



# **BT Compliance Committee Annual Review 2018/19**

June 2019



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## Introduction from the BTCC Chair

The BT Compliance Committee has been in operation for just over a year. We have been monitoring BT's compliance with its Commitments, how the behaviours of BT people and the culture in BT are evolving, and the extent to which the objectives of the new arrangements are being delivered. We know how important it is for BT's and Openreach's customers, industry and other stakeholders to have confidence that BT is living up to its Commitments. To that end, this first annual review provides an overview of the BTCC's monitoring activity over the last year, our assessment of BT's progress to date, and our plans for the year to come.

This report focuses on BT. The Openreach Board Audit, Risk and Compliance Committee (OBARCC) reviews Openreach's compliance with the Commitments. The OBARCC's annual report is published on Openreach's [website](#).

### Progress in 2018/19

BT has made considerable progress in the past 12 months.

In April 2018, BT and Openreach adopted the Commitments and Governance Protocol and agreed to treat these as being in force from that date, apart from any aspects that could trigger the TUPE transfer of BT plc employees working for Openreach.

On 1 October 2018, the Commitments and Governance Protocol became fully effective. This was a major milestone, with Openreach people transferring employer from BT plc to Openreach Limited and Openreach Limited starting to trade as Openreach on behalf of BT plc. On the same date, responsibility for BT Northern Ireland Networks moved from Enterprise to Openreach and it was rebranded Openreach Northern Ireland.

With the new arrangements in place, Ofcom released BT from the Undertakings at the end of October 2018.

Alongside this activity to complete the implementation of the new arrangements BT has been developing its key working processes and has rolled out an extensive Commitments training programme. It has undertaken a number of initiatives to embed knowledge and understanding of the Commitments so that it becomes part of an enduring BT culture. We welcome the fact that BT has also provided stakeholders with greater transparency of how it now engages with Openreach and respects Openreach's greater operational and strategic independence.

### Key focus areas

We have taken a proactive approach to monitoring the new arrangements, paying considerable attention to ensuring that people in BT are living by the spirit as well as the letter of the Commitments, and undertaking deep dive reviews of the most important areas.

The new governance arrangements involve a careful balance between Openreach operating with greater independence and BT being able to fulfil its parent company responsibilities. This balance will need to be appropriately maintained in order to ensure these arrangements can endure for the future and meet the aspirations of all stakeholders, so we have paid considerable attention to whether that is happening.

We consider that BT has made real, tangible progress over the last year, and that the culture in BT in relation to the new arrangements and the commitment of BT people to ensuring their success have definitely changed for the better. We have not found any notable compliance issues, or any significant behavioural concerns.

In addition to regular reviews of BT's compliance, our support office, the Commitments Assurance Office (CAO) has conducted deep dive reviews of BT's handling of significant issues where BT Group decisions could impact on Openreach. We have also kept under close review the development and operation of the key BT and Openreach inter-working processes: financial planning, strategy development, and information management.

BT's operation of the annual financial planning process built on the learning from last year's initial run. BT followed the processes agreed with Openreach (and now [published](#)) and the controls built into the process were observed. BT has also identified learning points to enhance the operation of the process next year.

The separate strategy development process was recently agreed and will see its first run this year. The CAO will be monitoring its operation (drawing on its experience in assuring the financial planning process) and will report to back to us on this later in the year.

As the year has progressed, BT has improved the quality of its reporting on the Significant Information being shared by Openreach with BT, but we encourage BT to enhance this further to ensure that it provides appropriate transparency and greater assurance of completeness.

To assess whether the new arrangements are operating as intended, we reviewed jointly with the OBARCC the relationships between people in key BT Group functions and their respective Openreach teams to assess whether they have agreed ways of working, whether these are formalised and whether those involved consider the right balance has been struck. As the year progressed, generally these relationships matured. We identified the key relationships that we will keep under regular review and others that we consider warrant a re-check in the first half of this year to provide assurance that they are and remain equally mature. We will update on this work in our next review. BT has also shared with us a report commissioned from culture change experts assessing BT's cultural change maturity which reassured us that good progress has been made – and confirmed that it will be acting on their recommendations.

In terms of outcomes, we are keen to understand if BT is meeting stakeholders' expectations. We have heard at our meetings from a number of BT, Openreach and industry stakeholders, the CAO has attended industry forums, and members of the BTCC and the CAO Director took part an industry round table hosted by BT. Ofcom's Openreach Monitoring Unit has also observed one of our meetings and the CAO has published bulletins of our meetings on the [BTCC website](#).

