



Commitments update

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

June 2019

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Foreword



I'm very excited about the potential to do great work at BT, given how systemically important the company is to the UK economy and society. A successful Openreach is a vital part of our long-term vision to build the best network for customers, other Communications Providers and the nation. I believe key to this is ensuring we deliver on the promise we made in March 2017 – to make Openreach a more independent company from BT with its own Board of Directors serving all its customers equally.

Since becoming Chief Executive in February, I have been talking to people across BT and Openreach. The importance of the separation between the two is evident and it's clear that our people understand this and are working in line with it.

The framework is in place. The Openreach Board has been in operation for over a year; we've moved 31,000 people from BT Group to Openreach Limited; the new Openreach Northern Ireland operation is up and running and delivering for its customers; and Openreach is achieving better than ever levels of service while increasing their fibre deployment rate and announcing bold new deals to encourage take-up.

Getting the culture right in BT and Openreach is critical to making a success of our Commitments. Over the last six months, people in both organisations have worked hard to increase transparency about how we work together. Of course, we can't be complacent. I want these ways of working to endure. I recognise this needs continued focus and commitment from me and my executive team. We've achieved a lot over the past year, and now we need to make sure these changes are embedded, so that when we bring in new people they can live by the spirit of our Commitments and do the right thing.

We are on a journey and I want to make sure we continue to have strong internal assurance to keep us on track. I'm pleased that our compliance and audit teams benefit from independent scrutiny from our non-executive directors on the BT Compliance Committee. The work of the Committee, and their equivalent Openreach Board Committee, ensures that we're rightly held to high standards and are delivering on our promises.

We are entering a massive investment phase for BT. In May we announced we are increasing our aim of rolling out FTTP from 3 million to 4 million homes by March 2021, and our aspiration is to reach 15 million by the mid-2020s subject to the conditions being right. The returns for us as a company at this stage look uncertain, but the benefits to the country are not in doubt and will be very significant across all sectors and elements of the economy. We are also working with Ofcom to deliver decent affordable broadband across as much of the UK as possible.

Finally, I want to say a big thank you to all those whose efforts have contributed to making these arrangements work and the progress that we've made to date.

A handwritten signature in black ink that reads "Philip Jansen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Philip Jansen
BT Group Chief Executive
June 2019

Executive Summary

Since BT offered the Commitments to Ofcom in 2017, we have been working tirelessly to ensure we live by them in all our operations and processes.

BT understands the importance of giving Openreach greater strategic and operational independence, and the need to have the right processes in place for transparent and appropriate information sharing between BT and Openreach.

This submission sets out what we've done since our last report to Ofcom in November 2018, and our immediate plans for the future.

We and Openreach have taken concrete steps to work the Commitments into our DNA by embedding them in our culture and behaviours, establishing the right architecture, and developing clear and effective governance models and assurance frameworks. To this end we have:

- Introduced mandatory Commitments training for managers across BT and Openreach which has been completed by over 99.6% of managers, and a further 24,000 staff who have voluntarily signed up to do it.
- Engaged specialist culture change consultants to undertake behavioural research across BT and Openreach on staff understanding of the Commitments – using qualitative and quantitative data. These specialists placed us at or beyond where they expected us to be at six months from the Commitments coming into force.
- Reached out to industry and held a well-attended event with other Communications Providers in March this year. We wanted to increase transparency with stakeholders about how BT Group and Openreach interact, and how BT is fulfilling its parent company responsibilities.
- Developed new tools and updated guidance to strengthen the controls in our information sharing processes. These include tightening our information sharing agreements which govern if, when and how information can be shared between BT and Openreach and when it has to be disclosed. We've also introduced an interactive decision tool to help staff understand what to do.

On the governance side, the recently established Commitments Review Group (with membership from across BT and Openreach) continues to provide strategic leadership on delivery of the Commitments at the executive and operational level, and identifies, monitors and works to mitigate any potential risks to delivery.

We recognise it's important for the new arrangements to work in practice. To this end, BT and Openreach have also agreed design principles that underpin how we will interact in key internal processes such as BT's Strategy Development and Financial Planning. These principles have helped us improve internal guidance (which we have published externally) supporting our governance.

We continue to work, in BT, with Openreach and with others in industry towards the goal of instilling the Commitments – in letter and spirit – in everything we do.

1 Introduction

This report details BT's progress on embedding the Commitments we offered to Ofcom in March 2017 within BT and Openreach. In line with the Commitments, BT established Openreach Limited as a distinct company with its own staff, management, strategy and majority independent board of directors with a legal duty to treat all of its customers equally.

This report covers activity led by BT Group plc (BT), as the parent of Openreach Limited (Openreach), for the period since our last report in November 2018 to the end of March 2019. This report should be read alongside the separate report from Openreach. In addition, the BT Compliance Committee¹ (BTCC), which oversees BT's compliance with the Commitments, will also publish its first Annual Review shortly.

