Governance at Telstra

2016 Corporate Governance Statement

We are committed to excellence in corporate governance, transparency and accountability.

This is essential for the long term performance and sustainability of our company, and to protect and enhance the interests of our shareholders and other stakeholders.

We are pleased to present our 2016 Corporate Governance Statement, which details our key governance arrangements and practices at Telstra.

We comply with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations), which is reflected in this Corporate Governance Statement. Further information about Governance at Telstra can be found in the corporate governance section of our website at **telstra.com/governance** (governance website).

We regularly review our governance arrangements, to reflect developments in market practice, expectations and regulation as appropriate.

Our governance framework plays an integral role in supporting our business and helping us deliver on our strategy. It provides the structure through which our strategy and business objectives are set, our performance is monitored, and the risks we face are managed.

It includes a clear framework for decision making and accountability across our business and provides guidance on the standards of behaviour we expect of each other.

Our governance framework includes:

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

1 | Engaging with our shareholders

Board of Directors, Telstra Annual General Meeting 2015

We value and facilitate a direct, two-way dialogue with our shareholders and investors. It is important we provide relevant information as quickly and efficiently as possible to shareholders (recognising the importance of meeting our continuous disclosure and other legal obligations to the market), and listen to and understand their perspectives and respond to their feedback.

We have a number of initiatives in place to promote effective communication with our shareholders and investors, and to encourage participation at our shareholder meetings. During FY16 these included:

- **Retail shareholder information briefings** – as we have done in recent years, before our 2015 Annual General Meeting (AGM) we held four retail shareholder information briefings with the CEO, CFO or other senior executives. Briefings were held in Sydney, Brisbane, Adelaide and Perth and attended by about 600 retail shareholders. We intend to hold similar briefings again this year ahead of our 2016 AGM.
- **Encouraging questions in advance of our AGM** – we encouraged shareholders to provide us with their questions ahead of our 2015 AGM, consistent with our approach in previous years, and we received more than 800 questions and comments. This helped us understand shareholder issues and concerns and enabled us to address the key areas of shareholder feedback.
- **Electronic communications** – we continued to encourage shareholders to provide us with their email addresses so we could communicate with them electronically about events and matters relevant to our company such as our results announcements, dividend payments and AGM. Shareholders can also contact us (and our share registry) electronically.
- **Investor briefings** – we held various briefings for investors during the year. In May 2016, we held an Investor Day which included presentations on our strategy, capital management and network resilience. Following the event, we communicated with our electronic shareholders, informing them where they could view the presentations and a recording of the event.
- **Webcasting important company events** – we webcast important events such as our financial results briefings, our AGM and other investor events discussing the performance and strategy of our business.

2 | The Board of Directors

Board of Directors (left to right):
Chin Hu Lim, Steven Vamos, Andrew Penn (CEO), Margaret Seale, Peter Hearl, Craig Dunn, Nora Scheinkestel, Russell Higgins AO, John Mullen (Chairman), Trae Vassallo.

2.1 The responsibilities of the Board

The Board is responsible for managing Telstra's business, and is accountable to shareholders in performing that role. In addition to the matters the Board is required by law to approve, the key responsibilities of the Board include:

- approving our strategy and corporate plan and monitoring the implementation of our strategy and performance against the corporate plan
- appointing and assessing the performance of the CEO and determining his remuneration, as well as approving the appointment and remuneration of members of senior management and overseeing their performance
- overseeing our financial position and approving decisions concerning our capital management, including share buy backs and dividends
- overseeing our external audit activities and monitoring our internal audit activities and internal control and reporting systems
- reviewing our actual and emerging material business risks and monitoring management's performance in implementing risk management responses in respect of those risks
- monitoring and influencing our culture, reputation, ethical standards and legal compliance, overseeing our corporate governance framework and approving our corporate governance statement
- overseeing, and monitoring the effectiveness of, our sustainability strategy
- monitoring our health, safety and environmental performance
- overseeing shareholder reporting and communications and the process for complying with our continuous disclosure obligations
- approving our overall remuneration framework, and
- setting our measurable objectives for diversity.

The Board has adopted a Board Charter that details its role and responsibilities (which can be found on our governance website).

The CEO, together with the senior management team, is responsible to the Board for the development and implementation of our strategy and the overall management and performance of our company.

The Board has delegated to the CEO responsibility for day-to-day management of Telstra. A formal delegations structure is in place which sets out the powers delegated to the CEO and those specifically retained by the Board. The Board reviews these delegations annually.

The matters that have not been delegated to management include matters that relate to:

- significant expenditure and acquisition and divestment transactions in excess of discretionary limits delegated to the CEO by the Board
- material variations to the annual corporate plan
- capital management initiatives including payment of dividends, share issues and buy backs and returns of capital
- related party transactions that require shareholder approval
- transactions between a Telstra Group entity and any director of Telstra Corporation Limited (or an entity controlled by a director), unless the transaction is trivial or domestic in nature
- National Broadband Network transaction related matters expressly reserved for the Board
- matters requiring approval by the Board or one of its Committees under the terms of their respective charters, and
- transactions imposing personal obligations on Directors.

The delegations from the Board to the CEO are complemented by a formal structure setting out the delegations from the CEO to our people, which are also reviewed from time to time and any material changes are notified to the Audit & Risk Committee.

2.2 Our Chairman

Our Chairman must be an independent Director appointed by the Board and the role of Chairman and CEO cannot be fulfilled by the same person. Our Chairman, John Mullen, is an independent non-executive Director. He has been a Director of Telstra since July 2008 and was appointed Chairman in April 2016, following Catherine Livingstone's retirement as Chairman and as a Director.

The Chairman's overarching responsibilities are to provide appropriate leadership to the Board and Telstra and to ensure the Board fulfils its obligations under its Charter. The Chairman's responsibilities are set out in more detail in the Board Charter.

2.3 Board composition, tenure, renewal and Director appointment

The Board actively seeks to ensure it has an appropriate mix of diversity, skills, experience and expertise to enable it to discharge its responsibilities effectively and to be well equipped to help our company navigate the range of opportunities and challenges we face.

As at the date of this statement, we have 10 Directors on the Board, comprising nine non-executive Directors and the CEO. Details of the Directors, including their qualifications and experience, together with details of their length of service, can be found in the Board of Directors section of our 2016 Annual Report.

