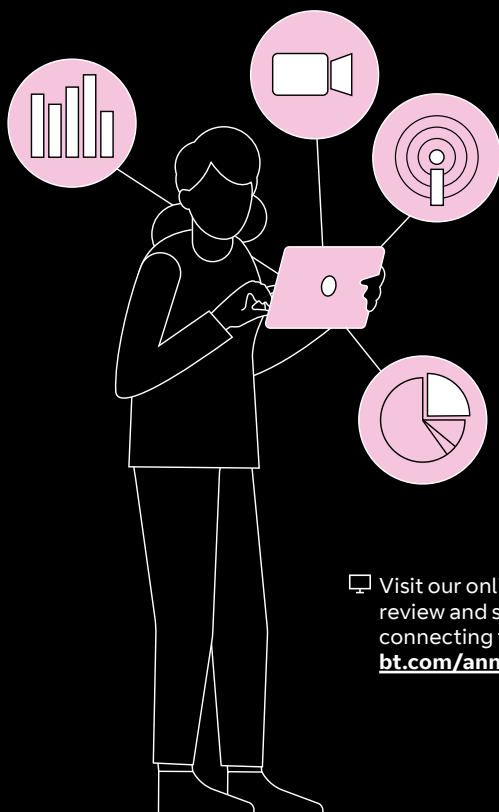# BT Group

We Connect For Good

Much done, much more to do

We're BT Group

We continue to invest in the UK's digital infrastructure, to connect millions of people and generate growth, productivity and innovation.

Despite the challenging economic backdrop, the transformation of BT Group continues for the benefit of our stakeholders. We're working hard to create a better future for everyone. We're delivering on our strategy but there is still more to do.

Visit our online annual review and see how we're connecting for good
bt.com/annualreview

BT Group is one of the world's leading connectivity services providers. The solutions we sell are integral to modern lives, businesses and communities in the UK and across the world. We support millions of customers across c. 180 countries and employ over 99,000 brilliant colleagues.

We manage some of the UK's best-known brands too. As the oldest telecommunications company in the world, we've been at the forefront of technology innovation and progress for over 175 years.

We've seen a lot of change over that time, and today the solutions we offer have never been more important to our customers.

Revenue

£20.7bn (1)%

(FY22: £20.9bn)

Profit before tax

£1.7bn (12)%

(FY22: £2.0bn)

Adjusted[a] EBITDA

£7.9bn 5%

(FY22: £7.6bn)

Cash flow from operating activities

£6.7bn 14%

(FY22: £5.9bn)

Normalised free cash flow[b]

£1.3bn (5)%

(FY22: £1.4bn)

Basic earnings per share

19.4p 50%

(FY22: 12.9p)

Capital expenditure

£5.1bn (4)%

(FY22: £5.3bn)

a   Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures. See page 234.
b   Normalised free cash flow as defined on page 234.

Contents

Strategic report

This **Strategic report** was approved by the Board on 17 May 2023.
By order of the Board.

Adam Crozier
Chairman
17 May 2023

📄   Please see the **cautionary statement regarding forward-looking statements** on page 236.

📄   Pages 1 to 82 form the **Strategic report.** It includes our business model, progress against our strategic framework, our key performance indicators, group performance and our principal risks and uncertainties.

📄   The **Corporate governance report** on pages 83 to 136 forms the **Report of the Directors** and includes the **Report on directors' remuneration.**

In this document, references to 'BT Group' and 'the group' are to BT Group plc comprising its subsidiaries, customer-facing units and internal corporate units. A reference to a year expressed as FY23 is to the financial year ended 31 March 2023; FY22 is to the financial year ended 31 March 2022 and so on.

Look out for these throughout the report

📄   Reference to another page in the report

🖥   Reference to further reading online

A message from our Chairman

£24bn

A report into our national and regional economic impact in the UK[1] (FY22) estimated that our activities provide a £24bn boost to the economy every year

Resilience enabling a national mission

We have a responsibility to transform. Everybody at BT Group, across the Board, our managerial and front-line colleagues, has a clear sense of what we must do to deliver on our strategy to transform this business for the benefit of all our stakeholders.

Philip sets out the detail and vision for BT Group's future in his letter (pages 4 to 7), and the Board and I have every confidence that he and his *Executive Committee* have the right plan and are the right team to lead BT Group through its transformation.

As I wrote here last year, a transformation of this size cannot be accomplished overnight. However, there are clear signs of progress at this stage in the multi-year programme. And it is also clear that every team across the business is tenaciously pursuing our transformation agenda as we move from copper to fibre, analogue to digital, manual to automated.

The immense value that BT Group delivers to the UK is hard, but not impossible, to quantify. A report into our national and regional economic impact in the UK[1] (FY22) estimated that our activities provide a £24bn boost to the economy every year, and the business supports a total of 284,000 jobs across the country.

These calculations are a reminder of the central role BT Group plays in the lives of families and businesses up and down the UK and globally. A role that brings great responsibility: to continue delivering for our customers no matter what. To do that we need to enact one of the most radical overhauls of a company and its product offering in UK corporate history.

Investing for the long-term for our customers and our shareholders

The team delivered another year of strong financial and operational results in FY23, despite some extremely challenging conditions. This allowed us to declare an FY23 final dividend of 5.39 pence per share to be paid on 13 September 2023, bringing the full year dividend to 7.7 pence per share.

As we continue through the most intensive phase of our full fibre[2] investment programme, capital expenditure will remain high with a corresponding impact on our normalised free cash flow. Despite this short-term impact, the Board remains convinced that the investments BT Group is making today will be value enhancing, benefiting our customers and generating long-term growth.

Although our share price underperformed this year compared to last, BT Group must continue to drive its strategic agenda for long-term growth, and to do that it must take a long-term view on the investments required to deliver it.

Competition driving the right outcomes

The scale and speed of BT Group's investment in full fibre broadband are, in part, down to the regulatory framework set by our regulator, Ofcom. They have incentivised new network build across the country through a combination of strong competition balanced by a regime that allows fair returns. We remain fully committed to working within this framework and context set by Ofcom.

Building full fibre broadband is a national mission and we will play our part. It will create better outcomes for families and businesses across the UK, as well as the wider economy: a recently updated report by the Centre for Economics and Business Research estimated that Openreach's full fibre network is expected to deliver a £72bn uplift to the output of the UK economy in 2030.

Our duty to customers

Our role is about more than just building new networks; we also have a duty to provide access and opportunity for customers, leaving no one behind.

Ofcom data shows that 10% of households lack a broadband connection – a figure that rises to 26% for the over 75s. Of course, in some cases this is by choice rather than the result of poverty, but in any event these statistics equate to growing social and economic exclusion. We need to tackle this, ensuring that we are building for everyone.

While telecoms bills represent a small proportion of household running costs when compared to energy, accommodation or transport, we have nevertheless taken steps to protect our lowest income customers during the worst cost of living crisis for a generation.

In FY23 BT Group had 3m customers on fixed line and pay-as-you-go tariffs that were protected from price rises. This includes social tariffs (subsidised rates for those on low incomes), where we have both broadband and mobile tariffs available to eligible customers. Of all the consumers in the UK on a broadband social tariff, 85% are with BT.

Along with efforts to help children, jobseekers, small businesses and the elderly boost their digital skills (see our Manifesto on page 36 for details), we are making affordable services available to those who need them most in line with our purpose: we connect for good.

Board changes

At the AGM in July, we'll bid farewell to Ian Cheshire and Iain Conn when they step down from the Board. I'd like to thank them both for their wisdom and valuable contributions they made during their time on the Board and the Committees they served.

As part of the comprehensive review of the Board's composition we undertook last year, we recognised the need to enhance the Board's technology and digital capabilities given the group's focus on digital and legacy platform transformation. We therefore focused the search for individuals with specific skills and expertise and this led to us appointing Steven Guggenheimer and Maggie Chan Jones during the year. Ruth Cairnie joined the Board on 6 April 2023. From the conclusion of the AGM in July, she will succeed Iain Conn as the Senior Independent Non-Executive Director and Ian Cheshire as Chair of the *Remuneration Committee*.

Following the AGM, the Board's female membership will stand at 45%, which is in line with our Board Diversity and Inclusion Policy (see page 100). Having refreshed the composition of our Board, we feel we now have the right diversity and set of skills to take us forward in pursuit of our strategic agenda.

Resilience enabling a national mission

BT Group's transformation is now well under way and it is starting to bear fruit, with strong customer take-up on our next generation networks. While there remains a long way to go, the positive early customer response proves our plan is the right one.

We experienced challenges on many fronts in FY23 and an economic climate that has made things so much harder for our customers, investors and for us. Of course, this has required adaptability on our part, but our strategy is not optional – it is a national mission. This year, we've shown that we have the resilience to get the job done.

Adam Crozier
Chairman
17 May 2023

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1   'The Economic Impact of BT Group plc in the UK', Hatch – 2023 Edition.
2   Fibre to the premises, also known as FTTP.

A message from our Chief Executive

10.3m

Openreach has now built full fibre broadband to a total of 10.3m homes and businesses across the UK

68%

We are also continuing to build EE's 5G mobile network which now covers 68% of the UK population

Much done, much more to do

Thanks to the dedication and commitment of colleagues right across the business, BT Group achieved its financial outlook in FY23. For the first time in six years, we grew both revenue and EBITDA on a pro forma basis, demonstrating our determination to get on with the job in another tumultuous year macro economically and geopolitically.

We have stayed true to our strategy over the last four years. We're building the UK's leading next generation fixed broadband and mobile networks, and radically transforming the way we operate to deliver for customers.

Building and connecting like fury

Openreach has now built full fibre broadband to a total of 10.3m homes and businesses across the UK, including 3.1m in rural locations. Added to that, initial build is underway for a further 6m premises.

The business is now more than 40% of the way through the initial 25m premises target, and the number of people taking up full fibre is ahead of our expectations. Of the total premises passed, nearly one third had opted to upgrade to full fibre (c. 3.1m end users) at the year-end.

The Government's full expensing regime introduced in the 2023 Spring Budget will mean BT Group defers paying UK corporation tax in fiscal years 24, 25 and 26. We will use this benefit to ensure Openreach is able to offset inflation and stick to its target of reaching 25m premises by the end of 2026 as well as covering the upfront costs of connecting customers to full fibre at a faster rate than we had originally expected.

We are also continuing to build EE's 5G mobile network which now covers 68% of the UK population. Since launching the UK's first 5G network just four years ago, we have grown our 5G connections to an impressive 8.6m customers; and RootMetrics named our 4G and 5G networks as the UK's best for the ninth year in a row.

Next generation networks

The combined power of BT Group's next generation networks will deliver an economic dividend for our customers and the UK economy for many decades to come. Fundamentally, that's why we remain laser focused on building them and accelerating take-up.

This, however, requires significant investment. While we fully understand that price rises are rarely welcomed, they are necessary to fund the transformation of our networks which will create better outcomes for customers and ensure we remain competitive. The two things go hand in hand.

That said, we still offer terrific value for money for customers who rely on our services today more than ever. Ofcom's pricing trends report 2022 showed that the UK had the lowest standalone mobile prices across Europe and in the mobile and broadband markets, average UK prices are well below the US.

„
The combined power of BT Group's next generation networks will deliver an economic dividend for our customers and the UK economy for many decades to come.

Competition is good for BT Group

Of course, choice and competition in the UK market – prompted by our regulator, Ofcom – are big drivers of keen pricing, as well as stimulating significant and rapid investment in the UK's full fibre networks.

Ofcom's regulatory framework ensures that all network builders have the freedom to compete fairly, which is good for the UK, the country's telco industry and – most importantly – for customers.

Standing by our customers and our colleagues

Those same customers need us to stand by them through the worst cost of living crisis in a generation. Throughout the year, supporting our customers in need has been an overriding priority for me and my leadership team. On page 3, our Chairman outlines our approach to protecting those customers who need it most.

It is also vital that we're there for our people. I was pleased that during FY23 we were able to award pay increases equivalent to a 15% rise for our lowest paid colleagues and agreed a way forward with our union partners on a shared vision for BT Group's modernisation agenda.
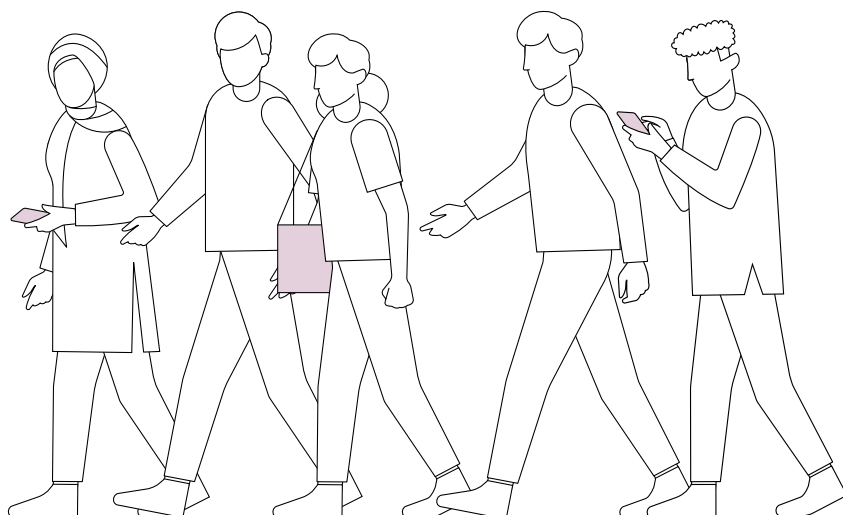
A message from our Chief Executive continued

Our strategy for growth

Five strategic priorities:

1_ **Drive Consumer growth through converged solutions**
Consumer will lead in full fibre broadband, 5G and convergence to win in UK households and build deeper relationships with customers by providing exceptional experiences.

2_ **Capitalise on Business' unrivalled assets to restore growth**
The creation of our Business unit will create a more competitive player in the B2B market that will help its customers grow through next generation converged connectivity solutions, leading managed services and outstanding customer experience.

3_ **Deliver Openreach growth and strong returns on full fibre broadband**
Openreach will build the UK's largest full fibre broadband network, offer competitively priced wholesale services, and upgrade customers to the new platform. It will continue providing industry-leading service and strengthen its relationship with all communications providers.

4_ **Transform our cost base and improve productivity**
Across BT Group we will fundamentally change what we do and how we work. We'll automate, digitise and shut down legacy systems, processes and networks. This will cut costs, boost execution speed and deliver better experiences for customers and colleagues.

5_ **Optimise our business portfolio and capital allocation**
We'll keep reviewing ways to strengthen our business portfolio by owning, selling or partnering. We'll allocate substantial amounts of capital to next generation networks and solutions to better meet our customers' current and future needs. As we move beyond the peak of our full fibre broadband build programme, we'll reduce capex by c. £1bn and realise value from our investment.

Transforming our business

Modernising the UK's digital infrastructure isn't only about building new networks; it also requires us to migrate customers off our nearly obsolete and energy-hungry legacy networks. In FY24 we will be ramping up activity to smoothly migrate customers onto newer technology through the All IP and 3G sunsetting programmes, among others.

Next generation networks need next generation customer service. They also need the very best products and services running over them. Across the business, we are partnering with some of the world's most innovative companies, including AWS, Google, Microsoft and TCS (Tata Consulting Services) to provide leading products and services and drive exceptional customer outcomes.

We are also radically changing the size and shape of our business. During the year we completed the BT Sport 50-50 joint venture with Warner Bros. Discovery and we announced the creation of our integrated Business unit with the merger of our Enterprise and Global operations. The new Business unit will be better focused and better able to compete in the market, serving enterprise customers large and small.

The combined financial benefit from our transformation programmes will result in gross annualised cost savings of £3bn by the end of FY25. We are well on track to achieving this and by the end of FY23 we had made gross annualised savings of £2.1bn.

New BT Group

The new BT Group will be a higher margin, high-tech organisation built on the UK's best fixed and mobile networks. It will be fully digitised and highly automated with exceptional products and services for customers.

By continuing to build and connect like fury, digitise the way we work and simplify our structure, towards the end of the 2020s BT Group will rely on a much smaller total workforce and a significantly reduced cost base. New BT Group will be a leaner company with a brighter future, and we will get there by continuing to deliver our five strategic priorities. (See table opposite.)

"
BT Group has the right strategy to deliver its purpose: we connect for good; and the business has again proved its ability to deliver in testing circumstances. Everything we do starts and ends with our customers; our success is built on enabling theirs.

We — Connect For — Good

Visit our online annual review and see how we're enabling customers' success
bt.com/annualreview

£2.1bn

Gross annualised cost savings to date, putting us well on track to achieve our £3bn goal

8.6m

Since launching the UK's first 5G network just four years ago, our brands have grown the number of 5G connections to an impressive 8.6m customers

Much done, much more to do

Our progress during the year was made possible by the support of our shareholders and bondholders, and I would like to thank them for their ongoing commitment. Despite the relative under-performance of our shares compared to the FTSE 100 in the year to 31 March 2023, they ended the year on an improving trend.

