Telstra Annual Report 2021

We believe it's people who give purpose to our technology

So we're committed to staying close to our customers and providing them the best experience

And delivering the best tech

On the best network

Because our purpose is to build a connected future so everyone can thrive

Our values

We are changemakers

We think big, set ambitious goals and deliver them – for our customers, shareholders and communities. By speaking up, being curious to learn and valuing different perspectives we challenge the status quo and make change.

We are better together

We're one team and embrace the value each of us bring. Our (super) power lies in working together to deliver for our customers. We're each accountable for our actions and do what we say we're going to do.

We care

We show care in all that we do. We do the right thing for our customers, our communities, the planet, ourselves and each other – even when no one's watching.

We make it simple

What we do is complex, but we always make things simple for our customers and each other. Simple doesn't necessarily mean quick. We keep the simple, simple.

Our 2021 reporting suite

We take our reporting obligations seriously and we provide concise and up to date information about your company online.

In 2021 this information includes our Annual Report, our Corporate Governance Statement and our Bigger Picture Sustainability Report.

Our 2021 Annual Report

Our Annual Report describes our strategy, financial performance and remuneration practices. The sections of our Annual Report titled Chairman and CEO message, Strategy and performance, Our material risks, Outlook, and Full year results and operations review comprise our operating and financial review (OFR) and form part of the Directors' report. Our OFR, Directors' report and Financial report were released to the ASX on 12 August 2021 in the document titled 'Financial results for the year ended 30 June 2021' which is available at **telstra.com/investor**.

Our 2021 Corporate Governance Statement

Our 2021 Corporate Governance Statement (CGS) provides detailed information about governance at Telstra and together with our 2021 ASX Appendix 4G (which cross references the ASX Corporate Governance Principles & Recommendations to information in our CGS and on our website), is available at **telstra.com/governance**.

Our Bigger Picture 2021 Sustainability Report

Our Bigger Picture 2021 Sustainability Report, which provides an in-depth look at Telstra's approach and performance in relation to our most material social and environmental topics, is available at **telstra.com/sustainability/report**.

Chairman and CEO message

Dear Shareholders

Thank you for your continued support and investment in Telstra through a year where COVID-19 continued to have a profound effect on our lives, our society and the economy. All of us have been impacted to some degree and we hope you and your families are in good health and are remaining safe through the challenges of this unprecedented pandemic.

Through all of this Telstra has tried to set an example for our people, our customers and our country as we all navigated through the challenging and largely uncharted waters.

Despite these extraordinary events, we maintained our operations and continued to deliver on an ambitious strategy. Your business has performed well and we finished the year in a strong position.

We have many achievements to be proud of this year, including the progress we are making on our transformational T22 strategy. As you will see, the many tangible benefits of T22 are now becoming clear and underpin our commitment to return the business to underlying growth and position it for success in the future.

When we launched T22 we were very clear about the need to radically simplify and digitise our business, to remove customer pain points, to remove legacy systems and processes, to introduce new Agile ways of working and to further extend our network leadership including leading in 5G. In other words, to better prepare the business for the acceleration of the digital economy.

We have stayed absolutely disciplined and focused on delivering what we said we would, and three years into what has been one of the largest and most ambitious transformations by a telco globally, we are now a vastly different company. We are extremely well progressed and are on track to deliver our strategic objectives in the year ahead.

This includes our proposed legal restructure that will better position us to take advantage of opportunities as they arise and our recent announcement of the proposed sale of 49 per cent of our InfraCo Towers business for $2.8 billion, of which approximately 50 per cent, or up to $1.35 billion, will be returned to shareholders during FY22 via an on-market share buy-back.

A turning point

The 2021 financial year was significant for Telstra in that it was a turning point in our financial performance. Every year for the last four years we have had to face the very real challenge of the financial headwinds associated with the transfer of a material part of our business to the nbn. This has meant we have started each of the last four years with our EBITDA going backwards by up to $800 million.

This was happening at the same time as competition in the market was reducing returns from both our fixed and mobile businesses and technology disruption and significant structural change were re-shaping our industry. In many ways these dynamics were the catalyst for the launch of our T22 strategy in 2018 to radically transform the business, in conjunction with a conviction about how technology innovation was going to continue to accelerate.

After a decade of disruption following the creation of the nbn, we can now clearly see the path to underlying growth ahead. Our investment in innovation and technology, digitisation and networks, improving our customer experience and being disciplined in our capital management, mean that Telstra is in a strong position to grow.

The financial results detailed in this report show the turning point we have reached and underscore our commitment to delivering long-term value for shareholders.

Given the status of our proposed restructure and in order for us to manage our ongoing continuous disclosure obligations, we believe that it is prudent to suspend the Dividend Reinvestment Plan. Our intention is to reinstate it when circumstances allow.

We know how important our dividend is to shareholders and this year our financial performance enabled the Board to resolve to pay a fully-franked final dividend of 8 cents per share, comprising a final ordinary dividend of 5 cents per share and a final special dividend of 3 cents per share. This brings the total dividend for FY21 to 16 cents per share and means we will directly return $1.9 billion to shareholders for FY21.

Our focus in FY22

So, what of the year ahead? We remain fully committed to finishing the job with T22 and that includes continuing to improve the customer experience, progressing our proposed restructure, and extending our leadership in 5G. No one is more committed to regional connectivity than Telstra, and we'll continue to work with our customers, partners, stakeholders and governments to ensure regional Australia benefits from the increasing digitisation of our economy.

We remain focussed on growing the core of our business as well as looking for growth from exciting opportunities in areas like health and energy. Telstra Health has transformed substantially over the past several years, leading to a significant uplift in its capability and its importance as part of our long-term growth strategy. We want to complete our work digitising and simplifying our business and broadening our new ways of working. All of this so we can ultimately deliver on our financial ambitions.

At the same time, we will also continue to build on our work as a leading responsible business.

As an iconic 150-year-old Australian business, a key contributor to the economy, a major employer, and a significant user of resources we have a responsibility to make contributions to the betterment of society. That means the obligations we have to our customers should not just be 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 on key social issues including climate change, diversity, digital inclusion and working to rebuild trust with First Nations communities following inappropriate sales practices by a small number of our partner stores some years ago. We encourage you to learn more about our response to this issue, and our broader approach to responsible business in our 2021 Bigger Picture Sustainability Report.

Great confidence in an important year

As we move into FY22, we have enormous confidence in our ability to deliver our strategic ambitions. We also look forward to sharing more information about what comes after T22 later in the year.

It is clear COVID-19 will remain with us for some time but we will continue to deal with the challenges this brings and to play a leading role in the interests of our people, our customers, our shareholders and the economy. The choices we are making and the actions we are taking right now are preparing Telstra to be the company we need to be for the future.

Thank you

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

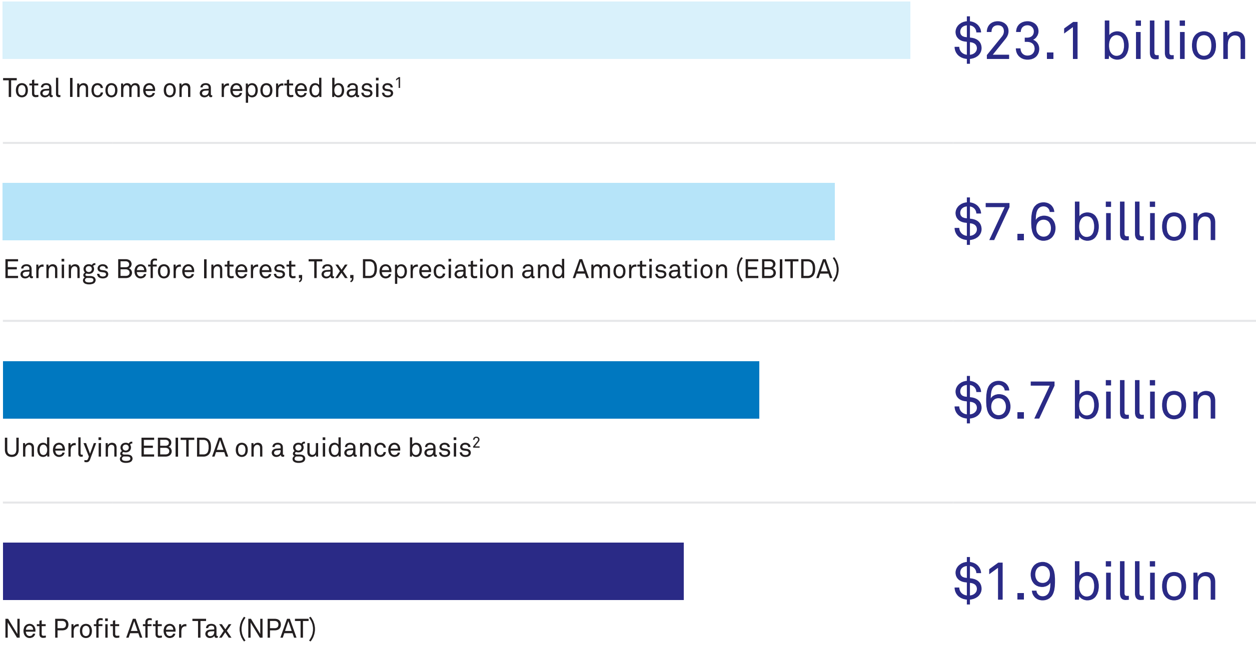
Thank you for your continued support of Telstra.

John P Mullen
Chairman

Andrew R Penn
Chief Executive Officer
and Managing Director

Strategy & performance

FY21 Financial performance



Total FY21 dividends **16 cents per share** fully franked

$1.9 billion returned to shareholders

Maintained A-band credit ratings

$2.3 billion reduction in underlying fixed costs since FY16

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1. Total income excluding financial income.
2. FY21 guidance assumed no impairments in and to investments or non-current tangible and intangible assets, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excluded the impacts of Pitt St exchange sale and leaseback. The guidance was based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance. Refer to the Reference table – guidance vs reported results on page 164.

For many of us, the pace of change has never been faster. Even before COVID-19, digital disruption meant that Telstra needed to act quickly and be bold. This disruption has created challenges and opportunities for us, and for our customers.

The strong progress we've made on our ambitious T22 strategy means we are well-placed to respond and lead in a world changed by the pandemic where digitised and contactless experiences have become the norm, and reliable and secure connectivity is a priority.

Our continued progress on T22

Our T22 strategy was launched in 2018 and has 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 leverages many of the significant capabilities that were already being built through our strategic investment of up to $3 billion announced in 2016 in creating the Networks for the Future and digitising the business.

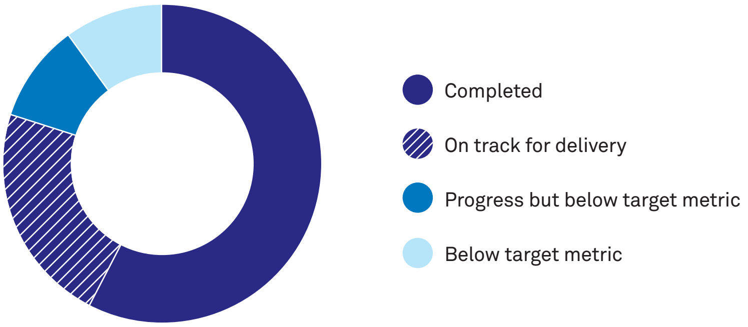
In FY21, we remained committed to delivering against the strategy and the hard work is paying off.

Our customers benefited from our ongoing investment in world-leading technology, helping to make things simpler and faster when engaging with us.

Our people felt supported through a difficult period. They adopted new ways of working and a hybrid working model which provided the flexibility to perform at their best.

Our shareholders started to see the tangible benefits of T22, as we made clear the value of our world-class infrastructure and financial strength, with a commitment to return our business to underlying growth.

T22 scorecard metrics as at FY21



At the end of the financial year, we had completed or were on track to deliver around 80 per cent of our T22 scorecard metrics. We also remained focused on progressing the other metrics as we close out the strategy.

Supporting our customers

While COVID-19 impacted our customer experience, it provided us with the opportunity to engage with our customers in different ways. We scaled our digital messaging channel, an important change to the way our customers interact with us. It allows customers to contact us through the My Telstra app to get the help they need when it suits them.

We also made it easier for small business customers to get connected to the nbn network with dedicated connection managers to take care of the process end-to-end.

We know many customers value being able to visit their local store. We announced a plan to bring Telstra licensee stores in-house, meaning we will be able to offer a more consistent customer experience across our online channels and store network. We'll be able to respond more quickly to changing customer needs and it means we will have an increased number of frontline team members who we can engage with more directly.

We committed to answering all consumer and small business inbound calls in Australia by the end of FY22. This will enable us to focus on customers who call us for more complex issues while supporting more customers to use improved digital tools.

During the financial year we continued to radically simplify our product offerings and help create all digital experiences with the launch of our first mobile and fixed products on our new digital sales platform. Customers on our new Upfront Plans have no lock-in contracts, no usage-based charges and automatic monthly payments so each month they'll know exactly what they need to pay.

We made continued progress with the digitisation of our business. This is not just a game changer for our customers but for our agents too as our new digital platform allows them to have more meaningful interaction with customers with reduced provisioning times. For example, our agents are able to enter orders in less than five minutes when it used to take almost three quarters of an hour.

With the foundations of the new digital platform complete, we are now focused on the migration of existing services and this will remain a focus in FY22.

In Enterprise, 28.1 per cent of our service interactions were digital, up from 12.3 per cent the prior year.

Telstra Enterprise also focused on the launch of new simplified product portfolios and partnerships this year. One example of how customers benefited from simplified and flexible offerings was with the launch of Adaptive Mobility and Adaptive Networks solutions, providing flexible plans, which allow them to change or scale their services.

In New South Wales (NSW), students and teachers at more than 2000 public schools experienced the future of education thanks to a big increase in internet speeds being delivered through an agreement between Telstra Enterprise and the NSW Department of Education to deliver high-speed fibre.

Over **3.5 million Telstra Plus members**

Telstra's 5G footprint covers **75 per cent**

of the Australian population

More than 16,000 employees

now working in Agile teams

As more people found themselves looking for entertainment at home, we expanded our sports offering by partnering with Kayo Sports to deliver a world-class experience with more than 50 sports live and on-demand, across multiple devices and screens.

We added even more value to our gaming offerings with the new Xbox All Access bundle, exclusive to Telstra, as well as launching Game Optimiser to help gamers prioritise gaming traffic in their home and help curb lag spikes for a better gaming experience.

To give some of our customers whose fixed connection might not have been capable of meeting their needs, we launched 5G Home Internet, which we saw deliver typical evening speeds between 50Mbps to 600Mbps.

We continued to see strong support for Telstra Plus, with 3.5 million enrolled members who can now earn even more rewards through our partnerships with Booking.com and Huddle. We know that customers who have joined Telstra Plus are more satisfied with the services they receive giving them more reasons to stay with us.

We continued to offer Australia's best, largest and most reliable mobile network. We expanded our 5G footprint to cover 75 per cent of Australians where they live and our 4G footprint to 99.5 per cent of all Australians taking it to over 2.5 million square kilometres.

Our technology leadership through investment and innovation remained a focus. We invested $277 million in 26Ghz spectrum for mmWave 5G – a short-range, high-frequency and very high-capacity spectrum band that makes the most of what 5G can do. In September we used mmWave spectrum to achieve a new network speed record achieving peak download speeds of 4.2Gbps on a 5G mmWave data call.

This progress and other initiatives helped deliver an overall increase in our strategic Net Promoter Score (NPS) of seven points against FY20, while episode NPS was up nine points.

Empowering our people

For our people, continued progress on T22 meant more than 16,000 employees were working in Agile, an approach that simplifies how we get things done. It allows us to regularly review our priorities and shift to meet changing customer demands.

One example of our Agile workforce is our Agents@Home program. What started as a small pilot to see how our contact centre team members could work from home, scaled almost overnight as COVID-19 took hold – and it's revolutionised our call centres, the way we serve our customers, and the way our contact centre team members work.

We now have 80 per cent of our contact centre consultants in Australia choosing to work from home on any given day – and 100 per cent are able to do so.

We also completed the first ever company-wide end-to-end planning process that gives us a single view of all the work we've prioritised for FY22 and the people needed to complete it. It means we can still deliver what's needed for customers and shareholders and balance our workload to reduce excess work pressure, especially when it comes to quarterly planning.

Our employees remain highly engaged. Our engagement result for FY21 came in at 78 per cent and while this was five points off our target of 83 per cent, we have work underway to improve in areas such as further simplifying our processes and easing the workload for some of our teams.

Delivering for our shareholders

To unlock the true value of our infrastructure, we reached a significant agreement with a high calibre consortium – comprising the Future Fund, Commonwealth Superannuation Corporation and Sunsuper – to sell 49 per cent of our InfraCo Towers business for $2.8 billion.

We will retain 51 per cent ownership and will still own the active parts of our network, ensuring we can continue to deliver the industry's leading mobile coverage and maintain our network leadership.

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

The progress we have made on T22 means we've also been able to operate more efficiently. The simplicity T22 delivered helped us reduce our costs and we're on track to achieve our $2.7 billion net cost reduction target by the end of FY22.

Returning to growth

During FY21 we delivered results in line with our guidance.

On a reported basis Total Income[3] for the year decreased 11.6 per cent to $23.1 billion and NPAT grew 3.4 per cent to $1.9 billion.

However, in spite of continued impacts from the nbn headwind, strong competition and the COVID-19 pandemic, we began to see growth in our underlying business – an important inflection point.

Underlying EBITDA on a guidance basis[4], which excludes one-off nbn income and restructurings costs, decreased 9.7 per cent to $6.7 billion. This included an estimated $650 million of in-year nbn headwind[5], and approximately $180 million of negative year-on-year impacts related to COVID-19.

Free cashflow for FY21 was up 11.6 per cent to $3.8 billion, above the top end of our guidance, due to working capital improvements more than offsetting lower EBITDA.

During the year, we reduced our total operating expenses by 10.2 per cent including a $490 million or 8.1 per cent decline in underlying fixed costs. This took our cumulative cost reductions to $2.3 billion since FY16.

We remain focussed on driving growth in our core business through new services and innovation, as well as from our growth businesses like health and energy.

Staying focused to complete the transformation

We remain fully committed to finishing the job on T22, which continues to position us well and set us up for the future.

We know the investments we are making in digitisation will make a difference when it comes to improving customer experience. As we migrate more customers over to our new digital platforms it will help us simplify our customer service, including a reduction in the number and types of plans we offer, the way customers shop and talk to us, and the way they pay for their services.

In the short-term this may cause some disruption, but it is critical to help us ensure quicker, easier service.

In the year ahead, we will extend our leadership in 5G including continuing to lead in 5G population coverage.

We'll also deliver on our plans to create a workforce for the future. Our people will continue to benefit from our investments in ways of working now that we have one of the largest Agile workforces in Australia and we are working with a number of top universities to create our suite of micro-credentials to upskill and reskill our people.

Delivering these priorities are key to finishing T22 but it's not all that we are doing. Above and beyond our T22 strategy there are ways that we are supporting our people through a time of change and challenge.

We have introduced paid leave for vaccinations and offered health and wellbeing support via a dedicated Mental Health Hub, a range of online webinars and interactive sessions as well as continued access to initiatives such as discounted health insurance. Internationally we have provided ongoing support including access to vaccinations, telehealth services and insurance coverage.

We have learnt even more over the last 18 months about how important flexible and supportive workplaces can be to employees. The disruption from COVID-19 has only accelerated our adoption of hybrid working which has seen a substantial increase in the number of our people working regularly from home.

In addition to renewing our flexible working policies and implementing location agnostic recruitment, we have invested in tools and technologies to help our people stay connected with each other when working in different locations. This includes greater functionality in our myWorkplace solution – a custom designed booking system for COVID-19 safe work in the office, the introduction of Microsoft Teams and Cisco interoperability in meeting rooms, and the supply of essential office equipment, from monitors to sit-stand desks with a self-service toolkit solution, for employees wherever they are working.

We're already seeing benefits with people saying they're feeling more productive.

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[3] Total income excluding financial income.

[4] FY21 guidance assumed no impairments in and to investments or non-current tangible and intangible assets, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excluded the impacts of Pitt St exchange sale and leaseback. The guidance was based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance. Refer to the Reference table – guidance vs reported results on page 164.

[5] In-year nbn headwind defined as the net negative recurring EBITDA impact of the nbn on our business for the reporting period.

Maintained carbon neutral status across our operations

Helped **one million customers in vulnerable circumstances** stay connected

Doing business responsibly

As the world continues to change around us, we remain purpose-led and values-driven.

This year we refreshed our values with input from our people to guide us into the future. Values play an important role in an organisation because they help guide us through both the easier times and decisions, as well as the harder ones.

As a purpose-led and values-based organisation, we are committed to being leaders on responsible business. This year we introduced a Responsible Business Strategy aimed at embedding responsible business principles into every aspect of what we do. Along with promoting trust in our operations, our aim is to draw on tech expertise to play a leadership role in promoting digital inclusion and environmental action.

Climate change is one of the biggest challenges facing society and is already impacting our business, our customers and the communities in which we provide services.

This year we became a signatory to the United Nations Business Ambition to limit climate change to 1.5 degrees. We also maintained our position as Australia's largest carbon neutral organisation by purchasing more than two million carbon credits and maintaining our carbon neutral certification with Climate Active.

We invested in our third power purchase agreement, which contributes to our ambition to enable renewable energy generation equivalent to 100 per cent of our energy consumption by 2025. We also made progress against our target to reduce our absolute emissions by 50 per cent by 2030 through programs including energy efficiency projects and network upgrades.

Along with delivering on our existing climate targets, this year we introduced three resource efficiency targets as part of our broader Environment Strategy. These include a commitment to increase reuse and recycling of mobile phones, modems and other devices and to transition our branded packaging to use only renewable or recycled materials, and to be fully recyclable, by the end of 2022. We have also committed to increase our network waste recycling rate to 85 per cent by 2025.

Making Australia a leading digital economy must remain a national priority. But with more people relying on technology for working, learning and staying connected, an ongoing and shared commitment to digital inclusion is essential.

We are committed to helping those with lower levels of digital inclusion to not only participate in, but also benefit from the digital economy. Our position as a global leader on digital inclusion was recognised this year, taking out top spot in the first-ever corporate World Benchmarking Alliance Digital Inclusion Benchmark.

In FY21 we helped one million customers in vulnerable circumstances stay connected[6] by providing services for people on low income, financial hardship support and access to safe and secure communications for victim-survivors of domestic and family violence, as well as ensuring products and services are accessible for people with a disability. We also delivered digital ability training for seniors and First Nations communities across Australia.

Through the research we support as part of the Australian Digital Inclusion Index, we know there is more to be done to close the digital divide in Australia and we remain committed to ensuring our customers and communities can enjoy the benefits of being connected.

More work to do on meeting expectations

While there have been many positives over the past year, we acknowledge that there have been some challenges and a number of times where we haven't met our own expectations.

This included reaching an agreement with the Australian Competition and Consumer Commission (ACCC) over the mis-selling of products to Indigenous customers. It also included being penalised by the Australian Communications and Media Authority (ACMA) for failing to provide customers with the opportunity to keep their existing local phone number when changing providers during the first global wave of COVID-19.

We cooperated with both the ACMA and ACCC in relation to an issue where we failed to notify some customers about the maximum attainable nbn broadband speeds and the remedies available to them.[7]

Even in these moments when we haven't met expectations, we have aimed for transparency and accountability.

Each year the Bigger Picture Sustainability Report provides more detail on circumstances where we haven't met the expectations we set for ourselves, or those set by our customers and regulators.

Maintaining momentum

In periods of rapid change, the most important question companies have to ask themselves is, are we the company we need to be for the future?

We know there is more work to do, but the choices we are making and the actions we are taking give us confidence that we will get there.

Our success in delivering T22 means we have strong momentum behind us. We have confidence we can finish the job.

As the world continues to deal with rapid change, we are ready to seize opportunities that arise.

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[6] Calculated based on the number of instances in which we provided specialised programs, products and services to support customers in vulnerable circumstances, and may include instances where a customer has accessed multiple mechanisms.

[7] Refer to Contingent Liability Disclosure.

Our material risks

The importance of continuing to identify, measure and monitor the most material risks to our business is more heightened than ever, particularly as we deal with the challenges and pressures of the ongoing COVID-19 pandemic and climate change-induced extreme weather events.

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 capacity to pay dividends.

Below we describe the material risks that could affect Telstra, 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.

Group restructure

The proposed legal restructure of the Telstra group will see the establishment of a new holding company and the creation of three key separate subsidiaries, ServeCo, InfraCo Fixed and InfraCo Towers.

The establishment of InfraCo Towers is currently underway, in line with the InfraCo Towers transaction announced on 30 June 2021. The establishment of the 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.

We also intend to establish our international business under a separate subsidiary and transfer our international assets to that new subsidiary over time, subject to relevant approvals and engagement with appropriate stakeholders.

While we continue to work hard on the restructure and to engage with the Government, regulators and other key stakeholders on it, there is a risk it may be delayed or not successfully complete, reducing the optionality and opportunity we have to realise additional value from our infrastructure assets.

To mitigate these risks, we have a dedicated team committed to ensuring our efforts to realise further value from our infrastructure continue. 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.

Transformation and market forces

Through our T22 strategy we are shaping our future to keep pace with the rapid rate of change around us. We are now less than twelve months from completing T22 and more than 80 per cent of metrics in that strategy are now delivered or are on track to be delivered by the end of FY22.

We have simplified our offerings to our customers, established Telstra InfraCo as a standalone business unit, embraced agile ways of working and strategically invested in new IT platforms and retired many of our legacy systems, while simultaneously building networks for the future with 5G and IoT.

The challenge now is to see this transformation through to its conclusion amid the uncertainty created by the COVID-19 pandemic, such as the acceleration of shifts to digital business models leveraging automation, balancing resiliency and efficiency of supply chains and business models, and our customers' needs for flexibility and reduced costs.

To manage these risks, we regularly monitor business performance and forecasts against changes in the external environment and stress test our approach against various market scenarios. We have also performed several assessments to monitor our reliance on key suppliers and their level of resilience to mitigate against the risk of suffering downstream impacts if their business continuity is impacted.

We continue to have a strong focus on maintaining effective governance and leadership so that we can identify, escalate, and manage transformation risks, and risks within the market segments that we operate in.

Responsible business

Telstra has continued to work to ensure that our business practices are in line with our purpose and values and the expectations of the broader community. We recognise that there has never been a more important time for businesses to think deeply about the role they play in society.

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. Further details of this are provided in our 2021 Bigger Picture Sustainability Report.

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

We are committed to conducting our business responsibly through a range of measures. These include fair sales practices, providing products and plans that meet our customers' needs, enhancing the way we resolve customer complaints, providing a well-considered approach to hardship and the embedding of a broader culture that supports our people to act responsibly.

People and culture

It is essential that we continue to attract, develop, and retain a skilled and engaged workforce.

We seek to build an agile, enabled culture focused on simplicity and accountability, and to build a workforce that can pivot dynamically 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 sustainability strategy. Our refreshed corporate values have been 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 our employee engagement surveys, monitoring our 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 whistle-blower process and our internal investigations team.

We continue to evolve our operating model and have recently stated our intent to be operating fully agile at scale by the end of calendar year 2021. We invest heavily to reskill and upskill our people, complementing our comprehensive suite of technical training with additional micro – credentials and a focus on building FutureReady capabilities.

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, our people's 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 our global workforce to keep them safe and well during the COVID-19 pandemic, in what remains a challenging and changing global landscape. Our approach has enabled our business to continue to operate effectively and to do what we can to keep our people safe and informed.

Climate change

Climate change is one of the most important issues of the decade. As one of the largest consumers of power in the country, we have a responsibility to play a leading role in addressing this.

The increasing frequency and severity of natural disasters (including bushfires, cyclones, floods, and the threat of more frequent and severe weather events) show that climate change poses a significant and ongoing challenge to our people, our customers, our infrastructure and networks, and our supply chains. We understand the economic and reputational risks associated with climate change and transitioning to a lower-carbon economy.

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 and reducing absolute greenhouse gas emissions by at least 50 per cent by 2030.

Starting in 2020, we have aligned our reporting to the Taskforce on Climate-Related Financial Disclosures (TCFD) framework. Our 2021 TCFD reporting can be found in the climate change and energy section of our FY21 Sustainability Report and the accompanying TCFD Appendix.

Network IT and resilience

One of Telstra's competitive advantages is the scale, speed, and resilience of our network. The importance of access to seamless and high-quality connectivity has been highlighted recently by the changed nature of work and education due to the COVID-19 pandemic.

Given so many customers depend on our network and its quality, we recognise the potentially significant impact of network congestion and outages. These events are disruptive and frustrating for customers, and significant for us in terms of 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 digitisation of our systems and processes is a key enabler of our T22 strategy and is helping us simplify our products and reduce complexity.

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 and cyber security

With the growing demand for, and dependence on, being able to live, work and learn online, the information and cyber security threat environment has increased. This is one of the reasons we put data privacy, information security and cyber security 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.

As part of our Cleaner Pipes initiative, which focuses on further reducing instances of customer data being compromised through malware, ransomware and phishing, we are blocking around 13 million suspected scam calls a month on average before they reach end customers and potentially defraud them.

Our approach to cyber security 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 cyber security 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 Cyber Security Strategy, with our CEO Andrew Penn chairing the Industry Advisory Committee.

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 important we continue to maintain proactive and transparent relationships 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.

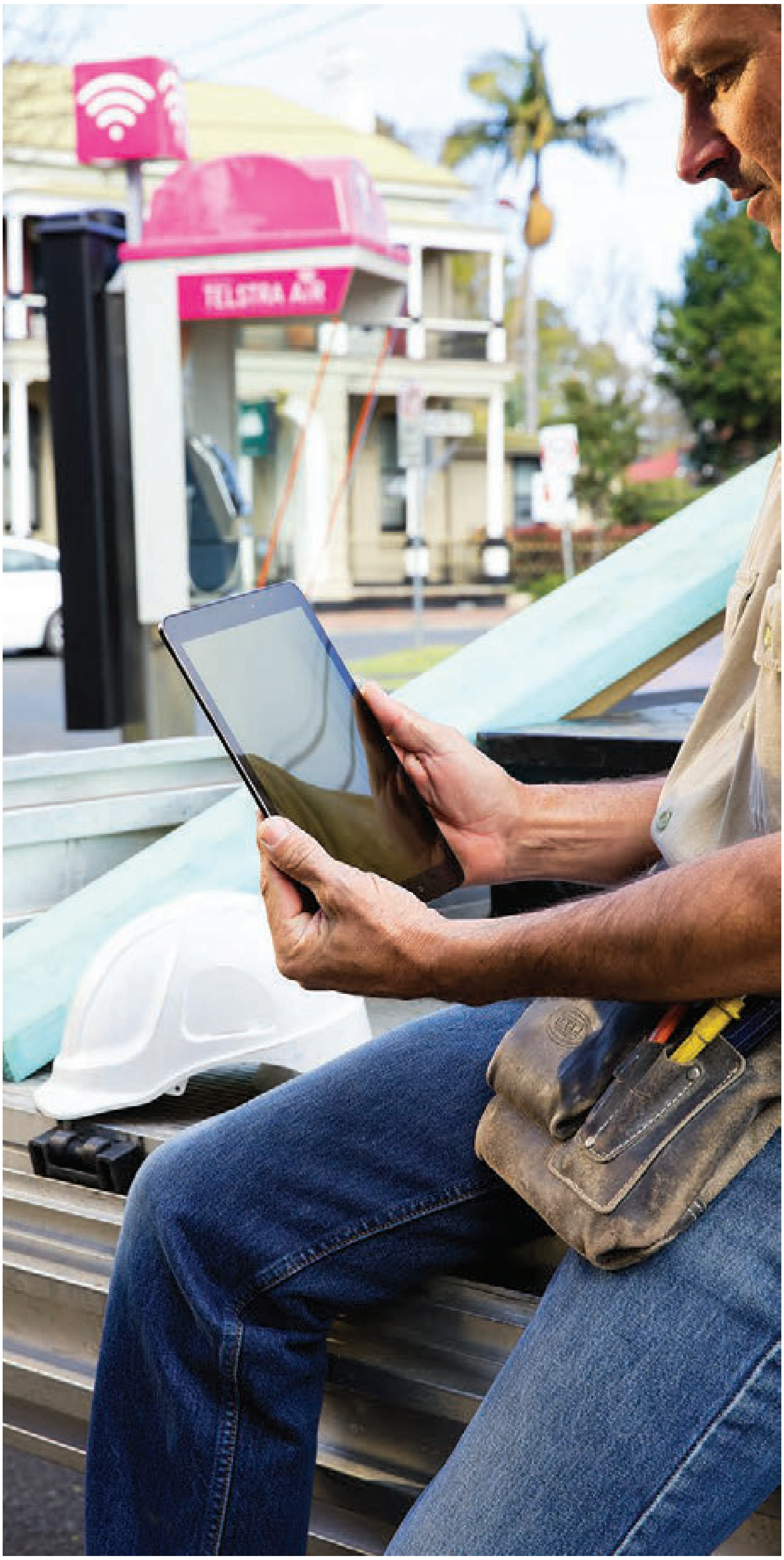
The key regulatory matters currently relevant to Telstra arise in an environment of heightened expectations and relate to regulatory compliance, responsible business practices, establishing a new retail energy business, NBN Co regulation and policy, consumer safeguards and service standards, spectrum 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, and proactively engage with regulators, government bodies, industry and customer groups and other stakeholders.

Further detail on our risk management framework and our overall approach to managing risk is provided in our **2021 Corporate Governance Statement** available at **www.telstra.com/governance.**

Further information about our sustainability related risks is provided in our **2021 Bigger Picture Sustainability Report,** available at **telstra.com/sustainability/report.**



Outlook

As we enter the last year of our T22 program, we are in a strong position to return to growth as our transformation work has enabled us to take advantage of continued disruption, emerging technology shifts and the growing digital economy.

FY22 is a pivotal growth year in our financial trajectory as we move past the FY21 inflection point, complete T22 and build strong momentum into FY23-25.

For FY22 guidance[1], we expect Total Income to be between $21.6 and $23.6 billion, underlying EBITDA[2] between $7.0 and $7.3 billion, capital expenditure[3], between $2.8 and $3.0 billion and free cashflow after lease payments[4] of $3.5 and $3.9 billion.

Growth in underlying EBITDA is expected despite remaining in-year nbn headwinds of approximately $350 million.

Underlying EBITDA in FY22 also includes approximately $50 million of non-cash accounting headwind from insourcing our retail channel, and no return of revenue from international mobile roaming.

We have already reached cumulative cost reductions of $2.3 billion since FY16, and we are confident in our ability to deliver our $2.7 billion target by the end of FY22.

With our ongoing discipline on cost reductions, continued strong performance in our mobile business, and a diminishing financial impact from the rollout of the nbn, we have confidence in our outlook and we believe we are on the path to achieving our financial ambitions of $7.5 to $8.5 billion of underlying EBITDA and ROIC of around 8 per cent by FY23.

In the year ahead our areas of focus will include continuing to improve our customer experience including for regional customers, completing our digitisation program including remaining focused on simplification, extending our leadership in 5G and realising value from our strategic investment in networks, and continuing to grow core connectivity and services as well as existing and new growth businesses. Delivering these priorities is key to finishing T22 and will enable us to face a new world of constant change.

We continue to progress our proposed legal restructure. This will set us up with a modern and flexible structure to provide increased focus and flexibility to manage and realise additional value from our assets. It also means we will be well-placed to respond to the growing global demand for telecommunications infrastructure.

We expect the sale of a minority stake in our InfraCo Towers business to be completed in the first quarter of FY22, with approximately 50 per cent of net cash proceeds after transaction costs to be returned to shareholders through an on-market buy-back.

As we finish T22, we have been considering the company's strategy into the future. We will provide more detail on what comes after T22 and our strategy for the future at an Investor Day event on 16 September. This will be firmly focussed on growth and how we will be leveraging the foundation and capabilities we have built.

We will continue to work with customers, industry partners, regulators and political stakeholders as we advocate for reform to nbn wholesale pricing and service standards. We hope to see a long-term solution that supports a competitive and sustainable broadband market.

The ongoing COVID-19 pandemic brings an element of unpredictability and as we have said previously, we know our business and customers will not be immune from this.

Telstra will continue to be guided by our purpose and our values, and focused on creating long-term shareholder value.

