditor balances denominated in foreign currencies
- firm commitments or highly probable forecast transactions for receipts and payments settled in foreign currencies or with prices dependent on foreign currencies
- translation risk associated with our net investments in foreign controlled entities (foreign operations).

(a) Borrowings

We mitigate the foreign currency exposure on foreign currency denominated borrowings by converting these borrowings to Australian dollars using currency swaps.

Table D shows the cross currency swaps that are hedging our unsecured notes and forward foreign exchange contracts that are hedging United States dollar denominated commercial paper.

Table D Telstra Group	As at 30 June 2022				As at 30 June 2021			
	Exposure	Cross currency swap/forward foreign exchange contract receive/ (pay)		Carrying value	Exposure	Cross currency swap/forward foreign exchange contract receive/ (pay)		Carrying value
	Local currency		Australian dollars		Local currency		Australian dollars	
	m	m	\$m	\$m	m	m	\$m	\$m
Euro	(3,925)	3,925	(5,569)	(5,849)	(4,675)	4,675	(6,571)	(7,511)
United States dollars	(1,500)	1,500	(1,958)	(2,177)	(2,500)	2,500	(2,914)	(3,321)
Japanese yen	(5,000)	5,000	(62)	(54)	(5,000)	5,000	(62)	(62)
Unsecured notes denominated in foreign currency			(7,589)	(8,080)			(9,547)	(10,894)
United States dollars	(310)	310	(443)	(448)	(650)	650	(858)	(862)
Commercial paper			(443)	(448)			(858)	(862)

(b) Trading

We have some exposure to foreign currency risk from our operating (transactional) activities. We manage this risk by:

- hedging a proportion of the exposure of foreign exchange transaction risk arising from firm commitments or highly probable forecast transactions denominated in foreign currencies in accordance with our risk management policy. These transactions may be physically settled in a foreign currency or in Australian dollars but with direct reference to quoted currency rates in accordance with a contractual formula.
- economically hedging a proportion of foreign currency risk associated with trade and other creditor balances.

We hedge the above risks using forward foreign exchange contracts.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.2 Managing our foreign currency risk (continued)

(b) Trading (continued)

Table E summarises forward foreign exchange contracts that are hedging our transactional currency exposures.

Table E Telstra Group	As at 30 June 2022				As at 30 June 2021			
	Exposure		Forward foreign exchange contract receive/(pay)		Exposure		Forward foreign exchange contract receive/(pay)	
	Local currency		Australian dollars	Average exchange rate	Local currency		Australian dollars	Average exchange rate
	m	m	\$m	\$	m	m	\$m	\$
Transactions to and from WOCE								
British pounds sterling	(38)	18	(32)	0.57	(38)	19	(34)	0.54
Other (various currencies)	-	-	14	-	-	-	10	-
Forecast transactions								
United States dollars	(266)	165	(227)	0.72	(340)	157	(200)	0.78
Indian rupee	(8,607)	4,165	(72)	57.99	(6,999)	2,800	(47)	59.60
Philippine peso	(770)	308	(8)	39.84	(1,188)	475	(13)	37.92
Trade payables								
United States dollars	(85)	85	(122)	0.70	(52)	52	(67)	0.78

At 30 June 2022, we also had a \$442 million United States dollar (2021: \$438 million United States dollar) liability exposure relating to transactions with wholly-owned controlled entities (WOCE) that is partially hedged with a \$175 million (2021: \$175 million) bank deposit in the same currency.

(c) Natural offset

Our direct foreign exchange exposure arising from the impact of translation of the results of our foreign entities to Australian dollars is, in part, naturally offset at the Group level by foreign currency denominated operating and capital expenditure of functions, for which we do not have hedges in place.

(d) Sensitivity

We have performed a sensitivity analysis based on our foreign currency risk exposures existing at balance date. Table F shows the impact that a 10 per cent shift in applicable exchange rates would have on our profit after tax and on equity.

Table F Telstra Group	As at 30 June			
	2022		2021	
	Gain/(loss)			
	Net profit	Equity	Net profit	Equity
	\$m	\$m	\$m	\$m
Exchange rates (+10%)	42	3	40	(33)
Exchange rates (-10%)	(47)	(3)	(49)	40

A shift of 10 per cent has been selected as a reasonably possible change taking into account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations of future movements. This is not a forecast or prediction of future market conditions. We have disclosed the sensitivity analysis on a total portfolio basis and not separately by currency.

Any unhedged foreign exchange positions associated with our transactional exposures will directly affect profit or loss as a result of foreign currency movements.

There is no significant impact on profit or loss from foreign currency movements associated with our borrowings portfolio that are swapped to Australian dollars as an offsetting entry will be recognised on the associated hedging instrument.

We are exposed to equity impacts from foreign currency movements associated with our offshore investments and our derivatives in cash flow hedges. The translation of our foreign entities' results into the Group's presentation currency has not been included in the above sensitivity analysis as this represents translation risk rather than transaction risk.

The analysis does not include the impact of any management action that might take place if these events occurred.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.3 Managing our credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss. We are exposed to credit risk from our operating activities (primarily customer credit risk) and financing activities.

We manage credit risk by:

- applying Board approved credit policies
- monitoring exposure to high-risk debtors
- requiring collateral where appropriate
- assigning credit limits to all financial counterparties.

We may also be subject to credit risk on transactions not included in the statement of financial position, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 7.2.3.

(a) Customer credit risk

Trade and other receivables and contract assets consist of a large number of customers, spread across the consumer, business, enterprise, government and international sectors. Our credit management team assesses customers' credit quality, and defines and monitors credit limits by customer. Sales to overdue customers are prohibited unless appropriately approved. Compliance with credit limits and approval process is regularly monitored. Other than nbn co, we do not have any significant credit risk exposure to a single customer or group of customers.

Refer to note 3.3 for details about our trade and other receivables and contract assets.

(b) Treasury credit risk

We are exposed to credit risk from the investment of surplus funds (primarily deposits) and from the use of derivative financial instruments.

We have a number of exposures to individual counterparties. To manage this risk, we have Board approved policies that limit the amount of credit exposure to any single counterparty. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilisation adjusted where appropriate.

We also manage our credit exposure using a value at risk (VaR) methodology, which is an industry standard measure that estimates the maximum potential exposure of our risk positions as a result of future movements in market rates. This helps to ensure that we do not underestimate credit exposure with any single counterparty. Using VaR analysis at 30 June 2022, 100 per cent (2021: 94 per cent) of our derivative credit exposure was with counterparties that have a credit rating of A- or better.

4.5.4 Managing our liquidity risk

Our objective is to maintain a balance between continuity and flexibility of funding through the use of liquid financial instruments, long-term and short-term borrowings, and committed available bank facilities.

We manage liquidity risk by:

- defining minimum levels of cash and cash equivalents
- defining minimum levels of cash and cash equivalents plus undrawn bank facilities
- closely monitoring rolling forecasts of liquidity reserves on the basis of expected business cash flows
- using instruments which trade in highly liquid markets with highly rated counterparties
- investing surplus funds in liquid instruments.

Our access to commercial paper programs continue to be supported by a combination of liquid financial assets, and access to committed bank facilities.

Table G shows our total and undrawn committed bank facilities. As at 30 June 2022, we had total available facilities of \$3,800 million, the majority of which were held by the Telstra Entity, with none maturing in the next 12 months. Drawings under our bank facilities and commercial paper issues are shown on a gross basis in the statement of cash flows.

Table G Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Facilities available	3,800	2,500
Facilities used	(14)	-
Facilities unused	3,786	2,500

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.4 Managing our liquidity risk (continued)

Table H shows the maturity profile of our financial liabilities including estimated interest payments. We reduce refinancing risk by ensuring that our borrowings mature in different periods. Table H also includes derivative financial assets as these assets have a direct relationship with an underlying financial liability and both the asset and the liability are managed together.

The amounts disclosed are undiscounted contractual future cash flows and therefore do not reconcile to the amounts in the statement of financial position.

Table H Telstra Group	Contractual maturity									
	As at 30 June 2022					As at 30 June 2021				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Unsecured notes	(2,017)	(1,681)	(3,195)	(2,396)	(9,289)	(2,658)	(2,084)	(4,331)	(2,957)	(12,030)
Commercial paper	(451)	-	-	-	(451)	(865)	-	-	-	(865)
Bank and other loans	(207)	(415)	(323)	-	(945)	(65)	(227)	(440)	-	(732)
Other financial liabilities	(20)	(17)	(59)	(719)	(815)	(18)	(20)	(55)	(725)	(818)
Interest on unsecured notes, bank and other loans	(261)	(191)	(294)	(60)	(806)	(339)	(241)	(386)	(125)	(1,091)
Lease liabilities	(550)	(546)	(1,196)	(1,394)	(3,686)	(566)	(577)	(1,118)	(1,444)	(3,705)
Trade/other payables and accrued expenses	(4,189)	(233)	-	-	(4,422)	(3,766)	(9)	-	-	(3,775)
Derivative financial assets	2,668	1,787	2,860	2,456	9,771	4,046	1,784	4,580	2,511	12,921
Derivative financial liabilities	(2,463)	(1,619)	(2,996)	(2,718)	(9,796)	(3,541)	(1,517)	(4,422)	(2,756)	(12,236)
Total	(7,490)	(2,915)	(5,203)	(4,831)	(20,439)	(7,772)	(2,891)	(6,172)	(5,496)	(22,331)

4.5.5 Hedge accounting

Hedging refers to the way in which we use financial instruments, primarily derivatives, to manage our exposure to financial risks. The gain or loss on the underlying item (the 'hedged item') is expected to move in the opposite direction to the gain or loss on the derivative (the 'hedging instrument'), therefore offsetting our risk position. Hedge accounting allows the matching of the gains and losses on hedged items and associated hedging instruments in the same accounting period to minimise volatility in the income statement.

In order to qualify for hedge accounting, prospective hedge effectiveness testing must meet all of the following criteria:

- an economic relationship exists between the hedged item and hedging instrument
- the effect of credit risk does not dominate the value changes resulting from the economic relationship
- the hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

The COVID-19 pandemic has had no impact to our hedge relationships which continue to meet the criteria for hedge accounting.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

To the extent permitted by Australian Accounting Standards, we formally designate and document our financial instruments by hedge type as follows:

	Fair value hedges	Cash flow hedges
Objectives of this hedging arrangement	To hedge the exposure to changes in the fair value of borrowings which are issued at a fixed rate, or denominated in foreign currency, by converting to floating rate borrowings denominated in Australian dollars.	To hedge the exposure to changes in cash flows from borrowings that bear floating interest rates or are denominated in foreign currency. Cash flow hedging is also used to mitigate the foreign currency exposure arising from highly probable and committed future foreign currency cash flows.
Instruments used	We enter into cross currency and interest rate swaps to mitigate our exposure to changes in the fair value of our long-term borrowings.	We enter into cross currency and interest rate swaps to hedge future cash flows arising from our borrowings. We use forward foreign exchange contracts to hedge a portion of firm commitments and highly probable forecast transactions.
Economic relationships	In all our hedge relationships, the critical terms of the hedging instrument and hedged item (including face values, cash flows and currency) are generally aligned.	
Discontinuation of hedge accounting	Hedge accounting is discontinued when a hedging instrument expires, is sold, terminated, or no longer meets the criteria for hedge accounting. At that time, any cumulative gains or losses relating to cash flow hedges recognised in equity are initially retained in equity and subsequently recognised in the income statement as the previously hedged item affects profit or loss. For fair value hedges, the cumulative adjustment recorded against the carrying value of the hedged item at the date hedge accounting ceases is amortised to the income statement using the effective interest method.	

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

Table I shows the carrying value of each component of our gross debt including derivative financial instruments categorised by hedge type.

Table I Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Borrowings by hedge designation		
Fair value hedges	(2,392)	(3,912)
Cash flow hedges	(5,733)	(7,029)
Not in an accounting hedge relationship	(2,857)	(3,195)
Total borrowings	(10,982)	(14,136)
Lease liabilities	(3,287)	(3,305)
Total borrowings and lease liabilities	(14,269)	(17,441)
Derivative assets by hedge designation		
Fair value hedges	293	622
Cash flow hedges	511	769
Not in an accounting hedge relationship	10	19
Total derivative assets	814	1,410
Derivative liabilities by hedge designation		
Fair value hedges	(240)	(109)
Cash flow hedges	(65)	(237)
Not in an accounting hedge relationship	-	(11)
Total derivative liabilities	(305)	(357)
Total gross debt	(13,760)	(16,388)

The principal value of our gross debt on an equivalent basis was \$13,758 million (2021: \$16,070 million). Principal value represents contractual obligations less future finance charges, excluding fair value remeasurements and for foreign denominated balances equates to the principal value in the underlying currency converted at the spot exchange rate as at 30 June 2022.

(a) Derivatives not in an accounting hedge relationship

Some derivatives may not qualify for hedge accounting or are specifically not designated as a hedge as natural offset achieves substantially the same accounting results. This includes forward foreign currency contracts that are used to economically hedge exchange rate fluctuations associated with trade payables or other liability and asset balances denominated in a foreign currency.

(b) Fair value hedges

All changes in the fair value of the underlying item relating to the hedged risk are recognised in the income statement together with the changes in the fair value of derivatives. The net difference is recorded in the income statement as ineffectiveness. The carrying value of borrowings in effective fair value hedge relationships is adjusted for gains or losses attributable to the risk(s) being hedged.

Table J outlines the cumulative amount of fair value hedge adjustments that are included in the carrying amount of borrowings in the statement of financial position.

Table J Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Principal value	(2,493)	(3,792)
Unamortised discounts/premiums	7	10
Amortised cost	(2,486)	(3,782)
Cumulative fair value hedge adjustments	94	(130)
Carrying amount	(2,392)	(3,912)

Table K shows the ineffectiveness recognised in the income statement. We have excluded foreign currency basis spreads from our designated fair value and cash flow hedge relationships.

Table K Telstra Group	Year ended 30 June	
	2022	2021
	(Gain)/ loss	(Gain)/ loss
	\$m	\$m
Remeasurement of hedged item used to measure ineffectiveness	(325)	(254)
Change in value of hedging instruments	302	249
Net gain before tax from ineffectiveness	(23)	(5)
Net gain after tax	(16)	(4)

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.5 Hedge accounting (continued)

(c) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is effective (i.e. offsets the movement on the hedged item) is recognised directly in the cash flow hedging reserve in equity and any ineffective portion is recognised within net finance costs directly in the income statement.

