

Remuneration Report

Dear Shareholder,

Telstra is pleased to present its remuneration report for FY 2012, which we believe again demonstrates that executive remuneration in Telstra is closely aligned to the company's performance and to the interests of its shareholders.

The Telstra Board has ensured that senior executive remuneration at Telstra reflects our financial and customer achievements, whilst at the same time enabling us to attract and keep global senior executives, thus creating sustainable value for the company and for its shareholders.


Telstra executed its strategy with consistency in FY 2012 and delivered strong results in line with its guidance to the market. These positive outcomes for shareholders are reflected – as they should be – in improved remuneration outcomes for the company's executives.

As well as full-year results showing growth in both revenue and earnings, the company finalised the NBN agreements with NBN Co and the Commonwealth. Shareholders also saw the company's share price increase from \$2.89 to \$3.69 during FY 2012, delivering a total shareholder return of 37% for the year. Furthermore, our focus on customer satisfaction and simplifying our business can be seen in improved customer feedback.

While there have been no fundamental changes in remuneration structure and only modest fixed remuneration increases, as a result of this significantly improved performance, the short term incentive payout is higher than the prior year and two of the long term incentive plans have partially vested.

Effective governance is important and the provision of clear and concise reporting is essential to keeping you informed on how we compensate and retain our senior executives. To this end, we have further refined our remuneration report this year to more clearly describe remuneration strategies, and have included tables to highlight the difference between total remuneration entitlements for the year as defined by the accounting standards and actual remuneration received, as these differences can be confusing.

On behalf of the Board, I invite you to review the full report, and thank you for your interest.



John Mullen
Chairman, Remuneration Committee