



# BT Compliance Committee

## Annual Review 2020/21

August 2021

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## Introduction from the BTCC Chair

Our last report covered the period to 30 June 2020. This report covers from 1 July 2020 to 30 June 2021. By any measure this has been an exceptional year. Covid-19 has affected all of us, and I wish to start by recognising the contribution that our colleagues across BT Group have made to help keep the nation connected at this critical time. From our perspective, we have seen BT and Openreach responding well to the pandemic, adhering to the spirit and letter of the Commitments as they developed at pace new ways of working which enabled them to deliver for their customers while protecting their employees.

As in previous years, our monitoring approach has focused on the key issues facing Ofcom, industry, and other stakeholders: Digital Communications Review Outcomes; Openreach Governance; and Compliance with the Commitments.

Against the backdrop of the substantial operational and financial challenges BT has faced this year, the scale of BT's increasingly ambitious commitment to build full fibre to the premises and the speed of Openreach's network rollout is significant. In March 2021, BT's Chief Executive described Ofcom's Final Statement on the Wholesale Fixed Telecoms Market Review as the regulatory greenlight for Openreach to ramp up the rate of delivery of FTTP to 3 million premises per year. By April 2021, Openreach's network build was reaching 33% more properties per week than at the same time last year. BT's confidence in Openreach's ability to deliver the FTTP rollout successfully manifested itself in its 13 May 2021 announcement that it was increasing its commitment to funding Openreach's FTTP rollout plans by 5 million to cover 25 million premises by December 2026, including more people in rural communities. And in June 2021, Openreach's FTTP network passed 5 million properties.

In parallel, we have also seen continued progress with Openreach's physical infrastructure access product set. We were pleased to note that Openreach is focused on the challenges of delivering service levels at the scale that will provide alternative network providers the opportunity to deliver on their ambitions to build fibre across the UK

BT's operational delivery of the Broadband USO has improved over the course of the year and delivery targets are being met. We were pleased to learn recently that BT and Ofcom have reached agreement on the methodology for calculating customer quotes, and that Ofcom has recently decided to suspend the regulatory compliance investigation it opened in October 2020 on the basis of BT's assurances that it will take steps to mitigate the consumer harm it had identified with the methodology that BT has been using previously. We note that while the number of premises without decent broadband is decreasing, there will still be a proportion that cannot be economically served as BT delivers on the USO. We hope all stakeholders will be able to work constructively to find alternative technology and funding solutions for premises facing very high excess costs to bring them a decent broadband service.

As we have continued to monitor the key interactions between BT and Openreach (financial planning, strategy development and Openreach commercial decision-making), we have noted that, overall, the engagement of BT and Openreach people is mature and the processes are embedded and working well, with the key anchor points in each process operating as anticipated. We have observed that BT has a very high degree of confidence in Openreach and its leadership (including its Board) to build the FTTP network as an independent business within the BT Group, with BT's role being to set the high-level targets it wants to see the UK benefit from and that it expects as an investor, and with the operational and delivery issues managed by Openreach as the experts in network deployment.

To ensure stakeholders can have confidence that our monitoring work is effective, the Commitments Assurance Office has implemented its action plan following last year's review by the monitoring trustee team in Smith & Williamson to identify areas of good practice and possible improvements. Enhancements include revision of its deep dive monitoring framework, introduction of an internal Commitments Monitoring Tool, mapping of key control owners and, with BT, measures to enhance confidence in our ability to monitor key information sharing.

We continue to review potential Commitments breaches and process non-conformances. The number and nature of cases referred to us this year remains low. However, experience shows these breaches tell us little about the extent to which the Commitments are embedded in the minds of BT people. Issues relating to BT behaviours which may be indicative of the culture in BT, such as those raised with us last year by the Chair of the Openreach Board Audit, Risk and Compliance Committee tell us much more. While, on investigation, we found none of these were actual breaches nor did they suggest concerns about people's commitment to doing the right thing, we did identify that in some instances the Commitments had not been as front of mind as we would have liked. As a result, at the BTCC's request, BT's then Director of Regulation took a paper to BT's Executive Committee to remind them of the continued importance of living up to the Commitments. Matters such as these may not be brought to our attention by BT people

because they are not breaches, or because the individuals in question may not have appreciated the Commitments angle. It is therefore helpful when Openreach colleagues and other stakeholders raise their concerns with us so that we can investigate accordingly and we take comfort that the OBARCC will share any issues it identifies with us promptly, knowing that we will investigate them seriously. We also want to hear from our other stakeholders about how they perceive BT to be living up to its Commitments, and we encourage them to contact us via the CAO.

For our part, we have significantly increased the time we spend at our meetings hearing from stakeholders. We have found that speaking with and listening to them is the best way to calibrate BT's commitment to the governance framework, the culture in BT, and to assess if the Commitments are working as intended, especially given the very few breaches and the lack of insight they provide. Internally, we have heard from representatives of BT Group, Consumer and Enterprise, and Openreach. External to BT, having heard from Sky UK in May 2020, over the last year we have discussed progress with the Office of the Telecommunications Adjudicator, and we heard from Zen Internet and Ofcom at our meeting in November 2020.

We are pleased to see that over the last year, BT has undertaken – and is continuing with – several initiatives to ensure the Commitments remain embedded with appropriate consideration of Openreach's position. These include further training – especially for recent joiners to BT, on the Commitments' purpose and intent, and the introduction of a Compliance Framework that has an increased focus on mitigating the risk of undermining Openreach's greater independence and equal treatment of customers. These appear to be bearing fruit, with fewer instances of concern raised this year. In the same vein, new Executive Committee members have received bespoke one-to-one Commitments inductions. As BTCC Chair, I have had introductory meetings with them and the Committee will be hearing from them over the course of the next few BTCC meetings.

The fact that in a year when BT has faced significant challenges, we have seen such significant progress on fibre investment, few compliance concerns, and improvements in culture and behaviours in BT, is no reason for allowing complacency to creep in. As we enter our fourth year of monitoring BT and as BT's commercial ambitions and stakeholders' expectations evolve, we need to continue to be rigorous in our monitoring to ensure BT lives up to its commitments, the culture of respect for the governance framework endures and the Commitments remain relevant. We anticipate three key focus areas in the coming year:

- **FTTP Commercialisation.** Following BT's FTTP investment commitment, we will be paying greater attention to monitoring how BT Group (in its parent company role) engages with Openreach on the commercialisation of FTTP products. Where Openreach develops proposals relating to pricing, commercial terms or initiatives seeking to incentivise CPs to encourage consumers to move to FTTP-based services which need to be considered by BT, we expect these to follow the Commercial Processes Guidance Note.
- **BT senior leadership changes.** Recent months have also seen new senior leadership in BT, organisational design changes including the establishment of new units, and refreshed commercial ambitions. We will look to see that this evolution is managed in line with the Commitments, i.e. with role clarity and effective working relationships with Openreach that continue to respect the balance between Openreach's greater independence and BT's parent company responsibilities. We look forward to hearing from BT's Chief Digital & Innovation Officer and new Enterprise CEO at forthcoming BTCC meetings.
- **Keeping the Commitments current and front of mind.** While we have been pleased to see BT actively addressing how to keep the Commitments current and front of mind, as we enter our fourth year, we need to maintain vigilance here, against the backdrop of changing personnel and commercial ambitions. We have asked for an assessment at our next meeting of the extent to which the lessons learned from the issues raised by the OBARCC Chair last year have been – and remain – addressed. We also welcome BT's plans, together with Openreach, to refresh the suite of guidance notes on key processes to keep them current. We will monitor progress and ensure they are re-published to stakeholders to provide transparency. We also look forward to seeing the output from BT's and Openreach's next cultural maturity survey, anticipated for early 2022.

We met four times last year and will do so again this year. The duration of our meetings will be extended this year so that in addition to fully meeting our Commitments monitoring remit, we can provide oversight of how BT meets its responsibilities to treat customers fairly. This additional remit formally took effect from 1 April 2021.

Finally, I would like to take this opportunity to express our thanks to Mike Inglis who left us in July for his contribution to the work of the BTCC since its inception in 2018, and to welcome Sara Weller who joined the BTCC in May 2021.

**Isabel Hudson, BTCC Chair**

# 1. About us: the BT Compliance Committee and the Commitments Assurance Office

## 1.1. The BT Compliance Committee (BTCC)

### 1.1.1. BTCC status and Terms of Reference

The BTCC is responsible for monitoring whether the Openreach governance model is working as expected and whether this supports achieving appropriate outcomes for consumers and industry. It assesses whether Openreach is able to act with appropriate independence while BT is properly able to fulfil its parent company duties. Under its [terms of reference](#) the BTCC reviews BT's compliance with the letter and spirit of the Commitments made as part of Ofcom's 2017 Digital Communications Review (DCR) and reviews the culture and behaviours of colleagues. The committee is supported by the CAO. Established initially as a sub-committee of the BT Group plc Board, Audit & Risk Committee, on 15 April 2021 the BTCC became a Committee of the BT Group plc Board.

In order to enhance BT's commitment to protecting the interests of consumers and a culture of consumer fairness that further builds trust with stakeholders, the BT Board decided to widen the remit of the BT Compliance Committee from 1 April 2021 to include oversight of consumer fairness matters on its behalf. We now also monitor whether BT is living up to Ofcom's [consumer fairness principles](#), whether the culture and behaviours of colleagues are conducive to BT being trusted to treat customers fairly, and the extent to which BT is meeting the desired outcome of being trusted. The duration of our meetings will be extended this year to ensure that in addition to fully meeting our DCR Commitments monitoring remit, we can additionally provide oversight of how BT meets its responsibilities to treat customers fairly.