Gains or losses deferred in the cash flow hedging reserve are subsequently:

- transferred to the income statement when the hedged transaction affects profit or loss
- included in the measurement of the initial cost of the assets where the hedged item is for purchases of property, plant and equipment
- transferred immediately to the income statement if a forecast hedged transaction is no longer expected to occur.

During the current and prior financial years, there was no material impact on profit or loss resulting from ineffectiveness of our cash flow hedges or from discontinuing hedge accounting for forecast transactions no longer expected to occur.

Table L presents the hedge gains or losses transferred to and from the cash flow hedging reserve.

Table L Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Changes in fair value of cash flow hedges	152	(515)
Changes in fair value transferred to other expenses	(43)	439
Changes in fair value transferred to goods and services purchased	(11)	16
Changes in fair value transferred to finance costs	107	124
Changes in fair value transferred to property, plant and equipment	(1)	4
Cash flow hedging reserve	204	68
Income tax on movements in the cash flow hedging reserve	(54)	(20)
	150	48

Table M shows when the cash flows are expected to occur with respect to items in cash flow hedges (i.e. notional cash outflows). These amounts are the undiscounted cash flows reported in Australian dollars.

Table M Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Non-capital items		
Within 1 year	(466)	(556)
Capital items		
Within 1 year	(99)	(55)
Borrowings		
Within 1 year	(132)	(1,491)
Within 1 to 5 years	(4,421)	(4,498)
After 5 years	(1,674)	(1,687)
	(6,792)	(8,287)

Non-capital items will be recognised in the income statement in the same period in which the cash flows are expected to occur. For capital items, the hedged assets affect the income statement as the assets are depreciated over their useful lives.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.6 Valuation and disclosures within fair value hierarchy

The financial instruments included in the statement of financial position are measured either at fair value or their carrying value approximates fair value, with the exception of borrowings, which are held at amortised cost.

To determine fair value, we use both observable and unobservable inputs. We classify the inputs used in the valuation of our financial instruments according to a three level hierarchy as shown below. The classification is based on the lowest level input that is significant to the fair value measurement as a whole.

During the financial year 2022, there were no changes in valuation techniques for recurring fair value measurements of our financial instruments. There were also no transfers between fair value hierarchy levels.

The table below summaries the methods used to estimate the fair value of our financial instruments.

Level	Financial instrument	Fair value
Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities	Listed investments in equity instruments	Quoted prices in active markets.
Level 2: the lowest level input that is significant to the fair value measurement is directly (as prices) or indirectly (derived from prices) observable	Borrowings, cross currency and interest rate swaps	Valuation techniques maximising the use of observable market data. Present value of the estimated future cash flows using appropriate market-based yield curves, which are independently derived. Yield curves are sourced from readily available market data quoted for all major currencies.
	Forward foreign exchange contracts	Quoted forward exchange rates at reporting date for contracts with similar maturity profiles.
Level 3: one or more key inputs for the instrument are not based on observable market data (unobservable inputs)	Trade receivables from contracts with customers	Trade receivables from contracts with customers measured at fair value are such where the instrument does not meet the classification requirements of financial assets at amortised cost. A valuation technique is used, where the estimated future cash flows are discounted to their present value using a discount rate determined using a risk-free rate plus a risk adjustment reflecting the credit risk associated with the cash flows.
	Unlisted investments in equity instruments	Valuation techniques (where one or more of the significant inputs is not based on observable market data) include reference to discounted cash flows and fair values of recent orderly sell transactions between market participants involving instruments that are substantially the same.
	Contingent consideration	Initial recognition: expectations of future performance of the business. Subsequent measurement: present value of the future expected cash flows.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.6 Valuation and disclosures within fair value hierarchy (continued)

Table N categorises our financial instruments which are measured at fair value, according to the valuation methodology applied.

Table N Telstra Group	As at 30 June 2022			As at 30 June 2021		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Trade receivables from contracts with customers	-	65	65	-	397	397
Derivative financial instruments	814	-	814	1,410	-	1,410
Investments in unlisted securities	-	15	15	-	15	15
	814	80	894	1,410	412	1,822
Liabilities						
Derivative financial instruments	(305)	-	(305)	(357)	-	(357)
Contingent consideration	-	(72)	(72)	-	(4)	(4)
	(305)	(72)	(377)	(357)	(4)	(361)
Total	509	8	517	1,053	408	1,461

As at 30 June 2022, there were no financial instruments measured using level 1 inputs.

Fair value of borrowings presented in Table C in note 4.4.1 was measured using level 2 inputs.

Fair value of contingent consideration was measured using level 3 inputs. For further details about contingent consideration recognised during the financial year 2022, refer to note 6.1.1, with the amounts disclosed in tables B and D of that note.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.7 Offsetting and netting arrangements

Table O presents financial assets and financial liabilities that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset.

The column 'net amounts' shows the impact on the statement of financial position if all set-off rights were exercised. 'Related amounts not offset in the statement of financial position' reflect amounts subject to conditional offsetting arrangements.

Table O Telstra Group	Effects of offsetting in the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Financial instruments	Collateral received or pledged	Net amounts
	\$m	\$m	\$m	\$m	\$m	\$m
	A	B	C=A-B	D	E	F=C-D-E
	As at 30 June 2022					
Trade and other receivables and contract assets	309	68	241	53	9	179
Trade and other payables	(210)	(68)	(142)	(53)	-	(89)
Derivative financial assets	814	-	814	204	-	610
Derivative financial liabilities	(305)	-	(305)	(204)	-	(101)
Total	608	-	608	-	9	599
As at 30 June 2021						
Trade and other receivables and contract assets	311	64	247	58	9	180
Trade and other payables	(209)	(64)	(145)	(58)	-	(87)
Derivative financial assets	1,410	-	1,410	287	-	1,123
Derivative financial liabilities	(357)	-	(357)	(287)	-	(70)
Total	1,155	-	1,155	-	9	1,146

Our rights of set-off that are not otherwise included in column B of Table O, related to:

- our inter-operative tariff arrangements with some of our international roaming partners, where we have executed agreements that allow the netting of amounts payable and receivable by us on cessation of the contract
- our wholesale customers, where we have executed Customer Relationship Agreements that allow for the netting of amounts payable and receivable by us in certain circumstances where there is a right to suspend the supply of services or on the expiration or termination of the agreement
- our derivative financial instruments, where we have executed master netting arrangements under our International Swaps and Derivatives Association agreements. These agreements allow for the netting of amounts payable and receivable by us or the counterparty in the event of default or a credit event. In line with contractual provisions, in the event of insolvency all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability.

Section 5. Our people

We are working to attract and retain employees with the skills and passion to best serve our markets. This section provides information about our employee benefits obligations. It also includes details of our employee share plans and compensation paid to key management personnel.



5.1 Employee benefits

5.1.1 Aggregate employee benefits

Our employee related obligations include:

- liabilities for wages and salaries and related on-costs (presented within current trade and other payables)
- annual leave, long service leave and employee incentives (presented within current and non-current employee benefits) and
- redundancy provisions (presented within current other provisions).

Table A provides a summary of all these employee obligations.

Table A Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Accrued labour and on-costs	489	515
Current employee benefits	667	682
Non-current employee benefits	132	150
Current redundancy provisions	11	-
	1,299	1,347

Long service leave provision

We applied judgement to determine the following key assumptions used in the calculation of long service leave entitlements:

- 3.5 per cent (2021: 3.0 per cent) weighted average projected increases in salaries
- 5.2 per cent (2021: 2.5 per cent) discount rate.

The discount rate used to calculate the present value has been determined by reference to market yields at 30 June 2022 on nine year (2021: nine year) high quality corporate bonds which have due dates similar to those of our liabilities.

For the amounts of the provision presented as current, we do not have the right at the end of the financial year to defer settlement for any of these obligations. However, based on experience, we do not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Amounts disclosed in Table B have been determined in accordance with an actuarial assessment and reflect leave that is not expected to be taken or paid within the next 12 months.

Table B Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Leave obligations expected to be settled after 12 months	354	398

5.1.2 Recognition and measurement

The liabilities for employee benefits relating to wages and salaries, annual leave and other current employee benefits are accrued at their nominal amounts. These are calculated based on remuneration rates expected to be current at the settlement date and include related costs.

Certain employees who have been employed by Telstra for at least 10 years are entitled to long service leave of three months or more depending on the actual length of employment. We accrue liabilities for long service leave not expected to be paid or settled within 12 months of the reporting date at present values of future amounts expected to be paid. This is based on the projected increases in wage and salary rates over an average of 10 years, experience of employee departures and periods of service.

Provisions are recognised when:

- the Telstra Group has a present legal or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events
- it is probable that a future sacrifice of economic benefits will arise
- a reliable estimate can be made of the amount of the obligation.

We recognise a provision for redundancy costs when a detailed formal plan for the redundancies has been developed and a valid expectation has been created that the redundancies will be carried out in respect of the employees likely to be affected.

Section 5. Our people (continued)

5.2 Employee share plans

We have a number of employee share plans pursuant to which equity is awarded to executives as part of their total remuneration. Active share plans are conducted through the Telstra Growthshare Trust (Growthshare). Telstra wholly owns Telstra Growthshare Pty Ltd, the corporate trustee for Growthshare (the Trustee). The results of the Trustee are consolidated into our Telstra Group Financial Report.

A transaction will be classified as share-based compensation where the Group receives services from employees and pays for these either in shares or similar equity instruments or in cash but the amounts due are based on the Telstra share price.

This note summarises the primary employee share plans conducted through Growthshare and the key events in the share-based payment arrangements that have occurred during the financial year.

We have granted the following types of equity instruments as part of our equity-settled employee share plans:

- restricted shares
- performance rights.

Restricted shares are Telstra shares that are subject to a restriction period.

Performance rights are rights to Telstra shares subject to the satisfaction of certain performance measures and service conditions over a defined performance period.

Telstra has discretion to provide the holder of a performance right with a share or a cash amount equivalent to the value of a share on vesting of a performance right. Further information can be found in note 5.2.1.

The table below provides a summary of the instruments granted under the main equity-settled employee share plans outstanding at 30 June 2022.

Type of equity instrument	Financial year granted	Restriction period	Date of testing against performance hurdles	Performance hurdles	Number of instruments allocated and outstanding at 30 June 2022	
Executive Variable Remuneration Plan (EVP) restricted shares	FY22	Four equal tranches with the respective tranches restricted from one to four years from the end of the initial performance period	n/a	n/a	The restricted shares for FY22 are expected to be allocated in the first half of FY23	
	FY21		n/a	n/a	1,931,605	
	FY20		n/a	n/a	1,271,084	
Short-term incentive (STI) restricted shares	FY22	Three equal tranches with the respective tranches restricted from one to three years from the end of the performance period	n/a	n/a	The STI restricted shares for FY22 are expected to be allocated in the first half of FY23	
	FY21		One tranche restricted for three years from the end of the performance period	n/a	n/a	6,209,275
	FY20					
	FY19					

Section 5. Our people (continued)

5.2 Employee share plans (continued)

Type of equity instrument	Financial year granted	Restriction period	Date of testing against performance hurdles	Performance hurdles	Number of instruments allocated and outstanding at 30 June 2022
EVP performance rights	FY22	n/a	30 June 2026	Relative Total Shareholder Return (RTSR)	The performance rights for FY22 are expected to be allocated in the first half of FY23
	FY21	n/a	30 June 2025	RTSR	2,207,550
	FY20	n/a	30 June 2024	RTSR	1,936,886
	FY19	n/a	30 June 2023	RTSR	1,878,032
	FY18	n/a	50% 30 June 2022	RTSR	-

We will also grant cash rights in lieu of restricted shares and performance rights under the FY22 EVP to Andrew Penn, who will cease employment as CEO before the FY22 restricted shares and performance rights are allocated. The cash rights are expected to be allocated in the first half of the financial year 2023. The cash rights provided in lieu of restricted shares are subject to the same time condition as restricted shares and the cash rights provided in lieu of performance rights are subject to the same performance hurdle as performance rights.

Provided they have not been forfeited earlier, the EVP and STI restricted shares, as well as shares allocated on the vesting of EVP performance rights, will be transferred to the relevant executive on the first day of the first trading window occurring under Telstra's Securities Trading policy following the end of the relevant restriction period or the vesting date, as applicable.

The definition of Relative Total Shareholder Return (RTSR) is set out in the Remuneration Report Glossary (the Remuneration Report forms part of the Directors' Report).

5.2.1 Description of share-based payment arrangements

(a) Executive Variable Remuneration Plan (EVP)

Under the EVP, the amount earned by the CEO and eligible Group Executives is determined at the end of an initial one year performance period based on certain factors, including Telstra's performance against certain predetermined performance measures and the executive's individual performance (including their performance relative to other executives), with the Board retaining discretion to adjust the outcome to ensure it is appropriate. A component of the amount earned under the EVP is provided in restricted shares and a component in performance rights.

Refer to the Remuneration Report for further details on the FY22 EVP structure.

The allocation of restricted shares and performance rights under the FY22 EVP is expected to be made shortly after the 2022 Annual General Meeting. Shareholder approval will be sought at the 2022 Annual General Meeting for the CEO's FY22 EVP allocation.

If an executive leaves Telstra other than for a Permitted Reason (the definition of which is set out in the Remuneration Report Glossary) before the end of the relevant performance or restriction period, their performance rights will lapse and restricted shares will be forfeited. Performance rights and restricted shares may also lapse or be forfeited if certain clawback (malus) events occur before the performance rights vest or restricted shares are transferred to the executive following the end of the relevant restriction period.

(i) Restricted shares (equity-settled)

The above table summarising the instruments granted under the employee share plans lists the restriction periods for each EVP restricted share plan. No further performance hurdles will apply once the restricted shares are allocated. During the restriction period, executives are entitled to vote and earn dividends on their restricted shares from the actual allocation date. However, they are restricted from dealing with the shares during this period.

(ii) Performance rights (equity-settled)

Once allocated, the EVP performance rights are tested against a RTSR measure over a five year period inclusive of the initial one year performance period (refer to the table summarising the instruments granted under the employee share plans for testing dates).

Section 5. Our people (continued)

5.2 Employee share plans (continued)

5.2.1 Description of share-based payment arrangements (continued)

(a) Executive Variable Remuneration Plan (EVP) (continued)

(ii) Performance rights (equity-settled) (continued)

The FY22, FY21 and FY20 EVP performance rights will vest on a straight-line scale, with 50 per cent of the performance rights vesting if Telstra's RTSR ranks at the 50th percentile against a comparator group comprising the ASX100, excluding resource companies (Comparator Group) over the performance period, up to 100 per cent of the performance rights vesting where Telstra's RTSR ranks at the 75th percentile of the Comparator Group or above.

