



BT Compliance Committee Bulletin

Issue 10

October 2020

Introduction

Welcome to Issue 10 of the BT Compliance Committee Bulletin, in which we provide an update on the BT Compliance Committee's (BTCC) July 2020 meeting.

Our guest speaker at the July meeting was Gerry McQuade, CEO of BT's Enterprise division, who shared his perspectives with the Committee on the impact of the governance arrangements under the Commitments and Governance Protocol.

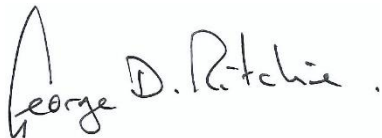
In addition, the BTCC heard about, and discussed, the following topics:

- The findings from the monitoring trustee team in Smith & Williamson following their review of the Commitments Assurance Office's (CAO) functions,
- Topics raised by the Chair of the Openreach Board Audit, Risk & Compliance Committee about how embedded the Commitments are,
- The customer-supplier relationships between Openreach and BT downstream customer facing units, and
- Monitoring reports on the strategy development process, supplier relationships from BT to Openreach, and the status of Openreach's unrestricted Duct & Pole Access products.

The BTCC also reviewed two Quick Checks conducted by the CAO, and considered three cases (one breach and two non-conformances with policy) which it decided were trivial, and received an update on remedial actions in previously decided cases.

Finally, the BTCC approved its 2019/20 Annual Review, which has now been [published](#).

The BTCC's next meeting will be in early November 2020. If you would like to get in touch in the meantime please contact us via cao@bt.com.



George Ritchie
Commitments Assurance Director
19 October 2020

1. BTCC focus areas

1.1. BTCC Membership Update

The BTCC welcomed Sir Ian Cheshire, who was appointed to the Board of BT Group plc in March 2020, as its new independent member. Ian was previously group chief executive of Kingfisher and senior independent director and remuneration committee chair of Whitbread. He was also previously the chairman of Debenhams and the lead non-executive director for HM Government. Ian is Chair of Barclays Bank UK and a non-executive director of Barclays and chair of Menhaden, a UK investment trust.

1.2. Views from BT's Enterprise division

The guest speaker at the July 2020 meeting was Gerry McQuade, CEO of BT's Enterprise unit. He shared his perspectives on working with Openreach under the Commitments as a key supplier to Enterprise, and how Enterprise is working to optimise that customer-supplier relationship.

1.3. BT Update

Cathryn Ross, Group Director Regulatory Affairs, updated the Committee on developments since the May meeting, including:

- BT has approached Ofcom on a number of amendments and enhancements to the Commitments and Governance Protocol, intended to ensure these documents remain current and relevant. These include: an Openreach Scorecard exemption to support BT's environmental goals to be carbon neutral by 2045; updating the systems sections of the Commitments to remove legacy systems and to reflect BT's programme to modernise and transform its financial reporting systems; and updating language to reflect changes in nomenclature;
- Group Regulatory Affairs continues to support governance changes that seek to drive increased financial rigour across BT Group in relation to procurement and consultancy spend, and a more co-ordinated approach by Consumer and Enterprise as regards their commercial engagement with Openreach, to ensure these changes happen in line with the spirit as well as the letter of the Commitments; and
- Recent developments around the Broadband Universal Service Obligation.

1.4. Peer Review of the CAO

In early 2020, the BTCC endorsed a proposal to engage the monitoring trustee team in Smith & Williamson (S&W) to identify areas of good practice and possible improvements given the importance Ofcom and other stakeholders place on the BTCC's monitoring of the Commitments and the Openreach governance model. In particular, the BTCC was interested to know how BT's monitoring capabilities compare with its peers undertaking similar monitoring roles.

S&W reported their conclusions to the BTCC, based on their perspective that it is necessary to look beyond the CAO to include the compliance eco-system as a whole across BT and Openreach. S&W reviewed the engagement of the wider compliance community and the tools, systems and ways of working used more broadly, and looked at how BT and Openreach drive for a culture of compliance.

The BTCC heard that generally the compliance framework is in reasonable shape, with a compliance culture which is advanced and well-embedded, and there are opportunities to build on current

arrangements. However there are also some areas where greater focus would be beneficial such as enhancing controls and monitoring tools by reference to what is used by BT's and Openreach's peers, and working to reduce complexity in the overall arrangements.

The Committee agreed it was beneficial to have an external view on the work of the CAO and its work with BT more widely. The CAO is developing a response plan and will report to the Committee on progress in addressing S&W's recommendations at the November meeting.