In October 2018 BT and Openreach successfully completed the implementation of the Commitments – including one of the largest TUPE transfers ever to take place in the UK of over 31,000 employees from BT to Openreach Limited. This marked a new chapter in BT's history.

We are now focussing on the future and how we can ensure the Commitments provide the foundation for an enduring framework that delivers the outcomes that matter to customers, society and the nation. As we move forward, the work we need to do to ensure the Commitments are successful in-life falls into three broad areas which we cover in the remainder of this report:

- Section two sets out how we are driving the right **culture and behaviours** so the Commitments are embedded in day to day practices;
- Section three describes how we are making sure we have the right **architecture, governance model and assurance framework** in place (including the work of the BTCC and the Commitments Assurance Office² (CAO) to provide assurance BT is delivering on its promises);
- Section four covers putting **working processes** in place to make sure the model is working in practice; and
- Section five concludes highlighting the importance of Ofcom's work on measuring the overall success of the model and wider **outcomes** of the DCR.

Over the past six months both BT and Openreach have made good progress on the above. Our efforts during that time have been focused on addressing concerns raised by Ofcom in their November 2018 interim monitoring update³. In particular, Ofcom identified the need to:

- Improve the processes and transparency of how information is shared between BT and Openreach and how the two organisations are engaging with each other; and
- Strengthen the processes supporting greater Openreach financial and strategic independence.

¹ The BTCC is a sub-committee of the BT Group plc Board Audit and Risk Committee. Its role is to monitor BT's performance in delivering the Commitments and assess industry complaints about the Commitments ([more information here](#)).

² The CAO monitors BT's delivery of the Commitments on behalf of the BTCC ([more information here](#))

³ [Delivering a more independent Openreach. Interim Monitoring Update](#), 15 November 2018

2 Driving the right cultures and behaviours

Making a success of the Commitments depends on ensuring we have the right culture and behaviours in BT and Openreach. To make this happen we need to build on the hard work of our people so far to make sure these ways of working become part of the DNA of their respective organisations. This means that when new people join, and existing people look for new challenges and move roles within BT, we can be confident that the culture will persist.

We've come a long way over the last year in ensuring that culture and behaviours are in line with both the letter and the spirit of the Commitments, and that these changes are sustainable and enduring. Work has been focused in three areas:

- **Training and awareness** – getting the right messages out to our people
- **“Hearts and Minds”** – understanding how our people think and feel
- **Organisational design** – setting clear principles, scope and accountabilities where there is a parent-subsiary or customer-supplier relationship into Openreach.

2.1 Training and awareness

We've seen good progress on the completion of Commitments-related training. This has been supported by efforts in Group Regulatory Compliance to maintain awareness levels and keep everyone up-to-date, for example as processes are improved, ensuring people know where to go if they need further support and guidance.

We have trained our managers to make sure they understand the Commitments. We introduced mandatory *Living up to the Commitments* training before the Commitments came into force and, as of 2 April 2019, this had been completed by 99.6% of managers assigned to the course (circa 34,000 people) across BT and Openreach. In addition, a further circa 24,000 people have completed the course voluntarily (i.e. without it being assigned to them), suggesting there is a desire to find out more about the Commitments.

Commitments training has also been rolled out to UK and “UK supporting” team members via their Basic Compliance course.⁴ And people in higher-risk roles get quarterly Commitments-related interactive teasers.

We continue to run refresher training and regularly issue briefings on key topics within the Commitments. For example, last year we ran a series of knowledge calls designed to remind people of how to follow the disclosure process (see section 4.4 below).

2.2 “Hearts and Minds”

In September 2018 our Ethics and Compliance team commissioned Walking the Talk, external consultants specialising in assessing cultural change, to carry out research to help understand our people's engagement, their perceptions and any residual concerns regarding the Commitments.

⁴ Note that any team members with a Regulatory Compliance Marker will have already completed the full *Living up to our Commitments* training.

⁵ Roles are considered higher-risk due to their interactions with and information required from Openreach to perform their Parent Company or Supplier activities, such as financial planning, strategy, network architects.

We asked Walking the Talk to deliver an independent and objective “Hearts and Minds” culture assessment. Our aim was to better understand what people think and feel about BT’s Commitments – as attitudes strongly influence what people do and how they behave. We also invited Openreach to be part of the review to make sure we gained perspectives from those at the point of interaction between the two organisations.

Walking the Talk used data from several sources to provide both qualitative and quantitative findings, including running focus groups and interviewing senior leaders. We also asked them to make an assessment against a cultural maturity index – an assessment of progress against each dimension of culture, reflecting where BT is positioned at this stage in its journey implementing the Commitments. Encouragingly, Walking the Talk placed BT at, or beyond, where they expected us to be six months from the Commitments coming into force.

Walking the Talk’s report identified four findings, that:

- People in BT and Openreach both understand and are acting in line with the Commitments;
- As expected at this stage of the implementation, Openreach and BT’s supplier/customer relationship is still maturing;
- There are some ambiguities in the model and some mixed messages causing confusion; and
- As new processes bed in there is a risk of a ‘cooling effect’ on speed and agility.

