


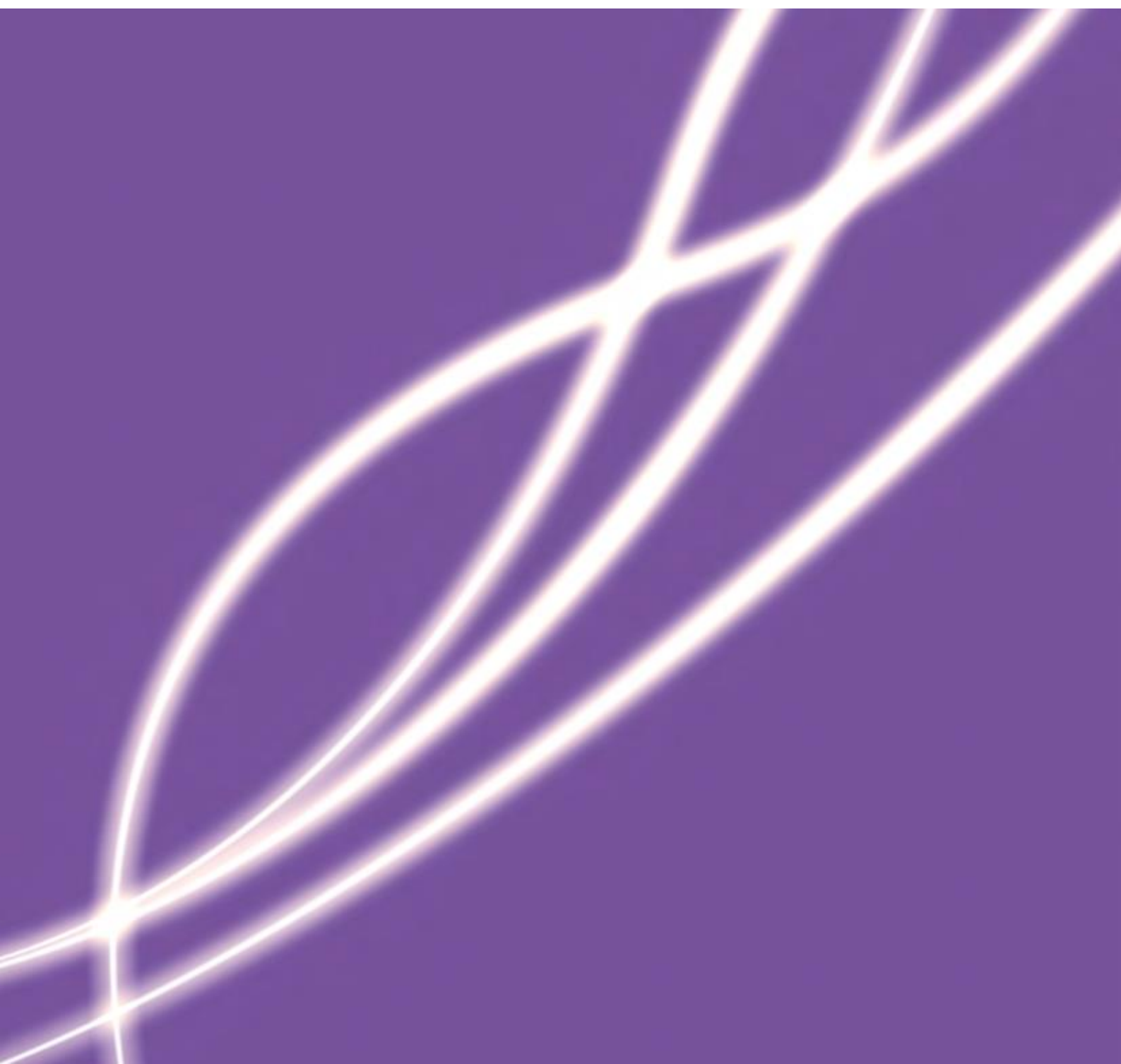
# Openreach progress with implementation of the new arrangements between BT and Openreach

## Openreach submission

Non Confidential version

18/04/2018

 indicates where, based on its work to date, the Commitments Monitoring Office (CMO) has gained assurance over statements relating to Openreach's implementation of the Commitments and Governance Protocol.





## Executive Summary

Openreach is pleased to have the opportunity to respond to Ofcom's Openreach Monitoring Unit (OMU) call for inputs.

In the last year we have worked hard to deliver the practical implementation of the Digital Communication Review (DCR) settlement as early as possible, bringing forward the work wherever we can particularly where it would have the greatest impact, and we believe it's going well.

Our new leadership, running the new company Openreach Limited, is committed to acting with greater independence, and is striving to deliver the DCR that we, industry and Ofcom all seek. The first Openreach Chairman, Mike McTighe, was appointed more than a year ago in November 2016, as a former Cable & Wireless executive and Ofcom Board member he has brought with him significant chairmanship experience. Openreach Limited has now been incorporated as a wholly owned subsidiary within the BT Group and the new Board of Openreach Limited has been operational since January 2018. Our Board has a majority of independent members – as well as Mike, they are:

- Edward Astle – member of the Equality of Access Board (EAB) and former senior executive at Cable & Wireless;
- Sir Brendan Barber – former general secretary of the TUC; and
- Liz Benison – former CEO of UK and Europe Local and Regional Government Division of Serco, a big public services delivery company.

Similarly, our Executive leadership has gained greater independence from BT with the reporting line of our Chief Executive (Clive Selley) having changed to the Openreach Chairman rather than the BT Group Chief Executive. In advance of the TUPE transfer of all Openreach people to Openreach Limited, we voluntarily transferred the Openreach CEO and his fourteen direct reports from BT plc to Openreach Limited effective from 1 January 2018.

We have visually made our mark on 11 July 2017 when we unveiled our new Openreach brand which has no reference to BT or the BT logo. This was just four months after BT agreed with Ofcom that Openreach would become a legally separate company. Hundreds of vans with our new branding have already hit the streets and our websites have been updated to reflect our new visual identity.

We want to be fully engaged with all our customers, to really understand what they want, and to have constructive and collaborative relationships with them as we strive to deliver better service, the products that consumers really want and more network investment. We have reached out to our CP customers and we are consulting more proactively with them on major investment decisions. And we have ensured that they can do this in total confidence by way of the new confidential phase without BT being told about this until we are ready to move to wider consultation as discussed with industry during our consultation on the Customer Consultation Process. These new process are already bearing fruit, the results of our consultation on building large scale FTTP were published in October and we have separately consulted on our Customer Consultation Process, the deployment of Long Range VDSL technology and a new high bandwidth optical business product called OSA Filter Connect, The way in which we consult our CP customers has helped guide our strategic developments.

We have grown our ability to work on our own. Our technical and strategic capabilities have been strengthened, partly by transferring teams in from TSO and BT Group, and we now have our own Technology and Information, Strategy, Corporate Affairs, Legal and Regulatory Teams. This has enabled Openreach to engage independently



with external stakeholders and respond directly to Ofcom and Government consultations. We also now have our own representation on a number of industry bodies like the Broadband Stakeholder Group and ISP Association (ISPA).

In short, these changes evidence Openreach's intent to implement the Commitments to bring the DCR Settlement into full practical effect, as quickly and thoroughly as we can. As our report shows, our people are seeing and embracing the new culture that we are cultivating, and this is contributing towards our good progress in delivering on the spirit and specific goals of the DCR Settlement.

We recognise that in the coming year there will be more to do – including making progress on the transfer of people into Openreach, on service and on investment – and our senior leadership team will continue to drive the implementation at pace.

The people and leaders of Openreach will continue to work tirelessly to keep the UK at the forefront of the digital economy, to be responsive to the needs of all our customers, with foresight and vision in terms of network evolution and fibre rollout and with clear focus on providing the broadband services that both business and residential customers want now and in the years to come.



## Introduction

BT notified Ofcom of its intention to implement changes to the governance structure of Openreach on 10 March 2017. This new model aims to secure greater strategic and operational independence for Openreach, balanced with recognising that we remain part of the consolidated BT Group. Following consultation, Ofcom confirmed in a statement dated 13 July 2017 that the notified model of functional separation of Openreach sufficiently addressed its competition concerns and that it embarks on the current phase of monitoring implementation and compliance with the notified arrangements.

In its July 2017 Statement, Ofcom noted that (whilst the notification was subject to four conditions), at that stage “*BT and Openreach had taken several encouraging steps towards implementation of the new arrangements*”.<sup>1</sup> In the period since then, BT and Openreach have been working hard both on bringing forward implementation of much of the new settlement, to allow for practical implementation as early as possible, whilst seeking in parallel to make progress on satisfaction of the notified pre-conditions (involving, as required, other parties notably HM Government and the BT Pension Scheme Trustee).

Openreach has sought to bring about practical implementation of the Commitments and Governance Protocol by the interim deadlines of 1 January 2018 and 9 April 2018, supported by a Transitional Agreement, and not wait for full satisfaction of all of the conditions. We have done so in order that the benefits of the greater independence for Openreach are realised as soon as practicable, but in a way that takes account of our position within the consolidated BT Group. We are also seeking to balance the interests of our employees and pensioners, through an orderly process.

This preparatory work has entailed significant effort within Openreach, with much of the early focus related to setting up the new governance arrangements, to enable us to move to a more independent operating model. These governance arrangements are the foundations to a successful implementation and help to define the relationship between Openreach and BT.

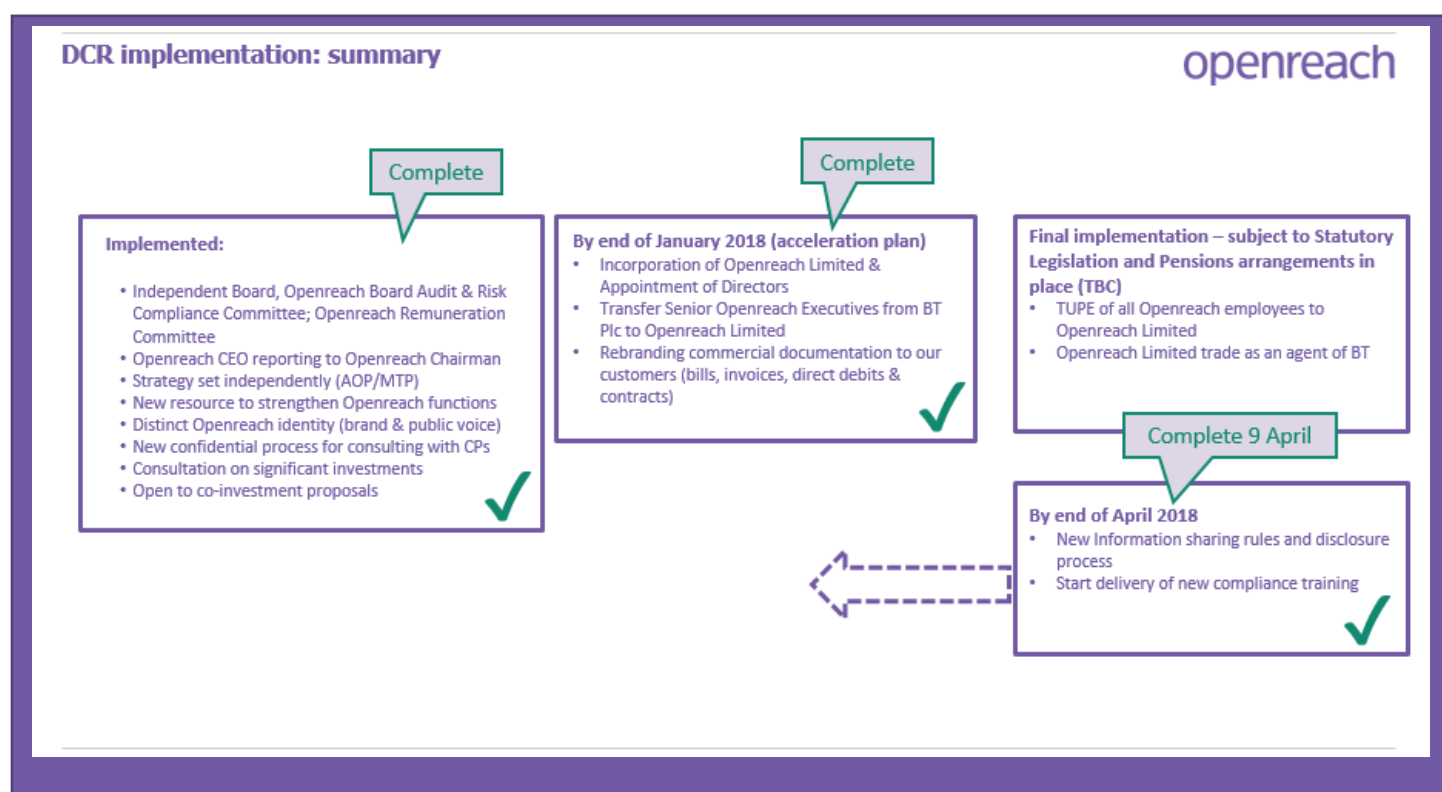
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<sup>1</sup> Paragraph 7.5 of Ofcom’s July 2017 Statement



