

BT Commitments – review of compliance 2023- 2024

For the period 05 April 2023 to 31 March 2024

August 2024

Introduction

2024 marks seven years since the new governance arrangements to give Openreach greater strategic and operational independence (the Commitments) came into effect. The Commitments continue to operate in practice as they were designed to and the culture, behaviours, structures and processes within BT and Openreach remain conducive to Openreach’s greater independence. Increased network choice for consumers has driven competitive offers, in turn encouraging take-up. The industry average for take-up of FTTP is 28%. Both average actual download speed and average data usage more than doubled between 2019 and 2023. Real terms prices of ultrafast services have fallen by 30% over the last three years.

There has also been strong progress on Ofcom’s DCR outcomes within this time. The momentum of build of Fibre to the Premises (FTTP) by both Openreach and alt-nets is strong, and there is increased emphasis on promoting customer adoption of the new platform. More than half of UK residential premises (57%) now have full-fibre broadband, a 42% increase on the last year. To date, 4.6m customers are now connected to FTTP via Openreach, and Openreach build has passed over 14m premises.

As in all previous years, BT has monitored our compliance with the Commitments, the culture and behaviours of BT’s people in relation to them and the extent to which Ofcom’s DCR objectives are being met. This year, BT’s Commitments Assurance Office conducted a colleague survey to serve as a temperature check of how well the Commitments were working and the extent to which they are kept front of mind. The findings were encouraging. The Commitments remain well embedded across all functions and BT remains committed to exploring opportunities for greater efficiency in its interactions with Openreach.

Key interactions between BT and Openreach around financial planning (including capex availability), strategy development, and Openreach’s commercial decision-making continued to be monitored by both the Commitments Assurance Office and the BT Compliance Committee (BTCC). These processes are fully matured, and relationships between BT and Openreach are given paramount importance. The Commitments Assurance Office will continue to evolve its approach to ensure key strategic projects are monitored effectively and interactions are scrutinised, particularly in areas such as exchange closures and PSTN switch-off.

Potential Commitments breaches and process non-conformances were reviewed and, consistent with previous years, remain few in number. The ability of functions within BT to recognise where non-compliances may have occurred and their willingness to make these known remains a key aspect of demonstrating a culture of understanding of the importance of adherence to the Commitments.

Since the BT Compliance Committee’s report last year, Ofcom was welcomed to the July BTCC meeting. Martin Ballantyne (General Counsel and Legal Group Director), Ian Strawhorne (Director of Enforcement) and Hannah Eykel (Principal) offered their positive reflections on how the Commitments are working at BT, the objectives of the Openreach Monitoring Unit (OMU) and the key risks that the OMU would continue to monitor.

Until the end of March 2024, the BT Compliance Committee was responsible for the monitoring and reporting of:

- BT’s compliance with the Commitments and the Governance Protocol as set out in section 19.4 of the Commitments and sections 7.13 – 7.15 of Part A of the Governance Protocol;
- whether the culture in BT and the behaviours of BT people in relation to the Commitments and Governance Protocol are conducive to BT’s compliance with them and to delivery of the Digital Communications Review objectives (“DCR objectives”); and
- the extent to which the DCR objectives are being met.

The BT Compliance Committee’s remit also included consideration for how BT approaches issues of consumer fairness. This has been separate to its Commitments oversight functions.

A number of recent changes have prompted BT to review the current structure of its non-executive committees:

- With the change in scope of Ofcom’s Openreach Monitoring Unit (OMU) moving to focus less specifically on the Commitments and more broadly on outcomes of the WFTMR and wider telecoms regulatory regime, it was considered the BTCC’s current scope and interests were not optimally aligned with and covered only a part of the OMU’s agenda.

The following changes to the BT’s non-executive directors also prompted this review:

- The chair of the BT Compliance Committee, Isabel Hudson, completes her tenure on the BT Board in summer 2024
- Independent board member, Allison Kirby, became BT’s CEO from February 2024

As a result, the BT plc board decided to transfer the responsibilities for reviewing compliance with the Commitments to the BT Audit and Risk Committee (BARC) from April 2024. This ensures that all issues of regulatory compliance can be considered and addressed by the same board committee, and aligns to how the Openreach Board, Audit and Compliance Committee also functions in relation to Commitments oversight. Responsibilities for considering issues of consumer fairness has moved to the Responsible Business Committee. BT Group’s letter to Ofcom can be found on our [website](#).

