



# BT Compliance Committee Bulletin

**Issue 8**

March 2020

## Introduction

Welcome to Issue 8 of the BT Compliance Committee Bulletin, in which we provide an update on the BT Compliance Committee's (BTCC) January 2020 meeting.

Our guest speaker at the January meeting was David Viles, Director of Risk, Compliance & Assurance, BT Group, who provided the Committee with an overview of recent internal audit and assurance activities and proposals for the year to come. In addition, the BTCC heard about, and discussed, the following topics:

- the Commitments Assurance Office's (CAO) proposed work plan for 2020;
- assurance updates on the Strategy Development and Financial Planning processes; and
- BT's preparations to ensure it is compliant ahead of the broadband USO obligation being activated in March 2020.

In addition, the BTCC reviewed two Quick Checks conducted by the CAO. The BTCC also considered four non-conformances with policy which it decided were trivial, and received an update on remedial actions in previously decided cases.

The BTCC's next meeting will be on 14 May 2020. In the meantime, if you would like to get in touch please contact us via [cao@bt.com](mailto:cao@bt.com).



George Ritchie  
Commitments Assurance Director  
9 March 2020

# 1. BTCC focus areas

## 1.1. Risk, Compliance and Assurance Update

The guest speaker at the January 2020 meetings was David Viles, BT Group's Director of Risk, Compliance & Assurance.

David provided the BTCC with an overview of audit work undertaken by Group Internal Audit and the assurance work by Group Regulatory Compliance (GRC) during 2019/20 including, in particular, in relation to system sharing, information sharing and relationship management. He also updated on the status of BT's mandatory training.

David then explained his proposed audit and assurance work for 2020/21 that is directly or indirectly relevant to the Commitments and Governance Protocol. This includes reviewing the operation of the new Commercial Processes Guidance Note (GN7), the broadband USO (and associated data management) and the management by BT and Openreach of consultation responses to Ofcom's Wholesale Fixed Telecoms Market Review 2021-26.

## 1.2. BT Update

Cathryn Ross, Group Director Regulatory Affairs updated the Committee on developments since the November meeting.

Cathryn explained the need to ensure that BT retains its focus on compliance. She informed the Committee that the relevant business teams are following the financial planning and strategy development processes, and that the two final Guidance Notes (GN6: Regulatory and Legal Processes, and GN7: Commercial Processes) have been approved. They have since been published [on the BTplc.com website](#) to provide transparency to stakeholders ahead of being presented to CPs at a planned industry engagement event in March 2020.

Cathryn also described the potential for further developments in the competitive and regulatory landscape during the coming year.

## 1.3. CAO work plan in 2020

The CAO provided the BTCC with its assessment of its activities during 2019, and an overview of key known or potentially anticipated activities for 2020. The CAO's experience over the past year has identified two focus areas:

- **Key Process Assurance.** The CAO will seek greater clarity around who is accountable for the operation of key process controls and how they are being operated. Understanding the nature of those controls is important for determining the appropriate monitoring framework.
- **Information Management Controls.** The CAO will increase its focus on calibrating between what it sees in its deep dive reviews and what it observes in the Disclosure Record Reports.

For 2020, the CAO proposed that the BTCC should continue to keep under review developments in relation to fibre network investment, the delivery of Openreach's Duct & Pole Access product for use by other CPs wishing to build competing fibre networks, and the operation of the Strategy Development and Financial Planning processes to understand whether Openreach is able to develop its plans independently. The CAO will work with Openreach's Commitments Monitoring Office (CMO) to develop a monitoring framework for how the process set out in GN7: Commercial

Processes is working in practice, and will then revisit the way it has been monitoring GN3: Strategy Development and GN4: Financial Planning.

The CAO also foresees a number of regular monitoring activities around cultures and behaviours, and a number of “quick checks” to understand how BT is ensuring that various major projects and key initiatives are being operated in line with the Commitments and Governance Protocol.

The CAO will continue to use its deep dive framework – based around Architecture, Ways of Working, and People & Culture – when undertaking its assurance activities, by considering what it would expect to see in order to provide a reference point to gauge whether behaviours are “disappointing”, “expected” or “role modelling”. Finally the CAO will continue to assess conduct against both the letter and spirit of the Commitments and Governance Protocol, as well as the impact on wider DCR outcomes.