## We have made significant progress in many areas, including:

- Functional separation – we have incorporated Openreach Limited, established an independent Openreach Board, implemented new accountability arrangements, voluntarily transferred the Openreach CEO and his fourteen direct reports from BT plc to Openreach Limited and changed our branding.
- Strategic independence – we are implementing new processes for medium term and long term planning (Annual Operating Plan (AOP) and Medium Term Plan (MTP)) and information disclosure.
- Strengthening our capabilities – we are establishing new, and enhancing our existing capabilities, in relation to our Technology and Information, Strategy, Corporate Affairs, Internal Audit and Regulatory teams.
- Culture of independence – we are embedding our new code of practice, establishing an independent public voice and started the roll out of training to our people.
- Compliance and oversight – we have established the Openreach Board Audit, Risk and Compliance Committee (OBARCC).
- Equal treatment of customers – we are consulting with CPs in developing a new Customer Consultation Process, which includes a confidential phase, as well as an improved Statement of Requirements (SoR) process.
- Working to the Commitments - BT and Openreach have discussed info sharing with Ofcom and agreed that once we “go live” with the new processes to secure confidentiality of Openreach Commercial Information (CI) and Customer Confidential Information (CCI) that the Undertakings Annex 2 regime will be withdrawn. We implemented an information sharing framework on 9 April 2018, which includes new Information Sharing Agreements between relevant parts of Openreach and BT and a Disclosure Record process.





# 1. Functional separation

## A more Independent Openreach

In March 2017, BT reached a long-term regulatory agreement with Ofcom regarding DCR. BT gave a series of Commitments and agreed to create a new company, Openreach Limited, **a wholly owned subsidiary within the BT Group**. Openreach people will transfer into the new company, following our executive team who transferred in January. Openreach Limited will develop its strategy taking into account the needs of all our Communication Providers (CP) customers.

### Our Commitments

To make sure we do everything properly, BT has given Ofcom a set of Commitments which cover how Openreach will operate, how we'll work with customers and how we'll work with BT Group.

There's a long list of things we need to do but the main Commitments are:





## Why does this matter?

We want to keep the UK at the forefront of the digital economy. We want to have a network that can deliver what consumers, business and residential, will need over the coming decades. And we want to be truly receptive to the needs and aspirations of all our CP customers.

The new governance arrangements agreed with Ofcom will enable us to do this. We have much greater control over decisions about our business, the products that Openreach offers and that access and backhaul network it operates, so we can better serve our customers and industry. Greater independence and the spirit of the Commitments has been at the heart of the development of Openreach over the past year as can be seen from the way that the Openreach Board, our new brand and the way we interact with Communication Providers and the wider industry. Governance structures have changed and our internal and external communications have helped shaped our culture.

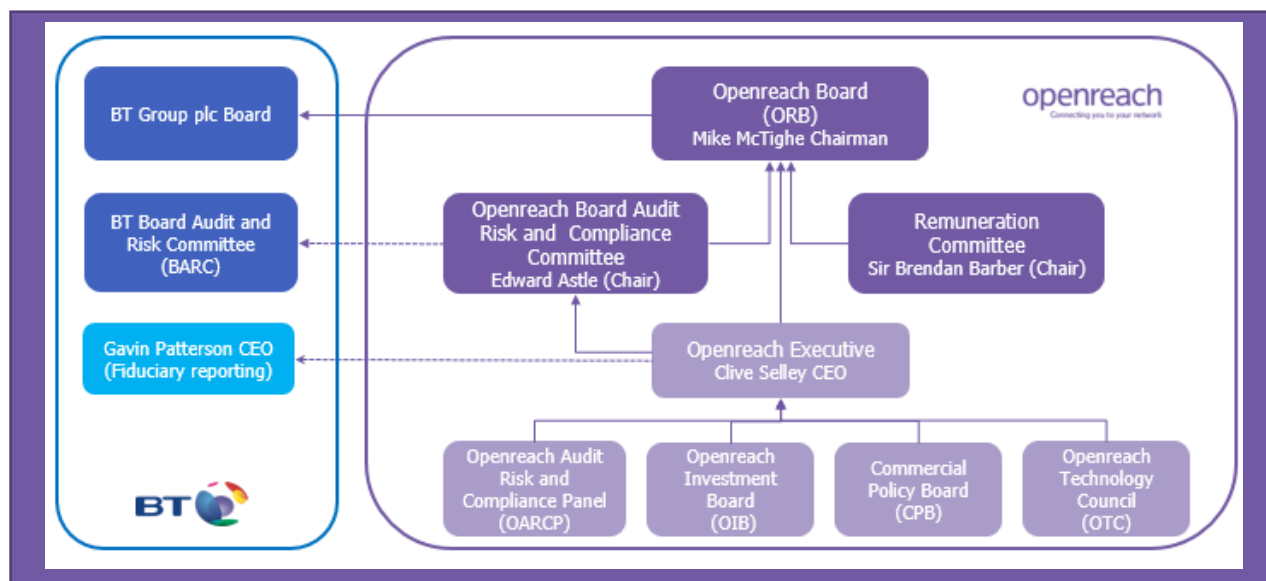
**We believe that we have, and we are, making real and significant progress. As the implementation roadmap below shows, we have a come along way on our journey to independence**





## 🔍 Commitments implementation – strengthened Independence

We have reviewed and changed our governance to align with the Commitments. This gives a very visible sign of how things have changed. Clive Selley, the Openreach CEO now reports to Mike McTighe, the independent Chairman of Openreach. An Openreach Board has been set-up with Board Committees with terms of reference that are commensurate with its status as a wholly-owned subsidiary company.



## 🔍 Openreach Board

The Openreach Board (known as the “ORB”) was set up and brought into operation in January 2017, as soon as was practically possible. On 15 December 2017, the directors were formally appointed as directors of the newly created Openreach Limited Board, to provide a degree of legal independence from BT. The Openreach Board has a majority of independent members and we consulted with Ofcom before confirming their appointments. The Openreach Board has delegated authority to set the strategy and oversee and manage the performance of Openreach on behalf of BT plc in accordance with a Transitional Agreement which was signed by BT plc and Openreach Limited on 15 December 2017. The Transition Agreement establishes the relationship between the two companies and sets out their respective duties and obligations.

As part of its responsibility for the strategy of Openreach, the Board is also entrusted with ensuring that Openreach fulfils its obligation to treat all its customers equally. This key obligation is enshrined in Openreach Limited’s Articles of Association, which means that the directors of Openreach Limited must ensure that Openreach reaches decisions on wholesale supply using criteria which treats all our CP customers equally, following processes which are objective and non-discriminatory, especially with respect to customer consultation, strategy and investment decisions.



## Our Openreach Board members



## We have established two additional Openreach board committees;

🔑 Openreach Board Audit, Risk and Compliance Committee (OBARCC) meets quarterly to ensure we have the right governance in place in Openreach and to review our compliance with the Commitments and the Governance Protocol. The OBARCC is chaired by Edward Astle. Please refer to section 6 of this submission for further detail on the OBARCC.

The Openreach Remuneration Committee (REMCO) was established as a subset of the Openreach Board in order to create greater independence regarding the key remuneration decisions that impact Openreach. The REMCO is chaired by Sir Brendan Barber.



## CEO reporting arrangements

As Openreach CEO, Clive Selley's reporting line is now to Mike McTighe as Openreach Chairman and his accountability is to the Openreach Board. To provide transparency on the nature of the Openreach CEO's secondary accountability to the BT Group plc CEO, the Openreach CEO will provide the Openreach Board and the OBARCC with a monthly summary of the nature and substance of discussions with the BT Group plc CEO in the previous month.

The scope of the information that the BT Group plc CEO will be able to obtain from the Openreach CEO is limited and excludes:

- information provided to Openreach during the confidential phase of the customer consultation process (unless with the consent of the particular CP); and
- details of discussions at the Openreach Board level that refer to the commercial plans and strategies of individual, non-BT CPs.

## Openreach Limited Executive

In advance of the proposed future TUPE of all Openreach people to Openreach Limited, we undertook the first step with the voluntary transfer of the Openreach CEO and his fourteen direct reports. This executive team changed from being employees of BT plc to being employees of Openreach Limited. The transfer was effective from 1 January 2018. The new organisation will allow Openreach Board to set the strategy and have oversight of the performance of the Openreach people.



## The Openreach Limited Executive members

### Our organisation



**Clive Selley**  
Openreach CEO



**Katie Milligan**  
Managing Director -  
Customer,  
Commercial &  
Propositions



**Kevin Murphy**  
Managing director,  
Fibre and Network  
Delivery



**Olly Kunc**  
Managing director  
Service Delivery



**Kim Mears**  
Managing director,  
Strategic  
Infrastructure  
Development



**Andy Whale**  
Chief engineer



**Mark Lam**  
Openreach CIO



**Kevin Brady**  
HR Director



**Matt Davies**  
Chief financial  
officer



**Nigel Cheek**  
Legal, Risk and  
equivalence



**Richard  
Allwood**  
Chief strategy officer



**Mark Shurmer**  
MD, regulatory  
affairs



**Catherine  
Colloms**  
Corporate affairs



**Jon Furmston**  
Commitments  
Monitoring &  
Secretariat




## Delegated Boards

As part of our governance review we updated the Executive Governance of Openreach. The Openreach Executive Management Board now has four delegated boards, as below.

- **Openreach Investment Board (OIB)** – oversees the effective development and delivery of our networks, systems, and products, in order to deliver the Openreach customer requirements in line with Openreach's overall purpose and strategy. It is collectively responsible for ensuring that we serve the needs of all of Openreach's CP customers effectively and deliver strategic priorities (principally delivering superior customer service, transforming our costs and investing for growth) in a cost effective manner in line with the agreed budget.
- **Openreach Commercial Policy Board (CPB)** – authorises Openreach pricing and pricing-related decisions and provides guidance, advice and direction on pricing-related issues.
- **Openreach Technology Council (OTC)** – agrees and sets the infrastructure and systems strategy for, and oversees the effective development and delivery of, our networks, systems and platforms so that we can deliver the products and customer requirements in line with Openreach's overall purpose and strategy.
- **Openreach Audit, Risk and Compliance Panel (OARCP)** - monitoring and operational oversight of audit, risk and compliance activities within Openreach.

