Commitments Update

BT's progress report to Ofcom's Openreach Monitoring Unit

October 2020

For the period 1 April 2019 – 31 March 2020

Contents

Foreword

Since the last OMU Annual Monitoring Report, together with the rest of the country, BT has faced a period of real uncertainty. The Covid-19 crisis has challenged every aspect of our business, at a time when keeping the country connected has been more important than at any other in our lifetime. We knew before the pandemic that a concerted national mission to upgrade the UK's digital infrastructure was required and it's now clear it's a matter of urgency.

Since the last Report we've made a £12 billion investment commitment to deliver full fibre, supported by a tough decision to suspend our divided to shareholders. We are on track to pass 20 million premises with FTTP by the mid to late 2020s, which includes a commitment to build to 3.2 million premises in rural areas, subject to the right regulatory framework. We are also rapidly expanding our leadership position in 5G and have already deployed this network to 100 towns and cities.

A strong BT with a strong and more strategically independent Openreach underpins our ability to provide connectivity across the UK. We are committed to working within Ofcom's evolving regulatory framework to deliver the massive investment required for our FTTP network build. This will be driven by market leading customer experiences as well as a simpler and more dynamic BT. It will also generate real and rapid benefits, creating jobs and helping the UK to bounce back from the ongoing crisis.

During recent months we have seen the very best of our people from across the BT Group responding to the impacts and uncertainty of Covid-19. Our Commitments framework has also helped to enable a strong response in facilitating work from home across the UK and supporting the NHS and critical services, while maintaining the legal separation.

There is increased maturity in the Commitments framework and the separation model, supported by new Guidance Notes we have issued on legal, policy and commercial pricing decisions affecting BT and Openreach. We continue to engage with CPs and across the industry to ensure the Commitments are delivering the right outcomes for the UK telecommunications industry as a whole.

It has been clear that while there is still work to do in some areas on meeting our compliance and assurance goals with the Commitments, overall, since their launch in 2017, we have seen the culture embed into the organisation. This is supported by our recently commissioned review by *Walking the Talk*, which found that since October 2018 Openreach has become more culturally independent. It also noted that while the customer and supplier relationship between BT and Openreach has matured, we are still on a journey.

We continue to work with Ofcom and Government on how best to achieve the right environment to deliver the world-class digital connectivity that the UK needs for its continued prosperity. In that context, we also look forward to the future of the Commitments, as Ofcom continues to monitor our progress and the sustainability of the framework. I would like to finally thank all those who have contributed to making the framework operate as well as it has, including with the impacts and uncertainty of Covid-19.

Philip Jansen
BT Group Chief Executive
October 2020

Executive summary

We continue to focus on living by both the spirit and letter of the Commitments, and on ensuring the governance framework is working to get the right balance between independence and oversight, to support the delivery of the right outcomes for the country.

In this our third Update, we've shifted to an emphasis on outcomes, noting areas identified by Ofcom in their 2019 Report as requiring attention such as strategic independence and availability of broadband. We're reviewing how well culture, behaviour and architecture supports the Commitments, and identifying areas for improvement – including based on lessons learnt from Covid-19.

In the period covered by this Update (2019/20) BT and Openreach have taken actions to support embedding the cultures and behaviours of the Commitments across the organisation:

- Developed and implemented two new Guidance Notes – dealing with regulatory, policy and legal processes, and commercial processes, respectively. In many ways these "complete the picture", supporting BT and Openreach when dealing with complex governance and process questions – including when matters need to go to the BT Board.

- Supporting architecture, we have established and embedded processes for Commitments oversight through the Commitments Review Group (CRG), and the Commitments Working Group (CWG). On a quarterly basis the CRG reviews overall Commitments progress, assessing it across, for example, governance, culture and behaviours, outcomes, and stakeholder perceptions.

- Held our second industry event in March 2020, which gave industry an opportunity to raise questions about the operation of the Commitments, and BT's relationship with Openreach. There was good discussion in the meeting despite challenges from moving our planned face-to-face session to a video call platform.

- Completed our program of Commitments training across BT to ensure 'in life' compliance with Commitments Roadshows, with additional webinar sessions for those who were unable to attend in-person sessions. This has included training in the new Guidance Notes 6 and 7.

- Initiated a detailed review of previous cultural and behavioural developments through the *Walking the Talk Cultural Survey*, to assess the level of cultural change since 2018.

These initiatives, while strengthening the culture of the Commitments, have also supported a culture which enabled BT and Openreach to continue to work together effectively through the beginning of the Covid-19 crisis, to deliver on outcomes such as fibre investment and rollout, a resilient network that has enabled the UK to continue to be productive while we work from home, enhanced transparency, greater physical infrastructure access, and improved information management.

While this Update focuses on 2019/20, where work is ongoing since then, we provide additional comments on current status. As this Update shows, we have continued to live the letter and spirit of the Commitments, and this continues to serve us well as we face challenges and some uncertainty.

1. Architecture, governance and assurance

The right architecture and governance are essential to ensuring the Commitments support the delivery of DCR outcomes for UK consumers. The establishment of a legally separate Openreach with its own Board, including independent directors, has created the right architecture to achieve this.

Now that we have moved beyond implementation, is important that the day-to-day ways of working strike the appropriate balance between Openreach's strategic independence, and BT's parent company responsibilities. The right governance and assurance frameworks help BT and Openreach people do this in the right way.

