

BT Compliance Committee Bulletin

Issue 2

January 2019



Introduction

I would like to start by wishing you a Happy New Year! 2018 saw a lot of work being done around making the Commitments a success and this will keep going into 2019.

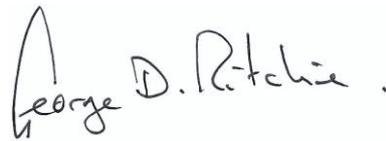
Welcome to Issue 2 of the BT Compliance Committee Bulletin, where we set out the work of the BT Compliance Committee (BTCC) at their November 2018 meeting.

The Commitments are now fully effective, and the BTCC is now looking at making sure that BT is delivering against the Commitments as part of its day-to-day activities.

At the November 2018 meeting, the BTCC heard about the following topics:

- DCR Outcomes
- BT's Financial Planning processes
- Cultures and Behaviours (Project Seesaw and work by external consultants on Hearts & Minds)

If you'd like to get in touch please contact us via cao@bt.com.

A handwritten signature in black ink that reads "George D. Ritchie". The signature is written in a cursive style with a large initial 'G'.

George Ritchie
Director, Commitments Assurance Office

8 January 2019

1 BTCC focus areas

1.1 Commitments implementation completed

On 1 October 2018 BT and Openreach completed the TUPE transfer of employees working for Openreach, and the associated governance steps needed to bring the Commitments and Governance Protocol fully in to force. This enabled Openreach Limited to start trading Openreach products on behalf of BT.

As a consequence Ofcom released BT from the Undertakings on 31 October. This brought the BTCC's Undertakings monitoring role to an end, although the Committee will continue the residual monitoring activities as recommended by the Equality of Access Board (EAB) (e.g. outstanding breach remedial actions and the training effectiveness review). Professor Tim Whitley stepped down from the BTCC following the release of the Undertakings. Isabel Hudson, BTCC Chair, thanked Tim for his contribution to the work of the EAB and BTCC over many years.

1.2 DCR Outcomes

Cathryn Ross, Group Director Regulatory Affairs, was the guest speaker in November 2018. Cathryn summarised how BT is engaging with Ofcom on DCR outcomes, noting:

- BT had been mapping what the telecoms sector should focus on to successfully deliver the outcomes that customers and wider society expect from the sector. BT's role in this and infrastructure competition was also discussed.
- We need to keep under review how BT and the sector is performing against expectations on wider DCR outcomes. The BTCC's role in overseeing delivery of these outcomes was also discussed.

1.3 BT's planning processes

The operation of BT's financial planning processes remain a key focus area for Ofcom and other stakeholders. BT and Openreach had previously agreed to review these processes in light of learning from the operation of the process to set the budgets for 2018/19. Following Ofcom's July 2018 interim report, the BTCC suggested at its September 2018 meeting that BT and Openreach should develop Design Principles to underpin the development of the financial planning process.

The Committee received an update at the November 2018 meeting. BT and Openreach have agreed the financial planning processes to be operated by BT Group, the Openreach interlocks with the BT Group process, and the key controls to apply during the operation of that process.

The CAO, together with Group Regulatory Compliance and Openreach's Commitments Monitoring Office (CMO), is now building its assurance programme to monitor the process and how the controls operate for setting BT Group's 2019/20 Annual Operating Plan and Medium Term Plan. This workstream will help to ensure that the information and evidence that Ofcom needs can be provided to inform their 2019 compliance review (expected to be published in June 2019).

With the financial planning processes resolved, BT is now starting its review of how Group Strategy engages with the Openreach Strategy team and of how the Group Strategic

Framework will be set and managed. The BTCC will review this at their February 2019 meeting.

1.4 Cultures and behaviours

1.4.1 Project Seesaw

In July 2018 the BTCC and the Openreach Board Audit Risk & Compliance Committee (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 Q2 the CMO undertook around 15 interviews with Openreach managers responsible for each area, using standard questions. During late Q2 and Q3, 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, 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). The CAO and CMO reviews suggest there is generally agreement in these areas at present, but nevertheless given the critical nature of what they cover, they 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).

The CAO will follow up on the three key areas during Q4 2018/19 to check progress and how agreed ways of working are "bedding in", and check other functional areas during Q1 2019/20.