## Implementation of the commitments not only entailed Openreach governance changes, there were changes needed by BT on its existing governance boards

Since March 2017 BT has made a number of changes to its governance processes. Some are a direct consequence of the DCR Settlement. Some have been part of the larger review of governance preceding BT's new Chairman taking office on 1 November 2017.

-  **Openreach Business Unit Reviews** - an early change was made to the way that Openreach performance is reviewed by the BT Group CEO. Quarterly Business Reviews still take place, but they are no longer attended by the CEOs of BT's downstream Customer Facing Units (CFUs).
- **Executive Committee (ExCo)** – BT has also, in the course of summer/autumn 2017, undertaken a more fundamental governance review across BT. By a resolution of the BT Group plc Board in September 2017, the BT Group Operating Committee (the OC) was wound up. The ExCo was established as the successor to the OC, with effect from 2 October 2017. The ExCo is chaired by Gavin Patterson, the BT Group CEO, and its members comprising those who were formerly members of the OC. In line with the Commitments and the Undertakings, the Openreach CEO is not a member of ExCo, but attends when there are matters discussed that are relevant to Openreach.
- **BT Investment Board (the BTIB)** - the BTIB is chaired by the BT Group CFO and its members comprising the BT Chief Strategy & Transformation Officer and the BT Chief Technology and Information Officer TSO. Other



representatives are invited to attend meetings as required, dependent on the agenda, note this will not include CFO's from downstream BT CFU. For the avoidance of doubt, representatives may include Clive Selley, Openreach CEO, when matters pertaining to Openreach are discussed and his attendance is appropriate. The BTIB operates by providing recommendations and input to support the BT Group CEO and BT Group CFO with their respective decision-making on CAPEX and OPEX investment matters.

The BTIB operates by providing recommendations and input to support the BT Group Chief Executive and CFO with their respective decision-making on capex and opex investment matters.

### **Openreach is supplied with a number of services from the rest of BT to underpin the running of the Openreach line of business.**

To enable efficient and effective working, Openreach continues to utilise a number of shared business services of from the rest of BT. These services are requested by Openreach and managed in a way that is consistent with the Commitments

The biggest provider of services to Openreach is BT Technology, Services and Operations (BTTSO), who supply IT and network services. The relationship with BTTSO is managed by Openreach's Chief Technology and Information Officer's (CTIO) team. A Memorandum of Agreement between BTTSO and Openreach, which was agreed on 24 May 2017, defines the operating model that BT TSO and Openreach will work to. This includes the principles underpinning the operating model between Openreach and BT TSO; the commissioning and supervision of services and associated incentives; service standards and financial management service reviews; BT TSO people incentives; and organisational and decision making principles. There is also an Openreach Service Schedule with BT TSO which details the Services that shall be provided by BT TSO pursuant to the Schedule Agreement. The Schedule will be reviewed on an annual basis at the Technology Council Board chaired by the Openreach CTIO Director. It is clear that Openreach is responsible for setting its own IT and network strategy.

Openreach also makes use of BT Group Centres of Excellence (CoE) which provide a number of shared business services to all of the BT Group of companies. This allows for best in class services to be provided, maximizing efficiencies and effectiveness. Services provided to Openreach BT Group shared services units include Billing and revenue assurance and off-shore customer service support from Central Business Services. BT Wholesale and Ventures also provide some support services relating to BT Fleet and Supply Chain.

These services are provided in line with our Commitments and all information shared by Openreach is safeguarded by our new Information Sharing Disclosure process (discussed in further detail in section six of this submission).



## 2. Openreach re-brand

### **We're delivering a rebrand ahead of our targets across the UK**

We unveiled our new brand on Tuesday 11 July 2017. This was just four months after BT agreed with Ofcom that Openreach would become a legally separate company.

The rebrand is a visual demonstration to our customers and consumers, that we're committed to delivering the highest standards to everyone.

We wanted it to be a pragmatic step rather than an extravagant re-design because we're determined to focus our investments on improving the network and the service we provide.

One of our biggest brand assets are our vehicles, with a whopping 23,703 of them currently 'in-service'. All new vehicles will feature our updated livery design. We've also developed a process to remove BT elements from our existing fleet, we call this 'scrub and buff'. Again, our focus is on service delivery, so our system coincides with when vehicles are being serviced, meaning engineers are not required to take any additional time off the park than was otherwise planned, so we can get on with the job of connecting people to their networks.

We were not scheduled to start rebranding vehicles until April 2018, but we have started to deliver. As of 31 March 2018, 3,938 (16.61% of the total Openreach fleet) either have the new livery or have had the BT elements of the logo removed. This increases to 4,240 when new and rebranded contractor vans are included. 1,740 (over 50%) of all Openreach vehicles in London are now rebranded. The vehicle rebrand will continue to accelerate across the UK in 2018/19.

Our engineers are also starting to showcase our new brand when they visit people's homes and businesses. Helmets, Gortex jackets and high-viz jackets have all been re-branded, and the high-viz jackets will be delivered to 23,000 engineers the first part of this financial year. As of 31 March all items of corporate clothing which we had in stock and found suitable for rebranding have now been rebranded, this will help accelerate the rollout. In addition to this, all new branded designs for corporate clothing are also signed off (27 separate clothing items in total). The roll-out of all new branded clothing will continue into this year. We've also designed a new identity pass, this is currently being tested and will be available from May 2018.

We've got 28 buildings around the country that we're currently in the process of updating. As at the 31 March 2018, 12 of these reflect the new brand, including recently the Cardiff COE (Stadium House) and Adastral Park. Ipswich (including the FTTP lab). More priority sites are scheduled from April onwards.

In September 2017 we updated our online assets. This also included the launch of our new corporate website. The site has lots more information about who we are and what we do. And for the first time we now have our own media centre, which is where all of our public announcements about Openreach will be published in future.

We're also starting to build up our Openreach Limited inventory too. Specific letterheads and business cards have been produced for the Openreach Limited Executive board.

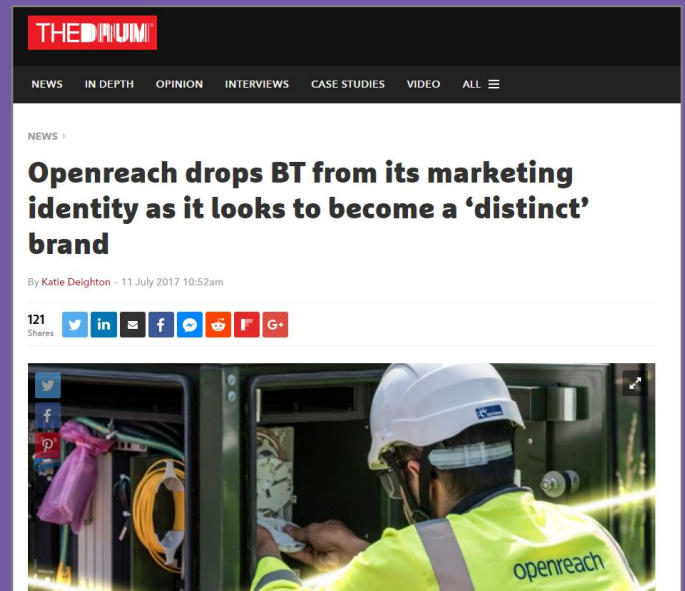
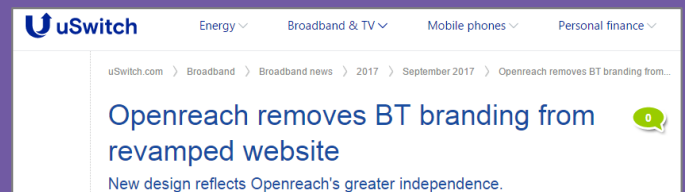


In addition to all of the above we've also delivered, ahead of schedule:

- Our entire workforce's laptop and mobile wallpapers;
- New PowerPoint, Word, report templates and stationery;
- The brand on our billing templates and primary customer systems;
- Over 30,000 employee lanyards;
- The brand on our street equipment and NTEs which will be rolled out.

Of course, a visual re-brand is important but being an independent Openreach is also a mind-set change. And that means changing behaviours, in particular when we introduce ourselves. We're committed to being honest and open, and whenever we do introduce ourselves we say who you are, where we're from and who we're working on behalf of. Our internal communications team have been helping land this change, and as our employees receive new uniforms, they will also be getting new guidelines and information.

## Our new brand in the limelight





## Feedback from our employees



Spot on, simple is best, no flamboyant logos and preaching, everyone knows what we do and do well.



The new image looks great, and will help in educating the public to say that it's an Openreach engineer and not a BT engineer working in their property.



I like it. It's clear, simple and neutral (important to CPs). Nothing major so should be cheaper to implement (more investment where it's needed = network). This is only part of the branding exercise. Our people will be the biggest opportunity and influence as, in my view, this is what our customers will buy into. The results we achieve will do the talking. Not some fancy graphics on a van.

## Rebranding

Rebranding in this instance refers to: Change of logo, Font changes, Banner changes, Iconography changes, Colour changes & re-wording where required to adhere to the policy document signed off by the programme board.

openreach

Description of changes	Delivery date	Status
Rebranding of all Openreach systems which are used by Communication providers (CPs), Suppliers & Customers (except KCI notifications which would require changes to CP systems to consume). These changes include rebranding of the Openreach Portal and associated sites, IVR voice recording, Customer Sat Surveys, Reporting and mobile Applications which require End User sign off.	16 <sup>th</sup> September 2017	Delivered
Rebranding of the homepage Banner on the Openreach Portal and colour changes to comply with new brand guidelines	5 <sup>th</sup> October 2017	Delivered
Rebranding of our finance systems (Atlantis and Bill Maker) which send invoices, TRC's and estimates to CPs – Design, development and test only	18 <sup>th</sup> November 2017	Delivered
Rebranding of our finance systems (Atlantis and Bill Maker) which send invoices, TRC's and estimates to CPs – Test and delivery	22 <sup>nd</sup> January 2018	Delivered
Counterfoil on invoices to be reworded and rebranded plus a change on our BACs file to amend from BT to Openreach	17 <sup>th</sup> March 2018	Delivered
Internal systems rebranding - a few systems have been rebranded at zero cost. Other systems will be rebranded in the next financial year	To complete by March 2019	Early stage of scoping
HR and Payroll changes – Creation of new organisation within our HR and Payroll systems. Includes rebranding of payslips and 'employer' name change from BT to Openreach	Planned completion in July 2018	Early stages of design

**Annex, Document 1 includes images of our new brand**



### 3. Strategic independence

As a consequence of BT taking the various governance and process steps identified above, BT has already enabled Openreach to assume greater responsibility for its own strategy and budget. For the first year, both Openreach and BT have been navigating their way to best implement the practical steps we're taking to become more independent, which gives Openreach greater independence within the BT strategic framework.

