Australian Shareholders' Association Limited
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Returning to core business?

Company/ASX Code	Telstra Group Ltd/TLS
AGM time and date	9:30am AEDT Tuesday, 15 October 2024
Location	Hyatt Regency, Sussex St Sydney
Registry	Link Market Services
Type of meeting	Physical, with webcast only. Questions two days in advance
Monitor	Mike Robey assisted by Mike Muntisov and Sue Howes
Pre-AGM Meeting	Yes, with Chair Craig Dunn and IR manager Nathan Burley

Monitor Shareholding: The individual (or their associates) involved in the preparation of this voting intention has no shareholding in this company.

1. How we intend to vote

No.	Resolution description	
3a	Re-election of Ron H Chestnutt as Director	For
4a	Grant of Restricted Shares to the CEO	For
4b	Grant of Performance Rights to the CEO	For
5	Remuneration report	For
6	Appointment of auditor	For

2. Summary of Issues and Voting Intentions for AGM

- There are no ongoing or outstanding issues with Telstra
- We had previously raised concerns about the lack of granularity in the directors' skills matrix, which has significantly improved this year
- We had also raised the need to re-tender the audit, which again has occurred, with a proposed change in auditor.
- We are unhappy about the format of the AGM, which has no possibility for voting or questioning online

3. Matters Considered

Accounts and reports

Telstra is mostly through its latest strategic plan, called T25, which is a complete digitisation and simplification of a legacy telecommunications company business. It is, along with all telecommunication companies, facing disruptive forces from the major social media and streaming companies which are replacing many legacy products with free networked offerings. Text messaging, voice and video calling, international roaming, have all been supplanted by services over mobile and fixed broadband, decimating the traditional value-added services. This has also affected corporate offerings, and the network data services of the Enterprise division have seen rapid decline, leading this year to a major review, resulting in product, service and staff culling in this division.

Financial results, adjusted for one-offs are mostly up year on year, with income of $23.4b (+0.1%), EBITDA (earnings before interest, depreciation and amortisation, a good measure for efficiency and competitiveness) of $8.24b (+3.8%) and free cash flow $2.99b (+7.2%), in large part due to the continued good performance of the mobile division. This division has continued to be the star of the group comprising $5.026b of total $7.528b underlying EBITDA for the group. Telstra has continued to invest in mobile 5G and 4G coverage expansion, to cement its position as market leader and has mostly avoided major outages or consequences of cyber-attacks, unlike its major competitor. On top of this, the digitisation strategy enabled them to dramatically reduce the number and complexity of their retail plans and provide online self-service. This has enabled them to reduce service costs and complaints (which often arise from billing disputes, since most customers understand all-you-can-eat flat rate plans!), so validating the KISS (keep it simple stupid) principle.

Financial performance

(As at FYE)	**2024**	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	1622	2051	1814	1902	1839
Share price ($)	3.62	4.30	3.85	3.76	3.13
Dividend (cents)	18	17	16	16	16
Simple TSR (%)	(11.6)	16.1	6.6	25.2	(14.5)
EPS (cents)	14.1	17	14	16	15
CEO total remuneration, actual ($m)	4.896	4.391	4.272	5.305	3.656

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Key events

Telstra has sound company governance and meets most of our guidelines, including board diversity (50% women) and senior executive diversity (39%). They are signatories to the 40:40 Vision and target to reach 40% women in executive leadership and the overall workforce by 2030. They are currently have around 28% women in their workforce, overall. One interesting statistic is that for a number of years more men than women have taken parental leave.

Telstra's new chairman has also significantly improved the board skills matrix this year, identifying the number of directors with the nominated skills according to one of three level skills (general working knowledge, extensive working knowledge and high competence). We had raised this last year as an area for improvement and the result is good. They used an external expert consultant in the process, so directors were not self-assessing (marking their own homework), and the matrix appears to be objective. Whilst not meeting ASA requirements for identifying individual director skilld, we appreciate the approvements that have been made to the process and look forward to further improvements in the future. This is currently in their Corporate Governance Statement and should enable retail shareholders to better appraise any new appointments.

Key board or senior management changes

The chairman for 2023 FY retired at the 2023 AGM handing the baton over to Mr Craig Dunn.

