

Corporate governance report

We're committed to delivering on our ambition to be the world's most trusted connector of people, devices and machines. We're focused on growing sustainable value for our stakeholders and the communities we operate in, through effective Board leadership, strong corporate governance and building the strongest foundations.

Compliance with the 2018 UK Corporate Governance Code (the Code)

In respect of the year ended 31 March 2023, BT Group plc was subject to the Code, which was published by the Financial Reporting Council (FRC) in July 2018 (available at frc.org.uk). BT Group has applied all the principles and complied with all the provisions of the Code throughout the year:

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*Further details on the split of responsibilities of the Board can be found on our website bt.com/governance

Chairman's governance letter



Corporate Governance has always been given prominence across the BT Group. Promoting fairness, openness and transparency in its responsibilities to stakeholders and generating long-term, sustainable success has been, and will continue to be, the Board's primary objective.

The governance section of this Annual Report sets out our approach to facilitate effective governance and how it supports our strategy, and the decisions we have made, whilst considering the interests of our stakeholders and our contribution to society.

Simplification

BT Group is a complex group of businesses that operate in many different markets, and they are all on simplification journeys. In order to ensure that those journeys are smooth, we've sought to explore all avenues to simplify the way the group is governed and operated. That applies in the business units themselves but also with the way the Board and committees oversee and input into those activities.

During the year, we reviewed various aspects of the Board and committees' processes, including looking at the constitution, frequency and responsibilities of the committees. As a result, we've made a few changes in pursuance of efficiency and we've made important changes to refresh the responsibilities of the committees. In particular, the Board agreed to increase the responsibilities of the *Digital Impact & Sustainability Committee* to cover the full breadth of initiatives that are discussed and reported in our Manifesto. For example, that means bringing into the scope of that Committee issues such as modern slavery in the supply chain. To recognise this change we've decided to move to a simpler, more holistic Committee name: the *Responsible Business Committee*.

As discussed elsewhere in the Annual Report (including in our section 172 statement on [page 94](#)), we also took the decision to combine our Enterprise and Global units into a single B2B unit, Business. A key advantage of the combined business will be to enable simpler and more efficient governance and consistent decision-making processes, increasing the agility of the business and removing the potential for different approaches across two separate B2B units.

Board changes

At the conclusion of the 2023 AGM, Iain Conn will be stepping down after serving on the Board for nine years, and Ian Cheshire will be stepping down from the Board following an increase in other non-executive responsibilities. Iain and Ian have been distinguished members of the Board and the committees they serve. On behalf of the Board, I would like to thank both for their wisdom and the valuable contributions they made to the Board.

//

We have and will continue to ensure that our governance processes and capabilities support and complement the changes across the wider group, focusing on simplified and efficient delivery of oversight and decision making that leverages a truly diverse set of skills and viewpoints.

In the comprehensive review of the Board's composition we undertook last year, we recognised that we needed to enhance the Board's technology and digital capabilities given the group's focus on digital and legacy platform transformation. We also recognised that we'd cease to enjoy the benefit of Iain and Ian's skills following the 2023 AGM. We therefore focused the search for individuals with digital and technology capabilities, transformation experience, those who have had a focus on managing cultural and people agendas, infrastructure and industrials expertise and familiarity with UK corporate governance and market dynamics. This led to us appointing Steven Guggenheimer and Maggie Chan Jones on 1 October 2022 and 1 March 2023 respectively, and Ruth Cairnie on 6 April 2023. From the conclusion of the 2023 AGM, Ruth will succeed Iain as the Senior Independent Non-Executive Director and Ian as Chair of the *Remuneration Committee*.

Diversity and inclusion

We continue to commit to the development of a diverse and inclusive organisation. Our aim is for our workforce to be truly representative of all sections of society, and against discrimination of our customers or the public. We're making good progress in our ethnic minority representation, with notable gains against the diversity targets set in our Manifesto launched in 2021. We continue to encourage inclusivity inside and outside our business. This year, we launched 'Hope United – Not Her Problem' to challenge sexism in the workplace. To support our development of a more inclusive digital landscape to drive productivity, innovation and growth for our business and for the UK, a new and rich ecosystem of partners was created to help us expand our reach into the community to create awareness, invest in and open up opportunities for the talent pool for the future.

The Board's diversity targets are set out in our Board Diversity and Inclusion Policy. As at 31 March 2023, our Board comprised 33% female directors, two directors from an ethnic minority background, and one who has a disability. The Board is cognisant that the female membership of the Board is currently below our Board Diversity and Inclusion Policy of 40%. However, taking into consideration the changes at the 2023 AGM, the percentage of female membership on the Board will stand at 45%.

These new appointments were carefully selected to complement the existing skills on the Board, and means we have the right diversity of viewpoints, skills and experience to support our continued transformation and strategic journey.

Adam Crozier

Chairman
17 May 2023

Our governance framework

The Board

Responsible for the stewardship of the group, overseeing its conduct and affairs to deliver on our strategic objectives and creating long-term success to generate sustainable value for our shareholders and the interests of other stakeholders. The Board has established certain committees to assist it in discharging its responsibilities and delegates day-to-day responsibilities to the Chief Executive.

📄 [Board leadership and company purpose on pages 88 to 91](#)

Audit & Risk Committee

Oversees, assesses and reviews our financial and narrative reporting, internal controls and risk management. This includes internal and external audit and pan-BT finance, control and compliance-related transformation programmes.

📄 [Audit & Risk Committee Chair's report on pages 101 to 105](#)

Nominations Committee

Considers the structure, size and composition of the Board and its committees and advises on succession planning for the Board and the *Executive Committee*. It ensures the Board is diverse, with the appropriate balance of skills, experience, independence and knowledge.

📄 [Nominations Committee Chair's report on pages 98 to 100](#)

Remuneration Committee

Agrees the remuneration framework for the Chairman, Executive Directors and certain senior executives and monitors remuneration practices and policies for the wider workforce.

📄 [Remuneration Committee Chair's letter and Report on directors' remuneration on pages 108 to 130](#)

BT Compliance Committee

Oversees our adherence to the Commitments we made as part of the 2017 Digital Communications Review (DCR) with Ofcom and adherence to consumer fairness principles.

📄 [BT Compliance Committee Chair's report on page 106](#)

Digital Impact & Sustainability Committee

Provides oversight and direction to bring the Manifesto to life through our digital impact and sustainability strategy.

On 6 April 2023, the Committee's name changed to the *Responsible Business Committee*.

📄 [Digital Impact & Sustainability Committee Chair's report on page 107](#)

Colleague Board

Discusses and provides advisory feedback on key proposals and initiatives impacting our colleagues and flags any hot topic areas raised by them. Our Designated Non-Executive Director for workforce engagement reports back to the Board on its activities.

📄 [Colleague Board on pages 92 and 93](#)

National Security and Investigatory Powers Committee

Oversees our role in the use of official investigatory powers.

Chief Executive

Responsible for running the business and setting and executing the group strategy.

BT Investment Sub-Committee

Provides input and recommendations that support the Chief Executive's decision making on investment cases and budgets.

Executive Committee

Assists the Chief Executive to develop and execute the group strategy and budget, and monitors overall performance and how we're managing risks.

Disclosure Sub-Committee

Ensures BT Group meets its disclosure obligations and reviews and approves regulatory and other announcements before publication.










📄 [Matters reserved to the Board and its committees' terms of reference can be found on our website at \[bt.com/governance\]\(https://www.bt.com/governance\)](#)

Each Committee Chair formally reports to the Board following their meetings and makes any recommendation to the Board in line with that committee's terms of reference. Papers and minutes are circulated to all Board and committee members as appropriate, other than to those with a potential conflict of interest. Deutsche Telekom's nominated representative owes a fiduciary duty to both BT Group and Deutsche Telekom. The *Conflicted Matters Committee* reviews all papers ahead of sharing these with him to identify potential or actual conflicts of interest.

Board of directors

and division of responsibilities

Membership key

-  Committee Chair
-  Audit & Risk Committee
-  BT Compliance Committee
-  Colleague Board
-  Digital Impact & Sustainability Committee
-  Executive Committee
-  National Security and Investigatory Powers Committee
-  Nominations Committee
-  Remuneration Committee

Our directors share collective responsibility for the activities of the Board. There is a clear division of responsibilities between the Chairman and the Chief Executive as required under the Code. The responsibilities of the Chairman, Chief Executive, Chief Financial Officer and Senior Independent Director and other key roles within BT Group, along with the matters reserved to the Board, are set out on our website at

 bt.com/governance



Adam Crozier
Chairman

Appointed Chairman December 2021 and to the Board and as Chairman designate in November 2021.
Age: 59

Experience

Adam was previously Chairman of ASOS, Stage Entertainment BV and Vue International Cinema Group, and a Non-Executive Director of Sony Corporation. He has over 20 years' experience as a CEO across four different industries, most recently as the CEO of ITV from 2010 to 2017. Before joining ITV, Adam was Chief Executive of Royal Mail, where over seven years he led its modernisation and transformation. Before Royal Mail he was CEO of the Football Association between 2000 and 2002 and joint CEO of Saatchi & Saatchi from 1995 to 2000.

Relevant skills and contribution to the Board

Significant experience in leading public company boards, developing teams and managing stakeholders and brings a strong transformational and operational track record in large-scale executive roles. He has also built a strong track record in turning around troubled organisations and in building and leading successful management teams.

External appointments

Chairman of Whitbread and Kantar Group.



Steven Guggenheimer
Independent Non-Executive Director

Appointed to the Board in October 2022.
Age: 57

Experience

Steven has more than 25 years of experience at Microsoft, where he held a variety of senior and large-scale leadership roles between 1993 and 2020. The last 12 years he held the position of Corporate Vice President leading the OEM, Developer, and AI/Partner organisations. Prior to joining Microsoft, Steven worked at Spectra - Physics Lasers.

Relevant skills and contribution to the Board

Accomplished technology executive with a strong track record of advising businesses on digital transformation and extensive insight into technologies ranging from artificial intelligence to cloud computing.

External appointments

Steven is a Non-Executive Director of HSBC Holdings, Forrit, Software Acquisition Group and Leupold & Stevens. He is also an advisor to the 5G Open Innovation Lab and UC Davis - Department of Physics and Tensility Venture Partners.



Philip Jansen
Chief Executive

Appointed Chief Executive February 2019. Appointed to the Board January 2019.
Age: 56

Experience

From April 2013 until joining BT Group, Philip was CEO of Worldpay. Before that he was CEO then Chairman at Brakes Group between 2010 and 2015. Philip spent the previous six years at Sodexo where he was Group Chief Executive, Europe, South Africa and India. Before that he was Chief Operating Officer at MyTravel Group from 2002 to 2004 and Managing Director of Telewest Communications (now Virgin Media 02) from 2000 to 2002. He started his career at Procter & Gamble.

Relevant skills and contribution to the Board

Extensive experience of leading and growing large private and publicly listed UK and international businesses, delivering transformational change and large technology programmes.

External appointments

Senior advisor at Bain Capital and trustee of Wellbeing of Women.



Isabel Hudson
Independent Non-Executive Director and Designated Non-Executive Director for workforce engagement

Appointed to the Board November 2014.
Age: 63

Experience

Isabel was previously Non-Executive Chair of the National House Building Council until May 2020. She was also previously Senior Independent Director of RSA Insurance, Non-Executive Director of The Pensions Regulator, MGM Advantage, QBE Insurance, Standard Life and an Executive Director of Prudential Assurance Company in the UK.

Relevant skills and contribution to the Board

A wealth of experience in financial services, in the life, non-life and pensions industries as well as risk, control, governance and international business. Insight and expertise in regulatory, pensions and financial matters.

External appointments

Non-Executive Director and Chair of the Audit Committee of Axa S.A. and an ambassador for the disability charity, SCOPE.



Simon Lowth
Chief Financial Officer

Appointed Chief Financial Officer and to the Board July 2016.
Age: 61

Experience

Simon was CFO of BG Group before its takeover by Royal Dutch Shell in February 2016. Before that, he was CFO of AstraZeneca from 2007 to 2013. He was an Executive Director of ScottishPower from 2003 to 2007 having been appointed as the Finance Director in 2005. Before 2003, Simon was a director of McKinsey & Company.

Relevant skills and contribution to the Board

A strong background in finance, accounting, risk, corporate strategy and mergers and acquisitions. Simon has experience and a track record of implementing cost transformation and performance improvement programmes.

External appointments

None



Matthew Key
Independent Non-Executive Director

Appointed to the Board October 2018.
Age: 60

Experience

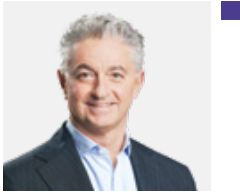
Matthew held various positions at Telefónica from 2007 to 2014 including as Chairman and CEO of Telefónica Europe and Chairman and CEO of Telefónica Digital. From 2002 to 2004 he was the CFO, strategy and regulation director of O2 UK before becoming CEO in 2004. Matthew previously served as Finance Director at Vodafone UK and Chairman of Tesco Mobile. He has previously held positions at companies including Kingfisher, Coca-Cola and Schweppes Beverages, Grand Metropolitan and Dallaglio RugbyWorks.

Relevant skills and contribution to the Board

Strong strategic skills and a wealth of experience in finance and the telecoms sector. Matthew is also a director of the joint venture between BT Group and Warner Bros. Discovery.

External appointments

Non-Executive Director and Audit Committee chair of Burberry. Matthew will step down from this role at the Burberry AGM in July 2023.



Adel Al-Saleh

Non-Independent, Non-Executive Director

Appointed to the Board May 2020.
Age: 59

Experience

Adel has been Chief Executive Officer of T-Systems International GmbH (a subsidiary of Deutsche Telekom AG) since 2018 and is a member of the Management Board of Deutsche Telekom AG. Adel was Chief Executive Officer of Northgate Information Solutions from 2011 to 2017, and before that held a variety of posts at both IMS Health (now IQVIA) and IBM.

Relevant skills and contribution to the Board

Extensive experience in leading global private and public businesses across many industries. Deep experience in managing global technology and IT services businesses. Strong expertise in telecommunications industry as a whole and particularly B2B businesses. Led several large-scale transformation and digitalisation initiatives in complex environments.

External appointments

Member of the Boston University, College of Engineering Advisory Board.



Allison Kirkby

Independent Non-Executive Director

Appointed to the Board March 2019.
Age: 55

Experience

Allison was appointed President & CEO of Telia Company in May 2020. She was previously President & Group CEO of TDC Group until October 2019, and President & Group CEO of Tele2 AB from 2015 to 2018, having been Tele2 AB's Group CFO from 2014. She was Chair of the Audit Committee and a Non-Executive Director of Greggs until May 2019. She has also held financial and operational roles within 21st Century Fox, Virgin Media, Procter & Gamble and Guinness.

Relevant skills and contribution to the Board

Strong and recent experience in finance and the international telecoms and media sector, combined with strong experience in driving performance, improving customer service and delivering shareholder value.

External appointments

President & CEO of Telia Company and Non-Executive Director and member of the Audit Committee at Brookfield Asset Management.



Maggie Chan Jones

Independent Non-Executive Director

Appointed to the Board March 2023.
Age: 48

Experience

Maggie is the founder and Chief Executive of Tenshey, a tech-enabled executive coaching company that focuses on elevating more women and underrepresented people into leadership roles and the boardroom. This builds on a highly successful career in marketing at several of the world's largest technology companies, including Microsoft and SAP.

Relevant skills and contribution to the Board

Deep international marketing and brand experience. Maggie is a recognised executive in business transformation, ESG and as an industry thought-leader in the marketing and technology sector.

External appointments

Maggie is the founder and Chief Executive of Tenshey, Inc. and a Non-Executive Director of Sage Group and the United States Tennis Association (non-profit). She is also a Non-Executive advisor to Open Systems AG.



Sir Ian Cheshire

Independent Non-Executive Director

Appointed to the Board March 2020
Age: 63

Experience

Ian was Chairman of Barclays Bank UK until December 2020 and a Non-Executive Director of Barclays until May 2021. Ian was also previously Group Chief Executive of Kingfisher and Senior Independent Director and Remuneration Committee Chair of Whitbread. Ian held a variety of posts whilst at Kingfisher from 1998 to 2014, including Chief Executive of B&Q from 2005 to 2008 and Group Chief Executive from 2008 to 2014. He was also previously the Chairman of Debenhams and the lead Non-Executive Director for Government and former Chairman of the Corporate Leaders Group on Climate Change.

Relevant skills and contribution to the Board

A wealth of listed company experience, with a notable background in strategy, international retail and e-commerce. Extensive experience of government.

External appointments

Chairman of Channel 4, Spire Healthcare Group and We Mean Business and a Non-Executive Director at Land Securities. Also Chairman of Menhaden Resource Efficiency, a UK investment trust and Chair of The Prince of Wales's Charitable Fund.



Iain Conn

Senior Independent Non-Executive Director

Appointed to the Board June 2014
Age: 60

Experience

Iain was Group Chief Executive of Centrica for over five years from 2015 to 2020. Before that, Iain spent 29 years at BP and was a Board Director for ten years from 2004 to 2014 including as Chief Executive Downstream from 2007 to 2014, and a member of the Executive Committee from 2002 to 2014. Until May 2014, Iain was a Non-Executive Director at Rolls-Royce for nine years and Senior Independent Director. Iain also served as a member of Council of the Imperial College from 2010 to 2019 and was Chairman of the advisory board of the Imperial College Business School from 2004 to 2020.

Relevant skills and contribution to the Board

Deep experience in the global energy markets, industrial operations, regulated consumer markets, and in finance, technology and engineering. Broad international experience.

External appointments

Non-Executive Director of Applegreen. Senior adviser to Blackstone on energy, infrastructure and sustainability and to the Boston Consulting Group. Adviser to Oxford Sciences Enterprises. Advisory Board member of Columbia University Center on Global Energy Policy.



Sara Weller

Independent Non-Executive Director

Appointed to the Board July 2020.
Age: 61

Experience

Sara's previous roles include managing director of Argos and various senior positions at J Sainsbury, including Deputy Managing Director and serving on its board between 2002 and 2004. Sara was a Non-Executive Director of Lloyds Banking Group until May 2021 and United Utilities Group until July 2020. She was also the lead Non-Executive Director at the Department for Work and Pensions until April 2020. She has also previously been a Non-Executive Director of Mitchells & Butlers and held senior management roles at Abbey National and Mars Confectionery.

Relevant skills and contribution to the Board

A broad perspective coming from a background in retail, fast moving consumer goods and financial services, as well as strong board experience at both executive and non-executive level.

External appointments

Chair of The Money and Pensions Service and Non-Executive Director of Virgin Money UK and Clydesdale Bank (a subsidiary of the Virgin Money Group).



Ruth Cairnie

Independent Non-Executive Director

Ruth joined the Board on 6 April 2023 as an Independent Non-Executive Director. Ruth is a member of the *Audit & Risk, Nominations and Remuneration Committees*. From the conclusion of the 2023 AGM, Ruth will succeed Iain Conn as the Senior Independent Non-Executive Director and Ian Cheshire as Chair of the *Remuneration Committee*. See Board changes below.



Sabine Chalmers

General Counsel, Company Secretary & Director Regulatory Affairs.

Sabine joined BT Group in April 2018 as General Counsel and was appointed as Company Secretary in September 2021.

See [page 9](#) for Sabine's full biography.


Board changes

In line with our recent announcements, Ian Cheshire and Iain Conn will not put themselves forward for re-election at the 2023 AGM. Accordingly, they will both cease as Independent Non-Executive Directors on the Board at the conclusion of the 2023 AGM.

Board leadership and company purpose

Role of the Board

The Board is responsible for establishing the group's purpose, values, strategy and culture, and for setting the tone at the top.

 Further details on our purpose, values and strategy are on pages 16 to 17


The Board monitors the indicators of our culture through:

- discussions with the Chief Executive
- reports from the Chief Human Resources Officer, including progress on our people and cultural dashboard
- insights from our annual Your Say colleague engagement survey
- direct feedback and insights from the *Colleague Board* via our Designated Non-Executive Director for workforce engagement.

More information on the *Colleague Board* and how the Board is kept informed of colleague perspectives and the culture of the organisation can be found on pages 92 to 93 and in the **Strategic report** on page 41.

The Board also maintains oversight of the group's operations, performance and governance and compliance with statutory and regulatory obligations. It determines the group's risk appetite, ensures that we have robust systems of risk management and internal controls in place, and is responsible for ensuring that the group has an effective leadership team in place to efficiently execute the group's strategy.

A number of key decisions and matters are reserved to the Board and are not delegated to any of the committees, the Chief Executive or management. These are set out in the matters reserved to the Board and are available on our website:

 [bt.com/governance](https://www.bt.com/governance)

Meetings and attendance

We held eight scheduled Board meetings and one strategy meeting in FY23. The Chairman also held private sessions with the Non-Executive Directors during the year. The Company Secretary is Secretary to the Board, and she, or her nominated delegate, attends all meetings and provides advice, guidance and support as required.

Board and committee members are provided with papers in advance of each meeting on a secure electronic portal. Directors are expected to attend Board and relevant committee meetings of which they are a member, unless prevented by prior commitments, illness or a conflict of interest. If a director is unable to attend a meeting, they usually give their comments to the Chairman or the Committee Chair in advance so that these can be considered as part of the discussion at the meeting.

Board meetings were held in person in our head office in London to allow us to maintain constructive levels of engagement and discussion, to challenge management and have robust debates as part of decision making. Video conference was available for invited attendees who were unable to join the Board in person. Pre-Board meeting dinners were held for the Board as part of informal interactions.

	Meetings attended
Adam Crozier (Chairman)	8/8
Philip Jansen	8/8
Simon Lowth	8/8
Adel Al-Saleh	8/8
Maggie Chan Jones ^{a,b}	0/0
Ian Cheshire	8/8
Iain Conn	8/8
Steven Guggenheimer ^{c,d}	2/3
Isabel Hudson	8/8
Matthew Key	8/8
Allison Kirkby ^e	7/8
Leena Nair ^{f,g}	2/3
Sara Weller	8/8

a Maggie joined the Board as a Non-Executive Director on 1 March 2023.

b No scheduled Board meeting was held in March 2023.

c Steven joined the Board as a Non-Executive Director on 1 October 2022.

d Steven gave apologies for one meeting during the year due to other business commitments.

e Allison gave apologies for one meeting during the year due to other business commitments.

f Leena gave apologies for one meeting during the year due to other business commitments.

g Leena stepped down from the Board at the conclusion of the AGM on 14 July 2022.

Section 172 statement and stakeholders

The **Board focus in FY23 section** sets out on the following pages includes our **Section 172 statement** on pages 94 to 95.

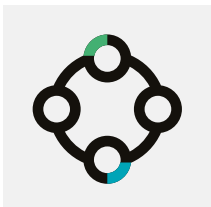
Our **Section 172 statement** demonstrates our directors' regard to the matters in section 172 of the Companies Act 2006 (2006 Act) in performing their duties.

See the **Strategic report** on pages 40 to 45 for additional details of how we engage with our key stakeholders.

The Board and each of its committees always have regard to wider stakeholder interests including and beyond those of our shareholders as part of discussions and decision making. On behalf of the Board, the *Audit & Risk Committee* discussed our key stakeholder groups including their expectations, our engagement and the risks associated with managing these relationships as part of reviewing the stakeholder management group risk category (GRC). The Committee considered engagement with our key stakeholder groups in light of broader developments in the emerging risk landscape and new technologies.

For details of how our directors have engaged with our colleagues during the year, and how they have had regard to their interests and the need to foster business relationships with suppliers, customers and others, together with a summary including the Board's principal decisions, see pages 40 to 45 and 92 to 95.

Board focus in FY23



Group strategy

During the year, the Board:

approved strategic initiatives and items of significant strategic importance in line with the matters reserved to the Board including:

- combining Enterprise and Global units into a single B2B unit, Business, to enhance value for all B2B customers, strengthen the group's competitive position, and contribute to the group's previously announced target to deliver £3bn in gross annualised savings
- maintaining the pace of FTTP build towards the target of 25m premises by end of 2026 against the challenging economic climate
- creating a new longer-term content deal with Sky for the reciprocal supply of channels beyond 2030
- final approval and completion of the transaction to form a 50:50 joint venture company with Warner Bros. Discovery Inc., bringing together the sports content offerings of BT Sport and Eurosport UK to create a new premium sports offering for the UK & Ireland
- outsourcing the management of the legacy software estate to optimise commercial and operational benefits.

held a full-day strategy meeting where it considered with management:

- the group's strategy and long-term growth opportunities
- strategic priorities and how these are built into the group's medium term plan
- progress on key initiatives
- key challenges and risks to delivering our priorities and plans to address or mitigate these.