In light of these findings BT (and Openreach) have developed programmes to embed and build on the behaviours necessary to sustain the Commitments. The BT programme includes a ‘year 2’ embedding programme to facilitate cultural change in line with the Commitments. It builds on a wider culture shift within BT (under our “One BT” strategy) reinforcing organisational and personal accountability and empowering people to live the spirit of the Commitments. Our approach will:

- Include personal stories from leaders to reinforce the tone from the top.
- Have worked examples and tailored (customer/parent/supplier) role-play opportunities to practice working through dilemmas/points of tension as an immersive approach is a fast and effective way to help people adopt these behaviours
- Help people to reach decisions, rather than providing the answer
- Communicate myth busters to reset perceptions that may be awry
- Clarify what Openreach independence is and what it isn’t

We have a series of events scheduled for June and July 2019 to provide a focus on these areas and help better equip those BT people who interface with Openreach.

We also intend to repeat the “Hearts and Minds” external review 12-18 months after their initial review so we can assess how well these new ways of working have embedded themselves into the culture in BT and Openreach.

2.3 Organisational design

In November 2018, we set out how we have been changing the way the company works to enhance business performance as part of our One BT strategy. A key part of this is simplifying and improving decision-making across the business by establishing clearer accountability and personal ownership of decisions. In line with this, our HR team have been working to set out the principles, scope and accountabilities under which BT in Corporate Units supply services to Openreach, or act in a parent company capacity.

This process has led to agreements (Protocol documents) between the relevant BT Corporate Units and Openreach to set out how the accountabilities and decision-making responsibilities sit between them. For each document, business teams from both BT Corporate Unit and Openreach have provided input and feedback, and 80% of these have now been finalised.

The initial organisation design analysis of the captured information indicates that accountabilities and decision rights are distributed in a way that is effective, clear and compliant with the Commitments.

In addition, the CAO and CMO conducted a wider interview exercise on behalf of the BTCC and OBARCC to review the roles and responsibilities for all functions where Openreach interacts with BT as a parent company. The review found that there was generally agreement across all areas that BT and Openreach had agreed ways of working, and interviewees felt the right balance had been struck between greater Openreach independence and BT parent company oversight, but that there would be benefit in some areas further documenting this to ensure these ways of working endure.

The review also concluded that given the critical nature of Financial Planning, Strategy Development and Regulatory Affairs, these areas need to be monitored closely to ensure the relationships are working well and as intended. These are areas that we expect the CAO to give high priority to as part of its assurance activities.

3 Architecture, governance model and assurance framework

In order to make sure that the Commitments endure, we need the right architecture supported by the right governance. This helps our people know who is responsible for a given issue, and engage with Openreach in the right way. This provides a basis for assurance work around whether people really are living by the Commitments in their work.

3.1 Commitments governance

Over the last year we have simplified the governance structure that manages the implementation of the Commitments.

The Commitments Review Group, introduced in September 2018, provides strategic leadership in the ongoing development and delivery of the Commitments. It coordinates activities across BT and ensures alignment with Openreach on key issues. In particular, it monitors identified and emerging risks, and advises on their prevention, mitigation and management.

The Group is chaired by the Group Director of Regulatory Affairs and includes senior members from our HR, Legal, Public Affairs, Compliance and Regulatory Affairs teams as well as from Openreach. The CAO and CMO also attend as observers.

The Group has met three times to date; topics considered include the review of Guidance Notes (see section 4.1 below), variations of the Commitments, and stakeholder engagement (see section 4.3 below).

3.2 The design principles that underpin the interaction between BT and Openreach

Ofcom's November 2018 implementation report recognised the efforts BT and Openreach had made to strike a balance between BT's interests as a parent company and Openreach's status as a legally separate more independent entity within the wider group. However, it also found that there was more to do. In particular, Ofcom cited the potential for BT to influence the development of Openreach's strategy through its Strategy Development and Financial Planning processes.

In summer 2018 BT and Openreach agreed a set of design principles (see next page) to underpin how BT and Openreach's processes operate and how, where and when Openreach will engage with BT in these processes.

These principles are designed to respect Openreach's greater strategic independence, while allowing BT to have the economic control and parent company oversight it needs to meet its parent company responsibilities.

Principles	What this means in practice
Greater operational and strategic independence of Openreach	Ensuring that what we do gives effect to the aim of the Commitments in securing greater independence for Openreach from BT Group, reflecting the different position of Openreach as compared to other Customer-Facing Units, and enabling Openreach to treat all its customers equally (see below)
Appropriate parent company economic control and oversight by BT	Recognition that BT remains one economic enterprise with one set of shareholders in whose interest BT must act and that finances need to be consolidated into one
Recognition of the important role of the Openreach Board	Recognition of the role of the Openreach Board in decision-making, provision of direction to and oversight of Openreach
Accountability	Clarity in roles, decision-making and best practice governance. This includes recognition of the personal responsibility of everyone involved in the process for the effective and efficient working of the Commitments
Efficiency	Following a clear and agile process, capable of evolution and timely escalation routes
Simplicity	Acting in a way that avoids duplication and minimises complexity and gets things done
Equal treatment	Ensuring that what we do enables and encourages Openreach to address the needs of all Openreach customers equally
Transparency	Demonstrate we are acting and behaving in line with the Commitments, including to Ofcom and other CPs. This includes operation of processes and controls in a way that is auditable and capable of assurance.

