

Customer Voice @ Board Level

Resource for Company Directors

June 2021



**The Energy
Charter**



Introduction from the Powerlink Queensland Chair

As Energy Charter signatories we are committed to improving customer outcomes for all Australians in line with our vision “together, deliver energy for a better Australia”. Boards have a vital role to play in ensuring the customer voice is appropriately influencing the strategic decision-making and direction of our energy businesses.

Across the Energy Charter signatories, boards are driving better-practice in this regard. Our annual Energy Charter Disclosures provide a unique opportunity for all signatories to report on how they are performing in this important area and respond to feedback from stakeholders through the Independent Accountability Panel process. There is also an opportunity for businesses to learn from each other, sharing better practice and encouraging continuous improvement across the sector.

This Customer Voice @ Board Level resource builds on this experience and provides a broad suite of insights to further amplify the customer voice at a board level. It also incorporates questions to prompt board discussion on continuous improvement

This resource has been developed partly in response to the Energy Charter Independent Accountability Panel (IAP) Report 2019, which relevantly stated:

The Panel believes that embedding the voice and experience of the customer at the governance and strategic level of the business is fundamental to the achievement of the Energy Charter’s vision. While many signatories have established customer councils, customer advocates and chief customer officers, it is important to confirm there is also social policy / retail / customer expertise at board and senior executive levels.

Recommendation 16 of the IAP Report 2019 was to:

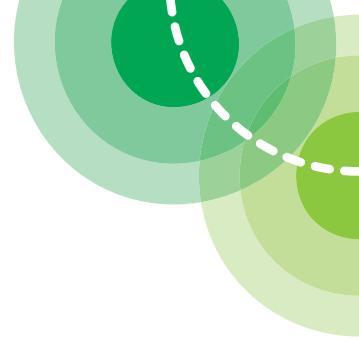
Consider the voice and experience of the customer at the governance and strategic level of the signatory business – including in relation to board expertise and senior management advocacy.

We have actively engaged with customer representatives and advocates, providing a draft version for comment to ensure the document aligns with their expectations and drives better customer outcomes.

I trust my fellow directors will find this resource valuable in helping to drive continual improvement in boardrooms across energy sector. I also look forward to hearing about the conversations it will engender.

Yours sincerely

Kathy Hirschfeld AM
Chair, Powerlink Queensland



The Energy Charter

The [Energy Charter](#) is a national CEO-lead collaboration that supports the energy sector towards a customer-centric future. Our core values of “Be invested, make a difference”, “Be open, learn and improve”, and “Think big, be bold” are brought to life through #BetterTogether initiatives focused on delivering better customer outcomes for all Australians.

Our vision is that *together, we will deliver energy for a better Australia* through commitments to the Energy Charter’s five high-level Principles:

- 1. We will put customers at the centre of our business and the energy system**
- 2. We will improve energy affordability for customers**
- 3. We will provide energy safely, sustainably and reliably**
- 4. We will improve the customer experience**
- 5. We will support customers facing vulnerable circumstances.**

How this resource was developed

In the spirit of The Energy Charter, this resource was developed as a collaboration between Energy Charter signatories, customer representatives and advocates and the Australian Institute of Company Directors (AICD).

A Working Group involving board members and senior representatives from Powerlink Queensland, CleanCo, Stanwell and Horizon Power worked to draft a resource for comment by customer representatives and advocates. Input from the AICD and directors in other industries was also canvassed.

This document will be updated by a working group of Energy Charter signatories on a bi-annual basis to ensure the latest trends and better practice examples are incorporated and made available to board members.

Purpose of this resource

There is no one ‘best way’ to amplify the customer voice. In circumstances where there are a range of different customer profiles, ownership and board structures across Energy Charter signatories, a flexible and fit-for-purpose approach needs to be taken by individual boards.

This resource is not a prescriptive list of actions. Rather it provides a range of options and better practice insights for consideration. It aims to augment the resource of options already available to directors. Importantly it also builds upon the recent work of the AICD in its [Elevating stakeholder voices to the board: A guide to effective governance](#).