### 1.1.2. BTCC Membership and attendance

Under our [terms of reference](#) the BTCC comprises at least three BT Group plc non-executive directors.

During this year, the BTCC welcomed two new members:

- **Sir Ian Cheshire**, who was appointed to the Board of BT Group plc in March 2020, and joined the BTCC in July 2020. Ian was chairman of Barclays Bank UK until December 2020 and a non-executive director of Barclays until May 2021. He was previously group chief executive of Kingfisher and senior independent director and remuneration committee chair of Whitbread. He was also previously chairman of Debenhams and the lead non-executive director for HM Government and former chairman of the Corporate Leaders Group on Climate Change. Ian is chairman of Spire Healthcare Group, and chairman of Menhaden, a UK investment trust.
- **Sara Weller CBE**, who was appointed to the Board of BT Group plc in July 2020, and joined the BTCC in May 2021. Sara also observed our meetings in February and April 2021. Sara's previous roles include managing director of Argos and various senior positions at J Sainsbury, including deputy managing director. Sara served on the board of J Sainsbury plc between 2002 and 2004. Sara was a non-executive director of Lloyds Banking Group until May 2021 and United Utilities Group until July 2020, and the lead non-executive director at the Department for Work and Pensions until April 2020. She has also previously been non-executive director of Mitchells & Butlers and held senior management roles at Abbey National and Mars Confectionery.

In July 2021, Mike Inglis stood down as a non-executive director of BT Group plc. We would like to take this opportunity to express our thanks to Mike for his contribution to the work of the BTCC since its inception in 2018.

In the period covered by this Annual Review the BTCC met four times, in July and November 2020 and February and April 2021.

Membership and attendance at meetings this year was as follows:

Member	Eligible to attend	Attended
Isabel Hudson (Chair)	4	4
Ian Cheshire	4	4
Mike Inglis	4	4
Allison Kirkby <sup>a</sup>	4	3

<sup>a</sup> Allison was unable to join one committee meeting during the year due to other business commitments and provided her comments to the committee chair ahead of the meeting

You can find more information on the members on the [BTCC website](#).

### 1.1.3. How we operate

The BT Group plc Company Secretary or her appointed delegate acts as secretary to the committee, and attends all meetings and provides advice and support as required. In addition, the BT Group plc Chairman, Group Director Regulatory Affairs, Group General Counsel and the Directors of the CAO and Openreach's Commitments Monitoring Office (CMO) attend all meetings as invitees. In May 2021, Sabine Chalmers became Group General Counsel and Group Regulatory Affairs Director following Cathryn Ross's departure from BT.

### 1.1.4. Our accountabilities

We account to the BT Group plc Board as follows:

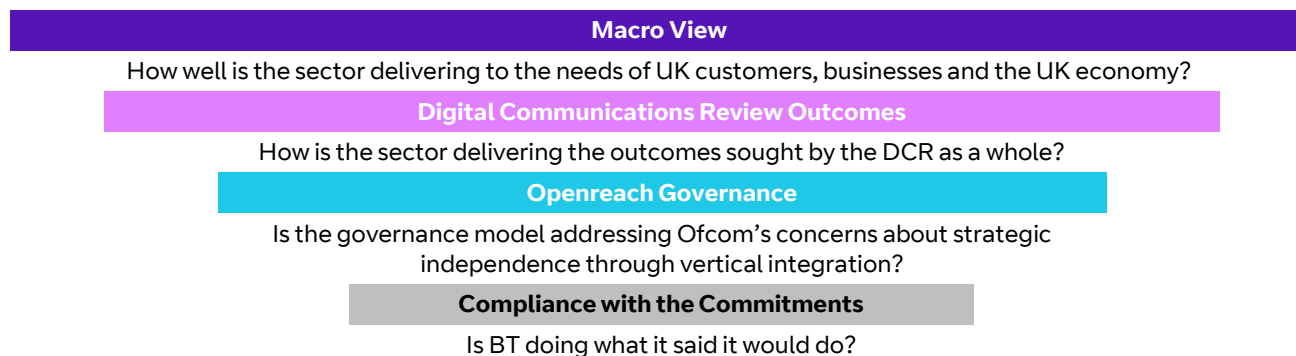
- The BTCC Chair provides a short oral update to the BT Group plc Board after each committee meeting;
- The BT Group plc Board receives copies of the BTCC's minutes; and
- The BTCC participates in BT's annual Board Committee effectiveness review which assesses how the BTCC is performing in delivering against its Terms of Reference, and indirectly how the CAO is doing in discharging its role and responsibilities.

The BTCC meets its accountability to Ofcom in the following ways:

- BTCC meeting agendas are shared with Ofcom's Openreach Monitoring Unit (OMU) one week before our meetings, and we send the minutes of each meeting of the committee in relation to compliance with the Commitments and the Governance Protocol to the OMU;
- On our behalf, the CAO informs the OMU of the BTCC's decisions in relation to breach cases and non-conformances with policy within two weeks of each meeting;
- The BTCC Chair is interviewed annually by Ofcom (this is part of a series of interviews with senior leaders across BT and Openreach) ahead of the publication of Ofcom's annual implementation review; and
- The BTCC publishes its [bulletin](#) after each meeting, and its Annual Review of its work for the year.

### 1.1.5. Our monitoring approach

We have adopted BT's list of the key issues facing Ofcom, industry and other stakeholders to frame what we do:



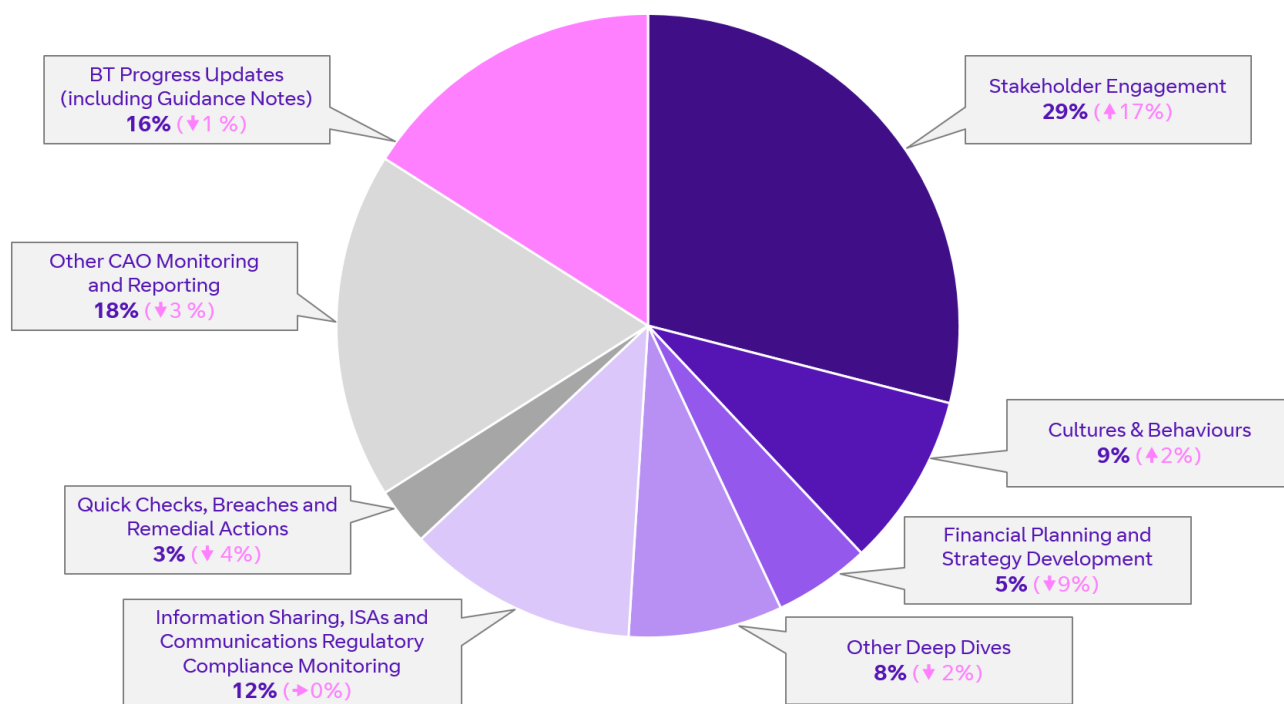
We fulfil our monitoring role by assessing the extent to which the outcomes for consumers and industry that BT and Openreach, Ofcom, CPs and other stakeholders want to see are being achieved. This includes investment in fibre networks, availability of decent broadband, and quality of Openreach service. We report on progress on DCR outcomes in section 2.

To support the delivery of good DCR outcomes, Openreach governance must work as intended, such that Openreach is able to act with appropriate independence within BT Group, while BT is properly able to fulfil its Parent Company responsibilities. We have taken a risk-based approach to our compliance monitoring, with our main focus being on the operation of the processes which may impact on whether the right balance of Openreach’s greater independence and BT’s Parent Company oversight is being achieved. We report on this in section 3.