We have used these design principles to review our Strategic Development and Financial Planning Process and other guidance on the Commitments. We provide more detail on these reviews in section 4 below.

3.3 Delegations of Authority

Towards the end of 2018, we undertook a pan-BT project to refresh all major decision-making Delegations of Authority (DOAs) from the BT Chief Executive downwards. This centrally-led project was sponsored by the Company Secretary and BT Chief Financial Officer. The project aimed to update the DOAs of each Customer Facing Unit and major functions (e.g, HR), to simplify and rationalise them, to align sign-off thresholds and to make them more accessible to people in BT and Openreach.

Part of the objective was to standardise the DOAs across BT Group – including Openreach – where appropriate, but also to reflect differences for Openreach as

required by the Commitments and the Governance Protocols. This review process was completed in November 2018.

The principles of the Commitments, Governance Protocol and the role of the Openreach Board have been reflected in the revised DOA framework.

3.4 Assurance framework

The BTCC, supported by the CAO, continues to develop and strengthen the assurance framework to ensure there is appropriate oversight of how BT's people are living up to the spirit of the Commitments and the Governance Protocol. This framework sets out the indicators of behaviours and actions that the CAO would expect to see, and which the CAO uses as a yardstick.

As part of this the BTCC and CAO are looking at compliance with key processes within BT – across Strategy Development, Financial Planning and information management – as well as behaviours, reviews of consumer and industry outcomes, and investigation and resolution of complaints raised by CPs and other stakeholders.

Over the coming year the activities of the BTCC and CAO could cover investments, product developments, the results of key regulatory initiatives such as Broadband Universal Service, or developments flowing from the Business Connectivity Market Review and the Physical Infrastructure Market Review.

Upcoming changes to the assurance framework include:

- The CAO is evolving its assurance approach to bring greater structure and transparency to its processes. The updated framework is based around people, architecture and ways of working.
- The framework will set out behaviours the CAO would regard as being of concern, the standard that it would normally expect to see, and where the CAO would view conduct as role modelling of good behaviours.
- The framework will be shared with BT people in advance so they will understand the CAO's (and in turn the BTCC's) expectations of them. This will enable the assurance framework to be used as a tool to gauge behaviours in the course of reviews by the CAO – including any deep dives.
- The framework will be published on the BTCC's website to provide transparency to all other stakeholders of what is expected of our people.

The intention is not to stipulate what must happen in a given situation, nor is this a tick-box exercise. The decision of how to set up and operate a project will still sit with BT and the accountable manager. However, consideration of this framework at the outset of a project, and from time to time in life, will be a useful reminder to BT people of how they can help themselves to do the right thing. This will enable the CAO, and in turn the BTCC, to assess whether observed behaviours meet the standards that are expected in delivering the Commitments.

It is also essential that our assurance framework helps to make the Commitments enduring. With this in mind, an assurance mapping review is underway between Group Regulatory Compliance, Group Internal Audit and the CAO.

This review will clarify roles and responsibilities with the aim of ensuring that there is co-ordinated risk management and assurance that meets our stakeholders' expectations for the risks that matter. This will drive efficiency by avoiding duplication as well as ensuring that issues do not "slip through the cracks" as a result of unclear accountability.

Further detail about the work of the BTCC and the CAO is set out in the BTCC Annual Review.

4 Ensuring the model works in practice

We are very conscious of the need to have ways of working which respect the balance struck in the Commitments between greater strategic independence for Openreach, and maintaining appropriate corporate governance within BT Group, consistent with our position as a public listed company. This section sets out the work that has been done to clarify, agree and document our processes and how we are providing greater transparency about what we're doing.

In addition to our work generally, we provide an update on the Financial Planning and Strategy Processes which are of particular interest to stakeholders. This is an area we have focused on to address Ofcom's concerns about whether BT and Openreach struck the *"appropriate balance between BT's interests as a parent company and Openreach existing as a legally separate, more independent entity within the wider group"*.⁵ In its November interim report Ofcom recognised that both organisations were working on this but that there was more to do.⁶

4.1 Review and publication of Guidance Notes

After the Commitments were signed in March 2017, BT and Openreach agreed a set of internal Guidance Notes. These were designed early during the implementation process to help guide those people directly responsible for implementing the Commitments programme.

The Guidance Notes were technical in nature and aimed to support internal legal, regulatory, compliance and operational work on the implementation of the new organisational arrangements, governance processes and trading arrangements between BT and Openreach. The idea was to ensure there was an agreed "one truth" view between BT and Openreach of what the Commitments were meant to achieve, as well as consistency of delivery. They were drafted with a specific technical audience in mind rather than being written in a way that was accessible to a wider audience.