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1. FY22 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.
2. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net C2C and guidance adjustments. FY20/21 underlying EBITDA also includes 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 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

Summary financial results	FY21 $m	FY20 $m	Change %
Revenue (excluding finance income)	**21,558**	23,710	(9.1)
Total income (excluding finance income)	**23,132**	26,161	(11.6)
Operating expenses	**15,470**	16,951	(8.7)
Share of net profit/(loss) from equity accounted entities	**(24)**	(305)	92.1
EBITDA	**7,638**	8,905	(14.2)
Depreciation and amortisation	**4,646**	5,338	(13.0)
EBIT	**2,992**	3,567	(16.1)
Net finance costs	**551**	771	(28.5)
Income tax expense	**539**	957	(43.7)
Profit for the period	**1,902**	1,839	3.4
Profit attributable to equity holders of Telstra Entity	**1,857**	1,819	2.1
Capex[1]	**3,020**	3,233	(6.6)
Free cashflow	**4,887**	4,034	21.1
Earnings per share (cents)	**15.6**	15.3	2.0

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

Reported results

Telstra delivered FY21 results in line with guidance showing the business had reached an important turning point in its financial performance and outlook, with financial momentum building and the underlying business to return to full year growth in FY22.

On a reported basis, total income declined by 11.6 per cent and EBITDA declined by 14.2 per cent while NPAT increased by 3.4 per cent. Underlying EBITDA declined by 9.7 per cent on a guidance basis including an in-year nbn headwind of $650 million. Underlying EBITDA includes an estimated $380 million impact from COVID-19. Excluding the in-year nbn headwind, underlying EBITDA declined by approximately $70 million.

We continue to execute on our T22 strategy with around 80 per cent of our scorecard metrics completed or on track for delivery, and we are seeing the decision to be bold and transform the business for the future clearly paying off. Underlying fixed costs decreased by $490 million or 8.1 per cent bringing the total underlying fixed cost reductions to around $2.3 billion since FY16. We remain on track to meet our cost out target of $2.7 billion by FY22.

Our multi-brand strategy continued to deliver mobile SIO growth as we added 101,000 retail postpaid handheld mobile services including 34,000 from Belong, 95,000 retail prepaid handheld unique users, and 240,000 Wholesale services. We have expanded our 5G rollout to selected areas in more than 200 cities and towns across Australia and the network now provides 5G coverage to more than 75 per cent of the population. We now have around 1.6 million 5G devices connected to our network.

We have seen strong performances in our growth businesses during the year, including Telstra Health, Telstra Ventures and Foxtel, as well as progress on Telstra Energy. Foxtel reported record subscriber growth in FY21 with paid streaming subscribers increasing 155 per cent to over 2 million. This exceptional subscriber growth has Foxtel, and our investment in Foxtel, well positioned for the future.

The Telstra Board resolved to pay a fully franked final dividend of 8 cents per share, comprising a final ordinary dividend of 5 cents and a final special dividend of 3 cents. The total dividend for FY21 is 16 cents per share, fully franked. Telstra also provided financial guidance including assumptions on a range of metrics for FY22, showing the underlying business returning to full year growth.

Other information

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

Commentary reflects statutory and management accounts reporting.

Results on a guidance basis[1]	FY21	FY21 Guidance[2]
Total income	**$22.9b**	$22.6b to $23.2b
Underlying EBITDA	**$6.7b**	$6.6b to $6.9b
Net one-off nbn DA receipts less nbn net cost to connect	**$0.8b**	$0.7b to $1.0b
Capex	**$3.0b**	$2.8b to $3.2b
Free cashflow after operating lease payments	**$3.8b**	$3.3b to $3.7b

	FY21	FY21	FY21	FY20
Guidance versus reported results[1]	Reported results $m	Adjustments $m	Guidance basis $m	Guidance basis $m
Total income	**23,132**	(208)	22,924	26,141
Underlying EBITDA	**7,638**	(949)	6,689	7,409
Free cashflow	**4,887**	(1,075)	3,812	3,415

1. This guidance assumed no impairments in and to investments or non-current tangible and intangible assets, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excluded the impacts of Pitt St exchange sale and leaseback. The guidance was based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance. Total income excludes finance income. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net cost to connect, one-off restructuring costs and guidance adjustments but 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 cashflow defined as 'operating cash flows' less 'investing cash flows' less 'payments for operating lease liabilities', and excludes spectrum and guidance adjustments. Refer to the Guidance versus reported results schedule on page 164. The adjustments within the tables in this schedule have been reviewed by our auditors.
2. FY21 guidance revised at 1H21 results announcement on 11 February 2021.

On 12 August 2021, the Directors of Telstra Corporation Limited resolved to pay a final fully franked dividend of 8 cents per ordinary share, comprising a final ordinary dividend of 5 cents per share and a final special dividend of 3 cents per share. Shares will trade excluding entitlement to the final dividend from 25 August 2021 with payment to be made on 23 September 2021. The total dividend for FY21 is 16 cents per share, fully franked, including 10 cents ordinary and 6 cents special. This is in line with the FY21 dividend guidance we provided on 11 February 2021.

The ordinary dividend represents a 103 per cent payout ratio on FY21 underlying earnings[1] which is higher than the range indicated in our capital management framework to pay a fully franked ordinary dividend of 70 to 90 per cent of underlying earnings. The Board has decided for FY21 to exceed its preferred ordinary dividend payout ratio as a proportion of underlying earnings because (1) our ambition of delivering underlying EBITDA of $7.5 billion to $8.5 billion from FY23 onwards is achievable; (2) the free cash flow dividend payout ratio remains supportive and we retain a strong financial position; and (3) there are no other factors that would make the payment of the ordinary dividend at this level imprudent.

The special dividend represents a 128 per cent payout ratio of FY21 net one-off nbn receipts[2]. We have returned 74 per cent of cumulative net one-off nbn receipts since the beginning of FY18, consistent with our capital management framework to return in the order of 75 per cent of net one-off nbn receipts via fully franked special dividends over time.

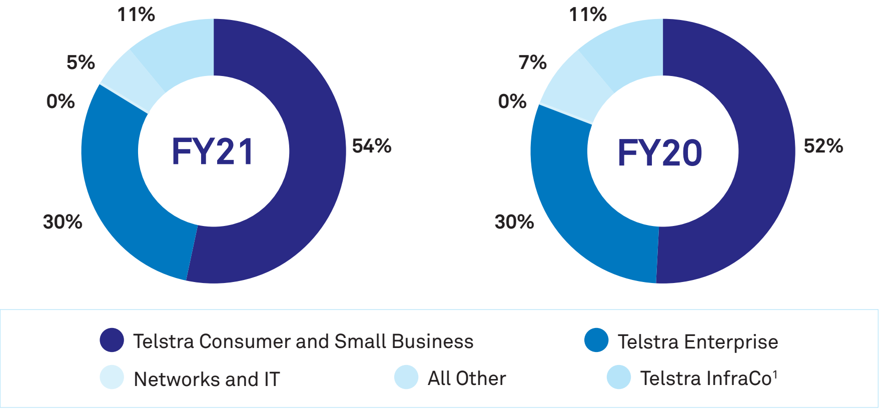
Our FY21 underlying earnings were $1,191 million while net one-off nbn receipts were $561 million compared with underlying earnings of $1,224 million and net one-off nbn receipts of $1,075 million in FY20.

Given the status of our proposed legal restructure, in order for us to manage our ongoing continuous disclosure obligations the Board has determined that the Dividend Reinvestment Plan (DRP) will not operate for the final dividend for FY21. Our intention is to reinstate it when circumstances allow.

Segment performance

We report segment information on the same basis as our internal management reporting structure as at 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



1. Excludes internal access charges

	FY21	FY20	Change
Total external income	**$m**	**$m**	**%**
Telstra Consumer and Small Business	**12,342**	13,474	(8.4)
Telstra Enterprise	**6,985**	7,743	(9.8)
Networks and IT	**33**	30	10.0
All Other	**1,230**	1,940	(36.6)
Telstra InfraCo[1]	**3,745**	4,664	(19.7)
Internal access charges	**(1,203)**	(1,690)	28.8
Total	**23,132**	**26,161**	**(11.6)**

1. Excludes internal access charges

On a reported basis, total income (excluding finance income) declined by 11.6 per cent to $23,132 million. On a guidance basis, total income (excluding finance income) was $22,924 million. Legacy product and service declines, lower hardware and equipment sales volumes, loss of international roaming revenue, and the nbn™ network rollout negatively impacted income. There were positive trends in mobile including further customer service additions, and an increase in postpaid Transacting Minimum Monthly Commitment (TMMC) and a return to postpaid average revenue per user (ARPU) growth in 2H21. Segment performance is on a reported basis unless otherwise stated.

Telstra Consumer and Small Business
Telstra Consumer and Small Business provides telecommunication products, services and solutions across mobiles, fixed and mobile broadband, media and digital content to consumer and small business customers in Australia. It also operates call centres, Telstra shops and the Telstra dealership network.

Income decreased by 8.4 per cent to $12,342 million impacted by a 6.8 per cent decline across fixed products including a 46.0 per cent decline in on-net revenue due to nbn migration and a 9.9 per cent decline in mobility revenue largely due to lower hardware revenue.

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1. "underlying earnings" is defined as net profit after tax from continuing operations excluding net one-off nbn receipts (as defined in footnote 2), one-off restructuring costs and guidance adjustments (as defined in footnote 3).
2. "net one-off nbn receipts" is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax.
3. Guidance adjustments included impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excluded the impacts of Pitt St exchange sale and leaseback.

Telstra Enterprise
Telstra Enterprise provides telecommunication services, advanced technology solutions, network capacity and management, unified communications, cloud, industry solutions integrated and monitoring services in Australia and globally. It also manages our networks outside Australia in conjunction with the Networks and IT and Telstra InfraCo segments.

Income decreased by 9.8 per cent to $6,985 million impacted by a 9.3 per cent decline across fixed products including a 7.5 per cent decline in data and connectivity income due to a decline in services in operation (SIO) and ARPU, and a 10.0 per cent decrease in NAS income largely due to declines in calling applications and equipment sales.

Networks and IT
Networks and IT primarily support the revenue generating activities of the other segments. It builds and manages our digital platforms underpinning our customer digital experience, and software for all internal functions. Income increased by 10.0 per cent to $33 million.

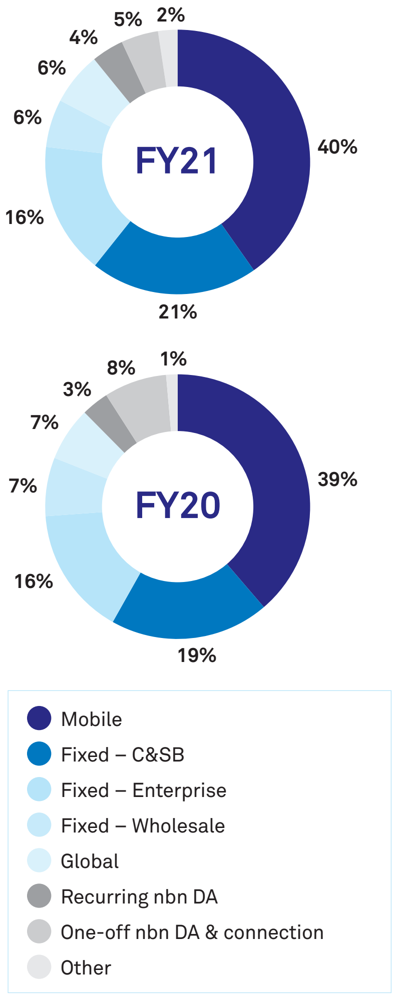
Telstra InfraCo
Telstra InfraCo is responsible for key passive network assets including data centres, exchanges, poles, ducts, pits and pipes, whole fibre network, and mobile towers. This segment also includes Telstra Wholesale.

Income excluding internal access charges decreased by 14.5 per cent to $2,542 million due to expected declines from Telstra Wholesale legacy fixed products and commercial works supporting the nbn. This was partly offset by increased recurring nbn DA receipts in line with the progress of the nbn network rollout and receipts for access to passive infrastructure, and an increase in wholesale mobility. Including internal access charges, income decreased by 19.7 per cent to $3,745 million. Internal access charges in FY20 are based on a different asset perimeter and pricing to FY21 and therefore numbers are not like-for-like.

All Other
All Other includes certain items of income and expense relating to other operating segments and corporate functions recorded by our corporate areas. This category includes Product and Technology Group, Global Business Services (GBS) and Telstra Health. Income decreased by 36.6 per cent mainly due to declines in Per Subscriber Address Amount (PSAA) receipts and Infrastructure Services Agreement (ISA) ownership receipts in line with the progress of the nbn network rollout partly offset by $78 million in proceeds from the sale of our investment in Sensis.

Product performance

Product revenue breakdown



Product income	FY21 $m	FY20 $m	Change %
Mobile	**9,310**	10,130	(8.1)
Fixed – C&SB	**4,736**	5,083	(6.8)
Fixed – Enterprise	**3,724**	4,106	(9.3)
Fixed – Wholesale	**1,356**	1,872	(27.6)
Global	**1,496**	1,725	(13.3)
Recurring nbn DA	**908**	874	3.9
One-off nbn DA & connection	**1,050**	2,004	(47.6)
Other	**552**	367	50.4
Total	**23,132**	**26,161**	**(11.6)**

EBITDA contribution margins[1]	FY21 %	2H21 %	1H21 %	FY20 %
Mobile	**39.2**	41.4	37.0	34.3
Fixed – C&SB	**5.8**	5.1	6.4	11.2
Fixed – Enterprise	**23.8**	24.4	23.2	28.0
Fixed – Wholesale	**45.8**	42.3	48.4	47.9
Global	**22.5**	23.2	21.7	21.9
Recurring nbn DA	**94.7**	94.7	94.7	93.8
Net one-off nbn DA less nbn net cost to connect	**76.4**	71.9	79.0	76.6

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

Product performance is on a reported basis unless otherwise stated.

Mobile
Mobile income declined by 8.1 per cent to $9,310 million largely due to lower hardware volumes (-$748 million) and international roaming declines (~-$200 million). Mobile services revenue, the key driver of mobile profitability, increased by 3.7 per cent or 5.2 per cent excluding international roaming in 2H21. Retail SIOs increased by 696,000 bringing the total to 19.5 million. We now have 8.6 million postpaid handheld retail SIOs, an increase of 101,000 including 34,000 from Belong and a strong contribution from Enterprise.

Postpaid handheld services revenue decreased by 1.7 per cent to $4,830 million as net adds were offset by a 3.7 per cent ARPU decline from $48.96 to $47.16. Excluding the international roaming decline, ARPU was broadly flat as benefits from TMMC improvement in mass market and pricing changes were offset by out of bundle revenue decline, accounting for new plans which allocate more revenue to hardware, and dilution from Belong customer mix.

Prepaid handheld services revenue increased by 4.7 per cent to $809 million as unique users increased by 95,000. ARPU increased 7.0 per cent from $19.46 to $20.83.

Mobile broadband services revenue decreased by 4.4 per cent to $612 million largely due to a decline in prepaid, and out of bundle Enterprise revenue in FY20.

Internet of Things (IoT) services revenue grew by 1.2 per cent to $246 million from increasing carriage and managed services revenue.

Wholesale services revenue increased 20.8 per cent to $267 million. Wholesale SIOs increased by 240,000 bringing the total to 1.7 million as Mobile Virtual Network Operators (MVNO) plans on the Telstra mobile network grew in popularity.

Hardware, interconnect and other revenue decreased by 24.5 per cent to $2,529 million largely due to lower handset sales.

Mobile EBITDA contribution margin increased by 4.9 percentage points to 39.2 per cent largely due to improved hardware margin and productivity. 2H21 margin was also supported by mobile services revenue growth.

Fixed – Consumer and Small Business (C&SB)
Fixed – C&SB income declined by 6.8 per cent to $4,736 million impacted by nbn migration along with declines in legacy voice and Foxtel from Telstra. C&SB bundles and standalone data SIOs declined by 69,000 including 10,000 additions from Belong, bringing the total to 3.6 million.

We continue to lead the nbn market with a total of 3.5 million nbn connections, an increase of 246,000. Our nbn market share is now 45 per cent (excluding satellite) with the migration to nbn now around 90 per cent complete. The Telstra Smart Modem is now being utilised by 81 per cent of our fixed data consumer base, providing a better experience on the nbn with strong Wi-Fi connectivity and mobile back up.

On-net fixed revenue, which is revenue from services on the Telstra network, decreased by 46.0 per cent to $784 million while off-net fixed revenue, which is revenue from services for which we are a reseller, increased by 15.6 per cent to $3,001 million as customers continue to migrate on to the nbn network.

Consumer content and services revenue declined by 9.1 per cent to $661 million due to lower Foxtel from Telstra SIOs despite growth in gaming.

Business apps and services revenue declined by 5.2 per cent to $183 million due to legacy product decline, partly offset by growth in IP voice and video calling, and professional services.

Interconnect, payphones and E000 revenue declined by 7.0 per cent to $107 million mainly due to ongoing decline in payphone usage and inbound calling services.

Fixed – C&SB EBITDA contribution margin declined by 5.4 percentage points to 5.8 per cent due to high margin revenue reduction and growing network payments to NBN Co, partly offset by fixed cost reduction.

Fixed – Enterprise
Fixed – Enterprise income decreased by 9.3 per cent to $3,724 million reflecting declines in data and connectivity income and NAS income.

Data and connectivity income declined by 7.5 per cent to $1,103 million. While we maintained our fibre SIO base, this was offset by copper SIO decline and a decrease in ARPU.

NAS income decreased by 10.0 per cent to $2,621 million due to a decline in legacy calling applications including ISDN, and fewer lower margin equipment sales.

Calling applications revenue declined by 14.5 per cent to $708 million due to declines in ISDN, inbound and fixed line calling products, and a customer shift to cloud based contact solutions.

Managed services revenue increased by 5.8 per cent to $671 million as more network customers attached cyber security services in addition to growth in managed cloud services.

Professional services revenue decreased by 11.9 per cent to $376 million as large strategic contracts were replaced by digital transformation engagements.

Cloud applications revenue increased by 4.5 per cent to $257 million due to demand for partner cloud products including AWS and Microsoft, enabling attachment to managed services.

Equipment sales revenue declined by 31.4 per cent to $343 million from a general deferral of hardware spend due to market conditions resulting from COVID-19 and a shift to cloud based technologies.

Fixed – Enterprise EBITDA contribution margin declined by 4.2 percentage points to 23.8 per cent. Data and connectivity EBITDA contribution margin declined by 6.7 percentage points to 60.1 per cent reflecting reduced revenue and higher costs. NAS EBITDA contribution margin declined by 3.6 percentage points to 8.5 per cent due to reductions in higher margin legacy calling applications, professional services, and equipment sales partly offset by growth in managed services and cloud applications.

Fixed – Wholesale
Fixed – Wholesale income declined by 27.6 per cent to $1,356 million impacted by ongoing migration to the nbn and a decline in commercial works.

Data and connectivity revenue decreased by 6.5 per cent to $343 million reflecting an ongoing SIO reduction in enterprise grade copper products, price competition in wideband fibre products, and migration of copper services.

Legacy calling and fixed revenue declined by 34.0 per cent to $412 million due to the continued legacy fixed product SIO decline as the nbn migration nears completion.

Commercial and recoverable works revenue declined by 31.8 per cent to $601 million as the nbn network rollout nears completion.

Fixed – Wholesale EBITDA contribution margin decreased by 2.1 percentage points to 45.8 per cent due to continued legacy and nbn revenue decline.

Global

Global represents the international business of Telstra Enterprise. Income declined by 8.1 per cent in constant currency (CC) terms largely due to continuing decline in low margin legacy voice and one-off transactions in FY20.

Fixed legacy voice revenue decreased by 8.9 per cent (CC) due to continued market decline with strategic focus on maximising margin.

Data and connectivity revenue declined by 2.9 per cent (CC) from industry wide price erosion across transmission products and customer churn in Enterprise as the market moves towards SD-WAN.

NAS and other revenue decreased by 4.2 per cent (CC) due to a reduction in low margin customer premises equipment (CPE) sales and professional services, and churn in private cloud.

Global EBITDA contribution margin increased by 0.6 percentage points to 22.5 per cent as lower costs offset revenue reduction.

Recurring nbn DA

Recurring nbn DA income includes infrastructure services across ducts, racks and fibre backhaul provided to NBN Co. Income increased by 3.9 per cent to $908 million reflecting the nbn network rollout.

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 47.6 per cent to $1,050 million as migration to the nbn nears completion.

Other

Other product income includes Telstra Health and corporate adjustments. Corporate adjustments include items not related to products such as impact of bond rate movements on leave provisions. Income increased by 50.4 per cent to $552 million mainly due to a gain on sale and leaseback of the Pitt Street exchange property and other M&A transactions, and 6.4 per cent revenue growth in Telstra Health.

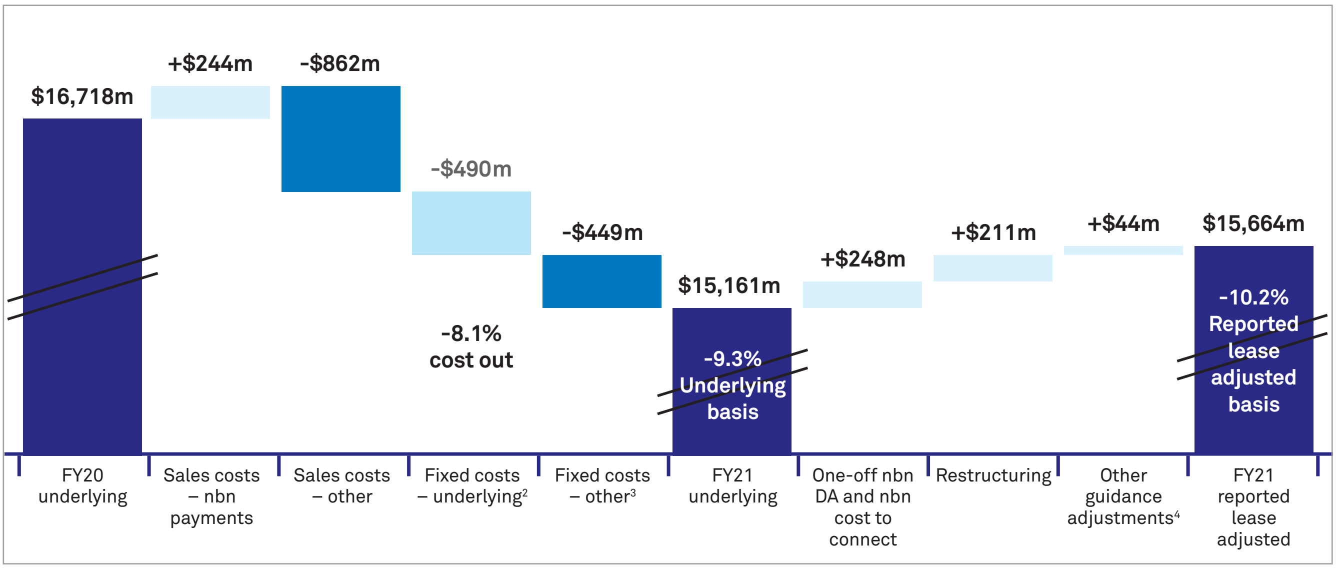
Expense performance

Total operating expenses declined by 8.7 per cent to $15,470 million on a reported basis and declined by 10.2 per cent to $15,664 million on a reported lease adjusted basis in part due to the 8.1 per cent or $490 million reduction in underlying fixed costs from our productivity program.

Sales costs, which are direct costs associated with revenue and customer growth, decreased by 7.0 per cent to $8,184 million due to an $862 million decline in other sales costs as a result of lower hardware costs, partly offset by a $244 million increase in nbn access payments. Other fixed costs decreased by 24.5 per cent while one-off nbn DA and nbn cost to connect declined by 47.0 per cent in line with the progress of the nbn network rollout. On an underlying basis, total operating expenses declined by 9.3 per cent as underlying fixed cost reduction exceeded increased nbn access payments.

We are targeting a $2.7 billion annual reduction in underlying fixed costs by FY22 compared with underlying fixed costs of ~$7.9 billion in base year FY16. We have now achieved approximately $2.3 billion of annual cost out since FY16.

	FY21	FY20	Change	
Operating expenses[1]	$m	$m	$m	%
Sales costs	**8,184**	8,802	(618)	(7.0)
– nbn payments	**1,975**	1,731	244	14.1
– other	**6,209**	7,071	(862)	(12.2)
Fixed costs	**6,977**	7,916	(939)	(11.9)
– underlying[2]	**5,593**	**6,083**	**(490)**	**(8.1)**
– other[3]	**1,384**	1,833	(449)	(24.5)
Underlying	**15,161**	**16,718**	**(1,557)**	**(9.3)**
One-off nbn DA and nbn cost to connect	**248**	468	(220)	(47.0)
Restructuring	**211**	259	(48)	(18.5)
Other guidance adjustments[4]	**44**	–	44	n/m
Reported lease adjusted[5]	**15,664**	**17,445**	**(1,781)**	**(10.2)**
Lease adjustments[6]	**(194)**	(494)	300	n/m
Reported	**15,470**	**16,951**	**(1,481)**	**(8.7)**



1. Sales and fixed costs exclude costs associated with one-off nbn DA and nbn cost to connect.
2. Fixed costs – underlying was ~$7.9b in FY16 on a restated basis and targeted to decline by our net cost productivity target of $2.7b by FY22. Underlying fixed costs are costs excluding other fixed costs (as defined in footnote 3).
3. Fixed costs – other includes items supporting revenue growth including relevant NAS costs, mobile handset lease, and product impairment.
4. Other guidance adjustments include M&A transactions.
5. 'Reported lease adjusted' includes all mobile handset leases as operating expenses, and all rent/other leases below EBITDA.
6. 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	FY21 $m	FY20 $m	Change %
Labour	**4,012**	4,058	(1.1)
Goods and services purchased	**8,318**	9,107	(8.7)
Net impairment losses on financial assets	**160**	202	(20.8)
Other expenses	**2,980**	3,584	(16.9)
Total	**15,470**	**16,951**	**(8.7)**

Labour

Total labour expenses decreased by 1.1 per cent or $46 million to $4,012 million. Salary and associated costs increased by $108 million as lower headcount was offset by higher costs per employee. Labour substitution costs declined by $242 million from a reduction in labour outsourcing which was partly due to our COVID-19 response as a portion of our labour substitution headcount shifted to be permanent employees. Employee redundancy costs increased by $96 million due to job reductions associated with the T22 program. Total full time staff equivalents (FTE) decreased by 6.7 per cent or 1,944 to 27,015.

Goods and services purchased

Total goods and services purchased decreased by 8.7 per cent or $789 million to $8,318 million.

Cost of goods sold, which includes mobile handsets and accessories, tablets, cellular Wi-Fi, broadband modems and other fixed hardware decreased by 19.9 per cent or $693 million to $2,797 million due to lower hardware and NAS equipment sales volume.

Network payments decreased by 0.1 per cent or $2 million to $3,153 million due to a $243 million decline in costs associated with lower global voice, data and connectivity revenue, and lower international roaming payments, while nbn access payments increased by $244 million as customers migrate across to nbn services.

Other goods and services purchased declined by 3.8 per cent or $94 million to $2,368 million mainly due to a reduction in Foxtel service fees as a result of a decline in Foxtel from Telstra subscribers.

Net impairment losses on financial assets

Total net impairment losses on financial assets decreased by 20.8 per cent or $42 million to $160 million.

Other expenses

Total other expenses decreased by 16.9 per cent or $604 million to $2,980 million.

Service contracts and other agreements expenses declined by 22.3 per cent or $329 million to $1,144 million due to productivity and cost reduction programs. Impairment losses (excluding net losses on financial assets) increased by 25.6 per cent or $33 million to $162 million largely due to a $34 million impairment loss for our Sensis investment. Other expenses decreased by 15.5 per cent or $308 million to $1,674 million including a $112 million decline in general and administrative costs.

Depreciation and amortisation

Depreciation and amortisation decreased by 13.0 per cent or $692 million to $4,646 million including a $291 million decrease in depreciation of right of use assets, a $151 million decrease in depreciation of property, plant and equipment, and a $250 million decline in amortisation of intangible assets. Review of asset service lives during FY21 resulted in a $7 million decrease in depreciation expense and a $71 million decrease in amortisation expense.

Foreign currency impacts

For the purposes of reporting our consolidated results, the translation of foreign operations denominated in foreign currency to Australian dollars (AUD) reduced our sales revenue by $157 million. This foreign exchange impact was partly offset by a decrease in expenses by $132 million across labour, goods and services purchased, and other expenses resulting in an unfavourable EBITDA contribution of $25 million.

Net finance costs

Net finance costs decreased by 28.5 per cent or $220 million to $551 million. This decrease is due to a reduction in interest on borrowings of $160 million, a reduction in interest on lease liabilities of $26 million and other financing items as set out in note 4.4.3. Interest on borrowings decreased as a result of a reduction in our average gross borrowing cost from 4.6 per cent to 3.8 per cent and lower debt on issue.

Financial position

Summary statement of cash flows	FY21 $m	FY20 $m	Change %
Net cash provided by operating activities	**7,231**	7,010	3.2
Net cash used in investing activities	**(2,344)**	(2,976)	21.2
– Capital expenditure (before investments)	**(3,140)**	(3,442)	8.8
– Other investing cash flows	**796**	466	70.8
Free cashflow	**4,887**	**4,034**	**21.1**
Net cash used in financing activities	**(4,236)**	(4,138)	(2.4)
Net increase/(decrease) in cash and cash equivalents	**651**	**(104)**	**n/m**
Cash and cash equivalents at the beginning of the period	**499**	604	(17.4)
Effects of exchange rate changes on cash and cash equivalents	**(25)**	(1)	n/m
Cash and cash equivalents at the end of the period	**1,125**	**499**	**n/m**

Capital expenditure and cash flow

Free cashflow generated from operating and investing activities was $4,887 million representing an increase of $853 million or 21.1 per cent. It was positively impacted by a $1,394 million improvement in working capital largely due to reduced receivables from lower handset sales and roaming revenue, and stronger collections performance, and a $407 million year on year improvement including the sale and leaseback of the Pitt Street exchange property and other M&A transactions. This was partly offset by a $967 million decline in reported lease adjusted EBITDA largely due to a $734 million decline in net one-off nbn DA receipts and EBITDA declines across the Fixed business.

Net cash provided by operating activities increased by 3.2 per cent or $221 million to $7,231 million mainly due to a $2,994 million decrease in payments to suppliers and employees, partly offset by a $2,779 million decline in receipts from customers.

Net cash used in investing activities decreased by 21.2 per cent or $632 million to $2,344 million primarily due to a $273 million increase in proceeds from sale and leaseback, a $160 million increase in proceeds from sale of businesses and shares in controlled entities (net of cash disposed), and a $132 million increase from the sale of equity accounted and other investments.

Net cash used in financing activities increased by 2.4 per cent or $98 million to $4,236 million. This was largely due to $698 million in proceeds from the sale of units in a controlled trust in 1H20 and a $3,168 million decrease in proceeds from borrowings. This was partly offset by $3,302 million decrease in repayment of borrowings, a $287 million decline in payments for the principal portion of lease liabilities, and a $199 million decline finance costs paid.

Our accrued capital expenditure for the year on a guidance basis was $3,020 million or 14.4 per cent of sales revenue.

On a guidance basis free cashflow after operating lease payments was $3,812 million. Performance against guidance has been adjusted for free cashflow associated with operating lease payments (-$717 million), the sale and leaseback of the Pitt Street exchange property (-$282 million), M&A (-$164 million) and spectrum ($88 million).

Debt issuance	$m
Drawings (bilateral bank facilities)	753
Proceeds under sale and leaseback transaction[1]	414
Short term commercial paper and revolving bank facilities (net)	203
Other loans	35
Total	**1,405**

[1] Treated as a financial liability under accounting standards.

Debt repayments	$m
AUD bonds	(800)
Euro bond	(708)
Bilateral bank facilities	(452)
AUD floating rate note	(150)
Private placements	(145)
Other loans	(102)
Total	**(2,357)**

Debt position
Our gross debt position was $16,388 million comprising borrowings of $14,136 million, lease liabilities of $3,305 million less $1,053 million in net derivative assets. Gross debt decreased by 5.5 percent or $955 million primarily due to an issuance of $1,405 million offset by higher debt repayments of $2,357 million. Net debt decreased by 9.4 per cent or $1,581 million to $15,263 million reflecting an increase in cash holdings of $626 million and the decrease in gross debt.

Financial settings	FY21 Actual	FY21 Comfort zone
Debt servicing[1]	2.0x	1.5x to 2.0x
Gearing[2]	50.0%	50% to 70%
Interest cover[3]	13.2x	>7x

1. Debt servicing ratio is calculated as net debt/reported EBITDA.
2. Gearing ratio is calculated as net debt/total net debt plus equity.
3. Interest cover is calculated as reported EBITDA/net interest expense (excluding capitalised interest, revaluation impacts on our borrowings and derivatives and other non-cash accounting impacts).

We remain within our comfort zones for our credit metrics. Our debt servicing is 2.0 times (30 June 2020: 1.9 times), gearing ratio is at 50.0 per cent (30 June 2020: 52.7 per cent) and interest cover is 13.2 times (30 June 2020: 11.7 times).

Statement of financial position
Our balance sheet remains in a strong position with net assets of $15,275 million.

Current assets increased by 8.9 per cent to $7,114 million. Cash and cash equivalents increased by $626 million including proceeds from business and asset sales while derivative financial assets increased by $477 million largely from reclassification to current assets for instruments maturing within the next 12 months and foreign currency and other valuation impacts. This was partly offset by a $544 million decline in trade and other receivables and contract assets reflecting lower revenue and better collections.

Non-current assets decreased by 6.5 per cent to $35,411 million. Derivative financial assets decreased by $1,225 million due to a reclassification to current assets of instruments maturing within the next 12 months and foreign currency and other valuation impacts. Property, plant and equipment declined by $636 million mainly due to depreciation expense partly offset by network investments, while intangible assets decreased by $281 million mainly due to amortisation expense partly offset by spectrum licence and software asset additions.

Current liabilities increased by 3.3 per cent to $10,424 million. Borrowings increased by $868 million comprising reclassification to current liabilities of debt maturing within the next 12 months and an increase in commercial paper issuance, partly offset by debt maturities during the year and other valuation impacts. Trade and other payables declined by $214 million due to a decrease in accrued capital expenditure while current tax payables decreased by $100 million as a result of payments of prior year tax provisions.

Non-current liabilities decreased by 12.2 per cent to $16,826 million. Borrowings decreased by $2,561 million from reclassification to current liabilities of debt maturing within the next 12 months and foreign currency and valuation impacts offset by drawings on bilateral bank facilities and a financial liability recognised on sale and leaseback of the underlying land and buildings housing the Clayton data centre.

	30 June 2021	30 June 2020	Change
Summary statement of financial position	$m	$m	%
Current assets	**7,114**	6,534	8.9
Non-current assets	**35,411**	37,869	(6.5)
Total assets	**42,525**	44,403	(4.2)
Current liabilities	**10,424**	10,094	3.3
Non-current liabilities	**16,826**	19,162	(12.2)
Total liabilities	**27,250**	29,256	(6.9)
Net assets	**15,275**	15,147	0.8
Total equity	**15,275**	15,147	0.8
Return on average assets (%)	**7.0**	8.0	(1.0)pp
Return on average equity (%)	**12.8**	12.5	0.3pp

Board of Directors

John P Mullen

Age 66, 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 not-for-profit appointments: Chairman, Toll Holdings (Private – since 2017). Chair, Australian National Maritime Museum (Joined 2016 and Chair from 2019). Member, UNICEF Task Force on Workplace Gender Discrimination and Harassment (2018–2019). UNSW Business School Advisory Council Member (from 2005). Former – Chairman of the US National Foreign Trade Council in Washington (2008–2010).

Andrew R Penn

Age 58, 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 is leading 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 Straights 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 64, 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): Member of the Supervisory Board of Signify NV (from 2017). Director, OTE Group (from 2019). Former – Member of the Supervisory Board of Post NL (2017–2021).

Other directorships and appointments: Member of the Supervisory Boards of Koninklijke VolkerWessels N.V (from 2019) and Fairphone (from 2020). Advisor, Reggeborgh Groep BV (from 2018).

Roy H Chestnutt

Age 62, BSc, BA, MBA

Non-executive Director appointed on 11 May 2018 and elected on 16 October 2018. 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, 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.

Craig W Dunn

Age 57, 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 (from 2015).

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).

Peter R Hearl

Age 70, B Com (UNSW), MIML ANZ, FAICD, Member – AMA

Non-executive Director appointed on 15 August 2014, last re-elected in October 2020. Chairman of the People & Remuneration Committee and member of the Nomination Committee.

Peter is an experienced company director with substantial international experience as a senior executive in the fast moving consumer goods sector. Peter served in senior executive roles with Yum! Brands Inc from 1997 to 2008, including global Chief Operations and Development Officer for Yum! Brands from 2006 until 2008 and President of Pizza Hut from 2002 to 2006. He previously worked for PepsiCo Inc in Sydney and London reaching regional vice-president level, as well as in various roles with Exxon in the United States and Australia. Peter was a Director of Treasury Wine Estates from 2012 to 2017.