We monitor BT’s compliance with the Commitments and Governance Protocol and consider at each meeting the breach cases reported to us. We report on compliance in section 4. Consistent with the trend we observed last year, the breach cases we reviewed were few in number and mostly trivial in nature. We find these cases and the reports we receive on compliance with the letter of the Commitments tell us little about the culture in BT and the extent to which BT people are living up to the spirit of the Commitments. We have therefore increased the time spent at our meetings on stakeholder engagement, as we find that hearing from key individuals provides far better insight into whether BT is living up to the spirit of the Commitments and the governance framework is being respected. In the last year, we have heard from senior management in Risk, Compliance & Assurance, BT Group Internal Audit, the BT Customer Facing Units (CFUs) and Openreach. We also received external stakeholder perspectives; over the last year we have discussed progress with the Office of the Telecommunications Adjudicator (OTA2), and we heard from Zen Internet and Ofcom at our November 2020 meeting. In addition the BTCC Chair is in regular contact with the Chair of the OBARCC who will raise with her any Openreach concerns, which gives us additional confidence that we are hearing about the issues that matter.

Below is an overview of how we allocated time at our meetings in 2020/21 to different areas of focus. This shows:

- increased focus on stakeholder engagement (29%, up from 12% last year), reflecting the range of guest speakers and stakeholders that have attended our meetings to share their perspectives on how the Commitments are working in practice;
- less time was spent on financial planning and strategy development (down from 14% to 5%), breaches (down from 7% to 3%) and other deep dives (down from 10% to 8%) consistent with the Commitments and the Guidance Notes becoming embedded and key processes maturing as between BT and Openreach; and
- other categories have remained broadly the same as last year.



## 1.2. The Commitments Assurance Office (CAO)

### 1.2.1. The CAO's way of working

The CAO supports the BTCC. Its monitoring and reporting to the BTCC includes investigating complaints and conducting Quick Checks into matters raised by CPs, Ofcom, or other stakeholders. It undertakes assurance reviews and deep dives on matters such as the financial planning and strategic development processes. It reviews breach reports received from BT. It can also institute Quick Checks and investigations on its own initiative. The CAO works closely with Openreach's CMO, particularly on matters which involve an interface between BT and Openreach. The CAO has continued to meet with Ofcom's OMU to report on its work approximately monthly this year.

You can find out more about the CAO on its [team page](#). The CAO's Operating Manual which sets out its operating processes, its procedures for investigating complaints, quick checks and potential breaches, and its framework for assessing behaviours is on its [Ways of Working page](#). You can contact the CAO via [cao@bt.com](mailto:cao@bt.com).

### 1.2.2. The CAO's Effectiveness Review

We reported last year that, to help give stakeholders confidence that our monitoring work is effective, we engaged the monitoring trustee team in Smith & Williamson (S&W) in early 2020 to identify areas of good practice and possible improvements given the importance Ofcom and other stakeholders place on the BTCC's monitoring of the Commitments and the Openreach governance model. S&W presented their findings to the BTCC in July 2020. We heard that while the compliance framework is generally in reasonable shape, with a compliance culture which is advanced and well-embedded, there were opportunities to build on the good work done to date.

Since then the CAO, together with relevant teams in BT, has implemented its action plan to address the key recommendations. Key enhancements include:

- Revision of the CAO's [Deep Dive Monitoring Framework](#) which describes the actions and behaviours we expect to see from BT, recognising that as the Commitments have become more embedded, behaviours which might have been "role model" in the early days of the Commitments are now the "expected" behaviours;
- Introduction of an internal Commitments Monitoring Tool that enables the CAO to record and demonstrate that it is monitoring all aspects of the Commitments and Governance Protocol: this provides timely reminders to check on some of the items of lesser significance which might otherwise risk being overlooked;
- Mapping by BT of control owners for the key [Guidance Note](#) processes;
- Various measures to enhance confidence in our ability to monitor key information sharing: these include implementation by BT of the Azure Information Protection application (this allows confidentiality markings to be added to emails and documents, ensuring they are only shared with people determined by the sender); reports on email traffic between BT and Openreach; and the introduction by BT's Communications Regulatory Compliance team (CRC) of their new Compliance Framework; and
- Agreement of a memorandum of understanding with Openreach's CMO on monitoring responsibilities as between BT and Openreach.

In June 2021 the CAO refreshed and re-published its [Operating Manual](#) incorporating these changes.



## 2. Progress on DCR Outcomes

The BTCC monitors how much progress is being made against DCR outcomes, which Ofcom [summarised](#) in February 2016 as follows:

<p><b>Large scale investment in more fibre</b></p> <p>Extensive FTTP and duct &amp; pole sharing</p>	<p><b>Step change in quality of service</b></p> <p>Challenging standards for Openreach</p>	<p><b>Reforming Openreach Governance</b></p> <p>Strengthened independence from BT</p>
<p><b>The right to broadband</b></p> <p>Universal right to broadband at 10Mbps</p>	<p><b>Empowered consumers</b></p> <p>Better information, easier switching</p>	<p><b>Deregulation</b></p> <p>Step back from regulation where no longer needed</p>

On fibre investment, Ofcom’s vision that everyone in the UK should have fast, reliable broadband services, with the UK a world leader in the availability and capability of its digital networks is rapidly becoming a reality. This has been a year of substantial progress towards the widespread availability of Openreach FTTP, both in terms of network rollout and the scale of BT’s and Openreach’s ambition. The scale of BT’s commitment, particularly in the face of the challenges and uncertainty of the pandemic, is to be applauded. Alongside this, Openreach is moving at pace to ensure alternative network builders can use its Physical Infrastructure Access (PIA) products at scale.

In terms of ensuring all customers can have decent broadband under the broadband USO, there have clearly been challenges, both operational and regulatory. As the year progressed, Openreach and Consumer have improved their ways of working together operationally, to date all the key service and delivery parameters are being achieved, and the controls have been subject to considerable scrutiny by the compliance and internal audit functions with no significant issues raised. We are pleased to see that BT and Ofcom have reached agreement on the methodology for calculating broadband USO customer quotes, and that Ofcom has recently decided to suspend the regulatory compliance investigation it opened in October 2020 on the basis of BT’s assurances it will take steps to mitigate the consumer harm it had identified with the methodology that BT has been using previously.

This section provides further information on investment in fibre and the broadband USO. Openreach governance is addressed in Section 3. In relation to Empowered Consumers the Committee’s extended Consumer Fairness remit will mean it has greater oversight of this outcome. Openreach leads on matters pertaining to its service levels, and the other DCR outcome, deregulation, is ultimately for Ofcom.

Ofcom also deregulated the WLR, ISDN2 and ISDN30 markets in its Wholesale Fixed Telecommunications Market Review (WFTMR) statement in March 2021, after finding BT no longer had significant market power (SMP) in those markets. We monitor how BT responds to such deregulation under the Commitments, and note BT has notified Ofcom that it intends to leave products in the WLR, ISDN2 and ISDN30 markets in Openreach as BT considers it would be impractical to move them to another division. We also monitor how BT’s downstream CFUs respond to the opportunities that such deregulation presents.

### 2.1. Investment in Fibre and Physical Infrastructure Access

#### 2.1.1. Fibre Investment – Extensive FTTP

Last year BT signalled an intent to go further in rolling out FTTP where the right fiscal, regulatory and legislative enablers were in place. The conclusion, in March 2021, of Ofcom’s Wholesale Fixed Telecoms Market Review helped provide the certainty BT needed to commit to ramp up the rate of delivery of FTTP to 3 million premises per year. This was followed by BT’s announcement in May 2021 that the conditions are right to increase and accelerate the total FTTP build, from 20 million to 25 million premises, with a target date of December 2026. This will see FTTP from Openreach available to over 80% of UK premises. Alongside this, Openreach confirmed that its revised plans included building FTTP to at least 3 million more homes and businesses in some of the UK’s hardest-to-serve communities (the

vast majority of these locations fall within the ‘final third’ or ‘Geographic Area 3’) meaning fewer homes and businesses will require taxpayer subsidies to upgrade.

These targets are challenging, but we have seen Openreach increasing its rollout rates in order to meet them. By May 2021, Openreach was able to reach a rate of 43,000 new premises each week served with full fibre, an increase of over 30% compared to the same time last year. Openreach added 1.9 million premises to its fibre network during 2020/21, and has now reached 5 million premises.

Taking these decisions has required considerable engagement between BT and Openreach. As the year progressed, we reviewed how BT engaged with Openreach as it was developing its FTTP investment case. The CAO, working closely with Openreach’s CMO, monitored the process in as close to real time as is feasible, through a combination of interviews with key stakeholders, access to key documents, and observing relevant meetings of the [BT Investment Board](#). As we reported last year, we noted that Openreach was able to develop its FTTP investment case independently, with effective working level relationships between Openreach and BT. This enabled Openreach, within BT Group’s overall Strategy Development and Financial Planning processes, to present a robust financial investment case, agreed by the Openreach Board. The BT Group plc Board subsequently approved that investment in the course of agreeing BT’s Medium Term Plan (MTP) in May 2021.

### 2.1.2. Physical Infrastructure Access (PIA)

We recognise how important it is that Openreach’s PIA products be developed in ways which meet alternative network providers’ reasonable requirements and for Openreach to scale up delivery to meet their ambitions.

At our November 2020 meeting, we received a progress report on PIA. The Committee heard that in the face of rising demand, and notwithstanding the challenges of the pandemic, Openreach had been able to maintain strong operational performance. As demand for PIA ramped up, Ofcom and the OTA2 had articulated to Openreach the product development, operational processes and IT priorities needing to be addressed to ensure that Openreach can deliver at scale.

We received a further update in April 2021, when we heard directly from Openreach representatives. The Committee noted that, overall, good progress continues to be made, with the number of CPs working with Openreach and the volume of orders continuing to grow. The PIA service continues to evolve as Openreach’s CP customers learn how they want to use Openreach’s infrastructure and Openreach responds to their requirements, and Openreach is continuing to work collaboratively with industry to meet the challenges presented by scale consumption of PIA. These include the 5 priorities for PIA success identified by Ofcom at the September 2020 PIA CEO industry meeting.