During FY16, there were a number of changes to the Telstra Board:

- In February 2016, we announced Catherine Livingstone AO would be retiring as Chairman and a Director, having been Chairman since May 2009 and a Director since November 2000, and would be succeeded as Chairman by John Mullen. Ms Livingstone retired from the Board in April 2016, which provided a smooth transition through our Chairman succession.
- Geoffrey Cousins AM and John Zeglis retired at the conclusion of our AGM in October 2015, each having completed three three-year terms.
- Trae Vassallo was elected as a non-executive Director at our AGM held in October 2015. Ms Vassallo is an experienced technology executive, investor and advisor based in the USA, with a successful track record in the technology and venture capital sectors.
- Craig Dunn joined the Board as a non-executive Director in April 2016. Mr Dunn is a highly regarded business leader with more than 20 years of experience in financial services, pan-Asian business activities and strategic advice for government and major companies. Mr Dunn will stand for election at our AGM in October 2016.

In addition, in April 2016 we announced a number of changes to our Board Committee membership, with:

- John Mullen becoming Chairman of the Nomination Committee
- Peter Hearl becoming Chairman of the Remuneration Committee, succeeding John Mullen (who ceased as a member at that time), and
- Russell Higgins AO, Chin Hu Lim and Craig Dunn becoming a member of the Remuneration Committee, Nomination Committee and Audit & Risk Committee respectively.

On 11 August 2016, the Board announced the appointment of experienced director and former Accenture regional managing director Jane Hemstritch as a non-executive Director and member of the Remuneration Committee, with effect from 12 August 2016. She will also stand for election at our AGM in October.

Board composition

Matters relating to Board (and Board Committee) composition are considered by the Board and Nomination Committee in accordance with the framework set out in the Nomination Committee Charter and through processes implemented by the Board.

To assist in identifying areas of focus and maintaining an appropriate and diverse mix in its membership, the Board utilises a skills matrix which is reviewed by the Board on a regular basis. It is an important, but not the only, basis of criteria applying to director appointments.

The Board skills matrix sets out the mix of skills, experience and expertise the Board currently has and is looking to achieve in its membership. Its structure reflects the areas particularly relevant to the three pillars of our strategy (improve customer advocacy, drive value and growth from the core and build new growth businesses), as well as other areas of general relevance to the composition of the Board.

The areas addressed in the Board skills matrix are:

Strategic Priorities/ Areas	Skills Matrix		
Improve customer advocacy Drive value and growth from the core Build new growth businesses	• Marketing, Retail, Sales, Distribution • General, Business Management & Entrepreneurship • Highly Competitive & Dynamic Markets • China & Asia • Other Geographical Expertise and Experience	• Telecommunications • Engineering & Networks • Information and Technology • Innovation, Science & Technology • High Technology & Research Intensive • Health Industry & Medical • Multimedia	• Regulated Utilities & Infrastructure • Construction, Building & Property • Government, Government Relations & Policy
Other areas	• CEO Level Experience • Other NED Experience	• Accounting, Finance & Audit • Banking, Treasury & Capital Markets	• Legal, Governance & Compliance • Risk Management • Labour Relations, Human Resources & Remuneration

Each of these areas is currently well represented on the Board. The Board benefits from the combination of Directors' individual skills, experience and expertise in particular areas, as well as the varying perspectives and insights that arise from the interaction of Directors with diverse backgrounds.

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

For FY16, the Board's measurable objective about Board diversity was that there would be at least three women on the Board, representing a female gender representation among non-executive Directors of at least 30 per cent, with an additional aspiration to achieve 40 per cent female representation among non-executive Directors by 2020. For FY17, the Board has maintained this diversity objective. As at 30 June 2016, there were three female Directors on the Board (including the Chairman of the Audit & Risk Committee), representing a female gender representation among non-executive Directors of 33 per cent.

The Board has a number of initiatives in place to meet its strategic imperative of ensuring the company has a diverse Board and to achieve its Board diversity objective. These initiatives include ensuring a diverse range of qualified candidates is considered for Board appointments and developing a pipeline of potential Board candidates. A number of Directors also participate in programs to assist in the development of a broader pool of skilled and experienced Board candidates, including the Australian Institute of Company Directors (AICD) Chairmen's Mentoring Program, as well as individual mentoring with executives in the public, private and not for profit sectors.

Board tenure and renewal

In recognition of the importance of Board renewal and succession planning, the Board has adopted the following principles in relation to Board and Board Committee tenure:

- Director Positions – where a non-executive Director is approaching the end of his/her third three-year term, a more formal review of his/her continuing directorship should take place, taking into account broader Board renewal and Board composition considerations and the requirements of the Telstra Corporation Act
- Board Committee Chair Positions – the maximum term for a non-executive Director to hold the position of Chairman of a Board Committee is generally five years, and
- Board Committee Membership – Committee membership should rotate every three to five years, subject to considerations of Committee succession planning and the overall composition/skills/experience of the Committee.

The Board also considers the length of service of each non-executive Director as part of its assessment of Director independence.

Director appointment, election and re-election

Our process for the selection, nomination and appointment of Directors involves a formal selection process undertaken by the Board, and an executive search firm is generally engaged to assist in the process. As part of this process, the Board establishes criteria about the general qualifications and experience, as well as the specific qualifications, that a candidate should possess. We undertake appropriate checks on any potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a Director.

In respect of the appointment of each of Ms Vassallo, Mr Dunn and Ms Hemstritch, an executive search firm was engaged and we undertook appropriate checks before Ms Vassallo was put forward to shareholders as a candidate for election as a Director, and Mr Dunn and Ms Hemstritch were appointed by the Board.

We also provide shareholders with all material information in our possession that is relevant to a decision on whether to elect or re-elect a Director in our AGM Notice of Meeting.

We provide formal letters to all new Directors (as well as senior management) setting out the key terms and conditions of their appointment. Any new non-executive Director appointed by the Board during the year is required to stand for election at the next AGM.

In accordance with the ASX Listing Rules, we hold an election of Directors at our AGM each year. Directors stand for election or re-election in accordance with the process set out in our Constitution. No non-executive Director may hold office for more than three years, or beyond the third AGM following their appointment, whichever is the later, without re-election.