In September 2018, we kicked off a review of the Guidance Notes, to assess whether they were still fit for purpose as we moved into in-life management of the Commitments, and to make sure the regime can be sustainable. The aim of the review was to make the Guidance Notes more accessible to a wider audience and less legalistic, using the agreed design principles set out in section 3.2 above. We have also identified clear controls so that compliance with the Guidance Notes can be assured by the CAO and CMO as well as compliance teams.

We have conducted the review working closely with the business teams in BT and Openreach responsible for the substance of the Guidance Notes, and have also sought input from the CAO and CMO.

We have made significant progress over the past six months. We have discussed drafts of the Guidance Notes with Ofcom, and agreed the final versions with the Openreach Board. All previous Guidance Notes have now been consolidated as per the following table.

⁵ Paragraph 3.10, Ofcom Interim Monitoring Update, November 2018.

⁶ Paragraph 3.12, Ofcom Interim Monitoring Update, November 2018.

Guidance Note	Contents
Background and introduction	Background and context to the Commitments, customer, supplier and parent relationships, definitions and guidance note design principles
1: Equivalence of input and equal treatment	What Equivalence of Input and Equal Treatment means for Openreach customers
2: Openreach and BT Trading	Key trading principles that underpin the relationship between BT Group and Openreach
3: Strategy and Development Process	Overview of BT's strategy development process and how this interacts with Openreach strategy process
4: Financial Planning Process	Overview of how BT's annual and medium term financial plans are set and how Openreach inputs into the process
5: Northern Ireland	Guidance on the Governance Protocol of Openreach Northern Ireland and practical application of Commitment 18 (Operations in Northern Ireland)

The review identified the need to improve the Guidance Note on the governance around key commercial and regulatory processes (previously GN10) in light of experience working with it over the last year. This is currently on-going and will be completed in September.

More detail about the work we have done on Guidance Notes 3 and 4 to clarify and agree the Strategy Development and Financial Planning processes between BT and Openreach is below.

So that external stakeholders and Openreach customers are able to better understand how some of the key processes work between BT and Openreach, we have published these Guidance Notes on [BT's website](#) and shared details of the strategy and financial planning notes with industry at a stakeholder event in March (see section 4.3 below).

4.2 Strategy Development and Financial Planning processes

Central to the Commitments is the ability of Openreach to act with significantly more independence to take its own decisions about its strategic direction and operation of the network, acting with a clear focus on the equal treatment of all its customers. How that strategy is set and what investment decisions are made to support it is therefore also key to Openreach customers. Knowing how and when this happens will enable them to engage with Openreach in a timely and meaningful way.

BT's involvement in the development of Openreach's strategic plan was also one of the areas identified by Ofcom as needing further improvement.⁷

⁷ Paragraph 3.10, Ofcom Interim Monitoring Update, November 2018.

With this in mind, since our last report BT and Openreach have worked hard to clarify and document as Guidance Notes our Strategy Development and Financial Planning processes making sure they reflect the agreed design principles set out in section 3.2 above.

These Guidance Notes set out the process, indicative timescales, and the roles played by the Openreach Executive, the Openreach Board and BT Group. They have been developed and agreed with Openreach, and they include input from the BTCC and OBARCC, and controls to enable assurance by the CAO and the CMO.

They aim to strike the right balance between Openreach's greater independence and ensuring that BT retains the necessary degree of oversight to be able to meet its legal and fiduciary duties as a parent company.

We know it's crucial to get these processes right. We want to be transparent on how BT and Openreach interact with each other to both Ofcom and CPs, so that we can demonstrate that BT is not interfering with Openreach's independence. To this end, we have published these processes on [BT's website](#) so all stakeholders and customers are able to see them.

4.2.1 Strategy Development

Openreach develops its own strategy, which combined with the Financial Planning Process creates the Openreach Plan – this is a combination of Openreach Annual Operating Plan (AOP) and Medium Term Plan (MTP). Openreach develops its strategy separately from Group, engaging with it at specific points to integrate it within the overall BT strategy process.

In this process, Openreach has greater independence than other BT units – both in the way it develops its strategy and when and how it interacts with BT. For example, BT Group have the opportunity to challenge Customer Facing Units' (CFUs') strategic priorities and choices, whereas they have less scope to challenge Openreach.

Critically, the Openreach Board formally approves the Openreach Strategy before submission to BT Group. Other CFUs will have an internal review process but without the formality. Uniquely, Openreach is able to escalate any disagreements in relation to the strategy or the introduction of a new product to the BT Group Chief Executive and ultimately the BT Group plc Board. This escalation route is not available to other units.

The BT Strategic Framework will be an output of the annual Strategy Planning Process. The purpose of this framework is to clarify the role and scope of Openreach and CFUs within BT plc, including the product categories they will produce and sell. This enables Openreach to take the framework into account when setting its own strategy and helps ensure consistency across the Group. The BT Strategic Framework is currently being finalised.