Further information on the work done by the OBARCC to monitor Openreach’s operation of the PIA-related information sharing controls, how Openreach engages with CPs at industry working groups and how Openreach responds to statements of requirements from CPs is contained in the OBARCC’s [annual report](#).

## 2.2. Broadband Universal Service Obligation (USO)

BT’s broadband USO service launched in March 2020, and we have monitored BT’s progress at each of our meetings since, with detailed presentations at our November 2020 and April 2021 meetings from Christian Thrane, MD Marketing, Consumer. Our oversight has predominantly focussed on the operational programme to support the Broadband USO, which is owned by BT’s Consumer division and with Openreach a key supplier to enable delivery.

In November 2020, we noted that as the pandemic eased, Consumer had been able to increase its customer engagement communications, and that it was starting to receive confirmed USO orders. In August, CRC had issued an Assurance Report, following a review which covered adherence to the Broadband USO conditions relating to (i) information sharing processes and (ii) the complaints process and the appropriateness of governance and controls in place to manage both these areas. In September, BT Group Internal Audit reported on its Broadband USO Audit, the objective of which was to review the effectiveness of the Broadband USO process controls. Neither raised significant concerns but both made recommendations for process enhancements/improvements. We understand these have now been actioned. Openreach Internal Audit was also auditing Openreach’s readiness to deliver Broadband USO from an Openreach perspective as supplier to BT Group. At that stage, Christian highlighted the inherent organisational challenges resulting from functional separation and greater independence of Openreach which were making Consumer’s ability to ensure programme delivery on an end to end basis more challenging.

In April 2021, we were pleased to learn that the situation with Consumer's programme governance, and in particular its engagement with Openreach, had improved. Openreach had made changes to address Consumer's concerns on resources allocated to the project with separate Openreach owners now dealing with data-related issues and operational management. These had improved the efficacy of the process. Numbers of orders were increasing (nearly 1,000 at end March 2021), and orders were being fulfilled within the required timescales. Fixed Wireless Access (FWA) was starting to be deployed more widely and as at March 2021 BT believes the number of premises without access to decent broadband may fall below 100,000 once the latest FWA and commercial fixed coverage progress is taken into account.

However, while progress has been made at the operational level, we note Ofcom opened an investigation into BT's compliance with its obligations as a broadband universal service provider with regard to how BT calculates the excess costs for a given connection. We are pleased to see that BT and Ofcom have engaged to seek agreement on the methodology for calculating Broadband USO customer quotes, and welcome Ofcom's decision to suspend its investigation on the basis of BT's assurances it will take steps to mitigate the consumer harm it had identified with the methodology that BT has been using previously.

We note also that Ofcom has published a [consultation](#) on a proposed modification to the Universal Service Conditions to ameliorate the risk of there being a disproportionate impact on the costs of funding the Broadband USO where the cost of connection is very high. We recognise, as other stakeholders do, there will still be premises where the costs of provision remain very high and that these customers are unlikely to benefit from the Broadband USO. We were pleased to note BT's engagement with Government via its call for evidence on solutions for the hardest to reach places. We remain hopeful that BT and other stakeholders, all working together, will be able to find solutions for the hardest to reach customers. BT's announcement in June of a Memorandum of Understanding with low earth orbit satellite provider OneWeb to explore provision of improved digital communication services to some of the hardest to reach parts of the UK is an encouraging sign in this regard.

### 2.3. Stakeholder Feedback

We have invited guest speakers to each of our meetings so that they can share their perspective with us on the extent to which they are seeing the outcomes they are seeking, how the Commitments are operating in practice, and to calibrate whether what we see in our monitoring work corresponds to what other stakeholders experience. Guest speakers this year have included:

- In July 2020, the CEO of BT's Enterprise unit offered us his views on dealing with Openreach which is one of its key suppliers;
- In November 2020, the Founder and Chairman of Zen Internet gave his perspectives on the functioning of the Commitments through the lens of the service that Zen receives as a customer of Openreach, and also his commercial relationships with other parts of BT Group;
- In February 2021, Ed Petter, BT Group Corporate Affairs Director, shared the results of a recent study involving more than 100 key stakeholders including media, politicians and industry analysts of how key stakeholders perceive BT. The main points of focus included the pace and scope of full fibre rollout as well as issues related to the health of the network (e.g. network resilience in light of changing work habits post Covid) and digital access. The survey also highlighted that key stakeholders have welcomed BT's customer focused initiatives such as onshoring of contact centres and BT's [Skills for Tomorrow](#) programme; and
- In April 2021, Katie Milligan, Openreach's MD Customer Commercial and Propositions and Olly Kunc, Openreach's MD Service Delivery Openreach shared Openreach's perspectives on the progress of PIA as described above and how Openreach Service Delivery has maintained service throughout the Covid-19 pandemic.

We welcome any external insights on BT's activities towards delivering DCR outcomes, including the operation of the Commitments. We encourage stakeholders to approach us via the CAO so that these issues can be factored into our programme of work to ensure that we are looking at those topics which matter to all stakeholders. The CAO can be contacted via [cao@bt.com](mailto:cao@bt.com).

### 3. BT's engagement with the Openreach Governance Model

We spend the largest part of our time monitoring how the Openreach Governance Model is working. This is fundamental to Openreach having greater independence and being able to give equal treatment to its customers, and to BT being able to exercise the oversight necessary to fulfil its Parent Company responsibilities. We monitor carefully how BT and Openreach engage with each other, whether BT people are living up to the spirit of the Commitments and whether the appropriate balance is being struck. In doing so, we also seek to calibrate whether what we see is usual or unusual as compared to what other parent companies making substantial investments in a subsidiary would require, whilst having regard to Openreach's special position.

Our review framework considers: (a) architecture, (b) operating model/ways of working, and (c) people - culture and behaviours:

- The **architecture** – the roles and responsibilities as set out in the Delegations of Authority, Organisational Design Protocols and systems and processes used – have become established over the last few years. They are robust but will need a degree of updating in the coming year to reflect recent organisational design changes, and as the newly created units (Digital and Networks) become established and develop their relationships with colleagues in Openreach. This is work in progress. The CAO has reported healthy engagement by BT to date, with support from CRC and BT Group Regulatory Affairs, to ensure structures and reporting chains align with DCR principles. We will continue to monitor and report on this over the next year.
- The **ways of working** between Openreach and BT are evolving with time to meet operational requirements and technical/systems changes, but the underlying principles remain constant. These include clear accountability and ownership appropriately balanced between Openreach and BT, and delivery in a manner which is capable of being explained transparently to stakeholders. It is important that, in addition to complying with the letter of the Commitments, the operation of the governance model is perceived by stakeholders as delivering the “spirit” of what the Commitments seek to achieve. The key BT/Openreach processes (Strategy Development, Financial Planning, and Commercial Processes) are working effectively and meeting both Openreach's and BT's needs. However, the [Guidance Notes](#) which underpin and evidence these processes (and which we monitor against) need refreshing to keep them current. We welcome BT's and Openreach's agreement to do so in the coming months.
- In terms of **people and culture**, at our July 2020 meeting we considered concerns raised with us by the OBARCC Chair about a number of matters which, while individually relatively minor and technical, when taken together could have given rise to a concern as to how fully embedded the Commitments were in BT. Since then, we have been pleased to see BT putting considerable effort (see section 3.2.2) into engaging with its senior leaders to ensure the Commitments are appropriately embedded as part of their culture and remain sufficiently front of mind on a day-to-day basis. Our monitoring of other processes and interactions potentially affecting Openreach shows that Openreach's position (and the impact of Group actions on Openreach) are being considered and worked through far more than they were a year ago. BT has also updated the Commitments documents so that they remain current and relevant to BT people. We encourage BT to continue with this proactivity.

In the rest of this section, we provide more detail on our monitoring of (i) the key processes between BT and Openreach, (ii) other BT parent company engagement with Openreach and (iii) engagement between other parts of BT and Openreach.

#### 3.1. Key governance processes

We monitor these particularly rigorously, as they go to some of the most fundamental DCR questions: is Openreach able to determine its strategy independently (taking account of the BT Group Strategic Framework); is BT committed to funding Openreach to meet its ambitions within overall BT Group financial constraints; and is BT engagement in Openreach's pricing and product propositions in line with the agreed framework which respects the DCR balance and does not encourage Openreach to discriminate in favour of BT's downstream CFUs?

As shown below, all three are working well, and the control frameworks within them are being respected. This is largely due to the fact these processes are now familiar to people in BT and Openreach, with clarity about the key anchor

points that are necessary to make these processes work as intended. We also recognise the importance that CPs place on the ability of the Openreach Board to fulfil its role independently. The CAO, working together with Openreach's CMO, has confirmed to us that the Openreach Board has been engaged appropriately in all three processes.

Having said that, after 2-3 years of operation, whilst there is no need to change any of the underlying design principles or any of the key controls, the detail of the actual processes has evolved and there are learnings from the operation of each of them that should now be taken on board. For example, the timing of key governance anchor points in the Strategy Development process have been brought forward to give the BT Chief Executive a clear view of strategic priorities across BT Group before the annual process for setting BT's MTP starts. BT has also streamlined its Financial Planning process by removing the September Forecast. We have also observed overlap between the MTP process and the Commercial Processes Guidance Note when significant Openreach investments are being proposed. BT recognises the value of these learnings and, together with Openreach, is refreshing the suite of guidance notes on these key processes to keep them current, to simplify them and enhance their usefulness. As these are the benchmark by which we monitor whether BT is fulfilling its parent company responsibilities in line with the agreed expectations of BT and Openreach, we welcome BT's and Openreach's agreement to do so. We will monitor progress and ensure they are re-published to stakeholders to provide transparency.