If no Director would otherwise be required by our Constitution to submit for election or re-election then, in accordance with the procedure specified in our Constitution, any non-executive Director who wishes to retire and offer himself or herself for re-election may stand, otherwise the non-executive Director who has been longest in office since their last election or appointment is required to retire and stand for re-election. As the tenure of the CEO as a Director is linked to his or her executive office, the CEO is not required to stand for re-election through this process.

A recommendation to re-elect a non-executive Director at the end of their term is not automatic. Before each AGM, the Board determines if it will recommend that shareholders vote in favour of the re-election of the non-executive Directors standing for re-election. This decision is made by the Board, having regard to the outcome of the annual Board performance review and any other matters it considers relevant.

2.4 Director independence

The Board recognises the important contribution that independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of Telstra and to exercise unfettered and independent judgment.

The Board intends that the CEO is the only executive Director and that all non-executive Directors are also independent Directors.

The Board assesses, at least annually, the independence of each non-executive Director. We consider that an independent Director is a non-executive Director who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of his or her unfettered and independent judgement and ability to act in Telstra's best interests.

When assessing the independence of a Director, the Board considers the matters potentially affecting the independent status of a director as described in Box 2.3 of the ASX Recommendations. Materiality is assessed on a case-by-case basis from the perspective of both Telstra and the relevant Director, and consideration is given to both qualitative and quantitative factors.

The Board may determine that a Director is independent notwithstanding the existence of an interest, position, association or relationship of the kind described in Box 2.3. However, in such a case, the Board will disclose the reasons for making its determination.

If at any time during the year a Director ceases or may have ceased to be independent, they are required to advise the Chairman immediately. Where the Board determines that a Director is no longer independent, Telstra will make an announcement to the market.

With the exception of the CEO, all our Directors are non-executive Directors and have been determined by the Board to be independent. As part of its independence assessment, the Board considered the length of service of each non-executive Director on the Board and concluded that no Director had been a Director of Telstra for such a period that their independence may have been compromised.

2.5 Review of Board and Director performance

The Board reviews its performance annually, as well as the performance of each Committee and individual Directors (including the performance of the Chairman as Chairman of the Board).

These performance reviews are conducted both internally and, on a periodic basis, externally with the assistance of a facilitator.

As the FY15 review was conducted with the assistance of an external facilitator, the FY16 review of Board, Committee and Director performance was conducted internally. The process incorporated a number of components which included:

- a structured discussion amongst the Directors on Board (including Committee) performance, and
- one-on-one review meetings between the Chairman and each Director, which provided input to support recommendations to be made in relation to those Directors who will be standing for election or re-election at the 2016 AGM.

The Chairman also obtained input relating to Board and Director performance from our outgoing Chairman, Catherine Livingstone AO, as part of the transition process and met with the external facilitator who undertook the 2015 Board performance review to seek her perspectives to support the 2016 review.

In light of the recent Chairman transition, a review of John Mullen's performance as Chairman was not undertaken as part of this process, given the limited length of time he had been in the role.

The review included consideration of matters relating to areas of focus for the Board and Chairman in the context of Board renewal, the structure of Board and Committee meetings and the functioning of the Board and its Committees, as well as how the Board continues to evolve its focus to help our company navigate the range of opportunities and challenges we face. The review also included an assessment of the performance of the Board and its Committees against the requirements of their charters. In addition, self-assessment reviews were also undertaken by each standing Board Committee in respect of their performance during FY16 and provided to the Board.

The overall conclusion was that the Board continues to operate well in the discharge of its duties and oversight of Telstra.

In the context of the significant degree of renewal on the Board in recent times, including the retirement of three long standing Directors during the year, the Board intends to undertake an external Board performance review in the second half of 2016, to assist the Board in actively monitoring its performance and ensuring it continues to operate effectively.

The Board reviews the CEO's performance annually against agreed measures and other relevant factors. The CEO undertakes a similar exercise in relation to senior executives. The outcomes of the CEO's annual review of senior executive performance and remuneration are subject to Board review and approval.

Reviews of the performance of the CEO and senior executives were undertaken during FY16. Information about our remuneration framework and policies, and details of the remuneration outcomes for the FY16 year for the CEO and senior executives can be found in our 2016 Remuneration Report (which forms part of our Directors' Report in our 2016 Annual Report).

2.6 Board operating rhythm

The Board has an established Board cycle, which provides a high level overview of items to be considered over a 12 month period. Its key purpose is to link the Board program with strategic and operational priorities and to ensure the Board devotes appropriate time to consideration of the various dimensions of our business across the cycle.

The items covered across the cycle include matters ranging from implementation of our strategy, performance against our corporate plan, the status of our material business risks and matters requiring Board approval, to matters relating to our people, culture and governance framework.

The Board cycle is reviewed on an ongoing basis to ensure it reflects the current needs of the Board and the business.

Some of the activities and areas of focus of the Board during FY16 included:

- continued in depth consideration of our strategy over the short, medium and longer term
- renewal and succession planning at both Board and senior management level
- network resilience and the work being undertaken following the network interruptions which occurred in the second half of FY16, and
- a Board visit to the US, which provided an opportunity for Directors to engage with other companies to gain insights on topics relevant to Telstra's strategy, as well as our market challenges and opportunities.

2.7 Director induction, training and continuing education

All new Directors participate in an induction process co-ordinated by the Company Secretary, which assists in providing a smooth transition for new Board members. The induction process for our non-executive Directors includes briefings on our strategy, financial, operational and risk management matters, our governance framework (including key policies), our culture and values and key developments in our company and the sectors and environments in which we operate.

We also have in place a continuing education program for Directors that is part of the annual Board cycle. Specific sessions are scheduled around Board meeting dates and we provide other appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. During the year, our program included visits to overseas operations and meetings with industry experts and stakeholders, as well as attendance at relevant industry conferences.

2.8 Board access to management and independent professional advice

Directors have complete access to our senior management through the Chairman, CEO or Company Secretary at any time. In addition to regular presentations by senior management at Board meetings, Directors may seek briefings from senior management on specific matters.

The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at Telstra's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time to time in the performance of its duties. All Committees of the Board have access to independent professional advice on this basis. In certain circumstances, each Director has the right to seek independent professional advice at Telstra's expense within specified limits.

2.9 Conflicts of interests

In accordance with the requirements of the Corporations Act and our Constitution, Directors must declare any conflict of interest they may have, and must follow the procedures set out in our Directors' Interests Policy including, in certain circumstances, abstaining from participating in any discussion or voting on matters in which they have a material personal interest.