The appropriate place for this balance is likely to evolve over time and be impacted by internal and external events. Notably, in May 2020, BT announced significant investments in the deployment of fibre broadband networks to pass 20 million premises by the mid-to-late 2020s. This must be done efficiently, including rigorous cost control. And as we have all seen, the financial challenges across the UK economy have been exacerbated by Covid-19.

While the practical details of day-to-day ways of working between Openreach and BT should evolve to meet operational requirements, the underlying principles of the Openreach governance model remain the same.

Accountability and ownership still need to be clear, appropriately balanced, and capable of being explained transparently to those who hold BT and Openreach to account. In reviewing the operation of the governance model it is important for us to assess whether or not BT's actions are justifiable as part of the outcomes focused "big picture"; and whether they are usual or unusual compared to what other parent companies would do to ensure financial control when funding significant investments while still recognising Openreach's unique position.

The Openreach governance model is in place to ensure that Openreach is able to exercise greater strategic independence to make its own decisions about deployment of communications infrastructure, and its future strategic direction, within the BT Group context.

We have also seen greater maturity in performance assessment for BT, measured against DCR outcomes. The Commitments Assurance Office (CAO) developed a Deep Dive Review Framework, which considers the impact on DCR outcomes through the lenses of architecture, ways of working, and people, as per the diagram below.
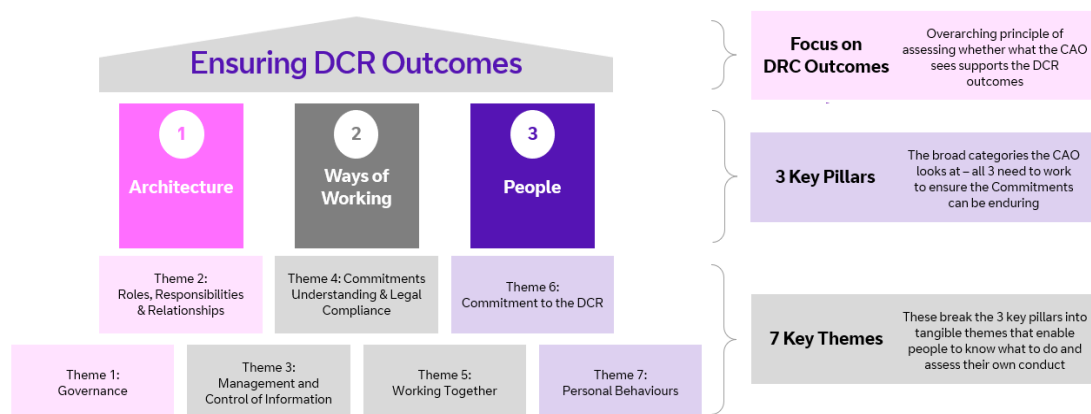
The CAO uses this framework when reporting to the BT Compliance Committee (BTCC), putting its assessment in the context of outcomes, with a view to ensure the Commitments, and a culture reflecting both their letter and spirit, remains enduring.

It's important the three 'pillars' of architecture, ways of working and people are present and strong; then the structure is stable and is more likely to be enduring. If one or more of them is weak, then the structure can be less stable, and more prone to issues arising.

In March 2020 the CAO also published its CAO Manual, which sets out operating processes, and procedures for investigating complaints, breach investigations and Quick Checks, as well as its approach to assessing behaviours.

1.1 Financial planning and strategy development

In recent years, BT has updated its financial planning and strategy development processes across the Group, including embedding the RAPID[1] decision-making framework and redesigning both processes to ensure they support each other. To help ensure the operation of these processes in line with the Commitments, BT and Openreach developed Guidance Notes that were approved by the Openreach Board, and were first published in early 2019.

BT continues to apply the principles underpinning the Financial Planning Process, as stated in BT's Financial Planning Guidance Note published in March 2019. This is supported by the work of the CAO and Openreach Commitments Monitoring Office (CMO), who undertook a joint review of the annual Financial Planning Process, covering the production of the Openreach 2019/20 Annual Operating Plan (AOP) and Medium Term Plan (MTP).

Actual progress was cross-checked against the documented process, with evidence requested to see whether controls were in place and being followed. The CAO and CMO confirmed that process was being followed and the controls respected, providing Openreach with greater independence and enabling BT to fulfil its parent company responsibilities.

Reviews are continuing, with the Openreach 2020/21 AOP and MTP review by CAO and CMO taking place using the same methodology. The CAO has had great engagement from both the Group Finance and Openreach Finance teams, and key process documents have been proactively shared with the CAO. The CAO has also been invited to observe key calls in which the process is explained to the Financial community across BT Group, and also regularly observed meetings of the BT Investment Board at which Openreach matters were discussed.

BT also follows principles set out in its Strategy Development Process, based on similar design principles to those used to develop the Financial Planning Process. Joint work by the CAO and CMO on assuring BT Group's Strategy Development Process is ongoing, with regular engagement taking place amongst both BT and Openreach's strategy teams.

Until now, no compliance concerns have been raised with the BTCC, and there has been mutual agreement from both BT and Openreach that BT has respected Openreach's independence, and that Openreach has been able to develop plans and strategies without undue interference from BT Group.

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[1] A 'RAPID' is a governance process, setting out responsibilities for key aspects of a project or issue – namely who will Recommend, Agree, Perform, Input and Decide.

Additionally, the CAO has reviewed correspondence between senior executives in Openreach and BT, which confirmed Openreach's ability to develop its strategy with appropriate independence.

