



BT Compliance Committee Bulletin

Issue 9

July 2020

Introduction

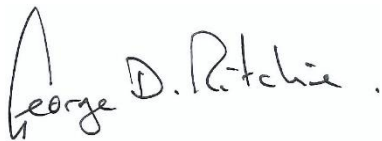
Welcome to Issue 9 of the BT Compliance Committee Bulletin, in which we provide an update on the BT Compliance Committee's (BTCC) May 2020 meeting.

Our guest speaker at the May meeting was Lyssa McGowan, Sky UK's Chief Consumer Officer. In addition, the BTCC heard about, and discussed, the following topics:

- The "Hearts and Minds" report by external culture change experts Walking The Talk
- BT's response to Covid-19 in light of the Commitments
- BT's plans for the coming year, and
- Monitoring reports on supplier relationships from BT to Openreach, the financial planning and strategy development processes and the status of Openreach's unrestricted Duct & Pole Access products.

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

The BTCC's next meeting will be on 29 July 2020. In the meantime, if you would like to get in touch please contact us via cao@bt.com.



George Ritchie
Commitments Assurance Director
7 July 2020

1. BTCC focus areas

1.1. Guest Speaker – Sky UK

The guest speaker at the January 2020 meeting was Lyssa McGowan, Sky UK’s Chief Consumer Officer, who shared her views with the BTCC on the Commitments and Sky UK’s relationship with Openreach.

1.2. “Hearts and Minds” Culture Report

The Committee heard and discussed the findings of a report commissioned by BT from external culture change experts Walking The Talk to update their assessment of hearts and minds of people in BT and Openreach, previously undertaken in 2018. Walking The Talk’s report is based on focus groups and one-to-one interviews with people in Openreach and key Group functions, to assess the progress that BT and Openreach have made by reference to a cultural maturity index. The updated report highlighted that:

- Culturally, Openreach is more independent than was observed in 2018;
- The relationship between BT and Openreach has largely matured in support of an independent Openreach, with particularly progress as regards BT’s parent company oversight role; and
- There is a perception that independence is “maximised” with further work to do to ensure that it is “optimised”.

The report found improvements in almost every dimension since the previous review, with people easily able to cite practical examples to show a more independent Openreach. There appear to be high levels of personal accountability and the right tone from the top around the importance of living up to the Commitments. The BT parent and Openreach relationship has matured with Openreach being treated more as a business in its own right. While the 2018 review highlighted reliance on personal relationships, the updated report found there is a more systematised approach, especially in financial planning and strategy development.

Based on the report, BT has identified a number of themes to take forward over the coming year:

- A renewed focus on the BT customer/Openreach supplier relationship dynamic, particularly as between Openreach and Consumer, given similar tensions to those identified in the 2018 review were still evident;
- Identification of areas of complexity and a renewed focus on driving simplification; and
- Continuing to set the right “tone from the top” to support the right behaviours, particularly as there is change in personnel in key roles across BT over time.

1.3. BT Update

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

- the impact of Covid-19 from a BT perspective, and how BT is seeking to do the right thing for the country and BT’s customers, while keeping the Commitments front of mind throughout the pandemic;
- BT’s second stakeholder engagement event which took place virtually on 17 March 2020;

- BT wants to ensure the Commitments and the Governance Protocol evolve as living documents and, to that end, the Governance Protocol was amended on 1 March 2020 to reflect changes in Openreach non-executive director appointment terms (with similar changes subsequently applied to the BT Group plc non-executive directors appointment terms); and
- BT's announcement, alongside the 2019/20 full-year results, of the commitment to greater FTTP investment which was a significant development in terms of delivering one of the key DCR objectives, and the change in dividend policy.

BT's focus for the remainder of 2020 will include:

- Working with Openreach on the Walking the Talk findings on culture and behaviours, particularly the commercial relationships that Consumer and Enterprise have as customers of Openreach;
- Preparation for Ofcom's Annual Monitoring Report; and
- Ensuring Openreach's greater independence is appropriately respected in the operation of the enhanced consultancy spend and procurement governance processes, and when BT's new financial reporting system is introduced.