A key part of our greater independence is the development of Openreach's AOP and MTP. Openreach sets out its plans and objectives for the coming year in the AOP and its aims for future years in its MTP. In order to develop these, we have engaged proactively with our customers, listening to what they have to say about what they want from Openreach, and seeking to develop our plans to meet their needs. Whilst recognising the financial challenges facing BT, we are being challenging, striving to invest further in the network where it makes business and financial sense to do so. Our plans reflect both the extensive FTTP consultation that we conducted in 2017 and the ongoing interactions with our customers by senior management and operational teams

In terms of the way we do this, we started to develop a Guidance Note (GN5) in Spring 2017 setting out the process to be followed by BT and Openreach in developing the AOP and MTP to ensure that there is a clear understanding of the respective roles of BT and Openreach, respectful of the independence requirements of the DCR Settlement. In practice, there have been complex points of detail that have needed to be considered. Whilst we believe we have managed to achieve a fair and reasonable outcome for Openreach through this planning cycle in line with the intent of the Commitments, we need to now revisit the detailed process documentation using the learning acquired. A copy of the proposed process will be provided to Ofcom once it has been agreed within Openreach.

At the time of writing this report, we are close to finalising our AOP for 2018/19 and our MTP. Our key investment plans have been developed by the Openreach Executive and the Openreach Board. The Openreach Board reviewed our full financial plan in February ahead of it being submitted to BT Group. The Openreach Board will review our full AOP and MTP in April, and a summary of this will be submitted to the BT plc Board after it has been approved by the Openreach Board. Our plans address the needs of all our CPs customers, reflecting both the extensive FTTP consultation that we conducted in 2017 and the ongoing interactions with our CP customers by senior management and operational teams.



## 4. New resources

To ensure that Openreach has both committed and expert capabilities, over the course of 2017, BT has transferred senior resource to strengthen key Openreach functions.

Such transfers from BT Group include – for example:

- 🔑 Openreach's Managing Director of Regulatory Affairs
- 🔑 New Director of Strategy
- 🔑 Board governance expertise to set up the Commitments Monitoring Office (CMO), supporting the Openreach OBARCC
- 🔑 Capability for Openreach to deliver BDUK contracts (management and delivery teams)
- Cost transformation teams from Group.

🔑 In addition technical experts moved from TSO (Chief Technology and Information Officer's team)

Where BT did not have the capability or resource to transfer, Openreach has recruited expertise required.

🔑 Such new hires are:

- New Director of Corporate Affairs
- New Corporate Affairs team

In summary, over 250 positions have been filled within Openreach since March 2017.

### Further recruitment plans for 2018

🔑 We're also recruiting 3,500 engineers to help us deliver Openreach's 'Fibre First' programme, helping us achieve our mission to build the best possible network, with the highest quality service, making sure that everyone in Britain can be connected. A copy of our press release has been included below.



DC18-061

15 March, 2018

## Chancellor welcomes boost to Britain's digital economy with largest recruitment drive in Openreach history

- *First of 12 new national fibre engineering schools opens in Bradford*
- *3,500 new engineers will help deliver ultrafast Fibre to the Premises broadband to three million premises, support evolving mobile networks and improve customer service*
- *Including suppliers, 5,000 new jobs will be created to support of Openreach's network investment plans*

The Chancellor of the Exchequer, Rt Hon Philip Hammond MP, today welcomed news that Openreach, Britain's leading digital network business, will hire 3,500 new trainee engineers over the next 12 months. The largest recruitment drive in the company's history will see recruitment in communities from Penzance, in Cornwall to the Orkney Islands and follows an announcement last month that Openreach will accelerate plans to build more Fibre to the Premises (FTTP) broadband infrastructure across the country.

The new roles will be located throughout Britain, with trainees joining the UK's largest team of telecoms engineers working to expand, upgrade, maintain and install new services over Openreach's national broadband network. Taken together, with an expected expansion in its supply chain, this will support the creation of around 5,000 new jobs in Britain over the coming year.

Openreach's 'Fibre First' programme will deliver expanded FTTP networks in up to 40 towns, cities and boroughs, setting it on a trajectory to reach ten million British premises by the mid-2020s. It has committed to making FTTP available in three million British homes and business by the end of 2020 and, if the conditions are right, intends to go significantly further, bringing the benefits of FTTP technology to the majority of homes and businesses in the UK. The build will commence in eight cities: Birmingham, Bristol, Cardiff, Edinburgh, Leeds, Liverpool, London and Manchester.

**Chancellor of the Exchequer, Philip Hammond** said: "It's great news that Openreach is creating 3,500 new permanent jobs rolling out full fibre broadband. This digital infrastructure will be welcomed by families and business across the country, and these new highly skilled jobs will be a boost to our talented workforce as we build an economy fit for the future."

Speaking ahead of the official opening of Openreach's new training centre in Bradford, one of 12 new regional fibre training centres built to support the rollout, **Clive Selley, Chief Executive of Openreach**, added: "These trainee engineers will be playing a vital role in the future success and prosperity of the UK. Over the last year our 22,200 engineers have been the driving force behind Government reaching its target of making



'superfast' broadband available to more than 95% of the country, whilst also improving our customer service performance - but we want to do more.

"Every day, Openreach engineers are working in all weathers across the length and breadth of Britain, connecting homes and businesses and making sure people can access the high quality broadband services they need. We are already investing in upskilling our engineering team and today's announcement of new jobs underlines our commitment to make our 'Fibre First' programme a reality – future-proofing Britain's broadband network and supporting emerging mobile technologies like 5G.

"I'm confident that our twin investment in people and infrastructure will help the UK achieve the societal and economic benefits that come from better, more reliable, faster broadband services."

Kevin Brady, HR Director, Openreach, said: "We want men and women from all walks of life to apply for roles at Openreach so we're keen to engage with the aspiring engineers of tomorrow and to build a diverse workforce that reflects the hugely diverse communities we serve throughout Britain.

"Becoming an engineer can be an incredibly rewarding career, and we're constantly improving our training and recruitment programmes to make sure we attract and keep the best engineers in the business. This year we've invested heavily in upskilling our people, so they can now do more for customers in a single visit and we recently launched new career pathways to give our engineers a clear sense of the skills, accountabilities and experience they need to get where they want to be.

"We're committed to helping people realise their potential so we're also delighted to be offering 500 work experience placements, under the [Movement to Work](#) programme, to 18-24 year olds who are currently not in education, employment or training."

[Find out more about our Trainee Engineer Scheme.](#)

ENDS

## Notes to editors

### ***Recruitment to support Openreach's 'Fibre First' programme***

- The 3,500 roles include (across Openreach's ten service delivery regions) 400 roles in Scotland; 297 in the North East (inc. Yorkshire & Humber); 283 in the North West; 303 in North Wales & the North Midlands; 444 in East Anglia; 354 in South Wales & the South Midlands; 300 in the South East, 505 in London; 400 in South Central and 214 in the South West.
- Ultrafast broadband is defined as speeds of 100 Megabits per second (Mbps) whilst Superfast broadband is defined as speeds of more than 24Mbps
- FTTP connections can deliver 'ultrafast' broadband speeds of up to 1Gigabit per second (Gbps) – enough to stream 200 HD videos simultaneously.



- Successful applicants in England and Wales who complete 12 months at Openreach will receive a BTEC Level 2 Diploma in Professional Competence for IT & Telecoms Professionals. Scottish joiners will receive a Diploma for IT & Telecommunications Professionals at SCQF Level.
- The new Bradford training school has been meticulously designed to simulate the typical British street, giving new recruits and existing engineers the opportunity to develop and enhance their skills in an authentic; immersive and controlled environment.
- The business is creating 12 such facilities across Britain – with centres in Bradford, Bolton, Cardiff, Croydon, Hertford, Livingston, Nursling, Peterborough, Thornaby and Yarnfield already live, and buildings in Exeter and the Thames Valley opening soon.
- Openreach currently employs 22,200 field engineers and last year hired more than 1,800 new engineers.
- Openreach's UK-wide network is almost 160 million kilometres long - enough to go around the world 4,000 times - and serves more than 30 million British homes and businesses.



## 5. Culture of independence

To build a different culture takes time and a clarity of vision; it requires that all aspects of an organisation align. To help build a culture focused on good service to all we have implemented a comprehensive communications and training plan which underpins our independence. There have been consistent messages throughout the last year, with more specific compliance messages starting to be shared as we move towards working to the Commitments. This is a long-term project.

Our direction was clear from the very start as evidenced by the following message from our CEO, Clive Selley on 10 March 2017

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### *All employee message*

As Gavin shared earlier today, it's great news that BT has now reached a long-term regulatory agreement with Ofcom regarding the Digital Communications Review (DCR). I'm pleased to confirm that Openreach will not be structurally separated from BT. Instead we will create a new company - **Openreach Limited, a wholly owned subsidiary within the BT Group**, and will work to meet Ofcom's requirement by transferring Openreach people into this new company.

I'm delighted that this ends a period of uncertainty for us all - as we now have the regulatory certainty that we need to invest for the future. In the context of the regulatory review, I do believe that this deal is the best possible result for Openreach people, our customers, and the wider industry. This will underpin the success of the UK's digital economy for years to come.

### **Important to note**

We have also agreed essential pre-conditions with Ofcom - that the transfer of people to Openreach Limited will **only** take place once:

- arrangements are in place for people to continue in their pension scheme at the point they transfer to Openreach Limited
- the BT Pension Scheme Trustee has to agree to Openreach Limited participating in the pension scheme
- meaningful consultation is completed with the Unions as part of the legal obligations under TUPE\* - which protects people's existing terms and conditions in a transfer.

\*Transfer of Undertakings (Protection of Employment) Regulations

The Unions have actively contributed to Ofcom's consultation to date and will continue to do so. They have published their own statement this morning and said "We are pleased that the uncertainty for our members in BT and particularly those in Openreach has now come to an end. It's vitally important that our members in the BT Pension Scheme are fully protected and they are able to continue in their pension scheme when they transfer to Openreach Limited. In addition we will be doing all we can, during the TUPE consultation process to ensure that our Openreach members' terms and conditions and job security are fully protected."

### **What will happen next?**

The movement of people to Openreach Limited will not be immediate and we will see little change in the short term. You will see activity over the coming months as we work towards implementing the agreement. This will include:

- an expected period of consultation by Ofcom with industry on the removal of the 2005 undertakings, replacing these with a fresh set of commitments
- enabling Openreach Limited to participate in the BT Pension Scheme: this is complex and we expect this will take some time to work through
- the completion of the consultation with the Unions at the appropriate point and prior to transfer

In the meantime we will continue to implement the changes already made to the governance of Openreach, including the creation of the Openreach Board. We will of course continue to keep you up-to-date over the coming months around our discussions with the BT Pension Scheme trustee and the unions as they progress. I recognise you may already have questions and [you can find some answers here](#).



**Why does this matter?**

These changes give a **greater degree of independence for Openreach** in how we make decisions - and therefore how we better serve our customers and the industry. We will now have more autonomy over our investment decisions which will allow us to continue to innovate and deploy both existing and new network technologies.

Above all, remember please that we in Openreach will continue to be **judged by the service** we provide. Let's stay focused and do what matters most - delivering a better service, broader coverage and faster speeds - giving customers the experience that they want and expect from us.

**Clive**

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## a) Engaging our people with a new independent Openreach – Our communication plan

### Purpose

With any major change, culture and employee engagement is key to successful implementation. We have had two communication plans running, one covering the wider culture piece, focusing on a new more independent Openreach and a more specific compliance plan that covers the specific behaviours needed to meet the Commitments.

From the outset our plan has always been to explain the benefits of independence – creating understanding by giving clear facts, answering people's questions honestly and demonstrating proof points of being independent; thus showing how this will be better for our people, our business and the nation.