One of the long-standing traditional telecoms directors, Mr Niek Jan Van Damme will retire after this AGM this year, leaving Mr Chestnutt and Mr Blok as the remaining two directors with extensive traditional telco experience. This is in keeping with the move from a traditional to a digitised telco. Mr Chestnutt is up for re-election at this AGM. This leaves the board with a notional vacancy, which we expect will be filled this FY, and after discussion with the new chairman, we can expect a candidate with strong financial experience to top the list of prospective candidates for this position.

Sustainability/ESG

Telstra is a major electricity consumer and has made considerable headway in its use of renewable energy, with contracts which will enable more than 100% of their demand to be in renewable power in 2025. They have also changed their positioning in the market, from one of being carbon neutral, since this has necessitated the purchase of carbon offsets, to one of a company outlining what it is doing about residual carbon emissions. We believe this approach is more sensible and less likely to attract concerns about greenwashing. Its sustainability program is comprehensive and recognised by many in the industry as leading. In the past year they increased their target reduction in emissions (baseline FY19 to 2030) from 50% to 70%. They also have significant programs to support vulnerable customers, those affected by natural disasters and from first nations communities.

They have been reporting against the incoming ISSB climate reporting standards and feel confident that from the government mandated start date of 1 January, 2025, their ESG reporting suite will be in good shape.

ASA focus issues (not discussed above or under remuneration report or re-election of directors)

No issues.

4. Rationale for Voting Intentions

Resolution 3. Re-election of Ron H Chestnutt as Director (for)

Mr Chestnutt comes with a long background and deep understanding in the telco value chain, and since at heart Telstra is a network company, this is a core skill required. He was appointed in 2018, so has been across the before and after of the company's transition and comes with a background in telco strategy, so is well suited to Telstra's current transition. His CV is available in the Notice of Meeting. He holds more than 73,000 shares, which is close to his yearly base fee in value. He is a partner in an advisory group and holds two advisory positions, but no other directorships. He therefore has adequate bandwidth for the Telstra board, and we endorse his re-election.

Resolution 4a. Grant of Restricted Shares to the CEO (for)

The remuneration structure is unchanged from the past two years and is a model of clarity, supported by detail of the target measures. In addition, the outcome in 2024 for the CEO was that she received 63% of the maximum, so the targets appear to be tough enough. We support the resolution.

Resolution 4b. Grant of Performance Rights to the CEO (for)

This concerns the longer-term component of the remuneration package, namely the performance rights which vest in 5 years, against a relative total shareholder return metric rTSR. This is also largely unchanged in structure from the prior two years (there are a few changes in the comparator group for good reason) and we therefore support it.

Resolution 5. Remuneration report (for)

See Appendix 1. below for the detail but the comments above in 4a and 4b also apply here.

Resolution 6. Appointment of Auditor (for)

We had last advised Telstra that it was good practice to have a periodic review of the audit contract, which they conducted last year, with the outcome that they propose to change auditors from EY to Deloittes for the coming year. This requires a shareholder vote, and we have no objection.

Appendix 1
Remuneration framework detail

Telstra has a single remuneration structure called an Executive Variable remuneration Plan (EVP) rather than the conventional short-term incentives (STI) and long-term incentives (LTI). It is unchanged since last year. It comprises 25% in cash, paid in the period immediately following the results release, 35% in restricted shares and 40% in performance rights. Restricted shares vest progressively over 4 years, commencing a year after the performance period. Performance rights vest after 5 years against a relative total shareholder return (rTSR) condition but do not require that the absolute TSR be positive. This last point was justified in that Telstra has been subject to the nationalization of the fixed network by the Government owned NBN, which had a negative impact on all service providers. The comparator group for rTSR is the ASX100. Telstra had a multi-year headwind in its fixed network offerings since each customer migration off the legacy fixed network onto the NBN involves a margin loss for Telstra.

CEO rem. Framework for FY25	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	2.391	33.3	2.391	25.0
STI - Cash	1.20	16.7	1.79	18.7
STI - Equity	1.67	23.3	2.51	26.3
LTI	1.91	26.7	2.87	30.0
Total	7.17	100.0%	9.56	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration frameworks set a maximum opportunity amount, but not all.