Other listed company directorships (past three years): Chairman, Endeavour Group Ltd (from 2021. Chairman-elect from 2019 prior to listing in June 2021). Director, Santos Ltd (from 2016).

Other directorships and appointments: Member, UNSW's Australian School of Business Alumni Leaders Group, Trustee of The Stepping Stone Foundation (from 2020) and member of the Stepping Stone Foundation's Investment Committee (from 2018). Previously honorary Chairman of the US-based UNSW Study Abroad-Friends and US Alumni Inc.

Bridget Loudon

Age 33, 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 63, AM, BA (Hons), MA, FFin, FAICD

Non-executive Director appointed on 14 February 2020 and elected on 13 October 2020. Member of the People & Remuneration Committee and 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 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 personal injury insurer.

Other listed company directorships (past three years): Chair, Afterpay Limited (Joined 2017, Chair from 2020). Acting Chair, Slater and Gordon Limited (from 1 August 2021 for an expected period of a few months, Director from 2018). Former – Director, Mirvac Limited (2010–2019).

Nora L Scheinkestel

Age 61, 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.

Dr Scheinkestel is an experienced company director with more than 25 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.

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

Margaret L Seale

Age 60, BA, FAICD

Non-executive Director since May 2012 and last re-elected in October 2018. Member of the Audit & Risk Committee and the Nomination Committee.

Margie is an experienced company director and has served and is serving on the boards of companies across a range of industries. She previously worked in senior executive roles in Australia and overseas, including in the consumer goods, health and global publishing sectors, and sales and marketing, and in the successful transition of traditional business models to digital environments.

Immediately prior to her non-executive career, Margie was Managing Director of Random House Australia and New Zealand and President, Asia Development for Random House globally. She is currently a non-executive director of Scentre Group Limited and Westpac Banking Corporation. Margie has previously served on the boards of Australian Pacific (Holdings) Pty Limited, Penguin Random House Australia Pty Ltd (as a non-executive director and then Chair), the Australian Publishers' Association, Bank of Queensland Limited, Ramsay Health Care Limited, the Council of Chief Executive Women (chairing its Scholarship Committee), the Powerhouse Museum and the Sydney Writers' Festival. She has been on the Advisory Council of J P Morgan, Australia and New Zealand, and the Advisory Board for the Australian Public Service Commission Centre for Learning and Leadership. In 2015, Margie founded philanthropic literary travel company Ponder & See, which funds writers' festivals and writers.

Other listed company directorships (past three years): Director, Westpac Banking Corporation (from 2019) and Scentre Group Limited (from 2016).

Niek Jan van Damme

Age 60, Drs.

Non-executive Director elected on 16 October 2018. Member of the People & Remuneration Committee and the Nomination Committee.

Mr van Damme 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.

Senior management team

Andrew Penn

Chief Executive Officer

Andy is leading 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 three 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. Andy became the CEO and Managing Director of Telstra, Australia's largest telecommunications company, on 1 May 2015. Further detail about Andy can be found in the Board of Directors section.

Vicki Brady

Chief Financial Officer and Group Executive, Strategy & Finance

The Strategy and Finance team guides the company's financial performance and reporting, leads the development of and progress against its corporate strategy, and oversees its internal audit capabilities, with the aim of delivering shareholder value over the long-term.

Michael Ackland

Group Executive, Consumer & Small Business

Consumer and Small Business works to create and deliver the best experiences possible for consumers and small business customers through radically simplifying our products and services, while also working to transform the experience customers have with us.

Kim Krogh Andersen

Group Executive, Product & Technology

Product and Technology (P&T) drives Telstra's end-to-end product accountability, profitability, and experience. The team oversees Telstra's overall product and technology roadmap and strategy, and manages the lifecycle and economics of these products. Through Telstra Labs, P&T is also the thought-leader and incubator of emerging technologies.

Alex Badenoch

Group Executive, Transformation, Communications & People

The Transformation, Communications and People team oversees the overall T22 transformation program, leads the delivery of our T22 Pillar 3 milestones and our broader Human Resources function. It is also responsible for Telstra's internal and external communications function, ensuring our employees are kept informed and enhancing Telstra's reputation.

David Burns

Group Executive, Enterprise

Enterprise is responsible for revenues in excess of $7.5 billion from delivering connectivity, platforms, applications and tailored industry solutions to Telstra's enterprise and government customers. It is also responsible for Telstra's international operations and the largest subsea cable network in the Asia Pacific region.

Nikos Katinakis

Group Executive, Networks & IT

Networks and IT is responsible for ensuring Telstra delivers next generation network technologies to create the largest, smartest, safest and most reliable networks in the world. This includes rolling out new technology developments, such as those related to 5G, as well as maintaining and enhancing Telstra's IT platforms.

Brendon Riley

CEO, Telstra InfraCo

Telstra InfraCo is responsible for efficiently leveraging Telstra's significant portfolio of assets, ensuring it maintains and monetises these assets and meets its obligations to wholesale customers. Brendon is also responsible for the Telstra Health business, which is separate to Telstra InfraCo.

Dean Salter

Group Executive, Global Business Services

Global Business Services (GBS) brings together shared services such as Assurance, Activation, Billing, Property, Procurement and People Services to improve customer service, efficiency and service levels across the company.

Lyndall Stoyles

Group General Counsel and Group Executive, Sustainability, External Affairs & Legal

The Sustainability, External Affairs and Legal team is responsible for providing advice to Telstra's Board and CEO as well as providing legal counsel, policy advice, stakeholder management and community programs across government relations, regulatory, risk compliance, sustainability and regional affairs.


Telstra
Telstra
A tralia's
la est regional
m ile network.

Sustainability

Our goal is to embed social and environmental considerations into our business in ways that create value for the company and our stakeholders.

Our approach

This year we reviewed our approach to sustainability and took steps to align our strategy more closely to our purpose and broader organisational objectives. Our review resulted in the launch of a new Responsible Business Strategy (Strategy) and governance framework, which seeks to embed responsible business principles into every aspect of what we do, from the way we interact with our customers, suppliers and people, to the impact we have on our planet and the role we can play in increasing the number of Australians who benefit from the digital economy.

When considering what it means to be a responsible business, it's clear that how we do business is just as important as what we do and why we do it. Community trust in institutions reached a new low point at the end of the last decade and yet in a short space of time more and more corporates, like Telstra, are standing up on important issues, like climate change. In doing so, we are demonstrating that we understand the expectations on us and the responsibility to support the communities in which we operate.

Our Strategy reflects our most material topics, our United Nations Sustainable Development Goals (SDGs) priorities, the areas in which we have the expertise to make a meaningful impact, and where we see opportunities to use innovative, tech-based solutions to help address major societal challenges and opportunities. Through the Strategy we will build on our reputation as a trusted, sustainable business and draw on our tech expertise to play a leadership role in promoting digital inclusion and environmental action.

The Strategy was developed in consultation with key stakeholders and represents a holistic approach to sustainability that is informed by, and integrated with, our core business activities. The Strategy includes three pillars:

Trusted operations

We will operate as a globally trusted company that people want to work for and with.

Digital inclusion

We will help our customers and communities to thrive in a digital world.

Environmental action

We will use technology to address environmental challenges and help others to do the same.

Our Bigger Picture FY21 Sustainability Report, available online at **telstra.com/sustainability/report**, provides a transparent overview of our progress and performance this year in relation to each of our strategic pillars. The report also details the work we are undertaking in support of the SDGs and includes disclosures aligned to the Taskforce on Climate related Financial Disclosures (TCFD).

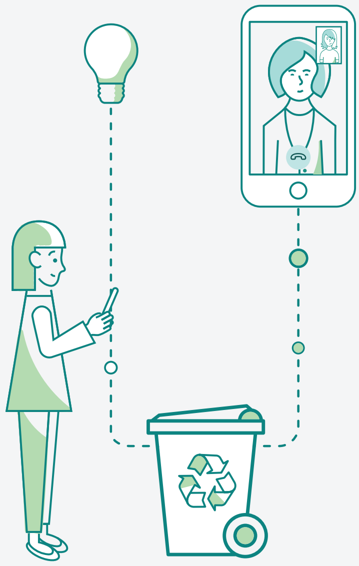
Introducing three new resource efficiency goals

Having announced a significant acceleration of our response to climate change in FY20, this year we launched three new resource efficiency goals that round out our approach to environmental action. They are:

Reuse or recycle 500,000 mobile phones, modems and other devices each year to 2025

Ensure 100% of Telstra-branded packaging is made of renewable or recycled material and is fully recyclable by 2022

Increase our network waste recycling rate to 85% by 2025



Governance at Telstra

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

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

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

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

Telstra complies with the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. We regularly review our governance practices in light of current and emerging corporate governance developments of relevance to our company, and to reflect market practice, expectations and regulatory changes as appropriate.

Our 2021 Corporate Governance Statement, which provides detailed information about governance at Telstra, is available on our website at **telstra.com/governance.**

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 explain what we stand for as an organisation and how we will conduct ourselves as we work together to deliver our strategy.

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 2021. Financial comparisons used in this report are of results for the year ended 30 June 2021 compared with the results for the year ended 30 June 2020.

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 the Capital Management Framework are supported by the following principles:

- committed to balance sheet settings consistent with an A band credit rating
- pay a fully-franked ordinary dividend of 70 to 90 per cent of our underlying earnings, as defined below
- target capex/sales ratio of around 12 per cent, excluding spectrum, from FY23
- maintain flexibility for portfolio management and to make strategic investments.

In addition to the ordinary dividend, we intend to return in the order of 75 per cent of net one-off nbn receipts to shareholders over time via fully-franked special dividends.

Underlying earnings is defined as net profit after tax from continuing operations excluding net one-off nbn receipts, one-off restructuring costs and guidance adjustments. Guidance adjustments include impairments in and to investments or non-current tangible and intangible assets, proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum. "Net one-off nbn receipts" is defined as the net nbn one-off Definitive Agreement receipts (consisting of Per Subscriber Address Amount, Infrastructure Ownership and Retraining) less nbn net cost to connect less tax. The dividend is subject to no unexpected material events, and is subject to Board discretion having regard to financial and market conditions, business needs and maintenance of financial strength and flexibility consistent with our Capital Management Framework.

On 11 February 2021, the Directors resolved to pay an interim fully franked dividend for the financial year 2021 of 8 cents per ordinary share, comprising an interim ordinary dividend of 5 cents per share and an interim special dividend of 3 cents per share.

On 12 August 2021, the Directors resolved to pay a final fully franked dividend of 8 cents per ordinary share ($951 million), comprising a final ordinary dividend of 5 cents per share and a final special dividend of 3 cents per share. The record date for the final dividend will be 26 August 2021, with payment to be made on 23 September 2021. Shares will trade excluding entitlement to the final dividend on 25 August 2021.

Further information regarding FY21 dividends is set out in the Chairman and CEO message and the Full Year Results and Operations Review accompanying this Directors' Report.

The Board has determined that the Dividend Reinvestment Plan (DRP) will not operate for the final dividend for financial year 2021.

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 2020	13 Aug 2020	24 Sept 2020	8.0 cents	951
Total interim dividend for the year ended 30 June 2021	11 Feb 2021	26 Mar 2021	8.0 cents	951

Significant changes in the state of affairs

There were no significant changes in the state of affairs of our company during the financial year 2021.

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 these 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 2021 and that the DRP will not operate in respect of that dividend
- acquisition of MedicalDirector
- on-market share buy-back.

Refer to note 7.5, Events after reporting date, of the 2021 Financial Report for details.

Details of Directors and executives

Bridget Loudon was appointed as a non-executive Director effective 14 August 2020. There were no other changes to the Directors of Telstra Corporation Limited during the financial year and up to the date of this report.

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 2021, 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[3]	20	20	–	(3)	6	6	–	(3)
Andrew R Penn	20	20	–	(6)	–	(6)	–	(6)
Eelco Blok	20	20	–	–	6	6	–	–
Roy H Chestnutt	20	20	6	5	6	5	–	–
Craig W Dunn[3]	20	20	6	6	6	6	–	–
Peter R Hearl[3]	20	20	–	(1)	6	6	6	6
Bridget Loudon[2]	16	15	–	–	5	5	–	–
Elana Rubin[3]	20	20	–	(2)	6	6	6	6
Nora L Scheinkestel[3]	20	20	6	6	6	6	6	6
Margaret L Seale	20	20	6	6	6	6	–	–
Niek Jan van Damme	20	20	–	(1)	6	6	6	6
Total number of meetings held	**20**		**6**		**6**		**6**	

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. Bridget Loudon was appointed as a non-executive Director effective from 14 August 2020.
3. From time to time the Board establishes ad hoc committees to support the Board in carrying out its responsibilities. In FY20 a Committee was established to oversee a review into Telstra's sales, complaint handling and debt collection practices. The members were John Mullen, Craig Dunn and Peter Hearl and the Committee met 7 times during FY21. During the year an ad hoc Board committee was established in relation to the formulation and implementation of a proposed legal restructure of the Telstra Group as announced on 12 November 2020 and other matters arising from or in connection with the proposed restructure. This committee commenced and ceased operation in FY21 and met 3 times. The members were John Mullen, Craig Dunn, Elana Rubin and Andrew Penn, as well as Nora Scheinkestel who was a member for one of its three meetings.

Director shareholdings in Telstra

Details of Directors' shareholdings in Telstra as at 12 August 2021 are shown in the table below:

Director	Number of shares held[1]
John P Mullen	101,159
Andrew R Penn[2]	2,152,021
Eelco Blok	75,000
Roy H Chestnutt	70,000
Craig W Dunn	70,073
Peter R Hearl	100,000
Bridget Loudon	–
Elana Rubin	67,961
Nora L Scheinkestel	148,037
Margaret L Seale	253,500
Niek Jan van Damme	77,000

1. The number of shares held refers to shares held either directly or indirectly by Directors as at 12 August 2021 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 2021. The numbers above include 175,000 shares held by a related party of Margaret Seale. In this case, the Director has a relevant interest.
2. Andrew Penn also holds 1,201,242 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 1.4 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 Law (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 (Cth) (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 1 November 2021 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 Bigger Picture FY21 Sustainability Report, which is available online at **telstra.com/sustainability/report**.

Non-audit services

During financial year 2021, 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 year are detailed in note 7.1 to the financial statements in our 2021 Financial Report.

The Directors are satisfied, based on advice provided by the Audit & Risk Committee that the provision of non-audit services during financial year 2021 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 Chairman

Dear fellow shareholders,

On behalf of your company's People and Remuneration Committee, I am pleased to present Telstra's FY20 Remuneration Report.

How the company rewards its most senior people is an important issue for many shareholders. The Board spends a significant amount of time trying to get the balance right between protecting shareholders' interests, while at the same time motivating, incentivising and retaining the best management talent that we can attract.

FY21 performance

Our FY21 financial results show the turning point we have reached and underscore our commitment to delivering long term value for shareholders. On a reported basis, Total Income (excluding finance income) for the year decreased 11.6% to $23.1 billion and NPAT grew 3.4% to $1.9 billion. On a guidance basis[1], Underlying EBITDA declined 9.7% to $6.7 billion. Underlying EBITDA included an in-year nbn headwind[2] of $650 million and an estimated $380 million financial impact from COVID-19[3]. However, in spite of continued impacts from the nbn headwind, strong competition and the COVID-19 pandemic, we began to see growth in our underlying business.

Progress on our T22 transformation program (T22), including our focus to simplify and digitise, remove customer pain points, and remove legacy systems and processes, helped reduce underlying fixed costs by $490 million or 8.1%. This brought the total underlying fixed cost reductions to $2.3 billion since FY16 and we are on track to achieve our $2.7 billion net cost reduction target by the end of FY22. At the end of the financial year, we had completed or were on track to deliver around 80% of our T22 scorecard metrics. As we approach the end of T22, we are well progressed to deliver our T22 strategic objectives. Further information on our FY21 performance can be found in the FY21 Full Year Results and Operations Review.

Throughout the year, there has been a significant focus on improving our employee experience and transforming our ways of working. This year we refreshed our values in consultation with our people. Values play an important role in an organisation because they help guide us through both the easier times and decisions, as well as the harder ones. We further matured our agile operating model and took a leadership position on flexible working while also supporting our people as we continue to deal with the challenging impacts of COVID-19, in both our personal and working lives. We finished the year with an employee engagement result score of 78 which, although did not fully achieve the ambitious target we set, places us only 2 points short of the top quartile of global high performing companies.

FY21 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 RTSR performance condition on any Performance Rights awarded).

[1] FY21 guidance assumed no impairments in and to investments or non-current tangible and intangible assets, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excluded the impacts of Pitt St exchange sale and leaseback. The guidance was based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this guidance. Underlying EBITDA excludes net one-off nbn DA receipts less nbn net cost to connect, one-off restructuring costs and guidance adjustments but includes depreciation of mobile lease right-of-use assets.

[2] In-year nbn headwind defined as the net negative recurring EBITDA impact of the nbn on our business for the reporting period.

[3] COVID impact in FY21 includes estimates across international roaming declines, delayed cost-out, customer support and deferred NAS professional services.

The FY21 primary performance measures and targets were selected by the Board to ensure that the CEO and Group Executives 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 FY21 EVP include:

- The CEO's Individual EVP Outcome was 63.8% 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 FY21 demonstrating strong delivery against our FY21 Corporate Plan and T22 strategy. Notwithstanding the impact COVID-19 continued to have on our business, the Board determined that the primary performance measure outcomes and the Base EVP Outcome would be driven by the results achieved and so no adjustments were made for the impact of COVID-19. In relation to the sale of the Pitt St exchange, this transaction would have ordinarily been included in underlying EBITDA and the sale was indeed budgeted this way in management's FY21 targets. Due to the scale of the gain, however, it has been excluded from Underlying EBITDA in our reported results in order to be fully transparent with shareholders. However, the gain has been allowed to flow through to the Base EVP outcomes (refer to section 2.2 for further information) in recognition of both the significant over achievement on that specific transaction (a benefit of $102 million against a budget of $35 million), and more broadly of management's strong performance in over-delivering against the overall T22 asset monetisation. The average impact of the Pitt St exchange sale on outcomes across all Telstra incentive plans is +1.9%, with a maximum impact to the EVP pool for Senior Executives of +2.5%.

This year was the first time that performance rights granted under the EVP were tested against the RTSR performance condition since the EVP was first implemented in 2018. The first tranche was subject to an RTSR condition measured over the four year performance period from 1 July 2017 to 30 June 2021. Despite the strong share price performance over the last twelve months, we fell short of the 4-year RTSR performance condition and no performance rights vested for Tranche 1 of the FY18 EVP. This outcome demonstrates the impact of the 'double hurdle' structure (where performance is measured over both the initial performance period and the RTSR performance period) and the sustained level of share price performance required for executives to obtain value from performance rights granted to them under the EVP. The second tranche is subject to an RTSR performance condition measured over a five year performance period from 1 July 2017 to 30 June 2022.

Further detail regarding the key FY21 remuneration outcomes for the CEO and other Senior Executives and our non-executive director fees is provided in the report that follows this letter.

Looking ahead

FY22 is a pivotal growth year in our financial trajectory as we move past the FY21 inflection point, complete T22 and build strong momentum into FY23-25.

We remain fully committed to finishing the job with T22 and that includes continuing to improve customer experience, including for our regional customers, and extending our geographic leadership in 5G. We will continue to focus on growing the core of our business as well as looking for growth, including from areas like health and energy. And we want to complete our work digitising and simplifying our business and broadening our new ways of working. And in doing so, deliver on our financial ambitions.

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 appear in Section 4 of our Remuneration Report. This provides our shareholders with meaningful information to assess the appropriateness of our remuneration targets and outcomes. In setting performance measures for FY22, the Board sought to ensure the targets were robust and sufficiently demanding, taking into account the key deliverables and milestones outlined in our T22 strategy, planned financial outcomes contained within our FY22 Corporate Plan and FY22 guidance (as announced on 12 August 2021).

We do not anticipate any increases to non-executive Director base fees for FY22. Similarly, we do not anticipate any increases in Senior Executive Fixed Remuneration for FY22, other than on appointment or promotion to a new role or due a significant increase in accountabilities.

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

Peter R. Hearl
People and Remuneration Committee Chairman

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 2021 (FY21).

Remuneration at Telstra and FY21 Remuneration Outcomes – Key Highlights

The following table includes the key highlights and remuneration outcomes for FY21.

<table>
<tr><th>Key area of focus</th><th>Highlights / Details</th></tr>
<tr><td>Remuneration Structure, fixed remuneration and non-executive director fees</td><td>The overall structure and approach to remuneration at Telstra remained unchanged from FY20.
There have been no Fixed Remuneration increases for Senior Executives during FY21, other than on appointment or promotion to a new role or due to a significant increase in accountabilities. There were no changes to the Executive Variable Remuneration Plan (EVP) structure or the variable remuneration opportunity levels during FY21.
With regard to non-executive Director remuneration, there have been no changes to the Chairman's fee, non-executive Director annual base fee or any standing committee fees during FY21. Certain directors received remuneration for additional or special duties they performed in connection with the proposed corporate restructure of the Telstra Group. Refer to Section 3 for information regarding remuneration paid to non-executive Directors in FY21.
For FY22 we do not anticipate any changes in Fixed Remuneration for Senior Executives or any changes to the Chairman's fee, non-executive Director base fee or standing committee fees.</td></tr>
<tr><td>FY21 performance and Executive Variable Remuneration Plan (EVP) outcomes</td><td>The Individual EVP Outcomes for FY21 were as follows:
<table>
<tr><th></th><th>Individual EVP Outcomes (% of maximum)</th></tr>
<tr><td>CEO</td><td>63.8%</td></tr>
<tr><td>Other Senior Executives (average)</td><td>58.0%</td></tr>
</table>
Each Senior Executive's Individual EVP Outcome for FY21 was determined having regard to the Base EVP Outcome, their target EVP opportunity and their individual performance, and was ultimately at the discretion of the Board.
The Board determined the Base EVP Outcome following an assessment of Telstra's performance against the primary performance measures under the FY21 EVP. Positive outcomes were achieved across many of the financial and non-financial measures demonstrating strong delivery against our FY21 Corporate Plan and T22 strategy. Further details on the Base EVP outcomes are found in Section 2.2.
The form in which Senior Executives receive their Individual EVP Outcome for FY21 is:
<table>
<tr><th>Award</th><th>Timing and conditions</th></tr>
<tr><td>25% Cash</td><td>Payable in September 2021.</td></tr>
<tr><td>35% Restricted Shares</td><td>25% eligible to vest each year over 4 years through to 30 June 2025, subject to a continuing employment condition.</td></tr>
<tr><td>40% Performance Rights</td><td>Only vest at the end of FY25 if a Relative Total Shareholder Return (RTSR) performance condition and continuing employment condition are achieved.</td></tr>
</table>
Refer to Section 2.1 for further information.</td></tr>
<tr><td>FY18 EVP Performance Rights (Tranche 1) RTSR outcome</td><td>The RTSR performance condition for the first tranche of Performance Rights awarded under the FY18 EVP was tested following the end of the performance period on 30 June 2021. The results and vesting outcomes are detailed below and no Performance Rights vested.
<table>
<tr><th>Performance Condition</th><th>Telstra's Percentile Rank</th><th>% of Performance Rights vested</th></tr>
<tr><td>RTSR – ASX100 (excluding resource companies) as at 1 July 2017</td><td>32nd percentile</td><td>0%</td></tr>
</table>
Refer to Section 2.3 for further information.</td></tr>
</table>

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 FY21, unless stated otherwise.

Non-executive Directors

Current

John P Mullen
Eelco Blok
Roy H Chestnutt
Craig W Dunn
Peter R Hearl
Bridget Loudon (from 14/08/2020)
Elana Rubin
Nora L Scheinkestel
Margaret L Seale
Niek Jan van Damme

Senior Executives

Current	**KMP Position**
Andrew Penn	Chief Executive Officer & Managing Director (CEO)
Michael Ackland	Group Executive (GE) Telstra Consumer & Small Business (C&SB)
Kim Krogh Andersen	GE Product & Technology
Alex Badenoch	GE Transformation, Communications & People (TC&P)
Vicki Brady	Chief Financial Officer and GE Strategy and Finance (CFO)
David Burns	GE Global Business Services (GBS) (until 26/10/2020) GE Telstra Enterprise (TE) (from 27/10/2020)
Nikos Katinakis	GE Networks & IT
Brendon Riley	GE and CEO Telstra InfraCo
Dean Salter	GE GBS (from 19/02/2021)
Former	
Michael Ebeid AM	GE TE (until 26/10/2020)

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1.0 Remuneration policy, strategy and governance

Our remuneration policy and framework is designed to support our strategy and reinforce our culture and values.

Our purpose

Our purpose is to build a connected future so everyone can thrive.

Our values

We are changemakers

We are better together

We care

We make it simple

Our strategy

<table>
<tr><td>Strategic pillars</td><td colspan="3">Radically simplify our product offerings, eliminate customer pain points and create all digital experiences</td><td colspan="3">Establish a standalone infrastructure business unit to drive performance and set up optionality post the nbn rollout</td><td colspan="3">Greatly simplify our structure and ways of working to empower our people and serve our customers</td><td colspan="3">Industry leading cost reduction program and portfolio management</td></tr>
<tr><td rowspan="2">Enabled by our up to $3b investment program</td><td colspan="12">New digital platforms</td></tr>
<tr><td colspan="12">Australia's largest, fastest, safest, smartest and most reliable next generation network</td></tr>
<tr><td>Delivering</td><td colspan="2">Market leading customer experience</td><td colspan="2">Simplified products, business and operating model</td><td colspan="2">Extended network superiority and 5G leadership</td><td colspan="2">Achieve Global High Performance Norm in employee engagement</td><td colspan="2">Net cost productivity of $2.7bn by F22[1]</td><td colspan="2">ROIC~ 8% by FY23[1]</td></tr>
</table>

Our remuneration policy is designed to

Provide internally consistent and market competitive rewards to attract, motivate and retain highly skilled employees

Support our strategy and reinforce our culture and values

Link financial reward outcomes directly to employee contribution and company performance

Ensure all reward decisions are made free from bias and support diversity within Telstra

Align to long term shareholder value creation

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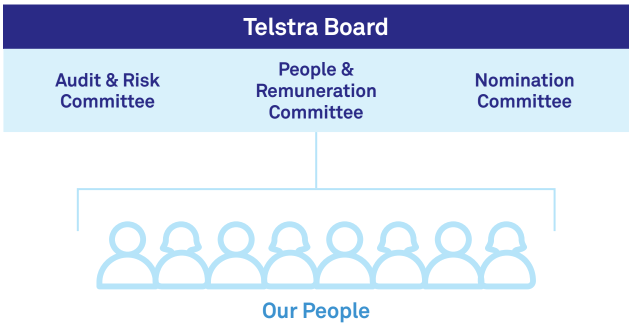
1. Net cost productivity targeted outcome increased from $2.5bn in February 2021. ROIC targeted outcome reduced from >10% in August 2020.

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

(a) The People and Remuneration Committee



The People and Remuneration Committee assists the Board in discharging its responsibilities on matters relating to remuneration, people, culture, conduct and diversity and consists only of Independent non-executive Directors.

Among other things, the Committee:

- reviews and makes recommendations to the Board on non-executive Director, CEO and other Senior Executive remuneration, as well as Telstra's overall remuneration framework
- monitors that Telstra's overall remuneration framework, and the remuneration arrangements and outcomes for the CEO and Senior Executives, encourage employees to pursue Telstra's strategy and success without rewarding conduct that is contrary to Telstra's Values or risk appetite
- reviews selected people related risks and the risk management plans management has put in place to deal with those risks and monitors whether Telstra is operating within its risk appetite in respect of those risks
- monitors the culture within Telstra and the effectiveness of management's initiatives to instil and reinforce Telstra's Values and compliance with Telstra's Code of Conduct
- reviews Senior Executive succession plans and talent development plans.

The Chairman of the Audit and Risk Committee attends certain People and Remuneration Committee meetings and provides an overview of the key issues considered by the Audit and Risk Committee that are likely to be relevant to assessing the performance and remuneration outcomes for the CEO and other Senior Executives by the People and Remuneration Committee. 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) Annual remuneration review

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 and Board review the CEO's fixed and variable remuneration and the CEO undertakes a similar exercise in relation to other Senior Executives. The results of the CEO's annual review of other Senior Executives' performance and remuneration are subject to People and Remuneration Committee review and Board approval.

(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 Base EVP Outcome by assessing performance against each primary performance measure. The Base EVP 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 provide greater consistency in remuneration adjustments. The framework was considered in determining the Individual EVP Outcomes under the FY21 EVP.

(e) Engagement with consultants

During FY21, 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 Chairman of the Board and the Chairman 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 our executives with the generation of long term shareholder value. During FY21, 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 CEO, Group 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.

The requirements of our share ownership polices 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
Chairman 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
Chairman and Non-executive Directors	Ordinary shares purchased on-market	Acquisition price

Senior Executives must obtain Board or, in certain circumstances, CEO or Chairman 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.

As at 30 June 2021, the CEO held Telstra shares to the value of 403% 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 2021. For information on Senior Executives' interests in Telstra shares refer to section 2.5(e).

As at the date of this report:

- the Chairman held Telstra shares to the value of 160% of the annual non-executive Director base fee. The Chairman has not yet met his minimum holding requirement of 200%, but has confirmed he will address this as soon as he is permitted to do so in accordance with Telstra's Securities Trading policy.
- All other non-executive Directors have met their minimum holding requirement with the exception of one Director who has been on the Board for less than 12 months.

Directors' shareholdings as at 12 August 2021 are set out in the Directors' Report.

(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**.

(i) Claw-back (Malus) Policy

A Claw-back Committee has been established to oversee the application of the Claw-back (Malus) policy, which sets out the process that is followed to put the Board in a position to determine, before securities vest, whether a claw-back event has occurred and whether to lapse or forfeit unvested Performance Rights, Restricted Shares and Cash Rights. The Claw-back Committee meets quarterly and reports to the People and Remuneration Committee twice a year. The Claw-back Committee is comprised of the GE TC&P, the CFO, the Group Executive 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.

Following the Clawback Committee's review and recommendations, no clawback of unvested securities held by Senior Executives' was recommended or approved during FY21.

2.0 Senior Executive remuneration

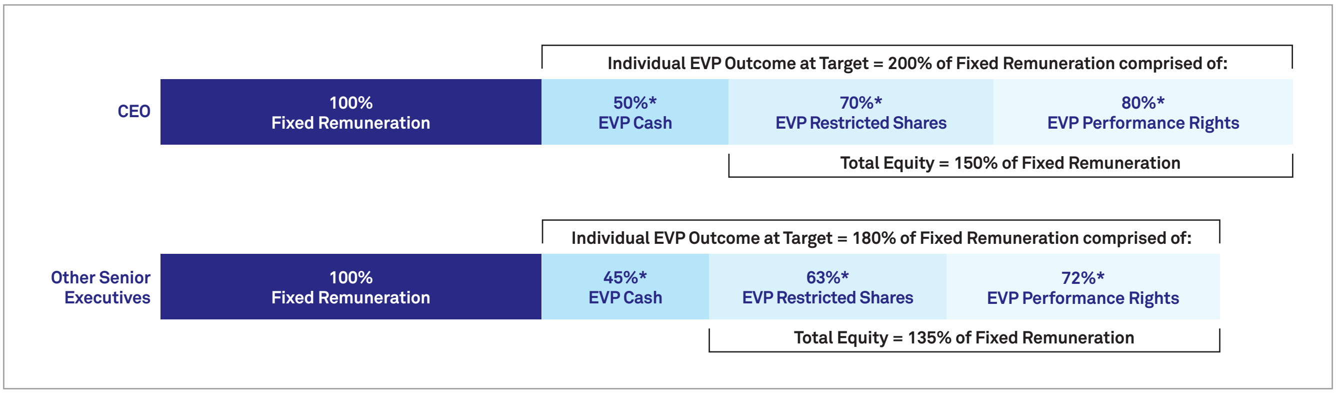
2.1 FY21 Remuneration Structure

The following diagram illustrates the remuneration framework that applied to our Senior Executives during FY21. This framework was unchanged from FY20.

Attract, motivate and retain highly skilled people	**Support our strategy and reinforce our culture and values**	**Link financial reward outcomes to employee contribution and company performance**	**Align to long term shareholder value creation**
Fixed Remuneration	**Executive Variable Remuneration Plan (EVP)**		
Cash		Equity	
Base salary + Superannuation	Each Senior Executive's Individual EVP Outcome was determined having regard to the Base EVP Outcome (based on Telstra's performance against financial, strategic, customer and transformation priorities), their target EVP opportunity and their individual performance, and was ultimately at the discretion of the Board		
Set taking into account: • skills, capabilities, experience and performance • business performance, scarcity of talent, economic climate and market conditions • consistency with increases elsewhere within Telstra • external comparator groups made up of companies of similar size and complexity to Telstra	• 25% of the FY21 Individual EVP Outcome is provided in cash	• 35% of the FY21 Individual EVP Outcome is deferred as Restricted Shares • Four tranches with 25% eligible to vest each year over the four years following the end of the Initial Performance Period • May be forfeited if employment ceases other than for a Permitted Reason or a clawback (malus) event occurs	• 40% of the FY21 Individual EVP Outcome is allocated in Performance Rights, which are subject to a 5-year Relative Total Shareholder Return (RTSR) performance condition • May lapse if employment ceases other than for a Permitted Reason or a clawback (malus) event occurs
Internally consistent and market competitive base reward	Recognises sustainable performance in the medium to longer term		
	Rewards annual performance, providing specific focus on strategic priorities	Recognises the criticality of strategic non-financial measures as drivers of longer-term value creation	Focuses on achieving longer-term superior performance for stakeholders

(a) FY21 Remuneration mix for Senior Executives

The graph below shows the FY21 remuneration mix for Senior Executives expressed as a percentage of Fixed Remuneration (FR).



* The percentages shown are calculated from the 25% Cash, 35% Restricted Share and 40% Performance Right components of the FY21 EVP multiplied by the FY21 EVP target opportunity for the CEO (200% of FR) and other Senior Executives (180% of FR). As Michael Ebeid ceased employment for a Permitted Reason before the allocation of his FY20 and FY21 Restricted Shares and Performance Rights under the EVP, he was awarded Cash Rights in lieu of those Restricted Shares and Performance Rights. Where a Senior Executive receives Cash Rights, there is no change to the Restriction Periods, and the RTSR Performance Period or the RTSR performance condition.

(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 12 August 2021.

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	$1,000,000	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

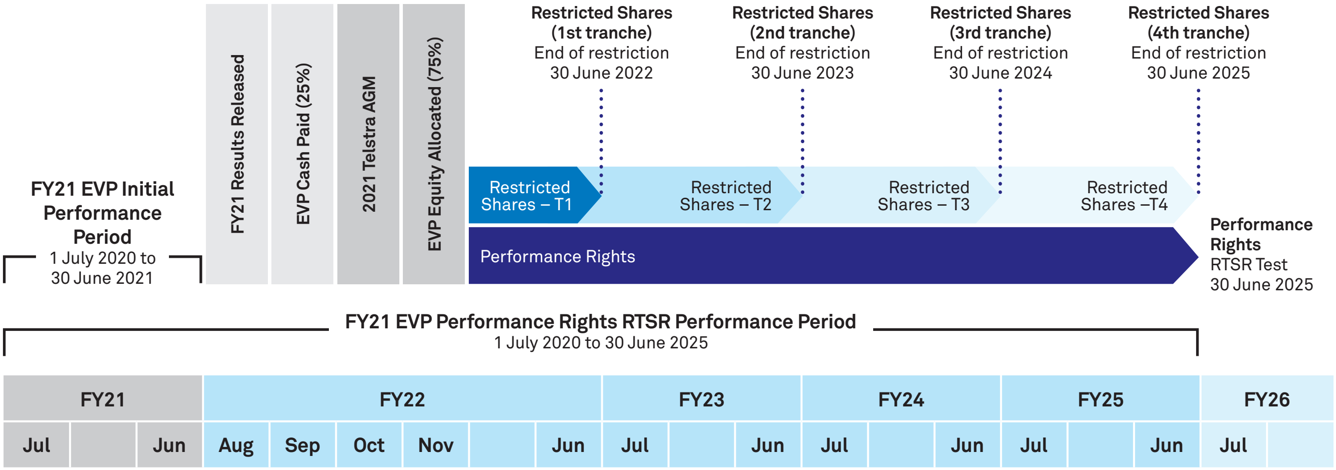
* Brendon Riley has a 12-month termination payment clause in his contract that was negotiated upon commencing employment at Telstra in February 2011. Telstra's current policy is to provide for a six-month termination payment in executive contracts.

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) FY21 Executive Variable Remuneration Plan (EVP) structure

The Senior Executives participated in the FY21 EVP. The construct of the FY21 EVP is illustrated in the diagram below:



At the 2021 AGM to be held on 12 October 2021, we will seek shareholder approval for the Restricted Shares and Performance Rights to be allocated to the CEO under the FY21 EVP.