### **3.1.1. Financial Planning**

At our July 2020 meeting, we received a report from the CAO with the findings of their joint assurance work alongside Openreach's CMO of the financial planning process for the setting of MTP20 which had culminated in it being agreed by the BT Group plc Board in May 2020. We heard that this had followed the process as set out in the published guidance note, with key controls and the role of the Openreach Board duly respected. The CAO continued to monitor the operation of the process in case of any in-year amendments to the MTP due to the impact of Covid-19. No such in-year amendments occurred.

For the setting of MTP21, we received reports at our February and April 2021 meetings that the process had again operated well and the CAO's and CMO's monitoring had not highlighted any issues or areas of concern.

### **3.1.2. Strategy Development**

At each of our meetings we have received reports on the joint work by the CAO and Openreach's CMO on their monitoring of the strategy development process, which they have undertaken in as close to real time as is feasible.

This year was the first cycle since the refreshed BT Group [purpose and strategy](#) was agreed by the BT Group plc Board in May 2020. Due to Covid-19, the 2020/21 cycle, which had been due to start in March/April 2020 and run through to November 2020, was paused to enable key people to focus on the immediate operational pressures from the pandemic. By mid-June 2020 the process had been restarted. The CAO, working in conjunction with Openreach's CMO, observed that in spite of the exceptional events during 2020 the process worked well. They were able to confirm that the operation of the Strategy Development Process had been done in a way which was consistent with, and had not negatively impacted on, Openreach's plans to update its own strategy, with positive early engagement by Group Strategy with the specific Openreach governance requirements.

### **3.1.3. Commercial Processes: Pricing, Products and Projects**

The Commercial Processes Guidance Note, agreed between BT and Openreach in February 2020, sets out five tests which Openreach applies to decide whether it needs to seek BT Group plc approval for a commercial decision.

At our November 2020 meeting we received a half yearly report which confirmed that during that period none of the commercial matters considered by Openreach triggered any of the tests that would necessitate a referral to BT (although on three occasions, Openreach had decided to 'inform' either BT Group or the Openreach CEO/Openreach Chairman of their decision).

The fact no matters were formally referred at that point in the year merits being set in context: at that time, Openreach was developing its investment case for significantly increasing its deployment of FTTP. The scale of that investment meant the engagement between Openreach and BT Group took place as part of the Strategy Development and Financial Planning processes that would lead to the setting MTP21, which as we note above we

monitored and found to have worked well. In the financial year 2020/21, Openreach approved just over 150 papers, with 7 items sent to BT for information, 1 item sent for consultation and 2 sent for decision.

At our April 2021 meeting, we noted that with investment in FTTP being agreed via the Strategy Development and Financial Planning processes, the Commercial Processes route will be increasingly relevant as issues relating to FTTP commercialisation (including pricing) gain momentum. Key among these is Openreach's overall FTTP pricing approach. Following approval from the Openreach Board, those proposals were sent to BT in April 2021 as one of the 5 tests had been triggered. Openreach's proposals were agreed by the BT Chief Executive in line with BT's DoA framework, and shared with the BT Group plc Board for information. The BTCC will receive a report on the monitoring of this by the CAO and CMO at its next meeting.

In our monitoring work we consider not just whether the controls built into the process are being complied with, but also whether proper regard is being paid to the design principles (set out in the Commercial Processes Guidance Note). Those principles include the ability for Openreach to develop its proposals independently, and ensuring the role of the Openreach Board as a key decision maker is being respected. Stakeholder confidence that Openreach has sufficient greater independence is likely to be heavily influenced by their confidence in the strength of the Openreach Board and the degree of assurance that can be provided that the Openreach Board is able to fulfil its role. Therefore, as we head into a period where BT Group has committed to funding Openreach's FTTP rollout plans to reach 25 million properties by December 2026, and issues around FTTP commercialisation become more relevant, we will place greater emphasis on understanding: (a) the drivers for BT's involvement in key decisions particularly where we think there is a risk CPs might have concerns about them; (b) the extent to which the Openreach Board has been able to fulfil its role; and (c) whether there are any concerns about BT's involvement in the processes.

We also heard about the work of BT Group Internal Audit (GIA) at our November 2020 and February 2021 meetings to review the GN7 process. GIA's review found both the Openreach Investment Board (OIB) and Openreach Commercial Policy & Pricing Board (OCPPB) were operating processes to assess all business cases submitted for review against the 5 tests as set out in the Commercial Processes Guidance Note. GIA observed that Openreach had identified opportunities to enhance reporting, both within Openreach and to BT, on business cases considered by the OIB and/or OCPPB. This would increase confidence that the 5 tests were being applied correctly both in terms of cases that are referred to BT and cases that are considered only by Openreach. GIA also recommended further steps to ensure that opinions provided to Openreach where BT Group involvement is required are fully documented. These recommendations were accepted and implemented by Openreach and BT.

## 3.2. Other BT Group engagement with Openreach

We continue to monitor other interactions between people in BT Group and Openreach with a view to ensuring the Commitments remain suitably embedded in BT and that there is no inadvertent erosion of Openreach's greater independence.

### 3.2.1. Delegations of Authority Framework

BT typically reviews its Delegations of Authority (DoA) framework in a twice-yearly review cycle. The CAO monitors its operation for potential Commitments impacts. Where any Group-wide DoA changes could have an Openreach impact, the DoA Steering Group liaises with the Openreach Director Board Governance & Assurance to ensure that any changes to DoAs appropriately balance parent company oversight and Openreach's greater independence. The second bi-annual DoA review took place in November 2020. An amendment was made to the Group Procurement and Purchasing DoA to reflect the right of escalation that had been agreed with Openreach in the event that Openreach is dissatisfied with the decisions taken by Group Procurement. The third bi-annual DoA review has been postponed to after the period covered by this review.

### 3.2.2. Embedding of the Commitments in BT Group

In [Issue 10](#) of the BT Compliance Committee Bulletin, we reported that at our meeting in July 2020 we had considered a number of matters raised with us by the chair of the OBARCC. He had written to the BTCC Chair about issues which were described as individually being relatively minor and technical but which the OBARCC felt gave rise to concerns as to how fully embedded the Commitments were in BT. The BTCC considered the overall list of matters raised to assess whether they were:

- justifiable as part of an outcomes-focused “big picture”;
- usual or unusual compared to what other parent companies would do to ensure financial control when funding investments while still recognising Openreach’s unique position;
- thoughtless/careless mistakes; or
- indicative of insufficient embedding of the Commitments.

The CAO provided a report of its findings on each point. Two issues were reviewed by the CAO as compliance “quick checks”: in both instances the CAO recommended finding that they did not give rise to a breach of the Commitments or Governance Protocol, but the CAO did identify learnings from each (see Quick Checks 10 and 11 in Annex 1 below).

Overall, the Committee heard that the CAO had not observed any BT intent to retrench from greater operational and strategic independence for Openreach, and did not find evidence suggesting people in BT are driven by an intent to do the wrong thing. However, there was evidence that the potential impact of proposed actions on Openreach had not always been sufficiently front of mind. Some of the issues raised by the OBARCC were examples of people doing the right thing for the right reason, but not always in quite the right way. These were issues that were easily soluble. The CAO identified these issues as providing examples of why BT should ensure it keeps its finger on the pulse with the detail of the Commitments.

In response to this, BT Group Regulatory Affairs and CRC have undertaken a range of steps to ensure they remain front of mind.

- In response to the Committee’s request, the Group Regulatory Affairs Director took a paper to the BT Group Executive Committee (ExCo) in October 2020;
- Building on this, Group Regulatory Affairs has rolled out a targeted engagement plan with Senior Leadership Team members, presenting materials that explain why BT has the Commitments, the expectations on SLT members, what it means in practice, and how to think about Openreach;
- One-to-one Commitments inductions sessions have been held with new ExCo members, led by the Group Regulatory Affairs Director, supported by the CAO Director;
- BT’s Company Secretary team and CRC have included details on Commitments requirements in the induction process for non-executive directors, and updated the process for executive appointments to ensure due consideration is given to Commitments requirements for appointments where individuals are in senior roles within downstream BT CFUs;
- BT is refreshing the induction process for ExCo members, managing directors and directors, including recommending introductory meetings with their opposite numbers in Openreach and enhancing the information on the Commitments in the induction pack; and
- There has been one-to-one engagement with the people involved in the issues raised by the OBARCC Chair.

In addition, we have continued to monitor the matters raised by the OBARCC and have asked for a review, to be presented at our July 2021 meeting, of whether the lessons learned last year have been acted on so that we can have confidence the Commitments are being kept front of mind on a day-to-day basis as part of business as usual.

We will continue to keep this embedding under review and will look carefully at what happens in units where there are leadership and key personnel changes.

### **3.2.3. BT Supplier Relationships into Openreach**

In our 2020 Annual Review, we reported that supplier relationships from BT to Openreach were broadly working well. We heard in July 2020 that the CAO had completed its review of supplier relationships, meeting with the IT and Network managing directors in Technology and Procurement leads in Openreach and BT Group. No concerns were raised with those relationships.