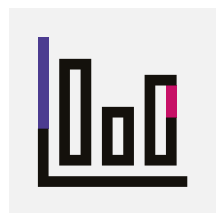
received and discussed the Chief Executive's report at each meeting, which focused on:

- the group's overall performance and operations
- progress against our strategic pillars and priorities
- the competitive and regulatory environment that the group operates in
- engagement with, and the views of, our stakeholders including our investors, our colleagues, Ofcom and Government
- key business operations including matters which are important to the group's reputation, as well as colleague, customer, supplier and community considerations.

During the year, the Board also considered, discussed and agreed to discontinue certain proposed initiatives which were determined not to be strategically important or beneficial to the group.

Board leadership and company purpose continued

Board focus in FY23 continued



Performance and execution of strategy

During the year, the Board discussed, reviewed and, as appropriate, approved:

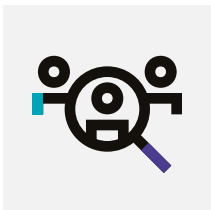
- the **financial statements** at full and half year and trading updates at each quarter, including any external guidance. It also discussed the feedback from investor meetings, including those post-publication of each set of financial results. At each meeting, the Board reviewed the current financial and trading performance for the period against budget and consensus, and the full year outlook for each unit and the group as a whole
- the **going concern** and **viability statements** and the group's tax strategy
- reports, on a monthly basis, outlining share register movement, our share price performance relative to the market, investor relations activities and engagement with shareholders. The Board also spent time discussing the changing nature of our shareholder register
- the medium term plan, having considered the main opportunities and challenges, our strategic priorities and KPIs
- the group's financing strategy, having considered different options for raising finance and managing cash flow, in particular in light of the macroeconomic challenges during the year
- the delivery of the group's transformation programmes against our objectives to drive pan-BT efficiencies, opportunities, continued cost reduction and our plan to reskill colleagues with the skills required for the future needs of the business and an increase in annualised savings from £2.5bn to £3bn by the end of FY25
- customer experience for each CFU including individual brand and customer segment NPS, in particular the progress against our related ambitions. As part of this, the Board was updated on the initiatives and customer insights used to drive improvement for our customers. Further details on customer experience can be found on [pages 24 to 27](#)
- any regulatory/competition investigations and significant litigation, including our response and the stakeholder and reputational impact of these.



Risks, controls and governance

During the year, the Board discussed:

- the group risk management framework twice, with in-depth discussions on certain GRCs, including the point and emerging risks and uncertainties facing the group and our risk appetite for each (see [pages 61 to 70](#)). The Board also received regular updates from the *Audit & Risk Committee*, who undertake detailed reviews of the group's risk management and internal controls systems, including key controls and their effectiveness, (see [page 103](#)), as well as GRCs not discussed by the Board
- the management of our exposure to energy price rises and the potential and actual impact on the group's financial performance and carbon reduction ambitions
- the progress of the Simplify programmes
- the Annual Report, which was subsequently approved on the recommendation of the *Audit & Risk Committee* (see [page 102](#)), on the basis that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to accurately assess the group's position and performance, business model and strategy
- the themes and actions agreed as a result of the internal Board and committee evaluation (see [page 96](#)).



People and culture agenda

During the year, the Board discussed:

- the progress made against our people and cultural strategy. Our ambition is to build a culture where people can be their best and make BT Group a brilliant place to work
- skills and organisational development; diversity, equity and inclusion; occupational health and wellbeing, and colleague engagement
- the progress of delivery against our cultural ambition and the related goals through the people and cultural dashboard with the Chief Human Resources Officer and her team
- each of the committees also monitored areas within their remit that are important indicators of the group's culture, on which the Board is updated by the Committee Chairs.

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Our ambition is to build a culture where people can be their best and make BT Group a brilliant place to work.

Board leadership and company purpose continued

The Colleague Board and Board engagement with colleagues

Colleague Board

Who is the Colleague Board

The *Colleague Board* is the Board's chosen workforce engagement mechanism under the Code. With diverse colleague experiences and priorities across our units, the Board feels that this continues to be the most effective option for the BT Group. Its aim is to bring colleagues from across the group closer to the decision-making process. It achieves this by providing the Board with invaluable, direct insight into colleague sentiment and feedback on key initiatives, programmes and communications, and helps shape better outcomes.

The *Colleague Board* is chaired by the Chief Executive, and Isabel Hudson, our Designated Non-Executive Director for workforce engagement, is a member. Isabel was selected for this role due to her breadth of understanding of, and interest in, employee and wider stakeholder matters.

Sabine Chalmers, General Counsel, Director of Regulatory Affairs & Company Secretary, and Athalie Williams, Chief Human Resources Officer, are also invited and attend all formal meetings. Other members of the *Executive Committee* attend meetings on a rotating basis. The Deputy Company Secretary is secretary to the *Colleague Board* and he or his delegate attends all meetings and provides support, guidance and advice as required. The Chairman and other Non-Executive Directors are also able to attend meetings as observers.

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The last year has been a challenging year for all our colleagues in the business and the Colleague Board has continued to contribute to the Board's thinking with probing questions around progress in the business and a series of 'hot topics' brought to each Colleague Board, representing issues raised with them from throughout the business. In a year of strikes and high inflation, affecting both our customers and everyone who works for BT Group, and with the strong desire to progress with our diversity and inclusion agenda, the Colleague Board members have made thoughtful contributions and helped us to look at things from different angles.

Isabel Hudson, Designated Non-Executive Director for workforce engagement and a member of the *Colleague Board*

Colleague Board focus in FY23

The *Colleague Board* held four formal meetings this year and a number of informal sessions with internal teams. Through both the Board and the senior leadership team, the *Colleague Board's* views were sought on pan-BT programmes (including how they align with our values and culture) and how we communicate these with our colleagues. The *Colleague Board* has continued to successfully contribute to, and shape, some of our key initiatives this year, by sharing their different views and perspectives.

The *Colleague Board* has helped the Board to understand the perspectives of our colleagues on a range of different topics, including the progress of our digital transformation and diversity and inclusion initiatives, career development, colleague retention, people framework, working from home arrangements and the communications and support available for colleagues throughout the cost of living crisis.

Key Colleague Board contributions

Topic	Context
Cost of living	Helping the Board to understand the perspectives of our colleagues throughout the cost of living crisis by having two-way discussions and sharing their thoughts to help refine approaches.
Colleague Board squads	Formulated working groups focused on culture to understand the perspectives of colleagues over a range of topics in this area such as diversity and inclusion.
Meetx	Launching Meetx, BT Group's equivalent of TEDx talks. The <i>Colleague Board</i> has started hosting an ongoing series with senior leaders to explore their previous experiences and views on topics such as leadership, careers and culture. These are hosted over a variety of our locations and each month the <i>Colleague Board</i> collates questions for the panellists to answer.

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The second cohort of our Colleague Board has now been in place a year and they have built on the strong foundations laid by the first set of members. As individuals, they are well-connected in their units and have found evermore effective ways of gathering unfiltered views from thousands of their colleagues. This insight is invaluable, helping us to shape our approach to important topics such as colleague experience, address concerns and it has also proven a useful challenge to more conventional corporate thinking.

Philip Jansen, Chief Executive and Chair of the *Colleague Board*

Colleague engagement with the Board

At each formal meeting of the *Colleague Board*, management and/or the Board (via Isabel Hudson) have the opportunity to discuss topics that they would like the *Colleague Board* members' perspectives on. The members also share perspectives on Hot Topics raised by the wider colleague base that they believe should be brought to the attention of the Board and/or management. The *Colleague Board* has raised a variety of topics with management and open discussions are subsequently held on these. Isabel reports back to the Board and its committees, as appropriate, on discussions with the *Colleague Board*. This has provided the Board with a direct insight into colleague perspectives to help inform its decision making on relevant topics. The meeting materials and notes are made available to the full Board.

Whilst the *Colleague Board* is the Board's formal chosen workforce engagement method, it is used alongside other colleague engagement mechanisms. For example the Chief Executive also holds quarterly PJ Live events which provide all colleagues with the opportunity to ask the Chief Executive questions on any subject in an informal forum.

☐ [See page 93 for more information on how we engage with colleagues.](#)

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I enjoy the teamwork and collaboration that we have as a cohort with the common goal of assisting leadership in making BT Group the best place to work.

Jasmine Kaur, *Colleague Board* member

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I am really proud to be a member of the Colleague Board. We represent all business units, with a strong sense of integrity and responsibility. It is inspiring to be able to represent our amazing colleagues to share both positive feedback and concerns so that they feel genuinely heard.

Nick Persaud, *Colleague Board* member

Colleague Board communications with our colleagues

Colleague Board members feed back on the discussions from the formal meetings to the wider workforce, as well as highlighting points at *Colleague Board* meetings that have been raised by other colleagues. Members are encouraged to connect with other internal engagement channels including the People Networks and by accessing the Your Say engagement survey results to gain an increased understanding of the views of our colleagues on key issues.

Each *Colleague Board* member is supported by their respective unit internal communications team, enabling a good rapport to be built in-unit. The Director of Internal Communications attends *Colleague Board* meetings and members are encouraged to give their views on key internal communications.

Section 172 statement

In their discussions and decisions during FY23, the directors of BT Group plc have acted in the way that they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole (having regard to stakeholders and the matters set out in sub-sections 172(1) (a)–(f) of the 2006 Act).

The Board considers the matters set out in section 172 of the 2006 Act in all its discussions and decision making, including:

The likely consequence of any decision in the long term:

The directors recognise that the decisions they make today will affect the group's long-term success. During the year, the Board had particular regard to the long-term success of the group in its discussions on group strategy (see [page 89](#)). Our purpose and strategy demonstrate how we realise our ambition and grow value for all our stakeholders. This in turn guides the Board's decisions, specifically the balance between short- and long-term investments. The third pillar of our strategy, lead the way to a bright, sustainable future, incorporates our aim to identify and develop new business opportunities that will help us grow sustainably in the future. More information on our strategy can be found on [pages 16 to 17](#).

The impact of the group's operations on the community and environment:

The *Digital Impact & Sustainability Committee* continues to oversee the progress of our Manifesto. This aims to accelerate growth through technology that is responsible, inclusive and sustainable, ensuring the group can continue to build trust and create value for its stakeholders. The Committee also monitors progress on the digital impact and sustainability strategy and oversees the progress of our related goals, including those in respect of climate and the environment. In line with the ambitions we have in this area, the Committee approved the acceleration of BT Group's net zero target for its own operations from 2045 to the end of FY31 and a new net zero target for supply chain and customer emissions to be achieved by the end of FY41.

For more information on this see [page 48](#). [Information as to how we have addressed the recommendations of the TCFD framework can be found on pages 71 to 72.](#)

The desirability of maintaining a reputation for high standards of business conduct:

The Board acknowledges its responsibility for setting and monitoring the culture, values and reputation of the group. Our colleagues are central to us achieving this ambition and we're building a culture where our colleagues can be their best. During the year, the Board considered the group's culture in its decision making and discussions; further details on this can be found on [pages 88 to 91](#).

The *Audit & Risk Committee* also considered regular reports from the Ethics and Compliance Director on our ethics and compliance policies and programmes and reports on issues raised through Speak Up, BT Group's confidential, whistleblowing services (see [page 104](#)).

The interests of our colleagues, and the need to foster business relationships with our key stakeholders:

The Board and its committees understand the strategic importance of stakeholders to our business. When making decisions, the directors have regard to the interests of colleagues, and the need to foster business relationships with other key stakeholders. We acknowledge that not every decision we make will necessarily result in a positive outcome for all our stakeholders, so the Board must balance competing interests in reaching its decisions.

While the Board engages directly with stakeholders on some issues, the size and distribution of the BT Group and our stakeholder groups means that stakeholder engagement often happens below Board-level. However, the Board considers information from across the organisation to help it understand how our operations affect our stakeholders' interests and views.

[More details on how we engage with key stakeholders \(including customers and suppliers\) on pages 40 to 44.](#)

Our colleagues are key to our success, and they are always considered as part of the Board's discussions and decision making. The Board and its committees have reviewed colleague wellbeing, our diversity and inclusion ambitions, organisational culture and the impact of our transformation programme on them, as well as on employee relations (see [page 91](#) for more details). The Board engages with colleagues primarily through the *Colleague Board* and through our Designated Non-Executive Director for workforce engagement (see [pages 92 to 93](#)). In this role, Isabel Hudson provides feedback after each formal *Colleague Board* meeting and also discusses any topics raised by members at relevant Board and committee meetings.

[Other colleague engagement channels are set out on page 41.](#)

The need to act fairly as between BT Group's shareholders:

During FY23, the Chairman, Chief Executive, Chief Financial Officer, other executives and the Investor Relations team held 320 meetings with investors (see [page 42](#) for more detail on our engagement with shareholders). These meetings gave investors the opportunity to discuss views on financial and operational performance, capital investment, in particular, the investment on FTTP, competitive dynamics, pensions, capital allocation policy and environmental, social and governance matters. The Board is mindful of having two significant shareholders but considers any decisions it makes in the interests of all shareholders.

Decisions made during the year

The following are some of the decisions made by the Board this year which demonstrate how section 172 matters have been taken into account as part of Board discussions and decision-making:

Decision	What happened
Creation of Business	<p>The Board regularly reviews the operating model of the business and its focus on and exposure to all of the markets in which it operates. Throughout the year, the Board considered with management whether a combination of the Enterprise and Global units would enhance the group's overall B2B offering.</p> <p>Between September and December 2022, the Board considered the strategic proposition of the businesses both as standalone units and if combined. In determining that the businesses should be combined, the Board and management concluded there would be benefits for a number of stakeholders. Externally, the Board particularly noted the shareholder value opportunity from the simplification along with the continued needs of customers to have dedicated teams, drawing on a larger pool of shared knowledge, best practice and expertise, to address their needs. Internally, the combination will target greater clarity of prioritisation for our Networks and Digital units as they support and increase the pace of the ongoing digital transformation of the group. The Board will continue to have the opportunity to review and influence the future strategy of the combined Business unit and each of its constituent parts, to ensure it optimises its focus on the best of the strategic objectives of the two legacy units.</p>
50:50 joint venture company with Warner Bros. Discovery, Inc. bringing together the sports content offering of both BT Sport and Eurosport UK	<p>In February 2022 we announced that the preferred strategic option for the future of BT Sport, that we were pursuing through a period of exclusive negotiations, was a joint venture with Warner Bros. Discovery, Inc. The Board then considered the details of the negotiated deal in early FY23. This included consideration of the proposed joint venture in the context of a number of key objectives and risks and the way these were handled in the implementation of the transaction structure.</p> <p>In particular, while noting that the transaction structure provided for the continuation of material elements of the BT Sport business in the medium term, which would benefit customers, employees of the business and close commercial partners, the Board also considered in detail the value opportunity for shareholders. This is represented by the future payments that BT Group is forecast to receive and the roadmap to a potential future exit from the business whilst, in the meantime, reducing BT Group's exposure to some of the costs and risks of the business. Also considered was the extent of BT Group's continued influence over key aspects of the business, including through its appointed directors, one of whom, Matthew Key, is an Independent Non-Executive Director of BT Group. As a result of all of these factors, the Board approved the entry into the transaction.</p>
Restructuring of IT estate	<p>To support the acceleration of BT Group's technology transformation, the Board considered the possibility of restructuring the management of its IT estate, aiming to free up capacity to accelerate the delivery of future technology and to promote efficiency.</p> <p>The Board considered a number of options, one of which being identifying a third party supplier to take on the support and build of certain digital legacy systems and to decommission outdated and redundant systems. In considering the approach, the Board analysed the likely risks and how the transition would impact its stakeholders such as customers, colleagues and its suppliers, and mitigations available. It explored the financial and commercial implications and discussed whether the transaction would best be executed with one or multiple suppliers. Working closely with management, the Board challenged, provided feedback and gained a thorough understanding of each phase of the project execution proposed.</p> <p>At its meeting in November 2022, the Board was satisfied that shutting down obsolete applications was financially advantageous to the group, and using a third party would improve performance and support the delivery of the transformation programme, while enabling the group's internal teams to move their focus towards developing new digital systems. The Board provided its approval to proceed with the restructuring project.</p>

Board composition, succession and evaluation

FY23 Board and committee evaluation

In line with the Code, we annually undertake a formal and rigorous evaluation of the performance of the Board and its committees, the Chairman and individual directors, which considers the Board's composition, diversity and effectiveness. We undertook an internal evaluation this year. Given an external evaluation was last completed in FY21, we will carry out an external evaluation in FY24 to fulfil our obligation that an external evaluation be carried out every three years.

Process

Tailored questionnaires were circulated to members and attendees of the Board and each of its committees. The evaluations focused on composition, succession and how well-placed the Board is to add value to the business, in terms of how it oversees strategy, risk management, people, culture and performance. Focus was also given to the Board's decision-making processes, as well as how well it considers stakeholders as part of its decision making and discussions. The Senior Independent Director undertook a discussion with the full Board (without the Chairman) and the Company Secretary on their views of the Chairman's performance. The outcomes and recommendations were fed back to the Chairman. The Non-Executive Directors also reviewed the performance of the Chief Executive during the year.

Agreed areas of focus and actions

Overall, the Board and its committees are considered to be effective. There were certain areas of focus which the Board felt would continue to improve its performance and effectiveness. Accordingly, the directors agreed on the following areas of focus and action for FY24; progress shall be reviewed by the Board and/or its committees as appropriate during the year, with any ongoing areas feeding into next year's evaluation process.

Key areas of focus	Agreed actions
Non-Executive Director skills – training	To provide ongoing training beyond the initial induction training received focusing on key topics/areas that could be coordinated to include all Non-Executive Directors.
Board and committee agenda and time	Review how the Board and committees spend their time more effectively by ensuring that items are not repeatedly revisited and any unclear delineation of responsibilities between Board committees is reduced and improve the clarity of papers to aid more fruitful discussions on key strategic items.
HR strategy and culture	To provide the Board with greater understanding of the cultural challenges that are facing BT Group as it continues to transform itself.
Transformation agenda	To ensure there is greater focus on the progress with the transformation agenda.
Risk management	To improve current risk reporting to include greater details.
Key risks	The <i>Audit and Risk Committee</i> will continue its focus on strengthening risk control with early debate held on key risks identified.
Ad hoc meetings	The <i>Audit and Risk Committee</i> will consider whether it would be desirable to hold ad hoc meetings for specific areas with 'repeat issues' to gain an in-depth understanding of the issues so as to provide guidance on specific targeted actions.
Consumer fairness	The <i>BT Compliance Committee</i> to consider the optimal way of receiving feedback from consumers/BT customers on their experience of fairness and use this for discussion with the wider consumer representation stakeholders.
External attendees	The <i>BT Compliance Committee</i> to continue to invite external attendees to strengthen relationships and hear a breadth of views.

Board induction

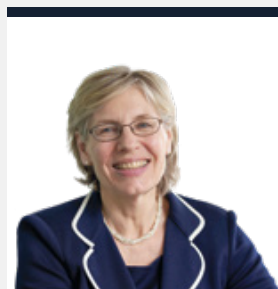
On appointment, directors undertake a comprehensive induction programme designed to give them a thorough overview and understanding of the business.

This is tailored to take into account the director's previous experience, their responsibilities and, for each Non-Executive Director, the specific responsibilities relevant to their committee memberships. The programme includes meetings with the Chairman, the Chief Executive, other members of the Board and the Company Secretary, as well as members of the *Executive Committee* and senior management. Directors also receive key information on our strategy and KPIs, governance framework, the regulatory framework in which we operate, recent financial performance, risk management and internal control systems and the policies supporting our business practices.

Directors are encouraged to visit our different offices, contact centres and BT/EE retail shops, as well as spending a day with an Openreach engineer. Set out opposite is the induction programme undertaken by Steven Guggenheimer, who joined the Board in October 2022.



Maggie Chan Jones
Independent
Non-Executive Director



Ruth Cairnie
Independent
Non-Executive Director

Maggie Chan Jones and Ruth Cairnie, who joined the Board on 1 March 2023 and 6 April 2023 respectively, are currently going through their induction and their programmes will be reported in the 2024 Annual Report.



Steven's induction programme

// The combination of high-quality reading materials and tailored meetings with colleagues provided me with the information necessary to be able to engage in a meaningful way right from the start of my Board tenure.

Steven Guggenheimer
Independent Non-Executive Director

Steven joined the Board on 1 October 2022 as an Independent Non-Executive Director, and as a member of the *Nominations* and the *Digital Impact & Sustainability Committees*. Ahead of his appointment, Steven received an induction pack with key reference materials that provided a thorough understanding of the BT Group, including the most recent financial results, information on our strategy and each of our business units, the governance framework, director responsibilities, ethical policies and the Ofcom Commitments.

Steven held a number of induction meetings including with the Chief Executive, Chief Financial Officer, and members of the *Executive Committee* as well as other Board members and key senior leaders including the Director of Risk, Compliance & Assurance, the Director of Investor Relations, the Heads of the business units as well as the CEO, Openreach.

Given his background in technology and software companies, Steven held a deep-dive session with the Chief Security and Networks Officer, the Chief Information Security Officer, and the Chief Digital and Innovation Officer in December 2022, and a series of deep-dive sessions in January 2023.

Steven will be visiting Adastral Park and our BT/EE retail shops to gain a broader insight into customer journeys and experiences, and into the work of our frontline colleagues.

Board composition, succession and evaluation continued

Nominations Committee Chair's report



Adam Crozier

Chair of the Nominations Committee
17 May 2023

Committee role

The Committee is responsible on behalf of the Board for:

- reviewing the structure, size and composition of the Board and its committees to ensure an appropriate balance of skills, experience, diversity, independence and knowledge
- reviewing succession planning for the Board and recommending the appointment of Executive and Non-Executive Directors and the Chairman
- reviewing succession planning and performance of the *Executive Committee*.

 The Committee's key responsibilities are set out in its terms of reference available at bt.com/governance

Committee membership and attendance

All Non-Executive Directors are members, with the Chief Executive attending meetings where appropriate. The Deputy Company Secretary is secretary to the Committee and he, or his delegate, attends all meetings and provides guidance, advice and support as required.

Committee members and attendees do not attend discussions where a conflict exists. During the year, five scheduled Committee meetings were held. After each meeting, the Chair reported back to the Board on the Committee's activities.

Meetings attended

Adam Crozier (Chair)	5/5	Isabel Hudson ^d	4/5
Adel Al-Saleh	5/5	Matthew Key	5/5
Maggie Chan Jones ^{a,b}	0/0	Allison Kirkby ^e	4/5
Ian Cheshire	5/5	Leena Nair ^{f,g}	0/2
Iain Conn	5/5	Sara Weller	5/5
Steven Guggenheimer ^c	2/2		

a Maggie joined the Board and the Committee on 1 March 2023.

b No scheduled *Nominations Committee* meeting was held in March 2023.

c Steven joined the Board and the Committee on 1 October 2022.

d Isabel gave apologies for one meeting during the year due to other business commitments.

e Allison gave apologies for one meeting during the year due to other business commitments.

f Leena stepped down from the Board and the Committee at the conclusion of the AGM on 14 July 2022.

g Leena gave apologies for two meetings during the year due to other business commitments.

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This year we recruited new Non-Executive Directors, including our new Senior Independent Director, who were carefully selected to complement the existing skills on the Board which gives us the right diversity of viewpoints, skills and experience to support BT Group's continued transformation and strategic journey.

Committee focus in FY23

Board succession and appointments

The Committee's main focus was on searching for additional Non-Executive Directors. Given the tenure of longer-serving directors and Leena Nair stepping down from the Board on 14 July 2022, the Committee was also planning to address future anticipated changes as a result of upcoming director departures. Russell Reynolds Associates, an independent external search consultant, who has no other connection to the BT Group, and a signatory of the Voluntary Code of Conduct for Executive Search Firms, was engaged to assist with the search. The Committee recognised that, given the group's continued focus on digital and legacy platform transformation, at least one director should have digital and technology capabilities and transformation expertise. As in all searches, diversity was a key consideration. Russell Reynolds was tasked with enabling us to make appointments that meet the aims and targets of our Board Diversity and Inclusion Policy and related targets and succession planning. In line with that brief, Russell Reynolds prepared a longlist of candidates which comprised a diverse range of candidates, including female candidates and those from ethnic minority backgrounds.