### **Looking forward**

In addition to our day-to-day compliance monitoring activities, we will continue to focus on the areas of greatest potential impact: financial planning, strategy development, information management processes (in particular how key information is shared and how such sharing is calibrated at a suitable level) and significant investment and product proposals. We expect to do more deep dive reviews to understand how BT handles and makes decisions on matters that are central to ensuring the success of the Commitments and the delivery of DCR outcomes.

We will keep under review BT's culture and behaviours – looking to see the changes made to date becoming embedded in BT's culture, with committed leadership, to endure for the future.

In the coming year we intend, also, to build further on the dialogue we started with stakeholders. We want both to provide stakeholders with transparency, and to be aware of stakeholders' views and any concerns they may have – and so we will be happy to provide CPs with the opportunity to present at one of our meetings if they would like.

**Isabel Hudson, BTCC Chair**  
**June 2019**

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

## 1.1 The BT Compliance Committee (BTCC)

As part of the new governance framework notified to Ofcom in March 2017, BT committed to a set of new compliance monitoring arrangements:

- the BTCC to monitor issues relating to BT Group around the Commitments and Governance Protocol, and
- the Openreach Board Audit, Risk and Compliance Committee (OBARCC) to monitor Commitments and Governance Protocol issues relating primarily to Openreach.

The BTCC is a sub-committee of BT Group plc's Board Audit & Risk Committee. Under its [terms of reference](#) the BTCC reviews:

- BT's compliance with the Commitments and the Governance Protocol,
- whether the culture and behaviours in BT in relation to the Commitments and Governance Protocol are conducive to BT's compliance with them and to the delivery of the Digital Communications Review (DCR) objectives, and
- the extent to which metrics published by Ofcom in relation to the DCR are being achieved and the objectives identified by Ofcom in the DCR Final Statement are being met.

From April 2018, the BTCC also monitored BT's compliance with its 2005 Undertakings until BT was released from them on 31 October 2018.

The BTCC had its first meeting in February 2018. Since then, it has met in March, May, July, September and November 2018 and February and March 2019.

The BTCC is chaired by Isabel Hudson, the former chair of the Equality of Access Board (EAB). The other independent members are fellow BT Group plc non-executive directors Jasmine Whitbread and Mike Inglis. You can go to the BTCC [website](#) for more information on the members. Professor Tim Whitley, former BT senior manager on the EAB was an executive member until the conclusion of the November 2018 meeting, following BT's release from the Undertakings. Cathryn Ross, BT Group Director, Regulatory Affairs, was an executive member from March 2018 until March 2019.

Jan du Plessis, BT Group Chairman, has attended every BTCC meeting and BT's Group General Counsel attends regularly. Cathryn Ross will in future attend each meeting on behalf of BT.

## 1.2 The Commitments Assurance Office (CAO)

The CAO supports the work of the BTCC. The team is made up of the CAO Director, the Head of Assurance and the Commitments Assurance Officer, with legal and company secretarial team support as needed. You can find more information on the CAO on its [team page](#).

The CAO analyses and reports to the BTCC on matters within its terms of reference. This 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.

Day-to-day the CAO works closely with the Commitments Monitoring Office (CMO), the equivalent office in Openreach which supports the OBARCC, particularly on matters which involve an interface between BT and Openreach.

The CAO also has an accountability to Ofcom's Openreach Monitoring Unit (OMU). The CAO and the OMU have agreed a [Memorandum of Understanding](#) which set out the working arrangements agreed between the CAO and the OMU. The CAO meets with the OMU to report on its work approximately monthly. The CAO provides the OMU with copies of the minutes of BTCC meetings, reports the BTCC's findings on potential breaches to the OMU and provides other information required by the OMU to fulfil its monitoring responsibilities.

You can contact the CAO via [cao@bt.com](mailto:cao@bt.com).

## 2 Compliance Monitoring, Complaints and Breaches

The BTCC has carried out the following since March 2018:

- in-depth reviews of those areas the BTCC considers key to ensuring BT is living up to its Commitments, together with routine monitoring of BT's compliance with other aspects of the Commitments,
- reviews of complaints and Quick Checks undertaken by the CAO, and
- determinations of potential breaches of the Commitments referred to it by BT.

In all these activities, the BTCC focuses on whether BT is complying with its Commitments, is living up to them in spirit and considers whether the outcomes observed reflect the intended DCR outcomes, respecting the balance between Openreach's greater strategic and operational independence and BT's need to be able to fulfil its parent company responsibilities.