Work has also been underway on developing the overall BT Strategic Framework. This engagement helped to enable a common understanding underpinning each of Openreach's and BT's approaches to the development of their respective strategies, while still ensuring Openreach's greater strategic independence.

1.2 Organisational Design protocols

As already noted, role clarity, accountability and ownership is critical in supporting the Openreach governance model. Therefore during 2019/20, in order to provide clarity on the operating model between BT Group Functions and Openreach, we set out to draft Organisational Design (OD) protocols.

These protocols outline the division of accountabilities between the BT and Openreach units and provide RAPIDs for key decisions. The protocols are beneficial from a business perspective as they enable individuals to be clear about the remit of their role, and the circumstances in which BT people need to speak to Openreach and vice-versa. We have completed 18 OD Protocols, and we have two more pending completion.

These protocols also help to ensure we are operating in line with the Commitments, enabling Openreach to act with the appropriate level of independence, and to be able to address the needs of all its customers equally. At the same time, the operating model enables having appropriate parent company oversight and economic control of Openreach, recognising that BT Group remains one economic enterprise.

1.3 Risk management for compliance

BT operates the three lines of defence model across the Group:

- Line 1 responsibility sits with the relevant business teams.

- Line 2 responsibility sits with compliance monitoring functions, such as the Communications Regulation Compliance (CRC) team within BT Group Risk, Compliance and Audit, and the Business Integrity team in Openreach.

- Line 3 responsibility sits with Group Internal Audit.

This same model covers Openreach, but with certain unique features, such as the embedded Business Integrity and internal audit teams, which other BT Customer Facing Units (CFUs) do not have, and which help to support Openreach's distinct culture.

BT uses a Group Risk Register to track overall risks to BT, including risks pertaining to the Commitments and the relationship between BT and Openreach.

BT takes a risk-based approach to compliance monitoring. This means focusing, for example, on those areas that could impact most on Openreach governance. The risk management and governance structure within BT is overseen by the BT Group plc's Board Audit & Risk Committee (BARC).

The BARC oversees, assesses and reviews our financial and narrative reporting, internal controls and risk management, including internal and external audit and pan-BT finance, control and compliance-related transformation programmes.

Our enhanced risk management framework places greater emphasis on the identification of emerging risks, so that we can pro-actively monitor them and ensure they inform our strategic planning and resilience activities. Commitments monitoring forms part of overall BT governance, assurance, risk management and reporting processes, assessed against a clearly defined framework to manage out risk in-life.

However, in light of the wide remit of the BARC (covering the panoply of risks that BT needs to manage) and to ensure that BT can be confident that it is delivering against its Commitments, the BTCC was created as a sub-committee of the BARC to provide greater focus on Commitments monitoring.

The BTCC comprises three BT Group plc non-executive directors. The BT Group plc Chairman, Group Director Regulatory Affairs and Group General Counsel also attend its meetings. The BTCC's remit is to look at:

- BT's compliance with the Commitments and the Governance Protocol,

- Whether the culture and behaviours in BT in relation to the Commitments and Governance Protocol are conducive to BT's compliance and to the delivery of the DCR objectives, and

- The extent to which metrics published by Ofcom in relation to the DCR are being achieved and the objectives identified by Ofcom in the DCR Final Statement are being met.

The BTCC is supported in its work by the CAO. The CAO engages with key people in each of the three lines of defence to understand how Commitments compliance issues are managed, and regularly brings them before the BTCC to report on progress.

The CAO's aim is to ensure that the range of activities undertaken across BT Group and Openreach are covered from end to end. The CAO (and in turn the BTCC) engages with each of the three lines of defence through the lens of whether people are living up to the Commitments.

The CAO also has a key role monitoring the Commitments, as part of the wider risk management framework. In particular it focuses on regular deep dive reviews of key processes (notably Financial Planning and Strategy Development), ad hoc deep dives, and regular assurance of other Commitments obligations.

2.   Ways of working

In addition to the right architecture, it is also essential that BT and Openreach have the right ways of working which are able to support DCR outcomes. Of course, for these ways of working to be sustainable they also need to operate effectively and efficiently from a business perspective.

BT's activities around supporting the operation of the right ways of working has focussed on two areas: the Guidance Notes, and information management. These are both areas were BT and Openreach people have worked to develop, clarify and document the relevant processes.

2.1   The Guidance Notes

Upon signing of the Commitments in 2017, BT and Openreach agreed a set of internal working documents, the 'Guidance Notes', to help those directly responsible for implementing the Commitments with fulfilling their duties.

After the completion of the implementation phase of the Commitments and the move to in-life operation, BT and Openreach identified that the Guidance Notes needed to be updated. BT and Openreach worked together to develop them into the current series of Guidance Notes, each of which was approved by the Openreach Board.

Five Guidance Notes were published in early 2019, including the Financial Planning and Strategy Development Guidance Notes. These are now being used in practice by the relevant teams, and they are monitored by the CAO/CMO. The CAO and CMO have reported that during 2019/20 the processes as set out in those notes are being followed, and that these seem to be effective from a business perspective.

During 2019/20, BT and Openreach supplemented the five notes with two additional Guidance Notes to "complete the picture":

- [Guidance Note 6](#), on Regulatory, Policy and Legal Processes, and
- [Guidance Note 7,](#) on Commercial Processes: Pricing, Products and Projects

Their development was led by Group Regulatory Affairs, working closely with Openreach and stakeholders across the wider organisation. They were agreed by the Openreach Board and published on the BT website in February 2020. Their publication enhances transparency about the inner workings of BT Group plc and decision-making as between Openreach and BT Group regarding key issues affecting industry, and we have also discussed them in stakeholder forums.