The Committee agreed a shortlist of candidates who were formally approached by Russell Reynolds for consideration for the role and assessment. Further to a comprehensive assessment and interview process which included meetings with the Non-Executive Directors, feedback was discussed by the Committee at each stage to shortlist candidates based on the criteria and brief.

The Committee identified Steven Guggenheimer, an accomplished technology executive, with a strong track record of advising businesses on digital transformation and extensive insight into technologies ranging from artificial intelligence to cloud computing, as a preferred candidate to complement and enhance the Board's technology and digital capabilities. The Committee was confident that Steven's significant experience of digital transformation, AI and cloud computing, would bring an invaluable perspective to the Board. Following the Committee's recommendation, Steven joined the Board and the *Nominations* and *Digital Impact & Sustainability Committees* on 1 October 2022.

As part of the succession planning, the Committee continued with the search for two further Non-Executive Directors. Maggie Chan Jones, with a wealth of experience following a highly successful career in marketing at several of the world's largest technology companies, including Microsoft and SAP, joined the Board and the *Nominations* and *Digital Impact & Sustainability Committees* on 1 March 2023 following the Committee's recommendation.

The Committee further recommended the appointment of Ruth Cairnie, who holds extensive experience gained from a broad range of executive and non-executive roles at leading UK and international industrial companies, including Royal Dutch Shell. Ruth joined the Board and the *Audit & Risk, Nominations* and

Remuneration Committees on 6 April 2023. Ruth will succeed Iain Conn, who will be stepping down at the conclusion of the 2023 AGM, after serving on the Board for nine years as Senior Independent Director, and Ian Cheshire, who has decided to step down at the conclusion of the 2023 AGM following an increase in non-executive responsibilities as Chair of Land Securities Group, as *Remuneration Committee* Chair.

The Committee is confident that Maggie and Ruth will add a significant breadth of experience and diversity of expertise and thought to the Board, and both will be key in supporting BT Group's broad agenda of strategic priorities.

Time commitment

On accepting their appointment, directors must confirm they are able to allocate sufficient time to discharge their responsibilities effectively. Directors are expected to attend meetings of the Board and any committees of which they are members, as well as the AGM and Board offsites. Directors are also expected to devote sufficient time to prepare for each meeting and to participate in other site or office visits to understand the business better. Before accepting new external appointments, directors are required to obtain the prior approval of the Board.

Before recommending the Board approve the appointments of Steven Guggenheimer, Maggie Chan Jones and Ruth Cairnie as Independent Non-Executive Directors, the Committee considered their other commitments and whether they would be able to allocate sufficient time to their roles. The Committee was comfortable that their other commitments would not be detrimental to their ability to perform their duties as Independent Non-Executive Directors of BT Group.

Sara Weller joined the boards of Virgin Money UK, (Virgin Money) and Clydesdale Bank, part of the Virgin Money Group as a Non-Executive Director in October 2022, and Allison Kirkby became an Independent Non-Executive Director of Brookfield Asset Management in February 2023. Ahead of their respective appointments, the Board considered the proposed appointments in line with the time commitment required for BT Group and Sara and Allison's other roles. On balance, the Board felt this would not be detrimental to their ability to perform their duties as an Independent Non-Executive Director of BT Group. The Board also considered the total appointments held by Sara and Allison and was satisfied that they are within the overboarding guidelines published by proxy agencies.

Election and re-election of directors

The Committee considered, in respect of each director, their skills and experience, time commitment and tenure as part of its recommendation to the Board in relation to the directors put forward for election and re-election at the AGM. The Board believes that each director it has recommended to shareholders for election or re-election at the 2023 AGM brings considerable knowledge, wide-ranging skills and experience to the Board, makes an effective and valuable contribution and continues to demonstrate commitment to their role.

On recommendation from the Committee, the Board also considered the continued independence of Non-Executive Directors as part of its consideration of the re-election recommendations. The Board continues to consider all Non-Executive Directors as being independent in line with the Code, with the exception of Deutsche Telekom's nominated representative. The Chairman was judged to be independent at the time of his appointment.

☐ [Details of directors' contracts or letters of appointment are in the Annual remuneration report on page 128.](#)

Training and development

The Chairman and the Company Secretary keep the training and development needs of directors under review. Non-Executive Directors meet with management, enhancing their understanding of the business through briefing sessions. We encourage all directors to keep their skills and knowledge up-to-date and to ask for any support they need. As part of ongoing development, the Company Secretary (or her delegate) briefs the Board and its committees at each meeting, as relevant, on any key legal, regulatory and corporate governance developments. During the year, these briefings included updates on the institutional investor guidelines, environmental, social and governance considerations and governance publications. Directors are updated as required on developments in the environment in which the business operates and internal and external advisers are invited to meetings to provide updates as necessary.

Openreach Limited Board succession

Under its remit, the Committee has a responsibility to consider changes to the Openreach Limited Board and recommend any changes to the BT Group Board for approval. Following Liz Benison's indication of her intention to step down from the Openreach Limited Board in 2022, a search for her successor was commenced. On the recommendation of the Committee, the BT Group Board approved Natalie Ceeney's appointment and Natalie joined the Openreach Limited Board on 1 May 2022. Liz Benison stepped down on 30 April 2022.

Executive Committee succession planning and talent

Throughout the year, the Committee has kept under review:

- the performance and succession planning of *Executive Committee* members. In particular, the Committee discussed with the Chief Executive potential successor candidates to the HR Director. Given the transformation and people agenda, and the group's key priorities, the Committee considered the impact of the different options on the organisation and its stakeholders, and which candidate would best support this. After an extensive search and a comprehensive assessment, the Committee approved the appointment of Athalie Williams as the permanent Chief Human Resources Officer from 1 December 2022. The Committee continues to focus on broader *Executive Committee* succession planning, including oversight of the talent pipeline with a focus on diversity
- key talent at senior leadership level. The Committee reflected on the importance of identifying critical roles and building stronger and broader diversity of experience, gender and ethnicity, as well as commercial, technology and transformation capabilities, both through potential external candidates and through our internal talent pipeline
- the external appointments of *Executive Committee* members, in line with our policy on external interests for *Executive Committee* members (including Executive Directors) and the CEO, Openreach. Under this policy, proposed external directorships and other significant external interests must not be to an organisation that is a BT Group competitor/major supplier to BT Group, create a conflict of interest for the individual with their role at BT Group, involve significant amounts of BT Group working hours or impede the ability of the individual to perform their BT Group role, or involve disproportionate incentives or remuneration, with reference to the time commitment of the role. Any fees or other incentives arising from such appointments may be retained by the individual, subject to the amount being proportionate.

Board composition, succession and evaluation continued
Nominations Committee Chair’s report continued

Diversity and inclusion

The Board Diversity and Inclusion Policy sets out our approach to diversity on the Board and our aim to have a well-balanced Board with the appropriate skills, knowledge, experience and diversity to meet our business needs and support our strategic aim of building the strongest foundations (see [bt.com/governance](https://www.bt.com/governance)). Following the recent publications and the changes to the Listing Rules, we have reviewed and updated this policy during FY23. The policy ensures we:

- apply an inclusion lens to all our decision-making processes
- monitor the impact of our decisions on diverse populations
- value and communicate the benefits that difference brings and are unapologetic in our pursuit of a diverse workforce at all levels
- actively seek out opportunities across the business to enhance and strengthen our approach to inclusion.

Whilst we appoint candidates based on merit, we continue to challenge our external search consultants to ensure that all forms of diversity, in particular ethnicity and gender, are considered when drawing up candidate lists. This is a key consideration for our searches.

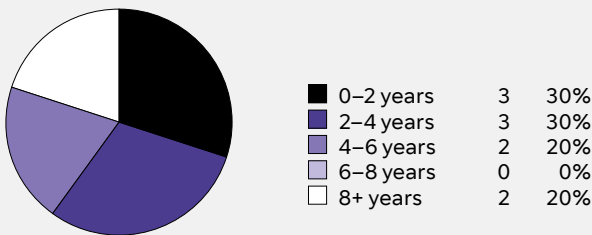
Diversity is considered in the broadest sense and all forms of difference are considered, including age, gender, nationality, independence, professional background, social and ethnic

backgrounds, business and geographic experience, as well as cognitive and personal strengths. These are considered in reviewing the composition of the Board and, where possible, are appropriately balanced. We believe a key driver in delivering our diversity commitments across the organisation is through a Board which has this balance of skills, experience, diversity and knowledge.

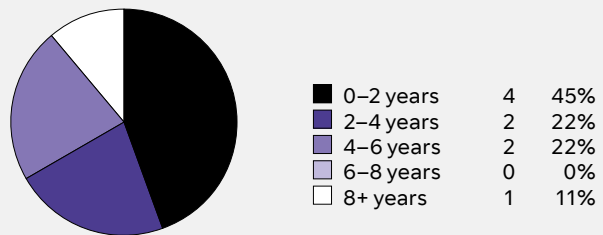
As at 31 March 2023, four of our 12 Board directors were female (33%) and two directors were from an ethnic minority background (17%), and in addition, one director has a disability. Furthermore, with the appointment of Ruth Cairnie on 6 April 2023, and taking into account the changes to the Board at the 2023 AGM, this will bring the female membership of the Board to 45% and therefore within the targets of the Board Diversity and Inclusion Policy of 40%. Ruth’s appointment as Senior Independent Director will ensure that we meet the requirements of the Listing Rules to have female representation in at least one of the four senior board positions.

[Details of our diversity and inclusion strategy, including its objectives, implementation and progress can be found on page 33.](#)

Chairman and Non-Executive Directors’ tenure
 As at 31 March 2023



Post 2023 AGM



Diversity and ethnicity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board, CEO, CFO, SID and Chair	Number in executive management	Percentage of executive management
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Diversity

Male at 31 March 2023		66.7%			70%
Female at 31 March 2023		33.3%			30%
Male Post 2023 AGM		54.6%		n/a	n/a
Female Post 2023 AGM		45.4%		n/a	n/a

Ethnicity

(at 31 March 2023)

White British or other White (including minority-white groups)	10	83%	4	8	80%
Mixed/Multiple Ethnic Groups	1	8.5%		1	10%
Asian/Asian British	1	8.5%		1	10%
Black/African/Caribbean/ Black British		0			0
Other ethnic group, including Arab		0			0

Audit, risk and internal control

Audit & Risk Committee Chair's report



Matthew Key

Chair of the Audit & Risk Committee
17 May 2023

Committee role

The Committee is responsible on behalf of the Board for:

- monitoring the integrity of the financial statements and overseeing the financial reporting process
- reviewing the effectiveness of the group's systems of risk management and internal control
- reviewing the effectiveness of the internal audit function
- approving the appointment, reappointment, remuneration and removal of the external auditor, as well as the terms of the engagement and the provision of any non-audit services, overseeing the external auditor's independence and effectiveness in delivering a quality audit.

☐ [The Committee's key responsibilities are set out in its terms of reference available at \[bt.com/governance\]\(https://www.bt.com/governance\)](https://www.bt.com/governance)

Committee membership and attendance

The Committee members are all Independent Non-Executive Directors with a range of skills, and the Committee as a whole has experience relevant to the sector and acts independently of management. Allison and I have recent and relevant business and financial experience (as set out in our biographies on [pages 86 to 87](#)) in line with the Code. The Deputy Company Secretary is secretary to this Committee and he, or his delegate, attends all meetings and provides guidance, advice and support as required. The Chairman, Chief Executive and Chief Financial Officer attend Committee meetings as required.

Private Committee sessions with the internal and external auditor were held at each meeting without management being present. The external auditor was not present at meetings where their performance and/or their remuneration was discussed.

Meetings attended

Matthew Key (Chair)	5/5	Allison Kirkby	5/5
Ian Cheshire	5/5	Sara Weller	5/5
Iain Conn	5/5		

Other attendees (x Regular attendee • Attends as required)

Chief Executive	x
Chief Financial Officer	x
Director, Group Finance	x
Director of Risk, Compliance & Assurance	x
General Counsel, Company Secretary & Director Regulatory Affairs	x
Director of External Reporting and Financial Control	x
Internal Audit Director	x
Risk Director	•
Ethics and Compliance Director	•

☐ [Details on the FY23 evaluation of the Committee's effectiveness can be found on page 96.](#)

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This year, the Committee continued to focus on reviewing our systems of risk management and internal control, particularly on the operational risks we faced including data, cyber security and supply chain.

Committee focus in FY23

The Committee met five times this year. As Committee Chair, I met with the KPMG lead audit partner, the internal auditor and management as appropriate ahead of meetings to discuss specific items of focus to report to the Committee. After each meeting, I also reported back to the Board on the Committee's activities, the main issues discussed and matters of particular relevance, with the Board receiving copies of the Committee's meeting papers and minutes.

Financial reporting

During the year, the Committee considered the full year and half year results, and the Q1 and Q3 trading updates. It reviewed the quality of accounting policies and practices, as well as critical accounting estimates and judgements.

The Committee considered, and was satisfied with:

- the processes supporting the preparation and consolidation of the **financial statements**, including consistent application of the accounting policies, and the ongoing verification by management and the external auditor
- management's accounting judgements and the appropriate application of the accounting policies, having also discussed these with the external auditor.

☐ [More information on BT Group's significant accounting policies is set out on page 157.](#)

The Committee exercised its judgement when considering matters related to the **financial statements**, and recommended approval by the Board of each of our full year and half year results, Q1 and Q3 trading updates and the Annual Report.

Audit, risk and internal control continued

Audit & Risk Committee Chair's report continued

Overview of the year

Focus	Considered by the Committee				
	2022				2023
	May	Jul	Sep	Oct	Jan
Financial reporting:					
– Results/trading updates and accounting judgements	■	■	■	■	■
– Annual Report 2022	■				
– Regulatory financial statements 2022		■			
– Going concern assessment	■			■	
– Viability statement	■				
Major contentious matters	■	■		■	■
Internal controls over financial reporting	■	■		■	
Finance transformation programme	■				■
Data programme progress update	■	■	■	■	■
GRCs and CFU risk reviews: point and emerging risks	■		■	■	■
Report from Openreach board, audit, risk & compliance Committee chair on the risks in Openreach		■			■
Compliance with Code requirements – risk management framework	■				
Ethics & compliance:					
– Ethics & compliance programmes	■	■		■	■
– Speak Up (whistleblowing) reports	■	■		■	■
Internal audit:					
– Internal audit report	■	■		■	■
– FY23 group internal audit plan and approach		■			
– Group internal audit charter	■				
– International audits coverage and analysis	■	■	■	■	■
External audit – KPMG:					
– External audit report	■	■		■	■
– External audit plan		■			
– Audit and non-audit fees	■	■	■	■	■
– Effectiveness	■		■		
– Independence and reappointment	■				

Fair, balanced and understandable

In May 2023, the Committee reviewed the Annual Report 2023 having previously fed back on earlier drafts. The Committee concluded that the Annual Report 2023, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the group's position, performance, business model and strategy, and the potential impact on forward-looking assumptions supporting going concern and viability assessments. In its assessment, it

considered that the following had been carried out and this formed the basis of its recommendation to the Board:

- a verification process covering the factual content reviewed by the internal audit team
- comprehensive reviews by different levels of management, including the *Executive Committee*, to consider the messaging and ensure consistency and overall balance.

Significant matters related to the financial statements and how these were addressed

Group accounting policies, critical and key accounting estimates and significant judgements

The Committee considered the accounting policies and disclosures in the consolidated financial statements regarding critical and key accounting estimates and significant judgements as summarised in note 2 of the consolidated **financial statements**. These relate to the valuation of our pensions assets and liabilities, taxation, contingent liabilities associated with litigation, provisions, our goodwill impairment model, determination of lease terms including reasonable certainty, and judgements and estimates associated with our BT Sport joint venture. More detail on the Committee's oversight of these matters is set out below where appropriate.

Going concern assessment

The Committee considered management's forecasts of group cash flows and net debt, as well as the group's liquidity requirements and borrowing facilities, including downside scenarios from the viability model as discussed below. Following this review and a discussion of the sensitivities, it confirmed that the going concern basis of accounting continues to be an appropriate basis of preparation for the financial statements and recommended it for approval by the Board.

☞ [See page 132](#)

Viability statement

The Committee reviewed the process and assessment of the group's prospects, taking into account the group's current position and principal risks. The Committee also considered the group risks in management's stress testing model, including the review of downside scenarios and a combined 'severe but plausible' scenario where multiple inter-connected risks materialise. The Committee was satisfied that the **viability statement** could be provided and the approach to its development, and recommended it for approval by the Board.

☞ [See pages 81 to 82](#)

BT Sport joint venture

The Committee reviewed the judgements and estimates made in relation to the formation of the new sports joint venture with Warner Bros. Discovery, Inc. including the assessment of joint control, the valuation of contingent consideration, the valuation of the minimum revenue guarantee in BT Group's distribution agreement with the joint venture, the valuation of BT Group's equity interest in the JV and the discounting of applicable cash flows. The Committee was satisfied with the judgements made.

Pensions

The Committee considered the assumptions underlying the valuation of the pension assets and liabilities in the financial statements, as summarised in note 20 to the consolidated **financial statements**, the sensitivities around the assumptions and the impact of the assumptions on the balance sheet, income statement and related disclosures.

Finance transformation

Throughout the year, the Committee was regularly updated on our finance transformation programme, including the implementation of a new central finance system and group accounting book of record at the start of the financial year and the preparation for the second phase of the programme to replace the UK sub ledgers and fixed asset register at the start of the next financial year. The Committee considered in particular the impact on published financial information and the group's control environment.

Goodwill impairment

The Committee received and discussed the key assumptions, including operating cash flow forecasts, resulting headroom and the sensitivity analysis performed by management. The Committee considered and was satisfied with the key assumptions and agreed that no goodwill impairment charges were required for FY23.

Divestments

The Committee reviewed the judgements made in relation to the group's divestments, including on whether the held for sale criteria had been satisfied, and how goodwill should be allocated to divested or held for sale entities.

Regulatory finance reporting

The Committee supported the processes and systems enhancements that were implemented to ensure that the group met its 2022 regulatory financial reporting obligations.

Other matters

The Committee reviewed specific items quarterly, and considered and agreed that they were appropriately categorised. It considered management's view of the quality of earnings and of the effective tax rate. It also challenged the phasing of working capital within normalised free cash flow. At each quarter, it considered a detailed assessment of provisions, and the Committee was satisfied with the analysis provided in relation to the results.

Risk management and internal controls systems

The group has continued to enhance and further embed its framework of risk management, controls and assurance for dealing with its landscape of risks.

This framework provides the tools to enable us to be smart with risk and improve operational and ethical discipline. The risk management processes identify and monitor the risks facing the group and the risk landscape is divided into areas of enduring risk called Group Risks Categories (GRC), which cover strategic, financial, operational and compliance risks.

☞ [Further information on our risk management framework and principal risks can be found on pages 61 to 64.](#)

The Board monitored the effectiveness of the group's systems of risk management and internal controls through detailed reviews of the GRCs and consideration of reports from management, as well as from internal audit and other assurance functions. Much of this work was undertaken by this Committee on the Board's behalf. Given that the Board is ultimately responsible for the group's systems of risk management and internal controls, as Chair, I subsequently reported the key matters from each of these sessions to the Board.

The activities listed overleaf, carried out during the year, collectively enable the Committee to confirm that the group's systems of risk management and internal control have been appropriately reviewed. Where required, targeted improvements have been agreed to continue to transform our control and systems environment. As part of its drive for continuous improvement, the Committee has overseen ongoing enhancements to the risk management framework. These included the development by management of a simplified suite of corporate policies and a group-wide key control framework to ensure all enduring risks are managed consistently and efficiently across the group, with clear accountabilities and enabling targeted assurance activities. Further information on improvements being made to the overall risk management framework, as well as specific actions taken to manage our principal risks can be found on [pages 61 to 62](#).

Audit, risk and internal control continued

Audit & Risk Committee Chair's report continued

Activities carried out during the year:

The Committee held discussions on the GRCs with the *Executive Committee* risk owners to understand current and anticipated risk developments, and reviewed how effectively the risks are being managed. It considered the risk appetite and its supporting metrics for the GRCs, the effectiveness of the controls, mitigation activities and any areas for improvement. The Committee robustly assessed both current, specific concerns (point risks) and uncertainties that may materialise in the future (emerging risks), particularly as a consequence of adverse changes to the economic, social, regulatory, political or technology environment, or as an unintended consequence of new products and services being offered or developed by the group. The Committee agreed with management any actions required to manage or mitigate these risks effectively.

Given the legal and security risks associated with the data we manage, the importance to our colleagues, customers and the group's ambition, as well as the ever-increasing regulatory scrutiny in this space, the Committee has received a number of updates on the management of this GRC, and monitored progress against any agreed enhancements. In addition, the Committee continues to monitor the cyber security GRC closely and has received the outcomes of an independent external cyber security review.

As well as the rolling programme of reviewing the GRCs (during the year this included the Financial Services, Major Customer Contracts, Supply Management, Legal Compliance and Communications Regulation GRCs), the Committee received updates on specific matters including the progress on FCA permissions and next steps given the importance of this for product rollout and projected revenues; financial market turbulence during Autumn 2022 and impacts on the BT pensions schemes; and power resilience and potential energy shortages or rationing.

The Committee considered management's approach to managing emerging risks within the risk management framework and in each of the GRCs and units. Management also brings together representatives from across the Group in its emerging risk hubs to consider the emerging risk profile and landscape and to share intelligence and agree actions. The Committee reviews the outcomes of all of these management activities on a six-monthly basis.

In addition, with the CFU CEOs, the Committee undertakes unit risk reviews, which cover how the GRCs are being managed in the respective units, and the significant point and emerging risks. During the year, these included reviews of the Global, Consumer and Openreach units.

As part of the reviews of the GRCs, CFUs and other matters, where relevant, the impacts of sustained higher rates of inflation and wider costs of living matters on BT Group colleagues, customers and suppliers have been considered.

The Committee also monitored the outcome of the Department for Business, Energy & Industrial Strategy (BEIS) consultation paper and how this may impact our current controls development strategy.

Ethics and compliance

The Committee considered regular reports on our ethics and compliance policies, and programmes and related learnings and culture. It spent time discussing the enhancement programme in relation to international trade, anti-bribery and corruption, as well as communications regulation compliance in line with the respective GRC.

Each quarter, the Committee received and reviewed reports on issues raised through Speak Up, BT Group's confidential, whistleblowing services operated by an independent company, 24 hours a day, in multiple languages, for both written and telephone reports. The Committee ensures that arrangements are in place for the proportionate and independent investigation of these and other matters via the ethics and compliance team. The procedures

for Speak Up are reviewed annually with input from the specialists in Speak Up, HR and Legal, to ensure best practice is maintained and that procedures remain compliant. On receipt, any whistleblowing reports are triaged by specialist resource, assigned a priority and, where appropriate, are directed to an investigator from security, HR or Legal with appropriate assistance from subject matter experts and/or independent line management. On completion of any investigation, the Speak Up team ensures the investigation has been thorough and fair. High priority cases are reviewed by a multi-disciplinary panel for completeness before closure. The Committee discussed any themes identified across the cases received, the outcomes of these cases and the overall rates of substantiation.

Internal audit

Internal audit provides independent, objective and timely assurance to senior management and the Board, through this Committee, over the design and operational effectiveness of key processes and controls that manage the risks across the organisation.

During the year, the Committee:

- reviewed and approved the group internal audit annual plan, ensuring it aligned to the principal risks of the business
- reviewed and, taking into account the current needs of the group, approved the internal audit charter, which establishes internal audit's independence, authority, remit and reporting lines to conduct its work
- received regular reports from internal audit on its activities and progress against the group internal audit plan, allowing the Committee to monitor delivery against the plan
- held in-depth discussions with management on all internal audit reports where controls were assessed as 'inadequate', and action plans to address these. The actions were tracked by the Committee, including the responsiveness of management to the findings and recommendations, and the progress of closing any overdue actions.

During the year, the Committee carried out its annual assessment of the performance and effectiveness of internal audit, including whether the activities, structure, expertise, objectivity and quality of the function were appropriate for the business. The Committee concluded that internal audit continues to add value in the context of the group's overall assurance framework. An external effectiveness review of internal audit was previously conducted in FY19 by the Chartered Institute of Internal Auditors in accordance with our five-year cycle of such reviews.

External audit

The Committee is responsible for making recommendations to the Board on the reappointment of the external auditor, determining their independence from the group and its management and agreeing the scope and fee for the audit. The Committee concluded that the reappointment of KPMG should be recommended to shareholders at the 2023 AGM.