2.10 Company Secretary

The Company Secretary is appointed by the Board. He reports directly to the Board through the Chairman, and all Directors have access to the Company Secretary. The Company Secretary's role in respect of matters relating to the proper functioning of the Board includes:

- advising the Board and its Committees on governance matters
- monitoring that Board and Committee policies and procedures are followed
- coordinating all Board business, providing a point of reference for dealings between the Board and management
- retaining independent professional advisors at the request of the Board, Board Committee or as permitted under the Board Charter, and
- helping to organise and facilitate the induction and professional development of Directors.

3 | Board Committees

The Board has three standing Committees. Together they play a significant role by focusing in more detail on specific areas of our operations and governance framework, which assists in strengthening the Board's oversight of Telstra.

As at the date of this statement (and for all of FY16), the following three standing Committees assist the Board in carrying out its responsibilities:

- Audit & Risk Committee
- Remuneration Committee, and
- Nomination Committee.

An overview of the role and responsibilities, composition and membership as at 30 June 2016 of each Committee is provided below. Each Committee reports to the Board and makes recommendations to the full Board for its consideration as appropriate.

	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Roles and Responsibilities	The Audit & Risk Committee (A&RC): • assists the Board with matters relating to financial reporting, risk management, compliance (including health, safety and environmental performance), external audit, internal control, internal audit, corporate governance and matters that may significantly impact the financial condition or affairs of the business • oversees Telstra's compliance with its Structural Separation Undertaking and the activities of the Director of Equivalence • provides a forum for communication between the Board, management and both the internal and external auditors, and • provides a conduit to the Board for external advice on audit, risk management and compliance matters.	The Remuneration Committee assists the Board with matters relating to: • remuneration of the Board, CEO and Company Secretary • performance and remuneration of senior management • remuneration strategies, practices and disclosures generally (including non-routine remuneration arrangements) • diversity (excluding Board diversity) • employee equity plans, and • management succession, capability and talent development.	The Nomination Committee assists the Board with matters relating to: • composition and performance of the Board, including Board diversity • Director independence • appointment of the CEO and succession planning for this role • CEO and Company Secretary performance, and • outside directorship requests from executives in relation to publicly listed companies or managers of listed managed investment schemes.
Composition	Composition requirements include: • there must be at least three independent non-executive Directors on the Committee • the members must, between them, have sufficient accounting and financial knowledge to allow them to discharge their duties and actively challenge information presented by management, internal and external auditors, and • the Chairman must be an independent Director who is not Chairman of the Board. Our A&RC structure complies with the ASX Listing Rules and the ASX Recommendations.	Composition requirements include: • there must be at least three independent non-executive Directors on the Committee, and • each member is expected to be familiar with the legal and regulatory disclosure requirements in relation to remuneration and have adequate knowledge of executive remuneration issues, including executive retention and termination policies, and short term and long term incentive arrangements. Our Remuneration Committee structure complies with the ASX Listing Rules and the ASX Recommendations.	Composition requirements include there must be at least three independent non-executive Directors on the Committee, including the Chairman of the Board.
Membership as at 30 June 2016	• Nora Scheinkestel – Chairman • Craig Dunn • Russell Higgins AO • Margaret Seale	• Peter Hearl – Chairman • Russell Higgins AO • Steven Vamos	• John Mullen – Chairman • Peter Hearl • Chin Hu Lim • Steven Vamos
Consultation	• Other members of the Board may attend A&RC meetings and the A&RC may invite management, the external auditor and others to attend meetings as it considers necessary or appropriate. • The A&RC meets with the internal auditor and the external auditor in the absence of management.	• Other members of the Board may attend Remuneration Committee meetings. The Remuneration Committee may also invite other people, including any Telstra employees, to attend all or part of its meetings provided that the person is not present for consideration of any item in which they have a material personal interest. This ensures that no senior executive is directly involved in deciding their own remuneration. • The Remuneration Committee obtains external advice from independent remuneration consultants in determining Telstra's remuneration practices where considered appropriate.	• Other members of the Board may attend Nomination Committee meetings, which are generally scheduled to coincide with Board meetings to enable all Board members to attend. The Nomination Committee can also invite other people, including any Telstra employees, to attend all or part of its meetings provided that the person is not present for consideration of any item in which they have a material personal interest.

Future ways of working at Telstra, 400 George Street, Sydney

Each Committee operates in accordance with a written Charter approved by the Board, which can be found on our governance website. The role, Charter, performance and membership of each Committee are reviewed each year.

Only independent, non-executive Directors can serve on our three standing Board Committees. The Board appoints the members and the Chairman of each Committee.

In addition to the membership requirements applying to each Committee as set out in its Charter, each Committee member must have the capacity to devote the required time and attention to prepare for, and attend, Committee meetings. Following each Committee meeting, the Board receives a report from that Committee on its deliberations, conclusions and recommendations.

Details of the number of meetings held by the Board and its Committees during FY16, and attendance by Directors, can be found in the Directors' Report in our 2016 Annual Report. Information on the relevant qualifications and experience of Committee members can also be found in the Board of Directors section of our 2016 Annual Report.

The Board also establishes ad hoc committees from time to time to support the Board in carrying out its responsibilities.

4 | Assurance and risk management

4.1 External auditor

Our external auditor, EY, was appointed by shareholders at our 2007 AGM. A rotation of our lead EY partner occurred after our FY11 half-year accounts were signed, as the lead auditor retired from EY. The Board undertook a process with EY and agreed upon the new lead auditor, Mr Stephen John Ferguson.

In February 2015, the Board granted approval for Mr Ferguson to continue as lead auditor, to play a significant role in our audit for one additional successive financial year, being the financial year ending 30 June 2016. This approval was in compliance with the Corporations Act and was granted in accordance with a recommendation from the Audit & Risk Committee which was satisfied the approval:

- was consistent with maintaining the quality of the audit provided to Telstra, and
- would not give rise to a conflict of interest situation (as defined in the relevant section of the Corporations Act).

A copy of the Board resolution granting approval was lodged with ASIC as required, and is available on our governance website. The required statutory disclosures in relation to this approval are set out in the Directors' Report in our 2016 Annual Report.

The Board undertook a process and agreed upon the new lead auditor, Mr Andrew Price. Mr Price succeeded Mr Ferguson as our lead auditor following completion of the FY16 audit.