#### 1.4. Assurance Updates

The Committee received an update from the CAO on its assurance activities in relation to Strategy Development and Financial Planning (the setting of the 2020 Medium Term Plan, MTP20).

- On **Strategy Development**, the CAO continues to meet regularly with the Strategy leads in BT Group, and hosts regular calls with Openreach Strategy jointly with the CMO. In those engagements both BT and Openreach people have confirmed BT Group has respected Openreach’s greater independence and that Openreach has been able, thus far, to develop its plans without undue interference from BT Group. The CAO has also reviewed correspondence between senior executives in Openreach and BT, which confirmed Openreach has been able to proceed independently in the development of its strategy.
- The **MTP20 Financial Planning** process commenced in earnest in November 2019. The CAO has had very good engagement from both Group Finance and Openreach Finance. The key process documents have been proactively shared with the CAO, and the CAO has been invited to observe key calls in which the process is explained to the Finance community across BT Group, both of which facilitate tracking of key milestones against GN4. The CAO and CMO continue to host bi-weekly calls to check current status and understand next steps. The CAO is now also regularly observing meetings of the BT Investment Board<sup>1</sup> at which Openreach matters are being discussed.

The BTCC noted this assessment is a view at a moment in time and was mindful BT Group will make choices about how and where to commit resources during the remainder of Q4 19/20 and into Q1 20/21. The CAO will continue its assurance activities as the Strategy Development process and MTP20 proceed through governance in the coming months, and will update the BTCC at its May meeting.

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<sup>1</sup> The BT Investment Board provides recommendations and input to support the BT Group Chief Executive with decision-making on investment (capex and opex) budgets and cases in line with BT Group’s scheme of delegation. Its terms of reference can be accessed on the BTplc.com website [at this link](#).

## 1.5. Broadband Universal Service

Following on from the report provided at the November meeting, the Committee received a further update from BT about how Consumer will appropriately manage sensitive information about Openreach's and CPs' networks once the broadband USO obligation is activated in March 2020.

BT has put in place appropriate governance, with accountability within Consumer to the BT Group Chief Executive for the implementation of the broadband USO and compliance with BT's obligations, with quarterly progress reporting to BT's Executive Committee.

The Committee will receive a further update in the second half of 2020 about how the governance arrangements intended to support the broadband USO obligation are operating in practice.

## 2. Compliance update

### 2.1. Quick Checks

The BTCC reviewed two “quick checks” undertaken by the CAO.

#### 2.1.1. Re-appointment of Openreach Non-Executive Directors

The CAO reviewed the terms on which the Openreach Chairman and the Openreach Non-Executive Directors (NEDs) will serve from 1 March 2020, which will be on open-ended contracts with notice provisions and annual reviews. Openreach and BT had both confirmed the rationale for reappointments on open-ended contracts was to enable directors to serve different terms and thereby achieve rolling replacement of Board members and so avoiding the issues that arise if the terms of all members running concurrently.

The BTCC considered this report, noting also that this approach reflects changes to the Corporate Governance Code 2018. The BTCC concluded that the terms on which the Openreach Chairman and NEDs are to be reappointed will not diminish the independence of the Openreach Board – rather the evidence provided suggests BT and Openreach want to see the Openreach Board benefit from strong financial acumen and the skills needed to ensure delivery of Openreach's agenda.

Noting that Part A, paragraph 3.14 of the Governance Protocol envisaged initial appointments to the Openreach Board would be of up to three years being extendable for two further three-year periods, the BTCC recommended to BT that it should engage with Ofcom and make a simple variation to the Governance Protocol to clarify the basis on which the Openreach Chairman and NEDs will serve when their reappointments take effect.

Following the meeting, BT has amended the Governance Protocol and the updated version, effective from 1 March 2020, has been published on the [BTCC's website](#).

#### 2.1.2. Colleague Board

The Corporate Governance Code 2018 requires BT to enhance the “employee voice” in the boardroom to ensure views and interests at all levels are heard. BT is meeting its obligations by introducing Colleague Board, which will be consulted on ideas, projects and developments across BT's business and will be able to share thoughts and represent the views of colleagues.