Having returned BT Group to both pro forma revenue and EBITDA growth for the first time in six years, we are now determined to maintain this momentum. Over the coming years we will deliver consistent and predictable revenue and EBITDA growth which, combined with the completion of our full fibre build and move off legacy networks, will result in an expansion to normalised free cash flow of at least £1.5bn by the end of the decade.

BT Group has the right strategy to deliver its purpose: we connect for good; and the business has again proved its ability to deliver in testing circumstances. Everything we do starts and ends with our customers; our success is built on enabling theirs. We know there's a long way to go but our performance in FY23 shows that we have the right plan, the right team and the determination to achieve it.

Philip Jansen
Chief Executive
17 May 2023

Executive Committee

The *Executive Committee* is chaired by the Chief Executive. So that there is a single point of accountability, the Chief Executive (or a delegate) takes all the decisions.

The *Executive Committee* provides input and recommendations to help the Chief Executive:

– develop group strategy and budget for Board approval
– execute the strategy once the Board approves it
– assure the Board on overall performance and how we're managing risks.

Philip Jansen
Chief Executive

Appointed Chief Executive February 2019. Appointed to the Board January 2019.

From April 2013 until joining BT Group, Philip was CEO of Worldpay. Before that he was CEO then Chairman at Brakes Group from 2010-2015. Philip spent the previous six years at Sodexo where he was group Chief Operating Officer and Chief Executive, Europe, South Africa and India. Before that he was Chief Operating Officer at MyTravel Group from 2002-2004 and Managing Director of Telewest Communications (now Virgin Media O2) from 2000-2002. He started his career at Procter & Gamble.

Simon Lowth
Chief Financial Officer

Appointed July 2016.

Simon was CFO of BG Group before the takeover by Royal Dutch Shell in February 2016. Before that he was CFO of AstraZeneca, and Finance Director and Executive Director of ScottishPower. Simon was also previously a Director of McKinsey & Company.

Harmeen Mehta
Chief Digital and Innovation Officer

Appointed March 2021.

Harmeen is a global leader in incubating new businesses and creating revenue streams, with over 25 years' experience of digital transformation and running technology-led businesses.

Before joining BT Group, Harmeen was group CIO and Head of Cloud & Security business at Bharti Airtel. Before that, she was CIO at Bank of America Merrill Lynch, BBVA and HSBC. Harmeen is a Non-Executive Director of Lloyds Banking Group, and board member of TM Forum and Max Healthcare Institute Limited.

Ed Petter
Corporate Affairs Director

Appointed November 2016.

Ed was formerly Deputy Director of Corporate Affairs at Lloyds Banking Group. Before that he held corporate affairs roles at McDonald's Europe, McKinsey & Company and the Blue Rubicon communications consultancy. He was previously a BBC News Producer and Editor.

Marc Allera
CEO, Consumer

Appointed September 2017.

Marc is also Chairman and a BT appointed Director of the sports joint venture between BT Group and Warner Bros. Discovery. Marc was previously CEO of EE – and EE Chief Commercial Officer from 2011-2015. He spent ten years at Three UK as Sales and Marketing Director and Chief Commercial Officer. Before that, Marc was General Manager of Sega UK and Europe.

Bas Burger
CEO, Business

Appointed CEO, Global June 2017. Appointed CEO, Business January 2023.

Bas was formerly President, BT in the Americas, Global Services. He joined BT Group in 2008 as CEO Benelux. Before that he was Executive President and a management committee member at Getronics NV, where he ran global sales, channels and partnerships, developing the company's international business. He was also CEO and Managing Director of KPN Entercom Solutions.

Sabine Chalmers
General Counsel, Company Secretary & Director Regulatory Affairs

Appointed General Counsel April 2018. Appointed Director Regulatory Affairs and Company Secretary in May and September 2021 respectively.

Before joining BT Group, Sabine was Chief Legal and Corporate Affairs Officer and Company Secretary of Anheuser-Busch InBev for 12 years. She also held various legal leadership roles at Diageo. Sabine is qualified to practise law in England and Wales and New York State. She is also a member of the Court of Directors of the Bank of England.

Howard Watson
Chief Security and Networks Officer

Appointed Chief Technology and Information Officer February 2016 and became Chief Technology Officer March 2021. Appointed Chief Security and Networks Officer September 2022.

Howard's expanded role puts security at the core of our business. He was formerly Chief Architect and Managing Director, global IT systems and led the technical teams behind the 2013 BT Sport launch. Howard joined BT Group in 2011 and has 40 years of telecoms experience. This includes time at Telewest Communications (now Virgin Media) and Cartesian, a telecommunications consultancy and software company.

Athalie Williams
Chief Human Resources Officer

Appointed December 2022.

Before joining BT Group, Athalie was Chief People Officer for BHP, the world's largest mining and resources company. She led BHP's organisation, people and culture transformation agenda and shaped their industry-leading inclusion and diversity agenda. Before that Athalie was General Manager, Cultural Transformation for National Australia Bank. She also spent 14 years leading complex business transformation and change programmes in Australia and Asia as a consultant with Accenture (formerly Andersen Consulting).

Clive Selley Invitee
CEO, Openreach

Appointed February 2016.

Clive was formerly CEO, Technology, Service & Operations, CEO Innovate & Design and before that President, Global Services Portfolio & Service Design. Under the provisions of the Commitments, Openreach's CEO cannot be a member of the *Executive Committee* (see page 45). Clive attends *Executive Committee* meetings as appropriate.

Our business model

What we do

BT Group is one of the world's leading connectivity providers. We build, own and operate the largest fixed and mobile networks in the UK. We serve a wide variety of customers. They range from individuals, families and businesses to the UK public sector and global companies. To earn revenue, we design, build, market, sell and support network access, connectivity and related solutions to our customers. We sometimes do this with partners.

We reinvest a big part of what we earn to maintain and improve our mobile and fixed networks, market and sell our services, serve our customers, and develop new connectivity solutions. We also use some earnings to meet our financial obligations like tax, interest, pension fund contributions and to pay dividends to shareholders in return for the capital they've invested with us.

According to our Economic Impact report, our activities contributed £24bn to the UK economy last year and supported 284,000 jobs across the UK.

Consumer customers

We sell a range of broadband, mobile and landline services, along with home and cyber security solutions to individuals and households. On top of that, we offer related entertainment services like TV and cloud gaming. These allow our customers to connect, work and be entertained safely at home and on the go. The majority of our consumer customers have 12 to 24 month contracts for mobile or broadband access.

Business customers

Our business, public sector and government customers in the UK and around the world rely on us for connectivity, networking, cyber security, collaboration tools, cloud connectivity and cloud services. Our solutions allow them to run, grow and protect their businesses and deliver their own digital transformations. Small and medium-sized businesses typically buy our services on 24 month contracts. Larger companies and public sector customers often opt for multi-year managed solution contracts or one-off services focused on specific technologies or outcomes.

Communications Providers (CPs)

We serve CPs through two channels: Enterprise and Openreach. Through Enterprise, we wholesale mobile network capabilities, voice services, broadband, Ethernet, and other connectivity solutions on contracts ranging from 1 to 5 years.

Through Openreach, we sell wholesale access to our fixed access network infrastructure to over 680 CPs, including our own Consumer and Enterprise units. A lot of Openreach services are regulated.

How we're organised

BT Group is made up of customer-facing, technology, and corporate units. In line with regulations, our Openreach customer-facing unit operates independently. The rest of the group operates through an integrated model. We share resources like our mobile network, technology, shared services such as billing and procurement, personnel and brands to deliver the best outcomes for customers.

| Customers | UK individuals and households | UK businesses, public sector and CPs | Multinational companies and international businesses | CPs including Consumer and Enterprise |

Customer-facing units (CFUs)

Our four CFUs design, market, sell and service tailored solutions to different market segments. By delivering excellent customer service and differentiated solutions, they earn revenue and drive growth. This year we announced the merger of Enterprise and Global into Business to better serve our business customers. Business will formally begin reporting as a single unit from 1 April 2023. So, for FY23 reporting we have continued to cover Enterprise and Global separately.

Consumer
Serves individuals and households. We help people in over 14m homes to communicate, study, work, learn, play and be entertained through our EE, BT and Plusnet brands.

Enterprise
Serves over 1.2m UK and Republic of Ireland organisations with connectivity solutions to help them run, transform and grow. Enterprise serves small, medium and large corporate businesses, the public sector and the UK government. We also wholesale some network solutions to other CPs.

Global
Serves multinational companies and governments, with a presence in c. 180 countries. Our expertise helps customers with connectivity, cloud and cyber security solutions.

Openreach
Operates with strategic and operational autonomy in line with the Commitments (see page 45). It builds and operates our fixed wholesale access network including rolling out our next generation full fibre network. Openreach serves over 680 CPs who sell fixed access services to their end customers like homes, schools, hospitals, libraries, government buildings and businesses across the UK.

Following their merger, Enterprise and Global will report as Business from 1 April 2023

Technology units (TUs)

Our TUs build, maintain and manage our digital and network assets (apart from the fixed access network, managed by Openreach). They focus on modernising BT Group to make us more agile, efficient and help deliver better solutions for our customers. They also drive our research & development (R&D) and support innovation.

Digital
Leads our digital transformation, drives innovation and delivers IT and digital platforms to underpin the products and services that our customers need, while also helping to build new revenue platforms.

Networks
Designs, builds and runs the mobile, core and global networks that we and our customers rely on. Networks is now also responsible for BT Group's security, operational resilience and health, safety and environment agenda.

Corporate units (CUs)

Our CUs support the CFUs and TUs through sharing common activities and best practice to drive efficiency benefits. They also provide overall group-level direction-setting, management and coordination.

Finance, strategy & business services

Human resources

Legal, company secretarial & regulatory affairs

Corporate affairs

Our business model continued

Setting us apart from the competition,
our unique set of assets helps us give
customers what they need and create
value for all our stakeholders.

Our sources of competitive advantage

Leading networks

We build, own, and operate the UK's largest fixed and mobile networks. They let us offer widespread coverage and superior connectivity for retail and wholesale customers. Our scale and experience enables us to outperform competitors.

>32m
Premises can be served by our fixed access network

Our fixed access network delivers speeds of up to 900Mbps, with connections available to more than 32m homes and businesses. We're building the UK's largest full fibre network, faster than anyone else, serving both rural and urban areas. It already has an over 30% take-up rate.

68%
Of the UK population covered by our 5G network

For nine years, Rootmetrics has recognised our mobile network as #1 in the UK. We have the largest spectrum holdings of any UK mobile network operator and continue to extend our national coverage. Today our 4G network covers 99.6% of the UK population – and our 5G network already covers 68%.

Large customer base

Our large and varied customer base gives us strength in all our markets. Customers typically take out multi-year subscriptions or contracts. These trusted, established long-term relationships give us valuable insights into what customers want today and tomorrow. This helps us create and deliver the right new connectivity solutions and experiences to meet their evolving needs.

>14m
UK households served

>1.2m
Business customers

We directly serve over 14m UK households and our Enterprise and Global units support over 1.2m business customers from multinational corporations and the public sector to small and medium UK businesses.

>680
CPs served

Openreach serves over 680 CPs – 49 of whom have signed up to our Equinox deal on our full fibre platform. Through these CPs, Openreach serves over 23.9m physical lines.

Colleagues and local presence

>99k
BT Group colleagues
Our colleagues are essential to us achieving our goals and delivering for our customers through their technical and commercial knowledge, skills, expertise and behaviours. They build and maintain our networks and solutions and they serve and support customers. We have a significant local presence, covering service, support and other resources to meet customers' needs quickly and in a personalised way.

>29k
Openreach engineers
Over 29,000 Openreach engineers play a crucial role in keeping the UK connected. They build and connect customers to our new full fibre network while maintaining existing networks.

>450
Retail stores
We have a leading retail presence – over 450 stores – and over 13,500 sales and service colleagues who help customers get the most from our solutions.

c. 180
Countries we can serve
We can serve business customers in c. 180 countries and have 13 accredited global security operations centres. In the UK we have a sales and service presence in every region.

Well established and trusted brands

Our four customer-facing brands underpin our relationships with millions of customers. The trust in these brands means that customers look to us for connectivity solutions, and more. This year we announced EE will become our flagship consumer brand, while Plusnet continues to be our value brand. BT will be our business brand in the UK and around the world.
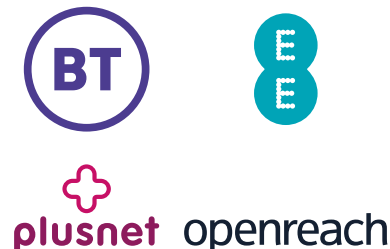
Strong partner and supplier relationships

Collaboration is vital in our business. We work with partners and suppliers in every part of our operations. We work closely with them to create solutions that build on both parties' strengths, speed up our transformation and benefit our customers.

For example, Openreach continues to strengthen third-party contractor and supplier relationships that are helping us build and connect end customers to our full fibre network at unrivalled pace and scale. And its close engagement with CPs helps Openreach provide the best experience for end customers.

R&D and innovation

Innovation is key to the group's success. We strive to deploy innovative uses of technology to enhance our solutions, processes and networks to better serve our customers.

£683m
Expenditure on R&D
We recognised expenditure of nearly £683m on R&D last year and hold over 5,400 patents and patent applications. Our R&D centre at Adastral Park leads our research into new technologies, pushing connectivity boundaries in areas like 5G. Openreach's innovations such as subtended headends enable new full fibre cables to be extended beyond their normal reach. This helps to reduce build and maintenance costs while improving the network quality, thereby enhancing the service we give to our CPs and further differentiating against competitors.

Rich data assets

Our rich data sets are derived from customer, product, network and operational sources. Applying appropriate forms of artificial intelligence (AI) gives us a unique perspective and understanding of what's important and what we can improve on. It lets us create personalised experiences for customers, build innovative products and protect them through state-of-the-art network monitoring.

As an example, our Active Intelligence products analyse over 10bn daily data points in the UK. This can provide anonymous insights into footfall and aggregate population movements.

Key trends influencing us

We operate in a rapidly changing environment. By understanding key trends, we can take advantage of opportunities as they arise and act quickly to reduce risks to our business where necessary.

The cost of living crisis and volatile macroeconomic environment

Everyone is facing a lot of economic uncertainty. Inflation, geopolitics, strikes, higher interest rates and fears of a recession affect both us and our customers. They put financial strain on customers and directly impact us with rising costs and supply chain challenges.

Ongoing network investment

Across the world (and particularly in the UK) there's huge investment in new network technologies like full fibre and 5G. We're right in the thick of it. Our investment in these networks will deliver long-term benefits with better customer solutions and more reliable, cost-efficient networks for us.

Unprecedented demand for connectivity

Technology and connectivity are ever more entwined in our customers' lives. With more and more devices and machines connected, both individuals and businesses rely on high quality connectivity even more. Digital activity is migrating to the cloud and network edge as customers demand better reliability, speeds and access. Everyone wants seamless connectivity – giving us a great opportunity to deliver that for customers.

x3

Overall growth in monthly mobile traffic in our core network from January 2019 to January 2023

Intense competition

All our markets are still highly competitive. In the UK, there is growing and ongoing investment from alternative network providers and established players in both fixed and mobile markets. Lines between traditional communications products and digital services continue to blur. Which means we face a wider set of competitors – including new entrants.

Growing environmental, social and corporate governance (ESG) focus

Colleagues, consumers, businesses and our other stakeholders all rightly want companies to behave responsibly, sustainably, inclusively, and in ways that benefit society and the planet. More than ever, concerns about things like climate change and inequality shape how our stakeholders behave.
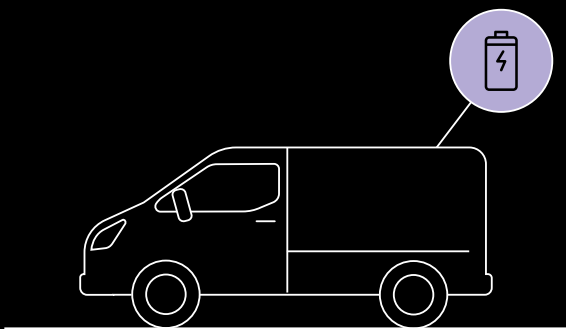
Data, AI and cyber security

AI – combined with using the underlying data – is developing fast. This will undoubtedly unlock huge value for our customers and our business. But it also brings with it new challenges. Using AI responsibly while protecting customers' data privacy is crucial. Data breaches and cyber attacks still pose big threats to our customers. This gives trusted businesses like ours a chance to help customers deal with these challenges.

Our strategic framework

Long-term value creation

Purpose

Why we exist

We connect for good
This drives everything we do. We believe in the value of connections – in our personal lives, at work and increasingly between machines and devices. We help individuals, organisations, emergency services and governments harness the power of these connections and use technology to improve their lives, solve challenges, and deliver for their stakeholders.