Our EY lead auditor attends our AGM and is available to answer shareholder questions about the conduct of our audit and the preparation and content of the auditor's report.

The Audit & Risk Committee oversees our relationship with EY, including:

- reviewing and assessing the performance, independence and objectivity of EY
- monitoring management's adherence to our policy on audit and non-audit services provided by EY
- reviewing and agreeing on the terms of engagement and fees for EY, and
- reviewing EY's proposed annual audit scope and audit approach, including materiality levels.

During FY16, the Audit & Risk Committee was provided with regular formal, written reports detailing the nature and amount of any non-audit services rendered by EY and an explanation of how the provision of those non-audit services was compatible with auditor independence. Details of amounts paid or payable to EY for non-audit services provided during the year are disclosed in Note 7.2 to our Financial Statements in our 2016 Annual Report.

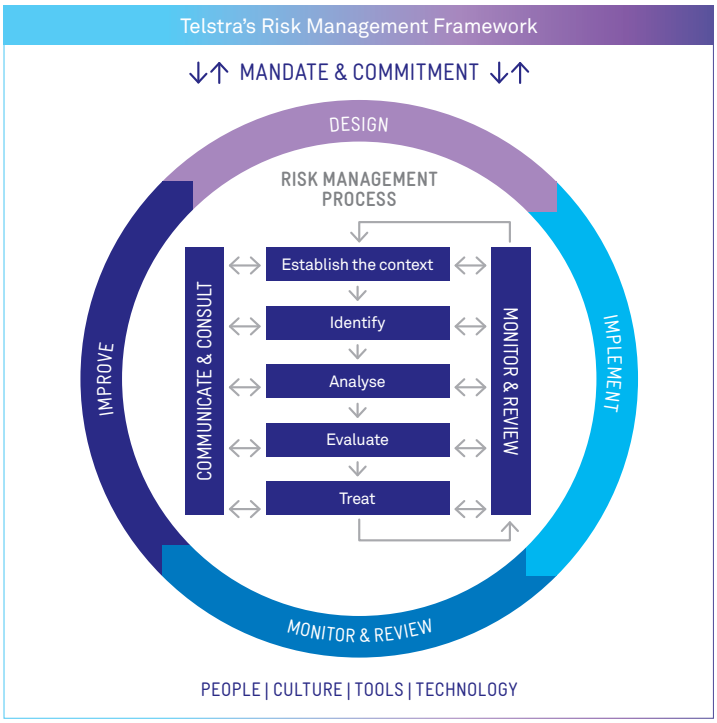
4.2 Internal audit

Our internal audit activities are undertaken by Group Internal Audit, Telstra's dedicated internal audit function. The role of Group Internal Audit is to provide the Board and management with independent and objective assurance on the effectiveness of our governance, risk management and internal control processes. To maintain the necessary independence it needs to carry out its role, Group Internal Audit has no direct operational responsibility or authority over any of our business or risk management activities.

Functional responsibility for Group Internal Audit resides with the Director Group Internal Audit, whose appointment is approved by the Board. The Director Group Internal Audit reports to the Audit & Risk Committee and the CFO. Group Internal Audit has full and unrestricted access to all of our information systems, records, physical properties and employees in order to carry out its activities. The work of Group Internal Audit is guided by The International Professional Practices Framework provided by the Institute of Internal Auditors. The Audit & Risk Committee monitors Group Internal Audit's activities and performance, including its independence.

4.3 Managing our risks

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



We have a risk management framework in place that provides the foundations and organisational arrangements for how we manage risks across the Group. The framework aligns with ISO 31000:2009, the International Standard for risk management, and consists of a set of components for designing, implementing, monitoring, reviewing and continually improving risk management at Telstra. The objective is for our risk management framework to be embedded within our governance, strategic decision-making, business activities, operations and culture.

The framework is designed, implemented and reviewed via our 'three lines of defence' accountability model, which comprises the following:

- **First Line** – business stakeholders and operational management who are responsible for identifying, assessing and managing their risks
- **Second Line** – the Chief Risk Office and risk management teams in the business units, which are responsible for risk and compliance frameworks, oversight and monitoring
- **Third Line** – our Group Internal Audit function, which is responsible for providing independent assurance on governance, risk management and internal control processes.

One of the core components of our framework is the risk management process which provides the business with a process for assessing our risks. Through this risk management process, we identify, monitor and report on risks to the achievement of our plans and objectives. The risk management process is inclusive of all types of risks from internal and external sources, including strategic, operational, financial and regulatory, as well as economic, environmental and social sustainability risks.

A summary of our material business risks (including any material exposure to economic, environmental and social sustainability risks), their key drivers and our plans to manage them is provided in the Strategy and Performance section of our 2016 Annual Report.

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

Our key operational risks, which are operational in nature, are monitored and reported to our Management Risk Committee and the Audit & Risk Committee.

We consider economic, environmental and social sustainability factors as part of our consideration of both our strategic and operational risks. Each year we undertake an assessment to help us determine those risks and opportunities that are most important to our business and stakeholders. Other important topics identified this year included: customer experience; digital inclusion; ethics, values and governance; strengthening our workforce; privacy and data protection; and climate change and energy efficiency. More information about this assessment, along with our approach to sustainability and performance throughout FY16, is available in the 2016 Bigger Picture Sustainability Report at **telstra.com/sustainability/report.**

Also core to our framework are the activities we undertake to monitor and review its design and implementation. We conduct reviews and self-assessments of our framework across the enterprise and report the results to our Management Risk Committee and the Audit & Risk Committee.

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

4.4 CEO and CFO declarations

In connection with our financial statements for the financial year ended 30 June 2016, and the half-year ended 31 December 2015, our CEO and CFO have provided the Board with declarations that:

- in their opinion, the financial records of Telstra have been properly maintained
- in their opinion, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Telstra, and
- their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

5 | Acting ethically and responsibly

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

OUR PURPOSE	Why we exist	
OUR VALUES	What we stand for	How we do things
OUR STRATEGY	Where we are going	What we are going to do

5.1 Our Telstra Values

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

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

5.2 Our Code of Conduct and policy framework

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

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

Our People

Health and Safety
Recognising our commitment to the health, safety and wellbeing of our staff, contractors and community. In addition to highlighting the importance of caring about health and safety, it sets out our commitment to providing a safe and healthy workplace and our expectations of our staff, contractors and suppliers. More information about health and safety at Telstra can be found in the Sustainability (Our people) section of our 2016 Annual Report.