Following the audit tender in FY17, KPMG was appointed as BT Group's external auditor from the conclusion of the 2018 AGM. The FY23 audit is KPMG's fifth audit of BT Group. John Luke was appointed as the KPMG lead audit partner for the BT Group in FY21, having been the audit partner for Openreach Limited since FY19. Recognising the rotational requirements for the lead audit partner and taking into account both his tenure at Openreach and BT Group, FY23 will be John Luke's final year as lead audit partner. The Committee Chair has discussed John Luke's succession with the Chief Executive of KPMG in the UK, and following a thorough review of potential candidates put forward by KPMG to succeed John, the Committee approved the appointment of Jon Mills to replace John Luke as the lead audit partner for the FY24 audit.

During the year, the Committee:

- considered and approved the proposed external audit fees for the year ended 31 March 2023, including one-off fees, as well as

the recurring audit fee for the regulatory financial statements and the interim review fee (see the **Independent auditor's report** on [pages 138 to 149](#) for more details)

- reviewed with the external auditor, and subsequently approved, the external auditor's scope of work, audit plan and strategy for FY23
- approved the engagement letter of the external auditor
- recommended approval by the Board of management's letters of representation
- reviewed the annual findings of the FRC's Audit Quality Review in respect of KPMG's audits. The Committee discussed the findings and the applicability to the BT Group and are discussing this further with KPMG
- reviewed a joint plan by KPMG and management which addressed debrief points from last years audit to ensure improvements were made on both sides for this year.

As part of my year-end report to the Board, I informed the Board of the outcome of the external audit.

BT Group confirms that it complies with the EU Regulation on Audit Reform and the Competition and Markets Authority's Statutory Audit Services Order with regard to mandatory auditor rotation and tendering.

Independence and non-audit services

The Committee discussed the external auditor's independence and potential areas that could give rise to a conflict of interest, and considered the safeguards in place to prevent compromising their independence and objectivity. BT Group's non-audit services policy sets out the non-audit services that can be provided by the external auditor, in line with the latest ethical standards. The external auditor is not permitted to perform any work which they may later be required to audit, or which might affect their objectivity and independence, or create a conflict of interest. Internal procedures describe the approval process for work performed by the external auditor, and these applied to KPMG throughout the year. The Committee monitored compliance with the policies and procedures and considered business relationships with the external auditor, and the level and appropriateness of non-audit services and fees. The Committee will continue to keep under review BT Group's non-audit services policy.

□ [Our non-audit services policy can be found at **bt.com/governance**](#)

The Committee reviewed the confirmation and information received from the external auditor on the arrangements that it has in place to safeguard auditor independence and objectivity, which are consistent with the ethical standards published by the FRC, including specific safeguards where they provide permissible non-audit services to the group. The nature of the non-audit services carried out by the external auditor during the year are described in note 8 to the consolidated **financial statements** on [page 166](#). These were carried out due to either legal or regulatory obligations, contractual requirements, or represented areas of assurance work where it was materially more efficient for the external auditor to be engaged, as opposed to another third party due to the work completed in relation to the audit, and which were permitted to be performed by an auditor under the Revised Ethical Standard 2019. The Board assessed any potential threats to independence that were self-identified and reported by KPMG, all of which were regarded by the Committee as being adequately addressed. Audit-related assurance services, including the audit of the regulatory financial statements, as well as any approved non-audit services performed by KPMG, are considered a low threat to auditor independence. The largest non-audit service included providing comfort letters for bond issuances. This work fell within the scope of limited permissible services, which are closely related to existing audit work that KPMG provide. The proportion of 'other non-audit services' to 'total services' carried out by the external auditor is therefore considered the most suitable measure of the non-audit services provided. These represented 0.2% of the total fees (FY22: 0.6%).

External auditor effectiveness and quality

Scope

The Committee assesses the effectiveness of the external audit process and the qualifications, expertise, resources, independence and objectivity of the external auditor, including the nature and extent of non-audit services throughout the year, focusing on:

- the quality of the audit and the financial reporting process, including how effective the external auditor is at identifying and addressing matters that could compromise the quality of BT Group's reporting
- the service of the external auditor and the relationships with the Committee, key members of management and the internal auditor
- whether the external auditor has demonstrated professional scepticism
- whether the external auditor has challenged management's assumptions where necessary.

Review process

The Committee reviewed the audit scope and plan at the start of the year and received regular audit reports from the external auditor. This enabled the Committee to assess the quality of audit work. The Committee had the opportunity to interact with the external auditor at meetings as well as to observe the communication and interactions between the external auditor with management and the internal auditor. The Committee reviewed and monitored management's responsiveness to the external auditor's requests for information, and its findings and recommendations. The Committee Chair also regularly met with the lead audit partner.

During the year, a questionnaire was also completed by the Committee members and management to gather their perspectives on the effectiveness and quality of the external auditor's work.

The Committee also reviewed the key findings from the FRC's Audit Quality Review in respect of KPMG's audits. Whilst the FRC review did not cover the BT Group audit, the report provided a basis for the Committee to challenge KPMG over any actions proposed as a result of the report, and any weakness identified in audit quality. The Committee discussed the findings and the applicability to the BT Group (with and without KPMG) and will continue to keep this under review.

Conclusion

In conclusion, the Committee agreed that:

- the audit contributed to the integrity of the group's financial reporting
- the relationship between KPMG and both the Committee and management continues to be effective
- KPMG demonstrated an appropriate degree of professional scepticism and deployed a team with the required level of skill and expertise to enable an effective audit
- the audit strategy and plan was appropriately scoped, communicated and executed
- KPMG continues to be independent, and recommended to the Board that the reappointment of KPMG, as our external auditor, be put to our shareholders for approval at the 2023 AGM (this was subsequently approved by the Board).

BT Compliance Committee Chair's report



Isabel Hudson

Chair of the BT Compliance Committee
17 May 2023

Committee role

The Committee is responsible on behalf of the Board for:

- monitoring BT Group's compliance with the letter and spirit of the Commitments made as part of the 2017 Digital Communications Review (DCR) with Ofcom
- assessing whether Openreach can act with appropriate independence while BT Group is able to fulfil its parent company duties
- overseeing consumer fairness matters on behalf of the Board by monitoring whether BT Group is living up to Ofcom's Fairness for Customers commitments
- reviewing how BT Group is delivering appropriate outcomes for stakeholders across the Commitments and consumer fairness.

 The Committee's key responsibilities are set out in its terms of reference available at [bt.com/governance](https://www.bt.com/governance)


Committee membership and attendance


During the year, the Committee met four times. The Committee comprises Independent Non-Executive Directors only. The Deputy Company Secretary is secretary to this Committee, and he or his delegate attends all meetings and provides guidance, advice and support as required. The Chair of the Board, General Counsel, Company Secretary & Director Regulatory Affairs, Commitments Assurance Office Director (CAO), and Openreach's Commitments Monitoring Office Director also attend meetings as invitees.

Meetings attended

Isabel Hudson (Chair)	4/4	Allison Kirkby	4/4
Ian Cheshire	4/4	Sara Weller	4/4

I report to the Board after each meeting on the Committee's activities and the main issues discussed, with the Board receiving copies of the Committee's meeting papers and minutes. Ofcom also receives copies of minutes.

 [Details on how we engage with Ofcom can be found on page 45](#)

 [Details on the FY23 evaluation of the Committee's effectiveness can be found on page 96](#)

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The Committee is vigilant on the monitoring of the culture and behaviour of the BT people to ensure that they are conducive to the delivery of our commitments and governance protocol, as well as to the adherence of the consumer fairness principles in the delivery of key outcomes.

Committee focus in FY23

Compliance with the Commitments

The Committee's monitoring in the last year has focused upon:

- the adherence of BT Group's leadership with the Commitments
- stakeholder perceptions by engagement with industry stakeholders, including CPs, Ofcom and Openreach
- the CAO's reviews of the annual financial planning, strategy development and commercial pricing and product processes
- targeted reviews of governance for pan-BT programmes, including exchange closures
- the outcomes of CAO compliance reviews, decisions on potential Commitments breaches and, where appropriate, remedial actions. Breaches continue to remain at a low level
- BT Group and Openreach's progress on wider DCR outcomes.

With the current macroeconomic environment, the Committee was mindful that this does not lead to a loss of focus on the Commitments. A training session including Commitments compliance was provided to the *Executive Committee* to reinforce the importance of adhering to the Commitments.

Consumer fairness matters

The Committee remain focused in monitoring the group's adherence to the consumer fairness principles for a fair outcome for customers. In the year ended 31 March 2023, the Committee focused on:

- the transition to All IP and the migration of Digital Voice (see [page 59](#)). The Committee spent significant time addressing key issues of the programme with management including customer impacts and the related communications
- a review of the shutting down of the 3G network to ensure lessons were learned from the challenges of Digital Voice
- the decision to proceed with our planned consumer price increase, noting current inflation rates and the continued engagement with key stakeholders and customers ahead of this
- reviewing the introduction of charging for mobile roaming in Europe
- the provision of social tariffs, how the group addresses loyalty-related issues, the cap on out-of-contract price rises, and the broader efforts to support vulnerable and less technically able customers
- year-on-year consumer fairness trends as well as outputs from the group's consumer fairness panel meetings.

Digital Impact & Sustainability Committee Chair's report



Sara Weller

Chair of the Digital Impact & Sustainability Committee
17 May 2023

Committee role

The Committee is responsible on behalf of the Board for:

- agreeing the strategy for responsible business, as enshrined in our Manifesto
- overseeing progress of our Manifesto, with a particular focus on the group's activities and goals as a responsible, inclusive and sustainable business.

☐ The Committee's key responsibilities are set out in its terms of reference available at bt.com/governance

BT Group has continued to support customers, colleagues, families and businesses during what continues to be a difficult time for so many. Throughout the year, the Committee has given direction, challenge and encouragement to support the delivery of the Manifesto plans across the business.

Our Manifesto is a core part of our strategy and ESG metrics remains an important element of both our short-term and long-term incentives (see [page 122](#)). During the year the Committee noted the changes to the annual bonus scorecard for FY24 (see [page 110](#)) and provided a recommendation to the *Remuneration Committee* in respect of the new restricted share plan underpin (see [page 110](#)), including a robust framework for assessing performance.

Committee membership and attendance

The Committee members are all Independent Non-Executive Directors. The Deputy Company Secretary is secretary to this Committee, and he or his delegate attends all meetings and provides guidance, advice and support as required.

The Chief Human Resources Officer, Corporate Affairs Director, CEO Consumer, Sustainability & Corporate Affairs Strategy Director, and Director of External Communications & Digital Impact also attend meetings as invitees.

During the year, the Committee held three scheduled meetings.

Meetings attended			
Sara Weller (Chair)	3/3	Isabel Hudson	3/3
Maggie Chan Jones ^{a,b}	0/0	Leena Nair ^d	1/1
Steven Guggenheimer ^c	1/1		

a Maggie joined the Board and the Committee on 1 March 2023.

b No scheduled *Digital Impact & Sustainability Committee* meeting was held in March 2023.

c Steven joined the Board and the Committee on 1 October 2022.

d Leena stepped down from the Board and the Committee on 14 July 2022.

I report to the Board after each meeting on the Committee's activities and the main issues discussed, with the Board receiving copies of the Committee's meeting papers and minutes.

☐ Details on the FY23 evaluation of the Committee's effectiveness can be found on [page 96](#)

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It has been great for the Committee to provide direction and support to the delivery of the Manifesto, to further strengthen BT Group's position as a responsible business.

Committee focus in FY23

Manifesto for a bright, sustainable future

Following on from last year's launch of our Manifesto (see [pages 36 to 39](#) for detail), the focus this year has been to review how it is being embedded across the business. Progress was tracked through our Manifesto dashboard, which was shared externally at the ESG Business Briefing in November 2022.

- Responsible:** Responsible tech and human rights. The Committee:
- considered emerging tech risks and how these are being managed
 - provided challenge to explore how management of data privacy and ethics can build trust and support growth
 - assessed how responsible tech principles and human rights are being embedded in the new business process
 - endorsed BT Group's human rights policy.

☐ The human rights policy is available at bt.com/humanrightspolicy

- Inclusive:** Digital skills and social impact. The Committee:
- oversaw performance against our digital skills goal (Group KPI and one of seven metrics in the FY23 bonus scorecard, (see [page 112](#)) through campaigns in Consumer and Business)
 - supported work to build a diverse digital talent pipeline for the UK and BT Group through the FastFutures programme, encouraging the management team to pursue even greater diversity through future cohorts
 - considered cost of living support for vulnerable customers and suggested ways to ensure it reaches those most in need
 - reviewed and supported the approach to demonstrating our contribution to social value in our work with the public sector.

- Sustainable:** Climate and the environment. The Committee:
- approved BT Group's climate strategy and related KPIs (see [pages 38 to 39](#))
 - appraised progress in decarbonising our operations, including the further adoption of electric vehicles into the commercial vehicle fleet, noting some of the challenges faced given a lack of vehicle supply, charging infrastructure and cuts to subsidies
 - monitored energy reduction efforts across our networks
 - tested progress on the plans to make BT Group a more circular business, with debate and agreement on the use of a measurement tool and set of KPIs to track performance
 - heard how sustainability is driving growth for Business through new value propositions and how this could be scaled-up across the business.

Stakeholder engagement

The Committee discussed the group's approach to understanding the interests of key stakeholders and how this is reflected in our responsible business and sustainability strategy, external reporting, and engagement with stakeholders (including our shareholders) in a landscape of increasing focus on environmental, social and governance factors.

BT Sourced

The Committee oversaw progress and the risk management approach in place within our supply chain, including how we ensure that the group remains a responsible business through its procurement activities.

Report on directors' remuneration

Committee Chair's letter



Sir Ian Cheshire
Chair of the Remuneration
Committee
17 May 2023

Contents

Committee Chair's letter

Review of the year; Committee decisions; key outturns and plans for the year ahead – [pages 108 to 110](#).

Focus on remuneration

The key aspects of our remuneration structure, outcomes for FY23 and implementation of the Directors' Remuneration Policy in FY24 – [pages 111 to 113](#).

Directors' Remuneration Policy (Policy)

We're proposing a new Policy at the 2023 AGM, with minimal changes from the previous Policy – [pages 114 to 120](#).

Annual remuneration report

More detail on how we have implemented the Policy during FY23 including the single figure of remuneration for each director – [pages 121 to 128](#).

Remuneration in context

How we take account of remuneration conditions across the group – [pages 129 to 130](#).

Committee membership and attendance

The Committee members are all Independent Non-Executive Directors. The Deputy Company Secretary or his appointed delegate acts as secretary to the Committee, and attends all meetings and provides advice, guidance and support as required.

The Chairman, Chief Executive, Chief Human Resources Officer and Director of Group Reward are typically invited to attend meetings. They do not attend meetings where their own remuneration is discussed or in other circumstances where their attendance would not be appropriate.

Deloitte LLP, as the independent remuneration adviser to the Committee, also attends meetings.

The Committee held six scheduled meetings during the year and one ad hoc meeting.

Meetings attended

Ian Cheshire (chair)	6/6	Matthew Key	6/6
Iain Conn	6/6	Leena Nair ^a	0/2
Isabel Hudson	6/6		

^a Leena gave apologies for two meetings during the year due to other business commitments. Leena stepped down from the Board and the Committee at the conclusion of the AGM on 14 July 2022.

//

The Committee understands the current cost pressures our colleagues face and is fully supportive of the actions taken during the year to help as best we could. Once again we have ensured that any remuneration decisions taken during the year were in line with our Directors' Remuneration Policy.

Committee role

The Committee is responsible on behalf of the Board for:

- Determining the salary and benefits for the Chairman, Executive Directors, members of the *Executive Committee* and the Company Secretary, and monitoring remuneration practices and policies for the wider workforce
- Setting the performance targets for the annual bonus scheme for senior executives for the year ahead
- Determining awards under the annual bonus scheme and the group's long-term incentive plans for senior executives
- Reviewing and approving the Report on directors' remuneration
- Reviewing and approving the Policy including seeking shareholder approval, on a binding basis, at least every three years
- Ensuring that all remuneration decisions are made within the parameters of the approved Policy and align with our reward philosophy and our values. No senior executive is involved in any decision about their own remuneration.

After each meeting, I report back to the Board on the Committee's activities and the main issues discussed.

[The Committee's key responsibilities are set out in its terms of reference available at \[bt.com/governance\]\(https://www.bt.com/governance\)](#)

This report sets out information on the Committee's activities during the year, our remuneration framework and its implementation. I have also provided further context on the performance of the business throughout the year and the environment in which the Committee made decisions on executive pay.

Stakeholder context

Wider workforce pay and conditions

In April 2022 we provided a salary increase of £1,500 to all UK frontline colleagues. Despite facing growing cost pressures, we really wanted to support our colleagues and we believe we delivered the best pay review we could afford at the time. Regrettably, we were not able to reach agreement on this with the CWU and FY23 saw eight days of industrial action. I am immensely grateful for the hard work of all colleagues who stepped up to ensure we kept our customers and the country connected during this challenging time.

Since April, colleagues across the globe have continued to be impacted by rising inflation and the cost of living squeeze. We again sought to support our colleagues as best we could, and we took the following actions:

- We delivered a £1,500 consolidated salary increase from 1 January 2023 to all UK colleagues earning a £50,000 full-time equivalent salary or below – more than 85% of our UK workforce, including all of our team member and frontline colleagues, and half of our UK manager population. Combined with the increase offered in April 2022, our lowest-paid colleagues received a total increase of 15% year on year. This one-off award was

recommended by both the CWU and Prospect, and supported by their memberships in consultative ballots, bringing an end to the CWU's industrial action

- Outside of the UK we assessed the need to deliver similar interventions, taking account of salary increases delivered in 2022, inflation levels and other local factors. As a result, a similar increase was provided in the Republic of Ireland and we paid a one-off allowance to colleagues in Hungary
- In terms of enhanced benefit provision, we rolled out additional support for business-needs drivers and colleagues travelling overnight; and launched our Benefitness campaign to help colleagues understand how our range of flexible benefits could best support them through these difficult economic times.

The Committee understands that our colleagues continue to face cost pressures and it receives regular updates on pay and conditions across the business throughout the year.

Isabel Hudson, as the Designated Non-Executive Director for workforce engagement, also feeds back to the Committee on a regular basis the comments and sentiments on remuneration matters which are raised by the *Colleague Board*. These issues are front-of-mind for the Committee as it makes decisions on executive pay throughout the year.

Customer context

The whole country has been impacted by the cost of living crisis and we have provided support for our customers as well as our colleagues. In June 2021 we were the first to launch a social tariff, Home Essentials, which provides discounted broadband to support customers claiming certain benefits. Although some of our competitors have now followed suit, BT Group still has more social tariff customers than the rest of the market combined. We made the decision to freeze our pricing in 2023 for one million social tariff and landline-only customers, as well as for two million Pay As You Go mobile customers.

We continue to build our fibre network at pace, delivering next-generation connectivity to the country: more than 10m premises are now covered by our network, with more than 3m connections.

As noted below, our NPS scores have fallen this year. Delivering strong customer experience is a core pillar of our strategy and in order to bring extra focus on this in FY24, we will be doubling the weighting on NPS in our bonus scorecard from 10% to 20%.

Shareholder context

Our share price performance during the year has again been volatile, but an upward trend in 2023 reflects improving market confidence in our strategy, as we start to see the benefits of our huge investment projects materialise. We're confident that we will deliver for our shareholders over the longer term. As planned, we reinstated our dividend for FY22 and have continued to pay dividends in FY23.

Performance and executive remuneration outcomes for FY23

Annual bonus

For FY23, annual bonus performance was based on a scorecard of seven key financial and non-financial measures that align to our strategic priorities. Financial performance accounted for 70% of the bonus scorecard and comprised the following measures:

- **Adjusted EBITDA (35%)** – despite the challenging economic backdrop and inflationary headwinds, we have delivered on our promise of £7.9bn in EBITDA for the year
- **Normalised free cash flow (35%)** – free cash flow was depressed during the year as we continued to build at pace, but by the end of Q4 we delivered normalised free cash flow of £1.3bn, in line with our guidance.

Our non-financial measures accounted for 30% of the bonus scorecard and comprised the following:

- **Customer (10%)** – customer sentiment in the year was impacted by the cost of living crisis, and our ability to support customers was affected by the industrial action. Although NPS scores were strong in Enterprise, at Group level we failed to meet our NPS threshold target
- **Converged networks (10%)** – we have continued to drive sales and delivery of the latest network technologies throughout the year, with both FTTP and 5G metrics landing between target and stretch
- **Digital impact & sustainability (10%)**
 - **Skills for tomorrow (5%)** – we continue to deliver support for our customers, families and small businesses, reaching more than 920,000 people across the country during the year. Performance was between target and stretch
 - **Carbon emissions intensity (5%)** – strong progress was made in the year on energy efficiency and reduction in energy consumption across our estate, meaning performance was above our stretch goal for the year. However, it also benefited from unforeseen events outside of management's control, or strategic decisions such as a reduction to our recruitment plans agreed part-way through the year. For scorecard purposes, we removed the impact of these unforeseen events, with the underlying result in line with threshold.

Further detail on the FY23 annual bonus scorecard can be found on page 122.

The overall formulaic outcome of the bonus scorecard was 72.9% of target. Taking account of the broader context described above, the Committee agreed that this result was a fair and reasonable reflection of the wider performance of the business and that therefore no discretion needed to be exercised. Philip and Simon will therefore be awarded bonuses of £962,590 and £656,440 respectively, half of which will be deferred into shares for three years.

2020 Restricted Share Plan awards

The Committee carried out an assessment of the two underpins applying to the 2020 Restricted Share Plan (RSP) awards (relating to ROCE performance and ESG/reputational damage) and determined that both had been satisfied.

The Committee is also cognisant of the need to avoid unreasonable windfall gains: however, the 2020 RSP awards were reduced in value by 20% at the point of grant to account for a fall in share price prior to award, and accordingly the Committee agreed that the potential vesting value of these awards remains appropriate and that no further adjustment was required.

All three tranches of the 2020 RSP awards will therefore vest in full in August 2023, 2024 and 2025 respectively. Tranches one and two remain subject to a holding requirement until August 2025.

Policy review

Our Directors' Remuneration Policy was last approved by shareholders at the 2020 AGM and is therefore due to be put to a binding vote again at the 2023 AGM in July.

A number of significant changes were made to the Policy in 2020, including the introduction of the RSP, which were supported by 95% of shareholders. Following a thorough review, the Committee has determined that the Policy remains fit for purpose, is well aligned with our strategy and appropriately incentivises and motivates senior executives to deliver shareholder value. We see no reason to move away from the RSP model at this time and we're also comfortable that the Policy maxima remain appropriately market-aligned.

Report on directors' remuneration continued

Committee chair's letter continued

Whilst no changes to the Policy itself are proposed, we're proposing some changes to how the Policy will be implemented in FY24, in particular increasing our focus on customer and diversity and inclusion metrics within the annual bonus scorecard.

As part of the Policy review, we took the opportunity to engage with some of our largest shareholders and proxy voting agencies, and held a number of meetings with our shareholder community. As always, the Committee and I are grateful for the valuable feedback.

Policy implementation in FY24

Base salary

Philip's salary was fixed for five years on appointment and therefore no increase will be made in FY24. Philip has also volunteered to waive any salary increases beyond FY24.

As part of the delivery of the cost of living pay rise, it was agreed that our regular annual salary review for UK managers will take place in September rather than June. The Committee will therefore consider any salary increase for Simon nearer this time when rates for the wider workforce are known and this will be confirmed in the 2024 Report on directors' remuneration.

Annual bonus

The annual bonus scorecard has been simplified for FY24, with an increased focus on customer and diversity and inclusion:

- Unchanged on the prior year, **financial measures will account for 70% of the annual bonus scorecard, split equally between Adjusted EBITDA and normalised free cash flow**
- **The remaining 30% of the annual bonus scorecard will be designated as a transformation scorecard**, emphasising key in-year priorities. For FY24 the following ESG metrics are proposed:
 - **Group Net Promoter Score**, with an increased weighting of 20%, reflecting the critical importance of providing strong customer experience, and
 - **Diversity and inclusion**, weighted 10%. D&I is fundamental to our purpose as a business, and ensuring our colleagues reflect the diversity of our customer base is critical to delivering our growth plans. We firmly believe that diversity and inclusion are intrinsically linked: an inclusive culture, driven by a diverse and inclusive management team, will attract diverse candidates into the business, and vice versa, so we will be introducing both a diversity and an inclusion metric (each equally weighted at 5% each)

Our diversity metric will measure representation of female, ethnic minority and disabled colleagues within our senior management population, alongside an inclusion index, which will use a set of four questions from our employee engagement survey to measure improvement in inclusion sentiment over time.