No performance rights will vest if Telstra's RTSR ranks below the 50th percentile of the Comparator Group. Any performance rights that do not vest following testing against the RTSR measure will lapse.

The FY19 and FY18 EVP performance rights will vest if Telstra's RTSR ranks at the 50th percentile or greater against the Comparator Group over the performance period. If the RTSR measure is not satisfied, all of the applicable performance rights in the relevant tranche will lapse. Testing of the outstanding FY18 EVP performance rights as at 30 June 2022 (being 50 per cent of the initial grant) resulted in all of those performance rights lapsing due to the RTSR performance hurdle not being met (2021: 50 per cent lapsed).

No dividends are paid on performance rights prior to vesting. For performance rights that do vest, a cash payment equivalent to dividends paid by Telstra during the period between allocation of the performance rights and vesting will be made at or around the time of vesting, subject to applicable taxation. This cash entitlement is not included in the grant date fair values of the performance rights as this is accounted for separately.

(iii) Cash rights (cash-settled)

Under the EVP, the executives who cease employment for a Permitted Reason before allocation of the restricted shares and performance rights will receive cash rights in lieu of restricted shares and performance rights.

As at 30 June 2022, we recorded a \$5 million liability (2021: \$4 million) pertaining to the outstanding cash rights issued to certain former executives that ceased employment for a Permitted Reason in prior financial years, and Andrew Penn who will cease employment for a Permitted Reason before allocation of the FY22 EVP and will be issued cash rights in lieu of restricted shares and performance rights (expected to be allocated in the first half of the financial year 2023).

(b) STI restricted shares

Under the STI arrangements, 25 per cent of an eligible executive's actual STI payment is provided as restricted shares. The above table lists the restriction periods for each STI restricted share plan.

Performance hurdles are applied in determining the number of restricted shares allocated to executives, and therefore, restricted shares are not subject to any other performance hurdles once they have been allocated. During the restriction period, from the actual grant date, executives are entitled to vote and earn dividends on their restricted shares. However, they are restricted from dealing with the shares during this period.

If an executive leaves Telstra other than for a Permitted Reason before the end of the relevant restriction period, their restricted shares are forfeited. Restricted shares may also be forfeited if certain clawback (malus) events occur before the restricted shares are transferred to the executive following the end of the relevant restriction period.

5.2.2 Fair value measurement

(a) EVP restricted shares

EVP restricted shares were measured based on the Board approved dollar amount outcome for the financial year 2022, with a final number of shares to be allocated shortly after Telstra's 2022 Annual General Meeting. The estimated fair value per share granted in the financial year 2022 was \$3.91 (2021: \$3.75).

(b) EVP performance rights

Table A provides a weighted average of the inputs used in measuring the fair value of EVP performance rights at grant date.

Table A Telstra Group	Year ended 30 June	
	2022	2021
Share price	\$3.84	\$3.28
Risk free rate	0.62%	0.37%
Dividend yield	5.21%	5.58%
Expected life in years	4.6 years	4.6 years
Expected stock volatility	22%	22%
Fair value (\$)	\$1.78	\$1.63

The expected stock volatility is a measure of the amount by which the price is expected to fluctuate during a period. This is based on an annualised historical daily volatility of closing share prices over a certain period to the measurement date.

5.2.3 Expense recognised in the income statement

Refer to note 2.3 for details about the related employee benefit expenses.

5.2.4 Recognition and measurement

For each of our equity-settled share plans, we measure the fair value of the equity instrument at grant date and recognise in the income statement the expense over the relevant vesting period with a corresponding increase in equity (i.e. share capital). The expense is adjusted to reflect actual and expected levels of vesting.

Grant date is the date when there is a shared understanding between employees and Telstra of the terms and conditions of the plan and the employees have accepted the offer. This often occurs prior to the allocation of equity instruments to the employees.

Section 5. Our people (continued)

5.2 Employee share plans (continued)

5.2.4 Recognition and measurement (continued)

The fair values of our equity instruments are calculated by taking into account the terms and conditions of the individual plan and as follows:

Equity instrument	Fair value approach
Restricted shares	By reference to the dollar amount outcome approved by the Board
Performance rights	Black-Scholes methodology and utilises Monte Carlo simulations

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense in the income statement.

5.3 Post-employment benefits

We participate in, or sponsor, defined benefit and defined contribution schemes for our employees. This note provides details of our Telstra Superannuation Scheme (Telstra Super) defined benefit plan.

Our employer contributions to Telstra Super are based on the recommendations from the actuary of Telstra Super in line with any legislative requirements. The net defined benefit asset/(liability) at balance date is also affected by the valuation of Telstra Super's investments and our obligations to members of Telstra Super.

5.3.1 Net defined benefit plan asset/(liability)

Table A details our net defined benefit plan asset/(liability) recognised in the statement of financial position.

Table A Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Fair value of defined benefit plan assets	1,552	1,704
Present value of the defined benefit obligation	1,288	1,559
Net defined benefit asset	264	145
Attributable to:		
Telstra Super	274	155
Other	(10)	(10)
	264	145

5.3.2 Telstra Superannuation Scheme (Telstra Super)

The Telstra Entity participates in Telstra Super, a regulated fund in accordance with the Superannuation Industry Supervision Act governed by the Australian Prudential Regulation Authority.

Telstra Super's board of directors operates and governs the plan, including making investment decisions.

Telstra Super has both defined benefit and defined contribution divisions. The defined benefit divisions, which are closed to new members, provide benefits based on years of service and final average salary paid as a lump sum. Post-employment benefits do not include payments for medical costs.

On an annual basis, we engage qualified actuaries to calculate the present value of the defined benefit obligations.

Contribution levels made to the defined benefit divisions are determined by Telstra after obtaining the advice of the actuary and in consultation with Telstra Super Pty Ltd (the Trustee). These are designed to ensure that benefits accruing to members and beneficiaries are fully funded as they fall due. The benefits received by members of each defined benefit division take into account factors such as each employee's length of service, final average salary, and employer and employee contributions.

Telstra Super is exposed to inflation, credit risk, liquidity risk and market risk. Market risk includes interest rate risk, equity price risk and foreign currency risk. The strategic investment policy of the fund is to build a diversified portfolio of assets to match the projected liabilities of the defined benefit plan.

(a) Fair value of defined benefit plan assets

Table B provides a reconciliation of fair value of defined benefit plan assets from the opening to the closing balance.

Table B Telstra Super	As at 30 June	
	2022	2021
	\$m	\$m
Fair value of defined benefit plan assets at the beginning of the year	1,704	1,781
Employer contributions	12	15
Member contributions	18	18
Benefits paid (including contributions tax)	(144)	(226)
Plan expenses after tax	(4)	(6)
Interest income on plan assets	37	35
Actual asset (loss)/gain	(71)	87
Fair value of defined benefit plan assets at the end of the year	1,552	1,704

Section 5. Our people (continued)

5.3 Post-employment benefits (continued)

5.3.2 Telstra Superannuation Scheme (Telstra Super) (continued)

(b) Present value of the wholly funded defined benefit obligation

Table C provides a reconciliation of the present value of defined benefit obligation from the opening to the closing balance.

Table C Telstra Super	As at 30 June	
	2022	2021
	\$m	\$m
Present value of defined benefit obligation at the beginning of the year	1,549	1,658
Current service cost	50	51
Interest cost	34	33
Member contributions	7	7
Past service cost/(credit)	2	(1)
Benefits paid	(144)	(226)
Actuarial gain due to change in financial assumptions	(221)	(9)
Actuarial gain due to change in demographic assumptions	(1)	-
Actuarial loss due to experience	2	36
Present value of wholly funded defined benefit obligation at the end of the year	1,278	1,549

The actual return on defined benefit plan assets was 2.8 per cent loss (2021: 5.8 per cent gain). Net actuarial gain recognised in other comprehensive income for Telstra Super amounted to \$149 million (2021: \$60 million).

(c) Categories of plan assets

Table D details the weighted average allocation as a percentage of the fair value of total defined benefit plan assets by class based on their nature and risks.

Table D Telstra Super	As at 30 June	
	2022	2021
	%	%
Asset allocations		
Equity instruments		
Australian equity ¹	9	9
International equity ¹	11	10
Private equity	-	2
Debt instruments		
Fixed interest ¹	61	64
Other		
Property	11	10
Cash and cash equivalents	5	5
Other	3	-
	100	100

¹ These assets have quoted prices in active markets.

(i) Related party disclosures

The related party disclosures below relate to Telstra Super as a whole, rather than just the defined benefit plan.

As at 30 June 2022, Telstra Super owned 44,202,865 (2021: 56,797,514) shares in the Telstra Entity at a cost of \$169 million (2021: \$181 million) and a market value of \$170 million (2021: \$214 million). All these shares were fully paid at 30 June 2022. During the financial year 2022, we paid a dividend to Telstra Super of \$8 million (2021: \$8 million). We own 100 per cent of the equity of Telstra Super Pty Ltd, the Trustee of Telstra Super.

Telstra Super also holds promissory notes and bonds issued by the Telstra Entity. As at 30 June 2022, these securities had a cost of \$5 million (2021: \$10 million) and a market value of \$5 million (2021: \$10 million).

All purchases and sales of Telstra shares, promissory notes and bonds by Telstra Super are on an arm's length basis and are determined by the Trustee and/or its investment managers on behalf of the members of Telstra Super.

(d) Actuarial assumptions and sensitivity analysis

Defined benefit plan

The following key assumptions were used in the calculation of our defined benefit obligations:

- 3.0 per cent (2021: 2.5 per cent) average expected rate of increase in future salaries
- 5.1 per cent (2021: 2.2 per cent) discount rate.

We have used a seven year (2021: eight year) high quality corporate bond rate to determine the discount rate as the term matches closest to the term of the defined benefit obligations.

Our assumption for the salary inflation rate for Telstra Super reflects our long-term expectation for salary increases.

If the estimates prove to be different to actual experience, this may materially affect balances in the next reporting period.

Table E summarises how the defined benefit obligation as at 30 June 2022 would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point (1pp).

Table E Telstra Super	Defined benefit obligation	
	1pp increase	1pp decrease
	\$m	\$m
Discount rate	(74)	83
Expected rate of increase in future salaries	74	(67)

Section 5. Our people (continued)

5.3 Post-employment benefits (continued)

5.3.2 Telstra Superannuation Scheme (Telstra Super) (continued)

(e) Employer contributions

During the financial year 2022, we paid contributions totalling \$12 million (2021: \$15 million) at the average rate of five per cent (2021: five per cent) to our defined benefit divisions, following recommendations from the actuary of Telstra Super.

The current five per cent contribution rate is expected to be next reviewed in the next triennial actuarial review as at 30 June 2024, to be completed by 31 December 2024, although the review could be brought forward (due to, for example, but not limited to the defined benefit obligation's financial position) that could result in a change in the contribution rate.

Table F shows the expected proportion of benefits paid from the defined benefit obligation in future years.

Table F Telstra Super	Year ended 30 June	
	2022	2021
	%	%
Within 1 year	8	7
Between 1 and 4 years	23	23
Between 5 and 9 years	27	26
Between 10 and 19 years	38	39
After 20 years	4	5
	100	100

The weighted average duration of the defined benefit plan obligations at the end of the reporting period was seven years (2021: eight years).

5.3.3 Other defined benefit schemes

Our controlled entities also participate in both funded and unfunded defined benefit schemes, which are individually and in aggregate immaterial.

5.3.4 Recognition and measurement

(a) Defined contribution plans

Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements and other obligations. The contributions are recorded as an expense in the income statement as they become payable. We recognise a liability when we are required to make future payments as a result of employee services provided.

(b) Defined benefit plans - Telstra Superannuation Scheme

We currently sponsor a post-employment defined benefit plan under the Telstra Superannuation Scheme.

At a reporting date, where the fair value of the plan assets is less than the present value of the defined benefit obligations, the net deficit is recognised as a liability. In the reverse situation, the net surplus is recognised as an asset. We recognise the asset to the extent that we have the ability to control this surplus to generate future funds that will be available to us in the form of reductions in future contributions or as a cash refund.

The actuaries use the projected unit credit method to estimate the present value of the defined benefit obligations of the plan. This method determines each year of service as giving rise to an additional unit of benefit entitlement. Each unit is measured separately to calculate the final obligation. The present value is determined by discounting the estimated future cash outflows using rates based on high quality corporate bonds.

We recognise all our defined benefit costs in the income statement, with the exception of actuarial gains and losses that are recognised directly in other comprehensive income.

Actuarial gains and losses are based on an actuarial valuation of each defined benefit plan at a reporting date. Actuarial gains and losses represent the differences between previous actuarial assumptions of future outcomes and the actual outcome, in addition to the effect of changes in actuarial assumptions.

5.4 Key management personnel compensation

Key management personnel (KMP) refer to those who have authority and responsibility for planning, directing and controlling the activities of the Telstra Group. KMP are deemed to include the following:

- the non-executive Directors of the Telstra Entity
- certain executives in the Chief Executive Officer's (CEO's) senior leadership team, including the CEO.

5.4.1 KMP aggregate compensation

During the financial years 2022 and 2021, the aggregate compensation of our KMP was:

Telstra Group	Year ended 30 June	
	2022	2021
	\$000	\$000
Short-term employee benefits	19,080	19,075
Post-employment benefits	348	311
Other long-term benefits	1,019	772
Termination benefits	-	1,154
Share-based payments	11,065	8,534
	31,512	29,846

Refer to the Remuneration Report, which forms part of the Directors' Report for further details regarding KMP remuneration.

5.4.2 Other transactions with our KMP and their related parties

During the financial years 2022 and 2021, apart from transactions trivial and domestic in nature and on normal commercial terms and conditions, there were no other transactions with our KMP and their related parties.

Section 6. Our investments

This section outlines our group structure and includes information about our controlled entities, joint ventures and associated entities. It provides details of changes to these investments and their effect on our financial position and performance during the financial year. It also includes the results of our material joint ventures and associated entities.



6.1 Changes in the group structure

6.1.1 Current year acquisitions

During the financial year 2022 we have acquired a number of controlled entities. Individually material acquisitions and a summary of those individually immaterial have been disclosed below. The goodwill arising from acquisitions is not deductible for income tax purposes.