### 2.1 Compliance Monitoring

#### Financial Planning

Ofcom's June 2018 implementation report flagged concerns about BT's involvement in the development of Openreach's strategic plans, with BT being significantly involved in the planning process. BT and Openreach have since reviewed how these processes work.

In the early part of the year, with oversight from the BTCC, BT developed its financial planning processes and Openreach identified how it will engage with the Group process. This has enabled BT and Openreach to identify design principles and a set of key controls which determine the nature of engagement BT can have while Openreach is building its plans, make sure the Openreach Board can be fully engaged at each key stage of the process, and provide escalation rights if Openreach is dissatisfied with BT executive actions. BT has now published a [guidance note](#) that explains this process to provide stakeholders with greater transparency of how this process is intended to operate.

The CAO (on behalf of the BTCC) and the CMO (on behalf of the OBARCC) have undertaken regular (bi-weekly) monitoring of this year's operation of the financial planning (AOP/MTP) process, covering the interaction between BT and Openreach during the development of Openreach's AOP and MTP for 2019/20.

The BTCC noted the CAO's assessment that overall the process is being well run, balancing rigorous financial control and respect for Openreach's greater independence. And as is to be expected, there have also been learning points along the way. It has been both valuable and insightful undertaking this assurance in real time.

#### Strategy Development

Following on from the financial planning process, BT has built its strategy development process based on the same design principles used to develop the financial planning process, and Openreach has clarified how its own distinct strategy development process will synchronise with the BT Group process. This also incorporates key compliance controls and highlights the differences for Openreach from the process for other parts of BT. BT has also published the Strategy Development process [Guidance Note](#).

The BTCC will monitor the operation of this process in the coming year. We recognise how important it is that this process operates as intended, that the output is agreed by BT and

Openreach and that it successfully balances Openreach's greater strategic independence with BT's obligation to fulfil its parent company responsibilities. We will report on our review of this in our post-meeting bulletins and in our next annual review.

### Information Management

The BTCC reviews how Openreach Commercial Information (CI) and Customer Confidential Information (CCI) is being managed at each of its meetings (with the exception of its March 2019 meeting). We review both the operation of the information management ecosystem and what this tells us about the way in which Significant Information is being shared and used in BT.

Review of the information management ecosystem entails looking at three areas:

- **Regulatory Compliance Markers (RCMs).** BT people must have the right RCM which is linked to their role; where there is a legitimate need to share Openreach CI or CCI, a BT recipient should have their RCM in place before the information is sent. Openreach CI or CCI may be sent where it is covered by a pre-existing Information Sharing Agreement (see below) or otherwise the sender must register a Disclosure Record via a central system. The BTCC receives details of instances where the RCM process has not been followed, and monitors other aspects of the process such as the overall number of BT people with RCMs. We are pleased to see the number of people who can see Openreach CI and CCI in a parent company capacity is considerably lower than was the case under the former Undertakings Annex 2 regime.
- **Information Sharing Agreements (ISAs).** The operation of the ISA process, which authorises the sharing of "routine" CI and CCI without it being recorded on an individual basis, has improved in the course of the year, but we have not yet received the degree of assurance we would like to see that all reasonable steps have been taken to ensure the sharing of Significant Information (which needs to be the subject of a Disclosure Record) is not happening erroneously under ISAs.
- **BT's Disclosure Records Report.** We review the quarterly Disclosure Record Report produced by BT and submitted to the OBARCC. As with ISAs, while we recognise that over the last year BT has made very considerable improvements to the Disclosure Record Report over time, we believe there remains scope for BT to enhance these to further assure the OBARCC and the BTCC that Significant Information has been shared appropriately.

Over and above reviewing the operation of the ecosystem, the BTCC looks to understand from the Disclosure Record Report how and why Significant Information is being shared by Openreach with BT and by recipients in BT with others in BT. This is to enable us to assess whether this is at a level which is appropriate to allow BT to fulfil its parent company duties and to understand whether it indicates any particular patterns of engagement or behaviour that may have a bearing on whether and, if so, to what extent, BT is seeking to influence Openreach's greater strategic independence.

Overall, the new processes are generally operating as intended. As our breaches review shows, while nearly all the investigations have related to information management, none of these have been serious, and none involve inappropriate sharing with "high risk" individuals in BT's downstream Customer Facing Units (CFUs).