1.5. Matters Raised by the OBARCC

In May 2020, Edward Astle, OBARCC Chair, wrote to the BTCC Chair about a number of issues which were described as individually being relatively minor and technical but which the OBARCC felt gave rise to concerns as to how fully embedded the Commitments were. The BTCC considered the overall list of matters raised to assess whether they were:

- justifiable as part of an outcomes-focused “big picture”;
- usual or unusual compared to what other parent companies would do to ensure financial control when funding investments while still recognising Openreach's unique position;
- thoughtless/careless mistakes; or
- indicative of insufficient embedding of the Commitments.

The CAO provided a report of its findings on each point. Two issues were reviewed by the CAO as compliance “quick checks”: in both instances the CAO recommended finding that they did not appear to give rise to a breach of the Commitments or Governance Protocol, but the CAO did identify learnings from each. Further detail on both reviews is given in section 2.1 below

Overall, the Committee heard that the CAO has not observed any BT intent to retrench from greater operational and strategic independence for Openreach. For example, new procurement processes launched earlier in 2020 were about ensuring procurement discipline – and BT included checks and balances in those processes to respect Openreach's unique position. The CAO also reported that it observed key individuals in the Openreach and BT procurement communities are working hard to forge constructive relationships to build robust procurement cases.

The CAO did not find evidence suggesting people in BT are driven by an intent to do the wrong thing. However there was evidence that the potential impact of proposed actions on Openreach had not always been sufficiently front of mind. Some of the issues raised by the OBARCC were examples of people doing the right thing for the right reason, and were also issues that were easily soluble. The CAO identified these issues as providing examples of why BT should ensure it keeps its finger on the pulse with the detail of the Commitments. Group Regulatory Affairs and Communications Regulatory Compliance (CRC) are addressing the issues raised by the OBARCC.

1.6. Openreach and BT Customer Facing Unit (CFU) relationships

The Committee received a report on how BT's Consumer and Enterprise units engage as customers with Openreach. This followed the findings in the 2019 report by external culture change experts, Walking the Talk, that there has been a slight retrograde in the Openreach/BT Customer relationship as compared to their 2018 review.

The Committee heard about the work that is ongoing, including training of new senior leaders in Consumer and Enterprise, and the steps that are being taken to bring greater focus and clarity around what these units are seeking from Openreach.

1.7. Monitoring Reports

1.7.1. Strategy Development Process

The Committee received a report from the CAO on its monitoring of the Strategy Development process, the first cycle since the refreshed [BT Group strategy](#) was agreed by the BT Group plc Board in May 2020. Due to Covid-19, the 2020/21 cycle, which was due to start in March/April and run through to November, had to be paused to enable key people to focus on the immediate operational pressures from the pandemic. By mid-June the process had been restarted. The CAO observed that the process is working well in spite of the exceptional events during 2020. Working in conjunction with Openreach's Commitments Monitoring Office (CMO), the CAO was able to confirm with Openreach that the operation of the Strategy Development Process has been done in a way which is consistent with, and has not negatively impact on, their plans to update their own strategy. The CAO also viewed it as positive that Group Strategy engaged comparatively early in the process with the requirements of Openreach governance. The CAO and CMO have also heard from Openreach Strategy that it is satisfied with how the Strategy Development Process is running at present, with no concerns about improper BT interference in the refreshing of Openreach's strategy.

1.7.2. Financial Planning Process

The CAO reported that it is keeping BT's financial planning processes under observation in the event of any in-year amendments to the Medium Term Plan agreed by the BT Group plc Board in May 2020.

1.7.3. Covid-19

The Committee heard about how the governance and ways of working under the Commitments have fared in the face of Covid-19. The CAO reported that these have proved highly resilient, with actions and behaviours continuing to adhere to the letter and spirit of the Commitments. The main changes in ways of working have been in Openreach to ensure stability of the network, security of Openreach employees, and to manage the needs of CP customers and consumers whose homes their engineers need to visit. The OBARCC is monitoring the Commitments aspects in that regard. From the BT parent company oversight perspective, the immediate implications have been limited (as distinct from the impact on the day-to-day operations of Openreach and BT CFUs).