Diversity and Inclusion
Reflecting the way we value diversity and inclusion at Telstra and their role in enabling us to achieve our strategy, and providing the framework for the Board to establish our measurable objectives.

Discrimination and Bullying
Aiming to ensure we have a workplace free of all forms of unlawful discrimination, harassment, bullying and victimisation.

Our Customers

Privacy
Setting out our commitment to protect our customers' personal information. This outlines how and why we collect personal information, how we may use and disclose it, how we keep it secure and accurate, and how customers may access their personal information. Further information on privacy at Telstra can be found in the Sustainability (Customer experience) section of our 2016 Annual Report and on our website at **telstra.com/privacy** (which includes our Privacy Statement).

Good corporate governance and responsible business practice

Anti-Bribery and Anti-Corruption
Aiming to ensure we comply with all applicable anti-bribery and anti-corruption laws. We also seek to ensure that gifts, prizes and hospitality are not given or accepted in inappropriate circumstances, including where the offering or acceptance may (or may be perceived to) compromise independence or be construed as a bribe.

Conflicts of Interest and Outside Activities
Helping our employees and contractors understand what would be a conflict of interest, how to avoid actual, potential or apparent conflicts of interest, and how to manage them if a conflict arises.

Market Disclosure
Outlining responsibilities and the process for the approval of our ASX announcements, including where Board approval is required in respect of announcements that relate to matters that are within the reserved powers of the Board (and responsibility for which has not been delegated to management) or matters that are otherwise of fundamental significance to Telstra, as well as the role of our CEO, CFO and Continuous Disclosure Committee in relation to disclosure matters.

We aim to ensure that we provide our shareholders, investors and the financial community with appropriate and timely information while ensuring we fulfil our statutory reporting obligations under the Corporations Act and the ASX Listing Rules.

Our market disclosure policies and practices are reviewed and updated on a regular basis. We provide advance notification of significant group briefings, such as our results announcements, and make them widely accessible through the use of webcasting and placing all announcements made to the market on our website at **telstra.com.au/abouttelstra/investor/asx-announcements/**.

Securities Trading
Setting out the rules and restrictions relating to buying, selling and otherwise dealing in Telstra securities by our Directors, CEO, senior management, specified other employees and their closely related parties (Designated Persons), through a trading windows approach. Designated Persons are also prohibited from using Telstra securities as collateral in financial transactions (including margin loan arrangements), and engaging in short selling or stock lending arrangements and short term trading in respect of our securities, as well as entering into hedging arrangements that limit the economic risk of holding Telstra securities (including any held under our equity plans). All of our people are required to comply with the insider trading laws, and must also consider how their proposed dealing in Telstra securities (or the securities of another company), could be perceived by the market before they deal.

Social Media
Providing guidance to employees and contractors who use social media, either as part of their job or in a personal capacity, about our expectations when they talk online about us, our products and services, our people, our competitors and/or other business related individuals or organisations.

Structural Separation Undertaking
Reflecting our commitment to compliance with the Structural Separation Undertaking (SSU). The SSU includes our undertaking to structurally separate over time through migrating voice and broadband customers from Telstra's copper and HFC networks to the National Broadband Network, and to delivering increased transparency as well as equivalence in the supply of regulated fixed network services to our wholesale customers. Our commitments under the SSU include the requirement to self-report potential breaches of the SSU to the ACCC each month, and to report annually to the ACCC on our compliance, including details of any new or additional measures that have been undertaken by us to ensure compliance. The ACCC reports annually to the Minister for Communications on our compliance with the SSU.

Sustainability
Seeking to manage our business to produce an overall positive impact for our customers, employees, shareholders, the wider community and other stakeholders, while minimising our environmental impacts. Information about our approach to sustainability can be found in the Sustainability section of our 2016 Annual Report, our 2016 Bigger Picture Sustainability Report and on our website at **telstra.com/sustainability**.

We make donations and contribute funds to community and not for profit organisations as part of our approach to community investment and sustainability. We do not make political donations. However, in line with other major publicly listed companies, we do pay fees to attend events organised by political parties where those events allow for discussion on major policy issues with key opinion leaders and policy makers.

Whistleblowing
Providing an avenue for anyone to report suspected unethical, illegal or improper behaviour. Our whistleblowing process is supported by an independent service provider and all disclosures are treated confidentially and can be made anonymously. Our Group Whistleblowing Committee monitors disclosures, investigations, recommendations and where appropriate the implementation of actions, and our Audit & Risk Committee oversees the whistleblowing process.

Additional information about our governance framework (including our Code of Conduct, Securities Trading and Diversity policies and a summary of our Market Disclosure policies) can be found on our governance website.

6 | Diversity and inclusion at Telstra

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

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

The diversity of our people should reflect our diverse, global customers and the countries where we operate. Our programs that support diversity and enable inclusion are in service of our business strategy and values. We're diverse and inclusive, which means everyone has a part to play in actively and intentionally behaving with inclusion in mind.

Our approach to diversity and inclusion is led by our Diversity Council, which is chaired by the CEO and comprises the entire CEO Leadership Team. Through this forum, along with our diversity policy and leadership framework, we reinforce our expectations of all leaders to lead inclusively and value difference. We also have an active Diversity Council in each of our Business Units.

Our diversity policy provides the framework for the Board to set our measurable objectives for achieving diversity and to annually assess our progress in achieving them. The table below summarises these objectives and our progress against them, as at 30 June 2016.