While it is helpful to have these processes agreed, so that it is clear to all involved what process applies where strategic matters must be discussed between Openreach and BT Group, CRC has incorporated the new Guidance Notes into training packs, and Openreach has run a series of bespoke training sessions with the most pertinent audiences to make sure people understand the new Guidance Notes and have the opportunity to raise questions. These included sessions with the Customer, Commercial and Propositions (CCP), Strategy and Corporate Affairs leadership teams, with a subsequent All Hands training call for everyone in the CCP unit.

The Guidance Notes support the long-term sustainability of the Commitments, and we review them when necessary to ensure they continue to be fit for purpose, and more are developed as necessary. In the interests of transparency we publish them on a [dedicated page on our website](#).

2.1.1 Guidance Note 6 – Regulatory, Policy and Legal Processes

Guidance Note 6 covers regulatory, policy and legal processes involving both BT and Openreach. It recognises the important role of the Openreach Limited Board, with its directors having legal, regulatory and fiduciary duties. BT Group's regulatory, policy and legal processes will respect the balance between BT parental oversight and Openreach's greater independence by:

- Acknowledging the importance of an independent regulatory and public affairs capability in delivering strategic independence for Openreach.
- Recognising BT Group's interest in decisions significantly impacting BT Group from a financial or reputational perspective.
- Recognising BT Group's authority to make decisions on regulatory investigations and appeals given resulting liabilities are legally with BT plc.

Guidance Note 6 provides practical guidance to legal, regulatory and policy people in BT and Openreach on how and when they can work together in a way which respects Openreach's strategic independence but ensures sufficient parental oversight by BT to meet its legal and regulatory obligations.

This Guidance Note also outlines steps to for BT and Openreach to take in upholding the Commitments during pre-consultation, consultations, communications legal investigations, disputes and litigation processes.

2.1.2 Guidance Note 7 – Commercial Processes: Pricing, Products and Projects

Guidance Note 7 performs a valuable role by setting out when and how BT Group should be involved, including regarding decision-making rights, during the commercial processes of pricing, products and projects by Openreach. This enables the relevant teams to engage rapidly on the substance of the project, rather than having to discuss what process they will follow to get to a decision point. In doing so it delivers more efficient and effective decision-making.

As part of its regular commercial business case governance process, Openreach will assess whether approval is required from BT Group, by reference to a "Five Test" process:

1. Outside Defined Portfolio: Does the proposal take Openreach outside of its portfolio, as defined in the Commitments?
2. Significant Financial Value: Is the financial scale of the decision sufficient to need BT Group approval?
3. Outside Existing Defined Limits on AOP/MTP Spend: Does the Proposal take Openreach outside its existing AOP/MTP envelope
4. Significant Strategic Decision: Does the outcome of the decision affect items of significant strategic importance to BT Group?
5. Outside Risk Profile: Does the outcome of the decision drive or change legal or regulatory risk for BT?

The Five Tests process is in place to respect Openreach's greater strategic independence whilst ensuring BT Group can fulfil its parent company responsibilities. The diagram on the next page, from Guidance Note 7, demonstrates how the Five Tests are applied.
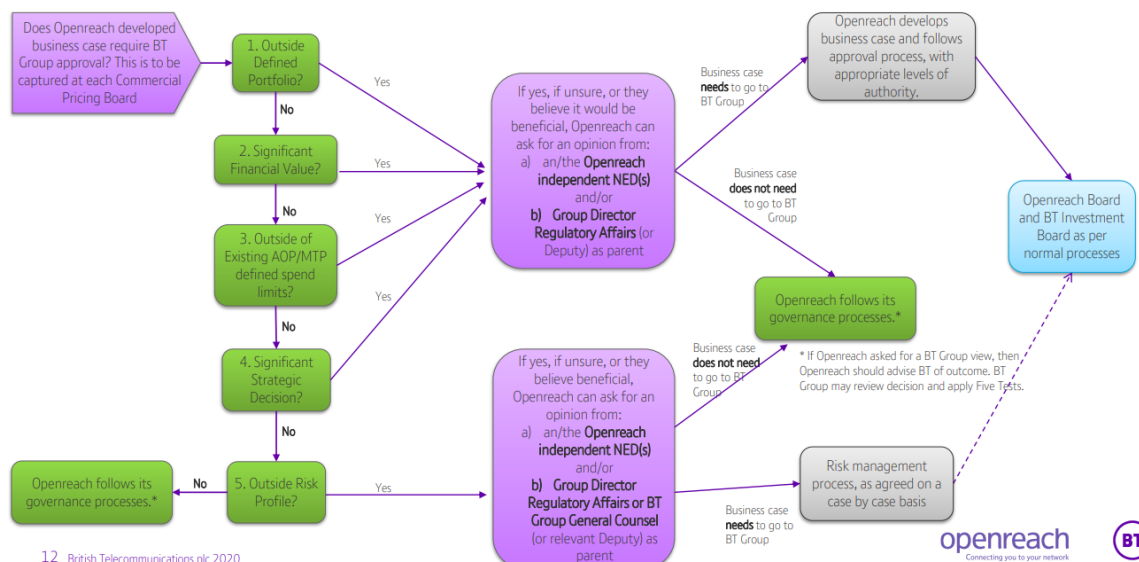
BT Group approval of an Openreach business case is limited in line with its parent company role, fiduciary duties and agreed processes. To avoid detriment to BT Group as a whole, a business case from Openreach could only be amended or rejected in accordance with pre-agreed governance protocols.