Energy Charter signatories are encouraged to continue to disclose on how they are hearing, understanding and acting upon the customer voice at a board level through their annual disclosures under Principle 1 of the Energy Charter, and to share best practice across businesses to ensure continuous improvement in the sector.

Benefits of the customer voice at a board level

In the increasingly complex business and social environment, evidence suggests that businesses that focus on the needs of customers are likely to outperform others. Recent [AICD and KPMG research](#)¹ showed that directors identified 'customer satisfaction' as the key metric for measuring their organisation's ability to deliver value. Other key customer metrics include understanding customer preferences and comprehension.

Amplifying the voice of the customer at a board level generates a range of benefits including:

- a. Driving better shareholder returns, particularly over the longer-term** – research by [Bain & Company](#) shows that companies at the top of their industry in terms of Net Promoter Scores or customer satisfaction rankings grow revenues 2.5 times as fast as industry peers and deliver two to five times the shareholder returns over ten years. Increasingly institutional investors are urging businesses to align more closely with their customers and communities.
- b. Alignment with corporate strategy** – many organisations have 'customer' as either a corporate value or foundation of their corporate strategy. Amplifying the customer voice at a board level drives alignment with the corporate strategy. Graham Bradley AM FAICD, Chairman of EnergyAustralia, said in delivering the 2017 AICD Essential Director Update, the "The social licence to operate is absolutely essential to ongoing community support [for organisations]".
- c. Improved reputation and social licence** – increasing the involvement of boards in appropriate engagement with customer groups and their representatives reinforces that the business is listening at its highest levels.
- d. Increased diversity to improve decision-making** – it is impossible to improve customer outcomes without gaining a better understanding of the customer viewpoint on value propositions, service standards, issues and operational impacts. The diversity of thought and insights brought by customer input has the potential to improve board decision-making and reduce risk.
- e. Operational efficiencies** – Responding and managing customer complaints can be resource intensive. By gaining a better understanding of customer preferences it should help reduce the number of customer complaints - driving operational efficiencies.

“KPMG believes directors see the need to focus on improving outcomes for employee and customer satisfaction over short term financial performance and shareholder returns. The critical issues in running a business are the customers. Without customer satisfaction you quickly lose the trust of the public and your employees. From there, it’s a hard road back.”

Stephanie Bradley, Partner, KPMG

1 AICD KPMG Creating value and balancing shareholder needs – The board's role 2019.

This resource

There are multiple aspects of a director's responsibilities and board operations that can be positively influenced by listening to the voice of the customer. To further understand the context of a board's legal duties, we encourage you to look at the AICD [Elevating stakeholder voices to the board: A guide to effective governance](#).

This resource is based on the premise that a business wishes to embrace the customer voice at a board level and is looking for practical insights as to how this may be done. This may sit within a broader strategy and approach to stakeholder engagement.

This resource is grouped into the following sections:

1. Board composition and training

2. Board meetings

3. Decision-making

4. Customer engagement

5. Risk and assurance

6. Customer advocacy structures

1. Board composition and training

A key characteristic of high-performing boards is the right composition of experience and skills. While diversity is vital from a composition perspective, increasingly boards across various sectors are also seeking to include directors with customer experience. In this context, customer experience refers to those directors who have insights into customer touchpoints, issues and value propositions.

Many are updating their board skills matrix to ensure that customer is now a key consideration in ensuring the optimal board composition.

The [2019 Report](#) (page 51) from [The Energy Charter Independent Accountability Panel](#) (IAP) highlighted the importance of social policy and consumer/retail/industry end-user expertise on boards of Energy Charter signatories, including expertise in supporting customers facing vulnerabilities.

Inducting new directors creates a unique opportunity to share the values of the business and the customers that it serves. During board tenure there is ongoing professional development that can assist with reinforcing the importance of customer voice and exploring options to bring it authentically into the boardroom.