(a) MedicalDirector

On 16 August 2021, we acquired 100 per cent of the shares in Clinical Technology Holdings Pty Ltd and its subsidiaries (MedicalDirector) for a total consideration of \$363 million. MedicalDirector is a provider of clinical software and digital health to health care practitioners in Australia.

The acquisition gave rise to \$224 million goodwill reflecting revenue growth opportunities, cost synergies, workforce talents and profitability of the acquired businesses.

Table A summarises the effects of accounting for this acquisition.

Table A MedicalDirector	Year ended
	30 June 2022
	\$m
Cash consideration	363
Cash balances acquired	(23)
Outflow of cash on acquisition	340
Acquisition costs incurred included in other expenses in the income statement	6
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	23
Trade and other receivables	3
Right-of-use assets	8
Intangible assets	157
Deferred tax assets	24
Other assets	14
Trade and other payables	(17)
Lease liabilities	(10)
Deferred tax liabilities	(48)
Contract liabilities and other revenue received in advance	(10)
Other liabilities	(5)
Net assets	139
Goodwill on acquisition	224
Total purchase consideration	363
Contributions to the Group's performance from acquisition date to 30 June 2022	
Income	53
Profit before income tax expense	10

(b) Power Health

On 9 November 2021, we completed the acquisition of 70 per cent of the shares in Power Solutions Holdings Pty Ltd and its subsidiaries (Power Health). The consideration payable consists of \$98 million upfront cash payment, up to \$10 million deferred payment contingent on the business entering into certain customer contracts, and up to \$10 million incentive payment that is contingent on Power Health achieving certain financial targets in each case by 15 April 2023, and the buyout of the remaining 30 per cent of the shares in Power Health between the end of years two and five from completion or otherwise obligatory acquisition by year five.

Power Health provides a health software asset that is used in almost every public hospital and Healthscope private hospitals in Australia as well as in a growing number of hospitals internationally.

The acquisition of Power Health is accounted as a 100 per cent wholly-owned group as detailed below.

Determining non-controlling interests in Power Health

On 9 November 2021, we acquired 70 per cent of shares in Power Health, however, we applied judgement to determine that we control 100 per cent on the acquisition date. This is because we have a contractual obligation to purchase the remaining 30 per cent interest from the founding shareholder by 2026. Therefore, the non-controlling interest is deemed to have been acquired at the acquisition date.

We account for our obligation to purchase the remaining interest as a financial liability.

On acquisition date we recognised a financial liability for our commitment to purchase the 30 per cent interest of the group, initially measured at the present value of the purchase price for the remaining 30 per cent interest. This liability is remeasured to its fair value at each reporting date, with any subsequent changes recognised in the income statement. No earnings are attributed to the non-controlling interests. As at 30 June 2022, the fair value of the financial liability was \$46 million. This amount has been included within contingent consideration in Table B.

The acquisition gave rise to \$89 million goodwill comprised of revenue growth opportunities and cost synergies.

Section 6. Our investments (continued)

6.1 Changes in the group structure (continued)

6.1.1 Current year acquisitions (continued)

(b) Power Health (continued)

Table B summarises the effects of accounting for this acquisition.

Table B Power Health	Year ended
	30 June 2022
	\$m
Consideration for acquisition	
Cash consideration	98
Contingent consideration	53
Total purchase consideration	151
Cash balances acquired	(10)
Contingent consideration	(53)
Outflow of cash on acquisition	88
Acquisition costs incurred included in other expenses in the income statement	1
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	10
Trade and other receivables	18
Right-of-use assets	1
Intangible assets	57
Deferred tax assets	2
Trade and other payables	(6)
Lease liabilities	(1)
Contract liabilities and other revenue received in advance	(5)
Deferred tax liabilities	(9)
Other liabilities	(5)
Net assets	62
Goodwill on acquisition	89
Total purchase consideration	151
Contributions to the Group's performance from acquisition date to 30 June 2022	
Income	18
Profit before income tax expense	6

(c) Fone Zone and licensee retail stores

On 12 November 2021, we acquired 100 per cent shareholding in Fone Zone Pty Ltd and its controlled entities (Fone Zone) for a cash consideration of \$106 million. Fone Zone was Vita Group's Retail Information and Communication Technology business and included all of Vita's Telstra branded retail stores and the Sprout business. The acquisition was prompted by our strategy to transition all Telstra branded retail stores to corporate ownership. The fair value of the net assets at acquisition date was \$40 million. The acquisition gave rise to \$92 million goodwill representing workforce with retail experience, cost and revenue synergies, growth opportunities, and savings on dealer commissions.

Goodwill is not deductible for income tax purposes. However, as the termination of the dealership agreement that occurred as part of the transaction is treated as a termination of a licence for income tax purposes, this residual balance will be claimed as a tax deduction over a period of five years.

During the financial year 2022, we have also completed multiple individually immaterial acquisitions of retail stores from various licensees, and the accounting for some of which remains provisional as at 30 June 2022. The total purchase consideration for these acquisitions amounted to \$243 million and resulted in recognition of total goodwill of \$216 million. The acquisitions were prompted by our strategy to transition all Telstra branded retail stores to corporate ownership.

We have effectively settled the pre-existing relationships between us and the acquired entities and businesses, including the pre-existing debtor/creditor balances netted off at their recorded amounts. As the main source of income of the acquired entities and businesses was the commissions they generated from us, we have not disclosed the contributions to the Group's performance from acquisition date to 30 June 2022 as they were not meaningful.

Table C summarises the effects of provisional and final accounting for all these acquisitions. Goodwill recognised is part of Telstra Consumer & Small Business CGU.

Table C Fone Zone and licensee retail stores	Year ended
	30 June 2022
	\$m
Consideration for acquisition	
Cash consideration	309
Effective settlement of the pre-existing net receivable in Telstra Group	66
Total purchase consideration	375
Cash balances acquired	(27)
Effective settlement of the pre-existing net receivable in Telstra Group	(66)
Outflow of cash on acquisition	282
Acquisition costs incurred included in other expenses in the income statement	6
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	27
Trade and other receivables	4
Property, plant and equipment	30
Right-of-use assets	83
Intangible assets	25
Deferred tax assets	10
Other assets	8
Trade and other payables	(9)
Lease liabilities	(83)
Deferred tax liabilities	(12)
Other liabilities	(16)
Net assets	67
Goodwill on acquisition	308
Total purchase consideration	375

Section 6. Our investments (continued)

6.1 Changes in the group structure (continued)

6.1.1 Current year acquisitions (continued)

(d) Other acquisitions

On 28 February 2022, we acquired 100 per cent shareholding in Alliance Automation Pty Ltd and its wholly-owned subsidiary for a total consideration of \$39 million. Alliance Automation Pty Ltd is a provider of IoT industrial automation solutions and control systems.

On 28 February 2022, we acquired 100 per cent shareholding in Aqura Technologies Pty Ltd for a total consideration of \$28 million. Aqura Technologies Pty Ltd offers leading technology and telecommunication infrastructure solutions.

Table D summarises the effects of provisional accounting for these two individually immaterial acquisitions.

Table D Other acquisitions	Year ended
	30 June 2022
	\$m
Consideration for acquisition	
Cash consideration	59
Contingent consideration	8
Total purchase consideration	67
Cash balances acquired	(1)
Contingent consideration	(8)
Outflow of cash on acquisition	58
Acquisition costs incurred included in other expenses in the income statement	1
	Fair value
Assets/(liabilities) at acquisition date	
Cash and cash equivalents	1
Trade and other receivables	17
Property, plant and equipment	2
Right-of-use assets	2
Intangible assets	9
Deferred tax assets	2
Other assets	2
Trade and other payables	(8)
Lease liabilities	(4)
Deferred tax liabilities	(2)
Other liabilities	(3)
Net assets	18
Goodwill on acquisition	49
Total purchase consideration	67
Contributions to the Group's performance from acquisition date to 30 June 2022	
Income	30
Profit before income tax expense	1

(e) Telstra Group result if all acquisitions occurred on 1 July 2021

If all the acquisitions made during the financial year 2022 had occurred on 1 July 2021, our adjusted consolidated income and consolidated profit before income tax expense for the financial year 2022 would have been \$22,136 million and \$2,406 million, respectively.

6.1.2 Current year disposals

On 30 June 2021, we announced that a consortium comprising the Future Fund, Commonwealth Superannuation Corporation and Sunsuper agreed to acquire a 49 per cent interest and become a strategic partner in Telstra's towers business.

On 31 August 2021, the towers business became operational following a transfer of business assets and liabilities to Towers Business Operating Trust (Trust). The Trust also incurred \$90 million estimated stamp duty costs related to the establishment of the business. The trustee of the Trust is our subsidiary Amplitel Pty Ltd (Amplitel).

The sale of 49 per cent interests in the Trust and Amplitel to the consortium was completed on 1 September 2021 and resulted in \$2,883 million net cash proceeds. We retain control of the Trust and Amplitel and thus we continue to consolidate these entities.

At the Telstra Group level, transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the towers business. As at 1 September 2021, we recognised \$798 million non-controlling interests reflecting the consortium's relative interests in the Trust and Amplitel as at the date of the transaction. The \$2,085 million difference between the amount recognised as non-controlling interests and the consideration received was recognised in general reserve within equity attributable to the Telstra Group.

Refer to note 7.2.1 for information about a net gain recognised by the Telstra Entity on the transfer of the towers business assets and liabilities.

Refer to note 6.3.1 for the summarised financial information of the Trust and Amplitel amalgamated as at 30 June 2022.

6.1.3 Prior year disposals

In December 2020, we disposed of Telstra's Velocity business for total sales proceeds of \$140 million, with \$92 million received by 30 June 2022 and the remainder over the next two years. Following the disposal, we leased back the assets sold until the network integration and customer transition work is completed in each region (expected by July 2023), subsequent to which we will service the premises in those regions as a Retail Service Provider of the purchaser. A \$60 million net gain from disposal represented mainly a gain on sale and leaseback transaction.

In December 2020, we disposed of the assets and liabilities of our e-commerce platform for total sale proceeds of \$55 million and recognised a net gain of \$45 million.

In March 2021, we disposed of our controlled entity Sunshine NewCo Pty Limited, holding our minority investment in Project Sunshine I Pty Ltd (Sensis), for total sale proceeds of \$78 million and recognised a net gain of \$1 million, including the \$34 million impairment loss recognised on the remeasurement of this investment to its fair value less costs to sell at 31 December 2020.

In total during the financial year 2021 we deconsolidated \$186 million assets and \$98 million liabilities on disposal of controlled entities and other businesses.

Section 6. Our investments (continued)

6.2 Investments in controlled entities

6.2.1 Investments in controlled entities

Telstra Group has a direct or indirect interest in over 190 subsidiaries with our international presence spanning over 20 countries. We have controlled entities in Australia, Asia, New Zealand, Europe, Middle East and the United States of America. We conduct most of our business through the Telstra Entity and none of our controlled entities is individually material to the Group's EBITDA.

A complete list of our controlled entities is available online at www.telstra.com/financialresults.

6.2.2 Deed of cross guarantee

Telstra Corporation Limited and each of the wholly-owned subsidiaries set out below (together the 'Closed Group'), are party to a deed of cross guarantee (Deed), as defined in Australian Securities and Investments Commission (ASIC) legislative instrument: 'ASIC Corporations (Wholly-owned Companies) Instrument 2016/785' (ASIC Instrument).

The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up.

Pursuant to the ASIC Instrument, the wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare and lodge separate financial statements, directors' reports and auditors' reports.

The statement of comprehensive income and statement of financial position disclosed in this section present consolidated results of the Closed Group.

The following entities are party to the Deed and part of the Closed Group:

- Telstra Corporation Limited
- Alliance Automation Pty Ltd
- Bridge Point Communications Pty Ltd
- Clinical Technology Holdings Pty Limited
- Epicon IT Solutions Pty Ltd
- Fone Zone Pty Ltd
- Health Communication Network Pty Limited
- Merricks NewCo Pty Ltd
- Mobile Tracking and Data Pty Ltd
- MTDData Holdings Pty Ltd
- Pacnet Internet (A) Pty Ltd
- Telstra Broadcast Services Pty Limited
- Telstra Communications Limited
- Telstra Energy (Generation) Pty Ltd
- Telstra Energy (Holdings) Pty Ltd
- Telstra Energy (Retail) Pty Ltd
- Telstra Health Pty Ltd
- Telstra Holdings Pty Ltd
- Telstra International (Aus) Limited
- Telstra International Networks Pty Limited (formerly Kloud Solutions Pty Ltd)
- Telstra Limited (formerly Network Design and Construction Limited)
- Telstra Multimedia Pty Limited
- Telstra Pay TV Pty Ltd
- Telstra Plus Pty Ltd
- Telstra PM Holdings Pty Ltd (formerly Telstra Serveco No.2 Pty Ltd)
- Telstra PM Pty Ltd (formerly Telstra Serveco No.3 Pty Ltd)

- Telstra Purple Pty Ltd
- Telstra Services Solutions Holdings Limited
- Telstra Software Group Pty Ltd
- Telstra Towerco No.2 Pty Ltd
- Telstra Ventures Pty Limited.

The following entities were added as parties to the Deed via an assumption deed on 22 June 2022 and are also part of the Closed Group:

- Alliance Automation Pty Ltd
- Clinical Technology Holdings Pty Limited
- Fone Zone Pty Ltd
- Health Communication Network Pty Limited
- Telstra PM Holdings Pty Ltd
- Telstra PM Pty Ltd
- Telstra Towerco No.2 Pty Ltd.

There are no other members of the Extended Closed Group (as defined in the ASIC Instrument). Telstra Finance Limited is trustee under the Deed. However, it is not a member of the Closed Group or the Extended Closed Group.

Section 6. Our investments (continued)

6.2 Investments in controlled entities (continued)

6.2.2 Deed of cross guarantee (continued)

Financial information of the members of the Closed Group presented in Tables A to C excludes Telstra Finance Limited. Transactions between the members have been eliminated.