4.2.2 Financial Planning

Openreach operates within the framework of the BT Group planning process. However, Openreach has significantly more independence than other BT CFUs in the development stage of the MTP/AOP – both in planning and in internal interactions.

The process followed by Openreach differs from other BT units in a number of key ways including:

- **Greater strategic independence** – the extent of BT Group intervention in AOP/MTP development stages is limited and the Openreach Board formally approves their AOP/MTP and investment cases in advance of submission to BT Group.
- **Opportunity to challenge** – the Openreach Board has the formal right to amend and resubmit its financial plans to the BT Group plc Board if not approved the first time round.

Ofcom may also ask to scrutinise the nature and reason for any subsequent changes following Openreach Board approval of the AOP/MTP or investment cases. Other units within BT would not be subject to the same scrutiny.

As part of its assurance activity, the CAO and CMO closely monitored the operation of the process as Openreach developed its financial plans for 2019/20. They looked at the interactions between Openreach and BT and concluded that the process was being well run, balancing financial control and respect for Openreach's greater independence.

4.3 Industry engagement event

As part of our work to increase transparency with stakeholders, Cathryn Ross, BT Group Director Regulatory Affairs, hosted an industry event on 28 March 2019. The purpose was to provide Openreach customers with insight into how BT Group is fulfilling its parent company responsibilities and with the opportunity to raise any issues or questions with BT and with the BTCC and CAO, which supported the event. The agenda covered the following three areas:

- the findings of Walking the Talk's survey on BT's culture and behaviours (see section 2.2 above)
- describing BT's Financial Planning and Strategy Development processes and giving CPs the opportunity to directly ask BT and Openreach's finance and strategy directors questions about how these processes work in practice, and
- highlighting the role of the BTCC and how the CAO goes about its assurance work

Attendees included major CPs (including BT downstream units), the Office of the Telecommunications Adjudicator and the Federation of Communication Services. There was a good discussion with attendees on the day, and through these discussions we helped give CPs visibility into changes at BT that reflect clear adherence to the Commitments. We are aware that following the event Openreach is considering if it would be beneficial to formalise the ability for CPs to input into the formulation of Openreach's strategy.

Our door and the door of the BTCC remains open to CPs who want to raise any issues or concerns either directly with us or via the CAO. The slides from the event are available to view on [BT's website](#).

4.4 Improving our information management and disclosure processes

With the Commitments came enhanced protection for commercially sensitive Openreach information, and rules around how this information is managed between Openreach and BT, where there is a legitimate reason for it to be shared. This is an area Ofcom identified in the November Interim Monitoring Update, where we needed to do more to improve transparency on the nature and substance of interactions and information exchange between BT and Openreach.

We really care about getting this right – we know how important it is that all stakeholders have confidence all Openreach information is properly managed and we recognise this is an area where we need to keep continued focus. We're supporting our people to do the right thing, and this is an issue that is high on the agenda for both the BTCC and OBARCC.

The management of information sharing starts at the top with governance arrangements in place, including with the BT Group Executive Committee (Exco) and Board members. If they are not in Parent Company roles – such as downstream executives, they are restricted from seeing Openreach information. We provided further detail on information sharing arrangements below.

4.4.1 Overview of information sharing rules

This section provides a brief overview of the process that BT and Openreach use to manage sensitive Openreach information in line with the Commitments.

In summary, Openreach Commercial Information (CI) or Customer Confidential Information (CCI) cannot be shared with people in BT unless they have a legitimate need to see it and they hold a Regulatory Compliance Marker. This applies where CI/CCI is being sent from Openreach and where it has to be shared between people within BT in order to meet our legal, regulatory or fiduciary duties (e.g. for financial reporting purposes).

A Regulatory Compliance Marker is only granted to BT people who have completed the necessary training, provided a satisfactory explanation of why they need a marker, and where it has been approved by both their line manager and a technical authoriser. The technical authoriser confirms they have a legitimate requirement to receive such information in their role.

Regulatory Compliance Markers are linked to the role an individual is performing. If a BT person does not have a marker, then they cannot receive Openreach CI or CCI. For example, the chief executives of BT's downstream Consumer, Enterprise and Global business units do not have Regulatory Compliance Markers. Similarly, if a person moves to a new role in the organisation then their marker is automatically removed.

Individuals with Regulatory Compliance Markers have to renew them at least annually to reconfirm it is still required for their role. If not renewed, markers expire automatically. In addition, markers are automatically flagged for renewal if there is a change of circumstances such as reorganisation or change of roles. Furthermore, markers are removed if individuals do not complete mandatory training every two years.

Any BT or Openreach individual who needs to share Openreach CI or CCI with a BT person must first check on BT's internal directory whether the recipient has the appropriate Regulatory Compliance Marker.

Where an individual in BT has a relevant marker, they can receive Openreach CI/CCI in one of two ways.

