



Attachment 1

Telstra's Approach to Responsible Business

Being a responsible business is about doing the right thing for all stakeholders – for our customers, shareholders, employees and the broader community, and operating in a way that earns and deserves trust. We have taken an increasingly broad view of the areas where change and improvement were required.

Product and plan design

With a focus on simplicity, transparency, and flexibility

Throughout 2018 and 2019 we undertook a radical overhaul of our fixed and mobile plans with the aim of removing common pain points our customers had complained about most often. The most material of the changes we introduced were:

- the removal of excess data fees;
- the removal of “lock in” fixed term contracts for the underlying fixed or mobile service attached to a handset or modem; and
- the ability to move between plans once a month.

The result of these changes, in terms of their impact of customer complaints, was profound. Since the introduction of these simplified plans, we have seen complaints about excess data charges drop by 88% for FY18 compared to FY21. We now have 8.9m services with no excess usage and are on track to complete our migration to no excess data plans during FY22.

In April 2021 we started an offer for customers on a low income or who receive Centrelink benefits, by launching a \$30 per month mobile plan, seeing a 14,000-customer uptake of this option to-date.

Policies and processes

Taking steps to build in safeguards to prevent customers from becoming financially over-committed.

Since 2017, Telstra has adjusted its credit assessment rules, including designing rules to prevent customers from entering into commitments beyond their capabilities. This has included:

- restricting customers' ability to obtain multiple expensive devices if they had less than 6 months' payment history with Telstra;
- further limiting access to acquisition of mobile phones on repayment options where the risk of overextending credit capabilities is high. This includes customers who do not have a good credit history, who live in 85 postcode areas with demonstrated high risk, those who receive their income from certain Government benefits or who rely on a family member;
- further adjustments to our credit scoring mechanisms, making the provision of credit more difficult to receive for those who would struggle to repay their financial commitments.

As a result of these changes, there has been a significant decrease in the volume of customer debt arising from a mobile phone repayment. Customer's “final debt” was reduced by 51.6% through a combination of lower average disconnection amount (down 37%) and the ultimate number of customers who are disconnected for non-payment being reduced (down by 22.7%).



Complaints, credit and debts

With special emphasis on ensuring our treatment of vulnerable customers is done with compassion and sensitivity to their circumstances.

In March 2019, Telstra established a single point of entry for financial counselling agencies to address feedback that it was difficult for financial counsellors to get to the right team within Telstra to address their concerns.

Since January 2019, Telstra has not sold debt to third party debt agencies for consumers who reside in one of 85 postcodes where Telstra sees typically higher rates of default. Since November 2019, this has extended to any customer in hardship.

We are increasing our ability to automatically detect when a customer is in hardship, to limit the possibility of a customer who needs assistance not being appropriately identified due to human error.

The value of customer debt has reduced by more than 50% through our focus on how we sell and improved flexible payment options.

Training

To ensure the people who serve our customers have a deep understanding of the law, acceptable standards of practice and appropriate cultural awareness

Most notable is our cultural awareness training which is mandatory for anyone likely to interact with a First Nations customer. This module, named “our Mob” was independently reviewed by Walan Miya and now forms part of a mandatory course which covers other scenarios for customers in vulnerable circumstances. This includes financial hardship, victims of family and domestic violence, disabilities, homelessness, customers with life threatening medical conditions and other key customer scenarios.

We have engaged PwC Indigenous Consulting to independently review the impact of our cultural awareness training annually for the next 5 years, to ensure that it is having the intended impact and outcomes.

Compliance and assurance

To give confidence that the standards we are setting are being met

The approach we have taken in relation to compliance and assurance includes:

- Mystery shopping by PwC which commenced in 2018, and now audits 160 stores annually.
- Introduction of ‘hard’ controls to prevent anyone who is required to complete our mandatory training, but has failed to do so, from accessing Telstra customer and sales systems.
- The use of voice analytics and AI to more comprehensively identify instances of non-compliance in sales and service interactions (rather than rely on sample based auditing).
- We strengthened our consequences framework in contact centres and stores for non-compliance.

We have identified the cumulative results of these changes as being a reduction in point of sale related complaints by 81% between FY18 and FY21.



Hardship and vulnerability

An area of special focus, which has included broad steps to identify and address hardship

In 2019, we took a detailed analysis of our payments data and found that there were 85 postcodes where we saw a higher rate of payment default than in other locations. Using these postcodes, along with other definitions of vulnerability, we took the following steps:

- “Tagged” the customers in our systems so that their potential vulnerability would be apparent to any of our people interacting with them;
- Stopped marketing and promotional material being sent to customers with a financial vulnerability;
- Stopped any outbound telemarketing (of which Telstra does little in any event) to those cohorts;
- Placed additional restrictions on the ability of these customers to take up devices on repayment plans; and
- We relocated our “Specialised Assistance team” to Australia in 2020 to ensure we continue to lift the level of support.

Our training for people who engage with customers now has an entire module dedicated to identifying vulnerability, and the appropriate steps to take when vulnerability is either advised by the customer or suspected by the person dealing with them. More than 25,000 people have completed this training, which is mandatory for customer facing staff in Telstra’s stores, call centres and other key staff members involved in designing products and solutions for customers. The results of these steps have been that our complaints per 10,000 SIOs (services in operations) from vulnerable customers is no higher than other customers and we have a focus to reduce these further.

We have set up a First Nations Connect hotline in Darwin. The team is staffed with Aboriginal and Torres Strait Islander people who can provide support in English or Indigenous languages. The team uses interpreter services where they need to communicate in an Indigenous language they do not speak themselves. The team operate from 9am – 7pm AEST and can be reached at 1800 444 403. They are supported by other Australian based teams outside of these hours.

Engagement

Deepening our engagement with key stakeholders, especially those who represent the interests of customers in vulnerable circumstances and First Nations customers

We engage with financial counsellors, most recently through our quarterly Financial Assistance Forum. Since 2013 we have also facilitated the CEO-Consumer Round table with financial counselling representation.

In 2019, we appointed a customer advocate to our Group General Counsel and Sustainability and External Affairs Executive, which is separate to the operations of our business. The customer advocate reports to our board of directors every six months and is a key engagement point for consumer and advocacy bodies.

Structure and incentives

In particular, the decision we have taken to progressively transition away from our licensed store model to a model where Telstra’s retail stores are company owned.



Our staff in Telstra owned stores have no individual sales targets. Rather, these staff have team goals which are a balance of customer experience, service, and sales rewards. However, it is important to note that we do not pay any additional incentive to our staff for selling a more expensive handset to customers.

We have also made dramatic changes to the incentive structures for our licensed stores. Over the past 3 years we have increased 8-fold the proportion we pay our licensees for customer service experience outcomes and reduced sales incentives accordingly.

In February 2021, we announced our intention to phase out our arrangements with licensees and move to direct ownership of all Telstra branded retail stores moving forward, and that subject to any pre-existing commitments made we would not be extending or renewing existing licensee agreements.