Ambition

Who we want to become

To be the world's most trusted connector of people, devices and machines by 2030
We're a trusted global company connecting millions of customers, households, businesses and governments to their needs; whether that's staying connected to loved ones and entertainment or delivering for their stakeholders. We aim to grow our customers' trust in us by proving that we're dependable and that we help them thrive in the digital world.

Values

What will guide us

**Personal, Simple, Brilliant**
Our values guide us in fulfilling our purpose and achieving our goals. These are supported by our code, ten simple statements that outline what we expect from our colleagues and suppliers. Together they reflect our accountability to society, set high standards for our business, colleagues and partners, and help us be a positive influence and win our stakeholders trust.

Our strategic framework explains how we aim to create value for all our stakeholders. This translates to long-term, sustainable growth through the five priorities set out in our strategy for growth (see).
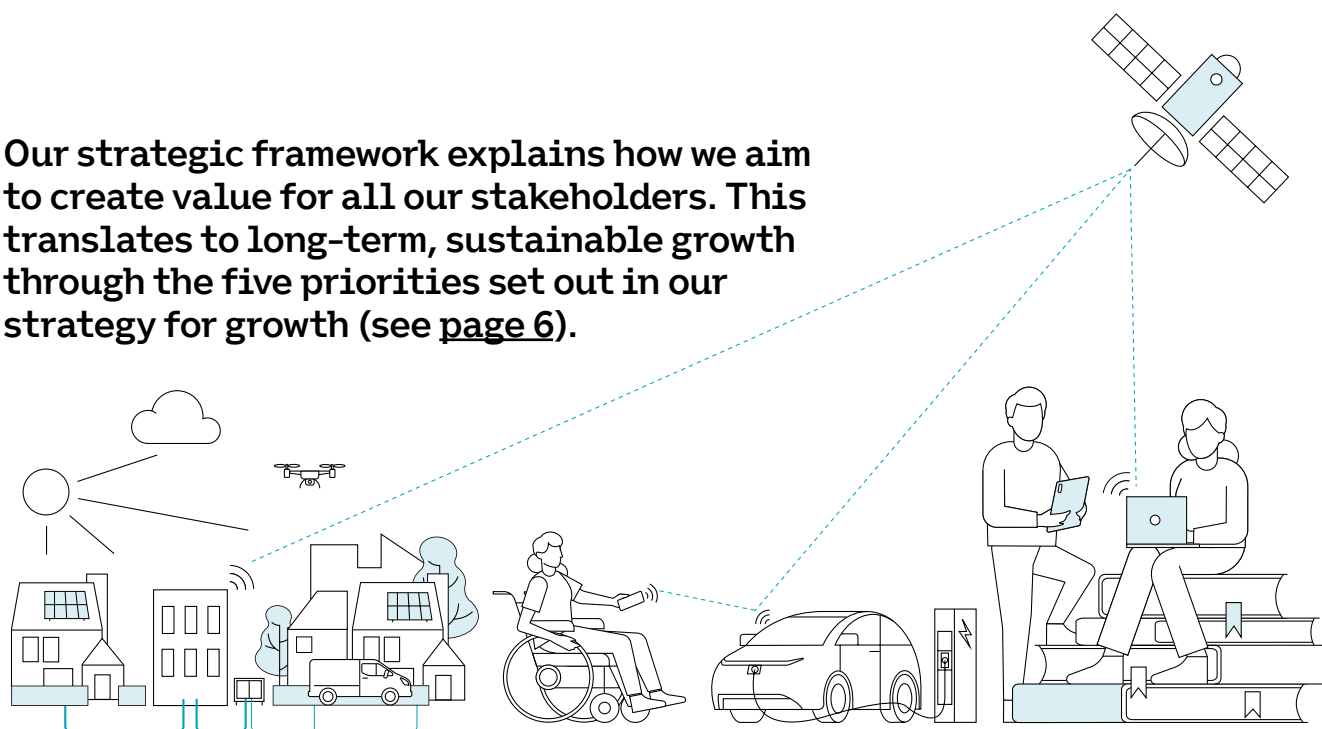
Strategy

Build the strongest foundations

We're investing in the *best converged network*. For us, that means being market leader in new full fibre and 5G networks – with the broadest reach and enhanced capabilities. These networks will provide our customers with faster and more dependable connections, enabling them to do more.

We're becoming a *simpler, more efficient and dynamic BT Group*. We're simplifying our product portfolio, transforming customer journeys and modernising our digital and network technology. We want to be easier to work for and with – more responsive to customers' needs and more efficient in delivering for them.

And we're *building a culture where people can be their best*. This means becoming more agile and providing outstanding colleague experiences while creating a diverse, inclusive and future-ready workforce.

Create standout customer experiences

We're aiming to deliver *outstanding service and experience* to our customers. That means market-leading customer service, brilliant digital touchpoints, and trustworthy, secure and personalised experiences.

We're building *smarter, differentiated solutions and outcomes*. Customers don't buy products; they buy solutions to problems. We provide the latest converged, intelligent connectivity services to our customers. And for businesses and governments we also offer differentiated service management solutions. We want our solutions to improve customers' lives and deliver them the outcomes they want.

We're creating value through *commercial excellence* – with leading sales effectiveness, and superior marketing and pricing capabilities. We want customers to feel like they are getting great value from our solutions.

Lead the way to a bright sustainable future

We're *positioning our corporate portfolio for growth*. That means optimising investments, reviewing the assets we hold and picking partners carefully.

We're exploring new *tech-driven growth engines* – with connectivity providing a strong base. We're seeking out opportunities where our assets, capabilities and expertise position us to drive profitable growth and create great outcomes for our customers and country.

We're creating a *responsible, inclusive and sustainable business*. We're contributing to a better world by investing in digital skills, championing responsible technology and tackling climate challenges and inequality.

We're building *trusted partnering relationships with our stakeholders*. As a diverse business, we have many relationships – with customers, colleagues, governments, regulators, suppliers and communities. They're all critical to our success and we take them seriously.

Progress against our strategic framework

This year we made excellent progress against our three strategic pillars. Next year we'll do more.

Build the strongest foundations

🖥 Read more about our real world impact and the wider social value created by the Group. **bt.com/annualreview**

The best converged network

We want to give customers the very best connectivity. So this year we continued to enhance our network assets through our new 5G network and our c. £15bn investment in full fibre (aiming to reach 25m premises including 6m in hard-to-reach communities by the end of 2026).

Despite inflation and industrial action we continue to make excellent progress on upgrading the UK's digital infrastructure for our customers.

Market leader in full fibre

– This year we passed 3.1m homes and businesses with our full fibre network, 19% more than last year and on average 8.4k premises per day
– Despite inflationary pressure, we maintained build costs at £250-£350 per premises passed
– Over 3.1m customers are now connected to our full fibre network, up 76% on last year, resulting in an overall take-up rate of over 30%
– It was a record year for selling full fibre – with 32.5k customers connected a week

10.3m

We have now passed a total of 10.3m homes and businesses with full fibre including 3.1m rural premises

Braylsham Castle

The Universal Service Obligation supports BT Group to deliver fibre solutions in rural areas beyond normal commercial reach. Under the programme, Openreach fitted a new fibre solution to Braylsham Castle. This required overcoming a range of unique challenges including laying fibre through a moat!
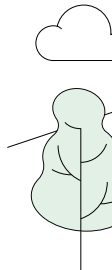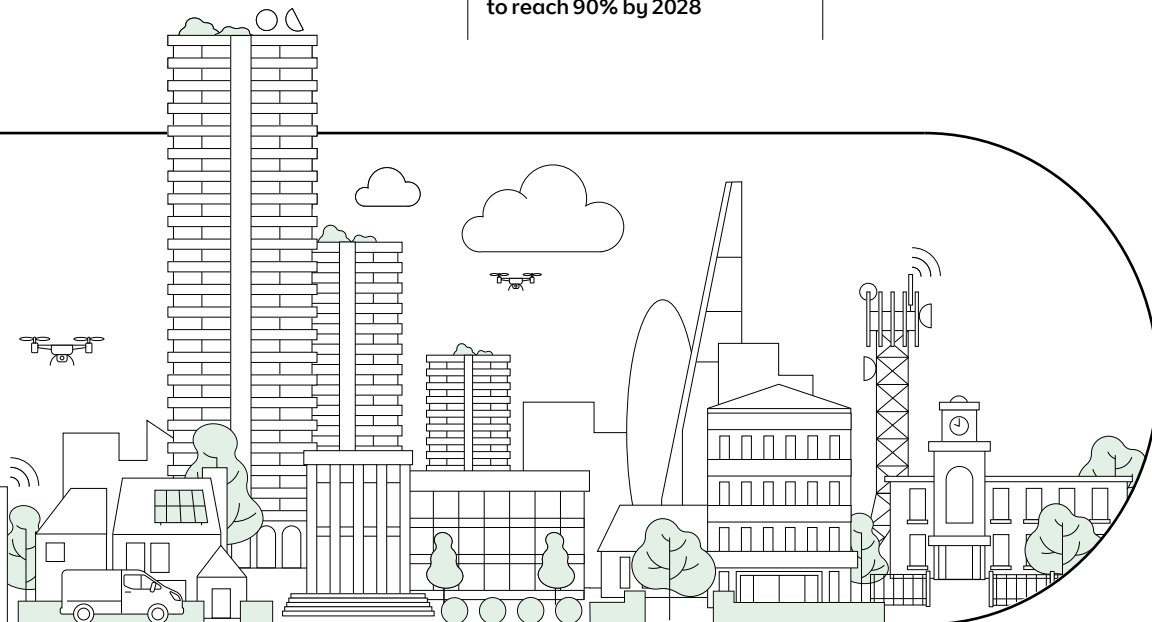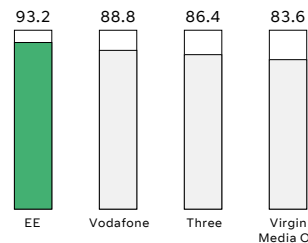
Market leader in 5G

68%
Our 5G network now covers 68% of the population – with a target to reach 90% by 2028

60%
We have 8.6m 5G connections, increasing over 60% on last year

We're RootMetrics' #1 UK network for the ninth consecutive year

EE	Vodafone	Three	Virgin Media O2
93.2	88.8	86.4	83.6

– We set up a private 5G network at the Port of Tyne while enhancing the existing private 5G network at Belfast Harbour to revolutionise processes, track assets and better understand productivity and sustainability

Broadest reach and enhanced capabilities

87%
Our mobile network now covers 99% of the UK population and 87% of UK geography, with 2,200km^2 added this year

An additional six London Underground stations now have 4G service available

>21m
More than 21m 4G and 5G data customers have migrated to our new Ericsson Mobile Cloud Core hosted on our Network Cloud for better, more reliable performance

– We're trialling High-Altitude Platform Station aircraft and satellites to bring mobile coverage to the most hard-to-reach locations
– We've signed a new partnership with Ericsson to deploy ultra-lightweight Massive MIMO radio technology which will deliver up to 40% reduction in energy consumption with improved network performance

5G innovation
BT Group installed a 5G network to support the BBC's coverage of the 2022 Commonwealth Games. This was the first time 5G was used at an event of this size. The BBC used the private network to send footage for remote production which meant they didn't need any on-site broadcasting trucks.

Progress against our strategic framework continued
Build the strongest foundations continued

A simpler, more efficient and dynamic BT Group

This year we've continued to transform, delivering £0.7bn of cost saving efficiencies this year. To date, we have delivered 71% of our £3bn cost savings target by March 2025, at a cost of £1.1bn. We further simplified our products, processes, digital and network technologies and continued to build our new strategic IT landscape. We made progress, but there is more we need to do.

Customise your package

Checkout now
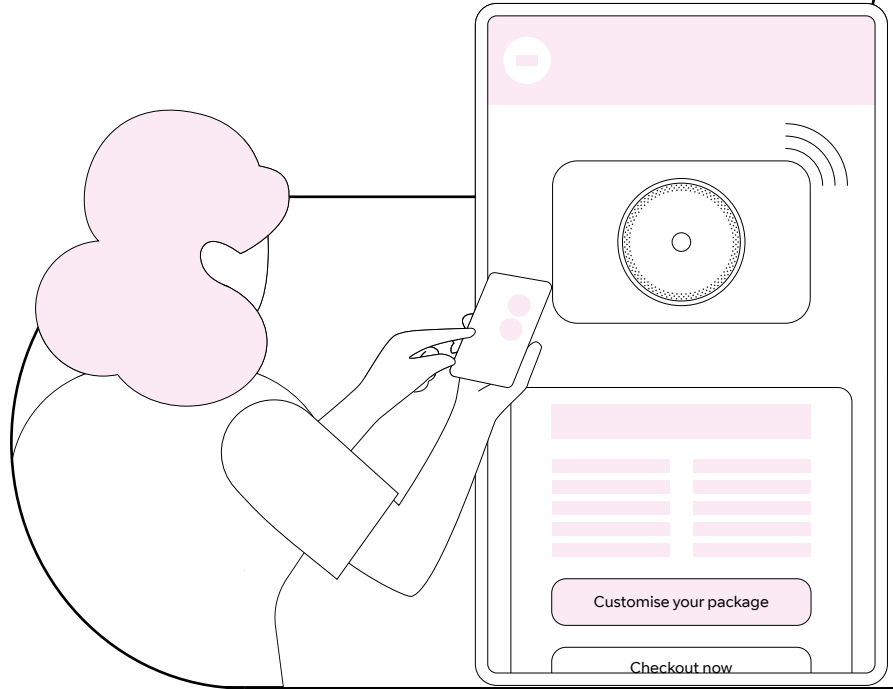
Simplified product portfolio and transformed customer journeys and processes

30%
We cut the number of Consumer tariffs by 30% – making it easier for customers to pick the right product for them

50%
By shortening our Consumer broadband journey to six steps, we cut the time it takes to buy our broadband by 50%

80%
We automated 80% of our Enterprise back-end manual billing activities

- 46% of our small and medium business customers' inbound service calls that are offered the validation option in our IVR system are now automatically validated, up from 15% last year
- The digital channel conversion rate for our Global solutions has almost tripled
- We cut our Global product portfolio by nearly 8%, helping to concentrate on our new, strategic product portfolio
- Openreach's intelligent scheduling system enables us to send the right engineer, equipped with the right skills, at the right time, to each customer. Saving £39m and 22 tonnes of CO_2 annually while increasing on-the-day closure of complex jobs by 35%

- AI powered intelligent automation in Openreach now supports leaner operations across our desk and field based teams, saving us over £35m annually
- Our Making Finance Brilliant programme has delivered over £8m of total efficiencies in FY23. The latest phase involved migrating c. £60bn of gross costs, over 220k projects, c. 1m internal orders and nearly 14m fixed assets into SAP
- We simplified our HR system landscape by consolidating to one primary system globally, resulting in a £4.5m saving in annual licences and standardising over 100 HR processes

Modern, modular digital architecture and migrating to strategic networks

343
We stopped using 343 legacy applications in FY23

>2.3m
We cut the number of units on legacy networks by over 2.3m in FY23, including a 19% drop in the PSTN base

- There are 50% fewer Consumer mobile customers on 3G plans since January 2021, and 229k fewer 3G business subscribers compared to March 2022
- We're developing cloud and AI led strategic technology platforms to increase our agility and reduce costs, as well as create new products and platforms to help revenue growth and create brilliant customer experiences and digital engagement

A culture where people can be their best

Over 99,000 colleagues are central to delivering our ambitions. Although this year was difficult – especially because of industrial action – we made big progress in areas like organisational development, occupational health, wellbeing, diversity, equity and inclusion. We continue to invest in our people. But we recognise there's work still to do.

Award-winning colleague development

23,000
We trained over 23,000 Openreach engineers across 10 facilities – including our award-winning real-life 'Openstreet' environment

26hrs
On average, our colleagues completed 26 hours of learning (this excludes self-directed and micro learning)

– This year we ran a number of award-winning learning programmes to support our colleagues' development such as Digital Campus, CAPSLOCK and Aspire, a career development programme in Consumer (see)

2,267
Apprentices hired

221
Graduates hired

Apprentice programme
As one of the largest private sector employers of apprentices and graduates in the UK, we continue to recruit and attract brilliant people into our business. We offer unparalleled development opportunities to those who join us, building a future pipeline of talent and developing our existing workforce to help drive growth across our business and deliver great outcomes for all our customers.

Progress against our strategic framework continued
Build the strongest foundations continued

A diverse and inclusive workforce

"
I'm pleased that BT Group has made progress and narrowed our gender pay gap this year. But we're far from perfect, and we recognise that we still have more to do to make sure we build a truly equitable and inclusive culture across our business.