- First, routine information (e.g., for developing Openreach’s IT systems to support service to their customers and for financial reporting purposes) can be shared under the terms of an Information Sharing Agreement (ISA) between BT and Openreach.
- Second, where information legitimately needs to be shared, but it falls outside the scope of any relevant ISA, then it can still be shared provided the sender (in Openreach or BT) completes a disclosure record. The disclosure record is recorded centrally and captures what information is being shared by whom and who it is being shared with.

A report of all information recorded in this way is submitted quarterly to the BTCC and OBARCC. This details the number and type of disclosures being made and also draws out common themes making it easier to understand the significance of the information being shared between the two organisations.

4.4.2 What we are doing

Our compliance processes are reviewed regularly to ensure they are easy to understand and use. Through stakeholder engagement and review, Group Regulatory Compliance have made a number of changes to the information sharing and disclosure processes over the past six months.

We’ve enhanced our training and guidance to make sure our compliance teams and the CAO can better understand who is sharing information, what information is being shared, when and with whom.

We have also improved the ISAs and disclosure guidance and introduced an interactive decision tree tool to help people decide when to disclose information. The interactive tool steps people through a series of structured questions and criteria to guide if, when and how to disclose significant Openreach information appropriately (a copy of the guidance for BT people is provided in Annex A). It is early days but we can already see improvements in the information sharing process and a 45% increase in the number of disclosures being made in the last quarter of 2018/19.

We have updated the ISAs in the strategy and finance functions where we identified more clarity was needed on the activities undertaken – tightening the scope to ensure that more is disclosed in these sensitive areas.

In addition, we are introducing a new tool for BT and Openreach to manage changes to ISAs across the board. The “regulatory compliance policy portal” provides an automated, auditable control to manage changes to ISAs and automatically communicate those changes to individuals with the associated Regulatory Compliance Marker (RCM).

This tool will also enable the Compliance function to test and record people’s understanding of the ISAs and their compliance responsibilities. We will be rolling this tool out across all ISAs and the whole user community during 2019/20, providing a holistic view of changes to ISAs across the organisation.

At the same time, we have enhanced BT's processes for when people change roles and leave parent company roles. For example:

- We've introduced additional checks for both managers and individuals to confirm that any Openreach information and systems access have been removed prior to a person moving jobs within BT.
- We've made changes to our email system so that when people move from Openreach to BT, their "openreach.co.uk" email address is ceased, and they get a new BT one. This stops anyone externally or internally from accidentally using the old address and sending Openreach CI/CCI. We also removed approximately 3,000 accounts from people who had historically moved to BT.

In 2019/2020 we will look to expand this process beyond those in parent company roles to those in high-risk supplier roles to further protect Openreach information.

We believe these additional improvements and developments will go a long way towards addressing Ofcom and CP concerns about the transparency of Openreach information sharing in BT.

5 Measuring outcomes

Earlier this year, the National Audit Office (NAO) challenged economic regulators⁸ to focus more clearly on evaluating their performance based on evaluating consumer outcomes of regulation. Ofcom has responded to this challenge, clearly stating its intention to turn its focus increasingly towards assessing the effectiveness of its interventions on outcomes that “feel real” for consumers and businesses⁹, and away from solely measuring outputs.

We support Ofcom’s ambition in this area. A renewed focus on the outcome of regulatory interventions is an important means of ensuring that economic regulators are focussing on the right challenges, and that they meet them in the most effective and efficient way.

With regards to the Commitments work in particular, the new governance arrangements were designed to address Ofcom’s concerns in relation to BT’s ability to discriminate against competitors. Ofcom’s view was that whilst the Undertakings had introduced a degree of independence for Openreach, the model of functional separation remained subject to the limits inherent in the BT Group corporate structure. Changes to the structure were designed to encourage greater competition at the retail level, leading to better consumer outcomes (e.g., lower prices, better quality, and greater choice of services for consumers and businesses).

Ofcom also expected a reformed Openreach to deliver better investment outcomes and more innovation in the UK, through more effective engagement and consultation by Openreach with its wholesale customers and better opportunities to work together with them to determine network investment.

In its November 2018 interim update, Ofcom set out how it planned to measure Openreach’s performance against key metrics it believes underpin positive consumer and industry outcomes. These include: the widespread availability of fibre broadband; decent broadband connectivity for everyone; and improvements in Openreach’s quality of service. We are pleased to see that solid progress is being made on all three, as Openreach’s report to the Ofcom OMU sets out.

We agree that the successful implementation and adherence to the Commitments is a necessary condition to making continued headway in delivering good outcomes for customers and society. But it is also important to acknowledge that the Commitments alone are not sufficient to achieve the UK’s digital infrastructure ambitions.

For example, as set out clearly in the Government’s Future Telecoms Infrastructure Review in 2018, significant public policy and regulatory action is required to enable the right conditions for commercial full fibre investment across as much of the UK as possible. And ensuring decent broadband can reach everyone, via the Broadband Universal Service Obligation, needs close collaboration between BT, Ofcom and the Government to get the details of the scheme right. Ofcom has two major separate programmes of work to progress this, and these are on-going.