Other resources:

[Telstra appoints 32-year old director for her customer and technology experience](#)

[Harvard Law School paper on maximising benefits of board diversity](#)

[AICD – 10 tips to boost your board composition](#)

Questions to consider:

1. How can existing directors expand their customer expertise to reflect the diversity of our customer base? How can directors better understand the diversity and expectations of our customer base?
2. Does the board skills matrix reflect the need for customer experience?
3. How can new and existing directors gain better insights on customer segments, issues and value propositions?
4. Are there direct customer engagement opportunities as part of the induction process?

2. Board meetings

The structure and facilitation of board meetings are key to ensuring that appropriate discussions occur on customer expectations, risks and opportunities.

The [IAP Report 2019](#) highlighted:

The EnergyAustralia Disclosure provided a good example of board engagement with the customer voice, including a staff-presented ‘customer moment’ each meeting, a standing agenda item on customer issues, and a ‘Voice of the Customer’ section in the Managing Director’s report.

The [IAP Report 2019](#) (page 50) also noted examples of senior management and board exposure to customer voices such as Powershop’s senior management and directors directly taking or sitting in on customer calls at their call centre, managing the social media feed on weekends, and exposing all staff to the verbatim feed from customer Net Promotor Score responses. The APA Board has adopted customer moments in addition to its existing safety shares at the start of board and executive meetings to reinforce the importance of customers and achieving better customer outcomes ([APA Disclosure 2019](#)). Many businesses invite customers and customer representatives to speak at board meetings and strategy sessions.

The Horizon Power Board alternates the location of its board meeting so that every second meeting provides an engagement opportunity with a community to better understand local issues. There is also a standing item on the People, Safety and Culture Committee on customers, with the Energy Charter progress and key customer issues/ opportunities discussed ([Horizon Power Disclosure 2020](#)).

Other resources:

[PWC – Reimagining customer experience post COVID-19 into recovery](#)

[EY – Future Consumer Index – Consumer Strategy for growth post COVID-19](#)

Questions to consider:

1. Does the board’s annual calendar include opportunities for customer input and engagement?
2. Should there be a standing agenda item at board meetings to discuss customer issues and opportunities?
3. Does the board invite external speakers to board meetings to gain direct customer insights?
4. Do board papers encourage commentary on customer impacts?
5. Does the existing board committee structure allow for an appropriate focus on customers?

3. Decision-making

Board decision-making is supported by the structures of the board, the reporting of metrics and measures, and the nature of the reporting lines from the business.

The AICD and The Ethics Centre recently released [Ethics in the boardroom - a decision-making guide for directors](#), which provides a framework for ethical decision-making, including consideration of customer needs.

Board committees may also play an important role in deep diving into customer-related areas. For example, AGL has a Safety, Customer & Corporate Responsibility (SCCR) Committee, reflecting the board's increasing focus on customer issues. The board closely tracks a range of customer measures and metrics and programs including the Social Licence program ([AGL Disclosure 2020](#)).

Boards can consider mechanisms to ensure that they are taking account of customer matters in their decision making. CleanCo Queensland board papers specifically call for the inclusion of information in relation to "customer considerations" to ensure customer implications are assessed and inform board decisions.

The reporting of customer metrics and measures and complaint management is also important for board decision making. Deep dives into customer trends and visibility into support for customers in vulnerable circumstances can also provide valuable insights. Some insights of customer reporting include:

- The AGIG Board receives a monthly Business Performance Report which includes a section dedicated to customer service performance outcomes ([AGIG Disclosure 2019](#)). It has implemented customer satisfaction as a key corporate KPI that is reported to its board and have committed to increased metrics for customer and complaints during 2021 ([AGIG Disclosure 2020](#)).
- The Energy Queensland Board focuses on elevating systemic customer issues through case studies (pages 93 and 98 [IAP Report 2019](#)) and is piloting new KPIs in addition to the Customer Index, to more broadly track customer and stakeholder satisfaction and improve ease of benchmarking against other industry and non-industry participants ([EQL Disclosure 2020](#)).
- Aurora Energy's Board insists on high visibility and engagement across a range of customer activities and programs, including the Voice of its Customer program ([Aurora Disclosure 2019](#)).
- The Endeavour Energy Board reviews lead and lag indicators of customer satisfaction and improved engagement with regulators, customer groups and stakeholders; progress with cultural change initiatives; and customer service improvement ([Endeavour Disclosure 2020](#)).

