

A lighthouse on a rocky shore at sunset, with its light beam shining across the sky. The background is a gradient of orange, red, and blue.

AI Governance
**Lighthouse
Case Study**



Key Governance Insights



Ensure you understand the strategic value of AI by carefully considering what problem you are trying to solve, why AI is the right tool to use to solve this problem, and the business case.



Effective data governance is critical to AI governance.



Robust system architecture is essential to operationalise governance controls and support explainability, scalability, monitoring, privacy and security.



A rapidly evolving technology landscape requires continuous improvement.

Essential components of AI Governance covered

1. Accountability, oversight, roles & responsibility



2. Governance structures



3. People, skills, values and culture



4. Principles and policies



5. Practices, processes and controls



6. Supporting infrastructure



7. Stakeholder engagement, co-design and impact assessment



8. Monitoring, reporting and evaluation



How is Telstra using AI?





Employees 31,761 FTE (2023)

Customers 22.5 million retail mobile services and 3.4 million retail bundle and data services

Sector Telecommunications

Telstra is Australia's leading telecommunications and technology provider. Its core business relies on leveraging a range of different technologies for its customers.

AI has the potential to, and is already, changing every part of Telstra's business. Telstra develops, purchases, uses and sells products, systems and services that use AI and machine learning. It also undertakes analysis of its data to understand and optimise its network performance and to improve product and service offerings.

As part of its T25 strategy, Telstra is aiming to integrate AI into all its critical processes by 2025. It has already used AI to improve more than half of its processes, including to reduce network energy consumption, help protect customers from scams and solve customer issues faster. For example, AskTelstra, a large-language model chatbot is

being piloted across multiple teams. It enables frontline team members to quickly search the company's extensive internal knowledge bases to serve customers quickly.

Telstra is making strategic choices about deploying AI. It is leveraging the business opportunities of AI systems by focusing investment where there is both a clear business case and where risks to stakeholders can be avoided or minimised.

What is Telstra's approach to AI governance?





Good governance is seen as an important way to protect consumers and stakeholders whilst also allowing for innovation.

One team member told us that Telstra ‘looks to risk management not just to keep people safe and meet community expectations, but also to provide us with competitive advantage.’

Telstra has a Responsible AI Policy (Policy) which outlines a set of principles, practices and accountabilities for the Telstra Group and it governs the development, deployment and use of AI systems. This policy is closely aligned to [Australia’s AI Ethics Principles](#), which Telstra co-developed with the Australian government.

To give effect to this Policy, and as a core element of its AI governance, Telstra has introduced specific governance structures to respond to the unique characteristics and challenges of AI systems. These structures provide advice, approvals, and create clear lines of oversight for Telstra’s implementation of AI systems.

In 2019, Telstra introduced new operational procedures to embed the Policy, which included:

- creation of an AI Model Register for all AI use cases in Telstra
- review of all high-impact AI use cases by the Risk Council for AI & Data

Telstra regularly reviews and improves these processes, given the rapid pace of change of AI technologies and stakeholder expectations. Telstra understands that the embedding of AI governance processes requires continuous effort to keep pace with emerging technologies and regulations. For example, in response to the emergence of Generative AI, Telstra has developed specific guardrails. As more teams within Telstra adopt AI, increasing numbers of people with a variety of skillsets and backgrounds must participate in AI governance processes, which will require continuous training and refinement.

What are Telstra's governance structures for AI decision making?





Telstra's Governance Structures



Risk Council for AI & Data

Risk Council for AI & Data (RCAID) is an important element of Telstra's AI governance process. Any high-impact AI systems (including third-party systems) must be reviewed and either approved by RCAID, or escalated. RCAID is a cross-functional body with experts from across Telstra's business, including its legal, data, cyber security, privacy, risk, digital inclusion and communications teams. It provides a single, dedicated body to provide advice and approval.

Employees complete the required documentation and submit their AI use case proposals to RCAID, which meets fortnightly or otherwise as needed. RCAID assesses any potential risks, including any significant impacts on stakeholders. RCAID either approves the use case, makes recommendations to mitigate any risks, or escalates it to the Executive Data & AI Council if a decision cannot be reached or if the use case is considered to represent higher levels of risk. Employees have said that the process is 'absolutely essential' and 'great for getting advice'. By asking the right questions early, the RCAID process aims to avoid subsequent issues.



Telstra's Governance Structures



Executive Data & AI Council

The Executive Data & AI Council (Council) has oversight and responsibility for the use of data and AI in Telstra. It is comprised of executives representing each business function. It provides oversight over RCAID and its operations and receives escalations from RCAID for individual use cases representing higher levels of risk. RCAID reports monthly to the Council on the AI use cases being approved.

Audit Risk Committee

The Audit Risk Committee (Committee) is a standing of the Board. All significant risks are reported to the Committee who in turn brief the Board twice a year on the issues they are seeing (including in relation to data & AI). This enables effective oversight by the Board of any significant AI matters.

What complementary investments are needed to support AI governance?





The creation of governance structures alone will not ensure good governance outcomes. Good governance of AI requires supporting capabilities and mindsets.

Telstra executives have been thoughtfully taking further steps to ensure that strategy integration, supportive infrastructure and investment in people guide the organisation towards the responsible use of AI:



Strategy and value assessment

Telstra has made AI part of its whole of business strategy. As part of its T25 goals, it is aiming to be a leader in AI. This has required more holistic strategic thinking around the impact of AI systems on its business and moving away from simply using AI on a case-by-case basis. This has been reflected in the increased adoption of AI systems and broader consideration of the value of those systems.