Table A Closed Group	As at 30 June	
	2022	2021
	\$m	\$m
Current assets		
Cash and cash equivalents	680	936
Trade and other receivables and contract assets	3,350	3,843
Deferred contract costs	115	109
Inventories	456	364
Derivative financial assets	302	624
Prepayments	211	255
Total current assets	5,114	6,131
Non-current assets		
Trade and other receivables and contract assets	867	1,175
Deferred contract costs	1,238	1,342
Inventories	28	21
Investments – controlled entities	6,110	3,112
Investments – accounted for using the equity method	830	1,036
Investments – other	10	10
Property, plant and equipment	19,556	20,032
Right-of-use assets	2,449	2,649
Intangible assets	6,821	5,982
Derivative financial assets	512	786
Defined benefit asset	274	155
Total non-current assets	38,695	36,300
Total assets	43,809	42,431
Current liabilities		
Trade and other payables	3,682	3,425
Employee benefits	642	665
Other provisions	160	85
Lease liabilities	412	455
Borrowings	4,283	4,761
Derivative financial liabilities	-	26
Current tax payables	25	103
Contract liabilities and other revenue received in advance	1,512	1,523
Total current liabilities	10,716	11,043

Table A (continued) Closed Group	As at 30 June	
	2022	2021
	\$m	\$m
Non-current liabilities		
Other payables	183	5
Employee benefits	131	149
Other provisions	112	118
Lease liabilities	2,394	2,577
Borrowings	11,008	11,913
Derivative financial liabilities	305	331
Deferred tax liabilities	1,612	1,529
Contract liabilities and other revenue received in advance	757	774
Total non-current liabilities	16,502	17,396
Total liabilities	27,218	28,439
Net assets	16,591	13,992
Equity		
Share capital	3,098	4,436
Reserves	287	243
Retained profits	13,206	9,313
Equity available to the closed group	16,591	13,992

Table B Closed Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Profit for the year for the Closed Group	5,683	1,745
Total other comprehensive income for the Closed Group	147	267
Total comprehensive income for the year for the Closed Group	5,830	2,012

Table C provides a reconciliation of retained profits of the Closed Group from the opening to the closing balance.

Table C Closed Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Retained profits at the beginning of the financial year available to the Closed Group	9,313	9,402
Effect on retained profits from addition of entities to the Closed Group	(10)	23
Effect on retained profits from removal of entities to the Closed Group	4	3
Total comprehensive income recognised in retained profits	5,787	1,787
Dividend	(1,888)	(1,902)
Retained profits at the end of the financial year available to the Closed Group	13,206	9,313

Section 6. Our investments (continued)

6.3 Non-controlling interests

The Telstra Group includes entities which have material non-controlling interests.

6.3.1 Amplitel business

As detailed in note 6.1.2, on 1 September 2021 we completed the sale of 49 per cent interests in the Trust and Amplitel and recognised a non-controlling interest resulting from that transaction.

Table A summarises financial information of the entities which have material non-controlling interests, i.e. the Trust and Amplitel (Amplitel business), amalgamated for the year ended and as at 30 June 2022. It represents the amounts before inter-company eliminations of transactions with other entities within the Telstra Group, with the exception of the transactions within the Amplitel business which have been eliminated.

Table A Amplitel business	Year ended/ As at
	30 June 2022
	\$m
Statement of financial position	
Current assets	339
Non-current assets	2,071
Total assets	2,410
Current liabilities	217
Non-current liabilities	809
Total liabilities	1,026
Net assets	1,384
Accumulated non-controlling interests	794
Statement of comprehensive income	
Revenue	141
Loss/total comprehensive income for the period	(157)
Profit allocated to non-controlling interests	83
Distributions paid/payable to non-controlling interests	87
Statement of cash flows	
Net cash inflow from operating activities	82
Net cash inflow from investing activities	129
Net cash outflow from financing activities	(81)
Net cash inflow	130

6.3.2 The Exchange Trust

As at 30 June 2022, our controlled entity The Exchange Trust, which holds a portfolio of 36 Telstra exchanges in Australia, had a 49 per cent (2021: 49 per cent) non-controlling interest balance of \$700 million (2021: \$700 million). The trustee of the Exchange Trust is Merricks NewCo Pty Ltd, our wholly-owned controlled entity. During the financial year 2022, we paid the minority unit holder of the trust a \$32 million (2021: \$30 million) dividend.

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities

We account for joint ventures and associated entities using the equity method. Under this method, we recognise the investment at cost and subsequently adjust it for our share of profits or losses, which are recognised in the income statement and our share of other comprehensive income, which is recognised in the statement of comprehensive income. Generally, dividend received reduces the carrying value of the investment.

The movements in the carrying amount of equity accounted investments in our joint ventures and associated entities are summarised in Table A.

Telstra Group	As at 30 June			
	Joint ventures		Associated entities	
	2022	2021	2022	2021
	\$m	\$m	\$m	\$m
Carrying amount of investments at beginning of year	578	266	440	631
Additions	13	79	101	13
Disposals	-	-	-	(153)
Net impairment loss recognised in the income statement	-	-	-	(30)
	591	345	541	461
Share of net loss	(4)	(8)	(27)	(16)
Share of distributions	(104)	(51)	-	(8)
Share of reserves	(199)	292	16	3
Carrying amount of investments at end of year	284	578	530	440

Additions of associated entities includes \$71 million (2021: \$2 million) of new investments in Telstra Ventures Fund III, L.P.

Share of joint ventures' reserves includes \$199 million loss (2021: \$292 million gain) in our share of other comprehensive income.

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.1 List of our investments in joint ventures and associated entities

Table B presents a list of our investments in joint ventures and associated entities, their principal place of business/country of incorporation and our ownership interest.

Table B Telstra Group			Ownership interest	
			As at 30 June	
			2022	2021
Name of entity	Principal activities	Principal place of business/country of incorporation	%	%
Joint ventures				
3GIS Pty Ltd	Management of former 3GIS Partnership (non-operating)	Australia	50.0	50.0
Reach Limited	International connectivity services	Bermuda	50.0	50.0
Telstra Ventures Fund II, L.P.	Venture capital	Guernsey	62.5	62.5
Associated entities				
Asia Netcom Philippines Corporation	Ownership of physical property	Philippines	40.0	40.0
Australia-Japan Cable Holdings Limited	Network cable provider	Bermuda	46.9	46.9
Dacom Crossing Corporation	Network cable provider	Korea	49.0	49.0
NXE Australia Pty Limited	Pay television	Australia	35.0	35.0
Pacific Carriage Holdings Limited Inc.	Network cable provider	United States	25.0	25.0
Pivotal Labs Sydney Pty Ltd	Software development	Australia	20.0	20.0
Southern Cross Cables Holdings Limited	Network cable provider	Bermuda	25.0	25.0
Telstra Converge Inc (formerly Digital Crossing Inc.)	Telecommunication services	Philippines	48.0	48.0
Telstra Super Pty Ltd	Superannuation trustee	Australia	100.0	100.0
Telstra Ventures Fund III, L.P.	Venture capital	Guernsey	50.5	55.0
Tianjin TenLink Electronic Technology Co., Ltd.	Control system of industrial internet supplier	China	10.0	-

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.1 List of our investments in joint ventures and associated entities (continued)

We apply judgement to determine if we have significant influence or joint control over our investments as detailed below.

Joint control of Telstra Ventures Fund II, L.P.

We applied judgement to determine that we have joint control of our investment in Telstra Ventures Fund II, L.P.. While we hold 62.5 per cent of the partnership interest on a fully committed basis, key decisions for the entity require the unanimous approval of the Advisory Committee, on which we hold one of the two seats, or a majority of at least 75.0 per cent of the fully committed capital.

Significant influence over Telstra Super Pty Ltd

We applied judgement to determine that we do not control Telstra Super Pty Ltd even though we own 100 per cent of its equity.

Telstra Super Pty Ltd is a trustee for the Telstra Superannuation Scheme. We do not consolidate Telstra Super Pty Ltd as we do not control the board of directors. The board of directors consists of an equal number of employer and member representatives and an independent chairman. Our voting power over the relevant activities is 44 per cent, which is equivalent to our representation on the board. The entity is therefore classified as an associated entity as we have significant influence over it.

Significant influence over Telstra Ventures Fund III, L.P.

We applied judgement to determine that we have significant influence of our investment in Telstra Ventures Fund III, L.P.. While we hold 50.5 per cent (2021: 55.0 per cent) on a committed capital amount basis, we have a seat on the Advisory Committee. This gives us the power to participate in the financial and operating policy decisions of the investment.

(a) NXE Group

Telstra has a 35 per cent interest in NXE Australia Pty Limited and its controlled entities (NXE Group), an associated entity which provides subscription TV and streaming services. In the consolidated financial statements Telstra's interest in NXE Australia Pty Limited is accounted for using the equity method.

Financial information of NXE Group for the financial year 2022 is summarised in Table C based on their consolidated management financial statements prepared in accordance with the Australian Accounting Standards. The information disclosed reflects the amounts presented in the financial statements of NXE Group and not Telstra's share of those amounts. The management financial information has been adjusted to reflect adjustments made by Telstra when using the equity accounting method, including fair value adjustments and modifications for differences in accounting policy and impairment of our investment.

Table C NXE Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Current assets	705	575
Non-current assets	3,793	4,039
Current liabilities	(1,224)	(756)
Non-current liabilities	(2,319)	(2,847)
Equity	955	1,011
Telstra's share in equity 35% (2021: 35%)	334	354
Equity accounting adjustments	68	61
Telstra's carrying amount of the investment	402	415
Revenue	2,775	2,767
Operating expenses	(2,887)	(2,958)
Loss before tax	(112)	(191)
Income tax benefit	40	54
Loss for the year	(72)	(137)
Other comprehensive income	16	9
Total comprehensive income for the year	(56)	(128)
Equity accounting adjustments	19	86
Adjusted comprehensive income for the period	(37)	(42)
Telstra's share of comprehensive income for the year (35%)	(13)	(15)

Section 6. Our investments (continued)

6.4 Investments in joint ventures and associated entities (continued)

6.4.2 Other joint ventures and associated entities

Table D presents our share of the aggregate financial information of joint ventures and associated entities.

Table D Telstra Group	Year ended/As at 30 June			
	Joint ventures		Associated entities	
	2022	2021	2022	2021
	\$m	\$m	\$m	\$m
Carrying amount of investment	284	578	530	440
Group's share of:				
Loss	(4)	(8)	(27)	(16)
Other comprehensive income	(199)	292	16	3
Total comprehensive income	(203)	284	(11)	(13)

6.4.3 Suspension of equity accounting

Table E presents our unrecognised share of losses for the financial year and cumulatively for our entities where equity accounting has ceased and the investment is recorded at zero due to losses made by these entities and/or reductions in the equity accounted carrying amount.

Table E Telstra Group	Year ended 30 June			
	Period	Cumulative	Period	Cumulative
	2022	2022	2021	2021
	\$m	\$m	\$m	\$m
Joint ventures				
Reach Limited	-	(553)	(3)	(553)
Associated entities				
Australia-Japan Cable Holdings Limited	(1)	(69)	(1)	(68)
	(1)	(622)	(4)	(621)

6.4.4 Transactions with our joint ventures and associated entities

Details of key transactions with our joint ventures and associated entities recorded in the income statement and statement of financial position are provided below.

(a) Sale and purchase of goods and services

We sold and purchased goods and services, and earned interest from our associated entities. These transactions were in the ordinary course of business and on normal commercial terms and conditions.

Details of individually significant transactions were as follows:

- we purchased from NXE Group pay television services amounting to \$536 million (2021: \$625 million). The purchases enabled resale of Foxtel services, including Pay TV content, to our existing customers as part of our ongoing product bundling initiatives.
- we sold to NXE Group broadband system services, network access services and other professional services totalling \$95 million (2021: \$109 million) and wholesale services totalling \$66 million (2021: \$64 million).

(b) Amounts owed by joint ventures and associated entities

In February 2020, we entered into a subordinated loan agreement with NXE Australia Pty Limited under which we made available to NXE Australia Pty Limited a loan facility of up to \$170 million at commercial rates of interest. The facility matures on 22 December 2027. As at 30 June 2022 the balance drawn under this facility was \$132 million (2021: \$79 million).

(c) Trade and other payables

As at 30 June 2022, we had \$50 million (2021: \$58 million) trade payables to NXE Group for purchases of pay television services.

As at 30 June 2022, we had \$74 million (2021: nil) other payables to Telstra Ventures Fund III, L.P. for new investments in the Fund.

6.4.5 Recognition and measurement

(a) Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Our interests in joint ventures are accounted for using the equity method of accounting.

(b) Investments in associated entities

These are investments in entities over which we have the ability to exercise significant influence but we do not control the decisions of the entity. Our interests in associated entities are accounted for using the equity method of accounting.

(c) Equity method of accounting

Investments in associated entities and joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in our share of the investment's net assets and net of impairment loss. Goodwill relating to an investment in an associated entity or joint venture is included in the carrying value of the investment and is not amortised. When Telstra's share of losses exceeds our investment in an associated entity or joint venture, the carrying amount of the investment is reduced to nil and no further losses are recognised.

The equity accounted investments are assessed for impairment annually or when there are impairment indicators.

Section 7. Other information

This section provides information and disclosures not included in the other sections, for example our external auditor's remuneration, commitments and contingencies, parent entity disclosures and significant events occurring after reporting date.



7.1 Auditor's remuneration

Our external auditor of the Group is Ernst & Young (EY). In addition to the audit and review of our financial reports, EY provides other services throughout the year. This note details the total fees to our external auditors.

Telstra Group	Year ended 30 June	
	2022	2021
	\$m	\$m
Fees to Ernst & Young (Australia)		
Category 1	8.814	8.272
Category 2	0.040	-
Category 3	3.254	2.806
Category 4	0.448	0.407
Total fees to Ernst & Young (Australia)	12.556	11.485
Fees to other overseas member firms of Ernst & Young (Australia)		
Category 1	2.475	2.349
Category 2	0.049	0.049
Category 4	0.082	0.069
Total fees to other overseas member firms of Ernst & Young (Australia)	2.606	2.467
Total auditor's remuneration	15.162	13.952

Audit and non-audit fees are disclosed in the following categories:

- Category 1: fees to the group auditor for auditing the statutory financial report of the parent covering the group, and for auditing the statutory financial report of any controlled entities
- Category 2: fees for assurance services that are required by legislation to be provided by the auditor
- Category 3: fees for other assurance and agreed-upon procedures services where there is discretion as to whether the service is provided by the auditor or another firm
- Category 4: fees for other services (e.g. tax compliance).

Services in Category 3 included IT security control assessments, various assurance and agreed-upon procedures services.

Services in Category 4 included tax and other advisory services.

We have processes in place to maintain the independence of our external auditor, including the nature of expenditure on non-audit services. EY also has specific internal processes and policies in place to ensure auditor independence.

7.2 Parent entity disclosures

This note provides details of Telstra Entity's financial performance and financial position as a standalone entity. The results include transactions with its controlled entities.