1.4.2 "Hearts and Minds"

To provide an independent and objective view, BT engaged external culture experts to help them better understand the hearts and minds of people in BT and Openreach. The consultants used surveys with focus groups and some 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 is 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 it applies 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 Customer Facing Units (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 is now building its Year 2 culture embedding programme which will build on the work done to date, and the findings of the independent research.

2 Compliance update

2.1 Cases notified to the BTCC for consideration

The BTCC considered five matters at its November 2018 meeting. The Committee decided:

- One matter was a trivial breach of section 10 of the Commitments (information sharing);
- One matter was a trivial process non-conformance;
- Two matters were not breaches but “near misses”; and
- One matter was a “no breach”.

Further brief details of each matter are set out below

Trivial breach. The BTCC found there had been one trivial breach of section 10 of the Commitments relating to the information sharing rules. This concerned Openreach Commercial Information (CI) included in a document sent from an external party to BT for verification prior to external publication. The BT employee who received it did not expect the document to contain Openreach CI. Unaware of the Openreach CI, he forwarded the document for review within BT, including to employees who were not eligible to receive Openreach CI. Remedial action has been undertaken, reminding both the external party and Group Regulatory Compliance employees of the need to review whether documents contain Openreach information prior to wider circulation.

Trivial process non-conformance. The BTCC agreed there had been a trivial “process non-compliance” relating to an instance of sharing Openreach CI with BT Group’s HR function which was justified and appropriate, but where the individual recipient had not completely followed the internal process they should have done before sharing the information.

“Near misses”. The BTCC found two issues were not breaches but were “near misses”:

- In the first instance, an individual sent a slide deck to people in Consumer, Enterprise and Global Services who they mistakenly thought had been missed off a distribution list. The sender swiftly realised their error, and the recipients deleted the emails before reading them. The BTCC agreed that this was a “near miss” on the basis that the information did not actually contain Openreach CI. Nevertheless remedial action (a one-to-one briefing with the sender) has taken place to remind them of the information sharing rules.
- In the second instance, an Openreach product manager questioned whether periodic emails from Technology that had been copied to three Enterprise product managers contained Openreach CI. The BTCC agreed that this was a “near miss” on the basis that the information did not actually contain Openreach CI. However it was agreed within BT that such information did not need to be shared with downstream BT CFUs, and so Technology no longer sends the periodic email to the Enterprise product managers. The sender has completed one-to-one training to remind them of the information sharing rules

No breach. An Openreach manager raised a concern that Openreach CI had been inappropriately shared by Technology with downstream BT CFUs in the course of accessing a test facility. The investigation uncovered there had been a misunderstanding. The Openreach manager through Technology had told Consumer about a specific piece of

equipment that was still under development and not in the public domain. In fact Consumer was referring to a test bed facility in Swansea that was created for and available to all CPs to test order journeys and customer experience. The BTCC agreed this was a “no breach” as there had not been a breach of any policy or our Commitments.

2.2 Quick Checks

The BTCC reviewed one “quick check” undertaken by the CAO.

The CAO discovered a BT employee whose entry on the BT Directory showed her as having no line manager (i.e. she appeared to be “orphaned”). Other forms of contact such as her organisation details on the email system similarly showed no line manager. The CAO’s concern was that this might mean she was not captured on the training records system (so that she didn’t have to do mandatory training) or that if she had not done it there would be no way to escalate to her line manager (which is the usual remedy) and that she might not be able to apply for a regulatory compliance marker (which requires line manager sign off).

The CAO undertook a “quick check” to assess whether this was a widespread issue, and established that this appears to have been a one-off instance. Furthermore the CAO has received confirmation that if the individual had failed to complete mandatory training, it would have been picked up by the training representative for her unit and taken up with her directly. The individual does not have a Regulatory Compliance Marker and does not need one for her role.

2.3 Appendix: the BTCC’s assessment framework

The BTCC adopted the framework below in September 2018 to classify the compliance matters referred to it for consideration. This framework has now also been adopted by the OBARCC.

<p>Trivial breach</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>Serious breach</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>Trivial non-conformance</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>Serious non-conformance</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>

Offices worldwide

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Registered office: 81 Newgate Street, London EC1A 7AJ
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