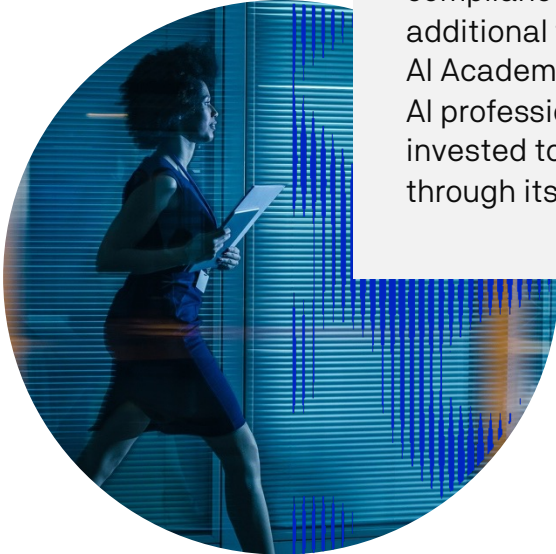
Data and platforms

One team member said, 'A lot of responsible AI happens before you code. How you generate, collect, store, curate the data often happens before you have thought of a use case'. A key element of AI governance is having the right supportive infrastructure, particularly in relation to data inventory. It is important to have a clear understanding and appreciation of the overarching 'data ecosystem'. Telstra has undertaken a lot of work on, and continues to work on, simplifying and modernising its data platforms (including decommissioning and consolidating legacy systems). Given the importance of data for AI systems, Telstra is making it easier for analysts working on AI systems to safely access the data they need.



People, skills and culture

A culture of responsible AI and data use has been strengthened through investment in employee training and skills development. Telstra is thoughtfully upskilling team members to ensure that data and AI systems are appropriately used, recognising that new systems require new mindsets, processes and skills in order for their full value to be realised. All employees undertake some training on data and AI risks and governance as part of their annual Business Essentials compliance training. Employees will also be able undertake additional training through the recently launched Data & AI Academy, regardless of whether they are executives, data & AI professionals, or working in other functions. Telstra has also invested to increase its data science capability, particularly through its joint venture with Quantum.



Leadership

AI is part of Telstra's whole of business strategy. There is active support from senior leadership for the adoption of AI in its businesses in an ethical and responsible way. Through the AI governance structures, there is clear oversight and accountability all the way up to the Board. Whilst there is leadership from the top on these issues, Telstra is seeking to empower its employees throughout the organisation to take responsibility for AI and data issues.

What can we learn from Telstra?





What can we learn from Telstra?

1 Strategic AI deployment

2 Importance of data governance

3 Role or system architecture

4 Continuous improvement

1 Strategic AI deployment

Whilst AI can offer many competitive opportunities, it is important not to get carried away by the hype. You must first understand the strategic value of any AI system by carefully considering the problem you are trying to solve, whether you need AI to solve that problem, and the business case for an AI system solution.

Employees are also constantly mindful of ‘the creepy factor’ – what will customers think if we use this technology in this way? What benefit is this technology delivering to them? Ultimately, there must be a balance between the business case and any impact (or perceived impact) on different customer groups. These complex tradeoffs are formally considered as part of the risk assessment of AI use cases.

2 Importance of data governance

Good data governance is critical for effective AI governance. Many of the risks of AI systems can be addressed through good data governance. Considerations of cyber security, privacy (including appropriate protections for personal information) and data quality are critical for all data uses, including using the data in AI model development or inference.

Telstra is in the process of streamlining its data holdings, which will both reduce data risks and act as an enabler for future AI growth.



What can we learn from Telstra?

1 Strategic AI deployment

2 Importance of data governance

3 Role of system architecture

4 Continuous improvement

3 Role of system architecture

Data governance policies are often enacted through system architecture, which outlines the structure and manner by which data can flow through the organisation. System architecture can provide important governance controls, through access rights, and choices around the types and locations of data stores and systems.

There is a recognition of the critical role that system architecture plays in supporting explainability, scalability, monitoring, privacy and security. As one team member said, ‘successful governance is hinged on great architecture and great delivery.’

4 Continuous improvement

Whilst Telstra has set up governance structures to approve and monitor the use of AI systems and provide oversight and accountability, Telstra team members understand that this is a rapidly evolving area which requires ongoing attention. Team members are continuously and actively considering ways to improve and develop its governance processes.

What's next for Telstra?

AI is increasingly being used and adopted throughout Telstra. Given the rapid pace of AI innovation, Telstra is now considering how to improve and scale its AI governance and review processes.

Telstra is exploring ways of:

- ensuring responsible AI by design in the development of new AI systems
- improving the consistency and speed of the RCAID review and approval process
- adapting the governance model to better accommodate procured AI systems, including AI components within broader software packages, and generative AI tools
- options for streamlining the process, such as self-assessment processes for low-risk uses of AI
- strengthening and automating the life cycle assessment and management of AI systems.



Human Technology Institute

For more information on HTI's AI Corporate Governance Program,
or to join our AI Governance network, please contact:

Llewellyn Spink, AI Corporate Governance Specialist
llewellyn.spink@uts.edu.au