Since then, BT has announced the creation of two new units, Digital and Networks, to replace Technology. We will be continuing to monitor how those units establish their ways of working with Openreach. BT has also launched BT Sourced, an outsourced procurement company based in the Republic of Ireland. The migration of procurement activities to BT Sourced will run to March 2022. CRC reported to us at our April 2021 meeting that after an initial lack of engagement, they now have some confidence that appropriate consideration of our Commitments will be taken

with the next stages of the programme. CRC were awaiting further details to ensure BT Sourced remain engaged through the key compliance milestones. We will continue to monitor this over the coming months.

### 3.3. BT Customer Facing Units relationships with Openreach

At our April 2020 meeting BT presented to us the second report by external culture change experts *Walking the Talk*. This had found that that culturally, Openreach was more independent than had been observed in 2018: the relationship between BT and Openreach has largely matured in support of an independent Openreach, with particular progress as regards BT's parent company oversight role. However there had been a slight retrograde in the Openreach/BT Customer relationship as compared to their 2018 review. BT had developed plans to address this, and over this last year, we have continued to monitor these relationships.

In July 2020, we considered a report on how BT's Consumer and Enterprise units engage as customers of Openreach. Since then we have continued to receive updates on how Consumer and Openreach are working together on delivery of the Broadband USO. At our April 2021 meeting we heard from Christian Thrane, MD Marketing, Consumer, on the progress made by the Broadband USO programme and from Adam Coughlan, Head of Openreach Partnership, Consumer, about Consumer's work to enhance its commercial partnership approach when working with Openreach. We were pleased to hear that Consumer considers its relationship and its ways of working to be much improved from this time last year.

With regard to Enterprise, Gerry McQuade, the then-CEO of BT's Enterprise unit presented to us at our July 2020 meeting. He shared his perspectives on working with Openreach under the Commitments as a key supplier to Enterprise, and how Enterprise was working to optimise that customer-supplier relationship.

At our February 2021 meeting, we also heard from Openreach and BT in relation to Ofcom's investigation and findings in respect of the Northern Ireland Public Sector Shared Network contract and (while recognising this had been a regulatory investigation into breach of Equivalents of Inputs) the potential Commitments implications of that in relation to how BT CFUs, in particular Enterprise, engage with Openreach in bid situations and the requirements of equal treatment.

### 3.4. Stakeholder Engagement

While CAO reports on the operation of the key processes and other ways of working are helpful, they are insufficient on their own for us to fulfil our role diligently.

Hearing directly from stakeholders in both Openreach and BT is essential. This helps us to calibrate the extent to which the governance framework is working as intended and whether there are specific issues of concern that we need to monitor more closely. For this reason, the Chair of the BTCC speaks at regular intervals with the OBARCC Chair which ensures that if Openreach have concerns that have not yet been flagged by BT, these can be brought to the BTCC's attention and properly investigated.

The work last year by *Walking the Talk* highlighted that insufficient progress had been made in improving the customer-supplier relationship between BT downstream CFUs and Openreach. This year we heard from senior leaders in Consumer, Enterprise and Openreach about the work that is taking place to drive improvement and foster effective commercial relationships. Our overall conclusion is that BT ends the year in a better place than it started, both in relation to the extent to which the Commitments are embedded in BT, as well as how the downstream CFUs engage with Openreach. Given the importance of this we will continue to monitor progress and how the customer-supplier relationships are evolving. We intend to hear again from BT's downstream units about their progress, and look forward to welcoming the new CEO of Enterprise, Rob Shuter, at one of our meeting in early 2022.

We will also continue to engage with a wide range of stakeholders in BT, including in Corporate Functions, and Openreach over the coming year. In addition we plan to invite at least one CP to share their perspectives with us.



## 4. Commitments Compliance

We continue to monitor BT's compliance with the letter and spirit of the Commitments, which includes receiving regular compliance updates from the Senior Manager, CRC and considering the information sharing Disclosure Record Reports. We consider and decide on Commitments breaches and policy non-conformance matters referred to us by BT. We also hear twice yearly from BT Group Internal Audit on Commitments compliance-related audits completed in the previous period and those that are planned.

Openreach governance arrangements and relationships between key functions in BT and their Openreach equivalents have matured. There is a corresponding increase in constructive engagement to resolve those issues that do arise in a way which is in line with the Commitments and Governance Protocol. Given this we would expect fewer concerns to arise in terms of overall compliance. The number of breaches referred to us has indeed remained low in number and nature this year. We recognise, however, that the matters referred to us as breaches tell us little about the culture in BT and its commitment to the success of the governance framework. Our monitoring of the governance framework, in particular the key processes as described in section 3, tells us more.

We take a risk-based approach to compliance monitoring, focussing on those aspects which, if not operated compliantly, could have the greatest impact on the governance framework, or impact on the achievement of the intended DCR outcomes. Nonetheless, in terms of being able to monitor that BT is complying with the totality of the Commitments, we welcomed the introduction by the CAO of its new Commitments Monitoring Tool which enables it to keep track of BT's compliance with other Commitments in a timely and proportionate manner.

While we have not had any significant concerns this year about BT's commitment to complying with the letter and spirit of the Commitments, this should not be a cause for complacency. We remain conscious of the importance stakeholders place on the ability of BT and Openreach to correctly manage sensitive information. We will continue to monitor BT's compliance carefully over the coming year.

### 4.1. Compliance Monitoring

#### 4.1.1. Covid-19

Over the course of this year we have observed that the governance arrangements and ways of working under the Commitments have proved highly resilient in the face of the operational and financial challenges brought about by Covid-19.

We heard from Openreach in April 2021 that the Covid-19 lockdowns had a significant impact on Openreach service (both repair volumes and provisioning). Demand for both then increased dramatically as we came out of lockdown. Despite Openreach's best endeavours, these service impacts have affected Openreach's ability to achieve all its minimum service levels. Openreach ensured Ofcom was kept well engaged throughout the year.

From a Commitments perspective, the CAO reported that BT people were continuing to adhere to the letter and spirit of the Commitments. Subject only to one system-related breach (see section 4.3), Covid-19 has not undermined BT's compliance with the Commitments and Governance Protocol.

#### 4.1.2. Information Management and the introduction of the SAP Finance System

We review how Openreach Commercial Information (CI) and Openreach Customer Confidential Information (CCI) is managed at each of our meetings. This includes looking at the operation of the wider information management ecosystem and what this tells us about the way in which "significant information" is being shared and used in BT (as envisaged by Commitment 10.4).

The information management controls intended to support the Commitments have been in operation since 2018. There are three key elements: (i) Regulatory Compliance Markers (RCMs, which are role-specific and which BT people must have in order to receive Openreach CI or CCI); (ii) Information Sharing Agreements (ISAs, which authorise the sharing of "routine" Openreach CI and CCI without it having to be recorded on an individual basis); and (iii) BT's Disclosure Records Report (which records when significant CI and CCI has passed from Openreach to BT or been sent onwards within BT).

The regular reports we receive from CRC, including BT's Disclosure Records Report, give us a reasonable degree of confidence that the information management processes are well-established and operating as intended. Last year, we reported that the quality of the quarterly reports from CRC had steadily improved over the year and that we are now able to understand the nature of the key interactions between Openreach and BT. This year we have noted the steps taken in response to the S&W review to further increase confidence in this regard (see section 1.2.2). However, we recognise these reports can only give us a partial picture of what is happening between BT and Openreach, and they need to be calibrated against what we are seeing elsewhere. With the introduction of CRC's enhanced Compliance Framework, we look forward to seeing how this is applied to the Disclosure Record Report to provide further confidence that the steps BT and Openreach are taking around information management are addressing the issues that matter to stakeholders.

The launch of BT's new group-wide financial report system based on the SAP platform has been an area of specific focus for us this year. The circumstances around this launch were included in the list of matters raised by the OBARCC Chair with the BTCC in May 2020. The OBARCC's concern then was whether there had been a breach of the Commitment that Openreach shall be responsible for developing its strategy for the systems needed to manage and operate the business of the Openreach Division. The CAO handled this as a Quick Check on behalf of the BTCC (see section 4.2.2 and Annex 1). At our July 2020 meeting, the BTCC agreed with the CAO's findings that the matter had been handled correctly, with proper Openreach input, but clearly recognised that this is a significant programme within BT Group which brings with it the potential for compliance issues and hence its implementation should be kept under review. We have therefore continued to monitor progress with the introduction of SAP and the implementation of the controls to ensure BT people only have access to Openreach CI and CCI where required and permitted.

We received an update in November 2020. Openreach and BT were both engaged in designing the controls and were both satisfied that the controls on the SAP system would protect Openreach data in line with the Commitments. It was confirmed self-service access to Openreach information by BT Group would be limited to certain individuals in Group Finance, and would not include Group Strategy & Transformation.

At our February 2021 meeting, BT confirmed that a Commitments variation to include SAP in the list of shared systems had been implemented prior to launch. One trivial information sharing breach had occurred during the testing process. The initial phases of SAP had gone live in early December 2020. There had been a delay of a few days in implementing the access compliance monitoring tools and processes, but by mid-December these were working as intended, with all user accesses now programmed for regular audit, and with CRC and Openreach's Business Integrity Team both having activities built into their assurance plans for 2021/22.

At our April 2021 meeting, we noted that Group Internal Audit (GIA) had recently conducted an audit into the compliance of SAP with the Commitments. GIA's draft report identified a number of areas where the existing controls require strengthening. It was also confirmed that Openreach remained in control of who in BT could be authorised to have self-service access and that no Group Strategy people have self-service access to Openreach information on SAP. We also considered one further launch-related trivial breach. Three individuals who had been entitled to access SAP when the "bulk list" of permitted users had been uploaded shortly prior to launch had moved roles by the time it went live. This was picked up in the first user access control test a few days after launch and remedied.