Network (FTTP and 5G) and Skills for Tomorrow metrics will no longer form part of the bonus: we have made significant progress in these areas and they are now well-embedded in the business. We believe it is the right time to prioritise new measures.

The Committee also believes that climate-related metrics are better suited to longer-term measurement and so while carbon emissions intensity no longer features in the annual bonus scorecard, we're introducing a new sustainability underpin for future RSP awards.

The annual bonus remains subject to a health and safety underpin and, if triggered, the Committee retains the discretion to reduce the pay-out as it considers appropriate. The EBITDA underpin which applied in FY23 was intended to apply for a single year only and will be removed for FY24.

No changes are proposed to the structure of the bonus plan itself: the on-target and maximum opportunity will remain at 120% and 200% of salary for both Philip and Simon, with 50% deferred into shares for a period of three years.

RSP

Due to the deferral of our annual salary review described above, the annual grant of RSP awards will also be delayed until September. Our normal Policy grant level for Executive Directors is 200% of salary. The Committee will consider the actual grant value for the 2023 awards nearer the time of grant, taking into account the share price at the time. If the share price is materially lower than the share price used to determine the 2022 awards, the Committee will consider whether it is appropriate to reduce awards to mitigate the risk of windfall gains.

As in prior years, these awards will vest in three equal tranches in June 2026, 2027 and 2028, with all tranches subject to a holding requirement until June 2028.

RSP awards are subject to two underpins, which have been revised for 2023, measured over the initial three-year vesting period:

1. **ROCE** – average return on capital employed must be at least 7%
2. **Sustainability** – the business must have made sufficient progress over the vesting period towards meeting our sustainability commitments (this could include carbon emissions, carbon abatement and circularity).

In relation to the ROCE underpin, the Committee concluded that in light of the impact of market volatility on our WACC methodology, it was appropriate to set the underpin as a fixed ROCE figure rather than relative to WACC as in prior years.

In setting the level of ROCE at 7%, the Committee took into account (1) the purpose of the underpin, being to avoid payment for failure rather than representing a 'target' for success; and (2) our expected ROCE performance over the next three years. The latter factors in our decision to expand and accelerate connections alongside our ambition to reach 25m premises with full fibre by the end of 2026, a once-in-a-generation capital investment of approximately £15bn that will both support the upgrade of the UK's digital economy into the future, and position BT Group to deliver long-term returns to our shareholders.

Responsibility for assessing the sustainability underpin sits with the *Digital Impact & Sustainability Committee*, which will provide a recommendation to the Committee at the end of the underpin period for their consideration. The *Digital Impact & Sustainability Committee* has agreed a framework which will enable a robust assessment of performance versus our specific sustainability commitments.

Chairman and Non-Executive Director fees

No changes will be made to the fees payable to the Chairman and Non-Executive Directors for FY24.

Finally, I will be stepping down from the BT Group Board at the conclusion of the AGM in July, and will be succeeded in my role as Chair of this Committee by Ruth Cairnie. I would like to thank you for your support over the last three years. As always, the Committee and I wish to maintain an open dialogue on remuneration matters with our investors and I would welcome their comments or feedback, and support, at the forthcoming AGM.

Sir Ian Cheshire

Chair of the Remuneration Committee
17 May 2023

Focus on remuneration

Our remuneration principles are to maintain a competitive remuneration package that promotes the long-term success of the business, avoids excessive or inappropriate risk taking and aligns management's interests with those of shareholders.

Below is how remuneration is aligned with the principles of the Code.

Clarity

- Our remuneration framework is structured to support the financial and strategic objectives of the group, aligning the interests of our Executive Directors with those of our shareholders
- We're committed to transparent communication with all stakeholders, including our shareholders
- The same annual performance framework applies to all our management colleagues, including Executive Directors, with aligned group and divisional metrics to ensure a consistent focus.

Predictability

- The long-term RSP reflects that we operate in a tightly regulated environment, ensuring a narrower but more predictable range of reward and performance outcomes to align with our business model.

Simplicity

- We operate a simple but effective remuneration framework which is applied on a consistent basis for all employees
- The annual bonus rewards performance against key performance indicators, while the RSP provides long-term sustainable alignment with our shareholders
- There is clear line of sight for management and shareholders.

Risk

- Our incentives are structured to align with the group's risk management framework
- Three-year deferral under the annual bonus and a five-year release period on RSP awards create long-term alignment, as do our in- and post-employment shareholding requirements
- The annual bonus, deferred bonus and RSP also incorporate malus and clawback provisions, and there is overarching *Remuneration Committee* discretion to adjust formulaic outcomes.

Proportionality

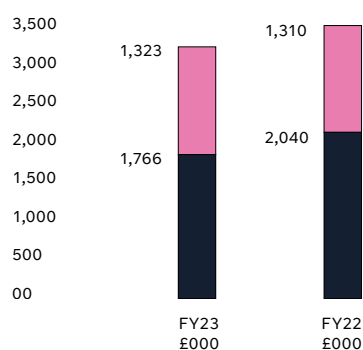
- There is clear alignment between group performance, strategic progress, and remuneration outcomes for our Executive Directors
- Target total compensation levels are set competitively compared to other companies of similar size and complexity to ensure we can attract and retain the executives needed to deliver the business strategy. Maximum total compensation levels are typically set lower than typical market practice to reflect the narrower and more predictable range of performance outcomes for BT Group
- Formulaic incentive outcomes are reviewed by the *Remuneration Committee* and may be adjusted after considering overall group performance and wider workforce remuneration policies and practices.

Alignment to culture

- When considering performance, the *Remuneration Committee* takes account of BT Group's values
- The *Remuneration Committee* receives regular updates on remuneration practices and policies for the wider workforce, and colleagues may provide feedback to the Board via the *Colleague Board* and the Designated Non-Executive Director for workforce engagement
- We encourage all of our colleagues to become shareholders in the business through the operation of all-employee share plans.

Focus on remuneration continued

Remuneration earned in FY23

Philip Jansen
Chief Executive
£000

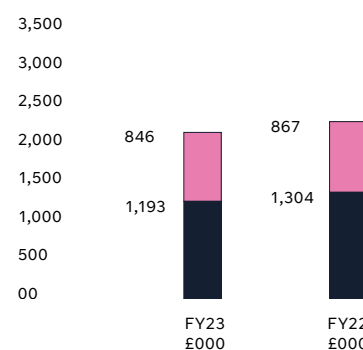
F

	FY23 £000	FY22 £000
Base salary	1,100	1,100
Pension allowance	110	110
Benefits	113	100
Total fixed pay	1,323	1,310

V

	FY23 £000	FY22 £000
Annual bonus (shares) ^a	481	660
Annual bonus (cash)	481	660
ISP (shares) ^b	n/a	720
RSP (shares) ^c	803	n/a
Total variable pay^d	1,766	2,040
Total	3,089	3,350

- a In line with the Policy, 50% of the annual bonus is deferred into shares for three years.
- b Performance against the adjusted cash flow measure was mid-way between target and stretch, whilst performance against both the TSR and adjusted revenue measures was below threshold. Accordingly, 19.1% of the total award vested in August 2022. Further detail is set out on [page 125](#).

Simon Lowth
Chief Financial Officer
£000

F

	FY23 £000	FY22 £000
Base salary	748	735
Pension allowance	75	110
Benefits	23	22
Total fixed pay	846	867

V

	FY23 £000	FY22 £000
Annual bonus (shares) ^a	328	441
Annual bonus (cash)	328	442
ISP (shares) ^b	n/a	421
RSP (shares) ^c	537	n/a
Total variable pay	1,193	1,304
Total	2,039	2,171

- c Both underpins have been satisfied for the 2020 RSP award and therefore all three tranches of the 2020 RSP award will vest in full in August 2023, 2024 and 2025 respectively. Further detail is set out on [page 122](#).
- d The total variable pay for Philip does not cast due to roundings.

Performance outcomes in FY23

Annual bonus FY23

- Bonus was subject to seven measures of financial and non-financial performance
- In line with the Policy, 50% of the annual bonus will be deferred into shares for three years
- Both EBITDA and normalised free cash flow were between threshold and target, and in line with our guidance for the year
- NPS was below our Group threshold target
- Performance against our network and digital impact metrics was stronger, ending the year above target
- Finally, our underlying carbon emissions performance was in line with threshold.

Measure

Payout (% of max)

Adjusted EBITDA		45%
Normalised free cash flow		41%
Group Net Promoter Score (NPS)		0%
5G customers		77%
FTTP connections		90%
Carbon emissions		30%
Skills for tomorrow		72%

2020 RSP

- A conditional share award subject to two underpins over the initial three-year vesting period
- The Committee assessed the two underpins at the end of the restricted period and confirmed that both had been satisfied
- Accordingly, all three tranches of the 2020 RSP award will vest in full in August 2023, 2024 and 2025 respectively. Tranches two and three are subject to a holding period until August 2025. Further detail is set out on [page 122](#).

Implementation of the Policy in FY24

	F Fixed pay	V Annual bonus	V RSP
Philip Jansen Chief Executive	Salary – £1,100,000 Benefits Pension allowance – 10% of salary	Max. opportunity – 200% of salary Target opportunity – 120% of salary	2023 award – 200% of salary
Simon Lowth Chief Financial Officer	Salary – £750,147 Benefits Pension allowance – 10% of salary	Max. opportunity – 200% of salary Target opportunity – 120% of salary	2023 award – 200% of salary
Performance measures	n/a	<ul style="list-style-type: none"> Adjusted EBITDA (35%) Normalised free cash flow (35%) Customer experience (20%) Diversity and inclusion (10%) <p>An underpin applies which allow the Committee to exercise its discretion to reduce the scorecard result if there is a significant breach in health and safety.</p>	<p>Awards subject to two underpins over the initial three-year vesting period:</p> <ul style="list-style-type: none"> Average ROCE must be at least 7% Sufficient progress is made towards meeting our sustainability commitments.
Framework	n/a	<ul style="list-style-type: none"> 50% of any bonus payment for FY24 will be deferred into shares for three years Malus and clawback provisions apply Full Committee discretion available. 	<ul style="list-style-type: none"> Awards vest in three equal tranches after three, four and five years; no shares can be sold until year five Malus and clawback provisions apply Full Committee discretion available.

Illustration of Policy

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
F Fixed pay	Base salary	█						
	Pension allowance	█						
	Benefits	█						
V Annual bonus ^a	50% cash		█					
	50% deferred shares				█			
V RSP awards	Tranche 1	— 50% of the bonus deferred for three years —>			█	→		No shares may be sold until year five
	Tranche 3				█	→		
	Tranche 3						█	

Underpins apply over three years

Malus and clawback up to two years after vesting of each tranche

a All of the annual bonus measures are linked to our key performance indicators (KPIs) as set out on [pages 48 to 49](#).

Directors' Remuneration Policy

Directors' Remuneration Policy (Policy)

This section of the report sets out our Policy which will be put forward for shareholder approval at the AGM on 13 July 2023. Subject to approval, this Policy will become effective on that date.

The Committee has carried out a full review of all elements of the Policy and has determined that it remains fit for purpose, aligned with our strategy, and appropriately incentivises and motivates

senior executives to deliver shareholder value. As such, no material changes to the Policy are being proposed at this time.

- ▣ Further details on the review and implementation are included in the Committee Chair's letter on [pages 109 to 110](#).
- ▣ Details on how the Policy will be implemented in FY24 are provided on [page 113](#).

Executive Directors

F Base salary

Purpose – a core element of remuneration, used to attract and retain Executive Directors of the calibre required to develop and deliver our long-term business strategy.

Operation

Salaries are reviewed annually, although an out-of-cycle review may be conducted if the *Remuneration Committee* determines it appropriate.

A review may not necessarily lead to an increase in salary.

Salaries are normally paid monthly in cash.

The *Remuneration Committee* takes into account a number of factors when setting salaries, including (but not limited to):

- the size and scope of the individual's responsibilities
- the individual's skills, experience and performance
- typical salary levels for comparable roles within appropriate pay comparators; and
- pay and conditions for our wider employee population.

Maximum opportunity

Whilst there is no maximum salary level, any increase will typically not exceed the range of increases awarded to our wider employee population.

Higher increases may be made under certain circumstances, such as:

- increase in the scope and/or responsibility of the individual's role on either a permanent or temporary basis
- development of the individual within their role
- where an Executive Director has been appointed to the Board at a lower than typical level of salary, for example to reflect a lower level of experience, larger increases may be awarded to move them closer to the market rate as their experience develops
- where there has been a significant change in market practice, or the size and scope of BT Group plc, and
- other exceptional circumstances.

Performance measures

None

F Benefits

Purpose – to support health and wellbeing and provide employees with a market-competitive level of benefits, ensuring the attraction and retention of key talent to deliver our strategy.

Operation

Executive Directors receive benefits which typically include (but are not limited to) car benefits (which may include any of a company car, cash allowance in lieu, fuel allowance, and driver), personal telecommunication facilities and home security, medical and dental cover for the directors and their immediate family, life cover, professional subscriptions, personal tax advice and a financial counselling allowance of up to £5,000 (excluding VAT) a year.

Where Executive Directors are required to relocate, the *Remuneration Committee* may offer one-off or ongoing relocation benefits, and additional expatriate benefits, if considered appropriate.

Expenses incurred in the performance of an Executive Director's duties for BT Group may be reimbursed (including any relevant taxes due thereon) or paid directly by BT Group, as appropriate.

BT Group plc purchases directors' and officers' liability insurance to cover the directors, and has in place a directors' and officers' indemnity. The insurance operates to protect the directors in circumstances where, by law, BT Group cannot provide the indemnity.

Further details of the directors' and officers' liability insurance and indemnity are set out on [page 132](#).

Maximum opportunity

While no maximum level of benefits is prescribed, they are generally set at an appropriate market-competitive level determined by the *Remuneration Committee*, taking into account a number of factors including:

- the jurisdiction in which the employee is based
- the level of benefits provided for other employees within the group; and
- market practice for comparable roles within appropriate pay comparators in that jurisdiction.

The *Remuneration Committee* keeps the benefit policy and benefit levels under regular review.

Performance measures

None

F Pension

Purpose – to attract and retain Executive Directors of the right calibre by providing market competitive post-retirement income, ensuring the attraction and retention of key talent to deliver our strategy.

Operation

Executive Directors currently receive a cash allowance in lieu of pension. The *Remuneration Committee* may determine that alternative pension provisions will operate. When determining pension arrangements for new appointments, the *Remuneration Committee* will give regard to:

- pension arrangements received elsewhere in the group; and
- relevant market practice including in the jurisdiction in which the Executive Director is based.

Maximum opportunity

The maximum cash allowance (or equivalent contribution to an Executive Director's pension, or combination of the two) may not exceed the equivalent level of pension contribution offered to the majority of the workforce in their local jurisdiction (currently 10% of salary in the UK).

Performance measures

None

Annual bonus

Purpose – to incentivise and reward delivery of our business plan on an annual basis.

Operation

Executive Directors are eligible for an annual bonus.

Awards are based on performance in the relevant financial year, and are not pensionable.

Up to half of any bonus earned will normally be paid in cash, with the remainder granted in the form of deferred share awards to further strengthen the alignment of management's interests with the long-term interests of shareholders. Deferred share awards will normally vest, subject to continued employment, after three years.

Both cash and deferred elements are subject to BT Group's malus and clawback provisions, which are described in more detail on [page 120](#).

Maximum opportunity

The maximum annual bonus opportunity for the Executive Directors is 200% of base salary.

Up to 25% of the maximum under each element is payable for threshold performance and 60% of the maximum is normally payable for target performance.

Performance measures

The *Remuneration Committee* sets annual bonus performance measures and targets each year, taking into account key strategic priorities and the approved budget for the year.

Measures used typically include, but are not limited to:

- financial performance measures – these are chosen carefully to ensure alignment between reward and underlying financial performance. As an example, such measures may include normalised free cash flow and EBITDA, and
- non-financial performance measures – these reflect key BT Group strategic goals. For example, such measures may include network, transformation, customer experience and other ESG goals.

Financial measures will typically account for at least 50% of the total annual bonus.

The *Remuneration Committee* ensures that targets set are appropriately stretching in the context of the corporate plan, as well as other internal and external factors, and that there is an appropriate balance between incentivising Executive Directors to meet targets, while ensuring that they do not drive unacceptable levels of risk or inappropriate behaviours.

The *Remuneration Committee* has full discretion to adjust outcomes under the annual bonus plan up or down where:

- the formulaic outcome does not reflect the underlying financial or non-financial performance of BT Group plc
- the payout level is not appropriate in the context of circumstances that were unexpected or unforeseen at the start of the year; and/or
- there exists any other reason why an adjustment to the level of bonus payout is appropriate.

Directors' Remuneration Policy continued

Executive Directors continued

■ Restricted

Share Plan (RSP)

Purpose – to provide a simple, long-term element of reward which creates alignment with our shareholders.

Operation

Executive Directors are eligible to participate in the RSP, which forms the long-term variable element of executive remuneration.

Awards are discretionary and normally vest, subject to continued employment, in three equal tranches after three, four and five years. The net number of shares vesting (i.e. after tax and other statutory deductions) under the first two tranches are subject to a further holding period until year five.

Maximum opportunity

Under normal circumstances, awards granted to Executive Directors in respect of any financial year may be no higher than 200% of salary.

Under exceptional circumstances, for example on recruitment, a higher limit of 250% of salary applies.

Performance measures

RSP awards are subject to one or more underpins over a period which is normally three financial years commencing with the year in which the awards were granted.

These underpins are designed with the protection of BT Group in mind, to ensure an acceptable threshold level of performance is achieved and that vesting is warranted. The underpins applying to each award will be determined by the *Remuneration Committee* each year, and may be a combination of financial and non-financial assessments.

If the underpins are not met, the *Remuneration Committee* may consider a reduction to the final vesting level of the RSP awards (including to nil).

Even where the underpins are met, the *Remuneration Committee* has discretion to adjust the number of shares vesting up or down where:

- the vesting outcome does not reflect the underlying financial or non-financial performance of BT Group plc
- the vesting level is not appropriate in the context of circumstances that were unexpected or unforeseen at the point the awards were granted; and/or
- there exists any other reason why an adjustment to the level of vesting of the award is appropriate.

Vested and unvested RSP awards are subject to BT Group's malus and clawback provisions, which are described in more detail on [page 120](#).

■ All-employee share plans

Purpose – to encourage wider employee share ownership.

Operation

Executive Directors may participate in any all-employee share plans operated by BT Group plc on the same basis as other eligible employees.

Maximum opportunity

All participants may participate up to the limits operated by BT Group plc at the time, which are set in line within any relevant statutory limits.

Performance measures

None

Shareholding requirement

Purpose – to ensure that Executive Directors build and hold a stake in BT Group plc, providing alignment with shareholders' interests.

Operation

Executive Directors are required to build up and maintain a shareholding equivalent to 500% of their annual salary. It is expected that this requirement is met within five years of an executive's appointment to the Board.

Shares counted towards satisfaction of the requirement include:

- beneficially-owned shares
- vested share awards subject to a holding period
- unvested Deferred Bonus Plan (DBP) awards, counted on a net-of-tax basis; and
- unvested RSP awards subject to underpins, also counted on a net-of-tax basis.

Until such time that the requirement has been satisfied, Executive Directors will not be permitted to sell any vesting incentive awards (other than to satisfy tax or other statutory liabilities on vesting, or at the discretion of the *Remuneration Committee* in exceptional circumstances).

The shareholding requirement will continue to apply for a period of two years post-cessation of employment, to the same value as the in-employment requirement (or the total number of shares held immediately prior to cessation of employment, if lower).

Maximum opportunity

N/A

Performance measures

None

Chairman and Independent Non-Executive Directors

Chair of the Board

Chair fee is a core element of remuneration, paid for fulfilling the relevant role. Set at a level to ensure that we're able to attract and retain a high-calibre individual appropriate for the role.

Operation

The Chair of the Board receives a single all-encompassing fee for their role, which is normally inclusive of any additional responsibility fees, paid monthly in cash. In exceptional circumstances additional fees may be introduced to reflect additional time commitments.

The Chair may also be eligible for certain benefits in line with those which may be offered to Executive Directors, other than any pension benefits, annual bonus or share incentives.

Expenses incurred in the performance of non-executive duties for BT Group may be reimbursed (including any relevant taxes due thereon) or paid directly by BT Group, as appropriate.

Opportunity

The fee is set at a level which is considered appropriate to attract and retain an individual of the necessary calibre.

The fee level is normally set by reference to the level of fees paid to board chairs of similarly-sized, UK-listed companies, taking into account the size, responsibility and time commitment required of the role.

The fee may be reviewed (but not necessarily increased) on an annual basis.

The current fee level can be found in the **Annual Report on Remuneration** on [page 126](#).

BT Group plc's Articles of Association limit the maximum aggregate fees payable to all independent Non-Executive Directors.

Other Independent Non-Executive Directors

Fees paid to Independent Non-Executive Directors are a core element of remuneration, paid for fulfilling the relevant role. Set at a level to ensure that we're able to attract and retain high-calibre individuals appropriate for the role.

Operation

Independent Non-Executive Directors receive a basic fee, paid monthly in cash, in respect of their Board duties.

Further fees may be paid for additional responsibilities, or additional time commitments, including but not limited to: chairing or membership of Board committees, for the role of Senior Independent Director, or for holding the role of Designated Non-Executive Director for workforce engagement.

Additional fees of up to £6,000 may also be payable to Independent Non-Executive Directors undertaking regular intercontinental travel to attend Board and committee meetings.

Independent Non-Executive Directors are not eligible for annual bonus, share incentives, pensions or other benefits.

Reasonable expenses incurred in the performance of non-executive duties for BT Group may be reimbursed (including any relevant taxes due thereon) or paid directly by BT Group, as appropriate.

Opportunity

Fees are set at a level which is considered appropriate to attract and retain Independent Non-Executive Directors of the necessary calibre.

Fee levels are normally set by reference to the level of fees paid to Independent Non-Executive Directors serving on boards of similarly-sized, UK-listed companies, taking into account the size, responsibility and time commitment required of the role.

Fees may be reviewed (but not necessarily increased) on an annual basis.

Current fee levels can be found in the **Annual Report on Remuneration** on [page 126](#).

BT Group plc's Articles of Association limit the maximum aggregate fee payable to all Independent Non-Executive Directors. The maximum is based on non-executive director fees benchmarked as at 1 April 1999 with increases linked to the Retail Price Index.

Notes to the Policy table

- 1 For further information on the performance measures and underpins applicable to the annual bonus and RSP see [page 126](#).
- 2 In the event of death, the Chief Financial Officer receives a dependent pension provision of 30% of salary (capped), as a legacy provision payable under a previous Policy.
- 3 Common award terms

Awards under any of BT Group plc's share plans referred to in this report may:

- incorporate the right to receive the value of dividends that would have been paid on the shares subject to an award that vests, which may be calculated assuming the shares were reinvested in shares on a cumulative basis. This value will normally be delivered in the form of additional shares, but may be paid in cash in exceptional circumstances
- be granted as conditional share awards, nil-cost options or in such other form that the *Remuneration Committee* determines has the same economic effect
- have any performance conditions applicable to them varied or substituted by the *Remuneration Committee* if an event occurs which causes the *Remuneration Committee* to determine that the performance conditions no longer achieve their original purpose, provided that the varied or substituted performance condition would not be materially less difficult to satisfy; and
- be adjusted in the event of any variation of BT Group plc's share capital or any demerger, special dividend or other event that may affect the current or future value of awards.

Directors' Remuneration Policy continued

Recruitment

Our recruitment policy is based on a number of key principles:

- we aim to provide a remuneration package which is sufficient to attract, retain and motivate key talent, while at all times ensuring that we pay no more than is necessary, with due regard to the best interests of BT Group plc and our shareholders
- the *Remuneration Committee* will take a number of factors into account in determining an appropriate remuneration package. For example, these may typically include the candidate's experience and calibre, their circumstances, external market influences and arrangements for existing Executive Directors
- the ongoing remuneration package offered to new Executive Directors will only include those elements listed within the Policy table
- the *Remuneration Committee* may also consider providing one-off or ongoing relocation benefits, as well as additional benefits to expatriate appointments, where appropriate; and
- the *Remuneration Committee* will provide full details of the recruitment package for new Executive Directors in the **Annual Report on Remuneration** and will provide shareholders with the rationale for the decisions that were taken.

