



BT Compliance Committee Bulletin

Issue 5

September 2019



Introduction

Welcome to Issue 5 of the BT Compliance Committee Bulletin, in which we provide an update on the BT Compliance Committee's (BTCC) July 2019 meeting.

The first meeting during the 2019/20 financial year saw a change to the membership of the BTCC. Cathryn Ross, Group Director Regulatory Affairs, has formally stepped down from the BTCC, and will instead become an attendee at each meeting. Cathryn served as a member during the critical implementation phase of the Commitments. This change clarifies the distinction between Cathryn's role as executive sponsor of the DCR and the Commitments within BT, and the separate monitoring role performed by the BTCC which now comprises exclusively [Non-Executive Directors of BT Group plc](#).

In addition Jan du Plessis, Chairman of BT Group, has attended every BTCC meeting. BT's Group General Counsel, Sabine Chalmers, also attends regularly.

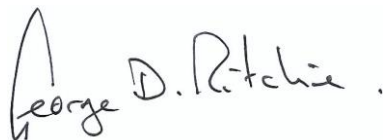
The guest speaker at the July meeting was Marc Allera, the Chief Executive of BT's Consumer division, who provided his perspective on the impact of the governance arrangements under the Commitments and Governance Protocol.

In addition, the BTCC heard about, and discussed, the following topics:

- An update on the DCR outcomes following Ofcom's July annual report;
- An update on BT's Strategy Development plans;
- Assurance of the Financial Planning process; and
- The CAO's plans for embedding its assurance activities to ensure the framework for review will endure over the long term.

The BTCC also undertook its regular review of potential breaches and non-conformances with policy notified by BT to the BTCC for decision and received an interim update on one new Quick Check.

The BTCC's next meeting will be in early September 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

6 September 2019

1 BTCC focus areas

1.1 Views from BT's Consumer division

The guest speaker at the July 2019 meeting was Marc Allera, Chief Executive of BT's Consumer division.

Marc gave Consumer's perspective on working with Openreach as a key supplier under the Commitments, and Consumer's focus areas for optimising the customer-supplier relationship.

1.2 DCR Update

Cathryn Ross, Group Director Regulatory Affairs, updated the BTCC on Ofcom's [first annual monitoring report](#) published on 3 July 2019. The Committee noted that while Ofcom recognises BT and Openreach have made real progress there needs to be continued focus to ensure the changes achieved so far become embedded and will endure.

Following publication of the suite of [5 Guidance Notes](#) (GNs) earlier in 2019, Cathryn explained that BT is working on two additional documents:

- **GN6: Regulatory and Legal Processes** – to provide guidance on processes (including escalation mechanisms), for responding to consultations, litigation and disputes, and balancing different viewpoints at BT and Openreach; and
- **GN7: Commercial Processes** – to provide guidance on how BT and Openreach will engage on commercial pricing decisions, portfolio decisions outside the Openreach Strategic Framework, and major investment decisions.

The BTCC noted these documents are under development between BT and Openreach 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 BT.com website to provide transparency to stakeholders.

1.3 Strategy Development Update

The BTCC had received a presentation of the BT Strategy Development Process (set out in GN3 and published on the BT.com website) at its February 2019 meeting. At the July meeting, Nick Lynch, Director of Corporate Strategy, Group, provided an update to the Committee. He explained the new BT Group Chief Executive has tasked Group Strategy & Transformation with "Ambition 2030", to define the type of business that BT Group should be in 10 years' time. As a result, the operation of the annual Strategy Development Process has been slightly adapted to ensure that BT can both articulate Ambition 2030 and develop the next Medium Term Plan (MTP) informed by this.

The Committee was keen to hear how Ambition 2030 accommodates Openreach's plans. Nick explained that Openreach's strategy team has been involved in discussions on Ambition 2030, for example around the questions that will inform views on how the market will look in 2030, such as big market trends and consumer behaviours. This engagement should enable a common understanding to underpin each of Openreach's and BT's approaches to the development of their respective strategies at an earlier stage.

The Committee sought reassurance that the wider Group Strategy & Transformation team is engaged with the CAO to enable its assurance review of the Strategy Development process including Ambition 2030.

1.4 Financial Planning Assurance

The BTCC received the final report on the CAO and CMO joint review of the annual financial planning process that covered the production of the Openreach 2019/20 Annual Operating Plan and MTP. This had involved cross-checking actual progress against the documented process, seeking evidence that controls were in place and followed, and building an audit trail showing when, how and why the numbers in the plan changed. This was supplemented by a review of emails between key senior executives to understand behaviours during the process and ascertain whether the controls had been observed. In summary, the CAO and CMO found the documented process was followed and the controls respected, giving Openreach greater independence and respecting the role of the Openreach Board, and that the process appears to have given BT what it needs to fulfil its parent company responsibilities.

1.5 CAO: Embedding Assurance

The CAO presented its proposals to the BTCC about its work around embedding its assurance work to ensure that it can be enduring:

- **Assurance Mapping:** the CAO is working with Group Regulatory Compliance, Group Internal Audit and Group Regulatory Affairs to develop an end-to-end assurance map to ensure that the CAO can evidence to stakeholders how key DCR compliance and enterprise risks are being managed, ensure role clarity and increase simplicity by reducing duplication;
- **CAO Working Practices Manual:** the CAO is building a manual setting out its working practices so as to embed its processes to ensure sustainability beyond the incumbency of the current members; and
- **Deep Dive Methodology:** the CAO has developed a methodology for deep dive reviews and a set of indicators of what it expects to see when it does deep dive reviews – this will be a part of the overall process manual.

