



# AGM 2021 – Frequently asked questions by shareholders

We thank our shareholders for the questions they submitted ahead of the Telstra 2021 AGM (held on 12 October 2021) as well as the questions put forward at the meeting. The information below addresses the main themes of these questions. We hope you find it helpful.

## Why did Telstra suspend the dividend reinvestment plan (DRP)?

We understand how important the DRP is to many of our shareholders and the decision to suspend the DRP was not taken lightly. If you elect to have your dividends reinvested, we purchase shares on your behalf. When we buy shares for the DRP we need to comply with legal restrictions, including insider trading laws which prohibit us from trading in our shares if we have inside information which is not yet public. Given the status of our proposed restructure, in order for us to manage these obligations the Board determined that the DRP should not operate for the final dividend for FY21. Our intention is to reinstate it when circumstances allow.

## Customer service – what is being done to improve customer service?

One of the most critical measures of progress for any business is how customer service is improving. It continues to be the number one focus for Telstra. During T22 we have reduced the number of calls to our contact centres dramatically. When we started in 2018 we were receiving 35.8 million calls and this year that is down to 11.5 million – a reduction of more than two-thirds. When Consumer and Small Business customers do need to contact us they will be able to call us and have their call answered by an Australian contact centre service representative or visit a local expert in our Telstra owned store network. We are on track to have all in-bound calls from our Consumer and Small Business customers answered in Australia by June 2022. We have transformed how we serve our customers. More than 70% of Consumer and Small Business service interactions are now delivered digitally up from 40% in FY18. In our Enterprise business it is a similar story with 28% of customer service interactions delivered digitally, up from 12% last year. We have done a lot, but we still have more to do. While our objective is to provide an exceptional customer experience the reality is Telstra is simply too big and too complex to ever be 100% perfect in this regard. Telstra handles hundreds of millions of data and mobile connections every day through a complex array of technologies that work exceptionally well and are exceptionally reliable. And yet, at this scale, if even a tiny fraction of these go wrong, it still impacts a very large number of people. Our Chairman John Mullen receives a lot of complaints, responds to every complaint personally, and is very aware of how upsetting a service failure can be. These types of frustrations and pain points have driven our determination under T22 to radically simplify and streamline the business and digitise our interactions with customers to the greatest extent possible. While all customer related metrics are showing strong improvement, we absolutely recognise and accept that there are still too many failures and continuing and enhancing these improvements remain a core component of the T25 strategy.



## Company strategy – what is the progress on T22

We launched T22 in June of 2018. We knew we had to act boldly to fundamentally transform and radically simplify and digitise Telstra. Before T22 we did not respond quickly or significantly enough to the reality of the impact of the nbn rollout on Telstra. We were not focussed enough on transforming and improving the core business to mitigate this, we were too dependent on investments outside of the core. We have now comprehensively addressed this, our T22 program has been a clear success and Telstra today is a much simpler, more agile, more customer focussed and more digitally enabled business than ever before.

Below are some of our achievements over the past three years to highlight just how much Telstra has changed:

- We have radically simplified our business reducing Consumer & Small Business in market plans from 1,800 to 20;
- We have removed lock in contracts, excess data charges and many other fees;
- The number of calls coming into our contact centres from our consumer and small business customers has fallen by more than two-thirds and by the end of FY22 we expect to answer all of those calls in Australia;
- We are well progressed on the arrangements to bring our licensee stores back in-house;
- We have exceeded our target to recruit new capabilities in new areas such as software engineering, data analytics, cyber security and artificial intelligence, with more than 1,500 new hires;
- We have removed on average more than four layers of management;
- We have continued to change our ways of working and we now have 17,000 people working in Agile;
- We have delivered annualised cost reductions of \$2.3b and we are on track to deliver our T22 productivity target of \$2.7b;
- We have repositioned our investment in Foxtel and similarly repositioned our investment in Telstra Ventures;
- We have improved the performance of our health business and it is now very well positioned strategically for the future;
- We have successfully established InfraCo, we are well progressed with our corporate restructure and we continue to focus on opportunities to realise additional value for shareholders on top of the \$2.8b towers deal;
- We have taken a leadership position on climate change and the environment; and
- Importantly, through all of this change, we have seen positive improvements in the way our customers and our employees view us, with Strategic NPS increasing 15 points and employee engagement increasing 4 points.

We have remained disciplined and focused on delivering what we said we would and, three years into what has been one of the largest and most ambitious transformation programs for a telecommunications company globally, we are now a vastly different company.