Tables A and B provide a summary of the financial information for the Telstra Entity.

Table A Telstra Entity	As at 30 June	
	2022	2021
	\$m	\$m
Statement of financial position		
Total current assets	5,821	7,302
Total non-current assets	41,512	38,425
Total assets	47,333	45,727
Total current liabilities	14,271	14,753
Total non-current liabilities	16,361	16,811
Total liabilities	30,632	31,564
Share capital	3,098	4,436
Cash flow hedging reserve	6	(126)
Foreign currency basis spread reserve	(8)	(63)
General reserve	202	201
Retained profits	13,403	9,715
Total equity	16,701	14,163

Table B Telstra Entity	Year ended 30 June	
	2022	2021
	\$m	\$m
Statement of comprehensive income		
Profit for the year	5,472	2,042
Total comprehensive income	5,787	2,097

Section 7. Other information (continued)

7.2 Parent entity disclosures (continued)

Total non-current assets include \$40 million (2021: \$150 million) impact of impairment losses recognised during the financial year. Within that amount, impairment losses relating to our associated entities were nil (2021: \$34 million), and relating to our controlled entities amounted to \$14 million (2021: \$106 million). The latter has been eliminated on consolidation of the Telstra Group.

7.2.1 Strategic partner in Telstra's towers business

As detailed in note 6.1.2, on 31 August 2021, the Telstra Entity transferred towers business assets and liabilities to Towers Business Operating Trust (Trust), the trustee of which is our subsidiary Amplitel Pty Ltd (Amplitel), in exchange for units in the Trust held by our wholly-owned subsidiary Telstra Towerco No.2 Pty Ltd (Towerco No.2). As a result, the Telstra Entity recognised a \$4,058 million net gain on sale of the towers business, and a \$5,790 million investment in Towerco No.2.

On 1 September 2021, Towerco No.2 completed the sale of 49 per cent interests in the Trust and Amplitel to a consortium comprising the Future Fund, Commonwealth Superannuation Corporation and Sunsuper. The \$2,883 million proceeds from the sale were transferred by Towerco No.2 to the Telstra Entity via capital return. Refer to note 6.1.2 for further information about the financial impacts of that transaction at the Telstra Group level.

7.2.2 Capital expenditure commitments

As at 30 June 2022, the Telstra Entity's commitments for the acquisition of property, plant and equipment amounted to \$160 million (2021: \$124 million) and for intangible assets to \$158 million (2021: \$281 million).

7.2.3 Contingent liabilities and guarantees

(a) Investigations by regulators

Telstra is subject to a range of laws and regulations in Australia and overseas, including in the areas of telecommunications, corporate law, consumer and competition law and occupational health and safety. In Australia, the principal regulators who enforce these laws and regulations and who Telstra interacts with are the Australian Competition and Consumer Commission (ACCC), the Australian Communications and Media Authority (ACMA), the Australian Securities and Investments Commission (ASIC) and the Australian Securities Exchange (ASX).

Telstra is subject to investigations and reviews from time to time by regulators, including certain current investigations into whether Telstra has complied with relevant laws and regulations. These are taking place in an environment of heightened scrutiny and regulator expectation and where Telstra has self-reported issues where it has not complied with relevant laws and regulations. In the ordinary course of our business, we identify, and may continue to identify, issues that have the potential to impact our customers and reputation, which do not meet relevant laws or regulations, or which do not meet our standards. Where we identify these issues, we make disclosures in accordance with the accounting standards, or our other legal disclosure obligations, or provide for such liabilities as required.

Regulatory investigations and reviews may result in enforcement action, litigation (including class action proceedings), and penalties (both civil and in limited circumstances, criminal).

(b) Common law claims

Certain common law claims by employees and third parties are yet to be resolved. As at 30 June 2022, management believes that the resolution of these contingencies will not have a significant effect on the Telstra Entity's financial results. The maximum amount of these contingent liabilities cannot be reliably estimated.

(c) Indemnities, performance guarantees and financial support

We have provided the following indemnities, performance guarantees and financial support through the Telstra Entity:

- indemnities to financial institutions to support bank guarantees to the value of \$303 million (2021: \$303 million) in respect of the performance of contracts
- indemnities to financial institutions and other third parties in respect of performance and other obligations of our controlled entities, with the maximum amount of our contingent liabilities of \$118 million (2021: \$126 million)
- letters of comfort to indicate support for certain controlled entities to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions (including that the entity remains our controlled entity)
- during the financial year 1998, we resolved to provide IBM Global Services Australia Limited (IBMGSA) with guarantees issued on a several basis up to \$210 million as a shareholder of IBMGSA. During the financial year 2000, we issued a guarantee of \$68 million on behalf of IBMGSA. During the financial year 2004, we sold our shareholding in this entity. The \$68 million guarantee, provided to support service contracts entered into by IBMGSA and third parties, was made with IBMGSA bankers or directly to IBMGSA customers. As at 30 June 2022, this guarantee remains unchanged and \$142 million (2021: \$142 million) of the \$210 million guarantee facility remains unused. Upon sale of our shareholding in IBMGSA and under the deed of indemnity between shareholders, our liability under these performance guarantees has been indemnified for all guarantees that were in place at the time of sale. Therefore, the overall net exposure to any loss associated with a claim has effectively been offset.

(d) Other

In addition to the above matters, entities within the Telstra Group may be recipients of, or defendants in, certain claims, regulatory or legal proceedings and/or complaints made, commenced or threatened. At 30 June 2022, management believes that the resolution of these contingencies will not have a material effect on the financial position of the Telstra Group, or are not at a stage which supports a reasonable evaluation of the likely outcome of the matter.

7.2.4 Recognition and measurement

The accounting policies for the Telstra Entity are consistent with those of the Telstra Group, except for those noted below:

- under our tax funding arrangements, amounts receivable (or payable) recognised by the Telstra Entity for the current tax payable (or receivable) assumed from our Australian wholly-owned entities are booked as current assets or liabilities
- investments in controlled entities, included within non-current assets, are recorded at cost less impairment of the investment value
- our interests in associated entities and joint ventures, including partnerships, are accounted for using the cost method of accounting and are included within non-current assets.

Section 7. Other information (continued)

7.3 Commitments and contingencies

This note provides details of our commitments for capital expenditure arising from our contractual agreements.

This note also includes information about contingent liabilities for which no provisions have been recognised due to the uncertainty regarding the outcome of future events and/or inability to reliably measure such liabilities.

7.3.1 Capital expenditure commitments

Table A shows capital expenditure commitments contracted for at balance date but not recorded in the financial statements. It includes the Telstra Entity's commitments disclosed in note 7.2.2.

Table A Telstra Group	As at 30 June	
	2022	2021
	\$m	\$m
Property, plant and equipment commitments	169	130
Intangible assets commitments	774	282

Intangible assets commitments include \$616 million commitment to purchase spectrum in the Australian Communications and Media Authority's 850/950 MHz auction. Payment for the 20-year spectrum licenses is not expected until shortly before they commence in mid-2024.

7.3.2 Contingent liabilities and contingent assets

Details and estimated maximum amounts (where reasonable estimates can be made) of contingent liabilities for the Telstra Entity are disclosed in note 7.2.3.

Total indemnities to financial institutions issued by our controlled entities totalled \$114 million (2021: \$10 million).

Other contingent liabilities identified for the Telstra Group relate to the ASIC deed of cross guarantee. A list of the companies that are part of the deed are included in note 6.2.2. Each of these companies (except Telstra Finance Limited) guarantees the payment in full of the debts of the other named companies in the event of their winding up.

We have no significant contingent assets as at 30 June 2022.

7.4 Events after reporting date

We are not aware of any matter or circumstance that has occurred since 30 June 2022 that, in our opinion, has significantly affected or may significantly affect in future years:

- our operations
- the results of those operations, or
- the state of our affairs

other than the following:

7.4.1 Final dividend

The details of the final dividend for the financial year 2022 are disclosed in note 4.2.

7.4.2 Acquisition of Digicel Pacific

On 13 July 2022, we completed the acquisition of 100 per cent of the shares in Digicel Pacific Limited and its controlled entities (Digicel Pacific). The consideration payable consists of \$2,385 million (US\$1,612 million) upfront cash payment, and up to \$370 million (US\$250 million) deferred payment contingent on Digicel Pacific's performance over the next three years. The consideration was funded by Telstra's contribution of \$400 million (US\$270 million) and a combination of non-recourse debt facilities from, and equity like securities issued by the Telstra Group to, the Australian Government, through Export Finance Australia.

Digicel Pacific is a leading provider of communication services across Papua New Guinea (PNG), Fiji, Nauru, Samoa, Tonga and Vanuatu. Acquisition of Digicel Pacific expands our international footprint and supports our growth strategy.

With respect to the PNG Additional Company Tax, the vendor has entered into legal arrangements with the PNG tax authorities to resolve the matter for which a liability has been recognised. The vendor has provided an indemnity to Telstra against the outcome of the legal process without further recourse to Digicel Pacific or its related entities. An indemnification asset will be recognised on completion.

Due to the proximity to the completion date the provisional acquisition accounting will be completed during the financial year 2023. The net assets acquired based on the audited financial statements of Digicel Pacific for the financial year ended 31 March 2022 were \$436 million. The net assets at completion are subject to fair value adjustments.

The total transaction costs are expected to be \$31 million, with \$8 million recognised during the financial year 2022 as other expenses in the income statement, and the remainder to be recorded in the financial year 2023.

7.4.3 Acquisition of Fetch TV

On 2 August 2022, we completed the acquisition of a 51.4 per cent controlling interest in Media Innovations Holdings Pty Ltd and its controlled entities (Fetch TV) for a total consideration of \$47 million upfront cash payment and a commitment to onboard Telstra TV customers onto the Fetch TV platform over the next two to three years.

Fetch TV is a subscription-based TV service provider based in Australia which operates its own proprietary streaming aggregation platform. Its services are distributed in partnership with internet service providers and major retailers. Fetch TV will be the new platform for Telstra TV and will strengthen Telstra's home and entertainment offering.

Due to the proximity to the completion date the provisional acquisition accounting will be completed during the financial year 2023. Transaction costs of \$1 million were recognised in the financial year 2022 as other expenses in the income statement.

Directors' Declaration

This Directors' Declaration is required by the *Corporations Act 2001* of Australia.

The Directors of Telstra Corporation Limited have made a resolution that declared:

- (a) in the Directors' opinion, the financial statements and notes of the Telstra Group for the financial year ended 30 June 2022 as set out in the financial report are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Accounting Standards applicable in Australia, International Financial Reporting Standards and Interpretations (as disclosed in note 1.1 to the financial statements), and Corporations Regulations 2001
 - (ii) giving a true and fair view of the financial position of Telstra Corporation Limited and the Telstra Group as at 30 June 2022 and of the performance of Telstra Corporation Limited and the Telstra Group, for the year ended 30 June 2022
- (b) they have received declarations as required by section 295A of the *Corporations Act 2001*
- (c) at the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that Telstra Corporation Limited will be able to pay its debts as and when they become due and payable
- (d) at the date of this declaration there are reasonable grounds to believe that the members of the extended closed group identified in note 6.2.2 to the financial statements, as parties to a Deed of Cross Guarantee, will be able to meet any liabilities to which they are, or may become, subject to because of the Deed of Cross Guarantee described in note 6.2.2.

For and on behalf of the board



John P Mullen
Chairman



Andrew R Penn
Chief Executive Officer and
Managing Director

11 August 2022

Independent Auditor's Report to the Shareholders of Telstra Corporation Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Telstra Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue recognition

Why significant	How our audit addressed the key audit matter
<p>The Group exercises significant judgement relating to revenue recognition in the following areas:</p> <ul style="list-style-type: none"> accounting for new products and plans including bundles of products and/or services; accounting for large Network Application Services (NAS) contracts; and accounting for NBN revenue under the revised Definitive Agreements (DAs) with nbn co and the Commonwealth Government. <p>The accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, the complexity of products and services, the distribution channels and the combination of products sold and price changes in the year.</p> <p>The complexity of the billing systems was also considered as part of the reliance on automated processes and controls Key Audit Matter outlined below.</p> <p>Disclosures relating to revenue recognition can be found at Section 2.2 Income.</p>	<p>We evaluated the design and operating effectiveness of key controls over the capture and measurement of revenue transactions across all significant revenue streams, including evaluating the relevant IT systems.</p> <p>We examined the processes and controls over the capture and assessment of the timing of revenue recognised for new products and plans.</p> <p>We assessed the Group accounting policies as set out in Section 2.2, and the adequacy of disclosures for compliance with the revenue recognition requirements of Australian Accounting Standards. For all significant revenue streams, for a sample of revenue transactions recorded during the year, we obtained supporting evidence such as customer contracts, statements of work, other contractual agreements, service detail records and evidence of customer payment.</p> <p>For customer contracts that include NAS revenues, we focused our work on those which we regarded as higher risk because of the nature of the contract, its stage of delivery and those which were significant by size.</p>

Revenue recognition (continued)

Why significant	How our audit addressed the key audit matter
	<p>In performing this testing, we assessed the appropriateness of the assumptions and estimates supporting the accounting for these contracts as follows:</p> <ul style="list-style-type: none"> • We tested the effectiveness of controls that operate across the contract life cycle. • We obtained and read the relevant sections of certain contracts, to identify the contracted revenues, key provisions in the event of contract termination (such as penalties or the ability for the Group to recover costs) and assessed the appropriateness of identified performance obligations and contract transaction price. • For a sample of contracts where performance obligations are met at a point in time, we obtained evidence to support delivery and/or customer acceptance for recorded revenue transactions. • For those contracts where performance obligations were met over a period of time, we obtained evidence to support how the respective performance obligations were transferred. This included customer acknowledgement of service delivery and comparison of actual contract costs incurred with estimated costs to complete. • We considered the future forecast profitability and the contractual terms to assess the recoverability of the contract-specific assets and to determine if any contracts required loss provisions. <p>We assessed the appropriateness of the assumptions and estimates supporting the accounting for the revised DAs including understanding the timing of disconnections, the progress of the NBN rollout and the transfer of the copper and Hybrid Fibre Coaxial (HFC) networks to nbn co.</p> <p>We also considered the impact of recent regulatory investigations on the recognition of revenue to date.</p>