2.2   Information management and controls

Appropriate information management and control, particularly for commercially sensitive information, is critical to the functioning of BT and Openreach as separate legal entities under the Commitments. This is also key to demonstrating to CPs in the marketplace that the separation arrangements are working in practice.

To this end, we continue to work towards enhanced protections for commercially sensitive Openreach information, and our processes are regularly reviewed and updated to ensure controls are managing Openreach information correctly.

2.2.1   Enhancing our systems

In the last year, the CRC team, working with the strategy and finance communities, has enhanced the Information Sharing Agreements (ISAs)[2] covering the higher risk areas. Focussing on these ISAs, they have been able to increase clarity on the information required, and the purpose for which it is shared.

ISA authors have also carried out 79 updates across 31 ISA documents, which includes two which were ceased and three new ISAs. Changes have mainly been driven by changes of role, re-organisation of the business and additional or removal of activities agreed by Openreach and BT parties. This demonstrates that the ISAs are effectively managed and "live" documents providing directive controls over the sharing of Openreach information.

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[2] People in other parts of BT Group who have a legitimate reason to receive Openreach CI or CCI must have a valid RCM. In order to allow Openreach CI or CCI to be shared, there must be an 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.

2.2.2   Maintaining transparency

In 2019 we introduced 'Project Disclosures' where, if there is a requirement to share Openreach Commercial Information (CI) / Customer Confidential Information (CCI) multiple times for the same subject, a single Project Disclosure record can be raised. This allows information flows to take place to a 'closed group' of people without the need for multiple disclosures. This also provides greater transparency of the engagement between Openreach and BT for these programmes of work.

During the period covered by this report, there were 135 information sharing disclosures, which is comparable with the number in the previous period. These disclosures identify where CI and CCI which is classed as 'significant' has been shared with BT, in order to maintain a transparent record of such activity.

We have migrated the ISAs from the intranet to the Regulatory Compliance Policy Portal (RCPP) which enhances the user experience and provides an automated, auditable control to manage the updates to the ISA documents and allows for any significant changes to be communicated to the associated community.

In accordance with the Commitments, BT Group, in its capacity as the parent company, can influence/challenge Openreach on certain strategic and financial matters. A reasonable balance is required between Openreach operating with greater independence and BT Group fulfilling its parent company responsibilities, therefore, to enhance the transparency of who can make decisions, CRC introduced a new 'Parent Company Delegated Authority' (PCDA) Regulatory Compliance Marker (RCM). This identifies a limited set of individuals who have the authority to exercise its appropriate parental company control powers.

There are 15 named individuals who have the PCDA RCM, each of whom received one to one briefings on their responsibilities regarding making decisions in relation to Openreach in line with the published Guidance Notes. The CRC team maintain a register of those individuals, and their nominated delegates who hold the PCDA RCM and have the authority to make/agree strategic and financial decisions relating to Openreach.

2.3   Making our processes efficient

To increase efficiency in the information management processes, our compliance team (CRC) have enhanced the systems and process for applying for a RCM which delivered a significant improvement to the time it takes for the marker to appear on the corporate directory. This change allows people to receive Openreach information to do their roles, reducing the time from 72 hours to within five hours and further reduces the risk of non-conformance with policy.

In order to minimise the risks of accidental information sharing, we have developed new tools and systems. We implemented a new tool which pre-checks emails which contain Openreach CI/CCI and are sent to pre-set and ad-hoc distribution lists to ensure that all recipients have a RCM. This tool allows the sender to quickly verify whether people have a RCM and therefore can legitimately receive emails, papers and reports prior to sending. This reduces the risk of people accidentally sending information to someone who may no longer be entitled to see it, for example if they had changed roles.

We've also updated our email systems so that when people move from Openreach into BT, old Openreach mailboxes will be deleted and new BT

mailboxes provided. This stops movers receiving internal emails by mistake and removes access to any historic emails.

We extended the parent company people movers process, launched in 2018/19 to include those who are in "higher risk" supplier roles. The enhanced process introduces additional checks for both managers and individuals to ensure that any Openreach information and systems access has been removed prior to a person moving into BT CFUs.

3. People and culture

To ensure the success of the Commitments in BT and Openreach, we at BT have continued to build on the hard work of our people to make sure these ways of working become engrained in their respective organisations. This allows the culture to persist beyond the tenure of specific individuals as new people join, and existing people leave or move roles within BT.

In the past year, we have continued to work on keeping our culture and behaviours in line with both the letter and the spirit of the Commitments, and to make sure that these changes are sustainable. Work has been focused on three areas:

- **Engaging with stakeholders** – for example, through CP stakeholder events, and CP attendance at BTCC meetings
- **Commitments training** – to support greater understanding of the Commitments, and how to seek help
- **External culture change assessment** – seeking external evaluation of BT and Openreach efforts to drive culture change and its effectiveness.

3.1   How we engage with our stakeholders

On 17 March 2020 we hosted a virtual CP stakeholder event, hosted by our BT Group Director of Regulatory Affairs, Cathryn Ross, and supported by the BTCC, designed to reach out to CPs to increase transparency around how BT is fulfilling its parent company responsibilities.

We planned for the event to be held in person in central London, but it was moved to a virtual event in light of Covid-19 advice on non-essential travel. Attendance was understandably impacted by Covid-19, but stakeholders who did attend welcomed BT's efforts to improve transparency. Attendees included external CPs and industry group representation from the FCS.