### **Deep Dive: Openreach's Generic Ethernet Access (GEA) volume agreement special offer**

In August 2018 Openreach launched their GEA volume agreement special offer. This offer was open to all CPs and designed to incentivise them to buy fibre, regardless of the size of their order volumes and the maturity of their fibre customer base.

The CAO's review focussed on the interactions between BT Group, BT CFUs and Openreach. In particular the review considered BT Group's parent company supervision and engagement with the proposal, and BT CFU engagement with both BT Group (as the CFU's parent) and Openreach.

In relation to BT and Openreach interactions, we did not identify any Commitments compliance concerns, and no evidence was found of inappropriate BT Group or downstream CFU influence over Openreach during the planning and launch of the offer.

In relation to BT Group and BT CFU interactions, we found BT Group's Parent Company role had been focussed on risk management/mitigation, not on the commercial structure of the offer, there was no evidence of BT CFUs seeking to inappropriately influence BT Group and, while there had been robust engagement between CFUs and Openreach, these had been through appropriate channels.

### **Other routine compliance monitoring activities**

We have kept BT's compliance with the Commitments and Governance Protocol under review throughout the year. The CAO, with assistance from Group Regulatory Compliance, maintains a Commitments Validation Plan to track compliance and we receive update reports at our meetings. Currently we have no significant compliance concerns.

The CAO has also paid particular attention to how key regulatory projects are managed and the governance around them. In its deep dive review of Openreach's GEA volume agreement special offer, the CAO reviewed how the use of BT Group based experts, such as the regulatory economists and legal advisers, was managed to ensure that Openreach information was properly managed within BT and that the individuals involved were clear on their respective roles. Similarly, the CAO reviewed the governance and ways of working of the regulatory teams in BT Group working on the Business Connectivity Market Review and the Physical Infrastructure Market Review, finding that there were clearly established governance models, demarcations of roles, and processes to ensure that information was only accessible to those entitled to see it.

The BTCC has also received updates on BT's system separation programme in light of BT's previous assurance that it would achieve the level of system separation previously committed to Ofcom, notwithstanding BT's release from the Undertakings.

In February 2019, we were informed BT had achieved system separation practical completion (i.e. the migration of approximately 32 million Customer Side Records to separate systems, with less than 100,000 complex records not migrated; and as at December 2018, there were only approximately 60,000 such records remaining).

BT had also committed to migrate BT's existing 12 million customers from legacy products to the equivalent versions used by other CPs. In 2015 Ofcom agreed that BT need not migrate certain very old or obscure products, but BT committed that it would complete separation of ISDN2 lines by April 2017. As at January 2019 there were 45 ISDN2 accounts still to be migrated.

We welcomed these achievements. We have asked to receive a further update in mid 2019 from the Director now responsible for the remainder of the migration programme on BT's proposals to take migration activity to its desired end state.

## 2.2 Complaints and Quick Checks

The CAO will investigate, on behalf of the BTCC, complaints made by CPs, BT or Openreach employees, or issues raised by Ofcom relating to allegations of breaches of the Commitments and present its findings to the BTCC. The CAO has published its [complaints handling process](#) setting out how it will review complaints.

Complainants can either raise a formal complaint or use our "Quick Check" process which provides an opportunity for an expeditious initial review by the CAO. In the event of the CAO concluding, as a result of a Quick Check, that there has potentially been a breach of the Commitments, it will put the matter into the breach process. The CAO has also undertaken Quick Checks of its own initiative where initial information received by the CAO suggests this is warranted.

### Complaints

The CAO has not received any formal complaints.

### Quick Checks

Since April 2018, the CAO has undertaken five Quick Checks and reported on each to the BTCC and to Ofcom's OMU. None of them have suggested potential breaches warranting a full breach investigation, and the BTCC has seen no discernible trends arising from them.

Details of the five Quick Checks have already been in our [BT Compliance Committee bulletins](#). Annex 1 contains summaries of these five cases.

## 2.3 Breaches and Non-Conformances with Process

Since April 2018, the BTCC has been monitoring BT's compliance with the Commitments and the Governance Protocol. In addition to considering possible breaches of the letter of the Commitments, it also looks at situations in which employees may have failed to observe the spirit, for example by not following policies and processes.

The BTCC also tracks instances of "near misses" as, over time, these may help to identify where proactive action can avoid breaches happening in the future. We also receive reports on "no breach" cases which are issues entered into BT's review process to ensure adherence to employment law and HR best practice.