In the UK, the Institute of Customer Service conducts a [voluntary benchmarking index](#) for customer satisfaction, with results published overall and by sector. A public commitment to benchmarking can give a focus on customer experience at board level. In 2018 revisions were made to the UK Corporate Governance Code on the back of a commitment to a more responsible and sustainable form of capitalism by then Prime Minister Theresa May.

Other resources:

[AICD – 5 steps a board should make to the most of customer data](#)

[The Governance Institute – The stakeholder voice in board decision making](#)

[Deloitte collated guidance for UK Board Directors on hearing the stakeholder voice](#)

Questions to consider:

1. Do customer metrics reported to the board provide the necessary insights to improve decision-making?
2. Does the current board decision-making process appropriately consider customer impacts?
3. How are board decisions that improve customer outcomes communicated to impacted customers?
4. Does the Annual Report and other corporate reports demonstrate how customer needs are considered in strategic decision-making?
5. Does customer data clearly communicate trends and priorities?

4. Customer engagement

To get the voice of the customer at a board level, appropriate engagement with customers and their representatives is critical. This can be done in a variety of ways, and it is important that existing mechanisms in a business are leveraged. For example, many businesses in the energy sector already facilitate direct interaction between customers and boards or undertake formal research to gain better customer insights. When undertaking quantitative research to measure customer experience, third parties can be utilised to interview customers about their expectations and experiences and provide direct feedback to boards to enable them to identify the changes that are most impactful for customers. Examples are provided below.

Another key mechanism that many energy businesses can leverage are Customer Advisory Councils or Panels (CACs). These forums have traditionally played a key role in improving decisions for regulatory proposals. They are now being used to gain customer insights and influence on a diverse range of business decisions – from overarching business strategy formation to individual projects. Board involvement in these CACs is increasingly expected by customers.

In delivering the Australian Energy Regulator (AER) Gill Owen Memorial Lecture, Sharon Darcy – a UK energy consumer expert – reinforced the [message](#):

“Boards need to lead, and [consumer] engagement needs to go through the organisation like a golden thread.”

In its recent [advice to the AER](#), Consumer Challenge Panel 17 (CCP17) stated that it strongly supported that a measure of the effectiveness of customer engagement is:

“the extent to which CEOs, senior staff and board members are both cognisant and more importantly engaged with their business’s consumers and have a clear understanding about what consumers are telling them.”

The [Energy Charter Better Practice Customer Engagement Toolkit](#) is a useful resource on engagement and the important role of CACs.

Direct customer engagement approaches by Energy Charter signatories include:

- Ausgrid’s Board was directly involved in the development of the Voice of Community program, which allows it to better understand how well they are meeting customers’ expectations and assess customer sentiment on a real time basis ([Ausgrid Disclosure 2020](#)).
- The EnergyAustralia Board ([EA Disclosure 2019](#)) participates in at least two extended ‘voice of the customer’ focus sessions scheduled across the board calendar. Directors also visit the contact centres to sit with contact centre employees to hear first-hand the interaction with customers.
- The Powerlink Queensland Board is actively involved in customer engagement activities, including discussing its risk management approach with its Customer Panel members as part of the Revenue Determination process. The board also commissioned its own research with proponents of renewable generation projects to better understand customer needs and expectations ([Powerlink Queensland Disclosure 2020](#)).
- Jemena’s Board participates in customer engagement activities and hosted customer advocate, Energy Consumers Australia, for a discussion about customer focus ([Jemena Disclosure 2019](#)).