## Company strategy – what is T25?

**T25 is built around four key pillars.** The **first pillar** is to continue to strive for an exceptional customer experience you can count on. To do this we will make it possible for our customers to interact with us in whatever way suits them – whether it's online, in our stores or through our contact centres. And when they do that, be offered a consistent product range and service experience. We aim to get to a point where for over 90% of interactions with us, customers only need to engage with us once and it's done. In the background we will also be using technology including artificial intelligence and analytics to better personalise experiences and to predict issues and resolve them, often before customers even know they are happening. We also plan to expand our Telstra Plus rewards program into a full sales and marketing channel to rival the best rewards programs in Australia. The aim is to grow it from 3.5 million members to 6 million by FY25. For our Enterprise customers, we will create Australia's largest one-stop-service shop for technology and telecommunications which will offer a range of managed and consulting services, telco products including connectivity, cloud, Internet of Things and cyber security, as well as in-house expertise of the Telstra Purple team.

The **second pillar** of T25 is to provide the leading network and technology solutions that deliver the future of communications. Telstra has Australia's biggest and best mobile network and we will continue to invest in it to further improve coverage, speed, latency, resiliency and domestic core connectivity. Under T25 we will continue to invest in our network leadership in 5G with approximately 95 per cent population coverage by the end of FY25. We also plan to deliver a 100,000 sq km increase in our 4G and 5G network footprint, substantially increasing regional coverage. 4G coverage will be across 100 per cent of our network by FY24 enabling us to continue to lead in composite coverage, speed, and performance for 4G and 5G as we close 3G. This will set us up well for early planning on 6G which will clearly be on the agenda by the end of T25.

The **third pillar** is to create sustained growth and value for our shareholders. We have reached a turning point in our financial trajectory. Under T25 we will continue to build on that financial momentum to deliver growth, particularly through growing mobile services revenue, improving fixed profitability, turning around Enterprise and building profitability in, new markets, including Health and Energy. We will also deliver a further \$500m of cost reductions from FY23 to FY25 on top of the \$2.7bn already committed for T22. At the same time we will invest for growth, focus on cash conversion and generation ahead of net profit, continue to actively unlock value from the balance sheet, including exploring future monetisation opportunities for InfraCo Fixed and by creating value for shareholders through our capital management framework which we have updated and simplified. In this regard, we are aware of the importance of the company's dividend to many shareholders. With the migration of services to the nbn and the flow on impact to our business, we were inevitably obliged to cut our dividend back in 2018. With the nbn impact now largely behind us and the underlying business expected to return to full-year growth in FY22, we are confident that, barring unforeseen events, we will be able to maintain the current level of dividend and seek to grow it over time subject to the requirements of our updated capital management framework.

The **fourth pillar** of the strategy is to be the place you want to work. The companies that will be successful in the future are the companies that can attract, retain, motivate and inspire the most talented people. We want to be a company the best people aspire to work at and will do that by excelling in new ways of working, including embracing new flexible and hybrid ways of working. We will also continue to create new capabilities in software development, data analytics and artificial intelligence and seek to attract the best talent to fill those leading digital roles. It is a strategy focussed firmly on taking customer experience to a whole new level. It is a strategy that is focussed on growth and ultimately leverages the capabilities we have built under T22. In the same way T22 would not have been possible without the foundational investments we announced in 2016, T25 would not be possible without all that we have accomplished in T22.



## Dividends

Our intention is to return as much cashflow to shareholders via fully franked dividends as can be sustainably supported by earnings and franking, while also balancing the objectives and principles of the capital management framework. We are confident of maintaining a minimum 16 cents per share fully franked dividend, subject to no unexpected material events and the requirements of our capital management framework although it's important to note our franking balance is relatively low. For excess cashflow our ambition is to invest for growth, and to return excess cash to shareholders in line with our capital management framework.

## Executive remuneration – why does the CEO receive shares and performance rights?

The CEO receives a significant portion of his total remuneration as Restricted Shares and Performance Rights and the Board believes Andy Penn's remuneration outcome for the 2021 financial year is appropriate. The CEO's remuneration is linked to company performance and is structured to align with long term shareholder value and the outcome reflects strong delivery against our strategy. Andy has done an outstanding job leading our company through the uncharted waters of COVID and supporting our people and customers through these challenging times.

## Impact of the nbn

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. Each year we have had to start the year with our EBITDA going backwards by up to \$800 million at the same time as we were operating in an increasingly competitive markets, markets disrupted by new technologies and facing significant structural change.

The reality is that Telstra has lost over \$6 billion of profit in the last decade or so, predominantly from the impact of the nbn but also the loss of voice revenues, sms revenues, global roaming and other pressures, and this has had an inevitable impact on earnings, dividends and our share price.

There are few precedents in corporate Australia for an impact or a challenge of this magnitude. But with the nbn roll out now complete you can finally see the company coming out of the shadow of the nbn. Investors will be able to see the strength of our underlying performance, and the turning point we have reached.