1 The BT Compliance Committee

The BTCC was, until the end of March 2024, a Committee of the BT Group plc Board. Under its terms of reference, the BTCC reviewed BT’s compliance with the letter and spirit of the Commitments made as part of Ofcom’s 2017 Digital Communications Review (DCR) and reviewed the culture and behaviours of BT colleagues. The BTCC was responsible for monitoring whether the Openreach governance model is working as expected and whether this supported achieving appropriate outcomes for consumers and the industry. It assessed whether Openreach could act with appropriate independence while ensuring BT was properly able to fulfil its parent company duties. Since April 2021 the BTCC also monitored whether BT is living up to Ofcom’s consumer fairness principles.

This report focuses upon the BTCC’s work in monitoring BT’s Commitments compliance and covers the period 5th April 2023 to 31st March 2024.

Further details about the BARC and its terms of reference from 1 April 2024 are set out in the BT Group plc Annual Report and is available on the BT [website](#).

The BTCC was supported by the Commitments Assurance Office (CAO), led by the Commitments Assurance Director. The CAO will continue to support the BARC as it commences its role to monitor BT’s Commitments compliance. More information on the CAO is available [here](#). You can also contact the CAO via cao@bt.com

The BTCC’s activities were complemented by the activities of the Openreach Board Audit and Risk Compliance Committee (OBARCC), which focusses on Openreach’s compliance with the spirit and letter of the Commitments. The OBARCC, supported by the Commitments Monitoring Office, is producing a report in parallel which focusses on Openreach Commitments compliance, including Openreach’s relationship with its customers.

1.1 BTCC Membership and Attendance

The BTCC met three times in this period: in July and October 2023 and for the last time in January 2024.

The BTCC’s three members were BT Group plc non-executive directors. Membership and attendance at meetings this year was as follows:



Allison Kirkby



Isabel Hudson (Chair)



Sara Weller

Eligible to attend: 3/ Attended: 3
Attended: 3

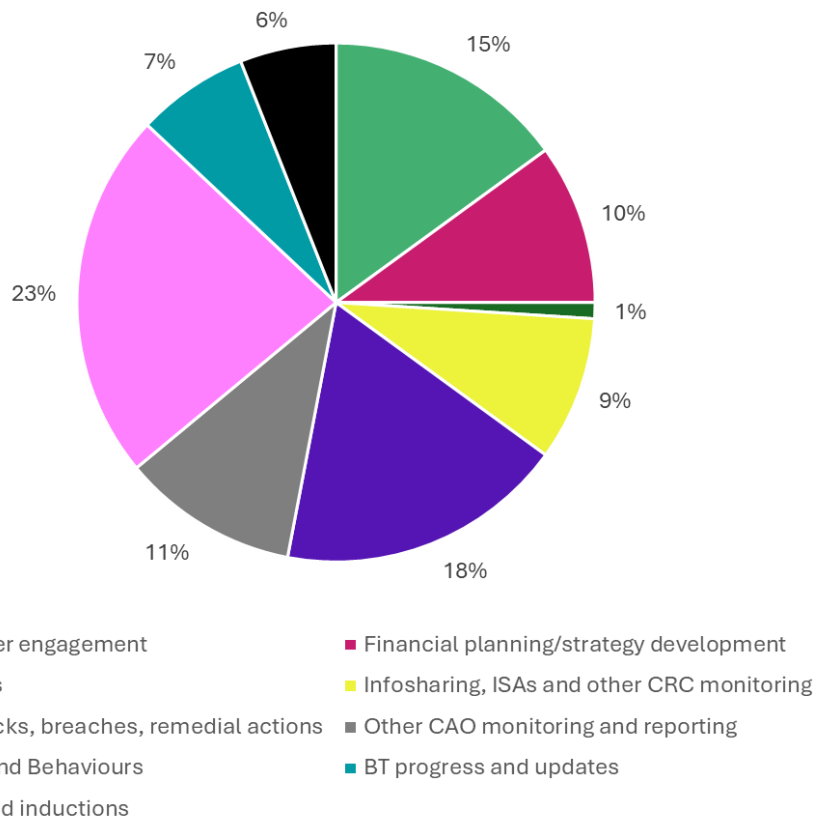
Eligible to attend: 3/ Attended: 3

Eligible to attend: 3/

Our monitoring approach

BT’s monitoring role looks at both compliance with the Commitments and the extent to which the outcomes for consumers and the industry that BT, Openreach, Ofcom, CPs, and other stakeholders want to see are being achieved (see section 2 below).

Below is an overview of how the BTCC allocated time at its meetings since its last review to different areas of focus. This excludes the time that the Committee spent on the Consumer Fairness portion of its remit.