- For Energy Queensland, members of the board engage directly with customers across the State, including visiting customer premises and attending customer forums such as Regional Forums, Agriculture Forum and the Major Customer Forum ([EQL Disclosure 2019](#)).
- The Stanwell Board meets with regional stakeholders in the two largest communities in which it operates (Rockhampton and the South Burnett) on at least an annual basis. This provides directors with the opportunity to hear first-hand from a range of stakeholders, including neighbours, key community leaders, elected state and local representatives, Indigenous leaders and community service organisations. These sessions are important for directors in understanding local issues and the role Stanwell can play as both an energy business and a member of the community ([Stanwell Disclosure 2019](#)).
- Horizon Power undertakes regular community engagement roadshows, encouraging engagement from staff not in traditional customer facing roles to explain major projects and changes with executive level leadership at these sessions.

In the UK, National Grid has developed a series of [Stakeholder Engagement Incentive Scheme](#) submissions, showcasing board involvement in customer engagement activities. This document outlines how National Grid evolves its engagement approach with a series of best-practice examples. In the UK social housing sector, it is a regulatory requirement to involve housing tenants in decision making that will impact them. This has led to a number of innovative approaches to customer participation at a board level. Many have a customer representative either on their board or on one of the operational board sub-committees.

Questions to consider:

1. How can directors gain more direct exposure to customers and meaningful engagement opportunities?
2. What opportunities already exist within the business for the board to engage with customers or customer representatives?
3. How else can customers be brought into the boardroom?

5. Risk and assurance

Boards also consider the role of the customer voice through a risk lens to ensure that appropriate governance, metrics and measures are in place. Some boards have taken a proactive approach to amending their risk frameworks.

The incorporation of customer impacts into existing risk frameworks ensures the customer implications of business strategies and decisions can be appropriately assessed and defined within relevant risk appetite limits. This enables businesses to evaluate the likelihood and consequence of adverse customer impact scenarios.

Internal audit and assurance functions also support the proactive identification and management of scenarios that could adversely impact customers. This allows energy companies to support the development of relevant management controls and crisis management plans, ensuring mitigation of adverse customer implications.

Insights:

- The APA Board adopted a refreshed risk appetite statement which expressly applied measures and metrics to risk tolerances relating to customer satisfaction, stakeholder relationships and reputation for the first time. The Risk Appetite Statement states that APA has a 'low tolerance for customer dissatisfaction' and measures this by reference to customer satisfaction scores for both the transmission and networks businesses ([APA Disclosure 2019](#)).
- The Stanwell Board approved a new Risk Appetite Statement for the business in 2019 - 'Customer and Reputation' recognising that to achieve its business objectives and preserve its social licence to operate, it must have the trust and respect of its stakeholders, including the communities in which Stanwell operates. It also signifies a willingness to engage with those stakeholders whose objectives differ to Stanwell but, through engagement, may provide an opportunity for it to do things a better way ([Stanwell Disclosure 2019](#)).

From an assurance perspective, the role of the board is to verify that strategies and actions undertaken to improve customer service are meeting expectations. In the UK, social housing provider Citizen Housing uses a Customer Assurance Committee comprising two board members and 10 community members to ensure the company is meeting regulatory requirements and customer expectations. Its Terms of Reference can be viewed [here](#).

Other resources:

[Deloitte integrated risk assurance – Get a clearer understanding of the risk affecting business value](#)

Questions to consider:

1. How is customer and reputational risk considered as part of the board risk matrix?
2. Are appropriate management controls in place to support proactive identification and mitigation of customer risks?
3. What assurance activities are being undertaken to ensure customer risk is being effectively managed?
4. Are customer focused metrics included as a part of operational and strategic performance reporting?

6. Customer advocacy structures

Customer Advocates, both internal and external to an organisation, are increasingly playing an important role.