Athalie Williams
Chief Human Resources Officer

– We improved both our gender and ethnicity pay gaps (see page 34)
– We've increased our representation of female, ethnic minority and disabled colleagues since 2018
– We were a Gold Sponsor of London PRIDE 2022 and partnered with many other organisations such as 'Code First Girls' to support diversity and inclusion (D&I) (see page 33)
– We were nominated for the British Diversity Awards 2023 Outstanding Ethnic Diversity Network of The Year

78%
More than 78% of UK colleagues gave us better data to understand our demographics

Openreach engineers
At Openreach, we're dedicated to building an inclusive culture and supporting our engineers' development. We've been working hard to recruit a more diverse pool of candidates by training our hiring managers in the use of inclusive recruitment tools and launching recruitment campaigns aimed at individuals from diverse backgrounds.

1,900
New trainee engineers this year

17%
of them are women
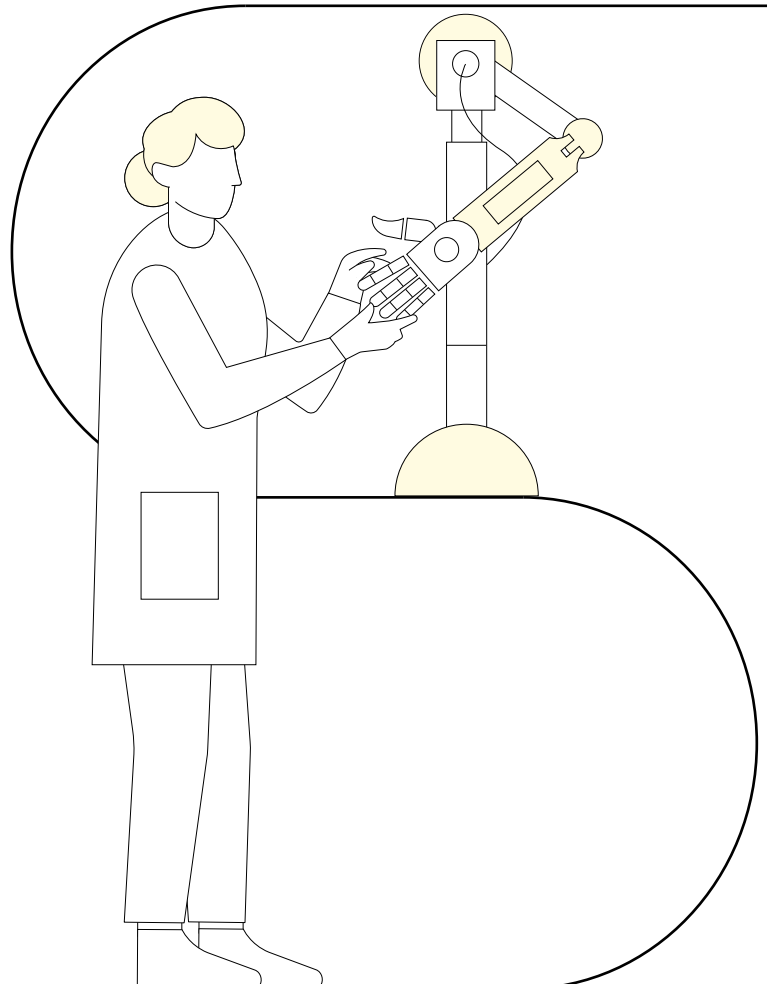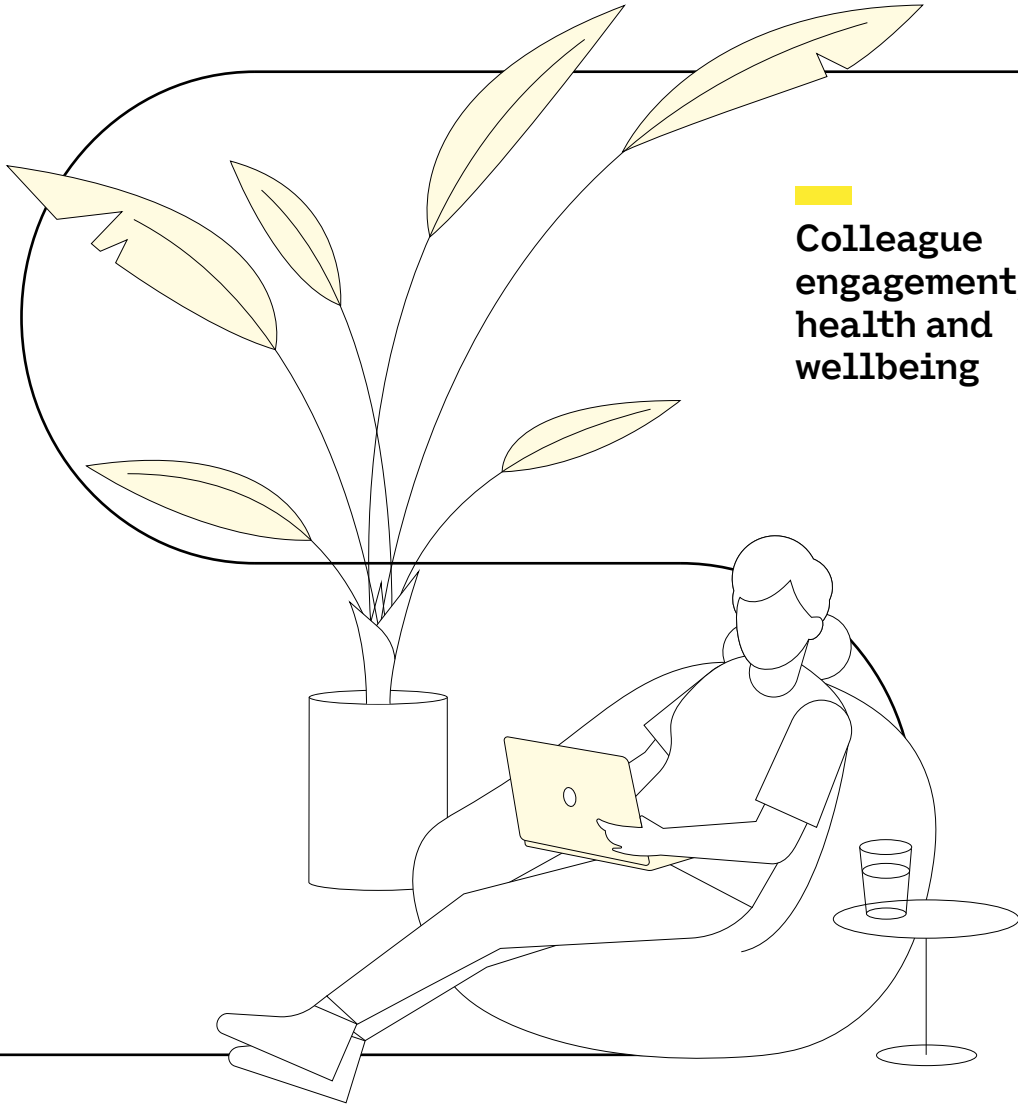
Colleague engagement, health and wellbeing

- Engagement is still above external benchmarks but went down 6 points in our March 2023 Your Say survey – driven by the cost of living crisis and industrial action
- We launched our new 'My HR' system to simplify and digitise our HR technology landscape and give colleagues a better experience
- Driven by our Health, Safety and Wellbeing Centre of Expertise, we continued to find ways to better support our colleagues this year – for more detail

Top 10%

The CCLA report on mental health for investors places us in the top 10% of the FTSE 100

Cost of living pay rise

To support our colleagues during the cost of living crisis we awarded a cost of living pay rise to 85% of our UK-based colleagues. Together with the increase in April 2022 this brings the total pay rise for the lowest paid colleagues to over 15% in the year.

£1,500

Pay rise (for all UK colleagues who previously earned £50,000 or less)

85%

Awarded to 85% of our UK-based workforce
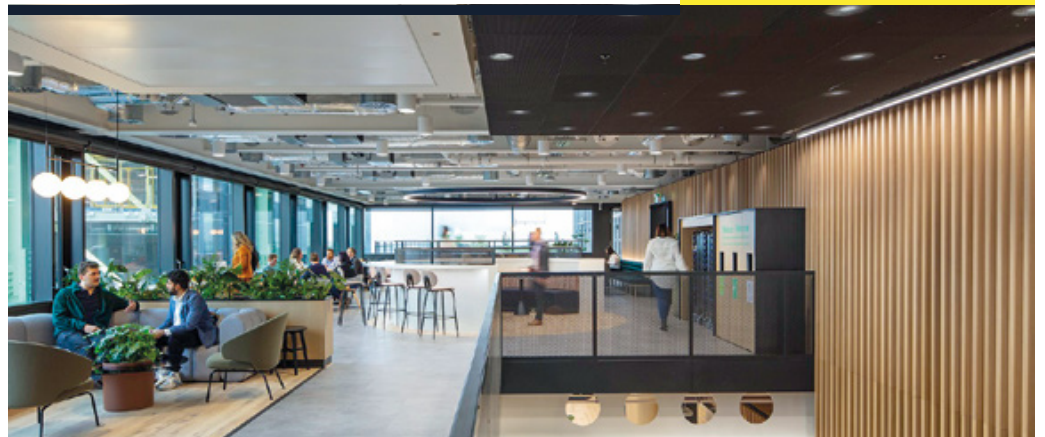
Assembly Bristol

BT Group's latest workspace, Bristol Assembly, is designed to cater to the needs of up to 2,500 colleagues, now and in the future. It features colleague-centric spaces including prayer and parenting rooms.

The workspace is close to public transport hubs, and encourages active travel through facilities like cycle parking, lockers, changing rooms and showers.

The building is designed to support our sustainability goals with features like lighting designed to maximise energy efficiency. These features have resulted in a short-term CO_2 reduction of c. 140 tonnes per year, this is anticipated to rise to over 500 tonnes.

Additionally, we're hiring nearly 50 apprentices and graduates in Bristol to support the UK's digital sectors.

2,500

Bristol Assembly is designed to cater to the needs of up to 2,500 colleagues

50

We're hiring nearly 50 apprentices and graduates in Bristol

Progress against our strategic framework continued

Create standout customer experiences

Outstanding service and experience

We've continued to invest in delivering positive experiences for our customers. This year, our overall performance was good despite service levels being affected by industrial action and customers' cost of living challenges.

Improving the skills of our engineers to improve customer experience

Over 29,000 of our engineers are able to use our 'skills passport' to better themselves, and improve the levels of customer experience they provide.

This tool brings together all the resources needed for our field engineers to enhance service quality and improve customer experience. The investment in our engineers has resulted in more successful customer visits and positive feedback from customers.

>91%

Customers rated over 91% of our engineer visits 8 out of 10 or higher

"
Our engineer was very knowledgeable and polite, spending time explaining things to me. They were very meticulous and checked everything was as it should be and replaced what they could.

Customer testimonial

– Our overall net promoter score (NPS) marginally decreased this year. The cost of living challenges affected our Consumer brands and the wider market overall which was partially balanced out by positive perceptions from our corporate customers

  📄

– All of our brands were winners in the 2023 USwitch awards. EE won fastest mobile network, BT won most reliable broadband and Plusnet was the best broadband provider
– We were 2022 UK Customer Experience Awards winners for Best Customer Experience and Best Customer Experience in a Crisis

– There were 2 and 7 complaints to Ofcom per 100,000 customers for EE mobile and EE broadband respectively, both the second best in the industry
– There were 10 complaints to Ofcom per 100,000 customers for BT broadband, a rate that continues to be better than the industry average

2.4m

Aimee, our in-app messaging and automated assistant, completed over 2.4m conversations and delivered a +2 rise in NPS

– The 2022 Samsung One Awards named us Network Operator of the Year

4m

On average, EE blocks over 4m unwanted calls and spam messages a week

– Perceptions of our BT Consumer fixed and EE Consumer mobile networks remained broadly flat across the year, despite a 9.1% increase in demand for fixed data and a 20% increase for mobile data
– Our network fault rate in Openreach (faults per 1,000 lines per annum) is 4.8% lower year on year
– Openreach recorded a 13.5% reduction in copper repair volumes year on year
– Despite facing unprecedented industrial action, Openreach was able to achieve 32 of the 35 regulated service measures set by Ofcom for both the business and residential markets, narrowly missing the remaining three
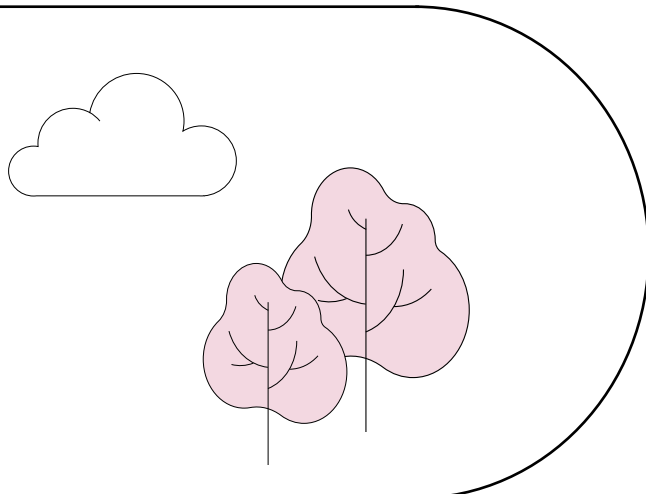
Progress against our strategic framework continued
Create standout customer experiences continued
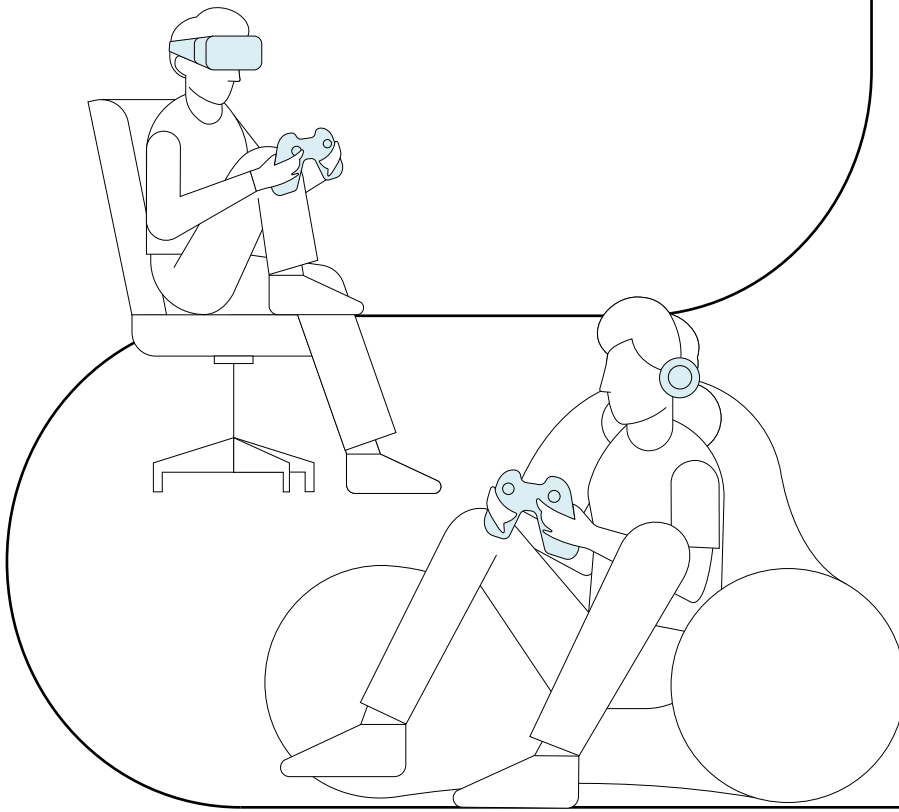
Smarter, differentiated solutions and outcomes

We want our solutions to improve customers' lives and deliver the outcomes they want. This year we continued to enhance our offering as we seek to give our customers the latest converged, intelligent connectivity services.

Social tariffs for broadband and mobile

Many people are dealing with financial uncertainty, and we know it's difficult. We're dedicated to supporting our most vulnerable customers in the cost of living crisis.

We're helping our most vulnerable customers during these tough times. Our research shows that many British adults struggle to improve their situation without connectivity and that is why we're committed to providing connectivity support to those who need it the most.

We offer our BT Home Essentials broadband and EE Basics mobile to eligible customers which helped almost 180,000 customers this year. We also excluded 3m eligible customers, including those on social and discounted tariffs, from the April 2023 price increase.

180k
EE Basics and Home Essentials is directly helping nearly 180,000 customers

3m
3m customers excluded from April 2023 price increases

>50%

We were the first UK internet provider to offer an unbreakable wi-fi connection at home that's backed up by the award-winning EE mobile network with Halo 3+ – and our subscriber base has grown over 50% year on year
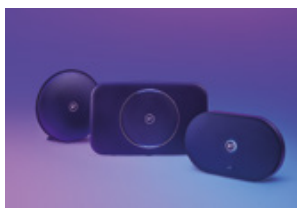
– EE was the first mobile network globally to offer Apple One exclusively as part of our Full Works for iPhone offering
– BT TV is now available aerial-free – the BT TV Box Pro's new internet mode lets customers plug in and connect to our Smart Hub to start streaming via wi-fi
– We launched EE Security – a smart security system powered by Verisure and Norton
– We launched EE Supercharged – a portfolio of leading gaming consoles bundled with cloud gaming access and unlimited gaming data

– The SoHo distribution network continues to grow – with partnerships including Barclaycard Payments, Checkatrade and Just Eat
– We launched EE connected laptops – making it easier for sole traders and micro-businesses to run and grow their business online from anywhere
– Our new multi-cloud connectivity solutions extend our network reach into important carrier-neutral facilities like Equinix. This means our customers can access a lot of different cloud-based apps and services without needing individual connections for each one

999 call answering

Since 1937, BT Group has been handling 999 calls in the UK, providing support to the emergency services round the clock, every day of the year.