Reliance on automated processes and controls

Why significant	How our audit addressed the key audit matter
<p>A significant part of the Group's financial processes are reliant on IT systems with automated processes and controls over the valuation and recording of transactions. This is a key part of our audit because of the:</p> <ul style="list-style-type: none"> • complex IT environment supporting diverse business processes; • mix of manual and automated controls; • multiple internal and outsourced support arrangements; and • complexity of the billing systems which calculate the revenue being recognised. <p>The Group continued its implementation of new IT systems during the year, many of which are significant to our audit.</p>	<p>Our IT specialists assessed the Group's manual and automated controls relating to IT systems relevant to financial reporting, including the recognition of revenue. When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information being produced by those systems.</p> <p>Our IT specialists analysed the impact on our audit of new systems that are significant to our audit. This included assessing the design of relevant automated processes and controls and evaluating the effectiveness of the controls in new systems.</p>

Capitalisation of assets, including useful lives, amortisation and impairment

Why significant	How our audit addressed the key audit matter
<p>There are a number of areas where judgements significantly impact the carrying value of property, plant and equipment, software intangible assets and their respective depreciation and amortisation profiles. These areas are as follows:</p> <ul style="list-style-type: none"> the decision to capitalise or expense costs; the annual asset life review; the timeliness of the transfer from assets in the course of construction; and significant changes that have taken place during the period or are expected to take place in the near future, which will impact the extent to which, or manner in which, an asset is used or is expected to be used. <p>Changes in these judgements can have a significant impact on the results of the Group. Accordingly, this was considered a key audit matter.</p> <p>Disclosures relating to the capitalisation and write-off of assets can be found at Section 3.1 Property, Plant and Equipment and Intangible Assets.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Assessed the effectiveness of the Group's controls over the acquisition and disposal of assets; Evaluated the appropriateness of capitalisation policies; Selected a sample of costs capitalised during the year to determine whether capitalisation was appropriate; and Assessed the appropriateness of the date from which assets commenced being depreciated. <p>We assessed the application of the Group's annual asset life review. This included assessing judgements made by the Group on:</p> <ul style="list-style-type: none"> the nature of underlying costs capitalised; and the appropriateness of asset lives applied in the calculation of depreciation and amortisation. <p>We evaluated management's impairment assessment of property, plant and equipment and software intangible assets. This included assessing judgements made by the Group on:</p> <ul style="list-style-type: none"> the nature and impact of changes on the business from the Telstra 2022 (T22) strategy, including which specific assets are impacted; the extent of the impact of these changes on the carrying value of identified property, plant and equipment and software intangible assets; and the completeness of the listing of impacted assets. <p>We evaluated the adequacy of disclosures included in Section 3.1.</p>

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2022 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Auditor's responsibilities for the audit of the financial report (*continued*)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Telstra Corporation Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Sarah Lowe
Partner
Melbourne
11 August 2022

Group Structure

2022 Group structure

List of our investments in controlled entities

The table below sets out a complete list of our controlled entities as at 30 June 2022. The ownership percentages represent the relevant percentage of equity held by the subsidiary's immediate and ultimate parent, respectively.

Telstra Group		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at 30 June		As at 30 June	
		2022	2021	2022	2021
Name of entity	Country of incorporation	%	%	%	%
Parent entity					
Telstra Corporation Limited (a)	Australia				
Controlled entities					
CloudMed Pty Ltd (g)	Australia	100.0	100.0	100.0	100.0
Telstra Health Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• Telstra Health Services Pty Ltd (f)	Australia	100.0	-	100.0	-
• Clinical Technology Holdings Pty Limited (a) (f)	Australia	100.0	-	100.0	-
• Clinical Technology Systems Pty Limited (f)	Australia	100.0	-	100.0	-
• Health Communication Network Pty Limited (a) (f)	Australia	100.0	-	100.0	-
• Phoenix Medical Publishing Pty Ltd (f)	Australia	100.0	-	100.0	-
• MedicalDirector (NZ) Limited (f)	New Zealand	100.0	-	100.0	-
• MedicalDirector Limited (f)	United Kingdom	100.0	-	100.0	-
• Power Solutions Holdings Pty Ltd (e) (f)	Australia	70.0	-	70.0	-
• Power Solutions DTD Pty Ltd (e) (f)	Australia	100.0	-	70.0	-
• Power Solutions Health Management Consulting LLC (f)	Saudi Arabia	100.0	-	70.0	-
• PowerHealth Solutions Canada Inc (f)	Canada	100.0	-	70.0	-
• Power Solutions DTD Limited (e) (f)	Ireland	100.0	-	70.0	-
• PowerHealth Solutions Ltd (f)	United Kingdom	100.0	-	70.0	-
• PowerHealth Solutions Limited (f)	New Zealand	100.0	-	70.0	-
• PowerHealth Solutions Limited (e) (f)	Hong Kong	100.0	-	70.0	-
• PowerHealth Solutions Sdn. Bhd. (f) (g)	Malaysia	100.0	-	70.0	-
• Fred IT Group Pty Ltd (d) (e) (h)	Australia	50.0	50.0	50.0	50.0
• ERX Script Exchange Pty Ltd (d)	Australia	100.0	100.0	50.0	50.0
• Fred Health Pty Ltd (d) (g)	Australia	100.0	100.0	50.0	50.0
• Fred Retail Pty Ltd (d) (g)	Australia	100.0	100.0	50.0	50.0
• Pharmacy Research Network Pty. Ltd. (d) (g)	Australia	100.0	100.0	50.0	50.0
• Medication Knowledge Pty Ltd (d)	Australia	80.0	80.0	40.0	40.0
• Telstra Health UK (Holdings) Ltd (formerly Dr Foster Intelligence Limited) (h)	United Kingdom	100.0	100.0	100.0	100.0
• Dr Foster Research Ltd (g)	United Kingdom	100.0	100.0	100.0	100.0

2022 Group structure (continued)

Telstra Group		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at 30 June		As at 30 June	
		2022	2021	2022	2021
Name of entity	Country of incorporation	%	%	%	%
• Telstra Health UK Ltd (formerly Dr Foster Limited)	United Kingdom	100.0	100.0	100.0	100.0
• Dr Foster Inc. (c) (g)	United States	100.0	100.0	100.0	100.0
DCA eHealth Solutions Pty Ltd (g)	Australia	100.0	100.0	100.0	100.0
• Argus Connecting Care Pty Ltd (g)	Australia	100.0	100.0	100.0	100.0
• Communicare eHealth Solutions Pty Ltd (g)	Australia	100.0	100.0	100.0	100.0
Medinexus Pty Ltd (g)	Australia	100.0	100.0	100.0	100.0
Mobile Payment Gateway Pty Limited	Australia	100.0	100.0	100.0	100.0
O2 Networks Pty Ltd (b)	Australia	-	100.0	-	100.0
Bridge Point Communications Pty Ltd (a) (g) (h)	Australia	100.0	100.0	100.0	100.0
Merricks NewCo Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
MTData Holdings Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• Mobile Tracking and Data Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• Transport Compliance Services Pty Ltd	Australia	100.0	100.0	100.0	100.0
• MTData NZ Limited	New Zealand	100.0	100.0	100.0	100.0
Epicon IT Solutions Pty. Ltd. (a)	Australia	100.0	100.0	100.0	100.0
• Service Potential Pty Ltd	Australia	100.0	100.0	100.0	100.0
Epicon Software Pty Ltd	Australia	100.0	100.0	100.0	100.0
Telstra Limited (formerly Network Design and Construction Limited) (a)	Australia	100.0	100.0	100.0	100.0
• NDC Global Holdings Pty Limited (g)	Australia	100.0	100.0	100.0	100.0
• NDC Global Services Pty Limited (g)	Australia	100.0	100.0	100.0	100.0
Pacnet Services (A) Pty. Ltd.	Australia	100.0	100.0	100.0	100.0
Pacnet Internet (A) Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• Hunterlink Pty Limited (g)	Australia	100.0	100.0	100.0	100.0
Research Resources Pty Ltd (b)	Australia	-	100.0	-	100.0
Telstra Purple Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• Alliance Automation Pty Ltd (a) (f)	Australia	100.0	-	100.0	-
• DLM Automation Pty Ltd (f)	Australia	100.0	-	100.0	-
• Aqura Technologies Pty Ltd (f)	Australia	100.0	-	100.0	-
Telstra 3G Spectrum Holdings Pty Ltd	Australia	100.0	100.0	100.0	100.0
Telstra OnAir Holdings Pty Ltd	Australia	100.0	100.0	100.0	100.0
Telstra Communications Limited (a) (g)	Australia	100.0	100.0	100.0	100.0
Telstra Energy (Holdings) Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• Telstra Energy (Retail) Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0

2022 Group structure (continued)

Telstra Group		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at 30 June		As at 30 June	
		2022	2021	2022	2021
Name of entity	Country of incorporation	%	%	%	%
• Telstra Energy (Markets) Pty Ltd	Australia	100.0	100.0	100.0	100.0
• Telstra Energy (Generation) Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
Telstra ESOP Trustee Pty Limited	Australia	100.0	100.0	100.0	100.0
Telstra Finance Limited (a)	Australia	100.0	100.0	100.0	100.0
Telstra Foundation Ltd	Australia	100.0	100.0	100.0	100.0
Telstra Foundation (Philippines) Inc.	Philippines	100.0	100.0	100.0	100.0
Telstra Group Limited (g)	Australia	100.0	100.0	100.0	100.0
Telstra Growthshare Pty Ltd	Australia	100.0	100.0	100.0	100.0
ACN 147 190 118 Pty Ltd (g)	Australia	74.0	67.6	74.0	67.6
• Neto (US) Inc (c) (g)	United States	100.0	100.0	74.0	67.6
Telstra Broadcast Services Pty Limited (a)	Australia	100.0	100.0	100.0	100.0
Sapio Pty Ltd	Australia	51.0	51.0	51.0	51.0
Telstra Holdings Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• Telstra International Operations Pty Limited (formerly KCS Solutions Pty Ltd) (g) (h)	Australia	100.0	100.0	100.0	100.0
• Telstra International Networks Pty Limited (formerly Kloud Solutions Pty Ltd) (a) (g) (h)	Australia	100.0	100.0	100.0	100.0
• Telstra Australia Networks Pty Limited (formerly iCareHealth Pty Ltd) (g) (h)	Australia	100.0	100.0	100.0	100.0
• Telstra Global (Malaysia) Sdn. Bhd	Malaysia	61.0	61.0	61.0	61.0
• Pacnet Limited	Bermuda	100.0	100.0	100.0	100.0
• Pacnet Services Corporation Ltd	Bermuda	100.0	100.0	100.0	100.0
• Asia Netcom Pacnet (Ireland) Limited	Ireland	100.0	100.0	100.0	100.0
• Pacnet Global Corporation (S) Pte Ltd	Singapore	100.0	100.0	100.0	100.0
• Pacnet Services (Korea) Limited (e)	Republic of Korea	100.0	100.0	100.0	100.0
• Pacnet Services South Asia (Philippines) Inc. (e)	Philippines	100.0	100.0	100.0	100.0
• Pacnet Services (UK) Limited	United Kingdom	100.0	100.0	100.0	100.0
• Telstra Services (USA) Inc.	United States	100.0	100.0	100.0	100.0
• Pacnet Services (Japan) Corp.	Japan	39.6	39.6	100.0	100.0
• Pacnet Services Holdings (Taiwan) Limited (g)	Taiwan	100.0	100.0	100.0	100.0
• Telstra Services (Taiwan) Inc.	Taiwan	11.0	11.0	100.0	100.0
• Telstra Internet (S) Pte Ltd	Singapore	100.0	100.0	100.0	100.0
• Pacnet Internet (HK) Limited	Hong Kong	100.0	100.0	100.0	100.0
• Pacific Business Solutions (China) (c) (d) (e)	China	50.0	50.0	50.0	50.0
• Pacific Business Solutions (China) Xi'an (c) (d) (e)	China	100.0	100.0	50.0	50.0

2022 Group structure (continued)

Telstra Group		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at 30 June		As at 30 June	
		2022	2021	2022	2021
Name of entity	Country of incorporation	%	%	%	%
• Pacific Business Solutions (China) Chongqing (c) (d) (e)	China	100.0	100.0	50.0	50.0
• Pacific Business Solutions (China) Tianjin (c) (d) (e)	China	100.0	100.0	50.0	50.0
• Pacific Business Solutions (China) Shanghai (c) (d) (g)	China	100.0	100.0	50.0	50.0
• Telstra PBS Limited (c) (d) (e)	Hong Kong	100.0	100.0	50.0	50.0
• Pacific Business Solutions (China) CQ (formerly Australia-Pacific (Chongqing) Telecommunications Technology Limited) (c) (d) (e)	China	100.0	100.0	50.0	50.0
• Pacific Internet India Private Limited (c) (e)	India	99.9	99.9	100.0	100.0
• Pacnet Network Limited	Bermuda	100.0	100.0	100.0	100.0
• Pacnet Network (UK) Limited	United Kingdom	100.0	100.0	100.0	100.0
• Pacnet Network (Korea) Limited (e)	Republic of Korea	100.0	100.0	100.0	100.0
• Pacnet Network (Philippines) Inc. (e)	Philippines	100.0	100.0	100.0	100.0
• Pacnet Services (Japan) Corp.	Japan	57.8	57.8	100.0	100.0
• Pacnet Cable Limited	Bermuda	100.0	100.0	100.0	100.0
• C2C Pacnet (Ireland) Limited	Ireland	100.0	100.0	100.0	100.0
• Pacnet Cable (Korea) Limited (e)	Republic of Korea	100.0	100.0	100.0	100.0
• Telstra Network & Business Services Korea Co., Ltd. (e)	Republic of Korea	49.0	49.0	100.0	100.0
• Pacnet Cable (Taiwan) Limited	Taiwan	100.0	100.0	100.0	100.0
• Pacnet Cable (USA) Inc.	United States	100.0	100.0	100.0	100.0
• Pacnet Services (Japan) Corp.	Japan	2.6	2.6	100.0	100.0
• Asia Communications Investment Holdings (Taiwan) Limited (g)	Taiwan	100.0	100.0	100.0	100.0
• Asia Communications Investment (Taiwan) Limited (g)	Taiwan	100.0	100.0	100.0	100.0
• Telstra Services (Taiwan) Inc.	Taiwan	40.0	40.0	100.0	100.0
• Telstra Services (Taiwan) Inc.	Taiwan	49.0	49.0	100.0	100.0
• Beijing Australia Telecommunications Technical Consulting Services Co. Ltd (c)	China	100.0	100.0	100.0	100.0
• Reach Holdings Limited (c)	Mauritius	100.0	100.0	100.0	100.0
• Reach Network India Private Limited (c) (g)	India	99.9	99.9	99.9	99.9
• Telstra Asia Limited (c)	British Virgin Islands	100.0	100.0	100.0	100.0
• Telstra SE Asia Holdings Limited (c)	British Virgin Islands	100.0	100.0	100.0	100.0
• PT Reach Network Services Indonesia	Indonesia	90.0	90.0	90.0	90.0
• Telstra Asia Regional Holdings Limited (c)	British Virgin Islands	100.0	100.0	100.0	100.0