Measure	Progress/Result in respect of FY16 (or as otherwise stated)	Objective in respect of FY17 (or as otherwise stated)
Women on the Board	**Objective** – There will be at least three women on the Board, representing a female gender representation among non-executive Directors of at least 30%, with an aspiration to achieve 40% female representation among non-executive Directors by 2020. **Progress** – As at 30 June 2016, there were three female Directors on the Board (including the Chairman of the Audit and Risk Committee), representing a female gender representation among non-executive Directors of 33%.	There will be at least three women on the Board, representing a female gender representation among non-executive Directors of at least 30%, with an aspiration to achieve 40% female representation among non-executive Directors by 2020.
Female representation in graduate intake	**Objective** – 45% female representation in graduate intake selected in 2016, with an aspiration to achieve 50% female representation by 2020. **Result** – 37% female representation in graduate intake selected in 2016.	45% female representation in graduate intake selected in 2017, with an aspiration to achieve 50% female representation by 2020.
Promotion rates for women	**Objective** – Promotion rates for women to exceed their representation at Business Unit level. **Result** – Achieved in Telstra overall and in eight out of 11 business units.	Promotion rates for women to exceed their representation at Business Unit level.
Engagement of identified groups[i]	**Objective** – Engagement of identified groups equal to or greater than Telstra-wide engagement score, with any negative differences not statistically significant. **Result** – Engagement of women and culturally and linguistically diverse employees exceeded the Telstra-wide engagement score. Engagement of Indigenous employees, employees with a disability, and gay, lesbian, bisexual, transgender and intersex employees was lower than overall engagement, with the differences for Indigenous employees and employees with disability being statistically significant.	Engagement of identified groups equal to or greater than Telstra-wide engagement score, with any negative differences not statistically significant.
Female representation[ii] at 30 June	**Objective** – Female representation at 30 June 2016 of 32% (Telstra Total) and 30% (Executive Management). FY20 – 35% (Telstra Total) and 40% (Executive Management). **Result** – 30.6% (Telstra Total) and 25.5% (Executive Management).	FY17 – Female representation at 30 June of 32% (Telstra Total) and 30% (Executive Management). FY20 – Female representation at 30 June of 35% (Telstra Total) and 40% (Executive Management).

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

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

6.1 Gender equality

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

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

Initiatives include the 'panel pledge' to increase female representation on conference panels and at speaking events. We are a formally accredited White Ribbon Workplace, recognising our work to help stop violence against women and a signatory to the UN Women's Empowerment Principles. Our CEO, Andrew Penn is also a member of the 'Male Champions of Change' – a group of male executives committed to showing leadership on gender equality.

To formally drive gender equality across Telstra we have gender representation targets in place across all business units, supported by expectations of gender-balanced shortlists for recruitment and gender-balanced selection panels, and we encourage our people to get involved by joining our Brilliant Connected Women network – a forum that now has over 2,000 members, male and female, who are committed to advancing gender equality in our business.

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

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

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

In March 2016, Telstra's Group Diversity team partnered with our Business Unit Diversity Councils and Brilliant Connected Women employee network to lead Telstra's International Women's Day celebrations around the world. Networking events were held across Australia, Hong Kong, Singapore, Philippines, Indonesia, India, China, Malaysia, the UK and the US.

Representation of Women in Telstra as at 30 June 2016

Role	Number	%
Board[i]	3	33.3%
Executive management*[ii]	70	25.5%
– CEO	0	0%
– CEO-1	5	41.7%
– CEO-2	20	28.6%
– CEO-3	32	24.4%
– CEO-4	13	21.3%
Middle management*[iii]	3,014	28.1%
Operational*[iv]	6,959	31.8%
Telstra Total*	**10,046**	**30.6%**
Telstra Group Total**	**10,535**	**30.4%**

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

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

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

Notes:
i. Number and percentage relates to non-executive Directors.
ii. Executive management comprises persons holding roles within the "Telstra Executive Team" designated as Bands A, B and C.
iii. Middle management comprises persons holding roles within Telstra designated as Band 1 or 2, or equivalent.
iv. Operational comprises persons holding roles within Telstra designated as Bands 3 or 4, or equivalent.

During the year, we were named as a 2015 Employer of Choice for Gender Equality by the Australian Government's Workplace Gender Equality Agency (WGEA). We are required by the Workplace Gender Equality Act 2012 to report our workforce gender profile as at 31 March each year. Our 2016 report was lodged with the WGEA on 30 May 2016 and is available on our website at **telstra.com/governance.**

6.2 Board diversity

Information on the initiatives the Board has in place to meet its strategic imperative of ensuring the company has a diverse Board and to achieve its Board diversity measurable objective can be found in the Board composition, tenure, renewal and Director appointment section of this statement.

6.3 Employee diversity and inclusion

During the year, our initiatives to enhance diversity and inclusion at Telstra included:

Flexible working
Our people have varied priorities, passions and interests that it's important they can balance with work. We therefore offer flexibility as the starting point for all roles at Telstra, as part of our All Roles Flex initiative. This year we rolled-out the second phase of All Roles Flex, focusing on global mobility and location flexibility, to provide employees who would like to work flexibly overseas an opportunity to do so.

82 per cent of Telstra employees indicate that they have access to the flexibility they need, increasing from 80 per cent in 2014, when All Roles Flex commenced. 91.1 per cent of parents also returned to Telstra this year after taking parental leave.

Inclusive leadership
We have introduced training aimed at helping leaders to identify and interrupt any underlying biases that are preventing them from being inclusive leaders. Over 900 employees have completed this program since it launched in April this year.

Family and domestic violence support
This year we launched our family and domestic violence support policy globally, providing employees across our international operations with up to 10 days paid leave each year, in addition to all other leave entitlements if they are impacted by family and domestic violence. Since this policy was first launched in Australia in 2014, 91 employees have accessed this leave, demonstrating its importance and employees' comfort in applying for it.

Employment pathways
We provide employment pathways for candidates with diverse backgrounds and needs. This year we achieved a 13.7 per cent increase in the number of employees who identify as Indigenous at Telstra. To attract and retain more Indigenous employees to Telstra, this year we provided new mentoring and engagement opportunities for 32 new Indigenous employees and interns, expanded our Indigenous work experience program in Telstra Retail with 10 participants, and created 24 new Indigenous traineeship and internship opportunities across many business units. Over the past three years we've also hired more than 90 new employees who identify as living with a disability, and this year we were the largest corporate provider of the Australian Network on Disability Stepping Into internship program, for university students with a disability. We hosted 28 students in FY16, and three have secured ongoing work at Telstra.

While our employment pathways for these groups are showing progress, our engagement scores for both were statistically significantly lower than Telstra overall engagement scores this year. In the year ahead, we will focus on personalising our programs to meet individual needs, providing ongoing support and fostering greater inclusion to improve our performance against this measurable objective for all identified groups.