### Outcome

In our wider cultural communication plan our ultimate goal is that people feel confident we're doing the right things and feel excited about our future; and that we make sure that people understand what, if anything, they need to do differently as a result of the Commitments. This will mean

- Our people are clear on the facts of what a more independent Openreach means for them personally; and feel that their questions are answered clearly and honestly (directly or via their manager)
- Our people believe that a more independent Openreach will be better for our business and the nation
- Our people feel more involved than previously in making or testing decisions (e.g. brand and workwear)
- Our people feel informed on the progress we're making towards a more independent Openreach
- Our people feel confident that we're doing the right things and feel excited about our future
- Our people feel like we've involved them, listened and responded to the questions and concerns they have around moving to be an employee of Openreach Limited
- Our people understand what, if anything, they need to do differently as a result of the Commitments and our transformation plan
- Our people know where to get help



## 🔍 Audience and approach

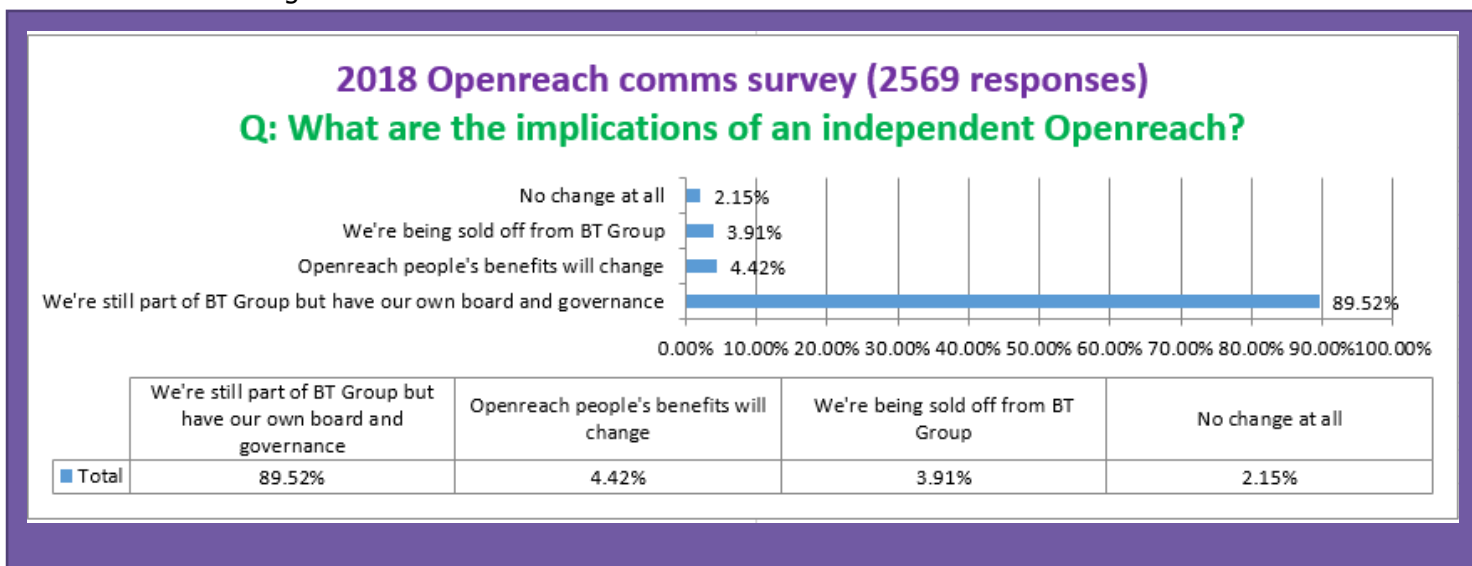
We've been careful to target key audiences in our communications.

The Openreach Senior Management Team (SMT) and people manager audiences are, and will continue to be, an essential part of our strategy. We always keep independence on the agenda of all SMT events and calls, and our all manager webcasts ensuring that our leaders and people managers are informed so they are equipped to answer questions from their team.

We've created a sense of momentum that things are happening by publishing regular update articles in 'The Loop' our twice weekly email news round-up, and more in depth articles in our quarterly printed publication, Openreach News. Just some of the topics that we've run stories on, reaching a pan Openreach audience, has been our rebrand, our new customer consultation process, our new board and governance, what the new Commitments mean, equal treatment, what customers are saying about our new ways of working and your top 10 questions about becoming an employee of Openreach Limited.

## 🔍 Measures

We'll measure the success of the communications and engagement activity by positive movement on a number of questions in our employee engagement survey 'Your Say' which happens twice a year. **Early indicators show we're making good progress.** A recent communications survey (Jan 2018) tested understanding of key messages and when asked what the implications of an independent Openreach are, just under 90% of respondents agreed with the statement 'We're still part of BT Group but have our own board and governance'. This rises to just under 97% for managers.

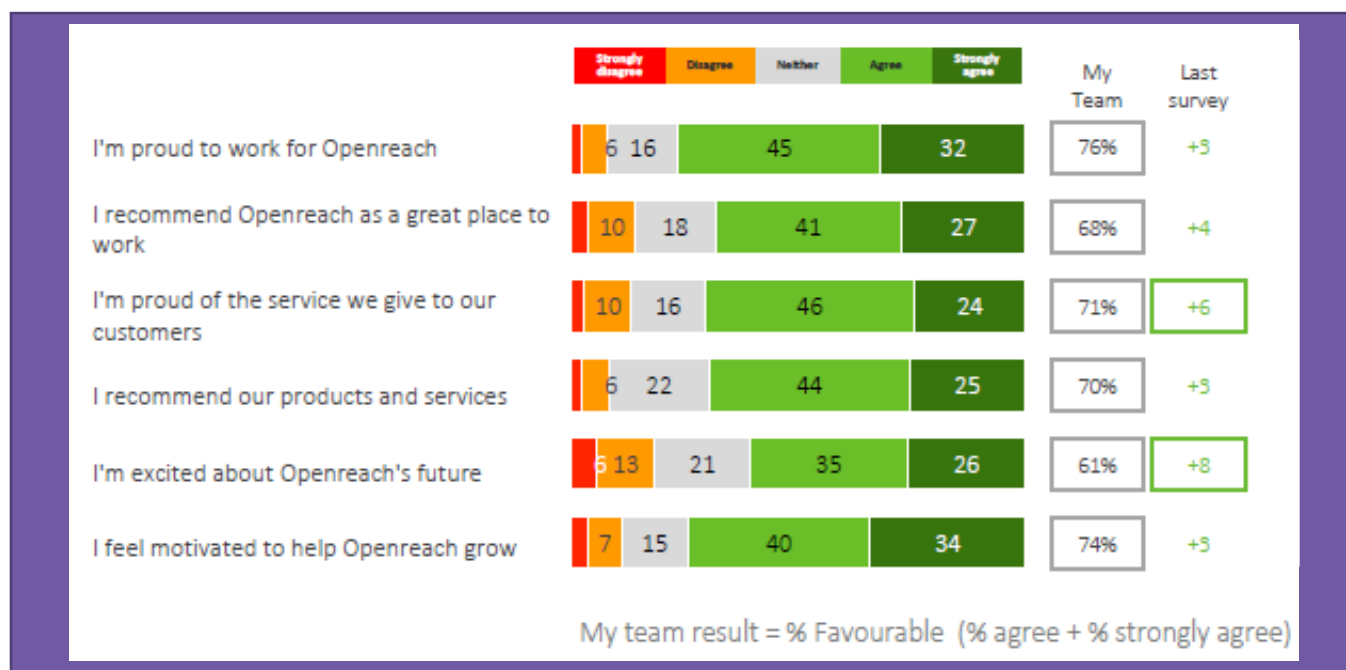


And this is reinforced by the results from the Q4 Your Say survey which have just become available (Feb 2018). Over 27,000 employees completed the survey, with engagement increasing by 10% year on year (our target was 3%).



Key indicators like “I’m excited about Openreach’s future” and “I feel motivated to help Openreach grow” have increased by a significant 15% and 10% respectively year on year. Results below are from the Q4 survey.

### The 6 questions that make up the engagement outcome result



### b) Tone from the top in readiness for the launch of Our Commitments

In readiness for the launch of Our Commitments, Mike McTighe and Gavin Patterson issued DCR protocol communications to the Openreach SMT (circa 110 people) and the BT Senior Leadership Team (circa 120 people). The purpose of the protocols is to provide clarity on the interworking relationship between Openreach and BT Group and; how we see Openreach’s independence being established and maintained in some key areas, whilst balancing BT Group’s fiduciary and other responsibilities with regard to Openreach Limited. While these protocols provide a clear framework for decision making, we recognise that differences of opinion may still arise in practice as it is extraordinarily difficult to legislate for every potential scenario. Our messaging makes clear the importance of issues being resolved in line with the letter and spirit of the Commitments and provides an escalation route for resolution which includes Board to Board dialogue between Mike McTighe as Openreach Board Chairman for Openreach and Gavin Patterson for BT.



## A copy of the DCR protocol message issued as an email from Mike McTighe and Gavin Patterson

**To:** SLT members and Openreach SMT

**From:** Gavin Patterson, Chief Executive, BT Group and Mike McTighe, Chairman, Openreach Limited

**Status:** For information

## DCR protocols – interworking between Openreach and BT Group

We have made significant progress since the DCR settlement was reached just under a year ago.

We have incorporated a new company, Openreach Limited, as a wholly owned subsidiary within the BT Group, to which a majority independent Board was appointed and the Openreach Executive team has transferred. It has a new brand and enhanced capabilities in key areas including: Strategy, Regulatory and Public Affairs. We are now in the process of introducing new information sharing rules around Openreach Customer Confidential and Commercial Information, where the role of BT (as parent company, supplier, or downstream CP customer) to Openreach will require new ways of working.

We committed that the Openreach Board would be responsible for running Openreach Limited and delegated to it the responsibility for setting Openreach's strategy and overseeing its performance on the basis of the terms set out in the DCR settlement. We have already seen this new governance model in action in a number of different ways internally and externally and more recently through the FTTP announcement which followed the first substantive industry consultation carried out by Openreach.

The DCR settlement sought to maintain a careful balance between Openreach strategic and operational independence and remaining part of a consolidated BT Group. As Openreach Limited remains a wholly owned subsidiary of BT Group, we also need to ensure that BT and its Directors are able to exercise their legal, regulatory and fiduciary duties in relation to all parts of the Group, including Openreach.

Given that we are almost a year in, we have been looking closely at how our governance processes are working in practice and how they can best deliver on the letter and spirit of the DCR settlement. That is, that Openreach has greater independence in its decision making and how it serves customers, with equal treatment truly embedded within Openreach as part of its corporate structure and day to day behaviours. The Openreach Board and its role is paramount to the achievement of that fundamental objective.

We have, perhaps inevitably, found differences of interpretation in a number of areas and have agreed [these more detailed protocols](#) to give you greater clarity on how we see Openreach's independence being established and maintained in some key areas, whilst balancing the Group's fiduciary and other responsibilities with regard to Openreach Limited. While these provide a clear framework for decision making, we recognise that differences of opinion may still arise in practice as it is extraordinarily difficult to legislate for every potential scenario.

These protocols are intended to provide clear guidance as to how issues can and should be resolved, through appropriate executive consultation between BT and Openreach in line with the processes agreed in the Commitments.

However, if any matters arise that cannot be resolved at the appropriate executive level within BT Group and Openreach, given the importance of them being resolved in line with the letter and spirit of the Commitments, such matters should be resolved through Board to Board dialogue between Mike as Openreach Board Chairman for Openreach and Gavin for BT.