Last year, our seven BT Group 999 call centres handled over 40m calls. Our 999 advisors faced unprecedented demand during major events such as the Platinum Jubilee celebrations, the passing of Her Majesty the Queen and the FIFA World Cup. Since June 2022, our advisors have supported '999 BSL', a video relay service enabling people with hearing difficulties to contact 999 in British Sign Language through a mobile app or website 24/7.

>40m

Our 999 call centres handled over 40m calls last year

Progress against our strategic framework continued

Lead the way to a bright, sustainable future

A portfolio positioned for growth

We've continued to simplify and strengthen our business portfolio, making sure we maximise the value of our assets and partnerships.

– To enhance the sports-related content available to our customers, BT Sport merged with Eurosport UK in September 2022, forming a 50:50 joint venture (JV) with Warner Bros. Discovery

– BT Sport has now transferred its assets and people to the new JV; both BT Sport and Eurosport UK brands will continue in the market for now but will be brought together as TNT Sports in the future

– As part of our ongoing asset-light strategy outside of the UK, we've agreed the sale of our fibre-optic networks in Düsseldorf, Frankfurt, Munich and Stuttgart totalling 1,590km of fibre

– In an effort to simplify our portfolio and maximise the value of our partnerships, we transferred 332 BT employees under TUPE to GXO Logistics Ltd – supporting its warehouse, transport and service desk operations
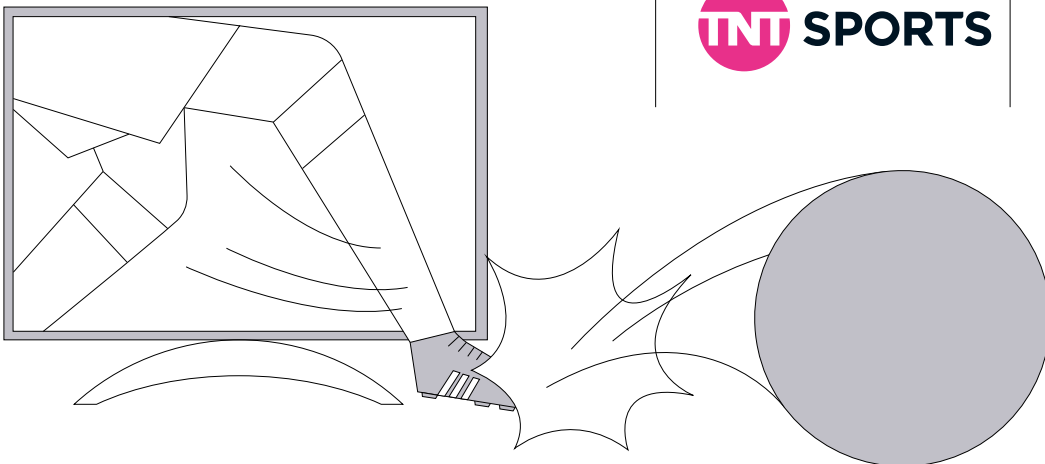
Incubating new tech-driven growth engines

We're investing in the future of connectivity. This year we've continued to focus on innovation and potential growth engines in areas where we feel we have a strong right to play.
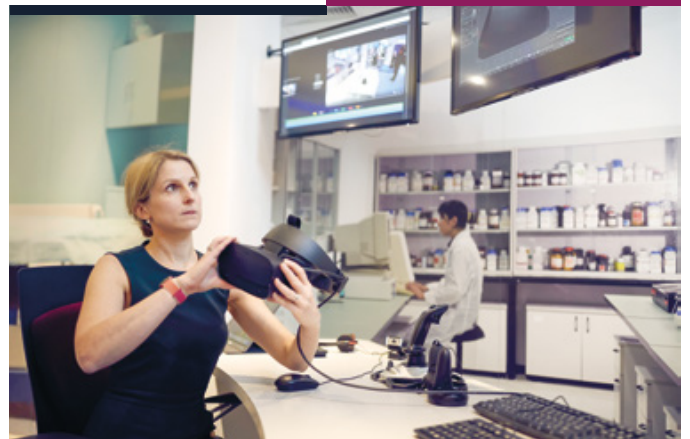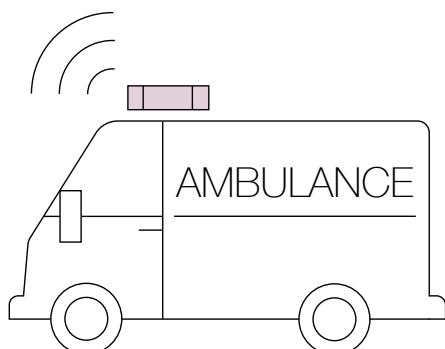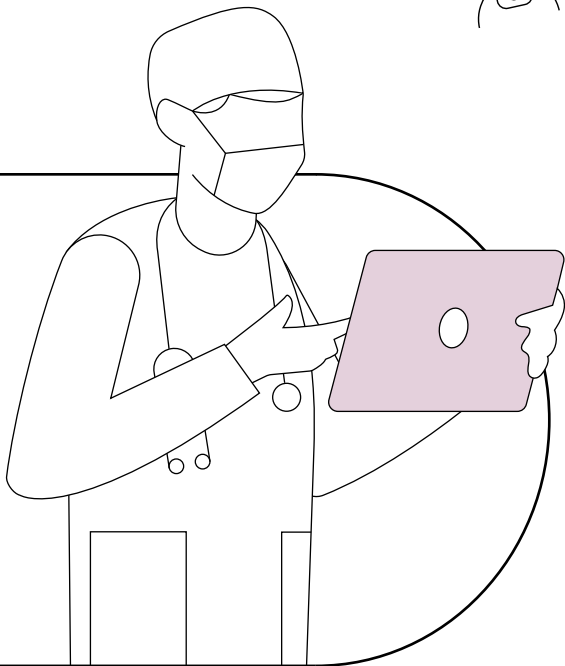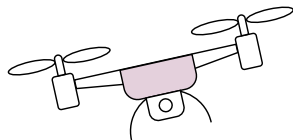
Virtual Ward

BT Group is partnering with Feebris and my mhealth to provide virtual ward, virtual care and patient self-monitoring technology to support the NHS.

We're also developing a virtual care solution to improve the impact of these services for health providers. This technology can be used in hospitals, care homes and community nursing to monitor patients safely, reduce hospital admissions, and ease pressure on frontline services. Virtual ward has helped to reduce readmission rates by 50% and save £1,047 per patient.

50%
Virtual ward care has helped to reduce readmission rates by 50% and save £1,047 per patient

94%
Of patients felt more confident about being able to manage their condition from home

This year we...

£683m
Recognised £683m expenditure on R&D...

94
And our Adastral Park R&D facility made 94 inventions...

56
And published 56 key papers

– We saw 53% year-on-year sales growth on our Digital unit's Active Intelligence geospatial data insights platform

– We set up a Clinical Advisory Board with leading NHS professionals to make sure our new healthcare solutions meet NHS needs and will result in improved patient outcomes

– We invested £5m in Altitude Angel, the world's most trusted unified traffic management technology provider for drones

Progress against our strategic framework continued
Lead the way to a bright, sustainable future continued

A responsible, inclusive and sustainable business

We've made long-term commitments on how we'll contribute positively to our country and society in the BT Group Manifesto. This year we've continued to deliver on our Manifesto commitments to be a responsible, inclusive and sustainable business.

⊞ You can read our full Manifesto on page 36

56%
We've reduced our carbon emissions intensity by 56% since FY17

2030
We're making investments to convert the majority of our fleet to electric or zero emissions vehicles by 2030

🖥 Read more in our ESG Addendum at **bt.com/ esgaddendum**

– We now have over 2,400 electric vehicles (EVs) in our fleet; over 1,000 were added this year which has saved over 2,200 tonnes of CO_2e (carbon dioxide equivalent emissions)

– We helped customers avoid over 935,000 tonnes of carbon emissions

– We recovered nearly 2m home hubs, set-top boxes and mobile phones for recycling and reuse

– We recovered, reused and recycled 89% of our UK operational waste this year

⊞ See pages 38 to 39 for more information on our journey to net zero emissions and a circular economy

100%
Of the electricity we consume worldwide is renewably sourced[1]

1   99.9% of the global electricity BT Group consumes is from renewable sources. The remaining 0.1% is where renewable electricity is not available in the market.
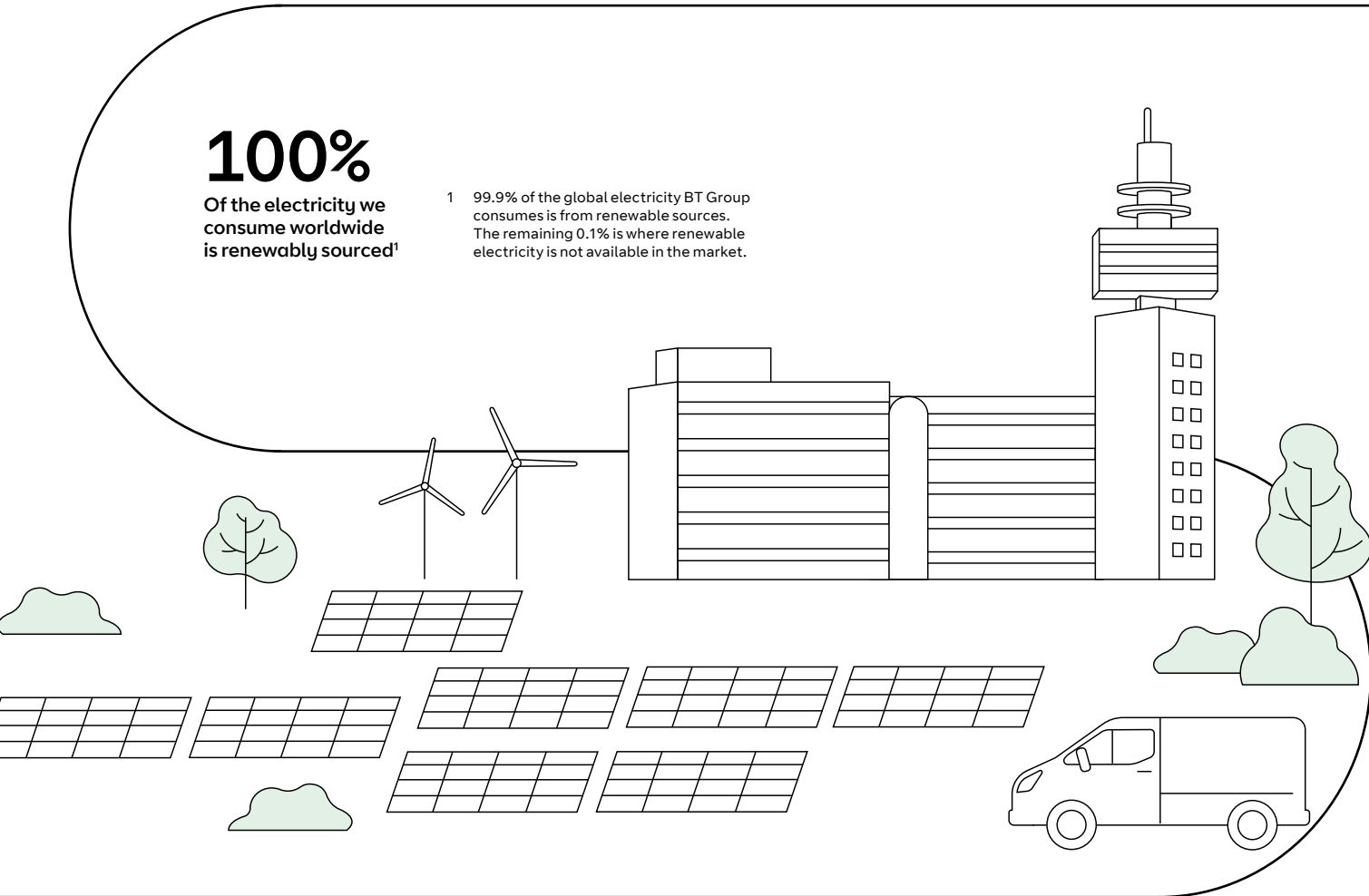
Skilling the nation

We've continued to champion digital inclusion and skilling the nation. This year we helped 4.6m people and over 465,000 businesses and their employees in the UK improve their digital skills – a total of 19.3m people since FY15.

4.6m
People in FY23

465k
Businesses and their employees

19.3m
People since FY15

– We held 15 Skills for Work bootcamps for nearly 500 11–13-year-old children
– We're helping children stay safe online with our PhoneSmart licences (see page 38) – we've issued over 1,300 since 2020

Netwalks

Everyone is facing a lot of economic uncertainty and small businesses need more help than ever before. It's not easy to provide support but BT Group and Small Business Britain have a chance to make a difference by supporting small businesses through this turbulent period.

This year we launched Netwalks which offers self-care, mental health support, early intervention and networking opportunities for small businesses. Over 100 businesses have joined, and it offers networking events in 10 different locations through walks, gatherings and mentoring sessions.

95%
Over 95% of attendees would recommend these walks

40
Over 40 walks organised in two months, which helped hundreds of people

Hope United

We created Hope United to combat online hate. It is a team of elite footballers that raises awareness of different forms of hate, promotes understanding, and inspires action through marketing campaigns and our educational videos which teach people how to block, report, and mute online hate. This contributes to our goal of helping 25m people and business improve their digital skills by leveraging EE's sponsorship of the Home Nations Football Associations.

7.4m
We've educated 7.4m people on how to be good digital citizens, tackling online hate through our Hope United campaign

Our people

We continue to invest in our people. We want to create a culture where everyone who works here sees the value of curiosity and lifelong learning – and is equipped with the skills and capabilities we need for our business to evolve.

Skills development

We have over 99,000 colleagues supporting our customers and driving BT Group forward. This year we hired c. 15,000 people. c. 11,000 of them were in the UK, including c. 2,000 apprentices and c. 200 graduates. c. 17,000 colleagues left the business – c. 14,000 through natural attrition and c. 3,000 through paid leaver programmes.

To help drive our business transformation, this year we launched Digital Campus: a one-stop-shop to build digital skills and capabilities.

We also launched our reskilling programme CAPSLOCK, training existing employees for security roles. Everyone who graduated now has a BT Group security job. And the programme won the 'Recruitment and Workforce Planning Strategy' award at the 2022 HR Excellence Awards.

Aspire career development programme

In our Consumer unit we've run an award-winning career development programme called Aspire for the last five years. This year, 696 colleagues joined the programme on career pathways for retail, contact centre and corporate roles.

Aspire supports colleagues with the potential and desire to move into a wide variety of new roles. These range from frontline team management to corporate and across marketing, HR, commercial, digital and technology.

Each year at least 70% of Aspire participants move into new roles at the end of the programme, helping us to nurture internal talent, drive down external hiring costs and reduce our time to hire.

Many Aspire participants follow an apprenticeship programme as part of their learning journey, supporting their skill and capability development.

70%

Of Aspire participants move into new roles at the end of the programme

Diversity and inclusion

Our Manifesto includes bold targets for diversity. We're making progress in our ethnic minority representation, with notable gains against our targets. But we're clear there's much more to be done. Our UK declaration rates of more than 78% mean we can use data to better understand our demography and areas of concern.

In the Manifesto we state that a more inclusive digital landscape will help us drive productivity, innovation and growth for our business and for the UK (see pages 36 to 39). Supporting that, we have created a rich ecosystem of partners to help us expand our reach into the community, create awareness, and invest in, develop and open up opportunities for the talent pools for the future. Inside and outside our business, we've continued to encourage inclusivity through understanding other people's lives better.

More broadly, we engage with colleagues through the *Colleague Board* (see the **corporate governance report** on pages 92 to 93) and 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.

Our targets for 2025

Presented below is the progress made for the year in review against our stated Manifesto targets for gender, ethnic minority and disability at various levels of the organisation. Whilst we have made progress across BT Group, we recognise we have more to do to meet our ambitions.

Diversity data for all protected characteristics and special category data (as defined by UK employment law and GDPR respectively or local laws as relevant to other geographies) is collected through voluntary disclosure directly into SAP SuccessFactors (our nominated HR system). Data is stored, reported and used subject to local laws and advertised employee privacy notices. Due to local restrictions on capture and reporting of ethnicity and disability, only information relating to the UK is shown.