The maximum level of variable pay (excluding buyouts, for which see below) which may be awarded in respect of a recruitment event (internal or external), will not exceed 450% of base salary, representing the aggregated maximum award under the annual bonus and RSP.

In addition, to facilitate recruitment, the *Remuneration Committee* may make awards to buy out remuneration or contractual entitlements which the individual would forfeit at their current employer. The *Remuneration Committee* will give consideration to any relevant factors, typically including the form of the award (e.g. cash or shares), the proportion of the performance/vesting period outstanding and the potential value of the forfeited remuneration, including performance conditions attached to the awards, the likelihood of those conditions being met, and the timing of any potential payments.

In making buyout awards, the *Remuneration Committee* may grant awards under our existing incentive arrangements or use the relevant provision in the Listing Rules. This allows for the granting of awards specifically to facilitate the recruitment of an Executive Director, without seeking prior shareholder approval. In doing so, the *Remuneration Committee* will comply with the relevant provisions in force at the time.

Where an Executive Director is appointed from within the organisation, BT Group will honour any legacy arrangements in line with their original terms and conditions.

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will be in line with those detailed on [page 126](#).

Payment for loss of office

In a departure event, the *Remuneration Committee* will typically consider:

- whether any element of annual bonus should be paid for the financial year. Any bonus which is paid will normally be limited to the period served during the financial year in which the departure occurs
- whether any outstanding deferred bonus awards should be preserved either in full or in part; and
- whether any awards under the RSP or LTI scheme should be preserved either in full or in part and, if relevant, whether the post-vesting holding period should apply.

The *Remuneration Committee* has historically maintained a discretionary approach to the treatment of leavers, on the basis that the facts and circumstances of each case are unique. This provides the *Remuneration Committee* with the maximum flexibility to review the facts and circumstances of each case, allowing differentiation between good and bad leavers and avoiding payment for failure.

When considering a departure event, there are a number of factors which the *Remuneration Committee* takes into account in determining appropriate treatment for outstanding incentive awards.

These include:

- the position under the relevant plan documentation or any contractual entitlements
- the individual circumstances of the departure
- the performance of BT Group plc/the individual during the year to date; and
- the nature of the handover process.

DBP

Good leaver	Retained in full, normally vesting on their usual timeframe. In the case of death, awards are accelerated such that they vest on the date of death.
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Bad leaver	Forfeit on cessation, subject to discretion.
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RSP

Good leaver	Retained, subject to pro-ratio for portion of the three-year initial vesting period served, vesting on the normal timeframe, subject to the satisfaction of any performance conditions or underpins. The post-vesting holding period usually continues to apply as normal. On death, awards are accelerated such that they vest on the date of death. All retained awards are subject to pro-ratio for the portion of the initial three-year vesting period served, and subject to the <i>Remuneration Committee's</i> assessment of satisfaction of any performance conditions or underpins applying, measured at or close to the date of death.
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Bad leaver	Forfeit on cessation, subject to discretion. In some cases, the treatment is formally prescribed under the rules of the relevant plan so that where there are 'good leaver' circumstances, including death, injury, ill-health, disability, redundancy or sale of BT Group plc or business.
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The *Remuneration Committee* considers the leaver circumstances along a continuum, ranging from 'bad leaver' scenarios such as termination of employment for gross misconduct or resignation, through to the 'good leaver' scenarios outlined above.

Accordingly, subject to the relevant plan rules, the *Remuneration Committee* may apply (or disapply) such performance conditions or underpins or time pro-rating to awards vesting in these circumstances as it considers appropriate.

All-employee plans

The treatment of awards under BT Group plc's all-employee plans on leaving is as determined under the respective HMRC-approved rules. For saveshare, someone who ceases to be an employee in special circumstances (for example injury, disability, death, or following sale of BT Group plc or business where they work) may exercise the option within six months after leaving (or 12 months in the case of death) or the relevant corporate event. If someone leaves for a reason not falling within special circumstances, the option lapses on the date the individual leaves.

Change of control

In the event of a takeover or scheme of arrangement involving BT Group plc, DBP and RSP awards will vest, at a minimum, to the extent that any applicable performance measures have been satisfied at the time (subject to the *Remuneration Committee's* discretion to determine the appropriate level of vesting, having regard to such relevant factors as it decides to take into account). If the acquiring company offers to exchange awards over BT Group plc shares for awards over its shares (or shares in another company), awards may, if the *Remuneration Committee* determines, be exchanged and continue under the rules of the relevant plan.

In the event of a voluntary winding up of BT Group plc, awards may vest on the members' resolution to voluntarily wind-up BT Group plc being passed.

Executive Director service contracts

The other key terms of the service contracts for the current Executive Directors are set out below. The termination provisions described above are without prejudice to BT Group's ability in appropriate circumstances to terminate in breach of the notice period referred to above, and thereby be liable for damages to the Executive Director. In the event of termination by BT Group plc, each Executive Director may have entitlement to compensation in respect of his or her statutory rights under employment protection legislation in the UK.

Where appropriate, BT Group may also meet a director's reasonable legal expenses in connection with either his or her appointment or termination. BT Group plc may, where appropriate and reasonable, cover the cost of outplacement services.

There are no other service agreements, letters of appointment or material contracts, existing or proposed, between BT Group plc and the Executive Directors.

Notice period

12 months' notice by BT Group plc, six months' notice by the Executive Director (there is no fixed expiry date).

Termination payment

- In lieu of giving an Executive Director 12 months' notice, BT Group plc may terminate the director's contract and make a payment in lieu of notice to which the director was entitled if he or she had received salary and to the extent no longer payable the value of contractual benefits for the period; and
- the payments in lieu will be payable in equal monthly instalments until the date on which the notice period would have expired or (if earlier) the date on which the director secures alternative employment with the same or higher basic salary or fee. In the event that the director secures alternative employment at a basic salary of £30,000 or higher, but lower than their salary, payment in lieu will be reduced by the amount of the new lower salary received. The Board retains the right to lower the payment in lieu of the director's new employment if it considers the new employment terms of the director are not appropriately balanced between basic salary and other elements, and may cease making payments entirely where the Board is not satisfied the director is making reasonable efforts to secure alternative employment.

Remuneration and benefits

- Participation in the annual bonus, long-term incentive and other share plans, is non-contractual.
- Other benefits which typically include (but are not limited to) car benefits (which may include any of a company car, cash allowance in lieu, fuel allowance, and driver), personal telecommunication facilities and home security, medical and dental cover for the directors and their immediate family, life cover, professional subscriptions, personal tax advice and financial counselling up to a maximum of £5,000 (excluding VAT) a year.

Illustration of Executive Director pay scenarios

Our Policy aims to ensure that a significant proportion of pay is dependent on the achievement of stretching performance targets. The *Remuneration Committee* has considered the level of total remuneration that would be payable under different performance scenarios and is satisfied that, as the graphs illustrate, executive pay is appropriate in the context of the performance required and is aligned with shareholders' interests.

The illustrative scenarios below set out the total remuneration that might be achieved by each Executive Director for different levels of performance, based on our Policy.

The minimum reflects base salary, benefits and pension only which are not performance-related.

	Fixed pay	All scenarios	Consists of total fixed pay – base salary, benefits and pension
			– Base salary – salary effective as at 1 June 2023
			– Benefits – value of benefits provided to each director in FY23
			– Pension – cash allowance effective 1 April 2023, being 10% of salary for both Executive Directors.
Variable pay	Minimum		– No payout under the annual bonus
			– No vesting under the RSP
	On target		– On-target payout under the annual bonus of 120% of salary
			– Full vesting of the RSP at 200% of salary
	Maximum		– Maximum payout under the annual bonus of 200% of salary
			– Full vesting of the RSP at 200% of salary.
	Maximum +50% share price increase		– Maximum payout under the annual bonus of 200% of salary
			– Full vesting of the RSP at 200% of salary, with a 50% share price increase applied.

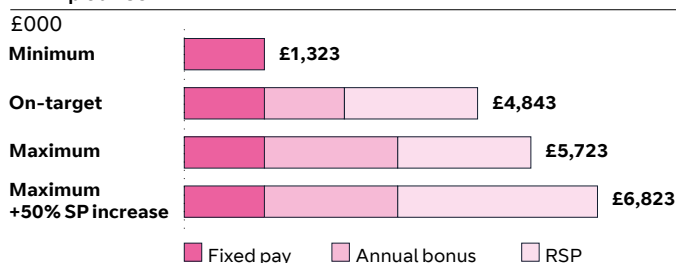
Fixed pay is calculated as follows:

£000	Salary	Benefits	Pension	Total fixed pay
Chief Executive	1,100	113	110	1,323
Chief Financial Officer	750	23	75	848

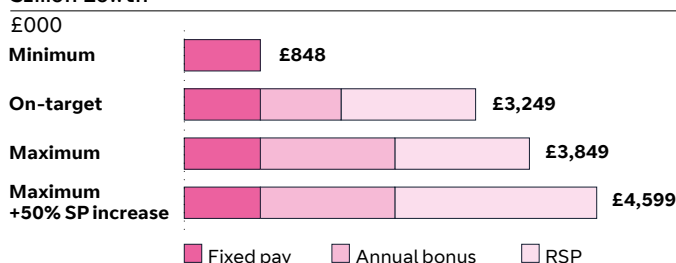
Directors' Remuneration Policy continued

RSP awards have been shown at face value, with no share price growth or discount rate assumptions, other than the fourth scenario which includes an uplift of 50% on the restricted share awards. All-employee plans have been excluded, as have any legacy awards held by Executive Directors.

Philip Jansen



Simon Lowth



Malus and clawback

Both annual bonus and long-term incentive arrangements are subject to malus and clawback. Under the malus provision, the *Remuneration Committee* may apply its discretion to reduce (including to nil) any DBP or RSP award prior to the award vesting, if circumstances arise which justify a reduction.

Under the clawback provision, the *Remuneration Committee* has discretion to require an employee to pay back to BT Group plc part or all of the cash part of the annual bonus within one year of payment. The *Remuneration Committee* also has discretion to require an employee to pay back part or all of a vested long-term incentive plan award within two years of the award or respective tranche vesting.

The circumstances in which the *Remuneration Committee* may consider it appropriate to apply clawback and/or malus include, but are not limited to those summarised below:

- behaviour by a participant which fails to reflect BT Group's governance and business values
- the extent to which any condition was satisfied was based on an error, or on inaccurate or misleading information or assumptions which resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that error not been made
- material adverse change in the financial performance of BT Group plc or any division in which the participant works and/or worked
- a material financial misstatement of BT Group plc's audited financial accounts (other than as a result of a change in accounting practice)
- any action which results in or is reasonably likely to result in reputational damage to BT Group plc
- a material failure in risk management
- corporate failure
- negligence or gross misconduct of a participant; and/or
- fraud effected by or with the knowledge of a participant.

Other elements of remuneration are not subject to malus and clawback provisions.

Consideration of remuneration arrangements throughout the group

The *Remuneration Committee* considers the pay and conditions of employees throughout BT Group when determining the remuneration arrangements for Executive Directors, and is provided with relevant information and updates by the Chief Human Resources Officer. Whilst we do not consult directly with colleagues on executive remuneration arrangements, the Committee receives regular updates from the *Colleague Board* via the Designated Non-Executive Director for workforce engagement.

Further detail on pay conditions within BT Group are provided in [Remuneration in context](#) on page 129.

Consideration of shareholder views

The *Remuneration Committee* is strongly committed to an open and transparent dialogue with shareholders on remuneration matters. We believe that it is important to meet regularly with our key shareholders to understand their views on our remuneration arrangements and discuss our approach going forward.

The *Remuneration Committee* will continue to engage with shareholders and will aim to consult on any material changes to the Policy or other relevant matters.

Summary of decision-making process and changes to the Policy

During the year, the *Remuneration Committee* undertook a review of the Policy and its implementation to ensure that the Policy supports the execution of strategy and the delivery of sustainable long-term shareholder value. Throughout the review process, the *Remuneration Committee* took into account the 2018 UK Corporate Governance Code, wider workforce remuneration and emerging best practice in relation to Executive Director remuneration, as well as input from management and its independent advisors. The *Remuneration Committee* considers that the overall remuneration framework remains appropriate to continue to incentivise management to drive long-term sustainable performance for shareholders and as such, no significant changes are proposed to the Policy.

Minor changes have been made to the wording of the Policy to aid operation and to increase clarity. The *Remuneration Committee* believes that the proposed Policy is clear and transparent and aligned with our culture and considers that it complies with Provision 40 of the 2018 UK Corporate Governance Code.

Legacy matters

The *Remuneration Committee* can make remuneration payments and payments for loss of office outside of the Policy set out above where the terms of the payment were agreed (i) before the Policy set out in this report came into effect, provided that the terms of the payment were consistent with any applicable policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a director of BT Group plc (or another person to whom the Policy set out above applies) and that, in the opinion of the *Remuneration Committee*, the payment was not in consideration for the individual becoming a director of BT Group plc (or taking on such other applicable position). This includes the exercise of any discretion available to the *Remuneration Committee* in connection with such payments. For these purposes, payments include the *Remuneration Committee* satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Minor amendments

The *Remuneration Committee* may make minor amendments to the arrangements for the directors as described in the Policy, for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation.

Annual remuneration report

This section summarises all elements of the directors' remuneration in FY23.

References to 'audited' refer to an audit performed in accordance with UK statutory reporting requirements.

Single total figure of remuneration (audited)

The following table sets out all emoluments received by directors for FY23 and FY22, including bonus and deferred bonus, long-term incentive plans and pension arrangements.

	Fixed pay								Variable pay							
	Basic salary and fees £000		Benefits ^a £000		Pension ^b £000		Total fixed pay £000		Annual bonus ^c £000		Long-term incentives £000		Total variable pay £000		Total £000	
	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23 ^d	FY22 ^e	FY23	FY22	FY23	FY22
Chairman																
Adam Crozier	700	292	12	1			712	293							712	293
Executive Directors																
Philip Jansen	1,100	1,100	113	100	110	110	1,323	1,310	963	1,320	803	720	1,766	2,040	3,089	3,350
Simon Lowth	748	735	23	22	75	110	846	867	656	883	537	421	1,193	1,304	2,039	2,171
Non-Executive Directors																
Adel Al-Saleh ^f	0	0													0	0
Maggie Chan Jones ^g	8						8						–	–	8	0
Ian Cheshire	155	144					155	144					–	–	155	144
Iain Conn	163	162					163	162					–	–	163	162
Steven Guggenheimer ^{h,i,j}	48		15				63						–	–	63	0
Isabel Hudson ⁱ	146	145	1	1			147	146					–	–	147	146
Matthew Key ^j	150	137	1				151	137					–	–	151	137
Allison Kirkby ^j	125	124	8				133	124					–	–	133	124
Sara Weller	138	131					138	131					–	–	138	131
Sub-total	3,481	2,970	173	124	185	220	3,839	3,314	1,619	2,203	1,340	1,141	2,959	3,344	6,798	6,658
Former directors																
Leena Nair ^k	39	116					39	116							39	116
Total	3,520	3,086	173	124	185	220	3,878	3,430	1,619	2,203	1,340	1,141	2,959	3,344	6,837	6,774

- a Benefits provided to the Executive Directors and the Chairman typically include (but are not limited to) car benefits (which may include any of a company car, cash allowance in lieu, fuel allowance, and driver), personal telecommunication facilities and home security, medical and dental cover for the directors and their immediate family, life cover, professional subscriptions, personal tax advice and financial counselling up to a maximum of £5,000 (excluding VAT) a year. For Philip, the value includes a company provided car and personal driver to the value of c. £86,000 (FY22: £70,000).
- b Pension allowance paid in cash for the financial year – see 'Pension allowance' on [page 122](#).
- c Annual bonus shown includes both the cash and deferred share element. The deferred element of the FY23 bonus includes the value of deferred shares to be granted in June 2023. Further details of the deferred element are set out on [page 122](#).
- d Value shown represents the estimated value of the first tranche of the RSP awards granted in 2020 that will vest in full in August 2023. The estimate is based on a three-month average share price from 1 January 2023 to 31 March 2023 of 135.88p. Further details are provided on [page 122](#).
- e 19.1% of the total ISP 2019 granted in June 2019 vested in August 2022. Further details are provided on [page 125](#).
- f Adel was appointed as a director on 15 May 2020. Under the terms of the Relationship Agreement between BT Group and Deutsche Telekom and Adel's letter of appointment, no remuneration is payable for this position.
- g Maggie was appointed as a director on 1 March 2023 and the figure represents her pro-rated remuneration during the year.
- h Steven was appointed as a director on 1 October 2022 and the figure represents his pro-rated remuneration during the year.
- i Includes an additional fee for regular intercontinental travel to attend Board and Board Committee meetings in line with the Policy.
- j Value shown relates to reimbursement of reasonable travelling and other expenses (including any relevant tax) incurred in carrying out their duties.
- k Leena stepped down as a Director at the conclusion of the AGM on 14 July 2022 and the figure represents her pro-rated remuneration during the year.

Additional disclosures relating to the single figure table (audited)

Salaries and fees

Executive Directors' salaries are reviewed annually, with any increases typically effective from 1 June. A 2% increase to Simon Lowth's salary was agreed from 1 June 2022 in line with increases for our UK senior management team, bringing Simon's salary to £750,147. Philip's salary of £1,100,000 was fixed for five years at the time of his appointment in January 2019.

Adam joined on 1 November 2021 as a Non-Executive Director and Chairman designate and became Chairman on 1 December 2021. The Committee agreed a fee of £700,000 per year on appointment. The Chairman volunteered to waive any fee increase during FY23.

The fees for Non-Executive Directors reflect committee-related or other additional responsibilities, including on a pro-rated basis for any appointments during the year. A full breakdown of Non-Executive Director fees is set out on [page 126](#).

Annual remuneration report continued

Pension allowance

Executive Directors receive an annual cash allowance, which can be put towards the provision of retirement benefits.

Both Executive Directors received an annual allowance of 10% of salary. This is aligned with the contribution rate available to the majority of our UK employees. We also provide death in service cover consisting of a lump sum equal to four times salary, and for Simon Lowth only, a dependants' pension equal to 30% of his capped salary.

Annual bonus

Both Executive Directors were eligible for an on-target bonus in respect of FY23 of 120% of salary with a maximum opportunity of 200% of salary. The annual bonus is based on performance against a scorecard of seven key financial and non-financial measures linked to our KPIs as set out on [pages 48 to 49](#).

Category	Measure	Weighting	Threshold	Target	Stretch	Actual	Payout (% of max)
Financial	Adjusted EBITDA (£m)	35%	7,747	7,947	8,247	7,848	45%
	Normalised free cash flow (£m)	35%	1,252	1,452	1,752	1,328	41%
Customer	Group NPS	10%	0	100	200	0	0%
Converged networks	5G customers (000s)	5%	7,436	8,262	9,088	8,606	77%
	FTTP connections (000s)	5%	2,617	2,908	3,199	3,124	90%
Digital impact & sustainability	Reduction in carbon emissions (%)	5%	(50)	(52)	(54)	(50)	30%
	Skills for Tomorrow (000s)	5%	600	800	1,200	920	72%
Formulaic outcome						43.7% of max (72.9% of target)	

For scorecard purposes, the EBITDA result assumes an on-target bonus payout for all colleagues. Actual post-bonus EBITDA for FY23 is £7,928m.

As part of its normal process, the Committee agreed appropriate adjustments to the EBITDA and normalised free cash flow target ranges to account for items not included in the targets at the start of the year, including the tax super-deduction and sale of BT Sport (including changes to accounting treatment). These amendments had the impact of reducing the formulaic outcome of the bonus scorecard.

The formulaic outcome under the carbon emissions metric was a 56% reduction. Strong progress was made in the year on energy efficiency and reduction in energy consumption across our estate. However, we also benefited from unforeseen events outside of management's control, or strategic decisions such as a reduction to our recruitment plans agreed part-way through the year. For scorecard purposes, the Committee removed the impact of these unforeseen events, with the underlying result in line with threshold at a 50% reduction.

When determining the overall performance and bonus pay-outs, the Committee also considers a number of other factors including share price performance, the external environment and overall affordability. The Committee agreed that the formulaic outcome of 72.9% of target was a fair reflection of performance in the year and that no further adjustments were warranted.

The final bonus outturns for the Executive Directors are set out in the table below:

	Formulaic outcome	% of max	Value
Philip Jansen	72.9% of target	43.7%	£962,590
Simon Lowth	72.9% of target	43.7%	£656,440

As per the Policy, 50% of the FY23 annual bonus will be deferred into shares for three years.

2020 RSP

The RSP is a conditional share award. Two underpins applied over the initial three-year vesting period:

- ROCE is equal to or exceeds the WACC over the same period
- there must have been no ESG issues which have resulted in material reputational damage for the group.

The Committee assessed performance against the two underpins at the end of the financial year and agreed that both had been satisfied.

The Committee also considered share price performance over the vesting period and the absolute value of vesting awards. Noting that a 20% reduction to the award values was made at the point of grant, the Committee agreed that the value of the 2020 RSP awards was appropriate and that no further adjustment was required.

As a result, all three tranches of the 2020 RSP award will vest in full in August 2023, 2024 and 2025 respectively. Tranches one and two remain subject to a holding requirement until August 2025.

Awards granted during the year (audited)

2022 RSP

The 2022 RSP awards were made in June 2022 as set out below and on [page 125](#). An award of 200% of salary was made to both Executive Directors in line with the normal Policy level. The face value was based on the BT Group plc share price at the date of grant of 184.35p. The grant price is calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant.

Director	Date of award	RSP award (shares)	Face value of award
Philip Jansen	24 June 2022	1,195,652	£2,200,000
Simon Lowth	24 June 2022	815,376	£1,500,294

These awards are conditional share awards. Two underpins apply over the initial three-year vesting period:

- ROCE is equal to or exceeds WACC over the same period
- there must have been no ESG issues which have resulted in material reputational damage for the group.

Should one or both underpins not be met, the Committee may at its discretion reduce the number of shares vesting, including to nil.

Awards will vest in three equal tranches after three, four and five years, with an additional holding period such that no shares may be sold until year five. At vesting, additional shares representing the value of reinvested dividends on the underlying shares are added.

Malus and clawback provisions apply as set out in the Policy, and the Committee retains the ultimate discretion to adjust vesting levels to ensure alignment with our overall performance.

[Details of all interests under the RSP are set out on page 125.](#)

2022 deferred shares

In line with the Policy, 50% of the bonus awarded for FY22 was deferred into shares. The awards were made under the deferred bonus plan (DBP) in June 2022 as set out below and on [page 125](#). The face value was based on the BT Group plc share price at the date of grant of 184.35p. The grant price is calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant.

Director	Date of award	DBP award (shares)	Face value of award
Philip Jansen	24 June 2022	358,695	£660,000
Simon Lowth	24 June 2022	239,816	£441,263

Deferred shares are not subject to performance conditions and have a three-year vesting period. At vesting, additional shares representing the value of reinvested dividends on the underlying shares are added.

Malus and clawback provisions apply as set out in the Policy, and the Committee retains the ultimate discretion to adjust vesting levels to ensure alignment with our overall performance.

[Details of all interests under the DBP are set out on page 125.](#)

Payments for loss of office (audited)

No payments were made to directors during the year for loss of office.

Former directors (audited)

No payments were made to former directors during the year.

Directors' share ownership (audited)

The Committee believes that the interests of the Executive Directors should be closely aligned with those of shareholders. The aim is to encourage the build-up of a meaningful shareholding in BT Group plc over time by retaining net shares received through the executive share plans or from market purchases.

The shareholding requirement for both Executive Directors under the Policy is 500% of salary. Executive Directors are expected to meet this requirement within five years of the approval of the Policy or, in the case of any new Executive Directors appointed, within five years of their date of appointment.

The shareholding requirement continues to apply in full for two years post-cessation of employment (or the total number of shares held at cessation, if lower). The post-cessation shareholding requirement will be calculated and expressed as a fixed number of shares by reference to the closing BT Group plc share price on the day immediately prior to the cessation date. The requirement is fixed as this number of shares for a period of two years and compliance will be measured at cessation and annually thereafter. In enforcing continued compliance post-cessation, the Committee may request that the Executive Director transfers any shares subject to the shareholding requirement which we will hold in trust until such time that they no longer need to be retained.

We encourage the Chairman and Independent Non-Executive Directors to purchase, on a voluntary basis, BT Group plc shares with an aggregate value of £5,000 on average each year (based on acquisition price) to further align the interests of Non-Executive Directors with those of our shareholders. They are asked to hold these shares until they cease being a member of the Board.