Ageing workforce
In Australia, people aged 45 and over make up the fastest-growing employee category. It's therefore important for us to consider how we can best promote age and generational diversity, and offer the flexibility required to attract and retain talent of all ages. We have developed a return to work program for older people who have been out of the workforce for an extended period of time, which will be rolled out across Telstra in FY17, helping to promote age and generational diversity by providing a clear channel for re-entering the workforce.

LGBTI inclusion
Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) inclusion is important to us. We want our people to bring their whole selves to work and to feel comfortable doing so.

We have long shown our support for LGBTI inclusion by supporting events like Wear it Purple Day, which raises awareness and funds for LGBTI inclusion in the community and the Midsumma queer arts and entertainment festival. Within our business, this year we launched Gender Transition Support Guidelines to help our people to understand how they can provide support for colleagues going through a gender transition. We also celebrated the seventh anniversary of our Spectrum network for LGBTI employees and allies. Our Spectrum network is proactively expanding across our global operations and contains many champions from the Telstra Executive Team.

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

Parul –Senior Business Manager

Other information

This Corporate Governance Statement was approved by the Board of Telstra Corporation Limited on 11 August 2016 and the information contained in it is current as at that date, unless stated otherwise.

This statement, together with our 2016 ASX Appendix 4G (which is a checklist cross-referencing the ASX Recommendations to the relevant disclosures in this statement and our website (our ASX Appendix 4G)), have both been lodged with the ASX on 11 August 2016. This statement and our ASX Appendix 4G can also be found in the corporate governance section of our website at **telstra.com/governance**.

More information on our governance arrangements, including our Board and Board Committee Charters and key policies, can also be found on our governance website.

Rules 4.7.3 and 4.10.3[1]

Appendix 4G

Key to Disclosures
Corporate Governance Council Principles and Recommendations

Name of entity:

Telstra Corporation Limited

ABN / ARBN:

33 051 775 556

Financial year ended:

30 June 2016

Our corporate governance statement[2] for the above period above can be found at:[3]

☐ These pages of our annual report:

☒ This URL on our website: telstra.com/governance

The Corporate Governance Statement is accurate and up to date as at 11 August 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date:	11 August 2016
Name of ~~Director or~~ Secretary authorising lodgement:	Damien Coleman

[1] Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

[2] "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

[3] Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location … and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: Board Charter which is available at telstra.com/governance (Governance documents and information section).
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: 1.2(a): Corporate Governance Statement. 1.2(b): All material information relevant to a decision on whether or not to elect or re-elect a director is found in Telstra's AGM Notice of Meeting.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	… the fact that we have a diversity policy that complies with paragraph (a): ☒ in our Corporate Governance Statement OR ☐ at this location: … and a copy of our diversity policy or a summary of it: ☒ at this location: Diversity and Inclusion Policy which is available at telstra.com/governance (Governance documents and information section). … and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☒ in our Corporate Governance Statement OR ☐ at … and the information referred to in paragraphs (c)(1) or (2): ☒ in our Corporate Governance Statement OR ☒ at this location: Our 2016 report lodged with the Workplace Gender Equality Agency on 30 May 2016 is available at telstra.com/governance (Governance documents and information section).
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	… the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement OR ☐ at this location … and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement OR ☐ at this location
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	… the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement OR ☐ at this location: … and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: The Remuneration Report (which forms part of the Directors' Report) in the 2016 Telstra Annual Report, which includes details of the remuneration outcomes for the FY16 year for the CEO and senior executives.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE		
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	… the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement OR ☐ at … and a copy of the charter of the committee: ☒ at this location: Nomination Committee Charter which is available at telstra.com/governance (Governance documents and information section). … and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: 2.1(a)(4): Corporate Governance Statement. 2.1(a)(5): Directors' Report in the 2016 Telstra Annual Report.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	… our board skills matrix: ☒ in our Corporate Governance Statement OR ☐ at this location
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	… the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: Board of Directors section of the 2016 Telstra Annual Report … and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement OR ☐ at this location … and the length of service of each director: ☐ in our Corporate Governance Statement OR ☒ at this location: Board of Directors section of the 2016 Telstra Annual Report

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …
2.4	A majority of the board of a listed entity should be independent directors.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	… our code of conduct or a summary of it: ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: Telstra Group Code of Conduct which is available at telstra.com/governance (Governance documents and information section).
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	… the fact that we have an audit committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement OR ☐ at this location: … and a copy of the charter of the committee: ☒ at this location: Audit and Risk Committee Charter which is available at telstra.com/governance (Governance documents and information section). … and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: 4.1(a)(4): Board of Directors section of the 2016 Telstra Annual Report. 4.1(a)(5): Directors' Report in the 2016 Telstra Annual Report.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	… our continuous disclosure compliance policy or a summary of it: ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: Summary of Telstra's Market Disclosure Policy which is available at telstra.com/governance (Governance documents and information section).
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	… information about us and our governance on our website: ☒ at this location: telstra.com/governance
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	… our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement OR ☐ at this location
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	… the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☒ in our Corporate Governance Statement OR ☐ at this location … and a copy of the charter of the committee: ☒ at this location: Audit and Risk Committee Charter which is available at telstra.com/governance (Governance documents and information section). … and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: 7.1(a)(4): Corporate Governance Statement. 7.1(a)(5): 'Directors' Report' section of the 2016 Telstra Annual Report.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	… the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☒ in our Corporate Governance Statement OR ☐ at this location … and that such a review has taken place in the reporting period covered by this Appendix 4G: ☒ in our Corporate Governance Statement OR ☐ at this location.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	… how our internal audit function is structured and what role it performs: ☒ in our Corporate Governance Statement OR ☐ at this location.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	… whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: Strategy and Performance (Our material business risks) and Governance at Telstra (Managing our risks) sections of the 2016 Telstra Annual Report.
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	… the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement OR ☐ at this location … and a copy of the charter of the committee: ☒ at this location: Remuneration Committee Charter which is available at telstra.com/governance (Governance documents and information section). … and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: 8.1(a)(4): Corporate Governance Statement. 8.1(a)(5): Directors' Report in the 2016 Telstra Annual Report.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	… separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☐ in our Corporate Governance Statement OR ☒ at this location: Remuneration Report (which forms part of the Directors' Report) in the 2016 Telstra Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	… our policy on this issue or a summary of it: ☒ in our Corporate Governance Statement ~~OR~~ AND ☒ at this location: Securities Trading Policy which is available at telstra.com/governance (Governance documents and information section).