The table below outlines the key features of the FY21 EVP.

EVP design attributes	Detail

EVP Reward opportunity

Reward opportunity as a % of Fixed Remuneration		
	CEO	**Group Executives**
Threshold	100%	90%
Target	200%	180%
Maximum	300%	300%

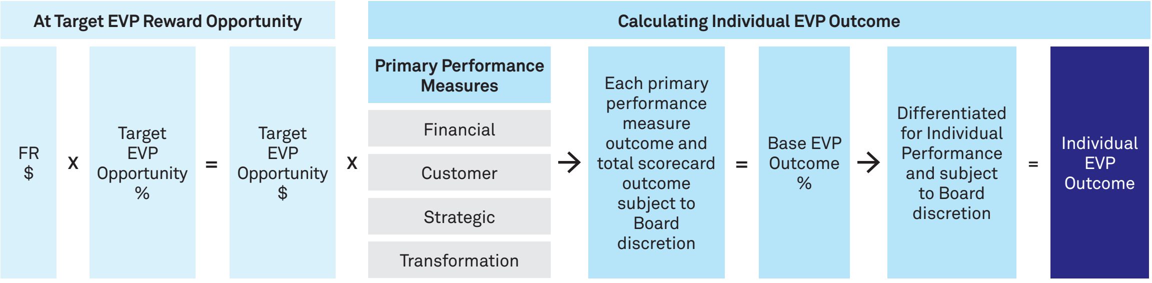
Initial performance period

1 year (1 July 2020 to 30 June 2021)

Calculation of Individual EVP Outcomes

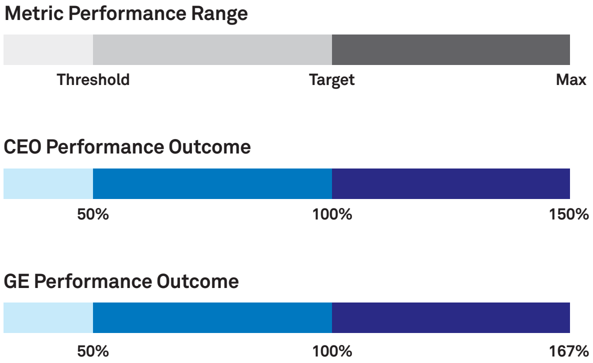
Overview
Each Senior Executive's Individual EVP Outcome for FY21 is set out in section 2.5(c).

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 Base EVP 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.



Base EVP Outcome
The Base EVP Outcome was determined by the Board following an assessment of Telstra's performance against the primary performance measures (described in detail below) during the 2021 financial year (referred to as the Initial Performance Period).

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 each primary performance measure outcome to ensure there were no windfall gains or losses. Details of the adjustments approved by the Board for FY21 are outlined in section 2.2.

The Base EVP Outcome was calculated as the total sum of each primary performance measure outcome, although the Board had discretion to adjust that outcome if it considered it to be inappropriate, taking into account matters including Telstra's performance, customer experience and shareholder expectations.

The Base EVP 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 FY21 Individual EVP Outcomes.

EVP design attributes	Detail
Primary Performance Measures	The primary performance measures outlined below were selected for FY21 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%)	**Total Income** Telstra External Income (excluding finance income)	• Key indicator of financial performance • Ensures continued focus on customer retention and growth • Aligns to Pillar 1 of the T22 strategy
	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 but includes depreciation of mobile lease right of use assets	• 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
	Free Cash Flow (FCF) Free Cashflow excluding M&A and spectrum plus operating lease payments (reported in financing cash flow under AASB 16)	• 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
	Net Opex Reduction Year-on-year reduction in operating non-Direct Variable Cost (DVC) expenses	• 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
Strategic, Customer & Transformation (40%)	**Episode NPS** Improvement in our Episode NPS	• 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 improvement 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
	Product Portfolio Simplification	• Simplifying our products and services increases the simplicity, transparency and satisfaction that our customers experience and enables the delivery of material cost reductions • Each of these metrics aligns to Pillar 1 of our T22 strategy
	Active Enterprise Products Telstra Enterprise Number of Active Plans	Active Enterprise Products • As part of our T22 strategy we committed to rationalising 50% of our Telstra Enterprise products by the end of FY21. For our Enterprise customers the simplification often requires a tailored solution in consultation with the customer to ensure a good customer experience and retention of revenue
	Services on in-market plans Consumer and Small Business Fixed and Postpaid services on in-market plans	Services on in-market plans • 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

EVP design attributes	Detail		
	Strategic, Customer & Transformation (40%)	**Digital Engagement**	• Enhancing our digital engagement with our customer improves customer experience whilst supporting our cost reduction focus • Each of these metrics align to Pillar 1 of our T22 strategy
		Digital Delivery Consumer & Small Business Sale transactions through digital channels	Digital Delivery • Increasing digital sales interactions and the engagement of our mass market customers through digital sales channels remains a strong focus, targeting just over a third 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 • Intended to provide customer choice, reduce our servicing costs and improve profit margins
		Telstra Connect Active Telstra Enterprise customers on Telstra Connect in the last 3 months of FY21	Telstra Connect • Delivering self-servicing solutions for our Enterprise customers is key to improving customer experience and removing cost by reducing servicing calls. The key to achieving this is increasing adoption and developing new functionality for this customer base moving away from more traditional service channels. This strategy is intended to enhance our customer connectivity and experience, reduce our servicing cost and improve profit margins
		People, Capability & Engagement Top-line sustainable employee engagement score	• Focusing on our people and employee engagement throughout a period of significant disruption is critically important • We believe that it is in our shareholders' interests to have management strongly focused on maintaining and growing our employee engagement as it will support our ability to have both the key leadership and technical talent required to deliver our ambitious strategy • To ensure the integrity of our employment engagement score, this performance measure only impacts the remuneration of Telstra's senior leaders. • Aligns to Pillar 3 of our T22 strategy
	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 and Telstra Group Internal Audit on performance against the primary performance measures. Refer to section 2.2 for further information.		
EVP outcome – Cash vs equity balance	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 an 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.		
Equity allocation methodology	**Individual EVP Outcome Components** 25% Cash 35% Restricted Shares (pro-rata vesting over 4 years) 40% Performance Rights (subject to 5 year RSTR) ÷ **Equity Allocation Calculation (face value methodology)** 5 Day VWAP = No. of Restricted Shares allocated No. of Performance Rights allocated 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 FY21 results announcement (i.e. a face value allocation methodology).		
Issue/exercise price	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.		
Restriction and performance periods for equity	**Restricted Shares** 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 2021 (being the end of the Initial Performance Period). i.e. on 30 June 2022, 30 June 2023, 30 June 2024, and 30 June 2025. **Performance Rights** The Performance Rights are subject to an RTSR performance condition, tested over a five-year performance period from 1 July 2020 to 30 June 2025. Refer to the secondary performance measures section outlined below for further information. In certain limited circumstances, such as a takeover event where 50% or more of Telstra's shares 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.		

EVP design attributes | **Detail**

Secondary Performance Measures

In addition to the primary performance measures (which are assessed over the one year period to 30 June 2021) 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 2025. 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 FY25 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.

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 2020 (excluding resources companies)) over the RTSR Performance Period.

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.

Under the RTSR performance condition, the number of Performance Rights that vest will be determined as follows:

RTSR Ranking	Vesting
Below the 50th percentile	0%
At the 50th percentile	50%
Between 50th and 75th percentiles	Straight-line vesting from 50% to 100%
At the 75th percentile or above	100%

Both the starting price and end price for the purpose of calculating Telstra's RTSR is 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 FY21 EVP is $3.19.

Dividends

Restricted Shares
Participants receive dividends on Restricted Shares during the Restriction Periods consistent with other Telstra shareholders.

Performance Rights
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).

Leavers

Before the Restricted Shares and Performance Rights are allocated
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 FY21. 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.

After the Restricted Shares and Performance Rights are allocated
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.

Claw-back (malus)

The Board has discretion to claw-back Performance Rights and Restricted Shares if certain claw-back 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. Claw-back 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.

(d) Financial performance

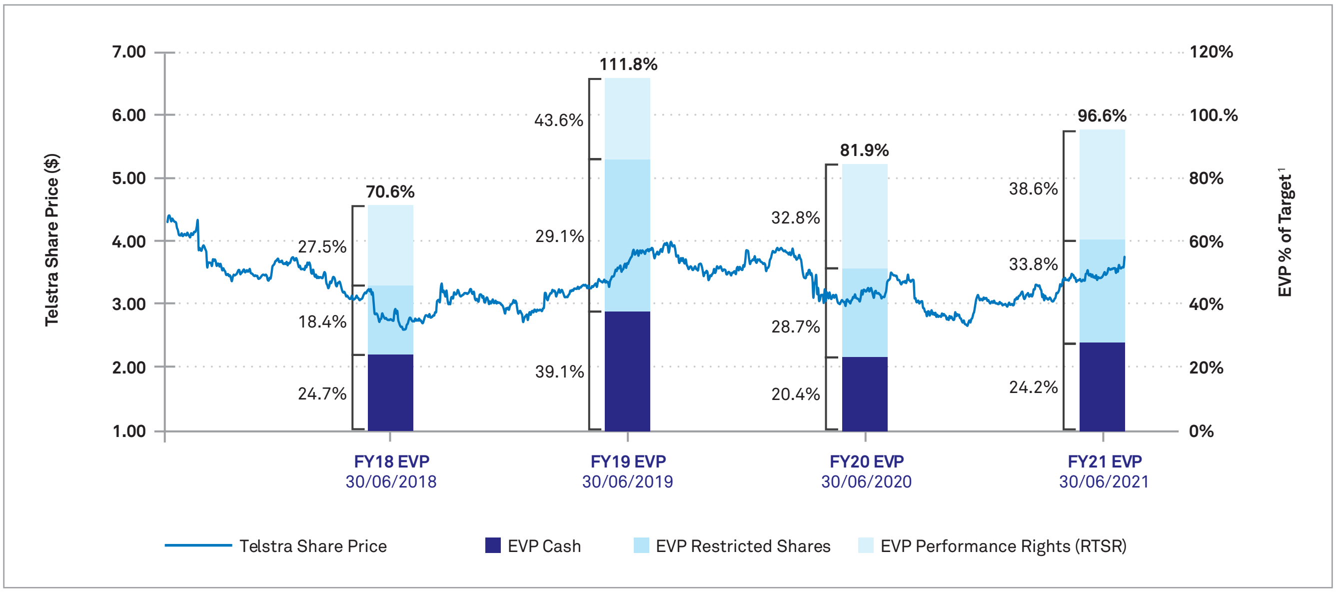
The table below provides a summary of Telstra's key financial results over the past five financial years.

	FY21	FY20	FY19	FY18	FY17
Financial performance[1]	$m	$m	$m	$m	$m
Earnings					
Total Income	**23,132**	26,161	27,807	28,841	28,205
EBITDA	**7,638**	8,905	7,984	10,197	10,679
Net Profit[2]	**1,857**	1,819	2,154	3,591	3,891
Shareholder Value					
Share Price ($)[3]	**3.76**	3.13	3.85	2.62	4.30
Total Dividend Paid Per Share (cents)[4]	**16.0**	16.0	19.0	26.5	31.0

1. Those 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: 'Lease' and Note1.5 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 FY16 was $5.56.
4. We currently pay dividends to holders of Telstra's ordinary shares twice a year, 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 4.1 to the financial statements in the Financial Report for further information.

(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 FY21 as a percentage of the target opportunity, relative to the performance of Telstra's share price over the past four 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.

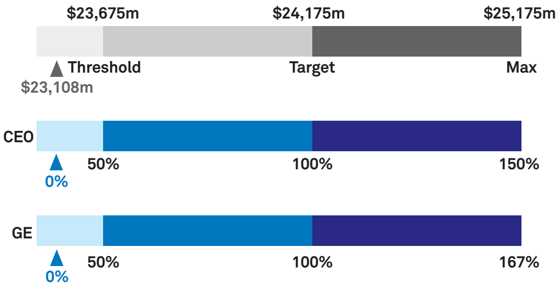
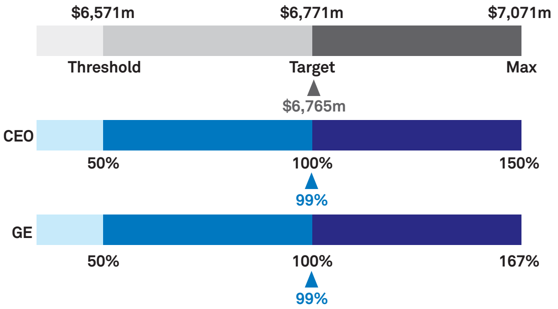
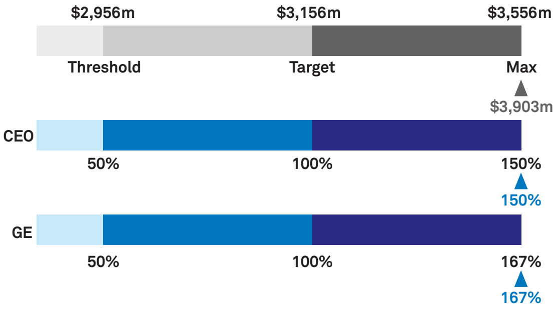
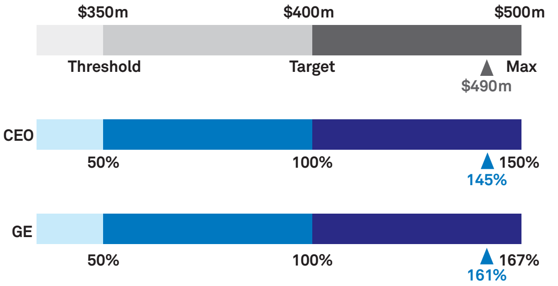
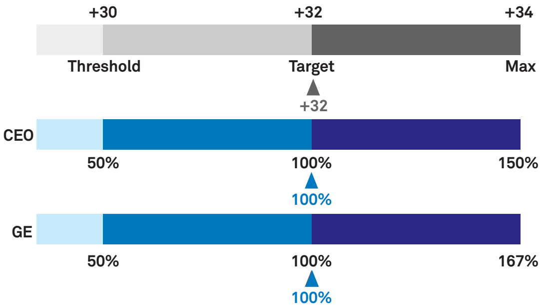
2.2 FY21 Base EVP Outcome

The Board evaluated Telstra's performance against the primary performance measures. The threshold, target and maximum levels for each measure (as outlined in our 2020 Remuneration Report) were set to be robust and sufficiently demanding, taking into account the key deliverables and milestones outlined in our T22 strategy, planned financial outcomes contained within our Corporate Plan and FY21 guidance as announced on 13 August 2020 (which took into account the estimated negative impact on FY21 Underlying EBITDA from the in-year nbn headwind and the COVID-19 pandemic). The levels for all financial measures (with the exception of Net Opex Reduction) were evaluated against 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.

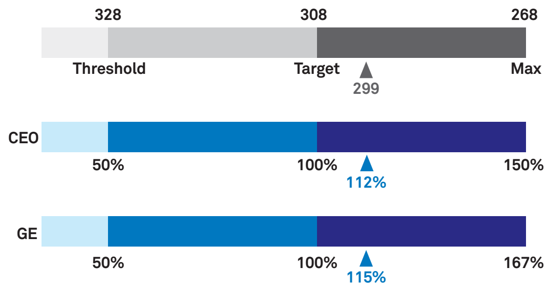
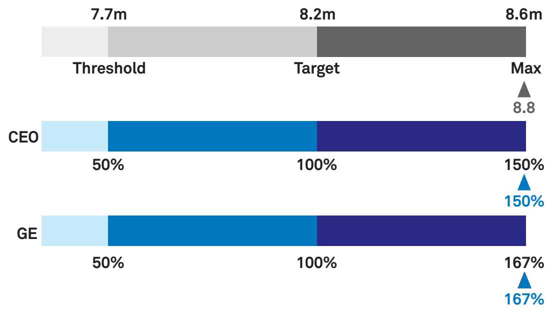
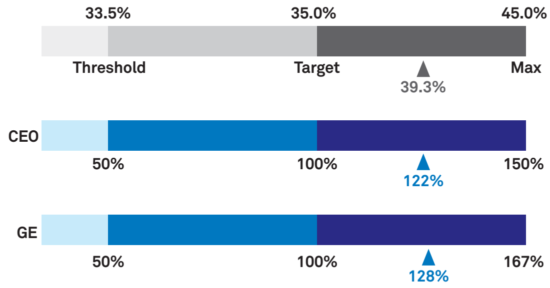
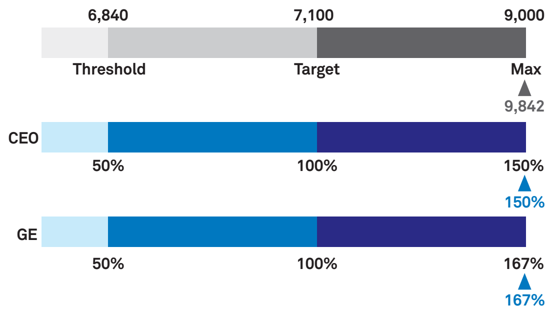
The Board maintained absolute discretion to ensure the Base EVP Outcome was appropriate, taking into account matters which may include Telstra's performance, customer experience and shareholder expectations. Notwithstanding the impacts COVID-19 continued to have on our business, our results were in line with guidance and market expectations. The Base EVP Outcome for FY21 was 95.7% of the target opportunity (63.8% of maximum) for the CEO and 102.7% of the target opportunity (61.6% of maximum) for the other Senior Executives.

The Board determined that the primary performance measure outcomes and the Base EVP Outcome for FY21 would be driven by the results achieved and so no relief was given to management for the impact of COVID-19. In relation to the sale of the Pitt St exchange, this transaction would have ordinarily been included in underlying EBITDA and the sale was indeed budgeted this way in management's FY21 targets. Due to the scale of the gain, however, it has been excluded from Underlying EBITDA in our reported results in order to be fully transparent with shareholders. However, the gain has been allowed to flow through to the Base EVP outcomes in recognition of both the significant over achievement on that specific transaction (a benefit of $102 million against a budget of $35 million), and more broadly of management's strong performance in over-delivering against the overall T22 asset monetisation. The average impact of the Pitt St exchange sale on outcomes across all Telstra incentive plans is +1.9%, with a maximum impact to the EVP pool for Senior Executives of +2.5%.

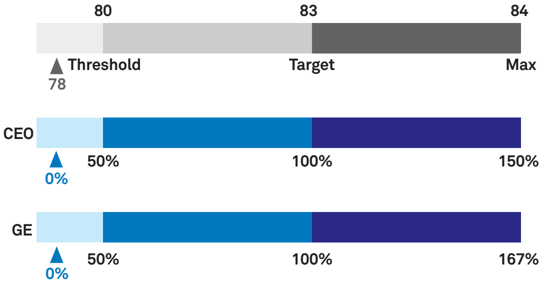
Measures	Weighting
Total Income ($m) is Telstra External Income excluding finance income	15%
Underlying EBITDA ($m) is Earnings Before Interest, Tax, Depreciation & Amortisation, excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments but includes depreciation of mobile lease right of use assets	15%
Free Cash Flow ($m) is Free Cashflow excluding spectrum and M&A plus operating lease payments (reported in financing cash flow under AASB 16)	15%
Net Opex Reduction ($m) Year-on-year reduction in operating non-Direct Variable Cost (DVC) expenses	15%
Episode NPS Improvement in our Episode NPS	10%

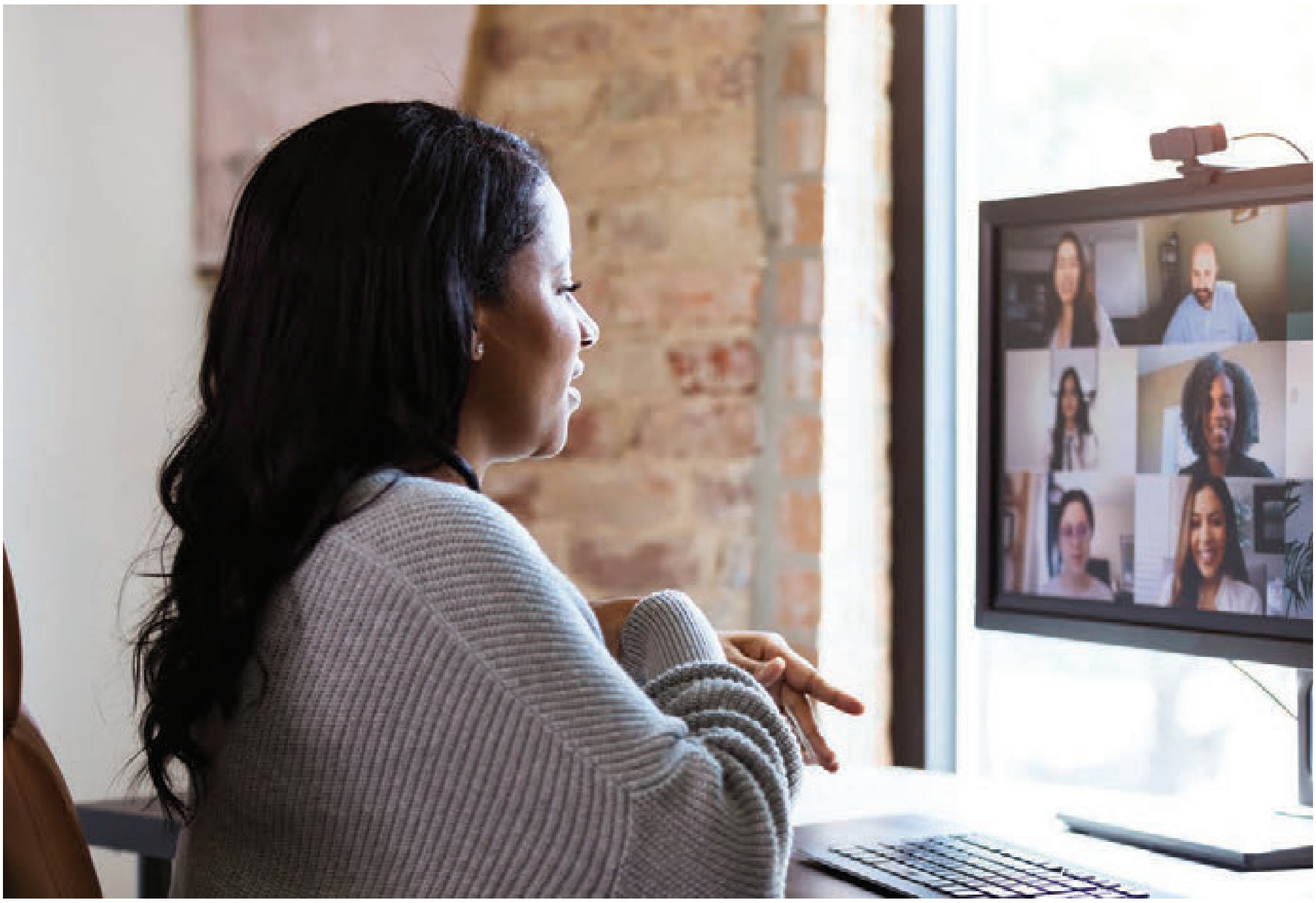
Targets and Performance Outcomes	Weighted Result (% of Target)		Additional information
	CEO	GE	
	0%	0%	Total Income (excluding finance income) of $23,132m was reported by Telstra for FY21. This result was audited by our external auditor EY. Adjusted for the factors outlined below, Total Income was $23,108m, which for the purpose of the EVP performance measure is below threshold. To ensure the FY21 Base EVP Outcome appropriately reflected the performance of Senior Executives, the Board approved a negative adjustment of $24m to ensure no windfall gain or loss from the NBN Transaction and excluded proceeds on the sale of businesses, mergers and acquisitions.
	14.7 %	14.7%	Underlying EBITDA of $6,689m was reported by Telstra for FY21. The result was reviewed by our external auditor EY. Adjusted for the factors outlined below, Underlying EBITDA was $6,765m, which for the purpose of the EVP performance measure is between threshold and target. To ensure the FY21 Base EVP Outcome appropriately reflected the performance of Senior Executives, the Board approved a positive adjustment of $76m to ensure no windfall gain or loss from the NBN Transaction and included the impact of the Pitt St exchange sale and leaseback.
	22.5%	25.0%	FCF on a guidance basis of $3,812m was reported by Telstra for FY21. The result was reviewed by our external auditor EY. Adjusted for the factors outlined below, FCF was $3,903m which for the purpose of the EVP performance measure was at the maximum. To ensure the FY21 Base EVP Outcome appropriately reflected the performance of Senior Executives, the Board approved a positive adjustment of $91m to ensure no windfall gain or loss from the NBN Transaction and included the impact of the Pitt St exchange sale and leaseback.
	21.8%	24.1%	As outlined in the FY21 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 $490m. This resulted in an outcome between target and maximum. The Board did not adjust the outcome for any additional factors. The Net Opex Reduction calculation was reperformed by our external auditor EY. This result was driven by excellent discipline in delivering significant cost reduction across the organisation. We're on track to achieve our $2.7 billion net cost reduction target by the end of FY22.
	10.0%	10.0%	The overall Episode NPS result was at target and 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). The result was audited by Telstra's Group Internal Audit. Despite many challenges during the year, including severe weather events and COVID-19 related lockdowns, we achieved our Episode NPS target of +32, improving 9 points year-on-year. This was an outcome reflecting strong results across both Consumer & Small Business and Telstra Enterprise.

Measures		Weighting
Product Portfolio Simplification	Telstra Enterprise Plans (Number of active plans)	5%
	Consumer and Small Business Fixed and Postpaid services on in market plans (Number of services)	5%
Digital Engagement	Digital Delivery (Consumer & small Business sale transactions through digital channels)	5%
	Telstra Connect (Active Telstra Enterprise customers on Telstra Connect in the last 3 months of FY21)	5%

Targets and Performance Outcomes	Weighted Result (% of Target)		Additional information
	CEO	GE	
	5.6%	5.8%	We achieved our T22 ambition of halving the number of active Telstra Enterprise products by the end of FY21 (against an original FY18 baseline of 618 TE products). In FY21, we reduced our active products to 299 which for the purpose of the EVP was determined to be between target and maximum. The result was audited by Telstra's Group Internal Audit. The Enterprise products that we ceased over the period include: • Corporate Mobile Plus, Fleet Connect/Plus and Business Mobile Plus/Advantage plans, which was enabled by the launch of Adaptive Mobility • certain product variants across Telstra Internet Direct (TID), Business IP and Connect IP • certain Managed Internet Gateway and IP Value Added Service product variants, which was enabled by the launch of our SecureEdge Cyber Security Solution
	7.5%	8.3%	As part of our T22 transformation we launched our radically simplified product proposition and have 20 core connectivity plans in market for our C&SB customers (compared to 1,800 plans we had prior to the launch of our T22 transformation). In FY20 we started migrating customers to these plans and continued to migrate customers into FY21 to work towards achieving our target of 10 million services on in-market plans by FY22. By the end of FY21 we had 8.8 million services on fixed and postpaid mobile in-market plans, which for the purpose of the EVP was determined to be at the maximum. This result was audited by Telstra's Group Internal Audit.
	6.1%	6.4%	The Digital Delivery result was determined to be 39.3% and for the purpose of the EVP resulted in an outcome between target and maximum. The result was audited by Telstra's Group Internal Audit. FY21 Digital Delivery was driven by excellent progress in improving key customer digital experiences. This result was largely underpinned by: • strong growth in digital sales of mobile devices and media services (such as Kayo and Binge). • migrating customers from our legacy customer system Siebel to our new customer system, Salesforce. • moving customers from our legacy plans to our in-market plans. The new core capabilities established as part of T22 meant we could fast-track the digitisation and automation of our tools during COVID-19 and move more customer enquiries online quickly, removing the need for many customers to call us at all.
	7.5%	8.3%	A key to improving customer experience and removing cost is reducing servicing calls and delivering self-servicing solutions for our Telstra Enterprise customers through our platform Telstra Connect. Telstra Connect is a digital platform for Telstra business and enterprise customers to view and manage their products and services in one place. During the last three months of FY21 there were 9,842 active users on Telstra Connect resulting in the maximum outcome for the purpose of the EVP. We continue to build and release features and functionalities on Telstra Connect to improve Telstra business and enterprise customer experience. This result was audited by Telstra's Group Internal Audit.

Measures	Weighting
People Capability & Engagement	10%

Targets and Performance Outcomes	Weighted Result (% of Target)		Additional information
	CEO	GE	
	0%	0%	The People Capability & Engagement result was determined to be 78 and for the purpose of the EVP was below threshold, resulting in no payout for this component. Following on from our FY20 engagement result, where engagement was predominately driven by the systematic way we identified employee pain points and took action to positively impact our people's experience in response to the COVID-19 pandemic, we set the ambitious target of maintaining our FY20 engagement result of 83. However, in FY21 the employee engagement score declined to 78, largely due to our employees being concerned about our processes and the need to keep things simple. Areas where our engagement continued to remain high, included employees feeling respected, having flexibility at work, and taking pride in working at Telstra. Many of our employees say their work gives them a feeling of accomplishment and they would recommend Telstra as a great place to work. The calculation of our employee engagement score was reperformed by our external auditor EY.
Total — **% of Target**	**95.7%**	**102.7%**	
Total — **% of Max**	**63.8%**	**61.6%**	



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

The Base EVP 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 Base EVP 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 2021 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.

On 13 May 2021, the Federal Court of Australia approved a settlement, including a fine, we agreed with the ACCC for unconscionable sales to Indigenous customers. Last year, the Board reduced the individual remuneration outcomes under the FY20 EVP for the Senior Executives accountable for the areas of the business where these issues occurred (reducing payments to these executives collectively by $758,000). Now that this matter has concluded, the Board has not made any further adjustments to individual remuneration outcomes.

Please refer to Table 2.5(c) for the FY21 Individual EVP Outcomes.

2.4 FY18 EVP Performance Rights RTSR Outcome

Two tranches of Performance Rights were awarded under the FY18 EVP. 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 is 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 the results and vesting outcome are detailed below. The results were calculated by an external provider.

FY18 EVP (Tranche 1) Vesting Outcome

Test date	Performance Condition	Percentile Rank	Vesting
30 June 2021	RTSR measured against the ASX100 (excluding resource companies) as at 1 July 2017	32nd 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 results.

FY18 EVP (Tranche 1) 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

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 FY21 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 FY21 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 the CEO received, or became entitled to receive, during FY21 in comparison to FY20. The 45.1% increase in actual remuneration received by the CEO is reflective of:

- more cash awarded as a result of a higher Individual EVP outcome for FY21 relative to FY20 following strong company performance in FY21 and the impact of reduced payments in FY20 following the Board's exercise of discretion to reduce the CEO's individual remuneration outcome under the FY20 EVP (refer to section 2.3).
- more Restricted Shares (relating to variable remuneration earned in prior financial years) became unrestricted in FY21 relative to FY20 and the value of these shares is reported using a share price of $3.76 at 30 June 2021 (compared to a share price of $3.13 at 30 June 2020)

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	**2021**	**2,390**	**1,144**	**1,771**	**–**	**5,305**	**+45.1%**
	2020[1]	2,390	866	400	–	3,656	

1. As reported in our 2020 Remuneration Report.
2. For FY21, amount relates to the cash component of the FY21 EVP, earned in FY21 and payable in September 2021. For FY20, the amount relates to the cash component of the FY20 EVP, earned in FY20 and paid in September 2020 (and reflects the reduction resulting from the exercise of discretion by the Board in determining the CEO's FY20 Individual EVP Outcome as outlined in Section 2.3 of our 2020 Remuneration Report).
3. Equity in this table has been valued based on Telstra's share price at 30 June for each respective year. For FY21 this price is $3.76 and for FY20 this price is $3.13.
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 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. For the amount reported for FY20, the Restriction Period for these shares ended on 30 June 2020 and relates to Tranche 2 of the FY18 EVP.
5. The outcome of the FY18 (Tranche 1) 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 FY21.

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 and other rights that vested ($000)[2,4]	Total ($000)
Michael Ackland	1,144	516	782	766	**3,208**
Kim Krogh Andersen	1,000	518	75	–	**1,593**
Alex Badenoch	930	443	738	–	**2,111**
Vicki Brady	1,200	525	407	–	**2,132**
David Burns	1,102	505	889	–	**2,496**
Nikos Katinakis	1,100	500	585	–	**2,185**
Brendon Riley	1,400	723	906	–	**3,029**
Dean Salter	344	151	–	–	**495**

The table only includes Senior Executives (other than the CEO) who held that position as at 30 June 2021.

1. Amount relates to the cash component of the FY21 EVP, earned in FY21 and payable in September 2021.
2. Equity in this table has been valued based on the Telstra closing share price on 30 June 2021 of $3.76.
3. Amount relates to the value of Restricted Shares awarded under the FY19 and FY20 (Tranche 1) EVPs which were earned in a previous year, but subject to a Restriction Period ending 30 June 2021. For Michael Ackland and David Burns only, the amounts also include the value of Restricted Shares granted under the FY18 STI deferral plans that were issued prior to being appointed as Group Executive.
4. The outcome of the FY18 (Tranche 1) EVP was that none of the Performance Rights vested. For Michael Ackland, the amount relates to the second tranche of Retention Rights that were awarded to him prior to being appointed as the Group Executive, C&SB.

(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 in FY21 or FY20.

		Short term employee benefits				Post–employment benefits
Name and title	Year	Salary & fees ($000)[1]	EVP cash ($000)[2]	Non–monetary benefits ($000)[3]	Other ($000)[4]	Superannuation ($000)[5]
Andrew Penn CEO	**2021**	**2,368**	**1,144**	**12**	**20**	**22**
	2020	2,369	866	10	(46)	21
Michael Ackland GE C&SB	**2021**	**1,122**	**516**	**0**	**(21)**	**22**
	2020	1,091	379	1	(22)	21
Kim Krogh Andersen GE P&T	**2021**	**978**	**518**	**20**	**(5)**	**22**
	2020	473	175	149	204	11
Alex Badenoch GE TC&P	**2021**	**908**	**443**	**2**	**3**	**22**
	2020	909	406	3	–	21
Vicki Brady CFO	**2021**	**1,178**	**525**	**4**	**(5)**	**22**
	2020	1,179	461	8	44	21
David Burns GE TE	**2021**	**1,080**	**505**	**12**	**35**	**22**
	2020	979	435	60	(14)	21
Nikos Katinakis GE N&IT	**2021**	**1,078**	**500**	**20**	**(1)**	**22**
	2020	1,079	405	30	26	21
Brendon Riley GE & CEO InfraCo	**2021**	**1,378**	**723**	**16**	**(38)**	**22**
	2020	1,379	513	10	–	21
Dean Salter GE GBS	**2021**	**336**	**151**	**–**	**11**	**8**
	2020	–	–	–	–	–
Michael Ebeid AM Former GE TE	**2021**	**365**	**69**	**4**	**11**	**7**
	2020	1,129	356	8	28	21
Total current and former KMP	**2021**	**10,791**	**5,094**	**90**	**10**	**191**
	2020	10,587	3,996	279	220	179

In the table above, EVP Cash, Restricted Shares and Performance 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.

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 FY21, the amounts relate to performance in FY21 under the FY21 EVP, which will be paid in September 2021. For FY20, the amounts relate to cash amounts paid for performance in FY20 under the FY20 EVP (and for Andrew Penn, Michael Ackland and Vicki Brady reflect the reduction resulting from the exercise of discretion by the Board in determining their FY20 Individual EVP Outcome as outlined in section 2.3 of our 2020 Remuneration Report). Those cash amounts were paid in September 2020.
3. Includes the cost of personal use of Telstra products and services, the provision of car parking and where applicable, fees for ongoing taxation advice 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. For FY20, the amount provided for Kim Krogh Andersen also includes a cash allowance provided as a part of his relocation to Australia in accordance with Telstra's relocation policy as well as a cash sign on bonus of $100,000 which was provided as a part of his appointment to the role of GE Product and Technology.
5. Represents company contributions to superannuation. Telstra does not provide any other post-employment benefits.
6. Termination benefits for Michael Ebeid of $1.154 million comprised of a $577k payment in lieu of notice (including the statutory minimum under the Fair Work Act 2009 (Cth)) and a $577k termination payment, both as per his contract of employment and inclusive of superannuation contribution where applicable. The termination benefits were provided in compliance with Part 2D.2, Division 2 of the Corporations Act.