At its September 2018 meeting, the BTCC adopted the CAO's recommendation to evolve the approach used to classify breaches and non-conformances with processes. The Committee adopted the "4 box model" framework shown below:

<p><b>Trivial breach</b></p> <p>A breach of the letter of the Commitments, but not one that is likely to have caused any CP harm.</p> <p><i>e.g. Information sent by mistake to a person who isn't entitled to see it, and then recovered before it was seen.</i></p>	<p><b>Serious breach</b></p> <p>A breach of the letter of the Commitments that could well have caused harm.</p> <p><i>e.g. BT "interfering with/working on" the Openreach access or backhaul network.</i></p>
<p><b>Trivial non-conformance</b></p> <p>Not a breach of the letter of the Commitments, but individuals hasn't correctly followed processes, but no real harm done.</p> <p><i>e.g. An individual is entitled to see Openreach CI but forgets to turn on their supplier marker before receiving it.</i></p>	<p><b>Serious non-conformance</b></p> <p>Not a breach of the letter of the Commitments, but individuals have done something that is seriously wrong, where harm might be done, or where the actions are clearly not in the spirit of the Commitments.</p> <p><i>e.g. single individuals act contrary to guidance provided to them in the published Code of Practice.</i></p>

Since (and including) the September meeting, the BTCC has determined potential breach cases using this framework.

Between April and October 2018, the BTCC also monitored BT's compliance with its 2005 Undertakings considering one Undertakings matter during that period

We have already published detailed information on all of the potential breach cases considered in our [BT Compliance Committee bulletins](#). Annex 2 contains an overview of these cases and key trends.

### 3 Culture and Behaviours

We believe that having the right culture in BT is essential if BT is to live up to the spirit as well as the letter of its Commitments and so that BT people do their best work as intended.

The BTCC wants to see a culture in BT where doing the right thing and striving to make the DCR a success is second nature. It must also respect Openreach's greater independence while recognising that BT needs to be able to fulfil its parent company responsibilities. And that culture should be embedded to ensure that it endures for the future.

To that end, we have given almost equal focus to monitoring cultures and behaviours as we have compliance monitoring.

#### **Project Seesaw – Openreach and Parent Company Relationship Review**

In July 2018 the BTCC and the OBARCC endorsed Project Seesaw to review the relationships between key BT Group functions and their respective Openreach teams. This project assessed whether there is an agreed way of working between the teams, whether it is formalised and whether the right balance has been struck between Openreach having greater independence and BT Group being able to fulfil its parent company responsibilities appropriately.

During the summer, the CMO undertook around 15 interviews with Openreach managers responsible for each area, using standard questions. Moving into the autumn, the CAO subsequently conducted the same process across BT Group corporate functions using the same approach. The sequential approach gave the CAO and CMO insight into potentially problematic areas ahead of speaking to senior BT people. The CAO completed nearly 40 interviews (as one Openreach lead deals with several people in BT Group). The CMO and CAO joined each other's interviews where possible, to aid consistency.

Overall, we found there are now no major unresolved concerns. In summary:

- there are three key areas which will inevitably have a high impact on Ofcom's future assessment of the success of the Commitments in enabling Openreach to operate with greater strategic and operational independence: (1) Financial Planning, (2) Strategy & Transformation and (3) Regulatory Affairs (Strategy & Ofcom Policy). These areas will continue to need to be monitored closely to ensure the relationships are working well and as intended.
- the picture is positive across other functional areas (BT Group and Openreach have agreed ways of working, and interviewees felt the right balance had been struck between greater Openreach independence and BT parent company oversight).

#### **BT Supplier Relationships into Openreach**

Following on from Project Seesaw, the CAO and CMO have worked together on an initial assessment of the supplier relationships into Openreach from BT. The CAO's review categorised suppliers in three key groups: large scale operations such as billing and technology, business and operational support functions, and professional support services. This exercise found:

- the vast majority of services have an associated ISA setting out the support services provided, and the majority of the highest compliance impact areas identified above have Service Level Agreements which are reviewed regularly;
- overall, the review identified no material issues, but highlighted the need for further work in some areas in particular to complete Service Level Agreements. Progress will

be monitored as part of the Openreach Business Integrity Commitments Assurance Plan; and

- in addition to the work the Openreach Business Integrity team carries out, Group Regulatory Compliance also has a robust assurance programme covering key supplier activities. This includes not only work assuring the ISAs, but wider work to review the operations of the key activities. Group Regulatory Compliance also has a comprehensive training programme in place to ensure that all BT Group people are aware of their responsibilities as suppliers to Openreach.