We are both committed to the enduring success of the DCR settlement and embedding it throughout BT and Openreach. The increased independence in Openreach's decision making will be at the heart of this.

**Gavin Patterson**

**Mike McTighe**



## DCR Protocols call

To further support our Openreach SMT, Nigel Cheek (General Counsel) and Stefanie Norman (Director Business Integrity) held a DCR protocols call to reinforce these key messages and address any queries.

## Living up to our Commitments – launch event

We know, to build a different culture takes time and a clarity of vision; it requires that all aspects of an organisation align. To help achieve this and embed our new independent culture on 15/03/18 we held a live (video) streamed pan BT Living up to our Commitments launch event to build on our organisation's understanding of our Commitments. A panel of experts from BT Group and Openreach (including Mike McTighe) discussed how we all have a personal responsibility to make the Commitments a success and about the behaviours that we need to exhibit. We also worked through some tricky scenarios that we might come across with interaction from the audience via interactive polling questions.

**Full Panel/Presenters:** From Openreach we had Mike McTighe, Stefanie Norman and Jon Furmston (Director Compliance Monitoring Office). From BT Group we had Kevin Lendor (Head of Group Regulatory Compliance), George Ritchie (Manager of the Commitments Assurance Office) and a video message from Gavin Patterson.



**Attendance:** Over 900 people joined the live streamed event. A replay was also shared via the Loop to all Openreach managers.

**Feedback:** We've had fantastic feedback on the event.

- 89% of feedback states the event was very good or good
- 97% stated they felt informed about Our Commitments.

**Verbatim:** "one of the most informative and interesting calls of the year for me. More of this would be great."

## c) Our Compliance Communications Plan

We also have a compliance communication plan which covers the more specific things that people need to do to be compliant such as equal treatment, operation of the AOP/MTP, information disclosure and the customer confidential process. We have also updated our regular compliance communication plan that send out regular messages covering all areas of regulatory compliance.

This has also included the Business Integrity team holding direct engagement sessions with our senior leaders, noting Commitments which are specific to them and evidence required to show effective discharge of these Commitments.



## d) Our Commitments Code of Practice (CCoP)

Our new Openreach Commitments Code of Practice (CCoP) was approved by the OBARCC in November 2017. The CCoP was been created to communicate the changes taking place and clearly articulates the behaviours expected from everyone in Openreach, from field engineers/managers to desk based people. The CCoP also refers to the consequences of wrongdoing and where to get help or raise issues.

We've made the CCoP available to all Openreach people via the independent Openreach intranet site which promotes Our Commitments, and a reference link to the CCoP is also included in the Openreach mandatory Computer Based Training (CBT) '*Living up to Our Commitments*'. We will actively promote the CCoP in Q1 18/19 as we launch our Commitments. We have taken a low-key approach in 17/18 so as not to confuse people with the It Matters Code of Practice which relates to the Undertakings.

**Annex document 2 is a copy of the CCoP**

## e) Internal training

As part of the overall DCR Programme plan, there is a learning and culture work stream which is focused on ensuring our people are fully informed about our new Commitments.

### Computer based training (CBT)

A key element of this is the replacement of the existing *IT Matters*...the BT Undertakings mandatory CBT with a new CBT course entitled *Living Up to Our Commitments*. Separate versions of the training have been designed – one tailored for Openreach and others for the rest of BT.

All of the versions follow a similar structure with a video from Gavin Paterson (BT CEO) positioning the importance of the Commitments, and explanations of the new concepts; treating customers equally; working with Northern Ireland; Information Sharing Agreements (ISAs); Regulatory Compliance Markers for those in 'parent company' and 'supplier' roles and the new Information Sharing Disclosure process. There is a strong emphasis on not just complying with the letter of the Commitments but also behaving in the right way, following the 'spirit' of the agreement. The training also spells out the consequences of wrongdoing and where people can go for help.

Given that there has been excellent tone from the top in communications from Clive Selley and Mike McTighe in Openreach throughout the last year, we decided that a message from Gavin Paterson to kick-off the CBT delivered to both Openreach and BT people to follow the right behaviours, would be very powerful. When we come to refresh the CBT in the coming years, the opening video will be completed by either the Openreach CEO or Openreach Chairman.

The Undertakings sections of the Basic Compliance course for team members, and the Working in Partnership with BT course for partners and higher risk suppliers has also been updated (effective April 2018) to reflect the changes when the Commitments go live.



## Delivery Channel

Once the Commitments come into force, the mandatory CBT training will be phased in and assigned to learners to complete within a 35 days window, all assignees will have completed the course by April 2019. However, we've assigned the course earlier (from February 2018) to all people in high risk roles, to date this has included 569 assignments of which 277 have already completed the CBT and 694 voluntary completions. All high risk people will also receive tailored face to face or WebEx training before the Commitments go live. Initially early completers will be advised to follow the requirements of both the Undertakings and the Commitments as we transition across. The training will be updated, and those affected will be notified when the Undertakings fall away. To avoid confusion, we want to provide a definitive message about the Undertakings in the revised training and we're engaging with Ofcom on our suggestions for how we manage any parallel running of the Undertakings and the Commitments, and the complexities and consequences of a period where we might need to comply with both. It is important that we have clarity of message and that processes re-inforce the new ways of working.

## Target Audience

All managers in the UK and people supporting Openreach overseas are assigned the *Living up to our Commitments* training. Team members will complete a separate module on the Commitments as part of their Basic Compliance mandatory training. And people working on behalf of BT, will be assigned the equivalent training as part of the Working in Partnership course.

## CBT *Living up to Our Commitments* – Spelling out the consequences of wrongdoing

It is important that Openreach people recognize the importance of living up to our Commitments and also the consequences of not doing so. We've included a module titled 'Playing your part'. This section highlights and summarises the importance of Living up to Our Commitments, both in terms of complying with the requirements and behaving in the right way. It also makes reference to consequences of wrongdoing. A copy of this reference has been included below.

*"And if things do go wrong – do not keep quiet and hope no one notices! The response from Ofcom to any potential failures to comply with Our Commitments will depend on the nature and gravity of the breach. Any attempt to cover this up could cause what otherwise would be a minor infringement into a major incident and can lead to disciplinary action that may result in dismissal."*

At the end of the course, learners will be asked to acknowledge a series of statements - this includes acknowledging that they understand disciplinary action could follow if they do not work according to the CCoP. A copy of this reference has been included below.

*"Living Up to Our Commitments - it's better for you, Openreach and our customers. You're accountable for your actions. Following the rules and behaving in the right way will be key to the success of Openreach. Our customers trust us to do the right thing!"*

*Please confirm you sufficiently understand how Our Commitments apply to your role in Openreach and that you will both comply with the requirements and the behaviours expected – disciplinary action can be taken if you do not comply with the Code of Practice, so it is important you do understand this."*



### High risk training

For those people in 'higher risk' roles, the e-learning CBT course is supplemented with bespoke face to face or WebEx training which has been rolled out during Q3 and Q4 2017/18, we will continue to offer wash-up and refresher sessions during Q1 2018/19. Those whose role involves supplying Commercial Information (CI) and Customer Confidential Information (CCI) and 'Significant Information' forms one of the primary audiences for the training.

We've delivered a number of face to face training days to high risk Customer, Commercial & Propositions (CC&P), Corporate Affairs, Legal, Regulatory Affairs, Strategy, Chief Technology Information Office (CTIO), teams and the Openreach Executive and Non-Executive Directors as well as all personal assistants. We've also held a series of WebEx and managed WebEx events for Infrastructure Delivery, Chief Engineer, Comms, CTIO and Finance teams. As a minimum our high risk training always comprises of an overview of the Commitments and the Information Sharing Disclosure Record process, however, at our face to face training days in most instances we have made the training more extensive covering a number of compliance areas and practical issues (in addition to an overview of the Commitments and Info Sharing Disclosure Process). To date we have trained circa 853 individuals from Openreach high risk teams and we'll continue to deliver high risk training throughout Q1 18/19 which will include refresher sessions to earlier attendees. We'll also continue to embed and promote a culture of learning and training via our culture and communications plan.



### We've received positive feedback from our face to face knowledge days

**We asked:** Do you now feel better informed about Business Integrity, Compliance and Living up to Our Commitments?

**Response options:** Yes, No

**Response:** 100% said Yes

### A few quotes from our attendees

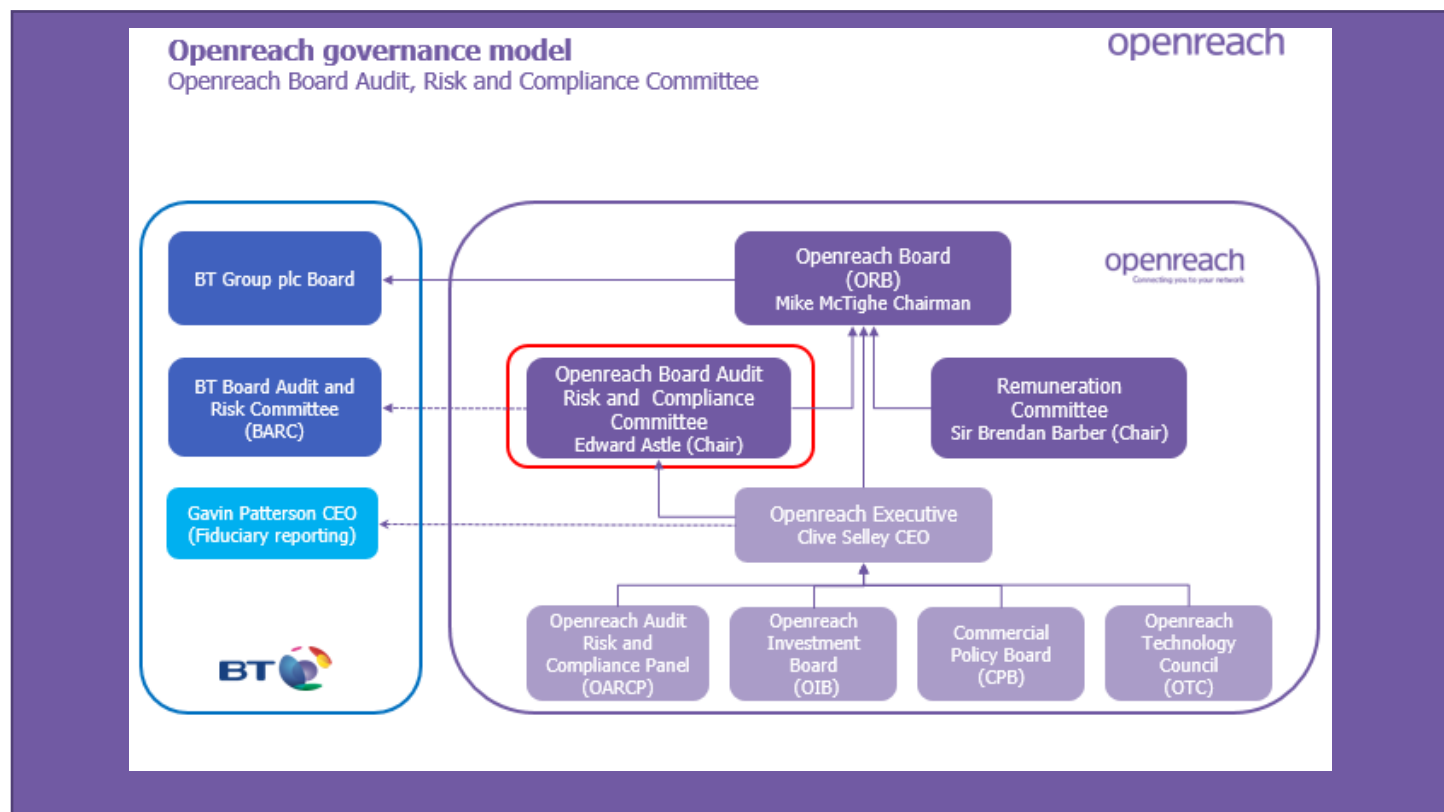




## 6. Compliance and oversight

The OBARCC was set up in March 2017 and has met six times, with the next meeting scheduled for the end of April 2018. The OBARCC consists of three independent Non-Executive Directors (NEDS) and the Openreach Chairman. The members are Edward Astle (Chair and EAB member), Sir Brendan Barber, Liz Benison and Mike McTighe.