Termination benefits	Other long term benefits		Share–based payments Accounting value (at risk)[8]			
Termination benefits ($000)[6]	Accrued leave benefits ($000)[7]	Dividend Equivalent Payment Accrual ($000)	Restricted shares ($000)[9]	Performance rights ($000)[10]	Cash Rights ($000)[11]	Total ($000)[12]
–	**59**	**156**	**1,338**	**662**	**–**	**5,781**
–	59	106	942	711	–	5,038
–	**28**	**48**	**559**	**428**	**–**	**2,702**
–	28	16	351	477	–	2,342
–	**25**	**7**	**330**	**119**	**–**	**2,014**
–	12	–	47	17	–	1,088
–	**23**	**62**	**529**	**278**	**–**	**2,270**
–	23	36	375	234	–	2,007
–	**30**	**43**	**498**	**251**	**–**	**2,546**
–	30	28	311	176	–	2,258
–	**28**	**51**	**597**	**253**	**–**	**2,583**
–	25	16	373	184	–	2,079
–	**27**	**43**	**526**	**234**	**–**	**2,449**
–	27	13	303	142	–	2,046
–	**35**	**81**	**734**	**387**	**–**	**3,338**
–	34	54	487	366	–	2,864
–	**8**	**–**	**32**	**10**	**–**	**556**
–	–	–	–	–	–	–
1,154	**9**	**9**	**(40)**	**147**	**662**	**2,397**
–	28	13	282	135	–	2,000
1,154	**272**	**500**	**5,103**	**2,769**	**662**	**26,636**
–	266	282	3,471	2,442	–	21,722

7. Includes the net movement of long service leave entitlement balances.
8. 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.
9. This includes the amortised value of the Restricted Share component of the FY21, FY20 and FY19 EVPs. For Michael Ackland and David Burns, the amounts also include the amortised value for Restricted Shares that were awarded under STI deferral plans prior to being appointed as Group Executive. The negative value for Michael Ebeid is due to the reversal of the expense that was previously recognised as a share-based payment expense which has been reclassified under the Cash Rights.
10. This includes the amortised value of the Performance Right component of the FY21, FY20 and FY19 EVPs. For Michael Ackland only, the amount disclosed for FY21 also includes the amortised value for Retention Rights that were granted prior to being appointed as the Group Executive, C&SB.
11. As required under AASB 2, the accounting expense for the FY20 and FY21 EVP Cash Rights awarded to Michael Ebeid has been fully recognised in this reporting period 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 FY20 and FY21 Restricted Shares and Performance Rights allocated (or to be allocated) to other Senior Executives.
12. The total for FY20 of $21.722 million in this table is different to the total for FY20 in the FY20 Remuneration Report of $23.028 million as it does not include $1.306 million for Christian Von Reventlow (former GE Product & Technology), reported in last year's report.

(c) FY21 EVP Payments (cash and equity)

	Breakdown of FY21 Individual EVP Outcomes[1]						
Name	Maximum potential EVP opportunity ($000)[2]	25% Cash component ($000)	35% Restricted Shares component ($000)[3]	40% Performance Rights component ($000)	Individual EVP Outcome ($000)	% of maximum opportunity earned	% of maximum opportunity forfeited
Andrew Penn	7,170	1,144	1,602	1,830	4,576	63.8%	36.2%
Michael Ackland	3,431	516	723	826	2,065	60.2%	39.8%
Kim Krogh Andersen	3,000	518	724	828	2,070	69.0%	31.0%
Alex Badenoch	2,790	443	619	708	1,770	63.4%	36.6%
Vicki Brady	3,600	525	735	840	2,100	58.3%	41.7%
David Burns	3,450	505	707	808	2,020	58.6%	41.4%
Nikos Katinakis	3,300	500	700	800	2,000	60.6%	39.4%
Brendon Riley	4,200	723	1,011	1,156	2,890	68.8%	31.2%
Dean Salter	1,031	151	212	242	605	58.7%	41.3%
Michael Ebeid AM	1,134	69	96	110	275	24.3%	75.7%

1. The FY21 Individual EVP Outcomes were approved by the Board on 10 August 2021.
2. Represents the maximum potential EVP opportunity specific to their time as Senior Executives for FY21, adjusted for any variation in Fixed Remuneration or any leave without pay taken throughout FY21 that impacts the maximum potential EVP opportunity available. If the minimum threshold performance is not met, the minimum possible EVP payment is nil.
3. The Restricted Shares and Performance Rights awarded are expected to be allocated shortly after Telstra's 2021 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.

(d) Number and value of rights over equity instruments allocated, vested and exercised during FY21

	Equity Movements						
Name	Total rights held at 1 July 2020[1]	Rights allocated during FY21[2]	Value of rights allocated ($000)[3]	Rights vested / exercised during FY21	Value of rights vested/ exercised ($000)[4]	Other changes (lapsed rights)[5]	Total rights held at 30 June 2021[6]
Andrew Penn	941,835	451,184	496	–	–	(191,777)	**1,201,242**
Michael Ackland	405,920	197,525	377	(203,688)	766	–	**399,757**
Kim Krogh Andersen	–	91,175	174	–	–	–	**91,175**
Alex Badenoch	340,390	211,657	404	–	–	(57,774)	**494,273**
Vicki Brady	215,334	240,312	459	–	–	(65,886)	**389,760**
David Burns	203,130	226,636	433	–	–	–	**429,766**
Nikos Katinakis	164,095	211,006	403	–	–	–	**375,101**
Brendon Riley	475,929	267,014	510	–	–	(101,104)	**641,839**
Dean Salter	–	–	–	–	–	–	**–**
Michael Ebeid AM	168,169	–	–	–	–	–	**168,169**

All service and performance conditions for rights granted in previous financial years that have vested in FY21 are summarised in the Remuneration Report for each relevant year of grant. Each equity instrument granted, vested or exercised in FY21 (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.

1. The balance reflects the number of equity instruments held on the later of 1 July 2020 or the date on which the executive commenced as a KMP. Refer to page 45 for further information.
2. Rights allocated during FY21 were the FY20 EVP Performance Rights allocated on 13 November 2020. The approval for the issue of Performance Rights allocated to Andrew Penn was obtained from shareholders at our 2020 Annual General Meeting. The FY21 EVP Performance Rights will be allocated shortly after Telstra's 2021 Annual General Meeting, refer to section 2.1 for more information.
3. 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 FY21 under the FY20 EVP are based on the grant dates of 13 October 2020 for the CEO and 15 August 2019 for all other Senior Executives, respectively. The fair value of Performance Rights granted under the FY20 EVP are $1.10 for the CEO, and $1.91 for Senior Executives.
4. The value of the Performance Rights vested/exercised reflects the market value at the date the instruments vested. The retention rights that vested for Michael Ackland during FY21 will be provided as shares following the date of this report.
5. 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 first tranche of Performance Rights awarded under the FY18 EVP that was performance tested at the end of FY21 and resulted in 100% of the Performance Rights lapsing.
6. The balance reflects the number of rights at 30 June 2021 or, if earlier, the date on which the executive ceased to hold the KMP position. Refer to page 45 for further information.

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 2021, there were no options or Performance Rights vested, or vested and exercisable or vested and unexercisable.

(e) Senior Executive interests in Telstra Shares

During FY21, our Senior Executives and their related parties held Telstra shares directly, indirectly or beneficially as follows:

Name	Total shares held at 1 July 2020[1,2]	Restricted Shares allocated[3]	Net shares acquired or disposed of and other changes	Total shares held at 30 June 2021[1,4]	Number of shares held nominally at 30 June 2021[4,5]
Andrew Penn	1,757,235	394,786	–	2,152,021	825,773
Michael Ackland	327,488	172,834	–	500,322	342,723
Kim Krogh Andersen	–	79,778	–	79,778	79,778
Alex Badenoch	256,349	185,200	–	441,549	335,095
Vicki Brady	179,216	210,273	–	389,489	265,981
David Burns	363,186	198,306	–	561,492	385,286
Nikos Katinakis	169,397	184,630	–	354,027	294,027
Brendon Riley	1,018,553	233,637	–	1,252,190	1,252,190
Dean Salter	5,500	–	–	5,500	5,500
Michael Ebeid AM	112,113	–	–	112,113	112,113
Total	**4,189,037**	**1,659,444**	**–**	**5,848,481**	**3,898,466**

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 FY21 were on an arm's length basis at market price.
2. Reflects the number of shares held on the later of 1 July 2020 or the date on which the executive commenced as a KMP. Refer to page 45 for further information.
3. Restricted Shares in this column were allocated on 13 November 2020 and relate to the FY20 EVP. The approval for the issue of Restricted Shares allocated to Andrew Penn was obtained from shareholders at our 2020 Annual General Meeting. The allocation of Restricted Shares under the FY21 EVP will be made after the reporting date of 30 June 2021, therefore they have not been included in the table above.
4. The balance reflects the number of shares held at 30 June 2021 or, if earlier, the date on which the executive ceased to hold the KMP position. Refer to page 45 for further information.
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.

3.0 Non-executive Director remuneration

3.1 FY21 Fee structure

(a) 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 1.2(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 FY21.

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 FY21 remained within the approved fee pool.

(b) FY21 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 FY21 was:

FY21 Board fees	Chairman	Non-executive Director (annual base fee)
Board	$775,000	$235,000
FY21 Committee fees	**Committee Chairman**	**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 Chairman Board fee and non-executive Director annual base fee have not changed since 2014 and 2012 respectively, and no increase in these fees is expected in FY22. The Chairman of the Board does not receive Committee fees if he is a Member of a Board Committee.

(c) 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 FY21, some Directors received remuneration for additional or special duties they performed in connection with the proposed restructure of the Telstra Group as follows:

- Craig Dunn, Elana Rubin and Nora Scheinkestel – for their services as members of an ad hoc Board committee established by the Board in relation to the formulation and implementation of a proposed restructure of the Telstra Group as announced on 12 November 2020 and other matters arising from or in connection with the proposed restructure. (No additional amounts were paid to John Mullen for his services as a member of this committee).
- Craig Dunn and Nora Scheinkestel – for their services as members of a committee established with the approval of the Board regarding the due diligence process to be undertaken in relation to a potential 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, Elana Rubin and Nora Scheinkestel.

(d) Changes to the Board and Committee composition
During the year, Bridget Loudon was appointed to the Board effective 14 August 2020. There were no other changes to Board and Committee composition during FY21.

3.2 Detailed remuneration and interests in Telstra shares

(a) Non-executive Director remuneration

		Short term employee benefits		Post–employment benefits	
Name and title	Year	Salary and fees ($000)[1]	Non-monetary benefits ($000)[2]	Superannuation ($000)	Total ($000)
John P Mullen Chairman	**2021**	**753**	**7**	**22**	**782**
	2020	754	8	21	783
Eelco Blok[4] Director	**2021**	**231**	**–**	**4**	**235**
	2020	231	–	4	235
Roy H Chestnutt[4] Director	**2021**	**265**	**–**	**5**	**270**
	2020	265	–	5	270
Craig W Dunn Director	**2021**	**296**	**–**	**22**	**318**
	2020	284	–	21	305
Peter R Hearl Director	**2021**	**291**	**–**	**–**	**291**
	2020	280	–	11	291
Bridget Loudon[3] Director	**2021**	**189**	**–**	**18**	**207**
	2020	–	–	–	–
Elana Rubin Director	**2021**	**268**	**–**	**–**	**268**
	2020	83	–	8	91
Nora L Scheinkestel Director	**2021**	**284**	**–**	**22**	**306**
	2020	277	–	21	298
Margaret L Seale Director	**2021**	**248**	**–**	**22**	**270**
	2020	249	–	21	270
Niek Jan van Damme[4] Director	**2021**	**258**	**–**	**5**	**263**
	2020	258	–	5	263
Total	**2021**	**3,083**	**7**	**120**	**3,210**
	2020	2,681	8	117	2,806

1. Includes fees for membership on Board standing committees and remuneration for additional or special duties (where applicable). In FY21, the following non-executive Directors received remuneration for additional or special duties: Craig Dunn ($12,500), Elana Rubin ($4,500) and Nora Scheinkestel ($7,500).
2. Includes the provision of car parking as well as the value of Telstra products and services provided to the Chairman. The value of non-monetary benefits has been grossed up for FBT by the relevant FBT rates.
3. Bridget Loudon qualified as KMP from 14 August 2020, when she was appointed as a non-executive Director of Telstra.
4. As Eelco Blok, Niek Jan van Damme and Roy Chestnutt are overseas residents, their superannuation contributions for FY21 are less than the contributions for Australian resident non-executive Directors.

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

During FY21, our non-executive Directors and their related parties held Telstra shares directly, indirectly or beneficially as follows:

Name	Total shares held at 1 July 2020[1,2]	Net shares acquired or disposed of and other changes[1]	Total shares held at 30 June 2021[1]	Shares held nominally at 30 June 2021[3]
John P Mullen	101,159	–	101,159	75,000
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	–	–	–	–
Elana Rubin	51,728	16,233	67,961	–
Nora L Scheinkestel	150,265	8,142	158,407	125,854
Margaret L Seale	310,540	–	310,540	310,540
Niek Jan van Damme	74,000	3,000	77,000	–
Total	**1,005,865**	**27,375**	**1,033,240**	**653,867**

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 FY21 were on an arm's length basis at market price.
2. For Bridget Loudon, the balance as at 1 July 2020 represents shares held as at the date on which she became KMP.
3. Nominally refers to shares held either indirectly or beneficially by non-executive Directors including those shares held by their related parties.

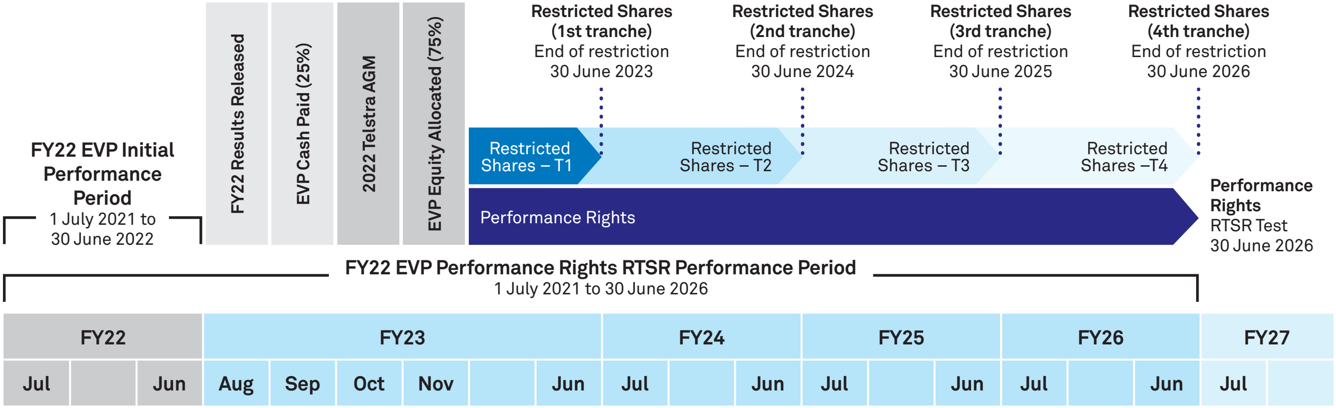
4.0 Looking forward to FY22

4.1 FY22 Senior Executive Remuneration Framework

For FY22 we do not anticipate any increases in Senior Executive Fixed Remuneration other than on appointment or promotion to a new role or due to a significant increase in accountabilities, nor do we intend on making any significant changes to the EVP remuneration structure.

As we consider the company's strategy following the completion of T22, we will continue to ensure our Executive Remuneration framework remains aligned to our remuneration policy and strategy.

The EVP structure for FY22 is as follows:



Further information on the FY22 EVP structure will be provided in our 2022 Remuneration Report.

4.2 FY22 EVP Performance Measures and Targets

FY22 is a pivotal growth year in our financial trajectory as we move past the FY21 inflection point, complete T22 and build strong momentum into FY23-25.

It is our intention to continue to provide meaningful information to enable shareholders to assess the appropriateness of our remuneration targets and outcomes. This provides shareholders with a high level of transparency over the company's remuneration framework and 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.

The table below outlines the performance measures and targets that will apply to the FY22 EVP. These performance measures and targets have been selected by the Board to ensure that the CEO and other Senior Executives continue to deliver against our T22 strategy, and that financial rewards are linked directly to Senior Executive contributions, company performance and long term shareholder value creation.

The FY22 EVP primary performance measures remain largely unchanged other than the retirement of the Product Portfolio Simplification metric for Telstra Enterprise products. This metric has been retired as a result of achieving our T22 ambition of halving the number of active Telstra Enterprise products by the end of FY21. The weighting that was previously allocated to this metric has now been redistributed to Episode NPS resulting in a revised weighting of 15% (previously 10%). As our strategic, customer and transformation metrics are heavily aligned to increasing customer satisfaction with our products and services, we believe that transferring the weighting from the retired metric to Episode NPS retains our executive team's focus on continuously improving service experiences and offerings.

In setting the primary performance measures and targets for the FY22 EVP, the Board sought to ensure they were robust and sufficiently demanding, taking into account the key deliverables and milestones outlined in our T22 strategy, planned financial outcomes contained within our FY22 Corporate Plan and FY22 guidance (as announced on 12 August 2021).

The targets that apply to the FY22 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 T22 strategy as described below.

FY22 EVP Performance Measures and Targets

	Performance Measure	Metric	Weighting	FY21 Baseline^	FY22*			Rationale for why chosen
					Threshold	Target	Max	
Financial – 60% of total weighting	**Total Income**	Telstra External Income (excluding finance income)	15.0%	$23,108m	At or above bottom end of Market Guidance*	Approx. Midpoint of Market Guidance*	At or above top end of Market Guidance*	• Key indicator of financial performance • Ensures continued focus on customer retention and growth • Aligns to Pillar 1 of the T22 strategy
	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	15.0%	$6,765m				• 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
	Free Cash Flow (FCF)	Free Cashflow after lease payments and excluding M&A and spectrum	15.0%	$3,903m				• 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
	Net Opex Reduction	Year-on-year reduction in operating non-Direct Variable Cost (DVC) expenses	15.0%	$490m	$380m	$430m	$530m	• Active reduction of our costs will be 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

FY22 EVP Performance Measures and Targets

	Performance Measure	Metric	Weighting	FY21 Baseline^	FY22*			Rationale for why chosen
					Threshold	Target	Max	
Strategic, Customer & Transformation – 40% of total weighting	Episode NPS	Improvement in our Episode NPS	15%	+32	+34	+36	+38	• 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 companywide improvement 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
	Product Portfolio Simplification	Number of Fixed and Postpaid Mobile Services on in-market plans	5%	8.8m	9.7m	10m	10.2m	• 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
	Digital Engagement	C&SB digital sales interactions	5%	39.3%	43%	45%	55%	• Enhancing our digital engagement with our customer improves customer experience whilst supporting our cost reduction focus • Increasing digital sales interactions and the engagement of our mass market customers through digital sales channels remains a strong focus, targeting just over a third 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 • Intended to provide customer choice, reduce our servicing costs and improve profit margins • Each of these metrics align to Pillar 1 of our T22 strategy
		TE Digital Service Interactions	5%	n/a	38.5%	40%	45%	
	People Capability & Engagement	Top-line sustainable employee engagement score	10%	78	80	84	85	• Focusses on our employee engagement. • Supports our ability to have both the key leadership and technical talent required to deliver on our ambitious strategy • Aligns to Pillar 3 of our T22 strategy

^ For FY22 targets, the baseline refers to the FY21 EVP performance outcomes as outlined in section 2.2.

* Market Guidance means guidance for FY22 as set out in Telstra's ASX announcement dated 12 August 2021.

5.0 Glossary

Base EVP 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
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
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EVP	Executive Variable Remuneration Plan
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 Base EVP 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 2020 – 30 June 2021)
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™ 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 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: • 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 2025 over which the RTSR performance condition for the FY21 EVP Performance Rights will be measured
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. Excludes net one-off nbn DA receipts less nbn net C2C, one-off restructuring costs and guidance adjustments (for FY21 only, Underlying EBITDA also includes depreciation of mobile lease right-of-use assets)

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 12 August 2021 in accordance with a resolution of the Directors.

John P Mullen
Chairman
12 August 2021

Andrew Penn

Andrew R Penn
Chief Executive Officer and Managing Director
12 August 2021

Building a better
working world

8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2021, 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; and

(b) No contraventions of 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.

Ernst & Young

Ernst & Young

Andrew Price
Partner
12 August 2021

A member firm of Ernst & Young Global Limited
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Professional Standards Legislation

Financial Report

Telstra Corporation Limited and controlled entities

Australian Business Number (ABN): 33 051 775 556

Financial report: introduction and contents

As at 30 June 2021

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 2021.

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). As at 18 June 2021, Telstra was delisted from the Main Board of NZX Limited (NZX) and shareholders who held Telstra shares on NZX were automatically transferred to the ASX.

This financial report was authorised for issue in accordance with a resolution of the Telstra Board of Directors on 12 August 2021. 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.

Contents

Income Statement

For the year ended 30 June 2021

Telstra Group	Note	Year ended 30 June 2021 $m	Year ended 30 June 2020 $m
Income			
Revenue (excluding finance income)	2.2	21,558	23,710
Other income	2.2	1,574	2,451
		23,132	**26,161**
Expenses			
Labour		4,012	4,058
Goods and services purchased		8,318	9,107
Net impairment losses on financial assets		160	202
Other expenses	2.3	2,980	3,584
		15,470	**16,951**
Share of net loss from joint ventures and associated entities	6.2	**(24)**	**(305)**
		15,494	**17,256**
Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)		**7,638**	**8,905**
Depreciation and amortisation	2.3	4,646	5,338
Earnings before interest and income tax expense (EBIT)		**2,992**	**3,567**
Finance income	2.2	103	274
Finance costs	2.3	654	1,045
Net finance costs		**551**	**771**
Profit before income tax expense		**2,441**	**2,796**
Income tax expense	2.4	539	957
Profit for the year		**1,902**	**1,839**
Profit for the year attributable to:			
Equity holders of Telstra Entity		1,857	1,819
Non-controlling interests		45	20
		1,902	**1,839**
Earnings per share (cents per share)		cents	cents
Basic	2.5	15.6	15.3
Diluted	2.5	15.6	15.3

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

Statement of Comprehensive Income

For the year ended 30 June 2021

Telstra Group		Year ended 30 June	
		2021	2020
	Note	$m	$m
Profit for the year attributable to:			
Equity holders of Telstra Entity		1,857	1,819
Non-controlling interests		45	20
		1,902	**1,839**
Items that will not be reclassified to the income statement			
Retained profits			
Actuarial gain/(loss) on defined benefit plans attributable to equity holders of Telstra Entity	5.3	60	(82)
Income tax on actuarial (gain)/loss on defined benefit plans		(18)	25
Fair value of equity instruments reserve			
Share of other comprehensive income of equity accounted investments		292	16
Income tax on share of other comprehensive income of equity accounted investments		(77)	(2)
Foreign currency translation reserve			
Translation differences of foreign operations attributable to non-controlling interests		(1)	-
		256	**(43)**
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		(95)	21
Cash flow hedging reserve			
Changes in cash flow hedging reserve	4.5	68	54
Share of other comprehensive income of equity accounted investments		3	(6)
Income tax on movements in the cash flow hedging reserve	4.5	(20)	(16)
Foreign currency basis spread reserve			
Changes in the value of the foreign currency basis spread		(54)	(6)
Income tax on movements in the foreign currency basis spread reserve		16	2
		(82)	**49**
Total other comprehensive income		**174**	**6**
Total comprehensive income for the year		**2,076**	**1,845**
Total comprehensive income for the year attributable to:			
Equity holders of Telstra Entity		2,032	1,825
Non-controlling interests		44	20

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

Statement of Financial Position

As at 30 June 2021

Telstra Group	Note	As at 30 June 2021 $m	As at 30 June 2020 $m
Current assets			
Cash and cash equivalents	2.6	1,125	499
Trade and other receivables and contract assets	3.3	4,577	5,121
Deferred contract costs	3.6	113	82
Inventories	3.7	385	418
Derivative financial assets	4.4	624	147
Current tax receivables	2.4	5	2
Prepayments		285	265
Total current assets		**7,114**	**6,534**
Non-current assets			
Trade and other receivables and contract assets	3.3	1,168	1,428
Deferred contract costs	3.6	1,342	1,354
Inventories	3.7	21	28
Investments – accounted for using the equity method	6.2	1,018	897
Investments – other		15	21
Property, plant and equipment	3.1	20,863	21,499
Right-of-use assets	3.2	2,852	3,030
Intangible assets	3.1	7,131	7,412
Derivative financial assets	4.4	786	2,011
Deferred tax assets	2.4	60	66
Defined benefit asset	5.3	155	123
Total non-current assets		**35,411**	**37,869**
Total assets		**42,525**	**44,403**
Current liabilities			
Trade and other payables	3.8	3,766	3,980
Employee benefits	5.1	682	727
Other provisions	7.2	87	124
Lease liabilities	3.2	503	611
Borrowings	4.4	3,631	2,763
Derivative financial liabilities	4.4	26	54
Current tax payables	2.4	124	224
Contract liabilities and other revenue received in advance	3.4	1,605	1,611
Total current liabilities		**10,424**	**10,094**
Non-current liabilities			
Other payables	3.8	9	4
Employee benefits	5.1	150	127
Other provisions	7.2	126	143
Lease liabilities	3.2	2,802	2,687
Borrowings	4.4	10,505	13,066
Derivative financial liabilities	4.4	331	320
Deferred tax liabilities	2.4	1,580	1,605
Defined benefit liability	5.3	10	8
Contract liabilities and other revenue received in advance	3.4	1,313	1,202
Total non-current liabilities		**16,826**	**19,162**
Total liabilities		**27,250**	**29,256**
Net assets		**15,275**	**15,147**

Statement of Financial Position (continued)

As at 30 June 2021

Telstra Group		As at 30 June	
		2021	2020
	Note	$m	$m
Equity			
Share capital	4.3	4,436	4,451
Reserves	4.3	138	5
Retained profits		10,014	10,017
Equity available to Telstra Entity shareholders		**14,588**	**14,473**
Non-controlling interests		687	674
Total equity		**15,275**	**15,147**

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

Statement of Cash Flows

For the year ended 30 June 2021

Telstra Group	Note	Year ended 30 June	
		2021	2020
		$m	$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax (GST))		26,727	29,506
Payments to suppliers and employees (inclusive of GST)		(18,901)	(21,895)
Government grants received for operating activities		167	153
Net cash generated by operations		**7,993**	**7,764**
Income taxes paid	2.4	(762)	(754)
Net cash provided by operating activities	2.6	**7,231**	**7,010**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,079)	(2,341)
Payments for intangible assets		(1,061)	(1,101)
Capital expenditure (before investments)		**(3,140)**	**(3,442)**
Payments for shares in controlled entities (net of cash acquired)		(26)	-
Payments for equity accounted investments		(30)	(33)
Payments for other investments		(152)	(122)
Total capital expenditure (including investments)		**(3,348)**	**(3,597)**
Proceeds from sale of property, plant and equipment		154	258
Proceeds from sale and leaseback	3.2	291	18
Proceeds from sale of businesses and shares in controlled entities (net of cash disposed)		218	58
Proceeds from sale of equity accounted and other investments		147	15
Distributions received from equity accounted investments		20	83
Receipts for the principal portion of finance lease receivables		120	135
Government grants received for investing activities		36	28
Interest received		18	26
Net cash used in investing activities		**(2,344)**	**(2,976)**
Operating cash flows less investing cash flows		**4,887**	**4,034**
Cash flows from financing activities			
Proceeds from borrowings		2,308	5,476
Repayment of borrowings		(3,260)	(6,562)
Payment for the principal portion of lease liabilities	3.2	(706)	(993)
Purchase of shares for employee share plans		(39)	(22)
Finance costs paid		(613)	(812)
Dividends paid to non-controlling interests		(35)	(23)
Dividend paid to equity holders of Telstra Entity	4.2	(1,902)	(1,903)
Proceeds from the sale of units in a controlled trust		-	698
Other		11	3
Net cash used in financing activities		**(4,236)**	**(4,138)**
Net increase/(decrease) in cash and cash equivalents		**651**	**(104)**
Cash and cash equivalents at the beginning of the year		499	604
Effects of exchange rate changes on cash and cash equivalents		(25)	(1)
Cash and cash equivalents at the end of the year	2.6	**1,125**	**499**

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

Statement of Changes in Equity

For the year ended 30 June 2021

Telstra Group	Note	Share capital $m	Reserves $m	Retained profits $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 July 2019		**4,447**	**(58)**	**10,158**	**14,547**	**(19)**	**14,528**
Profit for the year		-	-	1,819	**1,819**	20	**1,839**
Other comprehensive income		-	63	(57)	**6**	-	**6**
Total comprehensive income for the year		**-**	**63**	**1,762**	**1,825**	**20**	**1,845**
Dividends		-	-	(1,903)	**(1,903)**	(26)	**(1,929)**
Non-controlling interests from the sale of units in a controlled trust		-	-	-	**-**	698	**698**
Transactions with non-controlling interests		-	-	-	**-**	1	**1**
Amounts repaid on share loans provided to employees		3	-	-	**3**	-	**3**
Additional shares purchased		(22)	-	-	**(22)**	-	**(22)**
Share-based payments		23	-	-	**23**	-	**23**
Balance at 30 June 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**
Dividends		-	-	(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	4.3	(39)	-	-	**(39)**	-	**(39)**
Share-based payments		17	-	-	**17**	-	**17**
Balance at 30 June 2021		**4,436**	**138**	**10,014**	**14,588**	**687**	**15,275**

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

Section 1. Basis of preparation

This section explains 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 in accordance with historical cost, 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 that is not Australian dollars

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 2021 and considered in our financial position as at 30 June 2021. 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 management judgements of impairment indicators for testing of our ubiquitous telecommunications network
- note 3.3 regarding management 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 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	93
Determining standalone selling prices	2.2	94
Assessment of a significant financing component in Indefeasible Right of Use (IRU)	2.2	95
Impact of nbn Infrastructure Services Agreement (ISA) on revenue from customer contracts and other income	2.2	96
Assessment of a significant financing component in nbn DAs	2.2	96
Estimating provision for income tax	2.4	101
Unrecognised deferred tax assets	2.4	102
Capitalisation of development costs	3.1	106
Useful lives and residual values of tangible and intangible assets	3.1	107
Impairment assessment of our ubiquitous telecommunications network	3.1	108
Determining CGUs and their recoverable amount for impairment assessment of goodwill	3.1	109
Determining lease term	3.2	111
Determining incremental borrowing rates for property leases	3.2	113
Estimating expected credit losses	3.3	117
Amortisation period of deferred contract costs	3.6	120
Long service leave provision	5.1	140
Defined benefit plan	5.3	145
Significant influence over Telstra Super Pty Ltd	6.2	151
Joint control of Telstra Ventures Fund II, L.P.	6.2	151
Impairment of equity accounted investments	6.2	152

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 mandatory in the current reporting period. None of the accounting standards and amendments that became effective in the current reporting period had a material impact on our accounting policies.

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.

AASB 2020-8 ‘Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2’ was issued in September 2020 and will be effective for Telstra from 1 July 2021. These amendments provide a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to allow the effective interest rate to be adjusted, and also provide certain relief from discontinuing hedge relationships as a result of the reform. We do not expect material impacts from this standard.

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 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 Segments and disaggregated revenue

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 only some of our operating segments meet the disclosure criteria for reportable segments.

The presentation of revenue is disaggregated by category and segment based on the timing of transfer of goods and services, major products and our geographical markets.

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 2021, there were no changes to our operating segments. However, we have changed the way we manage and report our products to drive simplicity and to better align with how we go to market and our T22 strategy. We have restated the comparative period to provide a like-for-like view.

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 individually reported.

We have four reportable segments as follows:

Segment	Operation
Telstra Consumer and Small Business (TC&SB)	• provides telecommunication products, services and solutions across mobiles, fixed and mobile broadband, media and digital content to consumer and small business customers in Australia, offering prepaid and post-paid services • operates call centres, Telstra shops and Telstra dealership network
Telstra Enterprise (TE)	• provides telecommunication services, advanced technology solutions, network capacity and management, unified communications, cloud, industry solutions, integrated and monitoring services to government and large enterprise customers in Australia and globally • manages Telstra’s networks outside Australia in conjunction with Networks and IT and Telstra InfraCo segments
Networks and IT (N&IT)	• 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 for all internal functions
Telstra InfraCo	• provides telecommunication products and services delivered over Telstra networks to other carriers, carriage service providers and internet service providers • operates the fixed passive network infrastructure including data centres, exchanges, poles, ducts, pits and pipes, fibre network, and mobile towers • provides other Telstra functions and wholesale customers with access to network infrastructure within Telstra InfraCo’s asset accountabilities • provides nbn co with long-term access to certain components of our infrastructure and certain network services under the Infrastructure Services Agreement and commercial contracts, respectively • designs and constructs fibre, exchanges and other infrastructure

2.1 Segment and disaggregated revenue (continued)

2.1.1 Operating segments (continued)

Consistent with information presented for internal management reporting purposes, the result of each segment is measured based on its EBITDA contribution.

EBITDA contribution excludes the effects of inter-segment balances and transactions, with some exceptions mostly related to the Telstra InfraCo segment result. Telstra InfraCo segment is managed and presented on a standalone basis (with the exception of items detailed in the table below) and inclusive of its transactions with other functions. Other functions, however, do not reflect those transactions with Telstra InfraCo in their segment results. At the Group level, the inter-segment transactions are eliminated.

EBITDA contribution differs from our reported EBITDA. In particular, the segment result includes the depreciation expense related to the right-of-use assets for mobile handsets arising from leases (Telstra as a lessee) which we sublease to our TC&SB customers in back-to-back arrangements. Given the nature of these leases, for management purposes we treat the depreciation of the mobile handsets right-of-use assets as an operating expense in order to provide a transparent view of our operating performance.

The table below summarises inter-segment transactions, the effects of which are not eliminated at the individual segment level; and provides further details of how we internally report financial results of our segments.

Nature of transaction	TC&SB	TE	N&IT	All Other	Telstra InfraCo
Internal access charges for use of Telstra InfraCo's network infrastructure presented as revenue (determined based on a variety of internally and externally observable inputs to reflect an arm's length basis for charging)	EBITDA contribution of the segments, that Telstra InfraCo generates access charges from, does not include those charges		n/a	n/a	Revenue and EBITDA contribution include the access charges from transactions with other segments (eliminated at the Telstra Group level)
Revenue and cost of goods associated with mobile handsets sold to TE customers via dealers	EBITDA contribution includes those transactions as TC&SB manages our supplier, delivery and dealership arrangements	EBITDA contribution does not include those transactions; however, it does include ongoing revenues derived from the mobile services sold to TE customers	n/a	n/a	n/a
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)

Section 2. Our performance (continued)

2.1 Segments and disaggregated revenue (continued)

2.1.1 Operating segments (continued)

Nature of transaction	TC&SB	TE	N&IT	All Other	Telstra InfraCo
Income from nbn disconnection fees and associated expenses	EBITDA contribution does not include those transactions		n/a	EBITDA contribution includes those transactions	EBITDA contribution does not include those transactions
Certain operational, maintenance and associated support function expenses (such as human resources and IT) related to Telstra InfraCo's assets (shared operational and maintenance costs are allocated based on a usage methodology, whilst the associated support function expenses are allocated using a driver-based allocation methodology)	n/a	n/a	EBITDA contribution includes those expenses that originate in the N&IT segment and All Other category but relate to Telstra InfraCo's assets		EBITDA contribution includes those expenses that originate in the N&IT segment and All Other category but relate to Telstra InfraCo's assets (eliminated at the Telstra Group level)
Network service delivery expenses for all segments (including costs associated with providing nbn co with access to our 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 Telstra InfraCo customers
Domestic promotion and advertising expenses for all segments	EBITDA contribution includes those expenses for the Telstra Entity	EBITDA contribution does not include those expenses			
Domestic 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 Segments and disaggregated revenue (continued)

2.1.2 Segment results and disaggregated revenue

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. It also presents disaggregated revenue based on the nature and the timing of transfer of goods and services.