### **“Hearts and Minds”**

To provide an independent and objective view, BT engaged external culture experts Walking the Talk to help them better understand the hearts and minds of people in BT and Openreach. The consultants used surveys with focus groups and one-to-one interviews, in both Openreach and BT, to assess (by reference to a “cultural maturity index”) whether BT and Openreach had made the progress that could be expected by this stage on a programme of this nature.

The overall feedback on the key themes was positive, with BT and Openreach being in line with or ahead of expectations on each of the 4 key metrics reviewed by the consultants:

- The overall impression is that people in BT understand that the Commitments are important, know how they apply to their role, want to do the right thing and are acting in line with the letter of the Commitments;
- The relationship between Openreach and the BT parent is maturing, however, there is more to do to improve the relationships between Openreach and the BT CFUs;
- Ambiguities in the model are challenging in day-to-day practice: people had cited examples of tensions they have had to negotiate and resolve; and
- Day-to-day management of separation comes with a significant administrative burden: as new processes bed in, there is a “cooling effect” on speed and agility.

BT has built and is implementing its Year 2 culture embedding programme which will build on the work done to date, and the findings of the independent research. We understand that BT intends to refresh the Hearts and Minds research later this year.

### **Other behaviour and culture monitoring activity**

Members of the BTCC have observed BT high-risk training sessions. The BTCC receives regular reports on training completions. In November 2018, we also received the results of a training effectiveness review undertaken by BT’s Ethics and Culture, Learning and Culture team. This provided a useful insight into the approaches, findings and action BT takes to provide assurance that the Commitments training it provides is effective. We were pleased to note the results from internal and external reviews that demonstrate that the Commitments training has ensured that BT people are equipped to meet the new requirements.

## 4 Stakeholder Engagement and Outcomes

Monitoring whether the objectives of the Commitments are being delivered is as important as monitoring day-to-day compliance with the Commitments and the conduct of, and interactions between, BT and Openreach. That means understanding whether other stakeholders – and indeed Openreach – consider that BT is living up to its Commitments and meeting their expectations.

### 4.1 Stakeholder Engagement

The Committee and the CAO have undertaken a range of activities to provide stakeholders with transparency of what they are doing and the opportunity to engage with us and share their perspectives with us.

#### **BTCC meetings**

At each of our regular meetings, we have heard from different stakeholders:

- on behalf of Ofcom’s OMU, Gaucho Rasmussen, Ofcom’s Director of Enforcement and Investigations, attended our first meeting in February 2018 and again in February 2019,
- for industry, representatives of the Office of the Telecommunications Adjudicator (OTA) have also attended twice (May 2018 and March 2019),
- from Openreach, both Mike McTighe, the Chairman of the Openreach Limited Board and Edward Astle, the Chairman of the OBARCC, have attended, and
- from BT, both Simon Lowth, BT Group Chief Financial Officer and Mike Sherman, BT Group Chief Strategy and Transformation Officer have attended to present to us on the Financial Planning and Strategy Development processes.

We also welcomed representatives of Ofcom’s OMU who observed our February 2019 meeting.

In the coming year, if stakeholders have perspectives they wish to share with us, we will be happy to invite them to one of our meetings.

The CAO publishes regular updates on behalf of the Committee reporting on each of the BTCC’s meetings on the BTCC’s [website](#).

#### **BT’s stakeholder event**

In March 2019, BT hosted an event which was designed to reach out to CPs to increase the transparency around how BT is fulfilling its Parent Company responsibilities. Members of the Committee and the CAO Director attended to present on the role of the Committee and its work and the assurance activities of the CAO, and to listen to feedback from the CPs and industry groups present.

#### **Industry forums**

Members of the CAO have attended meetings of the Copper & Fibre Products Commercial Group and the Ethernet Products Commercial Group to raise awareness of the work of the BTCC and the CAO. The CAO will be attending an OTA Executive meeting later in the year to provide a further update and provide CPs with the opportunity to engage further.

## 4.2 Outcomes

In its final DCR statement, Ofcom's OMU published details of the indicative metrics which it would have regard to in order to measure consumer and industry outcomes and updated these in their November 2018 progress report.

Openreach is accountable for many of the indicative consumer metrics such as number of premises passed by fibre and metrics that relate to Openreach's quality of service (which are derived from Openreach's scorecard). We have therefore focussed more on those outcomes that are relevant to an assessment of whether BT is respecting Openreach's greater independence, whether BT is fulfilling its parent company responsibilities appropriately, and whether BT is still addressing Ofcom's previously expressed competition concerns.