1.4. Monitoring Reports

1.4.1. Supplier Review

The CAO reported its findings on its joint project with the CMO to update the 2019 assessment of supplier relationships into Openreach from BT. Broadly the CAO found there are documented ways of working, and consistent with their findings in Project Seesaw around parent company oversight, the CAO and CMO found role clarity is fundamental to ensuring that any supplier relationship is operating effectively. This is critical for those areas where there is potential for a combinations of parent company as well as supplier responsibilities. The CAO and CMO observed all areas reported that they have this clarity, and that this is kept under review to ensure that people understand the capacity in which they are acting and their attendant obligations.

The CAO and CMO noted two areas they will monitor during the remainder of 2020: Procurement (to observe how amended governance processes work in line with the Commitments) and Global Business Services (focussing on billing, as operational issues remain of concern to CPs).

1.4.2. Update on Physical Infrastructure Access (PIA)

The BTCC received an interim report on the progress of Openreach's unrestricted Duct & Pole Access PIA product in its first six months since launch. PIA has progressed well since November 2019 and there is increased take up by CPs, although volumes overall are low compared to fibre build. Openreach and industry are working together to address challenges arising from new forms of use of PIA and the need for operationalisation at scale. Work is ongoing in Openreach to enhance and provide assurance over key operational controls including in relation to competitive network build around the management of commercially-sensitive information provided to Openreach by alternative network providers in the course of placing PIA orders. The BTCC will receive a further report at its November 2020 meeting.

1.4.3. Financial Planning and Strategy Development Processes

The BTCC received the following monitoring reports:

- BT has completed the third cycle of the financial planning process under the Commitments to set BT's medium term plan. The CAO's overall assessment (together with the CMO's assessment) is that BT and Openreach have followed the process set out in the financial planning guidance note, the process is working well and people are demonstrating good behaviours.
- The strategy development process operated for the first time against the backdrop of the development of BT's Purpose, Ambition and Strategy. While timescales and process did not accord exactly with the guidance note, the CAO observed good constructive behaviours in BT and Openreach, and Openreach has confirmed that BT did not interfere with its setting of its strategy.

1.4.4. Systems Separation Programme Report

The BTCC received an update on the ISDN2 and ISDN30 systems separate programme in light of BT's previous assurance that it would achieve the level of system separation previously committed to Ofcom, notwithstanding BT's release from the Undertakings in October 2018. Although BT had committed to complete separation of all ISDN2 accounts by April 2017, there still remains a very low number ("a few tens") of accounts not migrated. While there are challenges to reduce this figure to zero, the BTCC will continue to monitor BT's efforts to do so.

2. Compliance update

2.1. Quick Checks

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

- **Quick Check No 9: BT Governance on Wholesale Fixed Telecoms Market Review.** The CAO undertook an own initiative review of BT’s governance arrangements in relation to Ofcom’s Wholesale Fixed Telecoms Market Review, in light of the agreement by BT and Openreach earlier in the year of [Guidance Note 6](#) (covering Regulatory, Policy and Legal Processes). The CAO found that Group Regulatory Affairs operated this process with clear roles and responsibilities, and there was role clarity about whether BT people were acting in a Parent or a Supplier role in relation to Openreach, or were supporting downstream BT CFUs. This role clarity was further supported by apparently effective control of sensitive information by using the Teams functionality in Office 365 to ensure access that access to Openreach CI/CCI was controlled and appropriate to people’s roles in terms of whether and how they were interacting with Openreach.

2.2. Cases notified to the BTCC for consideration

The BTCC considered two matters referred to it by BT’s Senior Manager, CRC at the May 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-24: Network Strategy Handbook.** A Senior Manager in Group Network Strategy shared the first edition of the Network Strategy Handbook, which contained high-level Openreach CI, via email with the BT Group Chief Strategy & Transformation Officer and his direct reports. Two recipients did not have Regulatory Compliance Markers¹ (RCMs) and due to the nature of the work they undertake it would not be appropriate for them to have them. The sender realised the issue, contacted the recipients to delete the file, and told CRC. CRC concluded the information should have not been shared with the recipients, and no exemption applied. However the issue was quickly spotted and remedied. CRC has since issued briefings to the relevant teams to remind them of the information sharing rules.

The BTCC also found one issue was a trivial non-conformance with process:

- **Case CAO-25: Group Strategy Network Asset Information Sharing.** 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). The 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.

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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