2022 Group structure (continued)

Telstra Group		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at 30 June		As at 30 June	
		2022	2021	2022	2021
Name of entity	Country of incorporation	%	%	%	%
• Telstra Malaysia Sdn. Bhd.	Malaysia	51.0	51.0	51.0	51.0
• Telstra (Thailand) Co. Ltd (d)	Thailand	49.0	49.0	49.0	49.0
• Telstra Philippines Holdings Limited (c)	British Virgin Islands	100.0	100.0	100.0	100.0
• Incomgen Holdings Inc. (d) (g)	Philippines	40.0	40.0	40.0	40.0
• Telstra Web Holdings Inc. (g)	Philippines	60.0	60.0	64.0	64.0
• Telstra Philippines Inc.	Philippines	60.0	60.0	78.4	78.4
• Telstra Philippines Inc.	Philippines	40.0	40.0	78.4	78.4
• Telstra Web Holdings Inc.	Philippines	40.0	40.0	64.0	64.0
• Telstra Global Holdings Limited	British Virgin Islands	100.0	100.0	100.0	100.0
• Telstra International Limited	Hong Kong	100.0	100.0	100.0	100.0
• Telstra Global (HK) Limited	Hong Kong	100.0	100.0	100.0	100.0
• Pacnet Global Communications (India) Private Limited (c) (e) (g)	India	0.1	0.1	100.0	100.0
• Telstra Services Asia Pacific (HK) Limited	Hong Kong	100.0	100.0	100.0	100.0
• Telstra Cable (HK) Limited	Hong Kong	100.0	100.0	100.0	100.0
• Telstra Global Limited	United Kingdom	100.0	100.0	100.0	100.0
• PT Telstra Nusantara (g)	Indonesia	95.0	95.0	95.0	95.0
• Telstra UK Limited (formerly Telstra Limited)	United Kingdom	100.0	100.0	100.0	100.0
• Cordoba Holdings Limited (g)	Jersey	100.0	100.0	100.0	100.0
• Company 85 Limited	United Kingdom	100.0	100.0	100.0	100.0
• Telstra Holdings (Bermuda) No 1 Limited (g)	Bermuda	100.0	100.0	100.0	100.0
• Telstra Holdings Singapore Pte Ltd	Singapore	100.0	100.0	100.0	100.0
• PT Teltranet Aplikasi Solusi (b) (c) (d)	Indonesia	-	49.0	-	49.0
• Telstra Incorporated	United States	100.0	100.0	100.0	100.0
• Telstra India (Private) Limited (c)	India	99.9	99.9	100.0	100.0
• Pacific Internet India Private Limited (c) (e)	India	0.1	0.1	100.0	100.0
• Telstra Telecommunications Private Limited (c) (h)	India	0.1	-	100.0	74.0
• Telstra International Philippines Inc.	Philippines	100.0	100.0	100.0	100.0
• Telstra International PNG Limited (c) (g)	Papua New Guinea	100.0	100.0	100.0	100.0
• Telstra Japan K. K.	Japan	100.0	100.0	100.0	100.0
• Telstra Network Services NZ Limited	New Zealand	100.0	100.0	100.0	100.0
• Telstra NZ Limited	New Zealand	100.0	100.0	100.0	100.0
• Telstra Services Korea Limited (e)	Republic of Korea	100.0	100.0	100.0	100.0
• Telstra Network & Business Services Korea Co., Ltd. (e)	Republic of Korea	51.0	51.0	100.0	100.0

2022 Group structure (continued)

Telstra Group		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at 30 June		As at 30 June	
		2022	2021	2022	2021
Name of entity	Country of incorporation	%	%	%	%
• Telstra Singapore Pte Ltd	Singapore	100.0	100.0	100.0	100.0
• Telstra India (Private) Limited (c)	India	0.1	0.1	100.0	100.0
• Pacific Internet India Private Limited (c) (e)	India	0.1	0.1	100.0	100.0
• Telstra Telecommunications Private Limited (c) (h)	India	0.1	-	100.0	74.0
• Pacnet Global Communications (India) Private Limited (c) (e) (g)	India	99.9	99.9	100.0	100.0
• Telstra Software Group Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• muru-D Pty Ltd	Australia	100.0	100.0	100.0	100.0
• Telstra Telecommunications Private Limited (c) (h)	India	99.9	74.0	100.0	74.0
• Telstra Global Business Services LLP (c)	India	50.0	50.0	100.0	100.0
• Telstra GmbH	Germany	100.0	100.0	100.0	100.0
• Telstra SARL	France	100.0	100.0	100.0	100.0
Telstra International (Aus) Limited (a)	Australia	100.0	100.0	100.0	100.0
• Telstra Global Business Services LLP (c)	India	50.0	50.0	100.0	100.0
Heritage Telecommunications Ltd	Australia	100.0	100.0	100.0	100.0
Telstra Multimedia Pty Limited (a)	Australia	100.0	100.0	100.0	100.0
Telstra Pay TV Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
Telstra Plus Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
Telstra Services Solutions Holdings Limited (a) (g)	Australia	100.0	100.0	100.0	100.0
Telstra Ventures Pty Limited (a)	Australia	100.0	100.0	100.0	100.0
Virtual Machine Technology Pty Ltd (g)	Australia	100.0	100.0	100.0	100.0
Telstra Towerco No.2 Pty Ltd (a)	Australia	100.0	100.0	100.0	100.0
• Amplitel Pty Ltd (formerly Telstra Towerco No.1 Pty Ltd)	Australia	51.0	100.0	51.0	100.0
Fone Zone Pty Ltd (a) (f)	Australia	100.0	-	100.0	-
• Fone Zone People Pty Ltd (formerly Vita People Pty Ltd) (f)	Australia	100.0	-	100.0	-
• Sprout Corporation Pty Ltd (f)	Australia	100.0	-	100.0	-
• Kel 2000 Pty Ltd (f)	Australia	100.0	-	100.0	-
• Kel 2010 Pty Ltd (f)	Australia	100.0	-	100.0	-
• One Zero Communications Pty Ltd (f)	Australia	100.0	-	100.0	-
• One Xerro TLS (Bundaberg) Pty Ltd (f)	Australia	100.0	-	100.0	-
• Geek Squad Australia Pty Ltd (f)	Australia	100.0	-	100.0	-
• Computer Geek Squad Pty Ltd (f)	Australia	100.0	-	100.0	-
• One Zero TCS (Warwick) Pty Ltd (f)	Australia	100.0	-	100.0	-
Telstra International Holdings Pty Ltd (g)	Australia	100.0	100.0	100.0	100.0

2022 Group structure (continued)

Telstra Group		% of equity held by immediate parent		% of equity held by ultimate parent	
		As at 30 June		As at 30 June	
		2022	2021	2022	2021
Name of entity	Country of incorporation	%	%	%	%
• Telstra PM Holdings Pty Ltd (formerly Telstra Serveco No.2 Pty Ltd) (a) (g)	Australia	100.0	100.0	100.0	100.0
• Telstra PM Pty Ltd (formerly Telstra Serveco No.3 Pty Ltd) (a) (f) (g)	Australia	100.0	-	100.0	-
• BidCo (S) Pte. Ltd (f)	Singapore	100.0	-	100.0	-
• Telstra Reach Holdings Pty Ltd (formerly Telstra Serveco No.1 Pty Ltd) (g) (h)	Australia	100.0	100.0	100.0	100.0

(a) ASIC deed of cross guarantee financial information

Telstra Corporation Limited and each of the wholly-owned subsidiaries set out below (together the 'Closed Group'), are party to a deed of cross guarantee (Deed), as defined in Australian Securities and Investments Commission (ASIC) legislative instrument: 'ASIC Corporations (Wholly-owned Companies) Instrument 2016/785' (ASIC Instrument).

The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up.

Pursuant to the ASIC Instrument, the wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare and lodge separate financial statements, directors' reports and auditors' reports.

The statement of comprehensive income and statement of financial position disclosed in note 6.2.2 of our 2022 Annual Report present consolidated results of the Closed Group.

The following entities are party to the Deed and part of the Closed Group:

- Telstra Corporation Limited
- Alliance Automation Pty Ltd
- Bridge Point Communications Pty Ltd
- Clinical Technology Holdings Pty Limited
- Epicon IT Solutions Pty. Ltd.
- Fone Zone Pty Ltd
- Health Communication Network Pty Limited
- Merricks NewCo Pty Ltd
- Mobile Tracking and Data Pty Ltd
- MTDData Holdings Pty Ltd
- Pacnet Internet (A) Pty Ltd
- Telstra Broadcast Services Pty Limited
- Telstra Communications Limited
- Telstra Energy (Generation) Pty Ltd
- Telstra Energy (Holdings) Pty Ltd
- Telstra Energy (Retail) Pty Ltd
- Telstra Health Pty Ltd
- Telstra Holdings Pty Ltd
- Telstra International (Aus) Limited
- Telstra International Networks Pty Limited (formerly Kloud Solutions Pty Ltd)

- Telstra Limited (formerly Network Design and Construction Limited)
- Telstra Multimedia Pty Limited
- Telstra Pay TV Pty Ltd
- Telstra Plus Pty Ltd
- Telstra PM Holdings Pty Ltd (formerly Telstra Serveco No.2 Pty Ltd)
- Telstra PM Pty Ltd (formerly Telstra Serveco No.3 Pty Ltd)
- Telstra Purple Pty Ltd
- Telstra Services Solutions Holdings Limited
- Telstra Software Group Pty Ltd
- Telstra Towerco No.2 Pty Ltd
- Telstra Ventures Pty Limited.

The following entities were added as parties to the Deed via an assumption deed on 22 June 2022 and are also part of the Closed Group:

- Alliance Automation Pty Ltd
- Clinical Technology Holdings Pty Limited
- Fone Zone Pty Ltd
- Health Communication Network Pty Limited
- Telstra PM Holdings Pty Ltd
- Telstra PM Pty Ltd
- Telstra Towerco No.2 Pty Ltd.

There are no other members of the Extended Closed Group (as defined in the ASIC Instrument). Telstra Finance Limited is trustee under the Deed. However, it is not a member of the Closed Group or the Extended Closed Group.

(b) Deregistrations and Disposals

During the year, the following entities ceased being a controlled entity:

- PT Teltranet Aplikasi Solusi (disposed on 31 August 2021)
- O2 Networks Pty Ltd (deregistered on 11 April 2022)
- Research Resources Pty Ltd (deregistered on 29 June 2022)

2022 Group structure (continued)

(c) Controlled entities with different reporting dates

31 December

- Beijing Australia Telecommunications Technical Consulting Services Co. Ltd
- Dr Foster Inc.
- Neto (US) Inc
- Pacific Business Solutions (China) and its controlled entities
- PT Teltranet Aplikasi Solusi
- Reach Holdings Limited
- Telstra Asia Limited
- Telstra Asia Regional Holdings Limited
- Telstra International PNG Limited
- Telstra Philippines Holdings Limited
- Telstra SE Asia Holdings Limited

31 March

- Pacific Internet India Private Limited
- Pacnet Global Communications (India) Private Limited
- Reach Network India Private Limited
- Telstra Global Business Services LLP
- Telstra India (Private) Limited
- Telstra Telecommunications Private Limited

(d) Controlled entities with our equity ownership less than or equal to 50 per cent

We have effective control over Incomgen Holdings Inc. and Telstra (Thailand) Co. Ltd through economic dependency and contractual arrangements with the majority shareholders and have consolidated them into our group.

We have control over Fred IT Group Pty Ltd and its controlled entities and Pacific Business Solutions (China) and its controlled entities through our decision making ability on the board.

(e) Controlled entities not individually audited by EY

These companies are not audited by EY, our Australian statutory auditor.

(f) New incorporations and business combinations

The following entities were acquired/incorporated during the financial year of which we own 70%:

- Power Solutions Holdings Pty Ltd and its controlled entities (acquired on 9 November 2021)

The following entities were acquired/incorporated during the financial year of which we own 100%:

- Clinical Technology Holdings Pty Limited and its controlled entities (acquired on 16 August 2021)
- Telstra PM Pty Ltd (incorporated on 20 September 2021)
- BidCo (S) Pte. Ltd (incorporated on 12 October 2021)
- Fone Zone Pty Ltd and its controlled entities (acquired on 12 November 2021)
- Alliance Automation Pty Ltd and its controlled entity (acquired on 28 February 2022)
- Aqura Technologies Pty Ltd (acquired on 28 February 2022)
- Telstra Health Services Pty Ltd (incorporated on 19 April 2022)

(g) Dormant

These companies are dormant.

(h) Changes in ownership

During the year, the following entities changed ownership/ amalgamated:

- Fred IT Group Pty Ltd and its controlled entities were transferred from Telstra Corporation Limited to Telstra Health Pty Ltd
- Telstra Health UK (Holdings) Ltd (formerly Dr Foster Intelligence Limited) and its controlled entities were transferred from Telstra UK Limited (formerly Telstra Limited) to Telstra Health Pty Ltd
- Bridge Point Communications Pty Ltd was transferred from O2 Networks Pty Ltd to Telstra Corporation Limited
- Telstra International Operations Pty Limited (formerly KCS Solutions Pty Ltd) was transferred from DCA eHealth Solutions Pty Ltd to Telstra Holdings Pty Ltd
- Telstra International Networks Pty Limited was transferred from Telstra Corporation Limited to Telstra Holdings Pty Ltd
- Telstra Australia Networks Pty Limited (formerly iCareHealth Pty Ltd) was transferred from Telstra Corporation Limited to Telstra Holdings Pty Ltd
- Telstra Reach Holdings Pty Limited (formerly Telstra Serveco No. 1 Pty Ltd) was transferred from Telstra Holdings Pty Ltd to Telstra International Holdings Pty Ltd
- One share in Telstra Telecommunications Private Limited was transferred from Telstra Holdings Pty Ltd to Telstra India (Private) Limited (the remaining shares are still held by Telstra Holdings Pty Ltd). The non-controlling interest in Telstra Telecommunications Private Limited was also acquired by Telstra Holdings Pty Ltd on 1 October 2021.