The agenda included an outline of Guidance Notes 6 and 7, how information management controls work to support the separation of BT and Openreach, the work of the BTCC (led by its chair, BT Non-Executive Director Isabel Hudson), and CAO Assurance in practice.

Following the event, we sought feedback from attendees, which we will use to further improvement future engagements with industry. To further support engagement with industry, Sky attended BTCC in May 2020, and there are plans for altnets to attend further BTCC meetings in the future.

Separately from BT's engagement activities, the CAO undertook a 'reach-out' programme, providing an opportunity for CPs to provide feedback to the CAO and BTCC on the current arrangements and their views of how they are working. Stakeholders engaged through this process included the OTA2.

BTCC meetings have also been attended by guest speaker senior industry representatives, and this has included the Chief Consumer Officer of Sky UK. These speakers have shared their perspectives on the progress that had been made, but also on the challenges that remain to drive scale take up of fibre and the transition from legacy products to all-IP.

3.2   Commitments training: ethics, compliance, learning and culture

We continue to work on and improve our training process to ensure it remains clear and up to date with the needs of our staff. Our staff have been engaging

with their Commitments learning, as Commitments mandatory training levels have remained high with a 99.5% completion rate across BT at the end of March 2020.[3] At BT, we have two training courses for managers and non-management employees. This year, we introduced two new changes to improve the training experience:

a) The *Living up to Our Commitments* course, for UK and UK touching managers (based outside UK but undertaking UK work), has been updated:
   i)   to evolve the in-course real-life scenarios including when to raise disclosure records, share CI or CCI and applying/extending RCMs; and
   ii) to include clearer and more relevant proof-of-learning questions to improve understanding.

b) Commitments messages for team member grades were moved into the new, role-tailored approach – *Is it OK?* compliance courses, which provide a better vehicle to more accurately align examples with the learners' day-to-day experience.

Along with changes to improve the training, we ran 12 interactive Commitments Year 2 roadshows, a mix of face-to-face and webinar sessions, to help those who work for BT and regularly interface with Openreach; those in Finance, Strategy and Technology teams. We used actors to play out scenarios that people may come across to help them see the risks as they crop up in everyday exchanges and learn how to best tackle these. From May 2019 to February 2020, BT trained 96% of the people in our defined 'high-risk community' through these sessions.

The sessions also helped people to understand more about the relatively new disclosure process. We followed up on these sessions with responses to questions that were raised during the sessions and with 'myth-buster' communications.

Following the training sessions, by way of feedback, almost all respondents rated the training as either 'good' or 'very good'. All responses to the question '*Following the event, do you feel more confident about applying Our Commitments to your work?*' were positive.

3.3   Culture change assessment

We engaged culture experts *Walking the Talk* to assess change across BT and Openreach. The findings of their second independent Hearts and Minds review were:

1. **Culturally, Openreach is more independent than in October 2018**

   Participants were able to point to many visible, tangible examples as evidence that Openreach is operating more independently than in 2018. The mechanics of maintaining independence have bedded down and clarity has improved with real world examples and precedents to guide action.

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[3] This excludes Openreach audiences. Openreach has its own separate training programs.

Colleagues in both BT and Openreach appear to have the same strong sense of personal responsibility to uphold The Commitments. All of this is supported by a strong, consistent tone set by BT and Openreach leaders and the positive encouragement of the Openreach Business Integrity, BT Group Regulatory Affairs, Ethics and Compliance teams.

2. **The relationship between BT and Openreach has matured in support of a more strategically independent Openreach**

There appears to be less reliance on personal relationships and more evidence of codification and thoughtful, structured interactions. High levels of willingness to speak up and share concerns have been maintained providing a 'safety net' of early detection of issues. That said, there are multiple relationship dynamics between BT and Openreach and some are better than others.

At senior levels there is evidence of a further maturing of the BT Parent / Openreach subsidiary relationship. Some tensions exist in interactions at more junior levels between BT Group and Openreach. New frustrations have emerged in Openreach about cost and quality of service provision by BT in areas such as procurement, property and technology.

Some matters were raised regarding the BT Customer / Openreach supplier relationship. Feedback received iterates the importance of ensuring that new joiners understand the purpose of the Commitments and the benefits to BT as a whole.

3. **There is a growing perception that independence is 'maximised' although not yet 'optimised'**

There is an increasing sense (amongst some BT colleagues) that Openreach's independence has reached its maximum intended level. An interesting contrast is emerging with pride and confidence to act growing in Openreach, at the same time as BT colleagues feel "risks are amplified" leading to anxiety, delays and inaction. This is because there is a perception that the complexity of systems and processes to maintain independence has worsened slightly and this remains challenging in both BT and Openreach – to the point where people are resigned to the burden of complexity and are not actively seeking or expecting simplicity as an outcome.

Having reviewed the findings, we are focusing on addressing the areas for improvement with:

1. Renewed focus on the Openreach / BT customer relationship.
2. A campaign to identify where complexity is and focus on what can be simplified as BT supplier functions roles become more complex.
3. Assistance provided to teams submitting papers to the Executive Committee to ensure they have a clear understanding of what constitutes CI/CCI and what does not need to be redacted from such papers.
4. Mitigating the risk of complacency, focusing on:
   a) Tone at the top
   b) Resources for compliance teams, and
   c) Bolstering induction processes

We have included more detailed data on the findings of the *Walking the Talk Survey* on the next page.