We will continue to monitor progress over the coming months to ensure the controls are operating as intended.

#### **4.1.3. The CAO's Compliance Monitoring Tool**

In response to the S&W review, the CAO has developed a Commitments Monitoring Tool. As part of a risk-based monitoring approach, the CAO's Commitments Monitoring Tool breaks down the Commitments and Governance Protocol into approximately 40 headings. Each is graded from Category 0 (things which are spent or do not need monitoring) to Category 3 (at the heart of the Commitments and requiring regular ongoing monitoring). The Category 3 items (typically related to Financial Planning, Strategy Development or core governance) are all on the enduring risks register with many covered by the CAO as it monitors the key BT/Openreach processes. The Commitments Monitoring Tool enables the CAO to keep track of the additional, typically more minor matters, which it checks on at periodic intervals (e.g. how is the supplier relationship with BT working, or the re-appointment of Openreach Directors). No issues of concern about these other activities have been raised with us.

## 4.2. Complaints and Quick Checks

We want to hear from CPs, other stakeholders and people in BT if they have any concerns about whether BT is living up to its Commitments. This enables the CAO to investigate issues behalf of the BTCC.

Stakeholders can either submit a formal complaint to us or request that the CAO undertakes a “Quick Check” review. Quick Checks allows for swifter initial reviews by the CAO, and even if the CAO does not find there are sufficient grounds to open a full investigation, it can still make recommendations to us about how BT can improve its processes and ways of working.

We also encourage the CAO to undertake Quick Checks of its own initiative where it observes information or behaviours that suggest such a review is warranted, or where a Quick Check can be a useful way to test that compliant ways of working are happening in practice.

### 4.2.1. Complaints

The CAO has not received any formal complaints this year (the same as in previous years).

### 4.2.2. Quick Checks

The CAO undertook four quick checks this year, reporting each to the BTCC and Ofcom’s Omu. Details of each case have already been shared after each BTCC meeting in our [bulletins](#). The four reviews were:

- Wholesale Fixed Telecoms Market Review Governance;
- ExCo Senior Leadership Team Review;
- Making Finance Brilliant (the introduction of SAP); and
- Strategy Wargaming.

Annex 1 provides further information on each of these. None of these quick checks suggested there had been potential breaches of the Commitments which warranted a full breach investigation, and the BTCC is also satisfied that they are not, cumulatively, indicative of any concerning trends. In reviewing each quick check, we also considered whether they gave risk to concerns about compliance with the spirit of the Commitments. We were satisfied that there were no potential spirit compliance risks, but, as explained in section 3 above, in some areas we identified that it would be beneficial for the CAO and CRC to work with relevant BT teams to refresh understanding of Commitments issues.

The CAO also updated us on a previous quick check from last year. The CAO reported on the in-life operation of the Colleague Board (following its initial quick check review when it was established). After observing the September 2020 meeting of the Colleague Board, we heard from the CAO that Openreach’s distinct culture and the specific concerns of Openreach people were respected in discussions.

## 4.3. Cases Decided: Breaches and Non-Conformance with Process

At each of our meetings, we decide cases referred to us by BT regarding compliance with the letter and spirit of the Commitments. We also track, via the CAO, the completion of any necessary remedial actions. This year we decided 9 cases referred to us by BT: 6 breaches, of which 1 was serious and 5 were trivial, and 3 non-conformances with relevant policies and processes, none of which were serious. None of these cases suggested there was intent to circumvent the spirit of the Commitments.

We have published details of these cases after each meeting in our [bulletin](#). Annex 2 contains an overview of themes and trends we have observed during 2020/21 (which is consistent with 2019/20, i.e. cases being few in number and mostly trivial in nature).

## 4.4. Updates to the Commitments

During the course of the year, BT engaged with Ofcom regarding a number amendments and enhancements to the Commitments and Governance Protocol, intended to ensure these documents remain current and relevant. These include:

- In November 2020, the Commitments were varied to update the lists of shared Management Information Systems (MIS) and Operational Support Systems in Annexes B and C, removing systems no longer in use, and adding SAP (which is a new shared accounting and finance MIS);
- Also in November 2020, BT and Openreach agreed an [exemption](#) to the section 8.2 requirement that the Openreach Scorecard be based solely on Openreach objectives. This exemption enables Openreach to include a BT-wide environmental objective, weighted at no more than 5% of the Openreach Scorecard, in support of BT’s environmental goals to be carbon neutral by 2045;
- In January 2021, BT and Openreach agreed a narrowly focused [exemption](#) from the equal treatment commitment to implement deregulation in Ofcom’s 2019 Business Connectivity Market Review. The exemption applies to interexchange connectivity and connections into datacentres used as points of aggregation; and
- In May 2021, the Commitments, Governance Protocol, Agency & Services Agreement and Northern Ireland Governance Protocol were further amended. The suite of “housekeeping” changes included:
  - updating the Commitments definition of Commercial Information (CI) to include “Network Coverage and Capabilities”: it is now aligns with the definition of CI in SMP Conditions;
  - amending section 17 of the Commitments (which sets out the commitment to provide training and guidance to BT and Openreach people) so that it incorporates the suite of guidance provided (guidance notes, online training etc.) and not just the Codes of Practice;
  - a further update of the list of shared MIS in Annex B of the Commitments;
  - nomenclature changes, e.g. changing “LoB” to “Customer Facing Unit” (CFU) and updating BT Group committee names and updating references to the various BT incentive plans.

We welcome BT’s and Openreach’s proactive approach to keeping the Commitments documents up to date. This is the healthy way to ensure that as the company, technology and regulation evolve, they remain relevant for BT people and continue to provide all stakeholders with appropriate transparency.

#### 4.5. Stakeholder Engagement

During 2020/21, we have not received any formal or informal complaints from CPs regarding day-to-day compliance within BT with the Commitments.

We have heard from members of BT’s Risk, Compliance and Audit community during the course of the year as follows:

- In July 2020, Chris Tall, Internal Audit Director, BT Group, provided the Committee with an overview of audit work relevant to the Commitments undertaken by Group Internal Audit across BT and Openreach during the first quarter of 2020/21, and their plans for the remainder of the year, including systems separation (including SAP) and the operation of the Commercial Processes Guidance Note in BT, and in connect with PIA in Openreach.
- At our February and April 2021 meetings, we heard from Jo Morgan, BT’s Group Director of Ethics & Compliance and Chris Wood, Senior Manager, CRC, about BT’s Compliance & Controls Framework and how the Commitments are managed as part of this overall programme. They shared how the Commitments fit into the risk profile for communications regulation in BT, and explained CRC’s assurance programme for 2020/21 which is directly or indirectly relevant to the Commitments and Governance Protocol.

If stakeholders have any concerns they wish to raise, or to discuss any aspects of how BT is living up to the Commitments, we invite them to reach out to the CAO by email to [CAO@bt.com](mailto:CAO@bt.com).

## 5. Looking forward to 2021/22

Since our last Annual Review, we have seen significant progress on fibre investment, few compliance concerns, and improvements in culture and behaviours in BT. But this is no reason for allowing complacency to creep in. As we enter our fourth year, BT's commercial ambitions and stakeholders' expectations are evolving and new leaders in BT have been appointed. Against this backdrop, we will continue to be rigorous and inquisitive in our monitoring to ensure BT lives up to its Commitments, the culture of respect for the governance framework endures and the Commitments remain relevant. We will also continue to assess the extent to which the outcomes being delivered by BT and Openreach are in line with stakeholder expectations.

As BT progresses with its transformation journey, we will monitor the balance being struck between Openreach's greater strategic and operational independence, including respecting the role of the Openreach Board, and BT's parent company responsibilities. The CAO will continue to monitor the key interactions between BT and Openreach (the strategy development process, the financial planning process and the commercial processes (pricing and products)) and will report to us on these. For our part, we will continue to engage more with stakeholders to assess the culture in BT and the extent to which the Commitments remain embedded.

The BTCC will meet four times in 2021/22, and will continue to report its work transparently to Ofcom and in the post-meeting updates published on our [website](#).

We anticipate three key focus areas in the coming year:

- **Fibre rollout:**
  - **Openreach FTTP Commercialisation:** Following BT's FTTP investment commitment, we will be monitoring carefully how BT Group engages with Openreach on the commercialisation of FTTP products. Many of the commercial decisions about the FTTP products relating to pricing, other commercial terms or initiatives seeking to incentivise consumers to move to FTTP-based services will be for Openreach to decide. But some initiatives may potentially trigger one or more of the 5 tests set out in the Commercial Processes Guidance Note and will need to be considered by BT. When that happens, we will be monitoring how BT follows the governance framework set out in that Guidance Note – and the extent to which it respects Openreach's greater strategic and operational independence and the commitment to treat customers equally.
  - **PIA:** although the OBARCC is responsible for day-to-day oversight of Openreach's delivery of PIA, we intend to keep under review the progress made by Openreach in addressing the challenges of scaling up to deliver in greater volumes, so as to enable AltNets to build in line with their commercial ambitions.
- **Organisational and operational changes:** Recent months have seen new senior leadership in BT, organisational design changes including the establishment of new units, and refreshed commercial ambitions. We will look to see that this evolution is managed in line with the Commitments, i.e. with role clarity and effective working relationships with Openreach that continue to respect the balance between Openreach's greater independence and BT's parent company responsibilities. We look forward to hearing from Harmeen Mehta, BT's Chief Digital & Innovation Officer and Rob Shuter, BT's new Enterprise CEO, at forthcoming BTCC meetings.
- **Continued compliance with, and embedding of, the Commitments:** Keeping the Commitments current is essential if they are to remain relevant to BT people. The passage of time since the Commitments were adopted inevitably means people need to be reminded of their rationale. While we have been pleased to see BT actively addressing how to keep the Commitments current and front of mind, we need to maintain vigilance here, against the backdrop of changing personnel and commercial ambitions. We have asked for an assessment, at our next meeting, of the extent to which the lessons learned from the issues raised by the OBARCC Chair last year have been – and remain – addressed. We will continue to listen to feedback from key stakeholders on how they feel the Commitments are working for them. We also look forward to seeing the output from BT's and Openreach's next cultural maturity survey, anticipated for early 2022.