Table A Telstra Group	TC&SB	TE	N&IT	All Other	Subtotal	Telstra InfraCo	Eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m
	Year ended 30 June 2021							
Sale of services	9,774	6,194	-	9	**15,977**	2,260	-	**18,237**
Sale of goods	2,020	646	-	28	**2,694**	2	-	**2,696**
Other revenue from contracts with customers	17	44	-	4	**65**	-	-	**65**
Revenue from contracts with customers	**11,811**	**6,884**	**-**	**41**	**18,736**	**2,262**	**-**	**20,998**
Revenue from other sources	288	62	1	4	**355**	205	-	**560**
Revenue from external customers	**12,099**	**6,946**	**1**	**45**	**19,091**	**2,467**	**-**	**21,558**
Access revenue from transactions between Telstra InfraCo and other segments	n/a	n/a	n/a	n/a	**n/a**	1,203	(1,203)	**-**
Total revenue from external customers and Telstra InfraCo	**12,099**	**6,946**	**1**	**45**	**19,091**	**3,670**	**(1,203)**	**21,558**
Other income	243	39	32	1,185	**1,499**	75	-	**1,574**
Total income	**12,342**	**6,985**	**33**	**1,230**	**20,590**	**3,745**	**(1,203)**	**23,132**
Share of net loss from equity accounted entities	-	(1)	-	(23)	**(24)**	-	-	**(24)**
EBITDA contribution	**4,818**	**2,921**	**(1,360)**	**(679)**	**5,700**	**2,664**	**(920)**	**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**

Section 2. Our performance (continued)

2.1 Segments and disaggregated revenue (continued)

2.1.2 Segment results and disaggregated revenue (continued)

Table A (continued) **Telstra Group**	TC&SB	TE	N&IT	All Other	Subtotal	Telstra InfraCo	Eliminations	Total
	$m	$m	$m	$m	$m	$m	$m	$m
	Year ended 30 June 2020							
Sale of services	10,135	6,824	-	(106)	**16,853**	2,573	-	**19,426**
Sale of goods	2,605	660	-	5	**3,270**	3	-	**3,273**
Other revenue from contracts with customers	6	37	-	3	**46**	-	-	**46**
Revenue from contracts with customers	**12,746**	**7,521**	**-**	**(98)**	**20,169**	**2,576**	**-**	**22,745**
Revenue from other sources	576	166	3	8	**753**	212	-	**965**
Revenue from external customers	**13,322**	**7,687**	**3**	**(90)**	**20,922**	**2,788**	**-**	**23,710**
Access revenue from transactions between Telstra InfraCo and other segments	n/a	n/a	n/a	n/a	**n/a**	1,690	(1,690)	**-**
Total revenue from external customers and Telstra InfraCo	**13,322**	**7,687**	**3**	**(90)**	**20,922**	**4,478**	**(1,690)**	**23,710**
Other income	152	56	27	2,030	**2,265**	186	**-**	**2,451**
Total income	**13,474**	**7,743**	**30**	**1,940**	**23,187**	**4,664**	**(1,690)**	**26,161**
Share of net profit/(loss) from equity accounted entities	-	3	-	(308)	**(305)**	-	-	**(305)**
EBITDA contribution	**4,888**	**3,274**	**(1,619)**	**(153)**	**6,390**	**2,758**	**(737)**	**8,411**
Depreciation of mobile handsets right-of-use assets								**494**
Telstra Group EBITDA								**8,905**
Depreciation and amortisation								**(5,338)**
Telstra Group EBIT								**3,567**
Net finance costs								**(771)**
Telstra Group profit before income tax expense								**2,796**

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 2.2.1 for further details about our contracts with customers.

The effects of the following inter-segment transactions have not been excluded from segment EBITDA contribution:

- revenue from external customers in the TE segment includes $219 million (2020: $292 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 $7 million (2020: $11 million) of inter-segment expenses treated as external revenue in the Telstra InfraCo and eliminated 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). Refer to note 6.1.3 for further details.

During the financial year 2020, in the 'All Other' category, we recognised our share of net loss of $308 million, which included impairment of our investment in NXE Australia Pty Limited.

Section 2. Our performance (continued)

2.1 Segments and disaggregated revenue (continued)

2.1.2 Segment results and disaggregated revenue (continued)

Table B presents disaggregation of:

- total income, including revenue from external customers and other income, by major products
- revenue from external customers by geographical markets.

Table B **Telstra Group**	TC&SB	TE	N&IT	All Other	Telstra InfraCo	Total
	$m	$m	$m	$m	$m	$m
	Year ended 30 June 2021					
Total income by major product						
Mobile	**7,509**	**1,513**	**-**	**13**	**275**	**9,310**
Revenue from contracts with customers	7,277	1,509	-	13	275	**9,074**
Revenue from other sources	232	4	-	-	-	**236**
Fixed - C&SB	**4,736**	**-**	**-**	**-**	**-**	**4,736**
Revenue from contracts with customers	4,500	-	-	-	-	**4,500**
Revenue from other sources	56	-	-	-	-	**56**
Other income	180	-	-	-	-	**180**
Fixed - Enterprise	**-**	**3,724**	**-**	**-**	**-**	**3,724**
Revenue from contracts with customers	-	3,682	-	-	-	**3,682**
Revenue from other sources	-	42	-	-	-	**42**
Fixed - Wholesale	**-**	**-**	**-**	**-**	**1,356**	**1,356**
Revenue from contracts with customers	-	-	-	-	1,076	**1,076**
Revenue from other sources	-	-	-	-	205	**205**
Other income	-	-	-	-	75	**75**
Global	**-**	**1,715**	**-**	**(219)**	**-**	**1,496**
Revenue from contracts with customers	-	1,691	-	(219)	-	**1,472**
Revenue from other sources	-	15	-	-	-	**15**
Other income	-	9	-	-	-	**9**
Recurring nbn DA	**-**	**-**	**-**	**9**	**899**	**908**
Revenue from contracts with customers	-	-	-	9	899	**908**
One-off nbn DA and connection	**34**	**-**	**-**	**1,016**	**-**	**1,050**
Revenue from contracts with customers	34	-	-	-	-	**34**
Other income	-	-	-	1,016	-	**1,016**
Other products and services	**63**	**33**	**33**	**411**	**12**	**552**
Revenue from contracts with customers	-	2	-	238	12	**252**
Revenue from other sources	-	1	1	4	-	**6**
Other income	63	30	32	169	-	**294**
Total revenue from contracts with customers	**11,811**	**6,884**	**-**	**41**	**2,262**	**20,998**
Total revenue from other sources	**288**	**62**	**1**	**4**	**205**	**560**
Total other income	**243**	**39**	**32**	**1,185**	**75**	**1,574**
	12,342	**6,985**	**33**	**1,230**	**2,542**	**23,132**
Total revenue from external customers by geographical market						
Australian customers	**12,099**	**5,470**	**1**	**265**	**2,467**	**20,302**
Revenue from contracts with customers	11,811	5,423	-	261	2,262	**19,757**
Revenue from other sources	288	47	1	4	205	**545**
Offshore customers	**-**	**1,476**	**-**	**(220)**	**-**	**1,256**
Revenue from contracts with customers	-	1,461	-	(220)	-	**1,241**
Revenue from other sources	-	15	-	-	-	**15**
	12,099	**6,946**	**1**	**45**	**2,467**	**21,558**

Section 2. Our performance (continued)

2.1 Segments and disaggregated revenue (continued)

2.1.2 Segment results and disaggregated revenue (continued)

Table B (continued) **Telstra Group**	TC&SB	TE	N&IT	All Other	Telstra InfraCo	Total
	$m	$m	$m	$m	$m	$m
	Year ended 30 June 2020					
Total income by major product						
Mobile	**8,330**	**1,593**	**-**	**(23)**	**230**	**10,130**
Revenue from contracts with customers	7,808	1,587	-	(23)	230	**9,602**
Revenue from other sources	522	6	-	-	-	**528**
Fixed - C&SB	**5,083**	**-**	**-**	**-**	**-**	**5,083**
Revenue from contracts with customers	4,879	-	-	-	-	**4,879**
Revenue from other sources	54	-	-	-	-	**54**
Other income	150	-	-	-	-	**150**
Fixed - Enterprise	**-**	**4,106**	**-**	**-**	**-**	**4,106**
Revenue from contracts with customers	-	3,977	-	-	-	**3,977**
Revenue from other sources	-	129	-	-	-	**129**
Fixed - Wholesale	**-**	**-**	**-**	**-**	**1,872**	**1,872**
Revenue from contracts with customers	-	-	-	-	1,476	**1,476**
Revenue from other sources	-	-	-	-	212	**212**
Other income	-	-	-	-	184	**184**
Global	**-**	**2,017**	**-**	**(292)**	**-**	**1,725**
Revenue from contracts with customers	-	1,967	-	(292)	-	**1,675**
Revenue from other sources	-	31	-	-	-	**31**
Other income	-	19	-	-	-	**19**
Recurring nbn DA	**-**	**-**	**-**	**9**	**865**	**874**
Revenue from contracts with customers	-	-	-	9	865	**874**
One-off nbn DA and connection	**65**	**-**	**-**	**1,939**	**-**	**2,004**
Revenue from contracts with customers	65	-	-	-	-	**65**
Other income	-	-	-	1,939	-	**1,939**
Other products and services	**(4)**	**27**	**30**	**307**	**7**	**367**
Revenue from contracts with customers	(6)	(10)	-	208	5	**197**
Revenue from other sources	-	-	3	8	-	**11**
Other income	2	37	27	91	2	**159**
Total revenue from contracts with customers	**12,746**	**7,521**	**-**	**(98)**	**2,576**	**22,745**
Total revenue from other sources	**576**	**166**	**3**	**8**	**212**	**965**
Total other income	**152**	**56**	**27**	**2,030**	**186**	**2,451**
	13,474	**7,743**	**30**	**1,940**	**2,974**	**26,161**
Total revenue from external customers by geographical market						
Australian customers	**13,322**	**5,958**	**3**	**205**	**2,788**	**22,276**
Revenue from contracts with customers	12,746	5,800	-	197	2,576	**21,319**
Revenue from other sources	576	158	3	8	212	**957**
Offshore customers	**-**	**1,729**	**-**	**(295)**	**-**	**1,434**
Revenue from contracts with customers	-	1,721	-	(295)	-	**1,426**
Revenue from other sources	-	8	-	-	-	**8**
	13,322	**7,687**	**3**	**(90)**	**2,788**	**23,710**

Revenue from other products and services includes miscellaneous income and revenue generated by Telstra Health. Refer to note 2.2 for further details on other income.

‘All Other’ category includes eliminations of the inter-segment transactions described in the segment results below Table A in note 2.1.2. Other negative revenue amounts related to certain corporate level adjustments.

Section 2. Our performance (continued)

2.1 Segments and disaggregated revenue (continued)

2.1.2 Segment results and disaggregated revenue (continued)

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

Table C **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Carrying amount of non-current assets		
Located in Australia	30,128	30,918
Located offshore	1,736	1,920
	31,864	**32,838**

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.

2.2 Income

Table A **Telstra Group**	Year ended 30 June	
	2021	2020
	$m	$m
Revenue from contracts with customers	20,998	22,745
Revenue from other sources	560	965
Total revenue (excluding finance income)	**21,558**	**23,710**
Other income		
Net gain on disposal of property, plant and equipment and intangible assets	66	402
Net gain on disposal of businesses and investments	107	13
Net gain on sale and leaseback transactions	102	4
nbn disconnection fees	1,022	1,721
Government grants	216	189
Net foreign currency translation gains	13	22
Other miscellaneous income	48	100
	1,574	**2,451**
Total income (excluding finance income)	**23,132**	**26,161**
Finance income		
Finance income (excluding income from finance leases)	93	261
Finance income from finance leases (Telstra as a lessor)	10	13
	103	**274**
Total income	**23,235**	**26,435**

Disaggregation of revenue from contracts with customers based on the nature and the timing of transfer of goods and services and by major products and geographical market is presented in note 2.1.2 in Table A and Table B, respectively.

Revenue from other sources includes income from our lease arrangements (refer to note 3.2.2 for further details) and customer contributions to extend, relocate or amend our network assets, where the counterparty does not purchase any ongoing services under the same (or linked) contract.

Net gain on disposal of businesses and investments includes $60 million gain from disposal of Telstra's Velocity business and $45 million gain from disposal of assets and liabilities of e-commerce platform. Refer to note 6.1.3 for further details.

Net gain on sale and leaseback transactions resulted mostly from a sale and leaseback of our exchange property. Refer to note 3.2.1 for further details.

Section 2. Our performance (continued)

2.2 Income (continued)

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.

2.2.1 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
- network design, build and maintenance contracts (mainly with nbn co).

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 repayment plan, together with a no-lock-in service plan. If a customer stops renewing their no-lock-in service plan, any outstanding hardware balance becomes payable immediately.

Until June 2019, we offered fixed term post-paid plans, where early termination charges applied if the customer cancelled the contract. The majority of those contracts had a term of 24 months, however some small business contracts had a longer term. Those legacy contracts are no longer offered but we continue to generate revenue from these until customers transition to a current in-market plan.

For mobile handset and service bundle plans which offer discounts and are sold directly by 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.

In general, 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 customers deferred payment terms for handsets or other devices. The transition to no-lock-in contracts required reassessment of the existence of a significant financing component in the mobile bundles sold directly by us.

Assessment of a significant financing component in mass market contracts

We have applied judgement to determine that no significant financing component exists in our no-lock-in mobile 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 separately account for the significant financing component in our legacy mass market fixed term contracts offering handsets and other devices on deferred payment terms. We measure the financing component at contract inception using a discount rate reflecting credit characteristics of the customer.

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 recognised as a contract liability in the statement of financial position until the time when a customer redeems the points or they expire. 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, our no-lock-in mass market fixed and mobile service plans are monthly contracts and customers can change plans each month or cancel their services altogether.

2.2 Income (continued)

2.2.1 Our contracts with customers (continued)

(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.

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.

Our bespoke TE contracts are varied or renegotiated from time to time. 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.

Determining standalone selling prices

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.

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.

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 it is probable that the commitment has not been or will not be met. Some arrangements also include benchmarking or CPI 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 usually include upfront payments for services which will be delivered over multiple years.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Our contracts with customers (continued)

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

Assessment of a significant financing component in Indefeasible Right of Use (IRU)	We have applied judgement to assess if a financing component is significant in the context of the contract as a whole and determine appropriate discount rates, where relevant. 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 33 years. 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.

(c) Telstra Wholesale contracts

Telstra Wholesale (within Telstra InfraCo segment) transacts with carriage services providers and internet service providers, who in turn sell their services to their retail end user.

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

Telstra Wholesale 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. However, until our wholesale customer's customer, i.e. the end user, orders services, the obligation to deliver goods or services does not exist. Therefore, the accounting contract generally arises at the level of a service order of an end user.

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 Wholesale 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 Wholesale 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

We have two types of agreements with nbn co:

- nbn DAs and related arrangements
- commercial contracts for network design, build and maintenance services.

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 ducts and pits and other infrastructure, including dark fibre and exchange rack space, over time, initially based on the cumulative nbn^{TM} 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.

2.2 Income (continued)

2.2.1 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 from nbn co the following payments:

- 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 space.

IAP are indexed to 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 26 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 relation to the variables described above in determining the amounts of IAP and IOP recognised for the financial year 2021 and recorded a cumulative reversal of $14 million, including $7 million revenue from access services and $7 million income from sale of our assets. Should evidence exist in future reporting periods that changes previously reported IAP and IOP amounts, revenue and other income will be adjusted in the future reporting periods.

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 determine appropriate discount rates where relevant.

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.

Section 2. Our performance (continued)

2.2 Income (continued)

2.2.1 Our contracts with customers (continued)

(d) Agreements with nbn co (continued)

The other arrangements with nbn co are commercial contracts for network design, build and maintenance services. These arrangements provide a framework agreement with scheduled rates under which nbn co can order required services. Generally, the accounting contracts under these arrangements have no fixed term or minimum order quantities that extend beyond 12 months.

The majority of revenue is recognised over time on a percentage of completion basis, calculated with reference to costs incurred up until the reporting date relative to the total estimated costs.

2.2.2 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 B 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 2021. 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 B **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Less than 1 year	4,589	5,194
Between 1 to 2 years	2,419	2,567
Between 2 to 5 years	3,864	3,947
Between 5 to 10 years	5,922	5,915
Between 10 to 20 years	13,659	13,699
More than 20 years	9,671	11,471
	40,124	**42,793**

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 2.2.1 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.

2.2.3 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 5 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.

2.2 Income (continued)

2.2.3 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-lessor of customer premise equipment. We recognise revenue from sale of these goods at a point in time at the commencement date of the lease.
- operating subleases of mobile handsets offered to our retail customers (Telstra as a lessor), which we lease from a third party in a back-to-back arrangement (Telstra as a lessee). We also earn revenue from property operating leases. Operating lease income is recognised on a straight-line basis over the lease term.

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	
	2021	2020
	$m	$m
Included in our labour expenses are the following:		
Employee redundancy	253	157
Share-based payments	18	23
Defined contribution plan expense	212	210
Defined benefit plan expense	52	51
Included in our goods and services purchased are the following:		
Network payments	3,153	3,155
Cost of goods sold	2,797	3,490
Other expenses		
Impairment losses (excluding net losses on financial assets)	162	129
Expenses relating to lease arrangements	214	256
Service contracts and other agreements	1,144	1,473
Promotion and advertising	248	268
General and administration	982	1,089
Other operating expenses	230	369
	2,980	**3,584**
Depreciation and amortisation		
Depreciation of property, plant and equipment	2,606	2,757
Depreciation of right-of-use assets	726	1,017
Amortisation of intangible assets	1,314	1,564
	4,646	**5,338**
Finance costs		
Interest on borrowings	518	678
Interest on lease liabilities (Telstra as a lessee)	83	109
Other	108	315
	709	**1,102**
Less: interest on borrowings capitalised	(55)	(57)
	654	**1,045**

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 $113 million (2020: $124 million) impairment of deferred contract costs and $34 million (2020: nil) impairment loss on the remeasurement of our investment in Project Sunshine I Pty Ltd to its fair value less costs to sell at 31 December 2020. Refer to notes 3.6 and 6.1.3 for further details on deferred contract costs and disposal of our investment in Project Sunshine I Pty Ltd, respectively.
- interest on borrowings has been capitalised using a capitalisation rate of 3.7 per cent (2020: 4.6 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	
	2021	2020
	$m	$m
Major components of income tax expense		
Current tax expense	665	980
Deferred tax resulting from the origination and reversal of temporary differences	(138)	(16)
Under/(over) provision of tax in prior years	12	(7)
	539	**957**
Reconciliation of notional income tax expense to actual income tax expense		
Profit before income tax expense	2,441	2,796
Notional income tax expense calculated at the Australian tax rate of 30% (2020: 30%)	732	839
Notional income tax expense differs from actual income tax expense due to the tax effect of:		
Non-taxable and non-deductible items	(194)	118
Deferred tax assets derecognised	-	18
Amended assessments	-	1
Under/(over) provision of tax in prior years	12	(7)
Different tax rates in overseas jurisdictions	(11)	(12)
Income tax expense on profit	**539**	**957**
Income tax expense/(benefit) recognised during the year directly in other comprehensive income or equity	**99**	**(9)**

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			
	2021		2020	
	Group	Australia	Group	Australia
Effective income tax rate	22.1%	22.7%	34.2%	35.2%
Tax Transparency Code effective income tax rate	21.6%	22.2%	34.9%	35.5%

The effective income tax rate for the Telstra Group of 22.1 per cent (2020: 34.2 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 21.6 per cent (2020: 34.9 per cent) differs to the effective income tax rate due to excluding the impact of under or over provision of tax in prior years and amended assessments. The 2020 TTC ETRs have been updated to include the impact of the net under provision of tax and amended 2020 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:

- non-assessable $200 million gain and $101 million net deferred tax asset recognised on property disposals
- derecognition of $27 million deferred tax liability on the disposal of Sunshine NewCo Pty Limited (refer to note 6.1.3 for details).

Table C provides a reconciliation of income tax expense to income tax paid during the year.

Table C **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Income tax expense	539	957
(Under)/over provision in prior years	(12)	7
Temporary differences recognised in deferred tax expense		
Trade and other receivables and contract assets	(12)	22
Deferred contract costs	5	20
Investments	27	4
Property, plant and equipment	(40)	11
Right-of-use assets	52	(239)
Intangible assets	(39)	(33)
Trade and other payables	19	41
Provision for employee entitlements	(10)	32
Lease liabilities	(11)	195
Borrowings and derivative financial instruments	103	(8)
Contract liabilities and other revenue received in advance	60	(37)
Other	(16)	8
	138	**16**
Current tax expense	**665**	**980**
Income tax payments/(refunds) for prior years	213	(4)
Income tax payable next year	(119)	(222)
Other	3	-
Income tax paid	**762**	**754**

Estimating provision for income tax

We are subject to income tax legislation in Australia and in jurisdictions where we have foreign operations. We apply judgement in determining our worldwide provisions for income taxes and assessing recognition of deferred tax balances in the statement of financial position. Changes in tax legislation in the countries we operate in may affect the amount of provision for income taxes and deferred tax balances recognised.

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 30 June	
	2021	2020
	$m	$m
Deferred tax items recognised in the income statement		
Trade and other receivables and contract assets	(221)	(203)
Allowance for doubtful debts	54	63
Deferred contract costs	(370)	(376)
Investments	(15)	(47)
Property, plant and equipment	(1,626)	(1,566)
Right-of-use assets	(832)	(867)
Intangible assets	(567)	(533)
Trade and other payables	169	123
Provision for employee entitlements	246	257
Other provisions	128	141
Lease liabilities	909	925
Defined benefit liability	114	106
Borrowings and derivative financial instruments	46	(48)
Contract liabilities and other revenue received in advance	514	445
Capital tax losses	33	20
Income tax losses	9	31
Other	(13)	(11)
	(1,422)	**(1,540)**
Deferred tax items recognised in other comprehensive income or equity		
Investments	(109)	(32)
Defined benefit asset	(161)	(143)
Borrowings and derivative financial instruments	172	176
	(98)	**1**
Net deferred tax liability	**(1,520)**	**(1,539)**
Comprising:		
Deferred tax assets	60	66
Deferred tax liabilities	(1,580)	(1,605)
	(1,520)	**(1,539)**

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	
	2021	2020
	$m	$m
Deferred tax assets not recognised		
Capital tax losses	1,285	1,907
Income tax losses	257	292
Deductible temporary differences	118	138
	1,660	**2,337**

On 30 June 2021, we announced that a consortium will become a strategic partner in Telstra's towers business. As a result, we have recognised $444 million deferred tax asset for capital tax losses which has been offset against the estimated capital gain on the towers business sale transaction. Refer to note 7.3.1 for further detail about Telstra's towers business sale transaction. Other significant transactions which reduced our unrecognised capital tax losses included taxable disposals of exchange and data centre properties disclosed in notes 3.2.1 (f) and 4.4, respectively.

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 agreement 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 agreement, 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 $27 million (2020: $55 million) and payable by the Telstra Entity of $17 million (2020: $24 million) under the tax funding agreement 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.

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 interest 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	
	2021	2020
	$m	$m
Earnings used in the calculation of basic and diluted EPS		
Profit for the year attributable to equity holders of Telstra Entity	**1,857**	**1,819**
Weighted average number of ordinary shares	Number of shares (millions)	
Weighted average number of ordinary shares used in the calculation of basic EPS	11,875	11,880
Dilutive effect of certain employee share instruments	17	15
Weighted average number of ordinary shares used in the calculation of diluted EPS	**11,892**	**11,895**
	cents	cents
Basic EPS	15.6	15.3
Diluted EPS	15.6	15.3

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	
	2021	2020
	$m	$m
Profit for the year	1,902	1,839
Add/(subtract) items classified as investing/financing activities		
Finance income	(103)	(274)
Finance costs	654	1,045
Net gain on disposal of property, plant and equipment and intangible assets	(66)	(402)
Net gain on disposal of businesses, controlled entities and equity accounted investments	(107)	(13)
Revenue of a dealer-lessor	(42)	(122)
Net gain/(loss) on lease related transactions	4	(2)
Government grants received relating to investing activities	(19)	(16)
Other	(1)	-
Add/(subtract) non-cash items		
Depreciation and amortisation	4,646	5,338
Share-based payments	18	23
Defined benefit plan expense	52	51
Share of net loss from joint ventures and associated entities	24	305
Impairment losses (excluding inventories, trade and other receivables)	40	5
Other	3	(24)
Cash movements in operating assets and liabilities		
Decrease/(increase) in trade and other receivables and contract assets	589	(169)
Decrease in inventories	31	37
Increase in prepayments and other assets	(88)	(15)
Increase in deferred contract costs	(18)	(109)
Decrease in trade and other payables	(98)	(544)
Increase/(decrease) in contract liabilities and other revenue received in advance	111	(62)
(Decrease)/increase in net taxes payable	(222)	203
Decrease in provisions	(79)	(84)
Net cash provided by operating activities	**7,231**	**7,010**

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	
	2021	2020
	$m	$m
Cash at bank and on hand	266	238
Bank deposits and negotiable certificates of deposit	859	261
Cash and cash equivalents in the statement of cash flows	**1,125**	**499**

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 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 tangible 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 2019	**620**	**20,846**	**301**	**21,767**
Additions	65	2,467	22	**2,554**
Depreciation expenses	(62)	(2,607)	(88)	**(2,757)**
Other movements	1	(79)	13	**(65)**
Net book value at 30 June 2020, comprising:	**624**	**20,627**	**248**	**21,499**
Cost	1,340	61,879	1,075	**64,294**
Accumulated depreciation and impairment	(716)	(41,252)	(827)	**(42,795)**
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)**

The following paragraphs provide further information about our fixed asset classes:

- additions to property, plant and equipment include $41 million (2020: $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)
- our property, plant and equipment assets include buildings 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.
- communication assets include certain network land and building assets that are essential to the operation of our communication assets
- as at 30 June 2021, $1,133 million (2020: $1,158 million) of property, plant and equipment was under construction and not installed or ready for use
- other movements include $85 million (2020: $3 million) disposals, $74 million decrease (2020: $25 million increase) due to net foreign exchange differences, $30 million (2020: $104 million) net transfers from construction in progress to intangible assets; 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 2019	**1,076**	**3,983**	**2,023**	**624**	**7,706**
Additions	-	734	403	22	**1,159**
Amortisation expense	-	(1,234)	(239)	(91)	**(1,564)**
Other movements	9	27	2	73	**111**
Net book value at 30 June 2020, comprising:	**1,085**	**3,510**	**2,189**	**628**	**7,412**
Cost	1,172	11,046	3,265	1,508	**16,991**
Accumulated amortisation and impairment	(87)	(7,536)	(1,076)	(880)	**(9,579)**
Net book value at 1 July 2020	**1,085**	**3,510**	**2,189**	**628**	**7,412**
Additions	14	924	120	7	**1,065**
Amortisation expense	-	(964)	(265)	(85)	**(1,314)**
Other movements	(47)	(15)	(1)	31	**(32)**
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)**

The following paragraphs detail further information about our intangible asset classes:

- additions to software assets include $14 million (2020: $16 million) of capitalised borrowing costs directly attributable to qualifying assets
- software assets mostly comprise internally generated assets. As at 30 June 2021, $451 million (2020: $211 million) of software assets were not installed and ready for use.
- licences comprise of the spectrum licences and apparatus licences obtained to operate a range of radiocommunications devices
- other movements include $61 million decrease (2020: $9 million increase) due to net foreign exchange differences, $30 million (2020: $104 million) net transfers from property, plant and equipment construction in progress to intangible assets, $13 million (2020: nil) additions due to acquisitions of controlled entities, 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.

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	
	2021	2020
Property, plant and equipment		
Buildings	30	30
Communication assets	25	25
Other plant and equipment	8	8
Intangible assets		
Software assets	9	8
Licences	13	14
Other intangibles	17	16

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.

This assessment includes a comparison with international trends for telecommunication companies and, in relation to communication assets, includes 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.

The net effect of the assessment of useful lives was a $7 million (2020: $37 million) decrease in depreciation and $71 million (2020: $87 million) decrease in amortisation expense.

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.

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 emerging risks such as COVID-19 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, including maintaining our carbon-neutral status and moving to 100 per cent renewable energy generation equivalent to our consumption by 2025, are incorporated in our management forecasts.

On the other hand, we are yet to identify potential long-term financial impacts of climate change and to incorporate them in our forecasts. 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.

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, at this stage we do not consider the potential impacts of climate change and the transition to a lower carbon economy to be an impairment indicator.

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.

Table D **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Telstra Enterprise International Group [1]	543	587
Telstra Enterprise Australia Group [2]	437	437
Other [3]	72	61
	1,052	**1,085**

[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.

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 discounted cash flows generated continue to support the carrying values, 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:

Table E **Telstra Group**	Discount rate		Terminal value growth rate	
	2021	2020	2021	2020
	%	%	%	%
Telstra Enterprise International Group	9.0	9.5	2.0	2.0
Telstra Enterprise Australia Group	13.1	13.1	2.3	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 300 basis points (2020: 47 basis points) or the terminal value growth rate would need to decrease by 584 basis points (2020: 82 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	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. 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. Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated on a straight-line basis in the income statement over their estimated useful lives. We start depreciating assets when they are installed and ready for use.
Goodwill	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. Goodwill is not amortised but is tested for impairment on an annual basis or when an indication of impairment arises. Goodwill arising on the acquisition of joint ventures or associated entities constitutes part of the cost of the investment.
Internally generated intangible assets	Internally generated intangible assets include mainly IT development costs incurred in design, build and testing of new or improved IT products and systems. Research costs are expensed when incurred. Capitalised development costs include: • 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. Internally generated intangible assets have a finite life and are amortised on a straight-line basis over their useful lives.
Acquired intangible assets	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. Intangible assets that are considered to have a finite life are amortised on a straight-line basis over the useful life. 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.

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 space and warehouses.

Other lease arrangements include:

- communication assets dedicated to solution management that we provide to our enterprise customers
- mobile handsets which are subleased to our consumer and small business 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.

Leases for communication assets dedicated to solution management include purchase options. These assets are usually provided to our enterprise customers under the dealer-lessor finance lease arrangements (refer to note 3.2.2 for further details about Telstra as a lessor) and purchase options allow us to transfer the legal title to the relevant equipment to the end customer at the end of the lease.

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.

Determining lease term

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.

Where Telstra is a lessee of communication assets dedicated to solution management or motor vehicles, i.e. the leased assets are more generic in nature and/or of lower values, generally master lease agreements are in place with a range of fixed lease terms between three and five 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, the price value at which a purchase option (if relevant) can be exercised, potential relocation costs, asset specific factors and any relevant leasehold improvements or our wider strategy and policy decisions.

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 on 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 2021.

(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 2019	**2,899**	**852**	**3,751**
Additions	309	122	**431**
Depreciation expense	(454)	(563)	**(1,017)**
Terminations	(9)	(155)	**(164)**
Other movements	37	(8)	**29**
Net book value at 30 June 2020, comprising:	**2,782**	**248**	**3,030**
Cost	3,230	612	**3,842**
Accumulated amortisation and impairment	(448)	(364)	**(812)**
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 amortisation and impairment	(890)	(241)	**(1,131)**

In both financial years, 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 derecognition of $20 million (2020: $17 million) right-of-use assets subleased under finance leases, and 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	
	2021	2020
Right-of-use assets		
Land and buildings	9	10
Other	4	2

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 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 2021, the weighted average incremental borrowing rate was 2.3 per cent (2020: 2.5 per cent).

Table C presents maturity analysis of our lease liabilities.

Table C **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Undiscounted future cash flows		
Less than 1 year	566	633
1 to 2 years	577	471
2 to 5 years	1,118	1,105
More than 5 years	1,444	1,560
Total undiscounted lease liabilities	**3,705**	**3,769**
Future finance charges	(400)	(471)
Present value of lease liabilities	**3,305**	**3,298**
Comprising:		
Current	503	611
Non-current	2,802	2,687
	3,305	**3,298**

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 $2,194 million (2020: $2,750 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 the legally non-cancellable lease term (for leases yet to commence) and/or over all extension options exercisable only by us (i.e. excluding holdover periods) for leases already recognised in the statement of financial position and for those yet to commence.

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**	As at 30 June	
	2021	2020
	$m	$m
Amounts recognised in the income statement		
Income from operating subleases (in revenue from other sources)	181	468
Depreciation of right-of-use assets (in depreciation and amortisation expense)	(726)	(1,017)
Interest expense on lease liabilities (in net finance costs)	(83)	(109)
Net gain on sale and leaseback transactions (in other income)	102	4
Net loss on termination and modification of leases (in other expenses)	(189)	(226)
Expense for leases of low value assets and variable payments (in other expenses)	(25)	(30)
Cash outflows for leases		
In cash flows from operating activities	(25)	(30)
In cash flows from financing activities (principal portion)	(706)	(993)
In cash flows from financing activities (interest portion)	(83)	(109)

In December 2020, 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.

During the financial year, we also entered into a number of sale and leaseback transactions for mobile devices subleased to our enterprise customers under a finance lease. We received $9 million in sale proceeds, and recognised a minimal net gain on those transactions.

Net loss on termination of leases mainly includes early termination charges for our mobile handset leases and it 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
- subleases of mobile handsets to our consumer and small business customers.

None of our leases include residual value guarantees. 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 (2020: five 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	
	2021 $m	2020 $m
Undiscounted lease payments receivable under finance leases		
Less than 1 year	89	99
1 to 2 years	64	79
2 to 3 years	38	47
3 to 4 years	22	28
4 to 5 years	22	21
More than 5 years	30	48
Total undiscounted lease payments receivables	**265**	**322**
Less: unearned finance income	(24)	(33)
Net investment in the lease	**241**	**289**
Allowance for doubtful debts	(1)	(1)
	240	**288**
Comprising		
Current	80	90
Non-current	160	198
	240	**288**

During the financial year, we added $61 million (2020: $171 million) new finance lease receivables and recognised interest income of $10 million (2020: $13 million).

Refer to note 3.3.1 for details regarding impairment assessment of our finance lease receivables.

(b) Operating subleases of mobile handsets

In prior financial years, we offered bundles of leased handsets and mobile services to our consumer and small business customers. Leases of those handsets were in back-to-back arrangements with a third party, where Telstra was a lessee. From 25 June 2019, we ceased to offer these mobile bundles, however, we continue to account for them until the earlier of the end of the lease term or customer termination.

As at 30 June 2021, there were no significant future lease payments receivable under those arrangements.

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) (continued)

(c) Amounts recognised in the income statement

Table F presents amounts recognised in the income statement during the financial year relating to our lease arrangements where Telstra is a lessor (including an intermediate lessor).

Table F **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Revenue from dealer-lessor finance leases (in revenue from other sources)	39	122
Income from operating leases, including subleases (in revenue from other sources)	203	474

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 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.

Right-of-use assets cost 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 amortised over the shorter of the useful life of the improvements and the term of the lease.

We reassess lease liability (and a 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 options, 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.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.2 Lease arrangements (continued)

3.2.3 Recognition and measurement (continued)

(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, 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 in addition to the finance lease receivable.

Income from operating leases is recognised on a straight-line basis over the term of the relevant lease and presented as revenue from other sources in the income statement.

(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 right-of-use 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 2021 $m	 2020 $m
Current			
Trade receivables from contracts with customers		3,136	3,248
Finance lease receivables	3.2	80	90
Accrued revenue		325	565
Other receivables		253	355
		3,794	**4,258**
Contract assets	3.5	783	863
		4,577	**5,121**
Non-current			
Trade receivables from contracts with customers		694	977
Finance lease receivables	3.2	160	198
Amounts owed by joint ventures and associated entities	6.2	79	16
Other receivables		51	8
		984	**1,199**
Contract assets	3.5	184	229
		1,168	**1,428**

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 bundled 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 (usually monthly) fee 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.

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

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. We estimate the expected credit loss using one or a combination of a portfolio approach and/or an individual account by account assessment for both receivables and contract assets.

(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 (2020: 0.2 per cent) for balances not past due to 91.0 per cent (2020: 81.7 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 in Telstra InfraCo segment and in 'All Other' category) are separately assessed based on the Australian government credit risk rating.

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 2021, those macroeconomic factors were within the relevant thresholds. There have been no significant COVID-19-specific adjustments to our allowance for impairment this year.

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.

Table B	As at 30 June			
Telstra Group	2021		2020	
	Gross	Allow-ance	Gross	Allow-ance
	$m	$m	$m	$m
Not past due, including measured at:				
- amortised cost	4,266	(47)	3,516	(33)
- fair value	397	-	1,346	-
	4,663	**(47)**	**4,862**	**(33)**
Past due 1 - 30 days	301	(21)	447	(2)
Past due 31 - 60 days	84	(11)	141	(2)
Past due 61 - 90 days	44	(10)	89	(9)
Past 91 days	144	(110)	267	(155)
	5,236	**(199)**	**5,806**	**(201)**

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)

Contract assets are not yet due for collection, thus the entire balance has been included in the 'not past due' category.

Accrued revenue, amounts owed by joint ventures and associated entities, and other receivables (before allowance for doubtful debts) totalling $717 million (2020: $953 million) are subject to impairment assessment using the general approach and include 67 per cent (2020: 79 per cent) of balances with counterparties with an external credit rating of A- or above.

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 2021, 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	
	2021	2020
	$m	$m
Opening balance 1 July	**(210)**	**(152)**
Additional allowance	(121)	(113)
Amount used	26	19
Amount reversed	97	36
Closing balance 30 June	**(208)**	**(210)**

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 $9 million (2020: $9 million).

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 on either of the following basis:

- 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 (applicable to accrued revenue, amounts owed by joint ventures and associated entities, and other receivables), or
- a simplified approach, i.e. lifetime expected credit loss which results from all possible default events over the expected life of a financial instrument (applicable to trade receivables from contracts with customer, contract assets and lease receivables).