How people spoke about responsibility… *(BT + Openreach combined)*

2018	2020

68% healthy

93% healthy

- 🟩 Healthy
- 🟥 Unhealthy

24-point improvement in coded comments on accountability and sense of responsibility.

How people described their willingness to speak up… *(BT + Openreach combined)*

2018	2020

83% healthy

100% healthy

- 🟩 Healthy
- 🟥 Unhealthy

13-point improvement in ratio of coded comments on the safety to speak up at both BT and Openreach.

4. Adaptability and resilience

The Covid-19 pandemic has presented the communications sector with unprecedented challenges in keeping the nation connected. We have seen the need for BT's network to support connectivity across the country, for example, to enable working from home on a scale never seen before, home learning, and to enable the delivery of communications services for critical functions such as healthcare and 999.

Overall the Commitments have been shown to be adaptable and resilient in the face of the Covid-19 crisis, as part of the broader regulatory framework for BT and Openreach. We saw that people did the "right things in the right ways" in terms of living up to the letter and spirit of the Commitments.

While there was an urgent need to deliver services, particularly in the height of the initial lockdown, Openreach's greater strategic independence was respected, and Openreach was able to prioritise services to meet society's needs as we responded to the crisis.

We designed governance processes and procedures before the Covid-19 crisis, and these have been shown to be robust, and to be operating as intended with the onset of lockdown early in the year. These processes, through the work of BT and Openreach, enabled the UK to stay connected. While there has been business impact, this has not impacted the Commitments. From broader experience with the telecommunications industry, the crisis has shown that the Commitments worked well alongside the industry response.

Although they were not invoked during the crisis, the Commitments have specific provisions for handling exceptional and emergency incidents (paragraph 23), and Exceptional Incident in the Commitments includes pandemics. Openreach declared 'Matters Beyond Our Reasonable Control', which had implications for BT's ability to meet some of its obligations.

4.1   Keeping the Commitments current

The Commitments are designed to be a living document, and the intention was always for them to evolve, with the broader legal separation model for BT and Openreach. Reflecting this adaptability, we have made changes to the Commitments in relation to Openreach Board appointments, and we are working on a set of future changes to ensure the Commitments remain live and current.
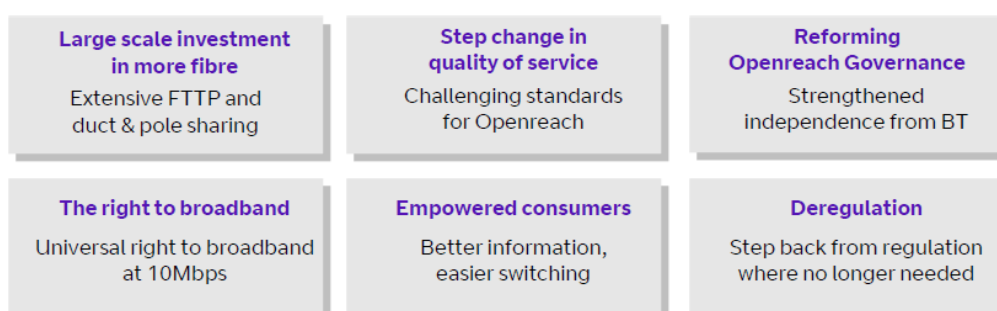
Some of the changes under development include:

a) Enabling the Openreach Scorecard exemption to support BT's environmental goals to be carbon neutral by 2045. We hit our first science-based target four years early in 2016 (cutting carbon emissions intensity by 80% by 2020).
b) Updating the systems sections, Annexes B and C, to remove legacy systems that are no longer used and reflect changes from BT's programme to modernise and transform its financial reporting systems
c) Updating the language to reflect changes in nomenclature.

Through the development of these changes, the Commitments has continued to support a wider financial transformation across BT Group plc – and with this, enabled new enhanced information management, role and access controls.

Securing and implementing the Openreach Scorecard exemption will further enable the recognition of environmental goals and incentives across the Group, including Openreach.

5. Outcomes

In 2016 Ofcom set out its key proposals to ensure digital communications in UK markets work for everyone, summarised as:

Large scale investment in more fibre	Step change in quality of service	Reforming Openreach Governance
Extensive FTTP and duct & pole sharing	Challenging standards for Openreach	Strengthened independence from BT
The right to broadband	**Empowered consumers**	**Deregulation**
Universal right to broadband at 10Mbps	Better information, easier switching	Step back from regulation where no longer needed

Ofcom is assessing the existing Commitments model based on how well it delivers, not only on the DCR outcomes above, but also against key performance metrics.[4]

In its 2019 OMU Monitoring Report, Ofcom emphasised the need to refocus on outcomes, and highlighted areas requiring further focus. Ofcom's dial approach is also reflected in the way we measure progress through the Commitments governance groups – the CWG and CRG.

The CWG and CRG are now firmly established, and gathering input from stakeholders including the CAO, CMO, Openreach Business Integrity, and CRC. This input allows for early identification of emerging issues and areas where there's a difference in stakeholder perspectives or focus across assurance and compliance teams. It also facilitates a good level of discussion, senior oversight, and gauging performance against Commitments outcomes.

Ofcom's assessment of Openreach performance in July 2019 focused on Openreach strategic independence, equal treatment of customers, people and processes, culture, fibre availability and quality of service as areas needing further work.

