



BT Compliance Committee Bulletin

Issue 6

October 2019

Introduction

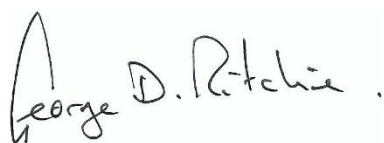
Welcome to Issue 6 of the BT Compliance Committee Bulletin, in which we provide an update on the BT Compliance Committee's (BTCC) September 2019 meeting.

Our guest speaker at the September meeting was Clive Selley, the Chief Executive of Openreach. In addition, the BTCC heard about, and discussed, the following topics:

- An update on new Guidance Note 6 (Regulatory and Legal Processes) and Guidance Note 7 (Commercial Processes);
- BT's preparations for delivering Broadband Universal Service;
- An update on the Business Connectivity Market Review and Commitment 3.6; and
- Assurance Updates.

The BTCC also undertook its regular review of potential breaches and non-conformances with policy notified by BT to the BTCC for decision, with just one case referred since the July meeting, as well as the CAO's findings in its "Quick Check" review of BT's Yourshare all-staff share scheme.

The BTCC's next meeting will be on 26 November 2019. In the meantime, if you would like to get in touch please contact us via cao@bt.com.



George Ritchie
Director, Commitments Assurance Office
31 October 2019

1. BTCC focus areas

1.1. Update from Openreach

The guest speaker at the September 2019 meeting was Clive Selley, Chief Executive of Openreach. Clive shared his perspectives on DCR outcomes, how the governance arrangements under the Commitments are working, and Openreach's relationships with its CP customers.

1.2. Regulatory Update

Cathryn Ross, Group Director Regulatory Affairs, provided an update on developments since the July meeting.

Following publication¹ of the suite of 5 Guidance Notes (GNs) earlier in 2019, Monica Arino, Regulatory Affairs Director, Group and Governance, updated the Committee on two further Guidance Notes that are being developed as between Openreach and BT Group:

- **GN6: Regulatory and Legal Processes** - to provide guidance on processes including escalation mechanisms to balance differing viewpoints in Openreach and BT; and
- **GN7: Commercial Processes** - to provide guidance on when Openreach can make product and pricing decisions itself and when it should take matters to BT Group, and BT Group's role in Openreach's commercial pricing decisions, portfolio decisions outside the Openreach Strategic Framework and major investment decisions.

The BTCC noted these documents are under development between Openreach and BT and remain subject to the approval of the Openreach Board in due course. The Committee also noted BT's intention to publish them on the BTplc.com website to provide transparency to stakeholders.

1.3. Broadband Universal Service Condition Deep Dive

The Committee received an update from Monica Arino and Mark Shurmer, Managing Director Regulation Openreach, on BT Group's and Openreach's preparations for delivery of the requirements of the Broadband Universal Service Conditions which come into force on 20 March 2020.

The Committee discussed the importance of pressure testing the processes designed to support the activities of the Universal Broadband Support Group (UBSG) to ensure their effectiveness. The Committee also noted that the number of premises that would be in scope is decreasing over time as Openreach and other networks continue to expand their coverage.

At this stage the operational delivery processes are still being developed. From a compliance perspective, correctly managing information held by BT and Openreach for the purposes of the Broadband USC is critical. The

¹ Guidance Notes 1-5 are published at: <https://www.btplc.com/Thegroup/Policyandregulation/Governance/OurCommitments/Guidancenotes/index.htm>.

CAO has been engaging with those involved with the development of the processes within BT to gain assurance that the Commitments compliance requirements will continue to be factored in at the build stage.

The BTCC will receive a further update early in 2020 to seek assurance that the risk control framework is in place, owned, and fit for purpose.

1.4. Update on the BCMR and Commitment 3.6

The Committee received an update on the decisions BT has to make as to whether to move certain leased line products out of Openreach in line with Commitment 3.6, following the recent deregulation of those products in the Business Connectivity Market Review. Group Strategy & Transformation intend to complete their assessment and have a proposal ready by the end of the calendar year. A management decision will then need to be taken as to whether it is “impractical” to move the deregulated products out of Openreach. The Committee noted that moving the management of the deregulated products out of Openreach might result in detrimental impacts on stakeholders, and that if so, this would have to be reconciled with the obligation set out in Commitment 3.6.