Over the course of the year, we have received updates from BT that have kept us informed on the progress made to date and on the actions that BT has been taking to address issues raised by Ofcom in its June implementation report and November 2018 update report. As this review shows, we consider that BT is making good progress on all three fronts described above. In the next section, we will comment on the challenge now to ensure that what has been achieved to date becomes embedded into BT's culture so as to be enduring for the future.

We also recognise that any statement of anticipated consumer and industry outcomes can only be a point in time view, and that over time, consumers', industry's and Ofcom expectations will evolve. For this reason, we have welcomed Ofcom's willingness to maintain a constant, open dialogue with us and to raise with us, in real time, any concerns they have in light of then current circumstances. We are keen to know at the earliest opportunity if BT – or indeed the BTCC – risk not meeting stakeholders' expectations or if stakeholders observe activities that they consider could be detrimental to BT's achievement of its intended objectives.

We have observed in recent months that BT is thinking constructively about what metrics should be used to determine whether intended objectives are being met. We recognise some metrics are within the control of BT and Openreach, and that there are others, including those relating to investment by other CPs, which are not, and which are beyond the BTCC's monitoring remit. We will, however, welcome the opportunity to engage with BT, Ofcom and other stakeholders in the coming year to understand their perceptions and aspirations in this regard, so that, as Ofcom moves towards its next review, all parties can focus on those measures of success which are most pertinent to whether BT is living up to its Commitments.

## 5 Looking forward to 2019/20

During 2018/19, BT completed the design of key processes, learned a lot from operating them for a year, and moved the dial in terms of people's behaviour and overall BT culture.

The challenge in the coming year will be to ensure that the new ways of working and the cultural shift are truly embedded, so that they can be enduring and where necessary adapted, to meet the evolving expectations of stakeholders.

The BTCC will meet four times in 2019/20, and will continue to report its work transparently to Ofcom and in its post-meeting updates published on our [website](#).

### 5.1 Commitments Assurance

We intend to deepen our assurance activity as BT's processes in key areas mature. The CAO will continue to lead on the investigation and assurance work on our behalf, monitoring the operation of key processes as set out below and undertaking "deep dives" where necessary.

#### **Strategy Development**

The strategy development process is the last significant piece of the new arrangements that has yet to be tested. BT has published the [agreed guidance note](#) setting out how the process should operate. We will review BT's development of its strategic framework by reference to that process, the output of it, and what this means for Openreach.

#### **Financial Planning**

The output from the strategy development process will inform the next financial planning process for BT's 2020/21 Budget and Medium Term Plan. Having established a methodology for assuring the financial planning process, we will repeat the assurance of this process this year, looking to see that the learnings from last year have been acted on.

#### **Information management**

We will continue to review BT's information management policies and the quarterly Disclosure Record Reports it produces. The CAO and the CMO are engaged with Group Regulatory Compliance and Openreach Business Integrity to seek further enhancements to the processes.

#### **Other "deep dives"**

We anticipate that there will be a need for other deep dive reviews during the year, depending on the size and nature of BT and Openreach strategic initiatives. These may relate to investment, product development, service, or the result of regulatory initiatives, such as Broadband Universal Service or the consequences of the outcome of the Business Connectivity Market Review and the Physical Infrastructure Market Review. These are likely to involve cooperation between the CAO and CMO.

The CAO is currently developing an "assurance framework" to use when it assesses how BT does in terms of DCR delivery to be used as an activity and behavioural yardstick in the course of such deep dive reviews. This framework will be published on the BTCC's website so BT people know at the outset of key projects what is expected of them and so that other stakeholders can be assured of the rigour of our processes.

## 5.2 Cultures and Behaviours

We also intend to maintain our strong focus on the behaviours of BT people and the cultures within BT among those who act in a parent company capacity, those who are suppliers and those who are customers of Openreach.

### **Project Seesaw follow-up with “category 2” areas**

We will be keeping the most important areas under regular review throughout the year. The CAO will also undertake periodic reassessments of other areas which, if not working well, could impact on the maintenance of good culture and behaviours. This may also include other aspects of the governance arrangements between BT and Openreach, in the event that we see tensions arising.

### **“Hearts and Minds”**

We look forward to receiving BT’s updated independent research into cultures and behaviours from Walking the Talk. We will also seek a further review, mid-year, of the effectiveness of BT’s training programmes. We are aware that BT is planning to enhance its training programmes with more tailored and interactive activities as the year progresses.