		31 March 2022	31 March 2023	2025 Targets
BT Group (excluding Openreach)	**Men**	65.1%	65.2%	–
	Women	34.9%	34.8%	46%
	Ethnic minority	11.9%	13.4%	16%
	Disabled	6.9%	8.2%	14%
Openreach	**Men**	89.7%	89.7%	–
	Women	10.3%	10.3%	12%
	Ethnic minority	9.4%	9.1%	10%
	Disabled	6.0%	6.0%	6%
BT Group	**Men**	74.3%	74.3%	–
	Women	25.7%	25.7%	32%
	Ethnic minority	10.8%	11.5%	13%
	Disabled	6.5%	7.2%	10%
Board	**Men**	63.6%	66.6%	–
	Women	36.4%	33.4%	33%
	Ethnic minority	2 members	2 members	2 members
	Disabled	1 member	1 member	–
Executive Committee[1]	**Men**	63.6%	70.0%	–
	Women	36.4%	30.0%	33%
	Ethnic minority	1 member	2 members	2 members
	Disabled	0 members	0 members	–
Senior leadership team[1 & 2]	**Men**	73.9%	77.5%	–
	Women	26.1%	22.5%	41%
	Ethnic minority	8.0%	13.5%	15%
	Black / Black heritage	NR	1.0%	5%
	Disability	5.3%	7.7%	10%
Senior management team[2]	**Men**	64.7%	64.6%	–
	Women	35.3%	35.4%	41%
	Ethnic minority	10.4%	9.0%	15%
	Black / Black heritage	0.8%	2.3%	5%
	Disability	4.5%	9.4%	10%

1   For the purpose of the UK Corporate Governance Code 2018, our leadership comprises the *Executive Committee* (excluding Executive Directors on the Board but including the CEO, Openreach) and all of their direct reports (excluding admin roles). This totals 22 women (30%) and 51 men (70%).
2   For the purposes of the Companies Act 2006, our senior management comprises those employees responsible for planning, directing and controlling the activities of the group, or a strategically important part of it (members of our senior leadership and senior management teams, and directors of the group's subsidiaries but excluding directors on the Board). This totals 256 women (34%) and 497 men (66%). Numbers presented include 60 subsidiary directors (39 men and 21 women) who are not otherwise members of our leadership or senior management teams.

Our people continued

Gender pay

This is the sixth year we've reported on our gender pay gap. Our UK gender pay gap figures have decreased favourably this year.

Median pay gap %

17.8%	17.4%	14.9%	15.1%	14.9%
5.0	4.8	5.0	6.7	6.1
2018	2019	2020	2021	2022

■ Office for National Statistics (ONS) median
■ BT Group median
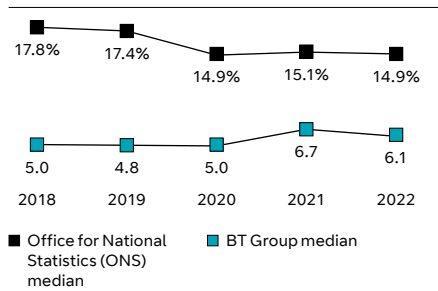
– Our median pay gap is 6.1% (-0.6%).
– Our mean pay gap is 3.7% (-1.3%).

Both these figures continue to sit well below the telecommunications industry 19.6% and UK 14.9% median averages. Our figures have improved because we've recruited more women into senior roles and because of the slight rise in female representation in the upper 23.3% (0.3%) and lower middle 16.6% (1.3%) pay quartiles.

To close our gender pay gap we need more balanced gender representation at all levels, so we're doing a lot more to attract, hire and keep women. We're focusing particularly on sales and engineering roles.

You can find more examples of initiatives – as well as pay quartile analysis, bonus information and entity breakdowns – in the ESG Addendum, available at **bt.com/esgaddendum**

You can find more information in our Gender Pay Gap 2022 Statement, available at **bt.com/genderpaygap**

Ethnicity pay

This is the third year we've reported on our ethnicity pay gap. Publishing it isn't a legal requirement but underpins our commitment to diversity, equity and inclusion.

	2022		2021	
	Mean	**Median**	Mean	Median
Overall	**(0.3%)**	**(1.2%)**	(0.1%)	(2.7%)
Asian	(3.6%)	(2.4%)	(2.3%)	(3.7%)
Black	6.6%	(0.3%)	5.3%	(2.7%)
Mixed	3.3%	5.2%	3.3%	6.0%
Other	(6.2%)	(9.3%)	(8.0%)	(13.8%)

– Our median UK ethnic pay gap[1] is -1.2% this year compared to -2.7% in 2021.
– Our mean gap widened from -0.1% in 2021 to -0.3% this year.

The pay gaps by ethnicity (based on ONS groups) reflect that we have low ethnic minority representation at all levels.

Pay gaps presented are based on the 78.4% of our UK colleagues who chose to disclose their ethnicity.

For Asian and other ethnic colleagues, the pay gaps versus White colleagues continues to be negative (favourable). For Black colleagues, we've seen a slight increase in median and mean pay gaps versus White colleagues. The mean is 6.6% (+1.3%) and the median is -0.3% (+2.4%). For mixed ethnicity colleagues, pay gaps are consistent with 2021, with both median and mean in favour of White colleagues.

This is reflected by the fact there are more Asian colleagues in higher paid management roles, and more Black colleagues in frontline roles such as our engineers.

You can find more examples of initiatives to improve representation – as well as pay quartile analysis, bonus information and entity breakdowns – in the ESG Addendum, available at **bt.com/esgaddendum**

1 Our pay gap figures have been calculated in line with legal obligations. They show the mean and median pay gap (based on hourly rates of pay at 5 April 2022) and mean and median bonus gap (based on bonuses paid in the 12 months to 5 April 2022).

Our partnerships

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

We've also built relationships with Code First Girls, Women Returners, Black Girls Tech Summit and Girls Talk London. These initiatives help delegates develop their skills and network with peers, creating more opportunities for women to move into technology careers.

And as lead sponsor of the Avado FastFutures programme, we're helping upskill over 7,000 18-24 year old learners from ethnically diverse backgrounds. We want to help them develop digital and data skills to unlock opportunities and launch their careers.

7,000
18-24 year old learners from ethnically diverse backgrounds upskilled

Taking care of our team

The wellbeing of our people has always been at the heart of how we do business. It's in our code: "We always put wellbeing and safety first". It's also in our Health and Safety policy statement. Our strategy is to build a team of fulfilled, safe, happy and healthy employees in a culture where everyone can thrive.

This year we published guidance on fulfilling the physical, mental and cognitive needs and expectations of our people in relation to their work. We also launched a psychological risk assessment tool to help our managers and safety professionals identify roles and ways of working that could potentially harm our employees' mental health. This was part of meeting our obligations under the Health and Safety at Work Act 1974, and aligns to the recently published ISO45003 ('Occupational health and safety management - Psychological health and safety at work').

We're a founder member of the World Wellbeing Movement. This is a coalition of global leaders from business, civil society and academia who've committed to put wellbeing at the heart of decision making in both business and public policy. We're also an active member of the European Telecommunications Network Operations Association, inputting to the recently announced commitment to protecting all telecommunications workers from violence and harassment in the workplace.

To minimise risks to our colleagues' health and improve attendance, we have strong health assessment processes and safe systems of work in place. In line with regulations, we run surveillance programmes for colleagues doing jobs that might affect their health, for example around vibration and noise.

We continue to set targets for measures of health and wellbeing, the performance of which are reported to the *Executive Committee* and Board. Sickness absence rate was 3.87% and work-related mental ill health was 8.3%, a 19% reduction over last year.

Accelerating our pay award

As part of our 2023 pay review – and following discussions with our unions – we agreed to move forward a pay increase from April to January to help support colleagues facing increased living costs from rising inflation and interest rates.

We also awarded a consolidated cost of living pay rise of £1,500 to 85% of our UK workforce – all our team member and frontline grades and more than half of UK managers.

We wanted to reach as many of our people as possible with a genuinely meaningful raise. Combined with the April 2022 increase, in FY23 we delivered a total salary increase of 15% to our lowest-paid colleagues.

Support to colleagues experiencing long Covid

Our Health, Safety and Wellbeing Centre of Expertise headed up by our Chief Medical Officer identified the need to provide bespoke support to colleagues experiencing the impact of long Covid.

Working with our specialist rehabilitation provider we created our two-step 'Covid Recovery Programme' to help all employees manage the effects of long Covid and improve their health, wellbeing and functional capabilities. The programme was designed to support colleagues who had ongoing Covid symptoms, but not severe enough to enrol on an NHS programme. At 4 weeks since acute symptoms, step one provided individuals with access to self-help materials. At 12 weeks since acute symptoms, a manager-initiated referral to step two provided individuals with access to a 4-12 week programme offering bespoke management plans and tailored support to facilitate a return to work and full duties. Between July 2021 and August 2022, we referred 151 colleagues to step two of the programme. The number of those off work dropped from 46% to 12%, and those on full duties rose from 28% to 76%. Data taken from validated questionnaires also indicated a significant improvement in functional capability, wellbeing and mental health.
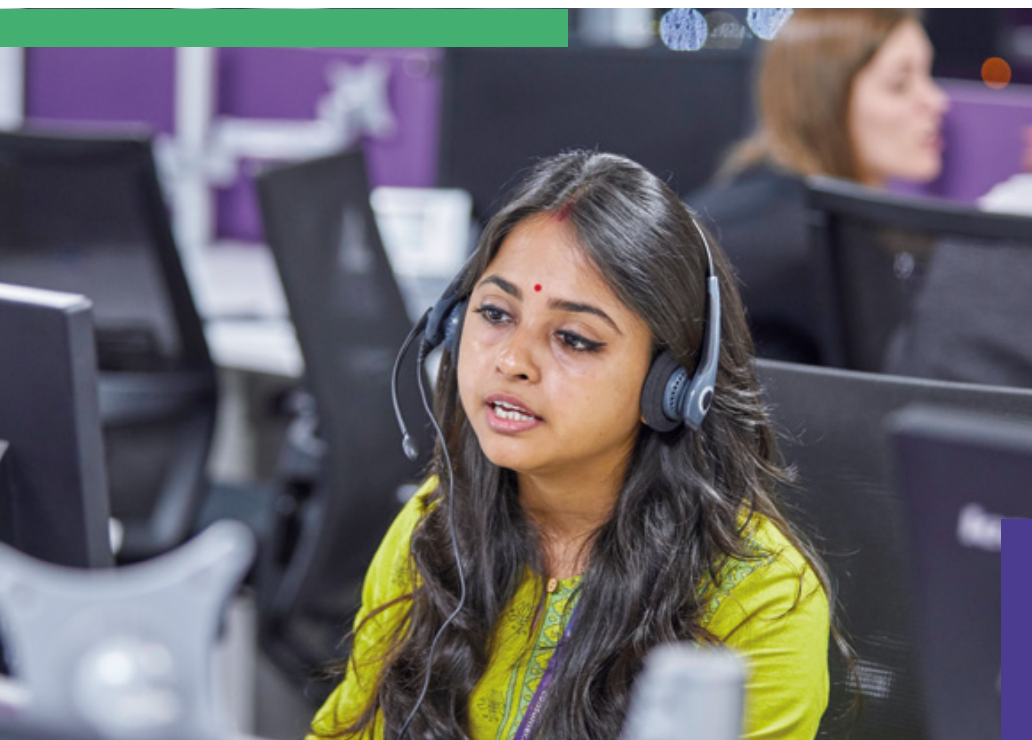
151
Colleagues referred to step two of our Covid Recovery Programme

12%
Those off work with long Covid dropped from 46% to 12% after referral to step two of the programme

76%
Those on full duties rose from 28% to 76% after referral to step two of the programme

Our Manifesto

Launched in 2021, the BT Group Manifesto is our plan to accelerate growth through responsible, inclusive and sustainable technology.

It is rooted in our purpose, to connect for good, and it will help us achieve our ambition – to become the world's most trusted connector of people, devices and machines.

Our Manifesto includes measurable commitments to amplify our positive impact for people and planet – combined with a clear commercial agenda.

Responsible

New tech must earn people's trust and transform lives for the better.

We will:
– invest in new growth tech to help us live and work better
– apply responsible tech principles across our value chain
– partner to build a responsible tech ecosystem that builds trust and drives growth.

Inclusive

The future of tech must be diverse and inclusive for everyone to benefit.

We will:
– build a diverse workforce through our diversity and inclusion targets
– pass 6.2m rural premises with full fibre by the end of 2026 (as part of our 25m build target)
– expand our 4G/5G mobile networks across the UK, including in rural locations
– help 25m people with digital skills by the end of March 2026.

Sustainable

Tech must accelerate our journey to net zero emissions and a circular economy.

We will:
– be a net zero business by the end of FY31, with suppliers and customers net zero by the end of FY41
– help customers avoid 60m tonnes of CO_2e by 2030
– build towards a circular BT Group by 2030, and a circular tech and telco ecosystem by 2040, while protecting nature and biodiversity.

We contribute to the UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH   10 REDUCED INEQUALITIES   16 PEACE, JUSTICE AND STRONG INSTITUTIONS   4 QUALITY EDUCATION   5 GENDER EQUALITY   9 INDUSTRY, INNOVATION AND INFRASTRUCTURE   12 RESPONSIBLE CONSUMPTION AND PRODUCTION   13 CLIMATE ACTION

Responsible

New tech must earn people's trust and transform lives for the better.

Applying responsible tech principles across our value chain

Our responsible tech principles help us think about benefiting people and minimising harm every time we develop, buy, use and sell tech. They're grounded in the UN Guiding Principles on Business and Human Rights and are part of our risk management framework.

Our responsible tech principles are

☺	**For Good** We design and deliver tech to empower people and improve their lives
✓	**Accountable** We're accountable for our actions and take care to avoid, and protect against, tech misuse
👍	**Fair** We work hard to ensure everyone is treated fairly and with respect
🔍	**Open** We listen, collaborate and are transparent about our actions

Governance

Our Responsible Tech Steering Group oversees how we implement the principles. This year it continued looking into our emerging risks and strategic growth areas. It invited external experts to help define our approach to topics like children's digital rights, evolving high risk markets and customers, and new products and innovation.

Developing new tech

We apply the principles right from the start when we develop and design new tech. This year we:

– launched an AI accelerator – shortening new AI rollout time by over 90%, and built with security and ethics in mind

– started embedding responsible tech by design into new product development – to build trust and drive growth

– carried out a group-wide digital child rights impact assessment on how to protect and empower children in their digital lives, and made an action plan for the year ahead.

Buying tech

Our procurement company, BT Sourced, has responsibility and sustainability criteria set into its processes – giving our buyers clarity on supplier risks and opportunities. This year we:

– started embedding our 'Responsible AI for Buyers' guide into our supplier onboarding processes

– continued to do due diligence on our suppliers.

🖵 For details of onsite supplier audits completed, refer to our Modern Slavery Statement 2023 at **bt.com/modernslavery**

Using tech

We want to make sure our products and services are used for good. We focus on protecting privacy and free expression and helping to prevent online harms. We support the Global Network Initiative (GNI) Principles on Freedom of Expression and Privacy. This year we:

– completed our first external GNI assessment. They said we were "making good faith efforts to implement the GNI principles with improvement over time" and also confirmed our strong commitment. They also showed us opportunities to improve our policies, oversight in overseas jurisdictions and related training and tools

– developed our data ethics standard. It sets out how we use responsible tech principles to determine what's 'right' and 'wrong' when deciding why and how to process data (personal or otherwise)

– created our Responsible AI standard for building ethical AI. It will help mitigate risk at every AI lifecycle stage – from conception to real world monitoring.

Selling tech

We sell to customers around the world. This year we:

– further enhanced sales due diligence in our Global and Enterprise units. This will help us better identify and address potential human rights impacts of our products and services

– delivered training to our sales colleagues to help them understand the enhanced process

– conducted assurance to check our process was being followed. We concluded it was, with some minor exceptions which are being addressed with additional training

– reviewed our approach to evolving high risk markets and customers, and strengthened our ability to respond to them.

Inclusive

The future of tech must be diverse and inclusive for everyone to benefit.

Championing digital inclusion

We want to support families worst hit by the cost of living crisis. We excluded a total of 3m eligible customers from the April 2023 price increase. We're the market leader in social tariffs, currently helping around 1m low-income and vulnerable customers through affordable fibre broadband and calls.

Our Home Essentials social tariff lets customers on Universal Credit get discounted broadband. And we've launched EE Basics which mirrors the offer for eligible mobile customers. Openreach's 'Connect the Unconnected' scheme waives connection fees for vulnerable customers, via their communications provider. Working with charity partner Home-Start UK, we're also supporting the most socially excluded households with thousands of laptops, mobiles and free broadband vouchers.