This policy does not apply to the Deutsche Telekom nominated representative director appointed to the Board as a Non-Independent, Non-Executive Director under the terms of the EE acquisition in January 2016. This helps avoid any conflict of interest.

Annual remuneration report continued

Directors' interests at 31 March 2023 or on cessation (audited)

The following tables show the beneficial interests in BT Group plc shares of directors and persons closely associated as at 31 March 2023 (or at the point of leaving for directors who left during the year).

The first table includes interests held by the Executive Directors under BT Group plc's share plans. The numbers represent the maximum possible vesting levels. Full details of all DBP and RSP awards, including restricted periods and vesting conditions, are set out on [page 125](#).

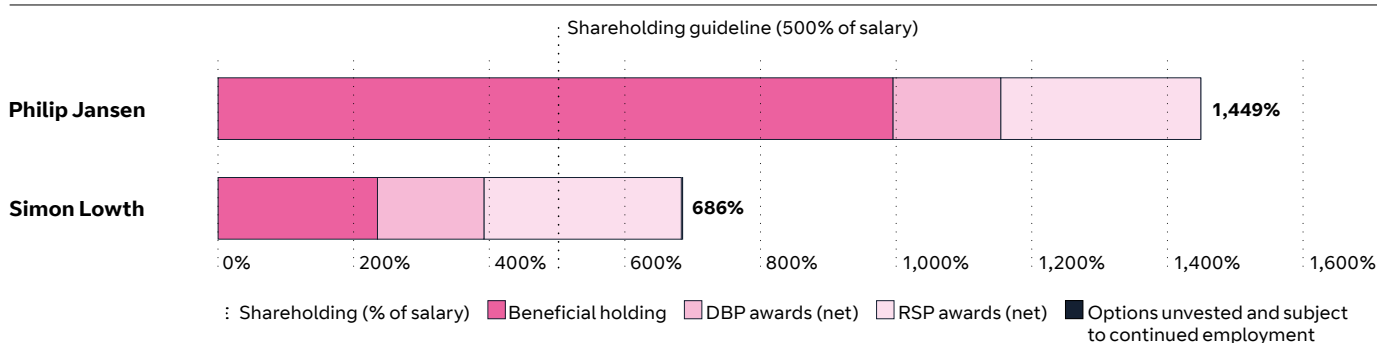
For Executive Directors we use the average BT Group plc share price over the preceding 12 months (or the share price at acquisition/vesting date if higher) to determine whether the minimum shareholding requirement has been reached.

During the period 1 April 2023 to 17 May 2023, there were no movements in directors' beneficial holdings or other interests in shares. The directors, as a group, beneficially own less than 1% of BT Group plc's shares.

Executive Directors	Number of shares owned outright at 31 March 2023	RSP and DBP ^a	Options ^b	Shareholding requirement (% of salary)	Current shareholding (% of salary)
Philip Jansen	6,412,792	3,335,872	247	500%	1,449%
Simon Lowth	924,170	2,247,211	11,222	500%	686%

a Subject to continued employment and, for the RSP, two underpins over the initial three-year period.

b Includes interests in saveshare, a HMRC-approved all-employee plan and yourshare, a HMRC-approved share incentive plan.



	Beneficial holding owned outright at 1 April 2022	Beneficial holding owned outright at 31 March 2023
Chairman		
Adam Crozier	62,500	62,500
Non-Executive Directors		
Adel Al-Saleh	0	0
Maggie Chan Jones ^a	–	0
Ian Cheshire	19,646	19,646
Iain Conn	69,442	69,442
Steven Guggenheimer ^b	–	0
Isabel Hudson	24,090	24,090
Matthew Key	161,686	161,686
Allison Kirkby	75,000	75,000
Sara Weller	37,000	37,000
Former directors		
Leena Nair ^c	50,000	50,000
Total	499,364	499,364

a Maggie was appointed as a director on 1 March 2023.

b Steven was appointed as a director on 1 October 2022.

c Leena stepped down as a Director at the conclusion of the AGM on 14 July 2022 and the number reflects her holding at that date.

Outstanding share awards at 31 March 2023 (audited)

	1 April 2022	Awarded/ granted	Dividends re-invested	Vested	Lapsed	Total number of award shares at 31 March 2023	Vesting date	Price at grant	Market price at date of vesting	Market price at date of exercise	Monetary value of vested award £000
Philip Jansen											
DBP 2019	65,735	–	–	65,735	–	–	01/08/2022	207.45p	160.46p	–	105
DBP 2020	1,119,999	–	62,365	–	–	1,182,364	01/08/2023	119.27p	–	–	–
DBP 2021	657,482	–	36,610	–	–	694,092	24/06/2024	203.16p	–	–	–
DBP 2022 ^a	–	358,695	19,972	–	–	378,667	24/06/2025	184.35p	–	–	–
ISP 2019 ^b	2,347,782	–	–	448,426	1,899,356	–	31/03/2022	207.45p	160.46p	–	720
RSP 2020 ^c	1,678,492	–	93,463	–	–	1,771,955	03/08/2023	106.11p	–	–	–
RSP 2021 ^d	1,095,804	–	61,017	–	–	1,156,821	24/06/2024	203.16p	–	–	–
RSP 2022 ^e	–	1,195,652	66,578	–	–	1,262,230	24/06/2025	184.35p	–	–	–
yourshare 2021 ^f	247	–	–	–	–	247	24/06/2024	202.70p	–	–	–
Simon Lowth											
DBP 2019	174,578	–	–	174,578	–	–	01/08/2022	207.45p	160.46p	–	280
DBP 2020	763,785	–	42,529	–	–	806,314	01/08/2023	119.27p	–	–	–
DBP 2021	439,579	–	24,476	–	–	464,055	24/06/2024	203.16p	–	–	–
DBP 2022 ^a	–	239,816	13,353	–	–	253,169	24/06/2025	184.35p	–	–	–
ISP 2019 ^b	1,373,469	–	–	262,333	1,111,136	–	31/03/2022	207.45p	160.46p	–	421
RSP 2020 ^c	1,122,206	–	62,488	–	–	1,184,694	03/08/2023	106.11p	–	–	–
RSP 2021 ^d	732,632	–	40,794	–	–	773,426	24/06/2024	203.16p	–	–	–
RSP 2022 ^e	–	815,376	45,402	–	–	860,778	24/06/2025	184.35p	–	–	–
saveshare (2019) ^g	10,975	–	–	–	–	10,975	01/08/2024	163.92p	–	–	–
yourshare 2021 ^f	247	–	–	–	–	247	24/06/2024	202.70p	–	–	–

- a Awards granted on 24 June 2022. The number of shares subject to awards was calculated using the average middle-market price of a BT Group plc share for the three days prior to grant.
- b Awards granted on 19 June 2019. The number of shares subject to award was calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant. 40% of each award was linked to TSR compared with a group of 16 companies, 40% was linked to a three-year normalised free cash flow measures and 20% to a measure of underlying revenue growth (including transit) over three years. The award vested at 19.1% in August 2022 as disclosed in last year's remuneration report.
- c Awards granted on 3 August 2020. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant. Awards will vest in three equal tranches after three, four and five years. A holding period will apply such that no shares may be sold until year five. Two underpins will apply over the initial three-year vesting period as set out on [page 122](#). The Committee assessed performance against the two underpins at the end of the financial year and agreed that both had been satisfied. As a result, all three tranches of the 2020 RSP award will vest in full in August 2023, 2024 and 2025 respectively. Tranches one and two remain subject to a holding requirement until August 2025.
- d Awards granted on 24 June 2021. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant. Awards will vest in three equal tranches after three, four and five years. A holding period will apply such that no shares may be sold until year five. Two underpins will apply over the initial three-year vesting period as set out on [page 122](#).
- e Awards granted on 24 June 2022. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant. Awards will vest in three equal tranches after three, four and five years. A holding period will apply such that no shares may be sold until year five. Two underpins will apply over the initial three-year vesting period as set out on [page 122](#).
- f Awards granted on 24 June 2021 under the free share element of the BT Group plc Employee Share Investment Plan in which all eligible employees of the group were granted £500 worth of shares.
- g Option granted on 14 June 2019 under the employee saveshare scheme, in which all eligible employees of the group are entitled to participate.

Annual remuneration report continued

Implementation of Policy in FY24

Base salary

Philip's base salary of £1,100,000 was agreed on appointment in January 2019 and is fixed for five years. Philip has also volunteered to waive any salary increases beyond FY24.

Our annual salary review for the UK management population will take place in September rather than June. As such, any change in base salary for Simon will be considered at that time and reported in the 2024 Report on directors' remuneration.

Benefits

For Executive Directors, the Committee has set benefits in line with the Policy. No changes are proposed to the benefit framework for FY24.

Pension allowance

In line with the rate offered to the majority of our UK workforce, both Executive Directors receive an annual allowance equal to 10% of salary in lieu of pension provision.

Annual bonus

Both Executive Directors are eligible for an on-target and maximum bonus payment of 120% and 200% of salary. In line with the Policy, 50% of any bonus payable will be deferred into shares for three years.

The Committee has reviewed in full the measures, weightings and targets used in the annual bonus scorecard. As set out on [page 110](#) we're proposing a simplified annual bonus scorecard for FY24 with an improved focus customer and diversity and inclusion metrics.

The FY24 annual bonus structure measures and weightings are set out below.

Category	Measure	Weighting
Financial	Adjusted EBITDA	35%
	Normalised free cash flow	35%
Transformation scorecard	NPS	20%
	Diversity & inclusion	10%

All of the annual bonus measures are linked to our KPIs as set out on [pages 48 to 49](#).

In addition to the annual bonus scorecard, a health and safety underpin applies which allows the Committee to exercise its discretion to reduce the annual bonus pay-out result if there is a significant breach in health and safety.

We do not publish details of the targets in advance as these are commercially confidential. Targets will be disclosed in full in the 2024 Report on directors' remuneration.

RSP

Given the annual salary review will take place in September rather than June, the annual grant of RSP awards will also be deferred to that time. Our normal Policy grant level for Executive Directors is 200% of salary. The Committee will consider the actual grant value for the 2023 awards nearer the time of grant, taking into account the share price at the time. If the share price is materially lower than the share price used to determine the 2022 awards, the Committee will consider whether it is appropriate to reduce awards to mitigate the risk of windfall gains.

The Committee has agreed the following two underpins for the 2023 RSP awards which will be measured over the initial three-year vesting period:

- Average ROCE must be at least 7%
- The business must have made sufficient progress over the vesting period towards meeting our sustainability commitments (which could include carbon emissions, carbon abatement and circularity).

Awards will vest in three equal tranches after three, four and five years, with an additional holding period such that no shares may be sold until year five. At vesting, additional shares representing the value of reinvested dividends on the underlying shares are added.

Malus and clawback provisions and overarching Committee discretion applies, as set out in the Policy.

Chairman and Non-Executive Director remuneration

The base fee for Non-Executive Directors is unchanged for FY24 at £78,540 per year. The Chairman receives a single all-inclusive fee for his role. No increase has been awarded for FY24 and this will remain at £700,000.

There are additional fees for membership and chairing a Board committee, details of which are set out in the table below. The fees are unchanged versus the prior year:

Committee	Chair's fee	Member's fee
Audit & Risk	£35,000	£25,000
BT Compliance	£25,000	£12,000
Digital Impact & Sustainability	£14,000	£8,000
National Security and Investigatory Powers	n/a ^a	£8,000
Nominations	n/a ^a	£10,000
Remuneration	£30,000	£15,000

a Where the Chairman or Chief Executive acts as Chair of a Board committee, no additional Committee Chair fee is payable.

Other fees payable include:

- an additional fee of £27,000 per annum to the Senior Independent Non-Executive Director
- an additional fee of £10,000 per annum to the Designated Non-Executive Director for workforce engagement
- an additional fee of £20,000 per annum to the Director appointed to the joint venture between BT Group and Warner Bros. Discovery.

No element of Non-Executive Director remuneration is performance-related. Neither the Chairman nor the Non-Executive Directors participate in our bonus or employee share plans and nor are they members of any of the group pension schemes.

Other remuneration matters

Advisers

During the year, the Committee received independent advice on executive remuneration matters from Deloitte LLP. The Committee is satisfied that the advice provided by Deloitte has been objective and independent. The Deloitte partner who provides remuneration advice to the Committee does not have any connections with BT Group plc that may impact their independence. Deloitte received £147,415 (excluding VAT) in fees for these services.

The fees are charged on a time-spent basis in delivering advice. That advice materially assisted the Committee in its consideration of matters relating to executive remuneration and the Policy.

Deloitte is a founder member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

In addition, during FY23, Deloitte provided the group with advice on corporate and indirect taxes, assistance with regulatory, risk and compliance issues, accounting advice, help with delivering on the making finance better transformation and additional consultancy services.

Dilution

We use both treasury shares and shares purchased by the BT Group Employee Share Ownership Trust (the Trust) to satisfy our all-employee share plans and executive share plans. Shares held in the Trust do not have any voting rights.

As at 31 March 2023, shares equivalent to 3.03% (FY22: 4.16%) of the issued share capital (excluding treasury shares) would be required to satisfy all outstanding share options and awards.

Of these, we estimate that for FY24, shares equivalent to approximately 0.87% (FY23: 0.53%) of the issued share capital (excluding treasury shares) will be required to satisfy the all-employee share plans.

Previous AGM voting outcomes

The table below sets out the previous votes cast at the AGM in respect of the Annual remuneration report and the Policy.

	For % of votes cast/ Number	Against % of votes cast/ Number	Withheld votes/ Number
Report on directors' remuneration at the 14 July 2022 AGM	93.58	6.42	
Policy at the 16 July 2020 AGM	6,408,190,533	439,625,354	58,845,040
	95.04	4.96	
	6,036,920,089	315,057,559	4,101,574

Withheld votes are not counted when calculating voting outcomes.

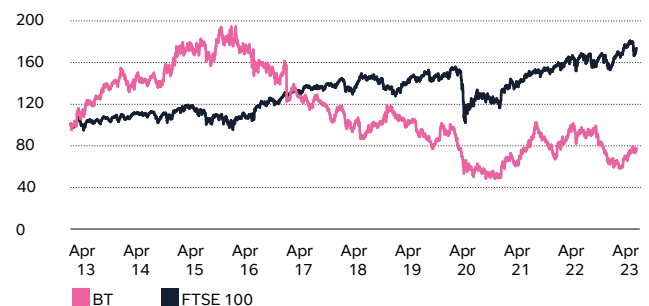
Committee evaluation FY23

This year we undertook an internal Board and committee evaluation, details of which can be found on page 96.

Comparison of Chief Executive remuneration to TSR (unaudited)

TSR is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends. The graph below illustrates the performance of BT Group plc measured by TSR relative to a broad equity market index over the past ten years. We consider the FTSE 100 to be the most appropriate index against which to measure performance, as BT Group plc has been a member of the FTSE 100 throughout the ten-year period.

BT Group plc's TSR performance vs the FTSE 100



Source: Datastream.

History of Chief Executive remuneration

Year end	Chief Executive	Total remuneration £000	Annual bonus (% of max)	ISP/ RSP vesting (% of max)
2023	Philip Jansen	3,089	43.7%	100%
2022	Philip Jansen	3,460	60%	19.1%
2021	Philip Jansen	2,628	60%	0%
2020	Philip Jansen	3,248	50%	n/a
2019	Philip Jansen ^a	725	56%	n/a
	Gavin Patterson ^b	1,719	28%	0%
2018	Gavin Patterson	2,307	54%	0%
2017	Gavin Patterson	1,345	0%	0%
2016	Gavin Patterson	5,396	45%	82.0%
2015	Gavin Patterson ^b	4,562	58%	67.4%
2014	Gavin Patterson ^c	2,901	62%	78.7%
	Ian Livingston ^d	4,236	35%	63.4%

- a Philip was appointed as a director on 1 January 2019 and became Chief Executive from 1 February 2019. His first ISP award was granted in February 2019.
b Gavin stood down as Chief Executive at midnight on 31 January 2019 and Philip took over from 1 February 2019.
c The total remuneration figure includes the ISP award as CEO BT Retail and the first award as Chief Executive, granted in 2013.
d Ian stepped down on 10 September 2013 and Gavin took over from that date.

Annual remuneration report continued

Directors' service agreements and letters of appointment

The following table sets out the dates on which directors' service agreements/initial letters of appointment commenced and termination provisions:

Executive Directors		
	Commencement date	Termination provisions
Philip Jansen	1 January 2019	Directors' service agreements do not contain fixed term periods and are terminable by BT Group plc on 12 months' notice and by the director on six months' notice.
Simon Lowth	6 July 2016	
Chairman and Independent Non-Executive Directors		
	Commencement date	Termination provisions
Adam Crozier	1 November 2021	The letter of appointment does not contain a fixed term period and is terminable by BT Group plc on 12 months' notice and by the director on six months' notice.
Maggie Chan Jones	1 March 2023	Letters of appointment do not contain fixed term periods and are terminable by either party by three months' written notice.
Ian Cheshire	16 March 2020	
Iain Conn	1 June 2014	
Steven Guggenheimer	1 October 2022	
Isabel Hudson	1 November 2014	
Matthew Key	25 October 2018	
Allison Kirkby	15 March 2019	
Leena Nair	10 July 2019	
Sara Weller	16 July 2020	
Non-Independent, Non-Executive Director		
	Commencement date	Termination provisions
Adel Al-Saleh	15 May 2020	Appointed as a Non-Independent, Non-Executive Director under the terms of the Relationship Agreement between BT Group plc and Deutsche Telekom. The appointment is terminable immediately by either party.

As announced on 2 February 2023, Ruth Cairnie joined the Board as an Independent Non-Executive Director on 6 April 2023. In addition, Ian Cheshire and Iain Conn will step down from the Board at the conclusion of the AGM on 13 July 2023.

There are no other service agreements, letters of appointment or material contracts, existing or proposed, between BT Group plc and any of the directors. There are no arrangements or understandings between any director or executive officer and any other person pursuant to which any director or executive officer was selected to serve. There are no family relationships between the directors.

Independent Non-Executive Directors' letters of appointment

Each Independent Non-Executive Director has an appointment letter setting out the terms of his or her appointment. We ask each Non-Executive Director to allow a minimum commitment of 22 days each year, subject to committee responsibilities, and to allow slightly more in the first year in order to take part in the induction programme. The actual time commitment required in any year may vary depending on business and additional time may be required during periods of increased activity.

Inspection by the public

The service agreements and letters of appointment are available for inspection by the public at BT Group plc's registered office.

Remuneration in context

Consideration of colleague and stakeholder views

Our colleagues are vital to our business and we believe in fairness throughout the group. There are several general reward principles which we apply at all levels:

- We will provide a competitive package with reference to the relevant market for each colleague
- We will ensure colleagues can share in the success of the business, and through the operation of all-employee share plans encourage colleagues to become shareholders
- Where appropriate, variable remuneration is provided to incentivise employees towards driving the strategic aims of the business. Performance is based on both individual performance and the performance of the group, using a consistent framework for our senior management team and the majority of other colleagues
- We offer a range of employee benefits, many of which are available to all colleagues
- We aim for transparency and a fair cascade of remuneration throughout the group
- Employment conditions for all colleagues reflect our values and are commensurate with those of a large publicly listed company, including high standards of health and safety, a strong commitment to diversity and inclusion and wellbeing.

The Committee supports fairness and transparency of remuneration arrangements and the Policy has been designed to align with the remuneration philosophy and principles that underpin remuneration across the wider group. To support this, the Committee receives regular updates on HR policies and reward practices for the wider workforce as well as updates on employee relations.

Whilst the Committee does not directly consult with our employees as part of the process of determining executive pay, the Board does receive feedback from employee surveys that take into account remuneration throughout the organisation.

The Designated Non-Executive Director for workforce engagement also updates the Committee on sentiments being raised by our colleagues in relation to the remuneration of our workforce and related decisions, as raised by the *Colleague Board* through their ‘hot topics’ discussions.

When setting Executive Directors’ remuneration, the Committee considers the remuneration of other senior managers and colleagues in the group more generally to ensure that arrangements for Executive Directors are appropriate in this context. When determining salary increases for Executive Directors, the Committee considers the outcome of the wider pay review for the group.

Chief Executive pay ratio

The table below sets out the Chief Executive pay ratios as at 31 March 2023, as well as those reported in respect of the prior four years. This report will build up over time to show a rolling ten-year period.

The ratios compare the single total figure of remuneration of the Chief Executive with the equivalent figures for the UK lower quartile (P25), median (P50) and upper quartile (P75) employees.

A significant proportion of the Chief Executive’s remuneration is delivered through long-term incentives, where awards are linked to share price movements over the longer term. This means that the ratios will depend significantly on long-term incentive outcomes and may fluctuate from year to year – for example, a higher total remuneration ratio was exhibited in 2020 due to the vesting of the Chief Executive’s Worldpay buyout award and in 2022 due to the partial vesting of the 2019 ISP award, while a lower ratio was exhibited in FY23 due to a reduced bonus pay-out. We believe that these ratios are appropriate given the size and complexity of the business, and are a fair reflection of our remuneration principles and practices.

We have used the ‘Option B’ methodology (based on gender pay reporting), as the most robust way to identify the individual reference points within an organisation with multiple operating segments.

Total remuneration

	Chief Executive	Employee remuneration			Pay ratio		
		P25	P50	P75	P25	P50	P75
2019	£2,444,000	£34,281	£41,477	£51,594	71:1	59:1	47:1
2020	£3,248,000	£34,881	£42,173	£51,351	93:1	77:1	63:1
2021	£2,628,000	£35,569	£41,600	£50,391	74:1	63:1	52:1
2022	£3,350,000	£35,722	£40,059	£49,488	94:1	84:1	68:1
2023	£3,089,000	£36,960	£40,095	£50,999	84:1	77:1	61:1

Base salary

	Chief Executive	Employee remuneration			Pay ratio		
		P25	P50	P75	P25	P50	P75
2019	£1,222,000	£30,090	£35,918	£41,740	37:1	31:1	27:1
2020	£1,100,000	£31,144	£37,321	£42,800	35:1	29:1	26:1
2021	£1,100,000	£31,842	£35,606	£42,836	35:1	31:1	26:1
2022	£1,100,000	£31,637	£35,017	£43,908	35:1	31:1	25:1
2023	£1,100,000	£33,144	£35,948	£44,986	33:1	31:1	24:1

The P25, P50 and P75 employees were identified from our gender pay reporting data, based on the April snapshot period at the start of each respective year. We then identified the 80 employees above and below each of the ‘P’ points to form enlarged groups. This approach is thought to be an appropriate representation – while there is a reasonable level of consistency given the size of the UK population, this methodology reduces volatility in the underlying data, and helps account for differences in the gender pay and pay ratio calculation methodologies. Other than the exclusion of a small number of data points for leavers and divestments, no other adjustments were made to the underlying data.

The total FTE remuneration paid during the year in question for each employee in each of the groups was then calculated, on the same basis as the information set out in the 'single figure' table for the Chief Executive. Bonus payments in respect of each year have been determined based on the latest available information at the time of analysis. The median total remuneration figure for each group was then used to determine the three ratios.

Percentage change in remuneration of the Executive and Non-Executive Directors and all employees

BT Group plc, our parent company, employs our Chairman, Executive and Non-Executive Directors only, and as such no meaningful comparison can be drawn based on the parent company alone, as is required by the reporting regulations.

Instead, we have chosen to present a comparison with our UK management and technical employee population, comprising around 22,000 colleagues.

We believe this is the most meaningful comparison given the nature of our workforce, as this group has similar performance-related pay arrangements as our Executive Directors. This is also consistent with prior year disclosures.

The salary/fee levels set out in the table below are in accordance with the Policy. Any increase in fees paid to the Non-Executive Directors represents a change in role (and accordingly fees payable) over the relevant period.