The BTCC considered the CAO's review of how Colleague Board has been established, including how information is managed and the status of Openreach nominees, to understand how BT intends to ensure Colleague Board operates in line with both the letter and the spirit of the Commitments and Governance Protocol. The BTCC concluded that the structures and ways of working are appropriate, and recommended that the CAO keeps this area under review and reports back to the BTCC later in the year as Colleague Board becomes established.

## 2.2. Cases notified to the BTCC for consideration

The BTCC considered four matters referred to it by BT's Interim Head of Group Regulatory Compliance (GRC) at the January meeting. The Committee used the four-box framework adopted in September 2018 to classify the compliance matters referred to it for decision.<sup>2</sup>

The BTCC agreed with the recommendations from BT's Interim Head of GRC, and decided each matter was a trivial non-conformance with policy:

- **Case CAO-20: Security Council - expired Regulatory Compliance Marker (RCM).** A review by GRC of senior managers with Parent Company RMCs<sup>3</sup> found the marker for Technology's Director of Dynamic IT had recently lapsed, as had their supplier marker. The individual had applied for renewals but these were not processed by their line manager, the MD, Dynamic Infrastructure. The BTCC concluded this was a trivial non-conformance following BT's policy on information sharing: the relevant Openreach Commercial Information (CI) was sent for a legitimate purpose and it would have been appropriate for the recipient to have an RCM. As remedial action, GRC have briefed the MD, Dynamic Infrastructure on the need to process RCM requests in a timely manner.
- **Case CAO-21: Corporate Governance Regulatory Compliance Marker.** An external new joiner in the Corporate Governance team completed their Commitments training but did not apply for their RCM; they subsequently realised and self-reported the issue, and the RCM was sought and authorised. The BTCC concluded this was a trivial non-conformance following BT's policy on information sharing: Openreach CI and Customer Confidential Information (CCI) was sent for a legitimate purpose and it would have been appropriate for the recipient to have an RCM. As remedial action, GRC have briefed HR to remind hiring managers and new joiners of the information sharing rules, and have accepted a request from the CAO to look at how they can ensure online training is effective (i.e. those needing markers are clear on the need to apply for them, once they have completed the training), and how BT can track whether people moving into senior roles are seeking RCMs where this is required, to enable BT to be confident that the information sharing controls operate as intended.
- **Case CAO-22: Single Order Generic Ethernet Access (SOGEA) install.** An Openreach engineer undertook a SOGEA installation at the residential property of the MD Customer Solutions, Enterprise. During the installation the MD asked the engineer to let them know of any BT customers who experience issues. The engineer later emailed the MD stating they could provide details of a CP whose orders has also experienced problems. The email did not disclose Openreach CI or CCI. The MD reported this to the General Counsel, Enterprise who contacted GRC. The BTCC concluded this was a trivial non-conformance following BT's policy that all requests for information from Openreach should go via the correct channels, and not via on-site engineers. As remedial action, GRC have briefed the MD to explain why the request to the engineer is not aligned to BT policy about BT Customer Facing Units contacting Openreach.

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<sup>2</sup> The framework is set out in [Issue 1 of the BTCC Bulletin](#).

<sup>3</sup> People in other parts of BT Group who have a legitimate reason to receive Openreach Commercial Information (CI) or Customer Confidential Information (CCI) must have a valid Regulatory Compliance Marker (RCM). This is evident from their online Directory entry. In order to allow Openreach CI or CCI to be shared, there must be an Information Sharing Agreement (ISA) in place covering the information to be shared. If there is no ISA, or the purpose is outside the scope of the relevant ISA, the sender must create a separate online disclosure record. Group Regulatory Compliance collates these records and they form part of a quarterly Disclosure Report presented to the OBARCC.

- **Case CAO-23: Technology contacting Openreach Network Planner.** A service specialist in Technology called Openreach regarding an Ethernet fault on behalf of Enterprise. GRC found this had been done in error, as Technology may speak directly to Openreach in some circumstances (e.g. network incidents) but this was not such a case. The BTCC concluded this was a trivial non-conformance of BT's policy on using industry standard processes for contacting Openreach. As remedial action, GRC have briefed the individual and wider team about how to contact Openreach. GRC have also accepted the CAO's suggestion that it would be beneficial for any briefings issued after an issue arises to be send more widely than the immediate team involved.

Offices worldwide

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