## 5.3 Stakeholder Engagement and Outcomes

We will continue to engage with industry and other key stakeholders such as the OTA. We will play our part in providing transparency of how BT is living up to its Commitments. As part of this we want to hear from stakeholders if they have any concerns about what BT is doing.

We will obviously engage with Openreach, as it will play a significant part in achieving some outcome metrics, such as service levels on access products and fibre rollout.

## Annex 1: CAO Quick Checks during 2018/19

### **Quick Check No 1 (Business MK (Milton Keynes) publication)**

A CP queried, via the OMU, whether a report in Business MK implied that a BT Regions employee had inappropriately shared details of Openreach's proposed fibre roll out plans. The CAO found the BT Regions employee was entitled to see Openreach CI, and he had not inappropriately disclosed this. However, BT has since confirmed Openreach has built its own capability in this regard and is no longer relying on BT to act as its supplier.

### **Quick Check No 2 (WLR Withdrawal – sharing of Openreach information)**

A CP raised, via the OMU, a concern around communications for the withdrawal of WLR and potential sharing of information between BT Wholesale (Enterprise) and Openreach. The CAO ascertained the relevant BT Wholesale presentation had been based on information Openreach had previously put into the public domain and BT Wholesale had not received information from Openreach any earlier than other CPs.

### **Quick Check No 3 (Directory Orphans)**

The CAO initiated a Quick Check when it discovered a BT employee's entry on the BT Directory showed her as having no line manager (i.e. she appeared to be "orphaned"). Upon investigation this turned out to be a one-off instance which did not impact on other issues such as training records or systems access.

### **Quick Check No 4 (BT Local Businesses)**

A CP queried the circumstances in which a BT Local Business contacted a business customer that the CP was engaged with. The CMO worked with the CAO on this review. The CMO established there was no indication of inappropriate conduct within Openreach (i.e. the CP's information appeared to have been handled appropriately). The CAO found justification based on past dealings for the BT Local Business contact with the customer.

### **Quick Check No 5 (BT Governance on Ofcom Market Reviews)**

The CAO of its own initiative reviewed BT's governance arrangements in relation to Ofcom's Business Connectivity Market Review. The CAO found Group Regulatory Affairs operated this process with clear roles and responsibilities, there was role clarity about whether BT people were acting in a parent or a supplier role in relation to Openreach or were supporting downstream BT CFUs and good governance was further supported by apparently effective control of sensitive information as a result of the IT systems being used.

## Annex 2: Overview of Commitments cases

The BTCC reviewed and decided 19 Commitments cases referred to it by BT during 2018/19. Details of these cases are contained in the [BTCC Bulletin](#) issued after each meeting. In summary:

Breaches		Policy Non-Conformances		“Near Misses”	“No Breach”
Serious	Trivial	Serious	Trivial		
0	6	1	7	4	1

The CAO has reviewed these cases and has made the following observations:

- All Commitments cases (except one) concerned the rules on/policies around information sharing. This is likely to be due to the new regime “bedding in” and as the new framework settles down, particularly around information sharing, the CAO would expect to see a reduction in the volume of cases. Changes to Openreach email accounts associated with people moves to and from BT Group and BT CFUs should support this.
- Breaches: there were no serious breaches and 6 trivial breaches. One of these cases involved an individual in Group receiving material from a third party and he would not have expected Openreach CI to be sent to him. One of the near misses also involved a third party. The CAO has received assurance from Group Regulatory Compliance that they have processes to ensure third parties dealing with Openreach understand their obligations.
- Non-conformances: There was 1 serious non-conformance where an individual in a BT corporate unit deliberately used inappropriate methods to contact people in Openreach to resolve a fault, which was contrary to the BT Code of Practice for BT employees. This resulted in disciplinary action against that individual. In addition, there were 7 trivial non-conformances related to the Regulatory Compliance Marker system (i.e. the people involved were entitled to view the information they had received, but the appropriate marker was not in place).
- 4 cases were “near misses” where the information in question turned out not to be Openreach CI/CCI, but had it been otherwise, these could have been either breaches or non-conformances. In each case, follow-up action was taken to mitigate the risk of future issues.
- Finally, the BTCC also reviewed one “no breach” case, where Openreach had questioned how Consumer had obtained certain information, which it turned out had been communicated to industry by Openreach. Such cases are entered into BT’s review process to ensure that BT adheres to employment law and HR best practice.

Offices worldwide

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