	FY23 (% change)			FY22 (% change)			FY21 (% change)		
	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual bonus
Chairman									
Adam Crozier	0%	1,100%	–	–	–	–	–	–	–
Executive Directors									
Philip Jansen	0%	13%	(27)%	0%	2%	0%	0%	(14)%	0%
Simon Lowth	2%	5%	(26)%	0%	(4)%	0%	0%	(5)%	(2)%
Non-Executive Directors									
Adel Al-Saleh ^a	–	–	–	–	–	–	–	–	–
Maggie Chan Jones ^b	–	–	–	–	–	–	–	–	–
Ian Cheshire	8%	–	–	8%	0%	–	19%	–	–
Iain Conn	1%	–	–	0%	0%	–	33%	–	–
Steve Guggenheimer ^b	–	–	–	–	–	–	–	–	–
Isabel Hudson	1%	0%	–	0%	0%	–	4%	(66)%	–
Matthew Key	9%	100%	–	2%	0%	–	13%	–	–
Allison Kirkby	1%	100%	–	0%	0%	–	6%	–	–
Leena Nair ^c	0%	–	–	0%	0%	–	3%	–	–
Sara Weller	5%	–	–	0%	0%	–	–	–	–
UK management colleagues									
	3%	0%	(25)%	0%	0%	0%	0%	0%	18%

a Under the terms of the Relationship Agreement between BT Group plc and Deutsche Telekom and Adel's letter of appointment, no remuneration is payable for this position.

b The director joined during FY23 and so no relevant comparison can be presented.

c Leena left during the year and the reduction reflects the pro-rated remuneration.

Relative importance of the spend on pay

The table below shows the percentage change in total remuneration paid to all employees compared to expenditure on dividends and share buybacks.

Area	FY23 (£m)	FY22 (£m)	% change
Remuneration paid to all employees	4,952	4,845	2%
Dividends/share buybacks ^a	940	437	115%

a Includes share purchases by the Trust as set out in note 21 to the consolidated financial statements.

Diversity and inclusion

Embracing diversity, inclusion, accessibility and equality is core to our people strategy and critical to our growth. Our Diversity and Inclusion Strategy is a programmatic, evidence-based approach to help us understand and remove bias and other cognitive barriers from policies, processes, systems and decision-making.

It supports our aim to build the strongest foundations by making sure we apply an inclusion lens to everything we do and by promoting a culture where colleagues can thrive.

📖 [More details on our Diversity and Inclusion Strategy can be found on page 33.](#)

Gender pay gap reporting

At a group-level, our median hourly pay gap between male and female colleagues has decreased to 6.1% (6.7% in 2021). This remains favourably below the high-tech industry median of 11.9%, and the UK national median of 14.9% (ONS provisional).

📄 [Our Gender Pay Gap statement sets out the key information required under legislation and is available on our website \[bt.com/genderpaygap\]\(https://bt.com/genderpaygap\)](#)

Sir Ian Cheshire
Chair of the Remuneration Committee
17 May 2023

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company, and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and prudent
- state whether the group financial statements have been prepared in accordance with the UK-adopted international accounting standards
- state whether applicable UK accounting standards have been followed with regards to the parent company financial statements, subject to any material departures disclosed and explained in the parent company financial statements
- assess the group and parent company's ability to continue as a going concern and disclose, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy, at any time, the financial position of the parent company, and enable them to ensure that its financial statements comply with the 2006 Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing an annual strategic report, directors' report, report on directors' remuneration and corporate governance statement that comply with such law and regulation.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the BT Group website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Board in respect of the annual financial report

We confirm, to the best of our knowledge that:

- the **financial statements**, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and the undertakings included in the consolidation taken as a whole
- the **Strategic report** and the **Report of the directors** include a fair review of the development and performance of the business and the position of the group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position, performance, business model and strategy.

This responsibility statement was approved by the Board on 17 May 2023 and was signed on its behalf by:

Philip Jansen
Chief Executive

Simon Lowth
Chief Financial Officer

Report of the directors

The directors present the Report of the directors, together with audited financial information for the year ended 31 March 2023. The Report of the directors also encompasses the entirety of our Corporate governance report on [pages 83 to 136](#) for the purpose of section 463 of the Companies Act 2006 (the 2006 Act). The Report of the directors together with the Strategic report on [pages 1 to 82](#) form the Management Report for the basis of DTR 4.1.5R.

In accordance with DTR 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Critical accounting estimates, key judgements and significant accounting policies

Our critical accounting estimates, key judgements and significant accounting policies conform with IFRSs as adopted by the EU and IFRSs issued by the International Accounting Standards Board (IASB) and are set out on [pages 156 and 157](#) of the consolidated financial statements. The directors have reviewed these policies and applicable estimation techniques and have confirmed that they are appropriate for the preparation of the FY23 consolidated financial statements.

Disclosure of information to the auditor

As far as each of the directors is aware, there is no relevant audit information (as defined by section 418(3) of the 2006 Act) that hasn't been disclosed to the auditor. Each of the directors confirms that all steps have been taken that ought to have been to make them aware of any relevant audit information and to establish that the auditor has been made aware of that information.

Going concern

In line with IAS 1 'Presentation of financial statements', and revised FRC guidance on 'risk management, internal control and related financial and business reporting', management has taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the financial statements when assessing the group's ability to continue as a going concern.

The **Strategic report** on [pages 1 to 82](#) includes information on the group structure, strategy and business model, the performance of each customer-facing unit and the impact of regulation and competition. The **Group performance** section on [pages 50 to 57](#) includes information on our group financial results, financial outlook, cash flow and net debt, and balance sheet position. Notes 24, 26, 27 and 29 of the consolidated financial statements include information on the group's investments, cash and cash equivalents, borrowings, derivatives, financial risk management objectives, hedging policies and exposure to interest, foreign exchange, credit, liquidity and market risks.

Our principal risks and uncertainties are set out on [pages 63 to 70](#) including details of each risk and how we manage them. The directors carried out a robust assessment of the principal risks affecting the group, including any that could threaten our business model, future performance, insolvency or liquidity.

This assessment is consistent with the assessment of our viability, as set out on [pages 81 to 82](#), in estimating the financial impact for a severe but plausible outcome for each risk, both individually and in combination through stochastic risk modelling. This stress testing confirmed that existing projected cash flows and cash management activities provide us with adequate headroom over the going concern assessment period.

Having assessed the principal and emerging risks, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements. This assessment covers the period to May 2024, which is consistent with FRC guidance. When reaching this conclusion, the directors took into account the group's overall financial position (including trading results and ability to repay term debt as it matures without recourse to refinancing) and the exposure to principal risks (including severe but plausible downsides, refer to the **Viability statement** on [pages 81 to 82](#)).

At 31 March 2023, the group had cash and cash equivalents of £0.4bn and current asset investments, of £3.5bn. The group also had access to committed borrowing facilities of £2.1bn. These facilities were undrawn at the period-end and are not subject to renewal until March 2027.

Independent advice

The Board has a procedure that allows directors to seek independent professional advice at our expense. All directors also have access to the advice and services of the Company Secretary and her nominated delegate.

Directors' and officers' liability insurance and indemnity

We routinely buy insurance cover for directors, officers and employees in positions of managerial supervision of BT Group plc and its subsidiaries. This is intended to protect against defence costs, civil damages and, in some circumstances, civil fines and penalties following an action brought against them in their personal capacity. The policy also covers individuals serving as directors of other companies or of joint ventures, or on boards of trade associations or charitable organisations at the group's request. The insurance protects the directors and officers directly in circumstances where, by law, BT Group plc cannot provide an indemnity. It also provides the group, subject to a retention, with cover against the cost of indemnifying a director or officer. One layer of insurance is ring-fenced for the directors of BT Group plc.

As at 17 May 2023, and throughout FY23, BT Group plc's wholly-owned subsidiary, British Telecommunications plc, has provided an indemnity for a group of people similar to the group covered by the above insurance. Neither the insurance nor the indemnity provides cover where the individual is proven to have acted fraudulently or dishonestly.

As permitted by BT Group plc's Articles of Association, and to the extent permitted by law, the group indemnifies each of its directors and other officers against certain liabilities that may be incurred as a result of their positions within the group. The indemnity was in force throughout the tenure of each director during the last financial year, and remains in force.

Interest of management in certain transactions

During and at the end of FY23, none of BT Group plc's directors were materially interested in any material transaction in relation to the group's business. None are materially interested in any currently proposed material transactions.

Power to authorise conflicts

All directors have a duty under the 2006 Act to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the group. BT Group plc's Articles of Association include provisions for dealing with directors' conflicts of interest in accordance with the 2006 Act. The group has procedures in place, which it follows, to deal with such situations. These require the Board to:

- consider each conflict situation separately on its particular facts
- consider the conflict situation in conjunction with its other duties under the 2006 Act
- keep records and Board minutes on any authorisations granted by directors and the scope of any approvals given
- regularly review conflict authorisation.

The Company Secretary maintains a conflicts of interest register.

The *Conflicted Matters Committee* identifies to what extent Board and Committee materials are likely to refer to a potential or actual conflict of interest between BT Group plc and Deutsche Telekom and, as a result, what materials should be shared with our Non-Independent, Non-Executive Director and Deutsche Telekom nominated representative. He owes duties to both BT Group plc and Deutsche Telekom, and the *Conflicted Matters Committee* helps him comply with his fiduciary duties, although ultimate responsibility rests with him.

Systems of risk management and internal control

The Board is responsible for reviewing the group's systems of risk management and internal control each year, and for ensuring their effectiveness, including in respect of relevant assurance activities. These systems are designed to manage, rather than eliminate, risks we face that may prevent us from achieving our business objectives and delivering our strategy. Any system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Our group risk management framework is simple and consistent, and defines our (1) risk mindset and culture, (2) risk process and activities; and finally (3) governance. The framework:

- provides the business with the tools to take on the right risks and make smart risk decisions
- supports the identification, assessment and management of the principal risks and uncertainties faced by the group
- is an integral part of BT Group's annual strategic review cycle.

The framework was designed in accordance with the FRC guidance on risk management, internal control and related financial and business reporting and has been in operation throughout the year and up to the date on which this document was approved. The framework was reviewed in FY23 and was deemed effective. Enhancements were made to simplify and standardise the group-wide policies and key controls to ensure all our enduring risks are managed consistently and effectively across our business, driving accountability, and enabling targeted assurance activities.

More information on our group risk management framework can be found under the section **Risk management** on [pages 61 to 62](#).

Internal audit carry out periodic assessments of the quality of risk management and control, promote effective risk management across all our units and report to management and the *Audit & Risk Committee* on the status of specific areas identified for improvement. We do not cover joint ventures and associates not controlled by the group in the scope of our group risk management framework. Such third parties are responsible for their own internal control assessment.

Furthermore, the *Audit & Risk Committee*, on behalf of the Board, reviews the effectiveness of the systems of risk management and internal control across the group. Further details on how the *Audit & Risk Committee* fulfils these duties can be found on [pages 101 to 105](#).

Capital management and funding policy

The objective of our capital management policy is to target an overall level of debt consistent with our credit rating objectives, while investing in the business, supporting our pension schemes and meeting our distribution policy.

The Board regularly reviews the group's capital structure. Management proposes actions and produces analyses which reflect the group's investment plans and risk characteristics, as well as the macroeconomic conditions in which we operate.

Our funding policy is to raise and invest funds centrally to meet the group's anticipated requirements. We use a combination of capital market bond issuance and committed borrowing facilities to fund the group. When issuing debt, in order to avoid refinancing risk, group treasury will take into consideration the maturity profile of the group's debt portfolio, financial market conditions as well as forecast cash flows.

See [note 29](#) to the consolidated **financial statements** for details of our treasury policy.

Financial instruments

Details of the group's financial risk management objectives, policies of the group and exposure to interest risk, credit risk, liquidity risk and foreign exchange are given in [note 29](#) to the consolidated **financial statements**.

Credit risk management policy

We take proactive steps to minimise the impact of adverse market conditions on our financial instruments. In managing investments and derivative financial instruments, group treasury monitors the credit quality across treasury counterparties and actively manages any exposures that arise. Management within the business units also actively monitors any exposures arising from trading balances.

Off-balance sheet arrangements

Other than the financial commitments and contingent liabilities disclosed in [note 32](#) to the consolidated **financial statements**, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on:

- our financial condition
- changes in financial condition
- revenues or expenses
- results of operations
- liquidity
- capital expenditure
- capital resources.

We use a supply chain financing programme with a limited number of suppliers with short payment terms to extend them a more typical payment term. More details are disclosed in [note 18](#) to the consolidated **financial statements**.

Report of the directors continued

Legal proceedings

The group is involved in various legal proceedings, including actual or threatened litigation and government or regulatory investigations. For further details of legal and regulatory proceedings to which the group is party to, please see [note 19](#) to the consolidated **financial statements**.

Apart from the information disclosed in [note 19](#) to the consolidated **financial statements**, the group does not currently believe that there are any legal proceedings, government or regulatory investigations that may have a material adverse impact on the operations or financial condition of the group. In respect of each of the claims described in [note 19](#), the nature and progression of such proceedings and investigations can make it difficult to predict the impact they will have on the group. Many factors prevent us from making these assessments with certainty, including that the proceedings or investigations are in early stages, no damages or remedies have been specified, and/or the frequently slow pace of litigation.

Other information – Listing Rules

For the purposes of the Listing Rule (LR) 9.8.4R, the information below is disclosed as follows:

Section information	Page
LR 9.8.4R(4)	50
LR 9.8.4R(12)	See below
LR 9.8.4R(13)	See below

In respect of LR 9.8.4R(12) and (13), the trustee of the BT Group Employee Share Ownership Trust (the Trust) agrees to waive dividends payable on the BT Group plc shares it holds for satisfying awards under the group's executive share plans.

Under the rules of these share plans, the dividends are reinvested in BT Group plc shares that are added to the relevant share awards.

No other information is required to be disclosed pursuant to LR 9.8.4R.

Other statutory information – the 2006 Act

Certain provisions of the 2006 Act (or regulations made pursuant thereto) require us to make additional disclosures within the **Report of the directors**. The disclosures referred to below are included elsewhere in this Annual Report and incorporated by reference into the **Report of the directors**:

Section information	Page
Future developments	1 to 82
Particulars of any important events affecting BT Group or any of its subsidiary undertakings which have occurred since the end of the financial year	n/a
Research and development activities	13
How the directors have engaged with UK employees, had regard to UK employee interests, and the effect of that regard, including on principal decisions during the year	23, 41 and 92 to 93
How the directors have had regard to the need to foster business relationships with suppliers, customers and others, and the effect of that regard, including on principal decisions during the year	24 to 27, 40 to 45 and 94 to 95
Greenhouse gas emissions, energy consumption and energy efficiency action	39, 72 and 80
Structure of BT Group plc's share capital (including the rights and obligations attaching to the shares)	153

Section information

Page

Significant agreements to which BT Group plc is a party that take effect, alter or terminate upon a change of control following a takeover	n/a
Branches	228 to 232

The following disclosures are not covered elsewhere in this Annual Report:

- BT Group has two employee share ownership trusts that hold BT Group plc shares for satisfying awards under our various employee share plans
- the trustee of the BT Group Employee Share Investment Plan may invite participants, on whose behalf it holds shares, to direct it how to vote in respect of those shares. If there is an offer for the shares or another transaction that would lead to a change of control, such participants may direct the trustee to accept the offer or agree to the transaction
- in respect of shares held in the Trust, the trustee abstains from voting those shares if there is an offer for the shares. The trustee does not have to accept or reject the offer but will have regard to the interests of the participants, may consult with the participants to obtain their views on the offer, and may otherwise take any action with respect to the offer that it thinks is fair
- EasyShare is the group's corporate sponsored nominee service, which allows UK and European Economic Area resident shareholders to hold BT Group plc shares electronically. EasyShare is administered by Equiniti Financial Services Limited. As at 17 May 2023, 390m shares were held in EasyShare (3.91% of the issued share capital (3.93% excluding treasury shares)) on behalf of BT Group plc shareholders
- no person holds securities carrying special rights with regard to control of the group
- our share registrar, Equiniti, must receive proxy appointment and voting instructions not less than 48 hours before any general meeting (see also [page 136](#))
- the business of BT Group is managed by the Board. The directors may exercise all the powers of BT Group plc, subject to the Articles of Association, legislation and regulation. This includes the ability to exercise the authority to allot or purchase BT Group plc shares pursuant to shareholders passing an ordinary resolution at the Annual General Meeting (AGM)
- we have no agreements with directors providing for compensation for loss of office or employment as a result of a takeover. Similarly, there is no provision for this in our standard employee contracts
- we're not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Articles of Association

BT Group plc's current Articles of Association were adopted pursuant to a resolution passed at the AGM of BT Group plc held on 15 July 2021 and contain, amongst others, provisions on the rights and obligations attaching to BT Group plc's shares.

The Articles of Association may only be amended by special resolution at a general meeting of the shareholders in accordance with applicable legislation.

☐ [A copy of the current Articles of Association is available at bt.com/articles](https://www.bt.com/articles)

Directors' appointment, retirement and removal

The Articles of Association regulate the appointment and removal of directors, as does the 2006 Act and related legislation. The Board, and shareholders (by ordinary resolution), may appoint a person who is willing to be elected as a director, either to fill a vacancy or as an additional director. At every AGM, all directors must automatically retire. A retiring director is eligible for election or re-election, as applicable. In addition to any power of removal under the 2006 Act, the shareholders can pass an ordinary resolution to remove a director.

Adel Al-Saleh is appointed as a Non-Independent, Non-Executive Director under the terms of the Relationship Agreement between BT Group plc and Deutsche Telekom. His appointment is terminable immediately by either party.

Share rights

(a) Voting rights

On a show of hands, every shareholder present in person or by proxy at any general meeting has one vote and, on a poll, every shareholder present in person or by proxy has one vote for each share which they hold.

There are no restrictions on exercising voting rights except in situations where BT Group plc is legally entitled to impose such a restriction (for example where a notice under section 793 of the 2006 Act has been served).

(b) Variation of rights

If the share capital of BT Group plc were to be split into different classes of shares by special resolution, the special rights attached to any of those classes can be varied or withdrawn either: (i) with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class; or (ii) with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class. BT Group plc can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. BT Group plc currently has one class of shares.

Transfer of shares

There is no specific restriction on the transfer of BT Group plc shares in the group, which is governed by the Articles of Association and prevailing legislation.

Political donations

Our policy is that no company in the group will make contributions in cash or in kind to any political party, whether by gift or loan. However, the definition of political donations used in the 2006 Act is significantly broader than the sense in which these words are ordinarily used. The 2006 Act's remit could cover making members of Parliament and others in the political world aware of key industry issues and matters affecting BT Group plc, and enhancing their understanding of the group.

The authority for political donations requested at the 2023 AGM is not intended to change this policy. It does, however, ensure that the group continues to act within the provisions of the 2006 Act, requiring companies to obtain shareholder authority before they make donations to political parties and/or political organisations as defined in the 2006 Act. During FY23, BT Group plc's wholly owned subsidiary, British Telecommunications plc, paid the costs of attending events at (i) the Labour party conference; (ii) the Conservative party conference; and (iii) the Liberal Democrats Business day. These costs totalled £5,848 (FY22: £6,205). No company in the BT Group made any loans to any political party.

Substantial shareholdings

As at 31 March 2023, BT Group plc had received notice, under the DTRs, in respect of the following holdings of 3% or more of the voting rights in its issued ordinary share capital:

	Date of notification	Shares	% of total voting rights
Altice UK S.à r.l.	13 December 2021	1,785,476,188	18.0%
T-Mobile Holdings	23 March 2018	1,196,175,322	12.06%
BlackRock, Inc.	1 June 2022	584,662,245	5.88%

As at 17 May 2023, BT Group had not received any further such notices under the DTRs.

Colleague engagement

Engaging with our colleagues is critical to creating a culture where they can be their best and contribute to our purpose, ambition, strategy and long-term success.

Engaging with our colleagues takes many forms, including through:

- the Board receiving regular updates from the Chief Executive and Chief Human Resources Officer on colleagues, key people strategy initiatives, culture and overall sentiment in the organisation
- the *Colleague Board*, our workforce engagement mechanism
- the annual Your Say colleague engagement survey
- regular colleague communications.

Colleagues are kept well informed on matters such as the strategy and performance of the group, including after certain key events such as results and trading updates. We work with our highly active, engaged and award-winning People Networks. These colleague-driven groups raise awareness and advocate for change both inside and outside BT Group.

Colleague engagement is still above the external benchmark of 70% but went down six points in this year's Your Say survey. This was driven by the cost of living crisis and industrial action.

We encourage all of our colleagues to become shareholders in the business through the operation of all-employee share plans. We annually consider which all-employee plans to offer, both in the UK and globally.

Report of the directors continued

Employees with disabilities

We're an inclusive employer and actively encourage the recruitment, development, promotion and retention of disabled people.

Purple Goat is one of the UK's only communications agencies run by disabled people. During the year we partnered with them to deliver a series of videos highlighting the experiences of colleagues with a range of disabilities – from diabetes and visual and hearing impairments to autism.

We're a member of Valuable 500, a global business collective made up of 500 CEOs and their companies that are committed to disability inclusion. At the disability summit held December 2022, we renewed our commitment to three priorities: Workplace adjustment; Disability advocacy; and Career progression of our junior managers.

These priorities support our Valuable 500 commitment: To accelerate the pace of progress we're making for disabled and neurodiverse colleagues, and those that have an impairment, or a long-term health condition. We renewed our status as a Disability Confident Leader and continue to work with several teams across the business, our Able2 People Network and external partner the Business Disability Forum.

 [Read more on diversity and inclusion at bt.com/diversity-and-inclusion](https://www.bt.com/diversity-and-inclusion)

AGM

Resolutions

At the 2023 AGM, shareholders will be asked to vote on all resolutions including the Annual Report, the **Report on directors' remuneration**, the directors' remuneration policy, the election/re-election of directors, the reappointment of KPMG LLP as our external auditor and to authorise the *Audit & Risk Committee* to agree its remuneration, giving authority to the directors to allot BT Group plc shares and disapply pre-emption rights.

Before the AGM, our share registrar, Equiniti, will count the proxy votes for and against each resolution, as well as votes withheld. We will make the results available as soon as reasonably practicable following the conclusion of the meeting. As at previous AGMs, we will take votes on all matters at the 2023 AGM on a poll.

The separate Notice of meeting 2023, which we send to all shareholders who have requested shareholder documents by post, contains the resolutions (with explanatory notes) which we will propose at the 2023 AGM on 13 July 2023. We notify all shareholders of the publication of these documents which are available on our website at [bt.com/annualreport](https://www.bt.com/annualreport)

Authority to purchase shares

The authority given at the 2022 AGM for BT Group plc to purchase in the market 992m of its shares, representing 10% of BT Group plc's issued share capital (excluding treasury shares), expires at the conclusion of the 2023 AGM. We will ask shareholders to give a similar authority at the 2023 AGM.

During FY23 and up to 17 May 2023, no shares were purchased under this authority.

At the start of the year, 41.5m shares (having a total nominal value of £2m, and constituting 0.4% of the issued share capital (0.4% excluding treasury shares)) were held as treasury shares. During FY23, 5.2m treasury shares (having a nominal value of £262,000, and constituting 0.05% of the issued share capital (0.05% excluding treasury shares)) were transferred to meet BT Group plc's obligations under its employee share plans. At 31 March 2023, a total of 36.1m shares (having a total nominal value of £1.8m, and constituting 0.36% of the issued share capital (0.36% excluding treasury shares)) were held as treasury shares (see [note 21](#) to the consolidated **financial statements**).

Since 31 March 2023 (up to and including 17 May 2023), 554,286 treasury shares (having a nominal value of £27,700, and constituting 0.005% of the issued share capital (0.005% excluding treasury shares)) have been transferred to meet BT Group plc's obligations under its employee share plans.

At 17 May 2023, a total of 35.6m shares (having a nominal value of £1.8m, and constituting 0.36% of the issued share capital (0.36% excluding treasury shares)) were held as treasury shares.

In addition, during FY23 and up to 17 May 2023 the Trust purchased 48.1m BT Group plc shares for a total consideration of £88m. The Trust held 138.8m shares both at 31 March 2023 and 17 May 2023.

Cross-reference to the Strategic report

We have chosen to include the following information in the **Strategic report** in line with the 2006 Act (otherwise required by law to be included in the **Report of the directors**):

- the final dividend proposed by the Board ([page 51](#))
- an indication of likely future developments in the business of BT Group plc and its group ([pages 1 to 82](#))
- an indication of our research and development activities ([page 13](#))
- information about how the directors engaged with UK employees, had regard to UK employee interests, and the effect of that regard, including on principal decisions during the year ([pages 23, 41 and 92 to 93](#))
- information about how the directors have had regard to the need to foster business relationships with suppliers, customers and others, and the effect of that regard, including on principal decisions during the year ([pages 24 to 27, 40 to 45 and 94 to 95](#))
- information about greenhouse gas emissions, energy consumption and energy efficiency action ([pages 39, 72 and 80](#)).

By order of the Board

Sabine Chalmers

Group General Counsel, Company Secretary
& Director Regulatory Affairs
17 May 2023