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 nbn disconnection fees or from the 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**		As at 30 June	
		2021	2020
	Note	$m	$m
Current			
Contract liabilities	3.5	1,534	1,540
Other revenue received in advance		71	71
		1,605	**1,611**
Non-current			
Contract liabilities	3.5	974	947
Other revenue received in advance		339	255
		1,313	**1,202**

Section 3. Our core assets, lease arrangements and working capital (continued)

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	
	2021	2020
	$m	$m
Current contract assets	783	863
Non-current contract assets	184	229
Total contract assets	**967**	**1,092**
Current contract liabilities	(1,534)	(1,540)
Non-current contract liabilities	(974)	(947)
Total contract liabilities	**(2,508)**	**(2,487)**
Total net contract liabilities	**(1,541)**	**(1,395)**
Increase in net contract liabilities for the year	(146)	(283)

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.

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 overall increase of $146 million (2020: $283 million) in the net contract liabilities incorporated the $1,562 million (2020: $1,722 million) revenue recognised in the reporting period that was included in the contract liabilities balance at the beginning of the period.

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
	Commis-sions	Set-up costs	Costs of service provider	Total	
	$m	$m	$m	$m	$m
Net book value at 1 July 2019, comprising:	**1,085**	**57**	**185**	**242**	**1,327**
Current	n/a	-	95	95	**95**
Non-current	1,085	57	90	147	**1,232**
Additions	607	9	677	686	**1,293**
Amortisation expense	(407)	(19)	(634)	(653)	**(1,060)**
Impairment losses	(124)	-	-	-	**(124)**
Net book value at 30 June 2020, comprising:	**1,161**	**47**	**228**	**275**	**1,436**
Current	n/a	-	82	82	**82**
Non-current	1,161	47	146	193	**1,354**
Net book value at 1 July 2020	**1,161**	**47**	**228**	**275**	**1,436**
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**

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.

Section 3. Our core assets, lease arrangements and working capital (continued)

3.6 Deferred contract costs (continued)

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	
	2021	2020
	$m	$m
Current		
Goods for resale	305	353
Raw materials and network inventory	80	65
	385	**418**
Non-current		
Network inventory	21	28
	21	**28**

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 estimated costs of completion and 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	
	2021	2020
	$m	$m
Current		
Trade payables	1,204	988
Accrued expenses	1,723	1,774
Accrued capital expenditure	280	438
Accrued interest	185	221
Other payables	374	559
	3,766	**3,980**
Non-current		
Other payables	9	4
	9	**4**

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.

As at 30 June 2021, no payables were financed by vendors under the supply chain finance arrangements (2020: $143 million) as this program was closed.

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 dividend to equity holders of the Telstra Entity twice a year, an interim and a final dividend. Table A below provides details of the dividends paid during the financial year.

Table A **Telstra Entity**	Year ended 30 June			
	2021	2020	2021	2020
	$m	$m	cents	cents
Previous year final dividend paid	951	951	8.0	8.0
Interim dividend paid	951	952	8.0	8.0
	1,902	**1,903**	**16.0**	**16.0**

On 12 August 2021, the Directors of Telstra Corporation Limited resolved to pay a fully franked final dividend for the financial year 2021 of 8 cents per ordinary share, comprising a final ordinary dividend of 5 cents and a final special dividend of 3 cents. The final dividend will be fully franked at a tax rate of 30 per cent. The record date for the final dividend will be 26 August 2021, with payment to be made on 23 September 2021. From 25 August 2021, shares will trade excluding entitlement to the dividend.

On 12 August 2021, the Board determined that the Dividend Reinvestment Plan (DRP) will not operate for the final dividend for the financial year 2021.

As at 30 June 2021, the final dividend for the financial year 2021 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 $951 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 $408 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	
	2021	2020
	$m	$m
Franking account balance	29	98
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)	99	207
	128	**305**

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 2022, will be sufficient to fully frank our 2021 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	
	2021	2020
	$m	$m
Contributed equity	4,530	4,530
Share loan to employees	-	(7)
Shares held by employee share plans	(69)	(39)
Net services received under employee share plans	(25)	(33)
	4,436	**4,451**

Section 4. Our capital and risk management (continued)

4.3 Equity (continued)

4.3.1 Share capital (continued)

(a) Contributed equity

As at 30 June 2021, we had 11,893,297,855 (2020: 11,893,297,855) authorised fully paid ordinary shares on issue. Each of our fully paid ordinary shares carries the right to one vote 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) Shares held by employee share plans

As at 30 June 2021, the number of shares held by employee share plans totalled 19,895,768 (2020: 9,107,647).

During the financial year 2021, Telstra Growthshare Pty Ltd (the trustee of the Telstra Growthshare Trust) purchased 11,620,823 shares on-market for the purposes of the employee incentive schemes at the average price per share of $2.88.

It also purchased 1,510,500 shares off-market from Telstra ESOP Trustee Pty Ltd (the trustee of the Telstra Employee Share Ownership Plan Trust II (TESOP99)) on the winding up of that trust, at $3.55 per share, which was the market closing price at the date of purchase. As a result of the off-market purchase, TESOP99 related share loans to employees have been fully repaid.

(c) 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 instruments reserve	General reserve	Total reserves
	$m	$m	$m	$m	$m	$m
Balance at 1 July 2019	**109**	**(209)**	**(21)**	**70**	**(7)**	**(58)**
Other comprehensive income	21	32	(4)	14	-	**63**
Balance at 30 June 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**

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. Non-recourse loans provided to employees to participate in these employee share plans are recorded as a reduction in share capital.

We also record purchases of the Telstra Entity shares underpinning our employee share plan as a reduction in share capital.

4.4 Net debt

As part of our capital management we monitor net debt. Net debt equals total interest-bearing financial liabilities 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	
	2021	2020
	$m	$m
Lease liabilities	(3,305)	(3,298)
Borrowings	(14,136)	(15,829)
Net derivative financial instruments	1,053	1,784
Gross debt	**(16,388)**	**(17,343)**
Cash and cash equivalents	1,125	499
Net debt	**(15,263)**	**(16,844)**

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 2021, except for a breach by one of our subsidiaries on an $8 million loan, which was subsequently repaid in full in January 2021. There are no breaches under any of our borrowing agreements as at 30 June 2021.

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 equity, as shown in the statement of financial position, plus net debt.

Table B Telstra Group	Year ended 30 June	
	2021	2020
	$m	$m
Opening net debt at 1 July	**(16,844)**	**(14,727)**
Debt issuance	(449)	(1,178)
Drawings (bilateral bank loans)	(753)	(2)
Commercial paper (net)	(463)	(255)
Revolving bank facilities (net)	260	(260)
Debt repayments	2,357	2,781
Lease liability payments	706	993
Net cash outflow	**1,658**	**2,079**
Fair value gain/(loss) impacting:		
Equity	15	50
Other expenses	31	(24)
Finance costs	10	(5)
Other non-cash movements		
Lease liability (Telstra as a lessee)	(713)	(4,000)
Other loans	(46)	(112)
Total non-cash movements	**(703)**	**(4,091)**
Total decrease/(increase) in gross debt	**955**	**(2,012)**
Net increase/(decrease) in cash and cash equivalents (includes effects of foreign exchange rate changes)	626	(105)
Total decrease/(increase) in net debt	**1,581**	**(2,117)**
Closing net debt at 30 June	**(15,263)**	**(16,844)**
Total equity	(15,275)	(15,147)
Total capital	**(30,538)**	**(31,991)**
	%	%
Gearing ratio	50.0%	52.7%

Debt issued during the financial year 2021 of $449 million (Australian dollar equivalent), comprised of:

- $414 million proceeds from sale and leaseback (recognised as a financial liability under the accounting standards) of the underlying land and buildings housing the Clayton data centre in Victoria, Australia. The term of this liability is for an initial period of 30 years with two 10-year options to extend the lease.
- $35 million other loans.

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 2021		As at 30 June 2020	
	Carrying value	Fair value	Carrying value	Fair value
	$m	$m	$m	$m
Current borrowings				
Unsecured notes	2,704	2,727	1,956	1,966
Bank and other loans - unsecured	65	65	432	435
Commercial paper - unsecured	862	864	375	378
	3,631	**3,656**	**2,763**	**2,779**
Non-current borrowings				
Unsecured notes	9,425	10,151	12,787	13,963
Bank and other loans - unsecured	667	686	279	285
Other financial liabilities	413	416	-	-
	10,505	**11,253**	**13,066**	**14,248**
Total borrowings	**14,136**	**14,909**	**15,829**	**17,027**

Unsecured notes comprise bonds and private placements.

Other financial liabilities represent amounts arising from sale and leaseback transactions accounted as financial liabilities under the accounting standards.

(a) Recognition and measurement

	Recognition and measurement
Initial recognition and measurement	Borrowings are recognised initially on the trade date (the date on which we become a party to the contractual provisions of the instrument). All loans and borrowings are initially recorded at fair value, which typically reflects the proceeds received, net of directly attributable transaction costs.
Subsequent measurement	After initial recognition, all interest-bearing loans and 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. Loans or borrowings that are in designated fair value hedge relationships are adjusted for fair value movements attributable to the hedged risk. Refer to note 4.5.5 for our hedging policies. Gains or losses are recognised in the income statement when the loan or borrowing is derecognised.
Derecognition	Borrowings are derecognised when our contractual obligations are discharged, canceled or expired.

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.

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 2021		As at 30 June 2020	
	Assets	Liabilities	Assets	Liabilities
	$m	$m	$m	$m
Current derivative financial instruments				
Cross currency swaps	552	-	128	-
Interest rate swaps	42	(15)	18	(2)
Forward foreign exchange contracts	30	(11)	1	(52)
	624	**(26)**	**147**	**(54)**
Non-current derivative financial instruments				
Cross currency swaps	728	(223)	1,781	(91)
Interest rate swaps	58	(108)	230	(229)
	786	**(331)**	**2,011**	**(320)**
Total derivative financial instruments	**1,410**	**(357)**	**2,158**	**(374)**

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

Initial recognition and subsequent measurement	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. Refer to note 4.5.6 for details on the determination of fair value.
Right to set-off	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 • enter into master netting arrangements relating to a number of financial instruments, have a legal right of set-off, and intend to exercise that right. For our interest rate swaps, we do not offset the receivable or payable with the underlying financial asset or financial liability being hedged as the transactions are usually with different counterparties and are not generally settled on a net basis.
Derecognition	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. Derivative liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.
Impact to the income statement	The method of recognising the resulting gain or loss depends on the designation of the derivative as a hedging instrument and the nature of the item being hedged.

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 either amortised cost or 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	
	2021	2020
	$m	$m
Interest income	12	13
Finance income from finance leases (Telstra as a lessor)	10	13
Finance income from contracts with customers	79	244
Net interest income on defined benefit plan	2	4
Total finance income	**103**	**274**
Interest expense on borrowings	(518)	(678)
Interest expense on lease liabilities	(83)	(109)
Gross interest on debt	**(601)**	**(787)**
Finance costs from contracts with customers	(134)	(326)
Net gains on financial instruments included in remeasurements	26	11
	(108)	**(315)**
Interest capitalised	55	57
Total finance costs	**(654)**	**(1,045)**
Net finance costs	**(551)**	**(771)**

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 2020.

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 2021		As at 30 June 2020	
	Pre hedge	Post hedge	Pre hedge	Post hedge
	$m	$m	$m	$m
Floating rate borrowings	(1,321)	(5,236)	(980)	(6,035)
Fixed rate borrowings	(12,402)	(8,487)	(14,849)	(9,794)
Other financial liabilities	(413)	(413)	-	-
Total borrowings	**(14,136)**	**(14,136)**	**(15,829)**	**(15,829)**

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, showing estimated gross nominal floating rate interest cash flows until maturity, associated nominal amounts in the underlying currency and weighted average maturity.

Our net exposure on these financial instruments is to Australian dollar BBSW as receive and pay cash flows denominated in foreign currency are perfectly matched.

Table B **Telstra Group**			As at June 2021			As at June 2020		
	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	7	2,223	1.4	9	2,283	2.3
3MBBSW	AUD	Pay	(3)	(50)	2.5	(4)	(50)	3.5
3MEURIBOR	EUR	Pay	(17)	(1,750)	1.1	(49)	(2,250)	1.8
3MLIBOR	USD	Pay	(6)	(1,000)	0.3	(28)	(1,000)	1.3
Cross currency swaps								
3MBBSW	AUD	Pay	(381)	(5,495)	2.5	(428)	(6,313)	3.1
3MEURIBOR	EUR	Receive	17	1,750	1.1	49	2,250	1.8
3MLIBOR	USD	Receive	6	1,000	0.3	28	1,000	1.3
Net								
3MBBSW	AUD	Pay	**(377)**	**(3,322)**		**(423)**	**(4,080)**	

(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 (2020: 100 basis points) and minus 25 basis points (2020: 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			
	2021		2020	
	Basis point		Basis point	
	Gain/(loss)			
	Net profit/ (loss)	Equity	Net profit/ (loss)	Equity
	$m	$m	$m	$m
Interest rates (+100bp)	(28)	(11)	(36)	37
Interest rates (-25bp)	7	3	10	(10)

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.

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 cross currency swaps.

Table D shows the Australian dollar equivalent carrying value of offshore bonds and private placements by underlying currency.

Table D **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Euro	(7,511)	(8,697)
United States dollar	(3,321)	(3,628)
Japanese yen	(62)	(138)
Other	(194)	(248)
Total offshore bonds and private placements	**(11,088)**	**(12,711)**

As at 30 June 2021, we also held $650 million (2020: $260 million) United States dollar denominated commercial paper with an Australian dollar equivalent carrying value of $862 million (2020: $375 million). Commercial paper denominated in United States dollars was converted into Australian dollars using foreign exchange swaps.

(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 the impact of outstanding forward foreign exchange contracts that are hedging our transactional currency exposures.

Table E **Telstra Group**	As at 30 June 2021				As at 30 June 2020			
	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	$
Commercial paper borrowings								
United States dollars	(650)	650	(858)	0.76	(260)	260	(396)	0.66
Transactions to and from WOCE								
British pounds sterling	(38)	19	(34)	0.54	(27)	30	(54)	0.55
United States dollars	-	-	-	-	(372)	200	(314)	0.64
Other (various currencies)	-	-	10	-	-	-	6	-
Forecast transactions								
United States dollars	(340)	157	(200)	0.78	(447)	195	(289)	0.66
Indian rupee	(6,999)	2,800	(47)	59.60	(1,413)	565	(11)	51.95
Philippine peso	(1,188)	475	(13)	37.92	-	-	-	-
Trade payables								
United States dollars	(52)	52	(67)	0.78	(65)	65	(98)	0.67
Total in Australian dollars			**(1,209)**				**(1,156)**	

At 30 June 2021, we also have a $438 million United States dollar liability exposure relating to transactions with wholly-owned controlled entities (WOCE) that is partially hedged with a $175 million bank deposit in the same currency. For the financial year 2020 this exposure was hedged using forward foreign exchange contracts.

(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			
	2021		2020	
	Gain/(loss)			
	Net profit/ (loss)	Equity	Net profit/ (loss)	Equity
	$m	$m	$m	$m
Exchange rates (+10%)	40	(33)	26	(56)
Exchange rates (-10%)	(49)	40	(32)	68

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.

4.5 Financial instruments and risk management (continued)

4.5.2 Managing our foreign currency risk (continued)

(d) Sensitivity (continued)

Any unhedged foreign exchange positions associated with our transactional exposures will directly affect profit or loss as a result of foreign currency movements.

Our largest concentration of foreign currency risk on our offshore borrowings is attributable to the Euro and United States dollar. However, there is no significant impact on profit or loss from foreign currency movements associated with our borrowings portfolio in effective fair value or cash flow hedges 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.

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 7.3.3.

(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. 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 and how we manage customer credit risk.

(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 2021, 94 per cent (2020: 95 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 2021, $200 million will mature 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	
	2021	2020
	$m	$m
Facilities available	2,800	4,090
Facilities used	(300)	(260)
Facilities unused	**2,500**	**3,830**

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.

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	Contractual maturity									
Telstra Group	As at 30 June 2021					As at 30 June 2020				
	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	(2,658)	(2,084)	(4,331)	(2,957)	**(12,030)**	(1,932)	(2,820)	(5,464)	(4,302)	**(14,518)**
Commercial paper	(865)	-	-	-	**(865)**	(377)	-	-	-	**(377)**
Bank and other loans	(65)	(227)	(440)	-	**(732)**	(432)	(53)	(227)	-	**(712)**
Other financial liabilities	(18)	(20)	(55)	(725)	**(818)**	-	-	-	-	**-**
Interest on unsecured notes, bank and other loans	(339)	(241)	(386)	(125)	**(1,091)**	(809)	(348)	(702)	(214)	**(2,073)**
Lease liabilities	(566)	(577)	(1,118)	(1,444)	**(3,705)**	(633)	(471)	(1,105)	(1,560)	**(3,769)**
Trade/other payables and accrued expenses	(3,766)	(9)	-	-	**(3,775)**	(3,980)	(4)	-	-	**(3,984)**
Derivative financial assets	4,046	1,784	4,580	2,511	**12,921**	2,504	2,972	5,384	3,920	**14,780**
Derivative financial liabilities	(3,541)	(1,517)	(4,422)	(2,756)	**(12,236)**	(2,474)	(2,314)	(4,650)	(3,945)	**(13,383)**
Total	**(7,772)**	**(2,891)**	**(6,172)**	**(5,496)**	**(22,331)**	**(8,133)**	**(3,038)**	**(6,764)**	**(6,101)**	**(24,036)**

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 impact of 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 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.	

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	
	2021	2020
	$m	$m
Borrowings by hedge designation		
Fair value hedges	(3,912)	(5,052)
Cash flow hedges	(7,029)	(7,522)
Not in a hedge relationship	(3,195)	(3,255)
Total borrowings	**(14,136)**	**(15,829)**
Lease liabilities	(3,305)	(3,298)
Total borrowings and lease liabilities	**(17,441)**	**(19,127)**
Derivative assets by hedge designation		
Fair value hedges	622	945
Cash flow hedges	769	1,213
Not in a hedge relationship	19	-
Total derivative assets	**1,410**	**2,158**
Derivative liabilities by hedge designation		
Fair value hedges	(109)	(50)
Cash flow hedges	(237)	(279)
Not in a hedge relationship	(11)	(45)
Total derivative liabilities	**(357)**	**(374)**
Total gross debt	**(16,388)**	**(17,343)**

The principal value of our gross debt on an equivalent basis is $16,070 million (2020: $17,018 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 2021.

(a) Derivatives not in a formal 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	
	2021	2020
	$m	$m
Principal value	(3,792)	(4,799)
Unamortised discounts/premiums	10	8
Amortised cost	**(3,782)**	**(4,791)**
Cumulative fair value hedge adjustments	(130)	(261)
Carrying amount	**(3,912)**	**(5,052)**

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	
	2021	2020
	(Gain)/ loss	(Gain)/ loss
	$m	$m
Remeasurement of hedged item used to measure ineffectiveness	(254)	(111)
Change in value of hedging instruments	249	122
Net (gain)/loss before tax from ineffectiveness	**(5)**	**11**
Net (gain)/loss after tax	(4)	8

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 (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 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	
	2021	2020
	$m	$m
Changes in fair value of cash flow hedges	(515)	72
Changes in fair value transferred to other expenses	439	(115)
Changes in fair value transferred to goods and services purchased	16	(27)
Changes in fair value transferred to finance costs	124	128
Changes in fair value transferred to property, plant and equipment	4	(4)
Cash flow hedging reserve	**68**	**54**
Income tax on movements in the cash flow hedging reserve	(20)	(16)
	48	**38**

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 and represent our foreign currency exposures at the reporting date.

Table M **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Non-capital items		
Within 1 year	(556)	(592)
Capital items		
Within 1 year	(55)	(85)
Borrowings		
Within 1 year	(1,491)	(275)
Within 1 to 5 years	(4,498)	(5,086)
After 5 years	(1,687)	(3,061)
	(8,287)	**(9,099)**

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 2021, 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, due to the variability of the contractual cash flows, 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 that reflects current market assessments of the time value of money and the risks specific to the asset. Expected cash flows are estimated based on the terms of the customer contract taking into account possible variations in the amount and timing of cash flows. The discount rate is 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 2021				As at 30 June 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Assets								
Trade receivables from contracts with customers	-	-	397	**397**	-	-	1,346	**1,346**
Derivative financial instruments	-	1,410	-	**1,410**	-	2,158	-	**2,158**
Investments in unlisted securities	-	-	15	**15**	-	-	21	**21**
	-	**1,410**	**412**	**1,822**	**-**	**2,158**	**1,367**	**3,525**
Liabilities								
Derivative financial instruments	-	(357)	-	**(357)**	-	(374)	-	**(374)**
	-	**(357)**	**-**	**(357)**	**-**	**(374)**	**-**	**(374)**
Total	**-**	**1,053**	**412**	**1,465**	**-**	**1,784**	**1,367**	**3,151**

Fair value of borrowings presented in Table C in note 4.4.1 was measured using level 2 inputs.

Table O details movements in trade receivables from contracts with customers measured using level 3 inputs.

Table O **Telstra Group**	Year ended 30 June	
	2021	2020
	$m	$m
Opening balance 1 July	**1,346**	**1,506**
Originated during the period	-	1,564
Settlements by customers	(960)	(1,756)
Net interest income recognised in the income statement	4	37
Remeasurements recognised in the income statement	7	(5)
Closing balance 30 June	**397**	**1,346**

We recognise trade receivables from contracts with customers as part of our ordinary activities. Settlements of those receivables are part of the receipts from customers in the operating cash flows.

Section 4. Our capital and risk management (continued)

4.5 Financial instruments and risk management (continued)

4.5.7 Offsetting and netting arrangements

Table P 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 P **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 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**
	As at 30 June 2020					
Trade and other receivables and contract assets	328	77	**251**	67	10	**174**
Trade and other payables	(246)	(77)	**(169)**	(67)	-	**(102)**
Derivative financial assets	2,158	-	**2,158**	344	-	**1,814**
Derivative financial liabilities	(374)	-	**(374)**	(344)	-	**(30)**
Total	**1,866**	**-**	**1,866**	**-**	**10**	**1,856**

Our rights of set-off that are not otherwise included in column B, 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	
	2021	2020
	$m	$m
Accrued labour and on-costs	515	424
Current employee benefits	682	727
Non-current employee benefits	150	127
	1,347	**1,278**

No provisions for redundancies were recognised as at 30 June 2021 (2020: nil).

Long service leave provision

We applied judgement to determine the following key assumptions used in the calculation of long service leave entitlements:

- 3 per cent (2020: 3.5 per cent) weighted average projected increases in salaries
- 2.5 per cent (2020: 2.3 per cent) discount rate.

The discount rate used to calculate the present value has been determined by reference to market yields at 30 June 2021 on nine year (2020: 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 an unconditional right 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	
	2021	2020
	$m	$m
Leave obligations expected to be settled after 12 months	398	435

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 those 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 and employees 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
- retention 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.

Retention rights are rights to Telstra shares subject to satisfaction of service conditions.

Telstra has discretion to provide the holder with a share or a cash amount equivalent to the value of a share on vesting of a performance right and retention right. Further information can be found in note 5.2.1.

Table A below provides a summary of the instruments granted under the main equity-settled employee share plans outstanding at 30 June 2021.

Table A Telstra Group **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 2021**
EVP restricted shares	FY21	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 FY21 are expected to be allocated in the first half of the FY22
	FY20	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	1,694,774
	FY19	One tranche restricted for two years from the end of the initial performance period	n/a	n/a	1,252,021
Short-term incentive (STI) restricted shares	FY21 FY20 FY19 FY18	One tranche restricted for three years from the end of the performance period	n/a	n/a	6,325,934

Section 5. Our people (continued)

5.2 Employee share plans (continued)

Table A (continued) Telstra Group **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 2021**
EVP performance rights	FY21	n/a	30 June 2025	Relative Total Shareholder Return (RTSR)	The performance rights for FY21 are expected to be allocated in the first half of the FY22
	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 2021 50% 30 June 2022	RTSR	416,541
Retention rights	FY19	Two tranches restricted until 31 December 2019 and 30 June 2021	n/a	n/a	7,412,658

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 or retention 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 RTSR is set out in the Remuneration Report Glossary.

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 FY21 EVP structure.

The allocation of restricted shares and performance rights under the FY21 EVP is expected to be made shortly after the 2021 Annual General Meeting. Shareholder approval will be sought at the 2021 Annual General Meeting for the CEO's FY21 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)

Table A lists the restriction periods for each EVP restricted share plans. 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 four or five year period (refer to Table A for testing dates) inclusive of the initial one year performance period.

The 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.

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)

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 50 per cent of FY18 EVP performance rights as at 30 June 2021 resulted in all performance rights lapsing due to RTSR performance hurdle not being met.

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)

As at 30 June 2021 we recorded a $4 million liability (2020: $4 million) pertaining to the outstanding cash rights issued to certain former executives that ceased employment for a permitted reason in prior financial years.

(b) Retention rights (equity-settled)

Telstra issued 13 million retention rights to eligible employees in the financial year 2019. Five million of those retention rights vested in the financial year 2020 and the remaining seven million vested on 30 June 2021.

(c) STI restricted shares

Under the STI arrangements, 25 per cent of an eligible executive's actual STI payment is provided as restricted shares which are restricted for three years from the end of the performance period.

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 2021, with a final number of shares to be allocated shortly after Telstra's 2021 Annual General Meeting. The estimated fair value per share granted in the financial year 2021 was $3.75 (2020: $3.44).

(b) EVP performance rights

Table B provides a weighted average of the inputs used in measuring the fair value of EVP performance rights at grant date.

Table B	Year ended 30 June	
Telstra Group	2021	2020
Share price	$3.28	$3.87
Risk free rate	0.37%	0.67%
Dividend yield	5.58%	5.22%
Expected life in years	4.6 years	4.9 years
Expected stock volatility	22%	19%
Fair value ($)	$1.63	$1.91

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 the expense over the relevant vesting period in the income statement 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.

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	We measure the value of the award 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	
	2021	2020
	$m	$m
Fair value of defined benefit plan assets	1,704	1,781
Present value of the defined benefit obligation	1,559	1,666
Net defined benefit asset	**145**	**115**
Attributable to:		
Telstra Super	155	123
Other	(10)	(8)
	145	**115**

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 Australia's 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	
	2021	2020
	$m	$m
Fair value of defined benefit plan assets at the beginning of the year	**1,781**	**2,108**
Employer contributions	15	15
Member contributions	18	24
Benefits paid (including contributions tax)	(226)	(400)
Plan expenses after tax	(6)	(7)
Interest income on plan assets	35	49
Actual asset gain/(loss)	87	(8)
Fair value of defined benefit plan assets at the end of the year	**1,704**	**1,781**

(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	
	2021	2020
	$m	$m
Present value of defined benefit obligation at the beginning of the year	**1,658**	**1,876**
Current service cost	51	61
Interest cost	33	45
Member contributions	7	10
Past service (credit)	(1)	(8)
Benefits paid	(226)	(400)
Actuarial loss due to change in financial assumptions	(9)	49
Actuarial loss due to change in demographic assumptions	-	1
Actuarial loss due to experience	36	24
Present value of wholly funded defined benefit obligation at the end of the year	**1,549**	**1,658**

The actual return on defined benefit plan assets was 5.8 per cent (2020: 1.5 per cent).

Net actuarial gain recognised in other comprehensive income for Telstra Super amounted to $60 million (2020: $82 million net loss).

As a result of restructuring program, we settled the defined benefit plan obligations relating to the employees impacted by the redundancy and recognised a $1 million gain (2020: $8 million) on settlement. This is reflected in the past service credit.

Section 5. Our people (continued)

5.3 Post-employment benefits (continued)

5.3.2 Telstra Superannuation Scheme (Telstra Super) (continued)

(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	
	2021	2020
	%	%
Asset allocations		
Equity instruments		
Australian equity [1]	9	6
International equity [1]	10	7
Private equity	2	2
Debt instruments		
Fixed interest [1]	64	63
Other		
Property	10	9
Cash and cash equivalents	5	11
Other	-	2
	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 2021, Telstra Super owned 56,797,514 (2020: 49,396,553) shares in the Telstra Entity at a cost of $181 million (2020: $184 million) and a market value of $214 million (2020: $155 million). All these shares were fully paid at 30 June 2021. During the financial year 2021, we paid a dividend to Telstra Super of $8 million (2020: $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 2021, these securities had a cost of $10 million (2020: $16 million) and a market value of $10 million (2020: $17 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:

- 2.5 per cent (2020: 2.5 per cent) average expected rate of increase in future salaries
- 2.2 per cent (2020: 2.1 per cent) discount rate.

We have used an eight year (2020: 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 2021 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	(107)	122
Expected rate of increase in future salaries	107	(97)

(e) Employer contributions

During the financial year, we paid contributions totalling $15 million (2020: $15 million) at the average rate of five per cent (2020: five per cent) to our defined benefit divisions, following recommendations from the actuary of Telstra Super.

The current five per cent contribution rate is subject to review in the upcoming actuarial review as at 30 June 2021, to be completed by 31 December 2021. It could change depending on market conditions and actuarial review during the financial year 2022.

5.3 Post-employment benefits (continued)

5.3.2 Telstra Superannuation Scheme (Telstra Super) (continued)

(e) Employer contributions (continued)

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	
	2021	2020
	%	%
Within 1 year	7	13
Between 1 and 4 years	23	22
Between 5 and 9 years	26	23
Between 10 and 19 years	39	36
After 20 years	5	6
	100	**100**

The weighted average duration of the defined benefit plan obligations at the end of the reporting period was eight years (2020: 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

(i) 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 2021 and 2020, the aggregate compensation of our KMP was:

Telstra Group	As at 30 June	
	2021	2020
	$000	$000
Short-term employee benefits	19,075	18,052
Post-employment benefits	311	301
Other long-term benefits	772	555
Termination benefits	1,154	1,100
Share-based payments	8,534	5,826
	29,846	**25,834**

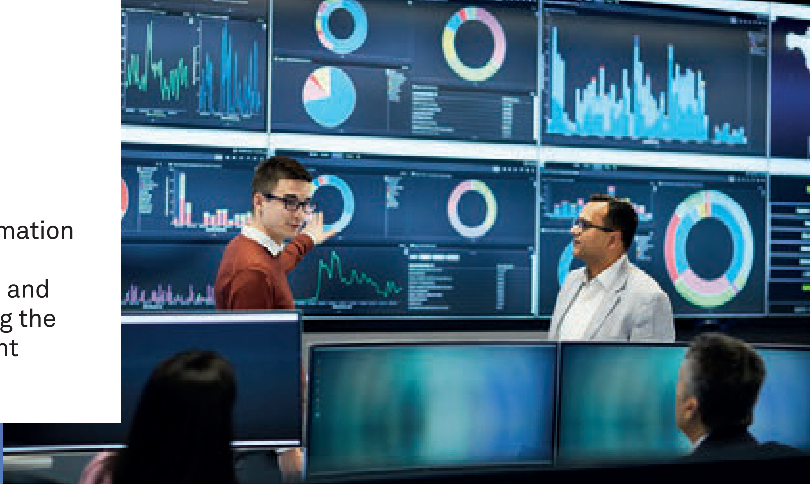
Refer to the Remuneration Report, which forms part of the Directors' Report for further details regarding KMP remuneration.

5.4.2 Other transactions with our KMP and their related parties

During the financial years 2021 and 2020, 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 Investments in controlled entities

6.1.1 Investments in controlled entities

Telstra Group has a direct or indirect interest in over 150 subsidiaries with our international presence spanning over 20 countries. We have controlled entities in Australia, North Asia, South 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.

As at 30 June 2021, our controlled entity The Exchange Trust, which holds a portfolio of 36 Telstra exchanges in Australia, had a 49 per cent (2020: 49 per cent) non-controlling interest balance of $700 million (2020: $700 million). The trustee of the property trust is Merricks NewCo Pty Ltd, our wholly-owned controlled entity. During the financial year 2021 we paid the minority unit holder of the trust a $30 million (2020: $23 million) dividend.

A complete list of our controlled entities is available online at www.telstra.com/investor.

6.1.2 Acquisition of Epicon

On 30 November 2020, we acquired 100% of Epicon IT Solutions Pty Ltd (including its wholly owned subsidiary, Service Potential Pty Ltd) and Epicon Software Pty Ltd via a share purchase for an upfront consideration of $25 million. The Epicon companies provide IT management services to large enterprise and government customers.

6.1.3 Sale of controlled entities and other businesses

In December 2020, we disposed of Telstra's Velocity business providing high speed broadband to Telstra Velocity estates and South Brisbane Exchange (Velocity) regions. The $140 million sales proceeds are receivable in instalments, with $85 million received in December 2020 and the remainder over a three-year period. Following the disposal, we will lease back the assets sold until the network integration and customer transition work is completed in each region, 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. Refer to note 2.4.1 for details on deferred tax impact.

In total during the financial year 2021 we have deconsolidated $186 million assets and $98 million liabilities on disposal of controlled entities and other businesses.

6.1.4 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
- Bridge Point Communications Pty Ltd
- Epicon IT Solutions Pty Ltd
- Kloud Solutions Pty Ltd
- Merricks NewCo Pty Ltd
- Mobile Tracking and Data Pty Ltd
- MTData Holdings Pty Ltd
- Network Design and Construction Limited
- O2 Networks Pty Ltd
- Pacnet Internet (A) Pty Ltd
- Telstra Broadcast Services Pty Limited
- Telstra Communications Limited
- Telstra Energy (Holdings) Pty Ltd
- Telstra Energy (Retail) Pty Ltd
- Telstra Energy (Generation) Pty Ltd
- Telstra Purple Pty Ltd
- Telstra Health Pty Ltd
- Telstra Holdings Pty Ltd
- Telstra International (Aus) Limited
- Telstra Multimedia Pty Limited
- Telstra Pay TV Pty Ltd
- Telstra Plus Pty Ltd
- Telstra Services Solutions Holdings Limited
- Telstra Software Group Pty Ltd
- Telstra Ventures Pty Limited
- Virtual Machine Technology Pty Ltd.

The following entities were added as parties to the Deed via an assumption deed on 13 May 2021 and are also part of the Closed Group:

- Epicon IT Solutions Pty. Ltd.
- Telstra Energy (Holdings) Pty Ltd
- Telstra Energy (Retail) Pty Ltd
- Telstra Energy (Generation) Pty Ltd.

Section 6. Our investments (continued)

6.1 Investments in controlled entities (continued)

6.1.4 Deed of cross guarantee (continued)

On 18 March 2021, a revocation deed was lodged with ASIC to revoke and release O2 Networks Pty Ltd and Virtual Machine Technology Pty Ltd from the Deed in preparation for the voluntary deregistration of these entities. The revocation deed will take effect on the day following expiration of six months from the date of lodgement with ASIC, at which point these entities will cease being members of the Closed Group.

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.

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	
	2021	2020
	$m	$m
Current assets		
Cash and cash equivalents	936	489
Trade and other receivables and contract assets	3,843	4,330
Deferred contract costs	109	78
Inventories	364	398
Derivative financial assets	624	147
Prepayments	255	211
Total current assets	**6,131**	**5,653**
Non-current assets		
Trade and other receivables and contract assets	1,175	1,429
Deferred contract costs	1,342	1,354
Inventories	21	28
Investments – controlled entities	3,112	3,165
Investments – accounted for using the equity method	1,036	909
Investments – other	10	16
Property, plant and equipment	20,032	20,567
Right-of-use assets	2,649	2,823
Intangible assets	5,982	6,138
Derivative financial assets	786	2,011
Defined benefit asset	155	123
Total non-current assets	**36,300**	**38,563**
Total assets	**42,431**	**44,216**
Current liabilities		
Trade and other payables	3,425	3,528
Employee benefits	665	710
Other provisions	85	123
Lease liabilities	455	553
Borrowings	4,761	3,951
Derivative financial liabilities	26	54
Current tax payables	103	209
Contract liabilities and other revenue received in advance	1,523	1,522
Total current liabilities	**11,043**	**10,650**
Non-current liabilities		
Other payables	5	4
Employee benefits	149	126
Other provisions	118	135
Lease liabilities	2,577	2,485
Borrowings	11,913	14,465
Derivative financial liabilities	331	320
Deferred tax liabilities	1,529	1,546
Contract liabilities and other revenue received in advance	774	613
Total non-current liabilities	**17,396**	**19,694**
Total liabilities	**28,439**	**30,344**
Net assets	**13,992**	**13,872**
Equity		
Share capital	4,436	4,451
Reserves	243	19
Retained profits	9,313	9,402
Equity available to the closed group	**13,992**	**13,872**

Table B **Closed Group**	Year ended 30 June	
	2021	2020
	$m	$m
Profit for the year for the Closed Group	**1,745**	**1,710**
Total other comprehensive income for the Closed Group	**267**	**(9)**
Total comprehensive income for the year for the Closed Group	**2,012**	**1,701**

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	
	2021	2020
	$m	$m
Retained profits at the beginning of the financial year available to the Closed Group	**9,402**	**9,702**
Effect on retained profits from addition of entities to the Closed Group	23	(2)
Effect on retained profits from removal of entities to the Closed Group	3	(48)
Total comprehensive income recognised in retained profits	1,787	1,653
Dividend	(1,902)	(1,903)
Retained profits at the end of the financial year available to the Closed Group	**9,313**	**9,402**

Section 6. Our investments (continued)

6.2 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.