The CAO noted that it will publish these documents on the BT.com website when finalised, to provide transparency to stakeholders around its ways of working.

1.6 System separation programme update

The BTCC received an update on system separation following the transfer of responsibility from Technology to Enterprise. The Committee asked to be kept updated on this matter to ensure it continues to receive due attention.

2 Compliance update

2.1 Cases notified to the BTCC for consideration

The BTCC considered 7 matters referred to it by BT's Head of Group Regulatory Compliance at its July 2019 meeting. The Committee used the four-box framework adopted in September 2018 to classify the compliance matters referred to it for consideration. This framework is set out in [Issue 1 of the BTCC Bulletin](#).

The Committee agreed with each recommendation from BT's Head of Group Regulatory Compliance, and decided that:

- Two matters were trivial breaches of section 10 of the Commitments (information sharing); and
- Five matters were trivial process non-conformances.

Further brief details of each matter are set out below.

2.1.1 Trends and items of note

In addition to looking at individual cases, the BTCC has asked the CAO to consider any trends and/or notable features across the reported cases, as well as how they compare with previously considered cases. The CAO made the following observations:

- The two breach cases involve information sharing. In both cases this was due to human error. Both were spotted quickly (one by the sender, one by the recipient) and swiftly corrected. These cases suggest a willingness to report issues to GRC, and in each case GRC has since provided training to the teams sending out the information.
- Across the five process non-conformances, GRC has already taken remedial action to reinforce the Commitments requirements.

The CAO also observed one of GRC's bi-weekly case review calls to enhance its understanding of BT's approach. The CAO was satisfied with how the process operates, with open discussion and peer challenge around case assessment before submission to the CAO ahead of the BTCC's final decision on each.

2.1.2 Details of each matter decided by the BTCC

Trivial breaches. The BTCC found two issues to be a trivial breach of section 10 of the Commitments relating to the information sharing rules:

- **Incorrect Information Sharing – Corporate Finance.** A manager in Competition Finance incorrectly shared a spreadsheet containing Openreach CI with two Enterprise people while preparing a submission in response to a statutory request for information. The sender realised their error and sought to recall the email. GRC concluded the information should not have been shared with Enterprise, and no exemption applied. However as the issue was resolved within 30 minutes (one auto-recall was successful, and the other recipient manually deleted the email) and no evidence was found that the information was misused, it is unlikely to have caused CPs harm. GRC has since issued briefings to the relevant teams to remind them of the information sharing rules and the need to correctly mark Openreach CI and CCI.

- **Openreach CP Information sharing by Group Billing Services.** GBS incorrectly sent a CP's invoice (containing Openreach CCI) to the Internal Trading team who process Openreach invoices for BT CFUs. The recipient spotted the issue and deleted the invoice within 30 minutes of receipt. GRC has briefed GBS reminding them to ensure only BT CFU invoices are shared with the Internal Trading team.

Trivial process non-conformances. The BTCC found five issues fell into this category:

- **Technology contacting Openreach Internal control.** A service specialist in Technology attempted to call Openreach to escalate 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. BTCC concluded this was a trivial non-conformance of BT's policy on using industry standard processes for contacting Openreach. GRC has briefed the individual and wider team about the correct ways to contact Openreach.
- **Openreach CI shared with Technology planner.** A team member in Technology shared Openreach CI relating to network equipment orders with three colleagues who did not have a Regulatory Compliance Marker (RCM). BTCC concluded this was a trivial non-conformance following BT's policy on information sharing: the Openreach CI was sent for a legitimate purpose and it would have been appropriate for the recipients to have an RCM. As remedial action, the individual and wider team have been briefed on the information sharing rules. In addition GRC are assuring the Technology Network Engineering information sharing agreement which covers this team.
- **Technology contacting Openreach Senior Engineering Manager.** A Technology duty manager called Openreach to escalate an Ethernet fault on behalf of Enterprise. This was a trivial non-conformance of BT's policy on using industry standard processes for contacting Openreach. No advantage appeared to have been gained and the correct fault management process was subsequently followed. GRC has given the individual and wider team a briefing reminding them of the correct way to contact Openreach.
- **Non-conformance of ISDN2 fault process reporting.** BT ISDN2 customers could report faults to BT CFUs via a system called Automated Customer Experience (ACE) system. Unknown to BT, duplicate "ghost" faults were reported directly into the Openreach Computer Support System (CSS) by ACE. The issue was identified by Openreach reviewing anomalies among faults on CSS that had been outstanding for a long period of time. BT was not getting better ISDN2 fault management, as issues were notified by BT CFUs to Openreach via standard processes, while the "ghost" fault sat in the fault tail on CSS. As remedial action, all ISDN2 customers have had access to ACE withdrawn
- **Group Strategy Handover to Colleague.** A departing Group Strategy manager sent documents including Openreach CI to a colleague to ensure business continuity. The information was sent for a legitimate reason to a colleague who was eligible to have a RCM but did not in fact have one. GRC has issue a briefing to the Group Strategy team reminding them of the information sharing processes.

2.2 Quick Checks

The CAO has opened one new Quick Check since the last meeting, relating to BT's proposed Yourshare scheme for all employees of BT and Openreach. The BTCC received a preliminary update from the CAO, indicating the CAO's initial assessment that it is minded to recommend that it does not consider there is a need to commence a full compliance investigation and noting that BT and Openreach are engaging transparently with CPs and Ofcom on this matter. The CAO will present its full report and recommendations on this matter to the next BTCC meeting.

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