We would therefore continue to encourage Ofcom, in its ongoing assessment of the outcomes of legal separation, to explicitly recognise and distinguish between

⁸ National Audit Office, *Regulating to protect consumers in utilities, communications and financial services markets*, 20 March 2019.

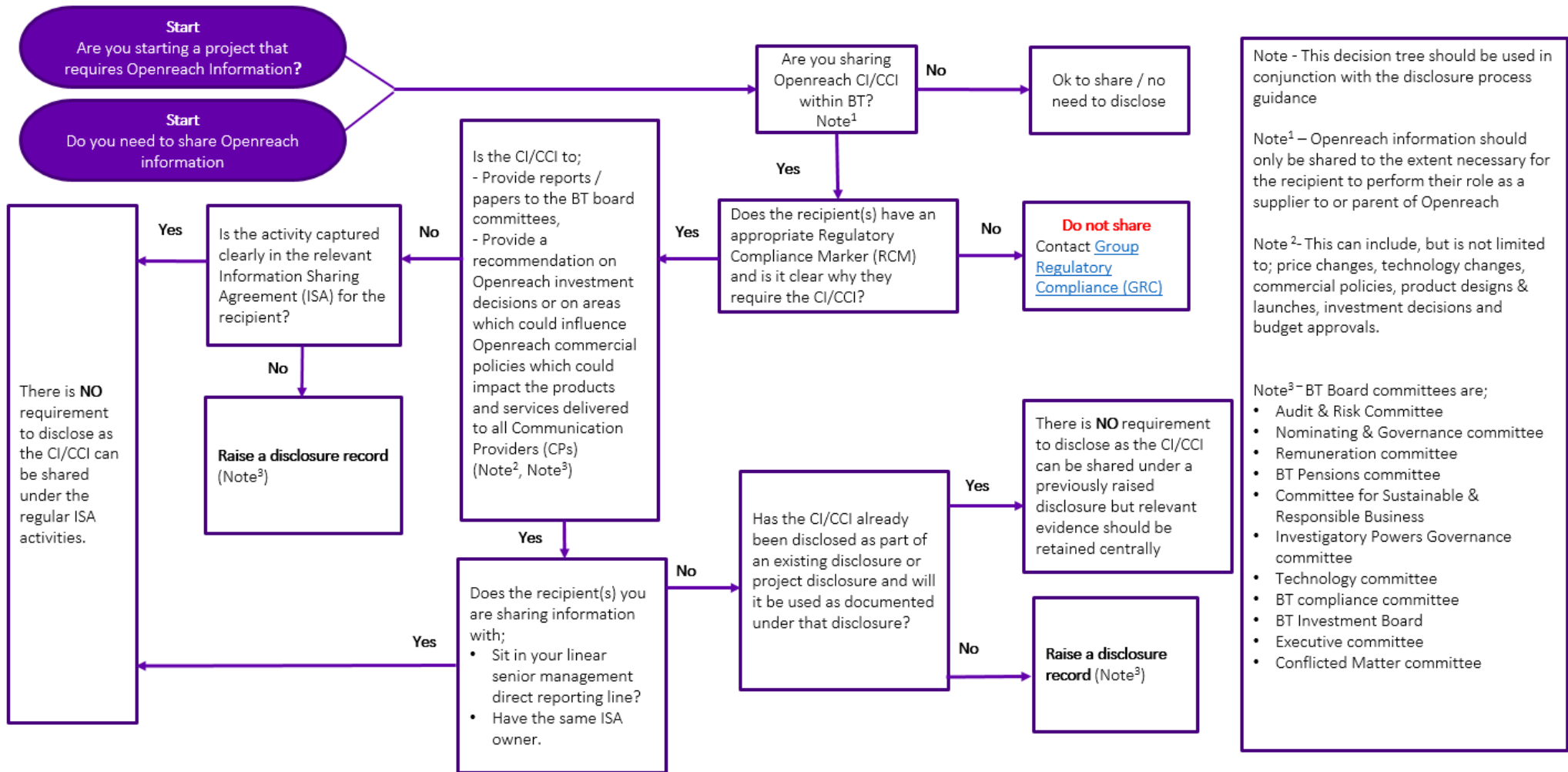
⁹ As described recently by Sharon White in evidence to the Public Accounts Committee in their consumer protection inquiry [[see response to Q69](#)].

the outcomes that are in the direct control of BT and Openreach via the Commitments (such as addressing concerns regarding competition and equal treatment of customers) and those that also rely on the support of wider players (including other CPs and policy makers).

Not only will this provide greater clarity to external stakeholders as to the drivers of progress, it will also enable a more comprehensive and accurate assessment of the contribution that the Commitments and greater Openreach independence could and are making.

Annex A – Interactive Decision Tool

Our Commitments – BT use of the disclosure process



Offices worldwide

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