This shows:

- The largest portion of the BTCC’s time was spent upon cultures and behaviours, which reflects the preparation for, execution and analysis of last year’s culture survey.
- The BTCC spent more time on quick checks and breaches and less time on deep dives; this was due to the ‘deep dive’ activity being largely centred on cultures and behaviours in 2023/24.

1.2 Stakeholder Engagement



We encourage stakeholders to approach the CAO with insights on BT’s compliance with the spirit and letter of the Commitments and more generally how BT is delivering the DCR outcomes. This helps ensure focus is given by BT’s compliance bodies on topics which matter.

In July 2023, the BTCC welcomed Ofcom to the meeting to hear first-hand Ofcom’s view on how BT had kept up with the Commitments. Ofcom’s view - that the Commitments had been in place for a while and that generally, were working well in both detail and spirit – were welcomed by the Committee and there was agreement that there could be no room for complacency. Both Ofcom and the BTCC agreed it was important to continue to maintain an open and constructive dialogue, particularly at times with key personnel changes and that this has been managed well, to date.



2 Progress on DCR outcomes

We continue to monitor progress being made against DCR outcomes which Ofcom summarised in its statement of July 2017¹ as follows:

- Widespread availability of fibre broadband
- Decent broadband for all
- A step change in quality of service

2.1 Investment in Fibre and Physical Infrastructure Access

Fibre Investment – Extensive FTTP

Openreach is making good progress with its FTTP rollout. By April 2024, Openreach’s FTTP footprint had passed 13.5m premises. The CAO, working closely with Openreach’s CMO, monitored the development of Openreach’s plans (including its Medium-Term Plan and the allocation of capital by BT to Openreach) through a combination of interviews with key stakeholders, access to key documents, and observing relevant meetings of the BT Investment Board. We noted that Openreach has been able to develop its plans independently and in line with the process set out in the Commercial Processes Guidance Note.

Physical Infrastructure Access (PIA)

We recognise how important it is that Openreach’s PIA products are developed in ways which meet alternative network providers’ reasonable requirements and for Openreach to scale up delivery to meet their ambitions.

Further information about Openreach’s PIA product is contained in the OBARCC’s annual report.

2.2 Broadband Universal Service Obligation (USO)

The BTCC continues to monitor BT’s progress on delivery of its Broadband USO obligations. We received a further report at our October 2023 meeting that BT Group’s USO governance is working well. BT’s Consumer unit manages the front-end customer relationship while Openreach acts as supplier to deliver network build elements of USO requests.

2.3 Quality of Service

An overview of Openreach’s Quality of Service results is available on the [Openreach KPI webpage](#)

¹ [Statement: Delivering a more independent Openreach \(ofcom.org.uk\)](#)

3 BT's engagement with the Openreach Governance Model

A key aspect of the BTCC's monitoring activities is looking at how the Openreach Governance Model operates in practice. The Commitments seek to strike a balance between Openreach's greater independence (which in turn provides comfort that Openreach will treat all its customers equally) while ensuring that BT can meet its parent company responsibilities, in particular given the substantial investments that BT is making in Openreach.

Our approach looks at whether BT has done what it said it would do, and whether what we see aligns with the spirit of the Openreach governance model. In this period, the CAO continued to review the Commitments 'watchlist' to capture point and emerging risks and target assurance activity.

The Committee heard from the Regulatory Affairs Director and CAO Director in October 2023 on their forward view and how to ensure vigilance when keeping the Commitments up to date. It was agreed that the Commitments were working well at the present time.

BT continues to work with Openreach to consider options for any future updates required to the Commitments and is supportive of change to the Commitments where that keeps them up to date and retains the original spirit and intention. The CAO will continue to monitor this on behalf of the BARC.

3.1 Operation of Key Processes

We monitor the following processes particularly closely:

1. strategy development,
2. financial planning (to set Openreach's Annual Operating Plan (AOP) and Medium-Term Plan MTP)) and
3. the agreement of Openreach's commercial propositions.

These processes are the core of the governance arrangements that the Commitments represent: i.e., whether (i) Openreach is able to decide its strategy with the necessary degree of independence (while taking due account of the BT Group Strategic Framework); and (ii) BT showing commitment to funding Openreach's strategic and commercial ambitions within the wider BT Group.

As in previous years, proactive monitoring of key processes and interactions has taken place and we observed all three processes to be working well. They have now operated for several cycles, and BT and Openreach people are familiar with them and respect the key anchor points in each process. In particular, the role of the Openreach Board, a key compliance control, is respected and it is involved as appropriate in all three processes. It is clear how and when matters should be escalated from Openreach Board to either the BT Group Board or the BT CEO and there has been good communication between the OBARCC and relevant BT governance bodies.