In the financial services sector, the Australian Banking Association (ABA) introduced a suite of measures in 2016 including the strong recommendation that all major banks create the function of a Customer Advocate. The ABA defined the [guiding principles](#), purpose, role and responsibilities of the Customer Advocate, predicting that the role would “make it easier for customers when things go wrong – establishing an independent Customer Advocate in each bank to ensure retail and small business customers have a voice.” At Bank Australia, their Customer Advocate reports on a quarterly basis to the Managing Director and board.

In the energy sector, the role of the Customer Advocate is also taking shape. In late 2019, AGL appointed its Customer Advocate to amplify the voice of the customer across the organisation, challenge internal processes and influence decision-making as it occurs ([AGL Disclosure 2020](#)). Similarly, in early 2020, in recognition of lagging complaints indicators and consideration of the significant value of a more transparent complaints management process, Ausgrid’s CEO and board approved the appointment of its first Customer Advocate, reporting to the board. The Customer Advocate acts as Ausgrid’s internal complaints escalation point and is responsible for reviewing and arbitrating customer issues and complaints. The Customer Advocate also plays a vital role in understanding customer pain points and working collaboratively with all parts of the business to implement targeted business changes and improvements ([Ausgrid Disclosure 2020](#)).

Other energy utilities are also employing structural mechanisms to ensure the customer voice is reflected. At Powerlink Queensland, the Customer Strategist is heavily involved in shaping the business’ new corporate strategy to ensure it continues to deliver value to customers. Similarly at Horizon Power, the organisation was restructured to support the creation of a customer voice at a senior executive level, ensuring strong customer advocacy in the design of business strategy and decision-making.

Many organisations are now seeing the benefits of having an advocate for customer perspectives within senior leadership levels, with the nature and scope of the role often dependent on the size and nature of the business’s customer base.

Other resources

AICD - [Elevating stakeholder voices to the board: A guide to effective governance](#).

The Ethics Centre - [Ethics in the boardroom](#)

Questions to consider:

1. Is there a role for a Customer Advocate in your business as a voice of the customer?
2. Is the Customer Advocate having appropriate influence on strategies and decision making?
3. Are customer perspectives and insights supporting business decisions?
4. Does regular complaint and customer trend analysis support the board to identify issues and opportunities?

Director Checklist

The following questions are designed to prompt discussion among board members and guide the tailoring of customer voice initiatives to suit their business.

1. Board composition & training

- How can existing board directors expand their customer expertise to reflect the diversity of the customer base?
- Does the board skills matrix include customer experience?
- How can new and existing directors gain better insights on customer segments, issues and value propositions?
- Are there direct customer engagement opportunities as part of the induction process?

2. Board meetings

- Does the board's annual calendar include opportunities for customer input and engagement?
- Is there a standing agenda item at board meetings to discuss customer issues and opportunities?
- Does the board invite external speakers to board meetings to gain direct customer insights?
- Do board papers encourage commentary on customer impacts?
- Does the existing board committee structure allow for an appropriate focus on customers?

3. Decision-making

- Do customer metrics reported to the board provide the necessary insights to improve decision-making?
- Does the board decision-making matrix appropriately consider customer impacts?
- How are board decisions that improve customer outcomes communicated to impacted customers?
- Does the Annual Report and other corporate reports demonstrate how customer needs are considered in strategic decision-making?
- Does customer data clearly communicate trends and priorities?

4. Customer engagement

- How can directors gain more direct exposure to customers and meaningful engagement opportunities?
- What opportunities already exist within the business for the board to engage with customers or customer representatives?
- How else can customers be brought into the boardroom?

5. Risk & assurance

- How is customer and reputational risk considered as part of the board risk matrix?
- Are appropriate management controls in place to support proactive identification and mitigation of customer risks?
- What assurance activities are being undertaken to ensure customer risk is being effectively managed?
- Are customer focused metrics included as part of operational and strategic performance reporting?

6. Customer advocacy structures

- Is there a role for a Customer Advocate in your business as a voice of the customer?
- Is the Customer Advocate having appropriate influence on strategies and decision-making?
- Are customer perspectives and insights supporting business decisions?
- Does regular complaint and customer trend analysis support the board to identify issues and opportunities?



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