Work since the last OMU Report, further developing the governance and assurance framework, embedding cultural change, and issuing further guidance, has supported Openreach focus on the areas highlighted by Ofcom in its last report. Actions in support of key focus areas are set out below:

Focus area	Actions summary
Openreach's strategic independence	• New Guidance Notes supporting greater Openreach strategic independence, around legal, policy and regulatory decisions, and commercial pricing decisions. • Enhanced Openreach governance model and oversight by BTCC and the Openreach Board Audit Risk & Compliance Committee (OBARCC), with any instances where their independence has been influenced being brought to these committees for review.
Equal treatment of customers	• Training and cultural embedding within Openreach to ensure equal treatment principles are understood and continue to be observed across BT and Openreach.
People & processes	• Development of two additional Guidance Notes. • Further development of the Openreach governance model.
Culture	• Ongoing training and assessment, including with the *Walking the Talk Cultural Survey*, and actions being taken to act on the results.

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[4] *OMU Annual Monitoring Report, Delivering a More Independent Openreach,* Ofcom, July 2019, p. 2.

Availability of fibre broadband	• Commitments continuing to support the delivery of fibre in a way that appropriately takes account of all Openreach customers. • Rollout of the broadband USO to ensure availability of decent broadband, with a launch in March 2020.
Quality of service	• Openreach investment in skills, training facilities and hiring to support a high quality of service. • Openreach focus on resilience, speed of recovery when services are under pressure, customer experience and strong service desk management.

5.1 Fibre and access

As at May 2020, our level of infrastructure investment was enabling Openreach to reach a rate of 32,000 new premises with full fibre each week. BT and Openreach have reaffirmed their commitment to delivering full fibre across the UK – funding Openreach to accelerate its FTTP build so as deliver fibre to 4.5m homes (premises passed) by the end of March 2021. This puts us on track to pass 20 million premises with full fibre by the mid to late 2020s, which we have committed to do, assuming a supportive regulatory and policy framework.

However, it's also critical to have the right regulatory enablers in place to support fibre rollout, to create the right price environment, and one that is conducive to investment and supporting the migration of customers to enhanced fibre services. Regulation should fairly treat the commercial bets being taken by BT and other fibre providers, as these are not risk-free investments.

We have seen the Commitments, and the separation of BT and Openreach, work well alongside the BT response to the Government priority of enabling fibre access for more people across the UK. This has included through the broadband USO, which will support the delivery of fibre in areas where this rollout would otherwise not be commercially viable.

Concerns have previously been raised by industry about the pace of fibre roll-out, but feedback received by the BTCC indicates that professional stakeholders do now think BT takes its part of the fibre broadband roll-out seriously and increasingly acknowledge the challenges BT faces in doing so. This is reflected in the Group wide emphasis on fibre rollout, seen with the suspension of dividend payments until fiscal 2022.

We at BT have been supportive of Openreach presenting a robust financial business case for investment. The CAO reviewed the development of Openreach's fibre business case and observed that Openreach was able to complete this independently.

The development of the PIA product remains a focus area for CPs, along with duct and pole access (DPA). To this end, the CAO undertook a join review with Openreach's CMO of DPA – reporting to the BTCC, as improved DPA is recognised as a key DCR outcome, and essential to improving competition and the pace of fibre rollout. Openreach and industry are continuing to work collaboratively to address technical issues as they arise and enhance the operation of key DPA processes at scale.

6.   The future of the Commitments

This Update supports the view that the current model is delivering what's needed to achieve a high level of connectivity for the UK, and enabling competition and the creation of jobs in the knowledge economy.

We recognise, however, that the existing framework must continue to evolve. Our thinking is focused on how to keep the Commitments current – and we will continue to voluntarily do what we think is necessary to achieve this.

The current model must remain calibrated for delivering on Government policy objectives, namely accelerated and wider fibre rollout, market competition, a right to a decent broadband connection, a better and more empowered customer experience, and delivering the infrastructure and services needed to support the country's return from the impacts of the Covid-19 crisis.

Where there is need for improvement in the existing framework it's important that we recognise this – openly in discussion with our stakeholders, including Government and Ofcom, and that any necessary adjustments can be carefully considered, along with any impact assessment.

We strive to be proactive to understand what our stakeholders really want from the current arrangements; we are receptive to CP views on how the existing framework could be enhanced to work better for industry. It's important that industry also engages in this conversation with us. We continue to invite industry views on progress on issues of focus for industry and Ofcom, including DPA and infrastructure access.

While we consider that the spirit and letter of the Commitments has been embedded into the culture of BT and Openreach, as seen with the *Walking the Talk Cultural Survey* results, there are still some areas for further focus. There's still a need for robust, rigorous and inquisitive compliance monitoring, and ongoing assessment of the model against DCR outcomes.

Work on changes to the Commitments, along with exemptions, demonstrates that the Commitments are a living document. For example, the Governance Protocol was varied for Openreach Board appointments, and we have been working on tidying up language where things have changed, or it's been necessary to update systems lists to remove legacy systems.

Although they shouldn't be continually updated, where there's a need to make a change so they reflect the reality of current practice, or need to take account of priorities such as reducing carbon emissions through the Openreach scorecard exemption, then these changes can and should be made in an open and transparent manner.

We see room for further evolution, so the existing framework can continue to be fit for purpose. This is even more critical to the future of the UK, industry and consumers now as we face prolonged uncertainty from Covid-19, economic shifts, challenges from new technology platforms and their global reach, together with a rapid pace of change that will see a need for industry to continue to innovate and develop new products and services to meet ever growing demand for digital connectivity.

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