1.7.4. Supplier Review – Technology and Procurement

The Committee received the final reports from the CAO on its supplier review that had been held over from the May meeting:

- The CAO has met with the IT and Network managing directors in Technology and found that these relationships with Openreach is working well; and
- The CAO has also interviewed Procurement leads in Openreach and BT Group, and reviewed the draft governance documentation and the operation of the Openreach Procurement category board. This area is also working well, and the CAO will keep Procurement under review until the new governance arrangements have been formally adopted and the ways of working have bedded in.

2. Compliance update

2.1. Quick Checks

The BTCC considered two compliance “quick checks” undertaken by the CAO, which were conducted in response to concerns expressed by the Chair of the OBARCC to the BTCC Chair. The CAO has also provided its reports on these quick checks to Ofcom’s Openreach Monitoring Unit (OMU).

2.1.1. Quick Check No 10: ExCo Senior Leadership Team (SLT) Review.

The OBARCC asked the BTCC whether there were inappropriate expectations in BT Group about how Openreach SLT members should behave, on the basis of language used in a set of slides for an ExCo people review. The CAO opened a quick check around Commitment 8.2 (Openreach incentive remuneration to be based only on Openreach measures). The CAO confirmed with the author that there was no intent to imply Openreach people should be incentivised to further BT downstream CFU commercial objectives; rather the intention was to consider how they acted as role models. It had also been clarified before the relevant ExCo meeting that the Openreach CEO retained full discretion on Openreach SLT gradings and was not requested or required to make any changes. Thus on balance the CAO recommended there was no need to open a full breach investigation. The BTCC agreed with this recommendation.

Nevertheless, the CAO identified scope to improve understanding in this area. CRC will conduct training with BT Group HR and Legal leads around key Commitments provisions that could impact their roles.

2.1.2. Quick Check No 11: Making Finance Brilliant.

The OBARCC asked the BTCC whether the process for BT’s selection of SAP as its new finance systems partner was in line with Commitment 13 (Systems Separation), given the new SAP system due to launch later in 2020 would contain BT and Openreach information with Level 1 system separation protected by user access controls. The CAO’s review found there had been extensive engagement by Group Finance with the Openreach Finance community throughout the project to ensure that the replacement for the existing finance systems used by Openreach would be the right one to enable Openreach to run its business. The role of Openreach’ Chief Technology and Information Officer was also respected and he was involved in the decision-making process. BT has started the process of varying the Commitments to accommodate SAP, and has met Ofcom’s OMU to discuss BT’s plans. Therefore the CAO recommended to the BTCC that there was no need to open a full breach investigation. The BTCC agreed with this recommendation.

2.2. Cases notified to the BTCC for consideration

The BTCC considered three matters referred to it by BT’s Senior Manager, CRC at the July meeting. The Committee used the four-box framework adopted in [September 2018](#) to classify the compliance matters referred to it for decision. The BTCC found one issue to be a trivial breach of section 10 of the Commitments relating to the information sharing rules:

- **Case CAO-26: Fixed Telecoms Market Review (FTMR) Briefing.** A Director in Group Regulatory Affairs inadvertently emailed the incorrect version of a slide deck to two members of their team.

Neither recipient had, nor was eligible to have, a Regulatory Compliance Marker¹ (RCM). The slide deck contained Openreach Commercial Information (CI). CRC concluded the information should have not been shared with the recipients, however the issue was quickly spotted and self-reported to CRC by the Director, and swiftly remedied. CRC has issued briefings to the relevant teams to remind them of the information sharing rules. The BTCC concluded this was a trivial breach of section 10 of the Commitments.

The BTCC also found two issues were trivial non-conformances with process:

- **Case CAO-27: Consultation Response Legal Review.** A Legal Director sent an email to a Senior Economist which contained high-level Openreach CI. The recipient did not have an RCM, but the Openreach CI was sent for a legitimate purpose and it would have been appropriate for them to have an RCM. The BTCC concluded this was a trivial non-conformance following BT's policy on information sharing. As remedial action, as part of CRC's specialist engagement activities, CRC has issued a reminder of the requirements when sharing Openreach CI/CCI, the importance of taking care prior to sending any emails, and the need to keep RCMs up to date.
- **Case CAO-28: Business Performance and Covid-19 Planning.** A Director in Group Strategy sent an email to a peer which included two attachments with Openreach CI. The recipient did not have an RCM but the relevant Openreach CI was sent for a legitimate purpose and it would have been appropriate for them to have one. As remedial action, CRC is continuing to issue reminders of the importance of taking care when sharing information as part of its specialist engagement activities.

¹ 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 (RCM). 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 OBARCC.

Offices worldwide

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