We welcomed BT's May 2021 updating of the Commitments to align with the current organisational structure and reflect current ways of working. We are pleased that BT plans, together with Openreach, to refresh the suite of guidance notes on key processes to keep them current. These are the benchmark by which we monitor whether BT is

fulfilling its parent company responsibilities in line with the agreed expectations of BT and Openreach. We will monitor the progress of these and ensure they are re-published to stakeholders to provide transparency.

We will also continue to monitor the impact of Covid-19 on day-to-day ways of working. Although hopefully the worst of the pandemic is behind us, it is still providing challenges. We expect putting the interests of customers and the well-being of colleagues first, in line with the spirit of the Commitments, to be the guiding stars (as has been the case so far).

## Annex 1: CAO Quick Checks during 2020/21

### Quick Check No 9: Wholesale Fixed Telecoms Market Review Governance

The CAO undertook an own initiative review of BT's governance arrangements in relation to Ofcom's Wholesale Fixed Telecoms Market Review. The CAO assessed whether the governance was in line with the Guidance Note covering Regulatory, Policy and Legal Processes, and whether Openreach information shared with BT was being appropriately controlled. The CAO found Group Regulatory Affairs operated this process with clear roles and responsibilities, with role clarity about whether BT people were acting in a Parent or a Supplier role in relation to Openreach, or were supporting BT downstream CFUs. This role clarity was further supported by apparently effective control of sensitive information by using the Teams functionality in Office 365 to ensure access that access to Openreach CI/CCI was controlled and appropriate to people's roles in terms of whether and how they were interacting with Openreach.

### Quick Check No 10: ExCo Senior Leadership Team Review

In May 2020 the OBARCC Chair asked the BTCC whether there were inappropriate expectations in BT Group about how Openreach Senior Leadership Team (SLT) members should behave and be rewarded, on the basis of language used in a set of slides for an ExCo people review. The CAO opened a quick check around Commitment 8.2 (Openreach incentive remuneration to be based only on Openreach measures). The ExCo sponsor had confirmed to the Openreach CEO prior to the ExCo meeting that there had been no intent to imply Openreach people should be incentivised to further BT downstream CFU commercial objectives; rather the intention was to consider the extent to which Openreach SLT members (as well as BT SLT members) acted as role models. It had also been clarified before the relevant ExCo meeting that the Openreach CEO retained full discretion on Openreach SLT gradings and he was not requested or required to make any changes. While recognising that BT had expressed its intent poorly, on balance the CAO recommended there was no need to open a full breach investigation. The BTCC agreed with this recommendation. Having identified scope to improve understanding in this area, CRC has since conducted training with BT Group HR and the CAO Director has spoken with Legal leads around key Commitments provisions that could impact their roles.

### Quick Check No 11: Making Finance Brilliant (the introduction of SAP)

In May 2020 the OBARCC Chair asked the BTCC to consider whether Openreach had been sufficiently engaged with the process for the selection of SAP given that SAP would be a Management Information System (MIS) containing BT and Openreach information. The CAO's review found there had been extensive engagement by Group Finance with the Openreach Finance community throughout the project to ensure that the replacement for the existing finance systems used by Openreach would be the right one to enable Openreach to run its business. The role of Openreach's Chief Technology & Information Officer had also been respected and he had been involved in the making of the decision to introduce SAP. BT was also arranging a Commitments Variation to include SAP in the list of shared MIS prior to SAP going live. On this basis, the CAO recommended there was no need to open a full breach investigation, and the BTCC agreed with this recommendation. However the BTCC recognised the potentially significant compliance implications of introducing SAP and asked the CAO to monitor its introduction carefully. Since then, the CAO has done that, as reported in section 4.1.

### Quick Check No 12: Strategy Wargaming

The CAO undertook a quick check to understand a proposal for a war gaming session between BT Group Strategy and Openreach Strategy to understand certain market dynamics. Openreach Strategy raised this proposal for compliance review prior to the proposal going ahead. The proposal was subsequently reframed to ensure Commitments compliance and no Openreach Commercial Information or Customer Confidential Information was shared. The review concluded that, whilst there was opportunity to improve the way in which the exercise was originally framed, the intent and underlying aim was in line with the Commitments. The investigation also showed good behaviours as Openreach flagged the request to its advisory community for advice. BT and Openreach have identified some learning opportunities which will be built into the communications and assurance plans for 2021/22.

## Annex 2: Overview of Commitments cases

During the year covered by this report, the BTCC reviewed and decided 9 Commitments cases referred to it by BT. Details of these cases are contained in the [BTCC Bulletins](#) issued after each meeting. We found there had been 1 serious breach, 5 trivial breaches and 3 trivial policy non-conformances. We explain our categorisation of trivial and serious breaches and non-conformances in the [CAO's manual](#).

Across the 9 cases the CAO makes the following observations:

- **Serious Breaches:** The only serious breach occurred when, to facilitate homeworking in the early stages of the pandemic, new Microsoft Teams functionality was introduced which inadvertently enabled BT people to have access to recordings of some Openreach meetings. No evidence was identified of deliberate intent to circumvent the Commitments, and CRC's investigation found only one person in Technology without a Regulatory Compliance Marker viewed a recording containing Openreach Commercial Information and Customer Confidential Information. While the issue was swiftly identified and remediated, and we recognise there was a need to act at pace during the early stages of the pandemic, this was an example where more consideration ought to have been given to Commitments requirements.
- **Trivial breaches.** The 5 trivial breaches break into 3 broad themes. 2 cases were related to the introduction of SAP, were identified as part of CRC monitoring of the new system, and appeared to have been teething issues which are unlikely to recur. 2 cases involved Openreach Commercial Information being sent to recipients who were not eligible to receive it, and in each case the issue was quickly spotted, self-reported and remedied. The final case arose in the context of preparing a consolidated report where high-level data about work in Technology to support Openreach was not redacted from contributors without Regulatory Compliance Markers.
- **Non-conformances:** Of the 3 trivial policy non-conformances, one involved a BT person using non-standard routes to contact Openreach, and two related to the Regulatory Compliance Marker (RCM) system (the people involved were entitled to view the information they received, but they did not have the appropriate RCM at the time). All policy non-conformances led to remedial training and guidance to relevant teams.

The majority of cases were self-reported, with some trivial breach cases being identified by CRC during routine monitoring associated with the launch of SAP. This shows a willingness amongst BT people to take personal responsibility for doing the right thing in relation to the Commitments, but also underlines the need for monitoring activities particular with regards to systems and IT.

The average time taken for cases to be referred by BT to the CAO has improved. While this was longer than the 60-calendar day target at the start of the year, it improved over the year and was within the target time for cases decided at the February and April 2021 meetings.

We recognise that breach and non-conformance cases provide a narrow view of Commitments compliance issues, and that other monitoring activities and stakeholder engagement provide a richer source of insight into how BT is living up to its Commitments more generally.



## Glossary

<b>Broadband USO</b>	Broadband Universal Service Obligation
<b>BTCC</b>	BT Compliance Committee, a committee of the BT Group plc Board, which monitors issues relating to BT Group around the Commitments and Governance Protocol
<b>CAO</b>	Commitments Assurance Office, the BT team which supports the BTCC
<b>CFU</b>	Customer Facing Unit within BT Group
<b>CMO</b>	Commitments Monitoring Office, the Openreach team which supports the OBARCC
<b>CP</b>	Communications Provider
<b>CRC</b>	BT's Communications Regulatory Compliance function within BT Group Risk, Compliance & Audit
<b>DCR</b>	Ofcom's 2017 Digital Communications Review
<b>DoA</b>	Delegation(s) of Authority
<b>ExCo</b>	BT's Executive Committee
<b>FTTP</b>	Fibre to the Premises
<b>FWA</b>	Fixed Wireless Access
<b>ISA</b>	Information Sharing Agreement
<b>GIA</b>	BT Group Internal Audit
<b>LoB</b>	Line of Business
<b>MIS</b>	Management Information System
<b>MTP</b>	Medium Term Plan
<b>OBARCC</b>	Openreach Board Audit, Risk and Compliance Committee, which monitors Commitments and Governance Protocol issues relating primarily to Openreach
<b>OCPPB</b>	Openreach Commercial Policy & Pricing Board
<b>OIB</b>	Openreach Investment Board
<b>OMU</b>	Ofcom's Openreach Monitoring Unit
<b>OTA2</b>	Office of the Telecommunications Adjudicator
<b>Openreach CCI</b>	Openreach Customer Confidential Information as defined by the Commitments
<b>Openreach CI</b>	Openreach Commercial Information as defined by the Commitments
<b>PIA</b>	Physical Infrastructure Access
<b>RCM</b>	Regulatory Compliance Marker
<b>SLT</b>	Senior Leadership Team
<b>SMP</b>	Significant Market Power
<b>WFTMR</b>	Ofcom's Wholesale Fixed Telecommunications Market Review, final statement issued March 2021

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