### OBARCC and the Openreach governance model





The OBARCC has the role of

- a) ensuring corporate governance is working effectively in Openreach; and;
- b) reviewing Openreach compliance with the Commitments and the Governance Protocol as set out in Section 7 of the Governance Protocol dated 9 March 2017.

The OBARCC has responsibility to:

- Review the content of the CCoP for Openreach Employees;
- Review alleged breaches by Openreach Limited and/or the Openreach Division of the Commitments and the Governance Protocol and determine in each case whether a breach has occurred and whether it is trivial or non-trivial;
- Review complaints relating to the compliance of Openreach Limited and/or the Openreach Division with the Commitments and the Governance Protocol including those made by: (i) employees of BT plc or Openreach Employees to BT's confidential helpline and access routes established for general purposes; (ii) Openreach's customers; and/or (iii) Ofcom, and determine in each case whether a breach has occurred and whether it is trivial or non-trivial;
- Report back to complainants regarding the outcome of their complaints including whether the OBARCC considers that a breach by Openreach Limited and/or the Openreach Division of the Commitments or the Governance Protocol has taken place;
- Report regularly to the Openreach Board on the compliance by Openreach Limited and/or the Openreach Division with the Commitments and the Governance Protocol including details of breaches and complaints. These reports will be included in the minutes of the relevant Openreach Board meeting;
- Conduct an annual review of the compliance of Openreach Limited and/or the Openreach Division with the Commitments and the Governance Protocol and its handling of customer complaints and representations, approve and provide to Ofcom a detailed report (the Openreach Report) on the OBARCC's findings, and publish annually a summary of the Openreach Report; and
- Carry out any other functions specified as being within the remit of the OBARCC in the Commitments.

## Breach review and reporting

We are required to inform the OBARCC if we identify a breach of the Commitments or the Governance Protocol; and the OBARCC is required to inform Ofcom if it decides that there has been breach of the Commitments or the Governance Protocol by Openreach. The OBARCC may, of its own initiative, request support in reviewing aspects of the Openreach Division's compliance with the Commitments and the Governance Protocol, and suggest to the Openreach Board remedial action to ensure its compliance with the Commitments and the Governance Protocol.

Until the Commitments and Governance Protocol are fully implemented, the Equality of Access Board (EAB) has responsibility for monitoring compliance with the Undertakings on behalf of the OBARCC. This responsibility will pass to the OBARCC once the EAB has been stood down at the end of May 2018.



## **Terms of Reference (ToR) for the OBARCC**

The OBARCC has been very active in its roles. It regularly asks members of the Openreach Executive to present the major risks and mitigating actions to it and has asked for a Commitments compliance dashboard to be developed as well as a wider compliance dashboard covering other areas of compliance. The OBARCC has also commissioned an external review of risk and compliance activity to ensure that Openreach's approach is best in class. The OBARCC asked the Openreach Executive to implement the recommendations made and a plan is currently being put together to do this.

## **Commitments Monitoring Office (CMO)**

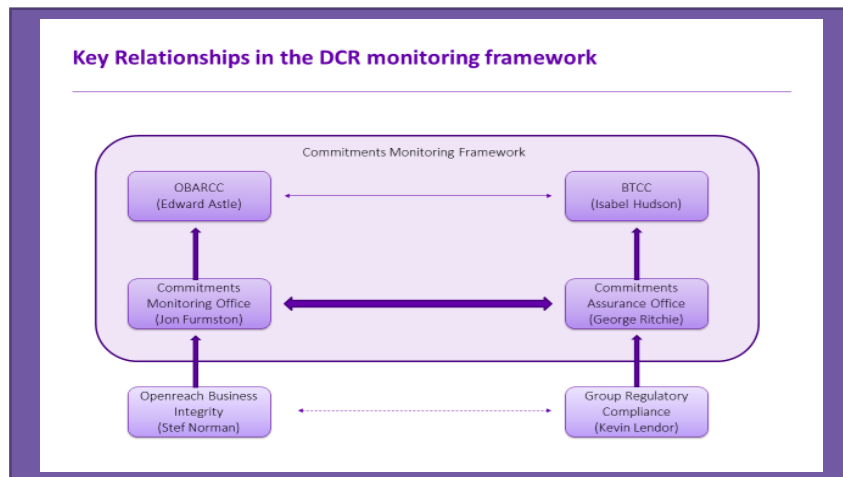
The OBARCC is supported by the Commitments Monitoring Office (CMO), which monitors Openreach compliance with the Commitments and Governance Protocol (GP) and reports to the OBARCC and Ofcom's Openreach Monitoring Unit. The CMO, which is comprised of members of the Equality of Access Office (EAO), was established in July 2017. The CMO and EAO will continue to run in parallel during the transition from the Undertakings to the Commitments. The CMO operates using well-established monitoring processes which are similar to those developed and used by the Equality of Access Office (EAO) to support the EAB.

These activities include:

- Monitoring and reporting on Openreach's compliance with the Commitments;
- Monitoring behaviours and culture;
- Dealing with formal and informal complaints from CPs into Commitments compliance;
- Conducting breach investigations;
- Monitoring compliance BT Northern Ireland Networks (jointly with the CAO);
- Supporting the Openreach Board, OBARCC and other Openreach committees;
- Conducting an annual review of compliance with the Commitments in Openreach;
- Monitoring the Openreach Statement of Requirements (SoR) process;
- Reviewing Product Key Performance Indicators (KPIs);
- Maintaining engagement with Ofcom's OMU; and
- Engaging with key stakeholders including the OTA2, industry bodies such as the Federation of Communication Services (FCS) and the Telecoms Stakeholder Forum in Northern Ireland.



The CMO sits within an overall monitoring framework that includes the OBARCC, the BT Compliance Committee (BTCC) and the BT Commitments Assurance Office (CAO). The overall framework is shown below.



The CMO has its own code of conduct, which sets out the values and behaviours expected of its members. Most importantly, the code of conduct requires their analysis and judgements to be made on the basis of factual evidence which is independent of the influence of Openreach, BT, Ofcom and other CPs.

## CMO Reporting to the OMU

The CMO interacts regularly with the OMU and a joint Memorandum of Understanding (MOU) was agreed in December 2017 which describes their working arrangements. The CMO has developed a Commitments compliance dashboard which has been shared regularly with the OMU since October 2017.



## **Communication Provider Complaints**

The OBARCC operate two processes for handling complaints:

- A formal industry complaints process; and
- An informal industry complaints process (known as the Quick Check process).

The formal industry complaints process encompasses the existing EAB overarching process and the underlying EAO investigations process.

The existing EAB complaint handling process (formal and informal) will be mirrored under the CMO, with no material changes, once Ofcom has released BT from the undertakings

## **Business Integrity Team - Second Line of Defence**

The CMO provides the OBARCC with an independent third line of defence in relation to compliance with Our Commitments. The second line is provided by the Business Integrity (BI) team that sits within the Legal, Risk and Equivalence team. The BI team are responsible for making sure that Openreach teams understand their Commitments obligations and have controls and assurance in place to be able to demonstrate compliance. During the year, the size of the team has been increased.

The BI team has built a compliance plan and identified key operational owners for individual obligations. In March 2018 the team reviewed the plan with each Openreach Executive member who will be responsible for confirming that the appropriate controls are in place. This will form the basis for the ongoing compliance plan.

One of the key areas of process change is in relation to information sharing. The BI team has worked closely with BT Group Regulatory compliance to develop an information sharing and disclosure process. The process seeks to give control and transparency to information shared with the rest of BT in an efficient way and meet our Commitment to disclose any significant information shared with BT. To manage this, a series of Information Sharing Agreements (ISAs) have been drafted that set out information that can be shared with teams in BT who supply services to Openreach or where information is required in a parent company capacity.

BT Regulatory Compliance, in consultation with the BI team, has developed a disclosure portal and a Regulatory Compliance Marker that will be visible on the BT Directory to indicate where an individual is either a supplier or parent company. User Access controls will be updated to ensure that system access is compliant.

This has been a major piece of work and will be fully operational from 9 April 2018.

The BI team has also reviewed a number of other processes, to make sure that we comply with our compliance obligations. For example, following a review by the CMO, we updated the building access process for the Openreach Headquarters in Judd St.



The BI team also manages and reviews any compliance queries or issues raised by our employees. If our employees have any compliance concerns, in the first instance they are advised to raise them with their line manager, or contact the BI team, alternatively, if they prefer they can use the confidential Speak Up line.

### **Speak Up – confidential employee helpline**

Openreach uses the generic BT Group confidential hotline, 'Speak Up'. The Speak Up hotline is for reporting unethical or non-compliant behaviours in the workplace such as bribery, corrupt behaviour or non-compliance with regulations such as the Undertakings (Commitments when they come into force) or competition law. It can also be used to report criminal activity and financial irregularities or inappropriate behaviour such as sexual harassment or bullying.

Aligned with industry best practice, Speak Up is managed by an external company, NAVEX Global, to ensure confidentiality. Details of any Openreach person raising a query to the Speak Up line are kept confidential.

#### **The process**



**Investigation** - Openreach cases are passed to a specified manager in the Openreach Business Integrity team who shares and agrees with Group Compliance the best way to conduct the investigation. Specialist managers will be asked for information without sharing any confidential details of the case in question.

- These may be regulatory compliance managers who would investigate. If there is potentially a breach of the Undertakings (Commitments when they come into force). The case would become a breach investigation, whilst taking care to preserve the confidential data of the Speak Up reporter if this is known. If a breach of the Undertakings/Commitments is established this would then follow our breach reporting process resulting in notification to the OBARCC and Ofcom.
- The case may also be investigated as an ethical, behavioural, performance or anti-corruption case and in these instances would be investigated usually by the receiving Openreach manager or passed to HR.



An assessment on the investigation findings and the collated data is carried out between the Openreach manager and the Group Compliance manager. Any follow-up actions are agreed, depending on whether the case is found to be substantiated, or unsubstantiated, and whether it requires guidelines or other communications to be issued.



## 7. Equal treatment of customers

We recognise the importance of ensuring that the new equal treatment principle is properly embedded, so that all CPs have full confidence that Openreach is striving to respond promptly and effectively to meet their needs, is engaging with them fully and fairly on potential major strategic network investment decisions and will engage with them constructively on potential co-investment and other new commercial models.

The training being given to our people is designed to ensure a culture that will deliver the right behaviours. We have produced a Guidance Note explaining the difference between EOI and Equal Treatment, and the meaning, scope and reach of the Equal Treatment concept. We include a summary of this in our training to the high risk groups.

The introduction of our new confidential phase of our customer consultation process will be the key starting point – providing Openreach’s CP customers with the ability to engage with Openreach in confidential discussions about potential opportunities.