We're working to develop the right digital infrastructure so no one gets left behind. Our full fibre broadband already passes 10.3m homes and businesses, including 3.1m in rural locations. We have the UK's largest and fastest 4G mobile network and we're rolling out 5G across the country. See pages 18 to 19 for more.

Skilling the nation

This year we've helped 4.6m more UK people and businesses improve their digital skills – and a total of 19.3m people since FY15. We're on track to reach our Group KPI target of 25m by the end of FY26 (see page 48).

Supporting small businesses

We're helping businesses unlock their potential through our free digital skills programme:

– we've helped upskill a further 465k businesses and their employees this year

– our webinar series provides businesses with digital skills help and advice, on topics from digital marketing and social media strategy to cyber security

– our 'Let's Talk About' video series offered practical tips from successful entrepreneurs

– we sponsored the 10th anniversary Small Business Saturday Tour – providing support through mentoring sessions and webinars across the 23 UK locations visited.

Our Manifesto continued

Employability skills for young people

We're bridging the gap between education and employment by making sure children and young people are included in the UK's digital skills agenda.

– 189 young people attended our work experience events, learning the digital and employability skills vital in today's workplaces. 124 of them went on to join our apprenticeship scheme.

– Our colleague volunteers delivered 15 Skills for Work Bootcamps for nearly 500 11-13 year-old school pupils. The bootcamps support teachers by encouraging STEM study subjects and careers.

– We support the National Cyber Security Centre's CyberFirst programme. It aims to encourage school pupils into cyber and tech careers, hosting events for over 2,000 pupils in the UK.

Child online safety

With so many children and young adults owning their own mobile phones, it puts them at risk of harm. That's why we launched EE PhoneSmart – the first phone safety licence for kids – with Internet Matters and other experts. We've issued more than 1,300 PhoneSmart licences to children since launch. And over 3,800 children have signed up to the scheme's online educational training.

EE teamed up with Beano to create a series of animated comics and videos on how kids can learn to stay safe and be kind online. These have already given advice to more than 400k parents.

Tackling online hate

Our Hope United campaign is part of EE's ongoing commitment to delivering positive societal change. Hope United is a team of elite professional football players from all four home nations brought together to tackle online hate. So far, it's helped educate 7.4m people on how to be good digital citizens. The award-winning "Not her problem" campaign tackled sexist hate and ran during the UEFA Women's Euros 2022.

India skills partnership

With our partner The British Asian Trust, BT India has reached over 1m girls since 2019 with digital skills, STEM career guidance and job opportunities. We've also helped launch a smartphone library and helped match 12,000 mentors to mentees through a BT-developed app.

UNICEF partnership

We've partnered with UNICEF to enable digital skills development around the world via the Digital Learning Passport. The passport is a tech platform providing schoolchildren with online and offline access to quality educational resources. Since its 2020 launch, it's helped more than 2m users in 23 countries.

Digital talent pipeline

We're developing digital talent for BT Group and the whole UK. We're building a Digital Campus (a one-stop learning shop and community) so our people can be at the cutting edge of digital tech.

Together with other big UK employers, we're an Avado FastFutures programme partner. We're helping a diverse range of young people (ages 18-24) get into digital roles, supporting the government's skills agenda. So far, it's helped over 7,000 young people build their networks, gain experience and accelerate their careers. Our colleagues are involved – mentoring over 300 participants this year. We're now the programme's lead sponsor.

Diversity and inclusion

Embracing diversity and inclusion is core to our people strategy and critical to our growth. We've set big ambitions to champion a more inclusive culture across BT Group.

1   99.9% of the global electricity BT Group consumes is from renewable sources. The remaining 0.1% is where renewable electricity is not available in the market.

Sustainable

Tech must accelerate our journey to net zero emissions and a circular economy.

We've led on climate action for over 30 years. We've been 'A' rated on climate by Carbon Disclosure Project (CDP) for the last seven years running. But the transition to a low carbon economy needs to happen much faster. We've committed to being net zero for our operations by the end of March 2031 and for our full value chain by the end of March 2041. And we've also set goals to help customers avoid 60m tonnes of CO_2e and be a circular business by the end of March 2030, building towards a circular tech ecosystem by the end of March 2040.

Reducing carbon emissions in our operations

We've cut our carbon emissions intensity by 56%, against our science-based target of an 87% cut by the end of March 2031 (compared to FY17 levels). This year our performance improved due to a large decrease in natural gas consumption. This is also a Group KPI (see).

One of the biggest ways we can cut carbon comes from our energy usage. All of our electricity worldwide is renewably sourced[1], powering our buildings estate, shops and networks. This year we increased the amount of electricity provided through power purchase agreements – meeting around 23% of our worldwide electricity demand this year, and around 26% of the UK total, supporting growth in the overall UK grid renewables supply.

We have more to do to get to net zero. We'll get there by electrifying our vehicle fleet, decarbonising our estate and building more energy efficient networks.

Transition to electric vehicles

Over 80% of our operational emissions come from our fleet of more than 34,000 vehicles. We're making investments to convert the majority of our commercial fleet to electric or zero emission vehicles by 2030.

Building our full fibre network has increased emissions – from the supporting (mainly diesel) vehicles. We're working hard to change the BT Group fleet and have added more than 1,000 electric vehicles (EVs) this year. Those EVs have travelled more than 7.9m miles, saving over 2,200 tonnes of CO_2e. In total, we have over 2,400 EVs in our fleet.

We're still pushing for policy measures to support a wider UK EV transition as a member of the UK Electric Fleets Coalition, who this year published a seven-point policy plan to encourage Government momentum on EVs.

Decarbonising our buildings estate

We cut our global energy consumption by an extra 77GWh this year – a reduction of nearly 3%. We're decarbonising our estate through our Better Workplace Programme by consolidating hundreds of buildings to around 30.

Our new and refurbished buildings are designed with environmental impact firmly in mind, with new-builds constructed to the BREEAM[2]-Excellent standard.

Our new Bristol Assembly building has now opened. We expect it to save more than 140 tonnes of CO_2e a year to start with – rising to over 500 tonnes as we reduce our buildings estate in the area.

Building energy efficient networks

We're building more energy efficient networks that are renewably powered, whilst switching off our old networks. As well as saving energy, full fibre networks can better handle the effects of physical risks like flooding and higher temperatures. That means fewer faults or engineering visits.

Cutting carbon emissions across our value chain

Our Scope 3 carbon emissions account for 95% of our overall emissions. They come mainly from our supply chain and from customers using our products and services. Decarbonising the grid and improving our products' energy efficiency will help cut customer emissions.

Since FY17, we've cut our Scope 3 net emissions by 21% to 3,289ktonnes of CO_2e this year. This is an increase on FY22, caused by additional spend on carbon-intensive goods and services associated with our full fibre rollout.

Helping suppliers cut carbon

We continue to work with suppliers to cut carbon. We've cut supply chain emissions by 20% since FY17, and we're targeting a 42% reduction target by FY31.

We've hardwired carbon reduction into supplier contracts. Climate clauses commit 11 of our key suppliers to make measurable carbon savings during the life of their contracts with us.

We require suppliers with new contracts over £25m to sign up to science-based net zero

targets. We encourage our key suppliers to report to CDP to improve visibility and action on emissions. Today more than 200 of them are doing so. We have been recognised for our supply chain leadership, through the CDP supplier engagement leader board for the sixth consecutive year.

We continued our collaboration with the 1.5°C Supply Chain Leaders initiative to drive climate action across global supply chains, and support small- and medium-sized enterprises through the SME Climate Hub.

Helping customers cut carbon

There's huge potential to use our networks, products and services to help customers cut their emissions. We've set a target to help customers avoid 60m tonnes of carbon by the end of March 2030. They avoid carbon by using new technologies like full fibre broadband and mobile solutions, plus growth technologies like cloud computing and the Internet of Things (IoT).

This year we've:
– helped customers avoid over 935,000 tonnes of carbon, mainly through full fibre broadband reducing personal or work-related travel. As we develop more products and services like IoT and AI we expect this number to grow
– launched an AI-powered edge computing solution in partnership with QiO, helping business customers cut carbon by optimising energy use across their operations
– introduced real-time energy and carbon dashboards for larger customers – helping them estimate their network's carbon footprint and start to drive emissions reductions
– continued working with tech scale-up partners through our Green Tech Innovation Platform – developing breakthrough manufacturing tech to support the race to net zero.

Circularity

Developing a circular economy is a vital step in achieving a net zero economy. Around 70% of global greenhouse gas emissions come from material use and handling[3]. We want to become a circular business by 2030 – and build towards a circular tech ecosystem by 2040.

For our operational waste, we're aiming for zero waste to landfill by 2030, by increasing the amount we reuse and recycle. Globally, we generated 80,665 tonnes of operational waste this year, 83% more than in FY22. That significant increase was largely due to the increased network infrastructure build within Openreach, which generated a high volume of heavy material, such as soil and construction spoils. Our UK recycling, reuse and recovery rate was 89.4% (88.5% globally).

Our return rate for leased customer premises equipment was 68.2% during 2022 – up 6.5% on 2021 (our target is 75%

by 2026[4]). Overall, customers returned more than 1.8m home hubs and set-top boxes to us and through our refurbishment operation, we reused 83% and recycled the rest. As well as promoting more circularity, we also save on manufacturing and shipping costs. We also collected over 190k mobile devices through consumer and business trade-in schemes, all of which were reused or recycled.

We rolled out our nationwide EE superfast in-store phone repair service, with customers able to get their phones fixed in as little as two hours. We joined the Eco Rating initiative for mobile devices, providing an overall environmental impact score to help customers make more informed and sustainable choices.

We're also launching more sustainably designed new home hubs and TV boxes – design features include up to 95% recycled plastic in the casing, using fewer materials, and reducing or completely removing plastic packaging. This supports our policy to reduce and remove single-use plastics while using more recycled polymers by 2025.

A new partnership with Cisco is also letting business customers return old network devices for reuse and recycling. And 1,279 tonnes of network equipment have been reused or recycled through our Exchange Clearance Operations programme – working with partners N2S and TXO.

Biodiversity

This year we ran a pilot to explore our impact on nature, in line with the draft Taskforce on Nature-related Financial Disclosures framework. Openreach has set up a working group to look at the operational impacts of infrastructure build on nature. Openreach has also joined the UK Business and Biodiversity Forum.

Water consumption

Our UK water use rose by 7.6% this year to 1,531,893m[3], due mainly to an increase in adiabatic cooling during the above average summer heat. Using water self-supply has helped us save nearly £3m since 2019, and has allowed us to improve how we monitor water usage, pinpoint areas of concern and fix leaks in order to minimise water wastage.

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2   Building Research Establishment's Environmental Assessment Method, the world's leading sustainability assessment for infrastructure.
3   Circle Economy – The Circularity Gap Report 2022 https://circulareconomy.europa.eu/platform/en/ knowledge/circularity-gap-report-2022-five-years-analysis-circle-economy.
4   This target only relates to equipment which is leased to our consumers under their contract terms.

Our stakeholders

Our internal and external stakeholders play a crucial part in our strategy of building the strongest foundations, creating standout customer experiences and leading the way to a bright, sustainable future.

Better together

Colleagues, customers, shareholders, the communities we do business in, suppliers, UK Government and regulatory bodies are all key stakeholders. We connect with them at all levels of our business. That includes frontline operations, CFUs, CUs and TUs, senior leadership, the *Executive Committee* and the Board and its committees.

We engage with them in lots of different ways – from meetings and conferences to reviews, forums and webcasts. To understand how well we're engaging with different groups, the Board and its committees get regular updates from relevant parts of the business and from stakeholders themselves. They use them to make better decisions, give feedback and constructively challenge activities, programmes and initiatives being considered.

Colleagues

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

Our colleagues need us to

Create a work environment that helps them be their best

Give them flexible and agile ways of working

Provide brilliant training, development and career opportunities

Reward performance with fair and competitive pay and benefits.

How we engage with colleagues

– Our Board gets 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 Board uses the *Colleague Board* to engage with our workforce under the UK Corporate Governance Code 2018.

▤ See pages 92 to 93 of the **corporate governance report** for more details.

– Every year colleagues tell us how it feels to work here through our Your Say survey. We've expanded this to include quarterly pulse surveys in several units.

– Our People Networks are colleague groups that share opinions and ideas with our leadership to make us more diverse and inclusive. Each is supported by an executive sponsor.

– We also formally engage with our European Consultative Council and EE employee representatives in the UK.

The results

– This year engagement fell six points to 73% – just above the 70% external benchmark but continuing the downward trend from the last survey in 2021.

– The post-Covid return to work, cost of living increases and industrial action have led to a turbulent year where engagement fell as a result, notably in Openreach. In response and to address areas of concern we continue to focus on our leadership capability, in-unit change management together with the cost of living pay award and our D&I agenda detailed further in the people section.

▤ See pages 32 to 35.

– 'Getting things done here is straightforward' at 42% still trails behind other metrics. We're working to address this through our group-wide modernisation programmes.

– Perceptions of management are still very high with almost no change since 2022.

– We're still getting high scores for supporting colleagues to do the right thing for customers (81%, down 3% from 2022).

▤ See pages 32 to 35 for more details on what we're doing for our colleagues outside of direct engagement.

Our stakeholders continued

Customers

Our goal is to offer standout experiences to our customers through outstanding service and smarter, differentiated solutions and outcomes.

We serve a wide range of customers with differing needs, from individuals to multi-national businesses and governments. We actively engage with them to get a deeper understanding of their current and future needs.

Our customers need us to

Connect them to their digital worlds through dependable, high-quality solutions

Provide trustworthy experiences and outcomes that align with their needs

Offer excellent service through in-store support teams, call centres and digital channels

Ensure the security and privacy of their data

Offer all the above at a price that's great value for money.

How we engage with customers

– We understand our customers' needs using research techniques and data sources driven by our award-winning insight centre of excellence.

– Our business units, the *Executive Committee* and the Board monitor how we're delivering for customers – regularly tracking and reviewing metrics including NPS.

– The Chief Executive, *Executive Committee* and senior management teams regularly review customer complaints.

– Our Customer Inclusion Panel, Customer Fairness Panel, our Global Advisory Board and Security Advisory Board, help us better understand customer needs and experiences through direct conversations with customers.

– Openreach engages its CP customers through a transparent and compliant consultation process.

The results

– Our panels and boards help us understand our customers' needs and the challenges they face.

– Reviewing our performance against customer experience metrics helps us to identify and then address areas for improvement.

– These insights inform our strategy, drive operational improvements and innovation and shape our brands.

Shareholders

We have both equity and debt investors. Our equity investors are corporates and institutions (who hold the biggest volume of shares) and around 641k individuals.

Our debt investors are mainly financial institutions who buy our publicly traded bonds. They're crucial to making sure we have access to debt capital to finance our business.

We have an investment-grade credit rating based on the strength of our balance sheet, our scale and competitive market position.

Our shareholders need us to

Deliver a return on their investment through dividends and capital growth

Perform well against our long-term strategy and outlook.

How we engage with shareholders and the results

– We engage with shareholders through our investor relations activities, Annual Report, financial results, AGM and other documents and briefings.

– The AGM is a chance for Board directors to meet shareholders. In 2022 it was held in Birmingham with all resolutions passed and published on **bt.com/agm**. We'll publish the arrangements for the 2023 AGM in the Notice of meeting (see .

– Individual shareholders interact with the Company Secretary (or their delegate) and also our share registrar Equiniti.

– Institutional and debt investors engage via our investor relations team – through one-to-one conversations, roadshows, group meetings, conferences and industry events.

– The Chairman, directors, Chief Executive, Chief Financial Officer, other executives and our investor relations team had 320 investor meetings this year. Topics included:

– our strategy and competitive position in key markets

– our financial and operational performance (particularly in the context of inflation, energy and pay costs and CPI-linked pricing)

– capital investment (including FTTP and 5G)

– our capital allocation policy

– prospective governmental and regulatory policy decisions

– our pension fund valuation.

– The Board receives regular reports on top shareholders, movements in the share register, share price performance and engagement with investors and analysts. It discusses and considers issues with management as part of its decision making.

Communities

We're at the heart of the communities we serve, helping bring them together.

We need them to trust us. Without that, we couldn't deliver our growth plans or our purpose – to connect for good.

The communities we serve need us to

Give them reliable and secure connections

Help local people and businesses get more from the digital world

Provide direct and indirect employment

Do business ethically and responsibly and protect the environment.

How we engage with communities

– Community members use our products as part of their daily life and work.

– We provide support through our retail stores and contact centres, and we offer home visits to set up, install and maintain our services.

– Our digital inclusion and wider societal programmes bring digital skills training to millions of UK people, and supports one of our Group KPIs (see page 48).

– We use customer surveys and reputation tracking to understand community perceptions of us and inform our focus areas and targets.

– Our *Executive Committee* reviews this feedback monthly and it's shared with the Board quarterly.