Table A **Telstra Group**	As at 30 June			
	Joint ventures		Associated entities	
	2021	2020	2021	2020
	$m	$m	$m	$m
Carrying amount of investments at beginning of year	**266**	**348**	**631**	**950**
Additions	79	28	13	5
Disposals	-	-	(153)	(4)
Net impairment loss recognised in the income statement	-	-	(30)	-
	345	**376**	**461**	**951**
Share of net loss	(8)	(9)	(16)	(296)
Share of distributions	(51)	(117)	(8)	(18)
Share of reserves	292	16	3	(6)
Carrying amount of investments at end of year	**578**	**266**	**440**	**631**

Net impairment loss recognised in the income statement includes $34 million (2020: nil) impairment loss recognised on the remeasurement of our investment in Project Sunshine I Pty Ltd to its fair value less costs to sell at 31 December 2020. Refer to note 6.1.3 for further details on disposal of this investment.

Share of net loss for the financial year includes nil impairment of our investments in associated entities (2020: $308 million impairment of our investment in NXE Australia Pty Limited).

Share of joint ventures' reserves includes $292 million (2020: $16 million) of our share of other comprehensive income.

Section 6. Our investments (continued)

6.2 Investments in joint ventures and associated entities (continued)

6.2.1 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	
			2021	2020
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
ProQuo Pty Ltd	Digital marketplace for small businesses	Australia	45.0	45.0
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
Digitel Crossing Inc.	Telecommunication services	Philippines	48.0	48.0
enepath (Group Holdings) Pte Ltd	Trading turret and calling software provider	Singapore	-	28.1
NXE Australia Pty Limited	Pay television	Australia	35.0	35.0
Pacific Carriage Holdings Limited	Network cable provider	Australia	25.0	25.0
Pacific Carriage Holdings Limited Inc.	Network cable provider	Australia	25.0	25.0
Pivotal Labs Sydney Pty Ltd	Software development	Australia	20.0	20.0
Project Sunshine I Pty Ltd	Holding entity of Sensis Pty Ltd (directory services)	Australia	-	30.0
Southern Cross Cables Holdings Limited	Network cable provider	Australia	25.0	25.0
Telstra Super Pty Ltd	Superannuation trustee	Australia	100.0	100.0
Telstra Ventures Fund III, L.P.	Venture capital	Guernsey	55.0	-

Section 6. Our investments (continued)

6.2 Investments in joint ventures and associated entities (continued)

6.2.1 List of our investments in joint ventures and associated entities (continued)

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.

(a) Additions

On 21 April 2021, we acquired 55 per cent interest in Telstra Ventures Fund III, L.P., which is accounted as an associated entity. As at 30 June 2021, the investment value of the fund was $9 million.

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.

(b) Disposals

On 25 September 2020 and on 2 March 2021 respectively, we sold our investments in enepath (Group Holdings) Pte Ltd and in Project Sunshine I Pty Ltd. Refer to note 6.1.3 for further details regarding the disposal of our investment in Project Sunshine I Pty Ltd.

(c) NXE Australia Pty Limited

Telstra has a 35 per cent interest in NXE Australia Pty Limited, 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 Australia Pty Limited and its controlled entities for the financial year 2021 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 Australia Pty Limited 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	Year ended 30 June	
NXE Australia Pty Limited	2021	2020
	$m	$m
Current assets	575	530
Non-current assets	4,039	4,563
Current liabilities	(756)	(763)
Non-current liabilities	(2,847)	(3,182)
Equity	**1,011**	**1,148**
Telstra's share in equity 35% (2020: 35%)	354	402
Equity accounting adjustments	61	28
Telstra's carrying amount of the investment	**415**	**430**
Revenue	2,767	2,801
Operating expenses	(2,958)	(3,893)
Loss before tax	**(191)**	**(1,092)**
Income tax benefit	54	7
Loss for the year	**(137)**	**(1,085)**
Other comprehensive income	9	(16)
Total comprehensive income for the year	**(128)**	**(1,101)**
Equity accounting adjustments	86	143
Adjusted comprehensive income for the period	(42)	(958)
Telstra's share of comprehensive income for the year (35%)	**(15)**	**(335)**

Section 6. Our investments (continued)

6.2 Investments in joint ventures and associated entities (continued)

6.2.2 Other joint ventures and associated entities

Table D presents our share of the aggregate financial information of joint ventures and associated entities.

Table D	Year ended/As at 30 June			
Telstra Group	Joint ventures		Associated entities	
	2021	2020	2021	2020
	$m	$m	$m	$m
Carrying amount of investment	**578**	**266**	**440**	**631**
Group's share of:				
Loss	(8)	(12)	(16)	(294)
Other comprehensive income	292	13	3	(6)
Total comprehensive income	**284**	**1**	**(13)**	**(300)**

Impairment of equity accounted investments

We apply judgement to determine the recoverable amount of the investments using a 'value in use' method. Significant assumptions include selection of terminal growth rate and discount rate based on past experience and our expectations for the future.

6.2.3 Suspension of equity accounting

Table E presents our unrecognised share of profits/(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	Year ended 30 June			
Telstra Group	Period	Cumula -tive	Period	Cumula -tive
	2021	2021	2020	2020
	$m	$m	$m	$m
Joint ventures				
Reach Limited	(3)	(553)	(3)	(550)
Associated entities				
Australia-Japan Cable Holdings Limited	(1)	(68)	2	(67)
	(4)	**(621)**	**(1)**	**(617)**

6.2.4 Transactions with our joint ventures and associated entities

We transact with our associate NXE Australia Pty Limited and its subsidiaries (NXE Group). A summary of the key transactions with those entities is provided below.

(a) Sale and purchase of goods and services

We sold and purchased goods and services, and received 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 pay television services amounting to $625 million (2020: $706 million) from NXE Group. 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 Foxtel broadband system services, network access services and other professional services for $109 million (2020: $123 million) and wholesale services for $64 million (2020: $57 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 2021 the balance drawn under this facility was $79 million (2020: $16 million).

(c) Trade payables

As at 30 June 2021, we had $58 million (2020: $62 million) trade payables to NXE Group for purchases of pay television services.

6.2.5 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 basis 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	
	2021	2020
	$m	$m
Fees to Ernst & Young (Australia)		
Category 1	8.272	7.741
Category 3	2.806	2.009
Category 4	0.407	0.107
Total fees to Ernst & Young (Australia)	**11.485**	**9.857**
Fees to other overseas member firms of Ernst & Young (Australia)		
Category 1	2.349	2.429
Category 2	0.049	0.054
Category 4	0.069	0.054
Total fees to overseas member firms of Ernst & Young (Australia)	**2.467**	**2.537**
Total auditor's remuneration	**13.952**	**12.394**

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 and various agreed-upon procedures services.

Services in Category 4 included tax services 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 Other provisions

The table below provides a summary of our current and non-current other provisions.

Telstra Group	As at 30 June	
	2021	2020
	$m	$m
Current other provisions	87	124
Non-current other provisions	126	143
	213	**267**

7.2.1 Provision for Australian Competition and Consumer Commission (ACCC) investigation

In June 2020, we raised a $50 million provision for any potential penalties arising from the investigation by the ACCC into our sales, complaint handling and debt collection practices, with a specific focus on conduct towards Indigenous Australians, including in particular locations in the NT, WA, QLD, NSW and SA. The penalty was paid in June 2021 subsequent to its approval by the Federal Court.

Refer to note 7.3.3 for further details regarding contingent liabilities related to investigations by regulators.

7.3 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	
	2021	2020
	$m	$m
Statement of financial position		
Total current assets	7,302	6,248
Total non-current assets	38,425	41,352
Total assets	**45,727**	**47,600**
Total current liabilities	14,753	14,025
Total non-current liabilities	16,811	19,592
Total liabilities	**31,564**	**33,617**
Share capital	4,436	4,451
Cash flow hedging reserve	(126)	(177)
Foreign currency basis spread reserve	(63)	(25)
General reserve	201	201
Retained profits	9,715	9,533
Total equity	**14,163**	**13,983**

Section 7. Other information (continued)

7.3 Parent entity disclosures (continued)

Table B **Telstra Entity**	Year ended 30 June	
	2021	2020
	$m	$m
Statement of comprehensive income		
Profit for the year	2,042	1,764
Total comprehensive income	2,097	1,735

Total non-current assets include $150 million (2020: $329 million) impact of impairment losses recognised during the financial year. Within that amount, impairment losses relating to our associated entities were $34 million (2020: $308 million), and relating to our controlled entities amounted to $106 million (2020: $16 million). The latter has been eliminated on consolidation of the Telstra Group. Refer to note 6.2 for further details regarding impairment of our associated entities.

7.3.1 Strategic partner in Telstra's towers business

On 30 June 2021, we announced that a consortium comprising the Future Fund, Commonwealth Superannuation Corporation and Sunsuper will become a strategic partner in Telstra's towers business after agreeing to acquire a 49 per cent interest. At completion of the transaction we expect to receive net cash proceeds after transaction costs of $2.8 billion. There are no conditions precedent to completion, however, to prepare for the sale, internal restructure steps must be undertaken, and the Telstra's towers business must be operational from the completion date which is expected in the first quarter of the financial year 2022.

We will retain a 51 per cent majority ownership of Telstra's towers business and continue to own the active parts of its network, including the radio access equipment and spectrum assets, to ensure it continued to maintain its industry leading mobile coverage and network superiority.

At the Telstra Group level we will continue to consolidate Telstra's towers business, however, in the Telstra Entity financial statements we have classified $496 million assets and $452 million liabilities of the towers business as held for sale pending its disposal by the Telstra Entity at the completion date of the transaction.

We have also recognised $444 million deferred tax asset for previously unrecognised capital tax losses which has been offset against the estimated capital gain on the towers business sale transaction. Refer to note 2.4.2 for further details about our tax losses.

7.3.2 Property, plant and equipment commitments

As at 30 June 2021 Telstra Entity's commitments for the acquisition of property, plant or equipment amounted to $124 million (2020: $331 million).

7.3.3 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). One such matter is litigation commenced by the ACCC in August 2021 alleging representations made by Telstra to customers about the maximum internet speeds they would receive for certain nbn services, and the steps Telstra would take to check speeds and offer remedies where maximum speeds were not available, were misleading or false in breach of the Competition and Consumer Act 2010 (Act). The proceedings follow Telstra providing an Enforceable Undertaking under s87B of the Act to the ACCC in November 2017 in respect of similar conduct, and self-reporting breaches of that Undertaking to the ACCC. We are in the process of remediating all customers affected by these representations, with the financial impacts of the estimated refunds reflected in our 2021 financial results. We have self-reported similar issues to the ACMA, which resulted in a remedial direction in June 2021 which requires Telstra to appoint an independent third party auditor to review its systems, processes and practices for notifying customers about their maximum internet speeds on the nbn, and offering remedies where appropriate.

Given that the outcome of the ACCC proceedings is uncertain, including the extent of any penalties or other remedies awarded as part of those proceedings, no provision has been made to cover liabilities that may arise from these proceedings as at 30 June 2021.

Section 7. Other information (continued)

7.3 Parent entity disclosures (continued)

7.3.3 Contingent liabilities and guarantees (continued)

(b) Common law claims

Certain common law claims by employees and third parties are yet to be resolved. As at 30 June 2021, 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 (2020: $292 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 $126 million (2020: $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 2021, this guarantee remains unchanged and $142 million (2020: $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 2021, 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.

7.3.4 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. Where we hedge the value of our investment in an overseas controlled entity, the hedge is accounted for in accordance with note 4.5.5. Refer to note 6.1 for details on our investments in controlled entities.
- 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.

7.4 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.

7.4.1 Capital expenditure commitments

Table A shows capital expenditure commitments contracted for at balance date but not recorded in the financial statements. It includes Telstra Entity's commitments disclosed in note 7.3.2.

Table A **Telstra Group**	As at 30 June	
	2021	2020
	$m	$m
Property, plant and equipment commitments	130	336
Intangible assets commitments	282	62

7.4.2 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 7.3.3.

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 6.1.4. 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 2021.

7.5 Events after reporting date

We are not aware of any matter or circumstance that has occurred since 30 June 2021 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:

7.5.1 Final dividend

The details of the final dividend for the financial year 2021 are disclosed in note 4.2.

Section 7. Other information (continued)

7.5 Events after reporting date (continued)

7.5.2 Acquisition of MedicalDirector

On 6 August 2021, Telstra Health entered into a binding agreement to acquire 100 per cent of the shares in Clinical Technology Holdings Pty Ltd and its subsidiaries (MedicalDirector) for an enterprise value of $350 million (subject to completion adjustments). MedicalDirector is a leading general practice clinical and practice management software company. The acquisition is expected to complete in the first quarter of the financial year 2022.

7.5.3 On-market share buy-back

On 12 August 2021, Telstra announced that it intends to return up to $1.35 billion of net proceeds from its towers business transaction to shareholders during the financial year 2022 via an on-market share buy-back.

The purchase of shares is likely to commence after 16 September 2021. The on-market share buy-back will be conducted in the ordinary course of trading. The exact amount and timing of the on-market buy-back will be dependent on market conditions.

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 2021 as set out in the financial report:
   (i) comply 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) give a true and fair view of the financial position of Telstra Corporation Limited and the Telstra Group as at 30 June 2021 and of the performance of Telstra Corporation Limited and the Telstra Group, for the year ended 30 June 2021
   (iii) have been made out in accordance with the Corporations Act 2001.
(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 6.1.4 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 6.1.4.

For and on behalf of the board

John P Mullen
Chairman

Andrew R Penn
Chief Executive Officer and
Managing Director

12 August 2021

Building a better
working world

8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2021, 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:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b. 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
The Group exercises significant judgement relating to revenue recognition in the following areas: • accounting for new products and plans including bundles of products and/or services; • accounting for large Network Application Services (NAS) contracts; • accounting for NBN revenue under the revised Definitive Agreements (DAs) with nbn co and the Commonwealth Government; • determination of standalone selling prices for products sold in bundles; and • assessment of significant financing components. 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, and the combination of products sold and price changes in the year.	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. We examined the process and controls over the capture and assessment of the timing of revenue recognised for new products and plans, as well as performed testing of a sample of new plans to supporting evidence. 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. We also considered the impact of recent regulatory investigations on the recognition of revenue to date. For the NAS contracts, we focused our work on those which we regarded as higher risk because of the nature of the contract, its stage of delivery or the quantum of the related assets and those which were significant by size.

Revenue recognition *(continued)*

Why significant	How our audit addressed the key audit matter
The complexity of the billing systems was also considered as part of the reliance on automated processes and controls key audit matter outlined below. Disclosures relating to revenue recognition can be found at Section 2.1 Segment Information and 2.2 Income.	In performing this testing, we assessed the appropriateness of the assumptions and estimates supporting the accounting for these major contracts as follows: • We tested the effectiveness of controls that operate across the contract life cycle for major contracts. • 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 other significant obligations. • We determined whether the future forecasts reflected the contract terms, testing any significant changes (such as new services) to contract amendments or other supporting documentation. • For a sample of recorded revenue and cost transactions we obtained evidence to support delivery and/or customer acceptance. • We compared the historical forecast results of certain contracts with the actual results to assess the performance of the contract and the historical accuracy of forecasting. • 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. 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. 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.

Reliance on automated processes and controls

Why significant	How our audit addressed the key audit matter
A significant part of the Group's financial processes are heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of transactions. This is a key part of our audit because of the: • 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 result in revenue being recognised. The Group continues to enhance its IT systems and during the year continued its implementation of new systems which were significant to our audit.	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 systems. 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. We evaluated the effectiveness of the controls in the new systems.

Capitalisation of assets, including useful lives, amortisation and impairment

Why significant	How our audit addressed the key audit matter
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: • 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. Changes in these judgements have a significant impact on the results of the Group. Accordingly, this was considered a key audit matter. Disclosures relating to the capitalisation and write-off of assets can be found at Section 3.1 Property, Plant and Equipment and Intangible Assets.	Our audit procedures included the following: • 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. • Assessed the appropriateness of the date from which assets commenced being depreciated. We assessed the application of the Group's annual asset life review. This included assessing judgements made by the Group on: • the nature of underlying costs capitalised; and • the appropriateness of asset lives applied in the calculation of depreciation and amortisation. We evaluated management's impairment assessment of property, plant and equipment and software intangible assets. This included assessing judgements made by the Group on: • 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, software intangible assets; and • the completeness of the listing of impacted assets. We evaluated the adequacy of disclosures included in Section 3.1.

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 2021 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.

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 2021.

In our opinion, the Remuneration Report of Telstra Corporation Limited for the year ended 30 June 2021, 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

Ernst & Young

Andrew Price
Partner
Melbourne
12 August 2021

Shareholder information

Listing information

Stock Exchange Listing
We are solely[1] listed, and our issued shares are quoted on the Australian Securities Exchange (ASX).

Markets on which our debt securities are listed
We also have debt securities listed on the Australian Securities Exchange, the London Stock Exchange and the Singapore Stock Exchange.

Voting rights

Shareholders (whether residents or non-residents of Australia) may vote at a meeting of shareholders in person, directly or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company.

Subject to any rights or restrictions attaching to our shares, on a show of hands each shareholder present in person or by proxy, attorney or representative has one vote and, on a poll, has one vote for each fully paid share held. Presently, we have only one class of fully paid ordinary shares and these do not have any voting restrictions. If shares are not fully paid, on a poll the number of votes attaching to the shares is pro-rated accordingly.

Distribution of securities and security holdings

The following table shows the number of listed shares on issue at 23 July 2021:

Title of class	Identity of person or group	Amount owned	%
Listed shares	Listed shareholders	11,893,297,855	100

Distribution of shares

The following table summarises the distribution of our listed shares as at 23 July 2021:

Size of holding	Number of shareholders	%	Number of shares	%
1–1,000	597,840	47.62%	326,794,575	2.75%
1,001–5,000	444,855	35.43%	1,061,544,968	8.93%
5,001–10,000	111,217	8.86%	797,903,575	6.71%
10,001–100,000	98,099	7.81%	2,372,005,452	19.94%
100,001 and over	3,435	0.27%	7,335,049,285	61.67%
Total	**1,255,446**	**100.00%**	**11,893,297,855**	**100.00%**

The number of shareholders holding less than a marketable parcel of shares was 28,170 holding 2,042,726 shares (based on the closing market price on 23 July 2021).

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1. Telstra delisted from the Main Board of NZX Limited ("NZX") at the close of business Friday 18 June 2021. The sole listing on the Australian Securities Exchange ("ASX") commenced on Monday 21 June 2021.

Substantial shareholders

As at 23 July 2021, we are not aware of any substantial shareholders.

Twenty largest shareholders as at 23 July 2021

The following table sets out the Top 20 holders of our shares (when multiple holdings are grouped together):

	Shareholder name	Amount owned	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,537,293,511	21.33%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,364,254,008	11.47%
3	CITICORP NOMINEES PTY LIMITED	1,002,867,181	8.43%
4	BNP PARIBAS NOMINEES PTY LIMITED	628,114,475	5.28%
5	NATIONAL NOMINEES LIMITED	568,047,203	4.78%
6	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	54,510,000	0.46%
7	ARGO INVESTMENTS LIMITED	46,514,800	0.39%
8	NETWEALTH INVESTMENTS LIMITED	46,453,651	0.39%
9	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	27,013,498	0.23%
10	NAVIGATOR AUSTRALIA LTD	23,330,875	0.20%
11	TELSTRA GROWTHSHARE PTY LTD	18,385,268	0.15%
12	NULIS NOMINEES (AUSTRALIA) LIMITED	16,743,032	0.14%
13	UBS NOMINEES PTY LTD	16,619,452	0.14%
14	AMP LIFE LIMITED	16,444,683	0.14%
15	MILTON CORPORATION LIMITED	15,236,961	0.13%
16	MCCUSKER HOLDINGS PTY LTD	12,050,000	0.10%
17	ECAPITAL NOMINEES PTY LIMITED	11,008,836	0.09%
18	BUTTONWOOD NOMINEES PTY LTD	10,287,255	0.09%
19	BKI INVESTMENT COMPANY LIMITED	8,524,451	0.07%
20	THE SENIOR MASTER OF THE SUPREME COURT	8,494,630	0.07%
	Total for Top 20	**6,432,193,770**	**54.08%**
	Total other Investors	**5,461,104,085**	**45.92%**
	Grand Total	**11,893,297,855**	**100.00%**

On-market share buy-back

On 12 August 2021, Telstra announced that it intends to return up to $1.35 billion of net proceeds from its towers business transaction to shareholders during the financial year 2022 via an on-market share buy-back. The on-market share buy-back will be conducted in the ordinary course of trading over 12 months. The exact amount and timing of the on-market buy-back will be dependent on market conditions. The on-market buy-back will be within the '10/12' limit permitted under the Corporations Act. As at the date of this Annual Report, no shares have been bought back under the on-market buy-back.

Reference tables

Guidance versus reported results

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 is EBITDA on an underlying basis and assumed no impairments in and to investments or non-current tangible and intangible assets, and excluded any proceeds on the sale of businesses, mergers and acquisitions and purchase of spectrum, and excluded the impacts of Pitt St exchange sale and leaseback. The guidance was based on management best estimates of nbn impacts including input from the nbn Corporate Plan currently published at time of issue of this as 'operating cash flows' less 'investing cash flows' less 'payments for operating 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			Underlying EBITDA			Free Cashflow	
	FY20 $m	FY21 $m		FY20 $m	FY21 $m		FY20 $m	FY21 $m
Reported Total Income	**26,161**	**23,132**	**Reported EBITDA**	**8,905**	**7,638**	**Reported Free Cashflow**	**4,034**	**4,887**
Adjustments								
M&A adjustment[1]	(20)	(106)	M&A adjustment[1]	(20)	(96)	M&A adjustment[1]	(39)	164)
Impairment[2]	n/a	n/a	Impairment[2]	308	34	Impairment[2]	0	0
Pitt St sale and leaseback[3]	n/a	(102)	Pitt St sale and leaseback[3]	0	(102)	Pitt St sale and leaseback[3]	0	(282)
Restructuring costs[4]	n/a	n/a	Restructuring costs[4]	246	211	Restructuring costs[4]	n/a	n/a
Net one-off NBN receipts[5]	n/a	n/a	Net one-off NBN receipts[5]	(1,536)	(802)	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]	435	88
Lease[7]	n/a	n/a	Lease[7]	(494)	(194)	Lease[7]	(1,015)	(717)
Guidance Total Income	**26,141**	**22,924**	**Guidance Underlying EBITDA**	**7,409**	**6,689**	**Guidance Free Cashflow**	**3,415**	**3,812**

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.

Notes:

1. Adjustments relating to acquisition and disposals of controlled entities, joint ventures, associates and other investments and any associated net gains or losses and contingent consideration. During FY21 we disposed of our e-commerce platform business, our FTTP Velocity business and acquired Epicon IT Solutions Pty Ltd (including its wholly owned subsidiary, Service Potential Pty Ltd), Epicon Software Pty Ltd and the business and assets of Mediacloud Ltd. FY20 includes adjustments relating to the disposal of our investment in Chief Entertainment Pty Ltd, Snap Inc and PharmX Pty Ltd, and a data centre held by Telstra Singapore Pte Ltd, the execution of a warrant we held in Ooyala Inc, and additional investments in our interest in the Telstra Ventures Fund II, L.P., Telstra Ventures Fund III, L.P. and Southern Cross Cable Holdings Limited.
2. Adjustment related to impairment loss for our investment in Project Sunshine 1 Pty Limited (Sensis). FY20 adjustments relating to impairment of our investment in NXE Australia Pty Ltd (Foxtel).
3. Adjustment relating to the sale and leaseback transaction of the Pitt Street exchange property.
4. Adjustments for the strategic focus (T22 program) to improve customer experience, simplify structure and cut costs, in addition to our normal business as usual redundancies for the period.
5. Adjustments for net one-off nbn receipts which is defined as net nbn one off Definitive Agreement receipts (consisting of PSAA, Infrastructure Ownership and Retraining) less nbn net cost to connect.
6. Adjustment relating to the impact on free cashflow associated with our spectrum purchases and renewals for the period including:
   - – $56m for the first (of five) annual instalment payments for our new 26 GHz spectrum licence;
   - – $28m for renewal of spectrum licences in the 900 MHz band; and
   - – minor payments for spectrum and apparatus licences in various other spectrum bands
7. Adjustment for EBITDA impact for depreciation of mobile lease right-of-use assets. Adjustment for Free Cashflow impact of lease payments related to leases classified as operating leases prior to transition to AASB 16: 'Leases' (ie. before 1 July 2019) and to any new leases accounted for after 1 July 2019.

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

	2021	2020	2019	2018[1]	2017
Continuing operations	$m	$m	$m	$m	$m
Total income (excluding finance income)	23,132	26,161	27,807	28,841	28,205
EBITDA[2]	7,638	8,905	7,984	10,197	10,679
EBIT	2,992	3,567	3,702	5,727	6,238
Profit for the year	1,902	1,839	2,149	3,557	3,874
Dividends declared per share (cents)	16.0	16.0	16.0	22.0	31.0
Total assets	42,525	44,403	42,589	42,634	42,133
Gross debt	16,388	17,343	15,331	15,368	16,218
Net debt	15,263	16,844	14,727	14,739	15,280
Total equity	15,275	15,147	14,530	14,556	14,560
Capital expenditure[3]	3,020	3,233	4,140	4,717	4,606
Free cashflow	4,887	4,034	3,068	4,695	3,496
Earnings per share (cents)	15.6	15.3	18.1	30.2	32.5
Dividend payout ratio (%)[4]	103	99	88	73	95

1. FY18 results have been restated to account for the adoption of AASB15.
2. Operating profit before interest, depreciation and amortisation and income tax expense. EBITDA is used as a measure of financial performance by excluding certain variables that affect operating profits but which may not be directly related to all financial aspects of the operations of the company. EBITDA is not a measure of operating income, operating performance or liquidity under A-IFRS. Other companies may calculate EBITDA in a different manner to us.
3. Capex is measured on an accrued basis and excludes spectrum and guidance adjustments, externally funded capex, and capitalised leases.
4. Ordinary dividend as a proportion of underlying earnings.

Task Force on Climate-related Financial Disclosures

We have begun to align our reporting with the recommendations outlined in the G20's Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD). TCFD provides a voluntary framework for organisations to assess and disclose material forward-looking financial risks and opportunities arising from climate change impacts.

TCFD Recommendations	Reference	Report	Location
Governance – Disclose the organisation's governance around climate-related risks and opportunities			
a) Describe the board's oversight of climate-related risks and opportunities	Governance	2021 Bigger Picture Sustainability Report	Environmental action
	Governance and compliance	Board Charter	Board reserved powers and responsibilities
	Managing our risks	2021 Corporate Governance Statement	Assurance and risk management
b) Describe management's role in assessing and managing climate-related risks and opportunities	Governance	2021 Bigger Picture Sustainability Report	Environmental action
	Managing our risks	2021 Corporate Governance Statement	Assurance and risk management
Strategy – Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material			
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Adapt to climate impacts	2021 Bigger Picture Sustainability Report	Environmental action TCFD Appendix
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Adapt to climate impacts	2021 Bigger Picture Sustainability Report	Environmental action TCFD Appendix
	Adapt to climate impacts	2021 Bigger Picture Sustainability Report	Environmental action TCFD Appendix
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Adapt to climate impacts	2021 Bigger Picture Sustainability Report	Environmental action TCFD Appendix
Risk Management – Disclose how the organisation identifies, assesses, and manages climate-related risks			
a) Describe the organisation's processes for identifying and assessing climate-related risks	Risk management	2021 Bigger Picture Sustainability Report	Environmental action
	Environmental risk management	2021 Bigger Picture Sustainability Report	TCFD Appendix
	Managing our risks	2021 Corporate Governance Statement	Assurance and risk management
b) Describe the organisation's processes for managing climate-related risks	Adapt to climate impacts	2021 Bigger Picture Sustainability Report	Environmental action TCFD Appendix
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Risk management	2021 Bigger Picture Sustainability Report	Environmental action
	Environmental risk management	2021 Bigger Picture Sustainability Report	TCFD Appendix
	Managing our risks	2021 Corporate Governance Statement	Assurance and risk management
Metrics & Targets – Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material			
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Progress	2021 Bigger Picture Sustainability Report	Environmental action
b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas GHG emissions, and the related risks	Climate change & energy use	2021 Bigger Picture Sustainability Report	Environmental action
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Climate change & energy use	2021 Bigger Picture Sustainability Report	Environmental action
	Resource efficiency	2021 Bigger Picture Sustainability Report	Environmental action


Telstra Smart Modem™
Gen 2 with voice backup.
Welcome.

Glossary

4G

The fourth generation of wireless mobile networks, with typically faster download and upload speeds and better response times than previous generations.

4GX

The evolution of our initial 4G offering, 4GX is capable of faster network speeds and adds another lane of capacity to the Telstra mobile network.

5G

The fifth generation of wireless mobile networks, 5G delivers a step change in typical network speeds, with lower latency and much greater capacity to help address the explosion in wireless devices and data usage.

Agile

Agile is a way of working that brings people with different skills into one team and works in short sprints to deliver with faster speed to market, at a lower cost, and with a better experience for our people and customers.

Average Revenue Per User (ARPU)

The measure of the average revenue generated per unit or user.

Broadband

Describes a class of internet access technologies, such as ADSL, HFC cable and Wi-Fi, offering a data rate significantly higher than narrowband services. These services typically do not tie up a telephone line exclusively for data.

Bundle

A combination of products. For example, a customer can bundle a fixed-line home phone service and internet connection.

C2C

Cost to connect.

Capital expenditure (capex)

Funds invested to purchase, upgrade or improve long-term assets such as property, infrastructure or equipment to create future benefit.

Carbon neutral

Where the amount of carbon dioxide produced has been reduced to nothing or is balanced by actions that protect the environment.

Cleaner Pipes

An initiative to help reduce instances of customer data being compromised through malware, ransomware and phishing. It involves significantly upscaling our Domain Name System (DNS) filtering, where millions of malware communications are being proactively and automatically blocked every week as they try to cross Telstra's infrastructure.

Cloud

The provision of services, software, storage and security over the internet, typically on a pay-for-use basis. Cloud can allow access to information and programs on multiple devices in multiple locations.

Cyber security

The safe use of information and telecommunications technology (including mobile phones) and the internet.

Dark fibre

An optical fibre network used for data transmission.

Definitive Agreement (DA)

The documents that record the final, binding arrangements between Telstra and nbn co for Telstra's participation in the nbnTM network rollout.

Digital transformation

The adoption of digital technologies to improve processes and productivity, and deliver better customer and employee experiences.

Dividend per share (DPS)

A dividend is a payment of a portion of our earnings to our shareholders and is most often quoted in terms of the amount each share receives.

Earnings before interest, income tax expense, depreciation and amortisation (EBITDA)

An indicator of a company's operational profitability.

Earnings per share (EPS)

The portion of profit allocated to each share.

Fixed line

Refers to the delivery of telephone and/or internet services over a cable, rather than the mobile or wireless phone network. Fixed line is also a term used to describe a customer segment, for example 'fixed line customers'.

All amounts are expressed in Australian dollars ($A) unless otherwise stated.

Free cashflow

The cash that a company is able to generate from its operations after spending money required to maintain or expand its asset base.

Hybrid Fibre Coaxial (HFC)

A way of delivering video, voice and data using both coaxial and fibre optic cables.

Internet of Things (IoT)

The connectedness of 'things' (for example machinery, vehicles, appliances) to the internet via sensors and actuators that collect information about the state and condition of those things, and transmit that data to software platforms that can help people make sense of the information and take appropriate action.

Memorandum of Understanding (MoU)

A document describing the broad outlines of an agreement that two or more parties have reached.

Messaging

A way for Telstra customers to communicate with a Telstra consultant via the My Telstra app regarding queries with billing, service, faults, and sales for consumer and small business customers.

Millimetre wave (mmWave)

A technology that operates on shortrange, high-frequency spectrum and will play an important role in delivering on 5G's full potential with faster speeds and greater capacity.

Mobile data

Wireless internet access delivered over the mobile network to computers and other digital devices using portable modems.

Mobile Virtual Network Operator (MVNO)

Mobile providers re-selling services via the Telstra wholesale mobile network.

Narrowband (NB) IoT

An Internet of Things (IoT) technology that operates over Telstra's 4GX. Narrowband IoT is suited to stationary applications that send very small amounts of data infrequently and operate with longer battery life.

Net profit after tax (NPAT)

The total revenue minus all expenses and taxes.

Return on Invested Capital (ROIC)

A measure of how efficiently a company is using capital to generate income. If ROIC is greater than a company's weighted average cost of capital (WACC), value is being created for investors.

Roaming

A service which allows customers to use their mobile phone while in a service area of another carrier.

Service in Operation (SIO)

Refers to an active telecommunications service to an end-user.

Spectrum

Wireless communications signals travel through the air via radio frequency, known also as spectrum. The government grants licences for dedicated use of portions (bands) of spectrum.

T22

Telstra's strategy, announced on 20 June 2018, to lead the Australian market by simplifying its operations and product set, improving customer experience and reducing its cost base.

Transacting Minimum Monthly Commitment (TMMC)

This represents the average minimum monthly commitment, excluding hardware, of new and existing customers that have taken up new plans in the period.

Universal service obligation (USO)

Obligations placed on Telstra to ensure that standard telephone services, payphones and prescribed carriage services are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business.

Wi-Fi

The most prevalent form of wireless local area network (WLAN) technology. WLANs are small-scale wireless networks with a typical radius of several hundred feet.

Notes

Notes

Indicative financial calendar[1]

Half year results announcement
Thursday 17 February 2022

Ex-dividend share trading commences
Wednesday 2 March 2022

Record date for interim dividend
Thursday 3 March 2022

DRP election date
Friday 4 March 2022

Interim dividend paid
Friday 1 April 2022

Director nominations open
Friday 3 June 2022

Director nominations close (by 5pm)
Friday 5 August 2022

Annual results announcement
Thursday 11 August 2022

Ex-dividend share trading commences
Wednesday 24 August 2022

Record date for final dividend
Thursday 25 August 2022

DRP election date
Friday 26 August 2022

Final dividend paid
Thursday 22 September 2022

Annual General Meeting
Tuesday 11 October 2022

[1] Timing of events may be subject to change. Any change will be notified to the Australian Securities Exchange (ASX).

Contact details

Registered Office

Level 41, 242 Exhibition Street
Melbourne, Victoria 3000 Australia
Sue Laver
Company Secretary
Email: companysecretary@team.telstra.com

General Enquiries – Registered Office

Website: **telstra.com.au/aboutus/contactus**
Customer enquiries: 13 2200

Shareholder Enquiries

Telstra Share Register
Link Market Services Limited
PO Box A942, Sydney South NSW 1234 Australia
Australia: 1300 88 66 77
All Other: +61 1300 88 66 77
Fax: +61 2 9287 0303
Email: telstra@linkmarketservices.com.au
Website: **linkmarketservices.com.au/telstra**

Investor Relations

Level 28, 242 Exhibition Street
Melbourne, Victoria 3000 Australia
Australia: 1800 880 679
All Other: +61 3 8647 4954
Email: investor.relations@team.telstra.com

Sustainability

Level 39, 242 Exhibition Street
Melbourne, Victoria 3000 Australia
Email: sustainability@team.telstra.com

Online Shareholder information

Telstra's Investor Centre at **telstra.com/investor** has the latest news and information available for shareholders.

Shareholders can also easily manage their shareholding online at **linkmarketservices.com.au/telstra**. Use the Portfolio Login to securely access your shareholding. If you do not have a Portfolio Login, please click 'Register Now' to create your login. To add your Telstra shareholding to your portfolio you need your SRN or HIN. This can be found on your Holding Statement.

Select the following menu to access or update your details:

- **Payments & Tax** – for dividend payment history, tax information, payment instructions and to provide your TFN. This is where you update your payment instructions (bank account details or register for the DRP if eligible. Please read the DRP rules at **telstra.com/drp**). A foreign currency payment service is also available to individual registered holders to pay dividends in various currencies.
- **Communication** – to update your postal and email addresses.

Telstra Corporation Limited

ABN 33 051 775 556
Incorporated in the Australian Capital Territory.
Telstra is solely listed on the Australian Securities Exchange.

Websites

Telstra Investor Centre: **telstra.com/investor**
Telstra Sustainability: **telstra.com/sustainability/report**
Telstra Corporate Governance: **telstra.com/governance**
Telstra Customer Enquiries: **telstra.com**
Contact Telstra: **telstra.com.au/aboutus/contactus**

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