Our equal treatment Commitment applies to both Openreach’s SMP and non-SMP products.

### Formal consultation processes

We have begun to implement our DCR commitment to consult with CPs on significant change. This includes the option of a confidential phase for CPs to discuss significant investments with Openreach. Already this year we have consulted on Large **Scale FTTP deployment, LR-VDSL and OSA filter connect** demonstrating our commitment to this important process.

In addition, in May 2017 Openreach consulted with CPs on our overall consultation process. This closed in July 2017. We went further than the formal sessions and set up a series of follow on workshops with our CPs to discuss their responses in more depth, allowing us to truly understand their views on how we need to work together to deliver key projects – including any potential co-investment models. We have employed new internal processes as a result.

### Industry engagement / relations

As part of our commitment to engaging better with our CPs we have made some significant internal changes to enable success; restructuring our customer account management function to strengthen our customer relationships and working with CPs to develop propositions that meet industry needs. We engage with our customers through a number of key communication channels. We have increased access to the Openreach senior and executive teams in a number of key areas such as our engagement with Digital Infrastructure stakeholders such as Federation of Communication Services (FCS) and the Broadband Stakeholder Group. In October last year Openreach became a member of ISPA – the Trade Association for providers of internet services. We have increased our attendance at key industry meetings such as the Service Forum and continued to give CPs the chance to question our CEO and Executive team at least once every quarter.



Outside of industry channels we have also increased access to and engagement with our senior and executive teams with a raft of strategic stakeholders, including City Mayors and Council Leaders – in relation to our plans for our Fibre Cities programme, regular meetings with influential third parties such as the Institute of Directors, Country Land and Business Association (CLA), National Farmers Union, Federation of Small Businesses and the CBI.

We've also joined industry bodies like the Internet Services Providers' Association (ISPA), the UK's Trade Association for providers of internet services. We're using our membership to collaborate directly with our customers and the wider internet community.

We have also significantly stepped up the level of political engagement and access to the Openreach executive and senior leadership team – with the establishment of regular meetings with strategic stakeholders, including Cabinet members – Chancellor of the Exchequer Philip Hammond, Director General for Digital and Media Policy Matthew Gould, Secretary of State for Digital, Culture, Media and Sport Matt Hancock and Secretary of State for Communities and Local Government Sajid Javid.

As part of this process, Openreach has set up its own case handling team to deal with issues sent in by MPs, MSPs and AMs. They handle on average 60-70 cases a week.

As an example of this increased level of openness and engagement, more than 160 emails were sent to our political audience to inform them of our Fibre Cities announcement. Mayors and councils were given forewarning of this announcement with either a letter ahead of the announcement or a phone call. All received an email on the day alongside other elected politicians and third parties.

## Statement of Requirements Process (SoRs)

The OBARCC with support for the CMO reviewed our SoRs and has confirmed that the process is working equivalently. Our aim is to continue to improve, moving beyond simply meeting metrics, to create a fully inclusive process that improves quality, transparency and timeliness of the way we manage industry requests. We have implemented the following improvements to the process:

- Refreshing the SoR process to make it clearer with regard to timescales and transparency;
- Introducing an SoR assessment board to ensure that there is consistency in the handling of SoRs and that SoRs are progressed and decisions made within a timely manner;
- Creating a 'programme office' to oversee SoR management;
- Establishing a formal escalation path for CPs;
- We are seeking to implement improvements to the SoR tool to make it more user-friendly and to better align it with the updated SoR process;
- Ensuring that there is earlier CP involvement in new product development and
- Better management of trials, including improving governance and updating the standard policies and procedures



## CP satisfaction

We have refreshed our CP relationship survey to help us track more consistently how our CPs feel about the experience they receive from Openreach.

Current perception using the Net Promoter Score (NPS) logic is negative and has remained relatively flat across both Copper and Ethernet. Anecdotally, most CPs recognise our improvements in service levels through discussions with our account and service leads, but we have not seen this filter through into the metrics.

A new **Customer Satisfaction Steering Group** was set up in January 2018 to oversee the delivery of appropriate and timely actions.

## Customer Consultation Process

In summary, our Customer Consultation Process broadly consist of three phases:

- **The Confidential Phase:** During the Confidential Phase, information concerning the request will remain totally confidential to Openreach, unless CP consent has been obtained
- **The Public Phase:** Informing industry of the Request and engaging in consultation with industry in relation to the Request
- **The Committed Phase:** Deploying the network or launching the product to market as the in the Openreach Concept to Market (C2M) process

*The Customer Consultation Process is monitored and overseen by the OBARCC and as set out in the Commitments, all CPs will be treated equally throughout the Process.*

Openreach and the Office of the Telecommunications Adjudicator 2 (OTA2) have consulted with industry on the Customer Confidential Process holding a number of workshops in Q3 and Q4 2017/18. A guidance document for CPs explaining how the Confidential Phase of the Customer Consultation Process works was published in April 2018. We have briefed teams across Openreach on how this process works and their role within the process.

Summary version of the Guidance Note 3 on Equivalence of Input and Equal Treatment has been included in the report

## **Annex, Document 3 Non Confidential DCR Guidance Note 3. Equivalence of Input & Equal Treatment of Openreach customers**



## 8. Pulling together

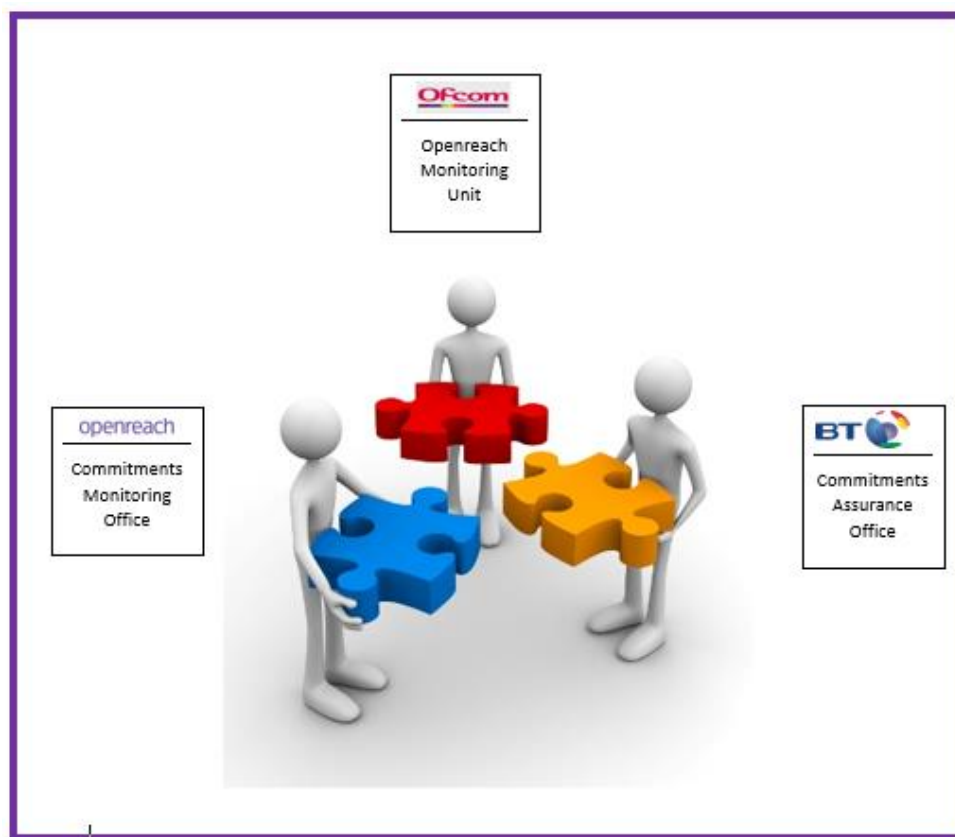
Implementation of the DCR Settlement has involved not just changing what we do, and how people think and behave, but also the way we communicate and the language and terminology we use.

We're keen that all interested stakeholders develop a clear understanding of how the DCR Settlement should work. In this regard, we believe that there are a number of ways in which Ofcom can help BT and us, by adopting consistent language and ways of working. In particular, we have identified three areas where we believe that Ofcom can help us to maintain clear, consistent messages.

These are:

- Communications: Being clear in external communications that refer to "BT", which parts of our organisation the communications relate to – in particular using both 'BT', 'Openreach' and 'Openreach Limited' correctly (and certainly NOT referring to "BT Openreach");
- Contact: Respecting the differing roles and responsibilities of people in BT and Openreach – for example sending information requests sent to BT and Openreach which are within the remit of each of them respectively; and
- Culture: Helping us by embedding these messages in training or communication of the new arrangements to Ofcom people.

We are keen that we work together to do everything we can to ensure the DCR settlement succeeds, and so, if Ofcom wishes, we would be happy to discuss these suggestions with Ofcom.





## DCR Guidance Note 3.

### Equivalence of Input & Equal Treatment of Openreach customers

#### Summary

##### Eol (Equivalence of Inputs) is:

- An obligation that can be applied as a regulatory remedy by Ofcom in respect of products supplied in markets where BT has significant market power (**SMP**);
- An obligation requiring that the same product is supplied to all Communications Providers (including BT) on the same timescales, terms and conditions (including price and service levels) by means of the same systems and processes, and including the provision to all Communications Providers (including BT) of the same Commercial Information about such products, services, systems and processes;
- Currently applied more widely pursuant to the Undertakings as Openreach has the obligation (with only limited exceptions) to supply **all of its products on an Eol basis**. Once the Undertakings are withdrawn, this additional obligation will no longer apply but Eol obligations will continue for specific SMP products.

##### Equal Treatment:

- Is a new concept introduced in the Commitments whereby Openreach will **treat all customers equally in the exercise of its functions**. It is different to Eol and it applies to the activities of the Openreach Division generally (not just where SMP is present). It is therefore much broader than Eol, i.e. it goes beyond providing the same products on the same timescales, terms and conditions, by means of the same systems and processes, and providing the same Commercial Information about such products, services, systems and processes.

**The meaning of Equal Treatment:** treating all customers equally means acting in ways that would be regarded as giving all customers fair and equal treatment having regard to their circumstances and taking proper account of their interests and not unduly favouring any one of them. In particular, Openreach must *reach decisions on wholesale supply using criteria that treat all customers equally*. Note that whilst this means that Openreach applies the same criteria and uses objective and non-discriminatory processes in its dealings with all its customers, it does not necessarily guarantee the same outcome.

**The scope of Equal Treatment:** it applies to everything that Openreach does that could impact on its customers and the services they buy (or would like to buy) and the Openreach network over which such services are provided. This includes consultations with customers, taking strategic and investment decisions, developing the AOP and MTP.

**The reach of Equal Treatment:** the commitment applies to both Openreach's SMP and non-SMP products: even though Openreach may not have to supply them on an Eol basis once the Undertakings are withdrawn, it must still treat customers equally in relation to the design, build and supply of them;

**In short,** Equal Treatment needs to be at the heart of Openreach thinking about all of its business.

- Equal Treatment requires that Openreach should treat, and in practice be seen to treat, all of its customers in a straightforward, honest, fair and transparent manner. No customer should ever be unfairly treated or unduly favoured and all customers should have an appropriate opportunity to engage with Openreach. But Equal Treatment does not mean that all customers must always be treated identically. Customers may be of different size or have different requirements of Openreach.

**Note:** In relation to both Eol and Equal Treatment, **there are exceptions** to the general positions set out above. The Openreach and Group Legal and Regulatory teams can provide further guidance on these.