1.5. Assurance Updates

Russell Hunter, Head of Assurance, CAO, updated the Committee on the joint work by the CAO and Openreach’s Commitments Monitoring Office (CMO) on assuring BT Group’s Strategy Development Process. This work is now in train, with regular engagement with the BT Group and Openreach teams to enable the CAO and CMO to undertake as close to real-time assurance as is feasible. Russell explained that at present there are no indications of compliance concerns and the CAO now has sufficient engagement with relevant stakeholders.

He also updated the Committee on the CAO’s work on assuring the Financial Planning process for setting the 2020 Medium Term Plan, noting that there has been good engagement from Group Finance to date.

2. Compliance update

2.1. Cases notified to the BTCC for consideration

The BTCC considered one matter referred to it by BT's Head of Group Regulatory Compliance (GRC) at the September meeting. The Committee used the four-box framework adopted in September 2018 to classify the compliance matters referred to it for consideration. The framework is set out in [Issue 1 of the BTCC Bulletin](#).

The Committee agreed with the recommendation from BT's Head of GRC, and decided that the matter was a trivial breach of section 10 of the Commitments (information sharing):

- Case CAO-19: Potential inappropriate Openreach Capex information sharing.** A Group Strategy Senior Manager, Planning & Analysis, removed all visible Openreach Commercial Information (CI) from an Excel file, and sent it to two Group Strategy colleagues who did not have Regulatory Compliance Markers². One recipient ran a report on the file to obtain the information needed for downstream BT Customer Facing Units (CFUs), however the report populated automatically with Openreach CI which had been "hidden" in the Excel file. When the recipient realised the issue, they contacted the sender, the other recipient and GRC, and then deleted the file. GRC concluded the information should have not been shared with the recipients, and no exemption applied. However the issue was quickly spotted and deleted. As remedial action, in future requests for capex data on downstream BT CFUs will have Openreach data removed at source by Group Finance. GRC will also consider this issue in upcoming assurance activities around Group Strategy and Information Sharing Agreement deep dives.

2.2. Quick Checks

The BTCC reviewed one "quick check" undertaken by the CAO.

In June 2019, Ofcom's Openreach Monitoring Unit (OMU) raised concerns (via the CMO) as to whether the participation of Openreach employees in BT's proposed Yourshare all-employee share scheme would be compliant with Commitment 8.2 which, in essence, provides that Openreach employees receiving bonus payments shall not receive their bonus denominated in BT Group plc shares. The CAO agreed to undertake a review in accordance with its quick check process. Having received an initial update at its July meeting, the BTCC considered the CAO's full report at this meeting.

The CAO's quick check found that no breach has occurred to date and recommended that, if implemented as anticipated, it would not be a breach of the Commitments. With regard to spirit issues, the CAO noted BT has been transparent with Ofcom and CPs on its plans and we recommend that it continues to be so. The CAO also considered concerns about potential detrimental impact on Openreach's culture of independence and equal treatment of all CP customers in the long-term. The CAO considers that these are theoretically possible, but

² 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. 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 Openreach Board, Audit, Risk & Compliance Committee.

notes that Openreach has robust KPI monitoring to ensure it delivers equivalence of inputs and equal treatment and can quickly investigate any divergences. Thus the CAO recommended that there was no need to open a full breach investigation. The BTCC agreed with this recommendation. It also confirmed that it would be willing to review this matter further if there were material changes to the current proposal.

The CAO has provided its report to Ofcom's OMU following the meeting.

2.3. Commitments Validation Plan

In addition to the CAO's reporting to the BTCC on the major matters and its deep dives, it also conducts "routine" monitoring of the remainder of the Commitments alongside Openreach's Commitments Monitoring Office (CMO), with support from GRC. This is tracked via the Commitments Validation Plan (CVP) which identifies clauses containing BT obligations, those relevant to both BT and Openreach, and those predominantly the responsibility of Openreach.

Chris Wood, Senior Commitments and Regulatory Assurance Manager, GRC, presented on the CVP and explained that the monitoring of the CVP is working well and there is good collaboration with the CMO and that progress reports are shared with the CMO and CAO.

As compliance with the Commitments is becoming embedded as "business as usual" GRC considers that it is the right time to move towards a more risk based approach i.e. with more focus on the higher risk activities, in line with other assurance based activities.

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