The CAO has also observed any meetings of the BT Investment Board that considered Openreach investment cases, or cases from corporate units that involved a material Openreach element, which are outside of the previously agreed MTP. We are satisfied that in each instance the engagements between BT senior leaders and Openreach operated with the spirit of the Commitments, respecting Openreach's greater strategic independence.

We have also monitored the operation of the Commercial Processes Guidance Note. Between 1 April 2023 and 30 March 2024, Openreach approved a total of 104 papers, with two items sent to BT for decision. There were no items sent for information or consultation under the Guidance Note 7 process in this period.

3.2 BT Organisational Changes

In January 2024, BT appointed non-executive director Allison Kirkby as its next chief executive, replacing Philip Jansen. Ms Kirkby has been on BT's board since 2019 and was a key member of the BTCC prior to her appointment as CEO. This will give her unique insight into the Commitments and their practical application within the business.

BT also made a number of new appointments to its Board:

- Ruth Cairnie, Senior Independent Non-Executive Director
- Maggie Chan Jones, Independent Non-Executive Director and Designated Non-Executive Director for Workforce Engagement
- Steven Guggenheimer, Independent Non-Executive Director

Tailored training was provided to each of these individuals. The OBARCC chair and the BTCC chair also attended the BT Audit and Risk Committee in January 2024 to share their perspective on the history and learning of the Commitments. These activities are important to ensure continuity of knowledge so that senior leaders in BT understand the importance of the Commitments in letter and spirit and how they operate in practice to ensure that Openreach retains its greater strategic and operational independence.

3.3 BT Supplier relationships into Openreach

Monitoring activity by the Commitments Monitoring Office revealed a need for greater transparency on how Openreach engage with BT Sourced, BT Group's procurement and sourcing function. The BT Communications Regulation Compliance (CRC) team completed a review of how BT Sourced ensures Openreach's greater strategic independence. Overall, the outcome of the review was positive with management actions agreed with BT Sourced to complete refresher training and improve Commitments guidance in their procedural documentation.

3.4 BT Customer Facing Units relationships with Openreach

An important part of ensuring the Commitments remain embedded and sustainable is having confidence that BT's customer facing units, namely Consumer and Business, engage effectively with the Openreach governance model and that this supports their commercial relationships with one of their key suppliers.

3.5 Monitoring Significant Matters and Emerging Risks

With key processes mature and embedded in BT, we have refreshed our approach to reviewing the Commitments implications of emerging risks and of significant matters faced by BT and Openreach. The CAO continues to track potential areas of concern and target assurance activity accordingly. This is to ensure that monitoring can take place at an early stage, in some cases prior to matters going through the core processes, and that monitoring is focused upon senior and strategic risk.

3.6 Culture survey

In 2020, external consultants were commissioned to repeat a culture study first conducted in 2018, which was intended to explore whether the Commitments had led to a culture where BT and Openreach could be seen to be operating more independently of each other.

The report concluded that:

- Culturally, Openreach was more independent than had been the case in 2018
- The relationship between BT and Openreach had matured in support of an independent Openreach, and
- There was a growing perception that independence was maximised but not yet optimised

BT conducted a follow-up colleague survey during the course of 2023/24 to test whether the Commitments remained embedded in key individual's activities. The key findings were:

- The Commitments remain front of mind, with respondents are keen to ensure their own personal compliance and are largely aware of the importance of doing so.
- Senior leaders are role-modelling good behaviours in this area and all interviewees stressed that the spirit of the Commitments is well understood and form a key part of their roles and responsibilities.
- There were opportunities for targeted additional training of some teams and review of governance process documents to ensure these are as practical as possible for teams to apply so that the Commitments are not seen as a burden.

The findings from this survey will now form part of the CAO's planning for 2024/25. The CAO aims to:

- Maintain regular monitoring and assurance activity to ensure any pressing concerns can be addressed quickly and cultural shifts can be observed in real time
- Liaise with management teams to consider opportunities for greater clarity on processes and additional training

The CAO plans to repeat the survey in 2025 to ascertain whether the recommended actions from the culture survey have been effective in addressing the gaps identified.

4 Commitments Compliance

Our approach to compliance-monitoring is risk-based, focussing on areas which could have the greatest impact on the governance framework or intended DCR outcomes if not operated compliantly.

After several years of operation of the Openreach governance arrangements, we anticipate fewer specific compliance issues to arise. Breach cases remain low, both in number and nature. That said, we recognise that breach and non-conformance cases provide a narrow view of Commitments compliance issues, and that other monitoring activities and stakeholder engagement provide a richer source of insight into how BT is living up to its Commitments more generally.

Compliance Monitoring

4.1 Information Management

The CRC team keeps the Committee updated on the management of Openreach Commercial Information (CI) and Openreach Customer Confidential Information (CCI). To ensure that the information in relation to information flows is meaningful and proportionate the CRC team reviewed and introduced additional disclosure reporting requirements from the Executive Committee and BT Investment Board meetings to record the Openreach CI/CCI which is discussed in these key decision-making meetings is logged and reviewed.

4.2 Enhanced Compliance Controls

CRC also delivered a number of changes to the governance of the information sharing control, reducing manual overheads, whilst introducing enhanced second line assurance and monitoring in line with BT's risk governance framework. The aim of the changes was to simplify some controls whilst strengthening those focussed on higher risk areas. The review and subsequent changes ensured that the controls continued to effectively:

1. mitigate against risks to Openreach's greater independence;
2. provide confidence that the Commitments compliance risk is effectively controlled; and
3. operate as intended and are effective based on the level of maturity of the Commitments after a number of years of operation.

Following the implementation of these improvements, the continued effectiveness of the controls will be monitored through CRC's annual assurance and monitoring plans, and this will be reported to the CAO on a quarterly basis.

4.3 Group Internal Audit

The BTCC continued to receive reports from Group Internal Audit (GIA), setting out the audits relevant to the Committee's work that have been undertaken by GIA, including the audit findings and recommendations for Commitments Compliance. Through a review of a sample of ExCo papers submitted to BT's Company Secretarial team, there was evidence of a good level of engagement with legal and compliance teams where Openreach CI/CCI was included.

4.4 Complaints and other reviews

The BARC will be pleased to hear from CPs, other stakeholders and people in BT if they have any concerns about whether BT is living up to its Commitments. This enables the CAO to investigate issues and share findings with the BARC going forward.

4.5 Complaints

Stakeholders can raise any concerns they have with us via the CAO. The CAO did not receive any formal complaints in this period (the same as in previous years).

4.6 Cases Decided: Breaches and Non-Conformance with Process

We have a duty in the Commitments to consider and decide cases referred to us by BT regarding compliance with the Commitments. This period, 3 Commitments cases were referred and determined, of which all were breaches – 1 serious, 2 trivial. The serious breach was:

Cablelink:

A Communications Regulation Compliance (CRC) assurance review was planned following earlier breaches in 2008 and 2017 where hydra cables were used instead of consuming the Openreach ‘Cablelink’ product. Its aim was to check that controls implemented following these breaches were being operated effectively. It highlighted that the Networks Converged Core & IP Network Planning team ordered and installed five hydra cables between 13th April 2022 and 2nd August 2022 when the equivalent Cablelink should have been used. In an Exchange, Openreach provides connectivity from infrastructure located in the Multi-User Area (MUA) to locations outside of the MUA. Connectivity is achieved by using the Openreach Cablelink product. The assurance review found that the five hydra cables were incorrectly installed to MUA areas within exchange buildings, and is therefore a breach of Commitment Section 3.5

The BTCC considered this to be a serious breach. This was, however, a very finely balanced conclusion. There was no intent to breach the Commitments and although the hydra cables were incorrectly installed, the impact on BT and non-BT CPs was minimal and over a short duration. It was picked up quickly by CRC, proving that the additional second-line governance in place following the previous breach is working as intended; however, this is a repeat issue, and the view of the BTCC is that while this instance is comparatively far lower in impact to the earlier breach in 2017, the frequency/repetition creates cause for concern

- Refresher training was delivered to document and deliver refreshed training/ communications on Cablelink to the existing operational team
- New joiner training and processes were updated to include the use of Cablelink and completed by new starters
- First line monitoring of the use of Cablelink was reintroduced and the CRC added an annual review into the CRC monitoring annual plan.

Details of all breaches are set out in our post-meeting bulletins. The CAO’s manual explains our approach to case classification. We note that breach cases have remained few in number and severity; however, we are pleased that these continue to be proactively reported.

5 Looking forward to 2024/25

The dissolution of the BTCC and remit for monitoring of Commitments compliance moving to the BARC requires us to continue to be diligent and analytical in our monitoring to ensure BT lives up to its Commitments in letter and spirit. The BARC will also continue to assess the extent to which the outcomes being delivered by BT and Openreach are in line with stakeholder expectations.

In addition to our standard monitoring, we envisage covering the following topics next year:

- Culture and Relationships;
- Exchange closure governance;
- Openreach’s fibre rollout – including commercialisation plans;
- PSTN closure



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Registered office: 1 Braham Street, London E1 8EE

Registered in England No. 1800000



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