– The *Digital Impact & Sustainability Committee*[1] oversees our societal programmes – tracking feedback and performance through a dashboard shared at each meeting.
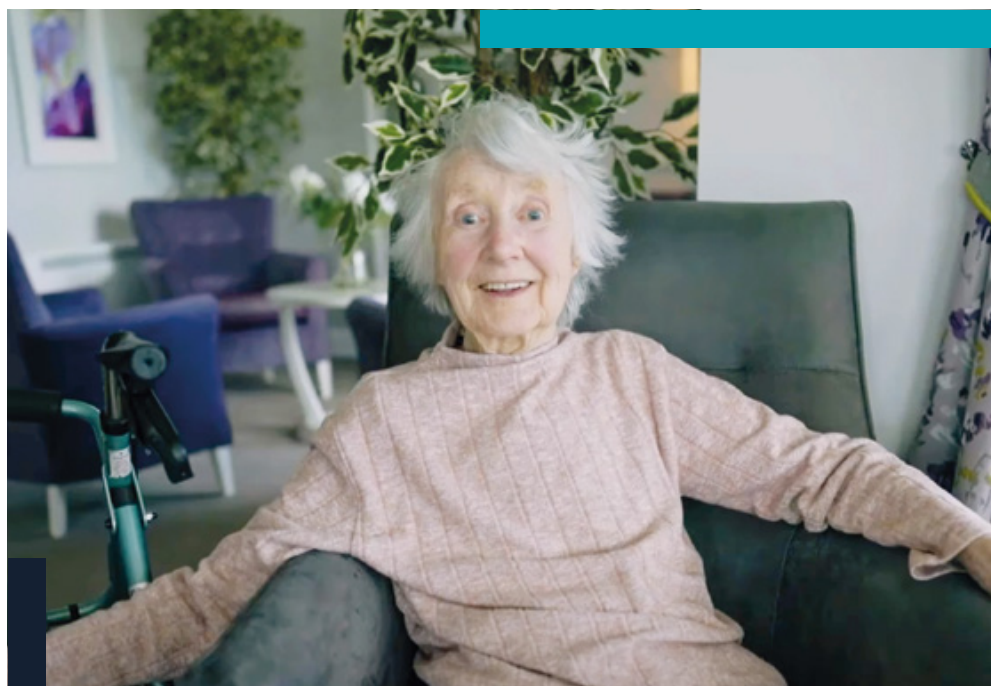
The results

We make a significant economic contribution to UK communities:

– We're one of the UK's biggest private sector apprenticeship employers – hiring more than 2,600 apprentices and graduates over the past four years.

– We support a total of 284,000 UK full time jobs indirectly.[2]

– We spend over £9.3bn a year with UK-based suppliers and support £1 in every £80 of UK Gross Value Added.[2]

– We've expanded our full fibre to 3.1m rural homes and businesses as part of our 6.2m aim by December 2026.

– We're extending 4G coverage to rural areas through the shared rural network initiative, and we aim to reach 90% of the UK's geography with our 5G network by 2028 (see page 19).

– We give extra support to around 1m households through our social tariffs and subsidised products (see page 37).

– With our partner Home-Start UK, we've supported the most socially excluded households by donating thousands of laptops, mobiles and free broadband vouchers.

– We also donated over £1.5m to 1,156 charities through colleagues' payroll contributions.

– Our colleagues volunteered more than 61,000 hours of their time to our charity partners and communities – including sharing skills and expertise through mentoring and digital skills training programmes.

– We also support communities through our Manifesto commitments, including our digital skills help initiative which this year reached a further 4.6m people (see pages 37 to 38).

£9.3bn

We spend over £9.3bn a year with UK-based suppliers

61,000

Our colleagues volunteered more than 61,000 hours of their time to our charity partners and communities

1   On 6 April 2023, the Digital Impact & Sustainability Committee's name changed to the Responsible Business Committee.

2   'The Economic Impact of BT Group plc in the UK', Hatch – 2023 Edition, based on FY22 data.

Our stakeholders continued

Suppliers

Good supplier relationships are essential for our success. They help us deliver the solutions and propositions that create standout customer experiences.

Our suppliers need us to

Pay them in line with agreed terms

Help them optimise their own supply chains and cash flow management

Act ethically and transparently.

How we engage with suppliers

We need to know who we're doing business with and who's acting on our behalf. So we:

– Choose suppliers based on principles that make sure we act ethically and responsibly

– Undertake due diligence on suppliers before and after we sign a contract, which covers financial health, anti-bribery and corruption. And whether they meet our standards on areas such as quality management, security and data privacy

– Check the things we buy are made, delivered and disposed of in a socially and environmentally responsible way

– Measure suppliers' energy use, environmental impact and labour standards, and work with them to improve these.

In April 2021 we launched BT Sourced, a standalone procurement company based in Dublin. BT Sourced has been established to challenge the traditional ways of buying goods and services by simplifying processes and introducing new technology and partnership-based approaches to the way we work with suppliers and start-ups.

Below are some of the key initiatives BT Sourced has delivered this year.

– We partnered with Candex, a fintech company, to simplify bringing on board suppliers for small off-contract purchases. It also gives us a better view of the diversity of our suppliers.

– We deployed Globality's AI-powered platform for sourcing across a range of business areas. We're also working with Globality to scope requirements more precisely, find suppliers in real-time, compare proposals and make better, data-driven buying decisions.

– Responding to small and midsize business' (SMBs') cash flow management concerns, we implemented C2FO's early payment marketplace. It gives our suppliers the working capital they need to grow.

– We've put a big focus on supply and procurement risk management this year (see). We've designed a new risk management framework for supply management and we've developed our internal controls arrangements, as part of our wider group key controls framework (see). This will manage supply-related enduring risks more consistently and efficiently and make our supply chain more resilient.

– BT Sourced is investing in data science. Our negotiation analytics teams are creating custom-made predictive analytics products which will help our sourcing teams.

The results

– Our partnership with Candex has cut a 7-day task to 7 minutes and allowed suppliers to deliver what we need faster. They get a simpler, more flexible experience and get paid quicker too.

– In 2022, 50% of suppliers onboarded by Candex have self-declared with a diversity status (e.g. small business, minority-owned).

– Our buyers have placed more than 400 projects on the Globality Platform. BT Sourced used it to automate admin-heavy tasks – cutting go-to-market time for a typical sourcing project from approximately 7-10 working days to 3-4.

– SMBs can now rely on efficient and timely payment via the C2FO platform – helping them free up cash to invest and develop their business.

UK Government

We add over £24bn to the UK economy each year[1]. We support vital services and work with more than 1,250 public sector customers.

Our networks make sure things like welfare, tax, health, social care, police and defence function, while protecting citizens' personal data.

Our relationship with Government also underpins our three strategic pillars, allowing us to contribute to policies and initiatives that promote the best stakeholder outcomes.

Our Government stakeholders need us to

Keep investing in our network infrastructure

Provide the fastest, most reliable and secure connection possible – to the widest possible range of communities

Invest in the best products and services, at fair prices, with brilliant customer service

Support vulnerable customers through tough economic times.

How we engage with Government and the results

– We run the UK's critical national infrastructure and support national security. Our priority is fulfilling our responsibilities and obligations to our customers and country.

– Our policy and public affairs team manages relationships with government and politicians.

– Enterprise manages public sector contracts and services like the Emergency Services Network.

– Under the Communications Act 2003, the Government can ask us (and others) to run or restore services during disasters. The Civil Contingencies Act 2004 also says that the Government can impose obligations on us (and others) in emergencies, or in connection with civil contingency planning.

– We have an open dialogue with Government through our Chairman, Chief Executive and leaders – as well as through consultation responses and cross-industry initiatives. Those conversations help us build support for policies that will deliver good results for the UK and our shareholders.

– Our public policy work with Government covers a wide territory, including infrastructure investment, national security, regulating online harms and trade and economic policy.

– This year we contributed to government initiatives including wireless infrastructure strategy, supply chain diversification, data strategy, drones and AI. We gave input and evidence on key legislation including the Digital Markets, Competition and Consumer Bill, the Online Safety Bill, and the Product Safety and Telecommunications Infrastructure Act 2022.

– The Board is updated on government discussions through the Chairman, Chief Executive and *Executive Committee* members. The Board provides views and comments in response.

Regulators

Communications and TV services are regulated. These rules protect consumers and promote competition.

Other ancillary services that we provide, notably consumer finance products, are also regulated.

If we don't engage effectively with our regulators, we risk unnecessary regulatory intervention which could stand in the way of us achieving our strategy.

Our main regulatory relationship is with Ofcom in the UK. The main source of Ofcom's powers and duties is the Communications Act 2003, which gives it general economic and consumer regulatory powers for the sector.

We also engage with other regulatory bodies like the Competition and Markets Authority, the Financial Conduct Authority and the Information Commissioner's Office.

Ofcom needs to

Advance citizens' and consumers' interests, often by promoting competition

Encourage investment and innovation

Support investment in the UK's critical digital infrastructure.

How we engage with Ofcom and the results

– We have a positive, open dialogue with Ofcom through our Chairman, Chief Executive and senior leaders. Our conversations focus on how regulation can support its ambition for a world class UK digital infrastructure and allow efficient investment, while keeping the market fair and competitive.

– In 2017, we put in place the Commitments. These provide Openreach with a greater degree of strategic and operational independence, in line with objectives set out in Ofcom's Digital Communications Review.

– On behalf of the Board, the *BT Compliance Committee* checks that we're adhering to the Commitments – including in our culture and colleagues' behaviour. It hears from a range of stakeholders. Ofcom is next scheduled to attend a *BT Compliance Committee* meeting in July 2023.

– We continue to engage with Ofcom and CPs to reassure them we're adhering to both the letter and spirit of the Commitments.

– The Board is regularly updated on any key meetings between Ofcom and the Chairman, Chief Executive and others.

1 'The Economic Impact of BT Group plc in the UK', Hatch – 2023 Edition, based on FY22 data.

Non-financial information

	Colleagues ⊟ See pages 21 to 23, 32 to 35, 41, 91 to 93 and 94.		**Environment** ⊟ See pages 30, 38 to 39, 48, 71 to 80, 94 and 107.
Policies	Employee wellbeing has always been at the heart of what we do in BT. It's in our code: **We always put wellbeing and safety first** and it's also written into our **Health, Safety and Environment Group Policy**. Our strategy is to help build a team of fulfilled, safe, happy and healthy employees in a culture where everyone can thrive. We do this by providing wellbeing programmes to support and enhance employee performance, resilience, happiness and engagement. International standard ISO 45003 'Psychological health and safety at work' says that psychosocial risk management must have commitment from all levels and functions, especially top management. We agree with the concepts raised in the standard, and apply them to help prevent work-related injuries or ill-health in colleagues, and to promote positive wellbeing at work.	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.	Our **Health, Safety and Environment Group Policy** details how we're protecting the environment and building a more sustainable future. It prioritises cutting carbon emissions (our biggest environmental impact) and being energy efficient. It sets out our commitment to partnering with stakeholders. It's supported by our environmental strategy and goals of becoming a net zero and circular business. Every year we report on how we're doing in our operations and wider value chain (see pages 38 to 39).
Due diligence	We plan against three aspirations – Promote, Support and Restore. From this we create focused, evidence-based interventions and campaigns. These promote the importance of wellbeing and ensure all our people can access wellbeing support and services. We also work with stakeholders across the business to make sure our wellbeing approach is consistent, integrated and part of our culture. We review policies every year, updating them when needed. We update the Board and *Executive Committee* regularly. We coordinate Health and Safety through our Group Health, Safety & Environment Sub-Committee and with our unions through the Good Work Forum.	Our established governance processes make sure we integrate D&I into decisions and policy development. We report to the *Executive Committee* on our strategy's relevance and effectiveness and on progress against our diversity targets. We also update the Board. Our People Networks champion members' concerns and are sponsored by *Executive Committee* members or by the CEO, Openreach. Our *Colleague Board* also helps shape and influence D&I plans. We review policies every year, updating them when needed. You can read more about the *Colleague Board* on pages 92 to 93 and on other ways we engage with colleagues on page 41.	We monitor and manage our environment strategy and risks through the Group Health, Safety & Environment Sub-Committee, acting on the *Executive Committee's* behalf. The *Digital Impact & Sustainability Committee* has overseen progress – including our group KPI target to cut our operations' carbon emissions intensity by 87% by FY31 (see page 48). We review and update this policy every year.
Outcomes	There are details of what we've done to apply our policy on page 35. You'll find information on absence rates and other wellbeing metrics in our ESG Addendum at **bt.com/esgaddendum**	Our strategy creates a culture that embraces D&I and embeds it into our key decisions. There are details of what we've done this year to support our strategy, together with the latest D&I statistics, on page 33.	You can read more on our plans and performance, including progress on becoming a net zero carbon emissions business, on page 38 to 39 and in our ESG Addendum at **bt.com/esgaddendum**
Risks	We reflect wellbeing as part of the people and health, safety and environment group risk categories on page 68.	We reflect D&I risks in our people group risk category on page 68.	We consider the impact of environmental and climate-related risks across our whole business – including our stakeholder management, supply management, health, safety and environment, and operational resilience group risk categories – on pages 63 to 70. We're acting to mitigate key physical climate risks and our environmental impact in lots of areas. You can read more on pages 38 to 39 and in our Task Force on Climate-related Financial Disclosures statement on pages 71 to 80.

The table below (and the sections it refers to) form our non-financial information statement – as required by sections 414CA and 414CB of the Companies Act 2006 (2006 Act).

| Social & community	Human rights	Anti-bribery & corruption
See pages 30 to 31, 36 to 39, 43, 48 and 94.	See page 37.	
The **BT Group Manifesto** is rooted in our purpose. It's supported by commitments on the themes of responsible, inclusive and sustainable. It recognises we'll only succeed if we help solve some of the problems faced by the societies and customers we serve. In particular, our commitment to help give people digital skills will benefit wider society. Our **BT Group charity approach** explains how we partner with charities and support our people's volunteering work.	Our **Human Rights Policy** explains how we respect and champion human rights in our business and relationships with others. It's supported by our responsible tech principles. Our Manifesto reinforces these principles and our respect for human rights.	**Being trusted: our code** sets out promises including our zero-tolerance approach to bribery and corruption. It's supported by a specific Anti-Bribery and Corruption (ABC) Standard. The code describes our values and behaviours and how we expect everyone who works here (or on our behalf) to do business. It also covers extra policy areas like human rights, and equality and diversity. And it provides an ethical framework for our ambition to become the world's most trusted connector of people, devices and machines. It shows – through our commitment to doing the right thing – how stakeholders can depend on us.
The *Digital Impact & Sustainability Committee*: – has overseen our Manifesto commitments and progress – has reviewed our strategy and progress on societal programmes and targets – has monitored progress against our group KPI of reaching 25m people with help to improve their digital skills by FY26.	We have processes to identify and tackle potential and actual human rights impacts across our business. That includes checking we apply responsible tech principles to developing, buying, selling and using tech. Our Responsible Tech Steering Group oversees implementation of the principles. It reports to the *Digital Impact & Sustainability Committee* at least twice each year. Respecting human rights is part of mandatory annual training for colleagues. We also do targeted training for teams most likely to encounter human rights issues. We identify, measure and tackle human rights impacts through our Speak Up whistleblowing service, and through risk assessments and onsite audits.	We do due diligence on third parties, engage external providers to assess higher risk areas, and use an integrity risk dashboard to identify potential focus areas. We take a risk-based approach to our third party due diligence. And we have enhanced approval, due diligence and monitoring processes in place for higher risk third parties.
We report on how we invest in communities on page 43. You can read more on our Manifesto and what we've achieved this year on pages 36 to 39. That includes progress on helping people improve their digital skills (a group KPI).	We've been externally assessed against the Global Network Initiative (GNI) principles. GNI said we were committed to the principles – with an opportunity to improve policies, oversight, training and tools. We've further enhanced our Enterprise and Global sales due diligence. This will help us better identify and tackle potential human rights impacts from our products and services. We report on our responsible tech principles on page 37.	All colleagues get mandatory training on our code. We also publish communications that reinforce policies. Our annual employee engagement survey includes questions on ethical perception, with results shared with senior management. Our whistleblowing service lets anyone who works for (or with) us to confidentially report anything that goes against our code. This includes bribery, corruption, human rights violations, bullying or harassment. Our whistleblowing service had 659 reports this year. There are more details in our Modern Slavery Statement at **bt.com/modernslavery**
We consider digital inclusion risks as part of our stakeholder management group risk category on page 63.	We consider human rights risks as part of our stakeholder management group risk category on page 63.	We consider ABC and ethical conduct risks within the legal compliance group risk category – where risks apply across our operations generally. See page 66.

Our key performance indicators (KPIs)

We use eleven KPIs – five operational and six financial.

We reconcile the financial measures to the closest IFRS measure on pages 233 to 235.

Operational At 31 March

BT Group Net Promoter Score (NPS) [R]
point increase (decrease)

| 6.5 | 5.5 | 7.8 | 2.3 | (1.0) |
| FY19 | FY20 | FY21 | FY22 | FY23 |
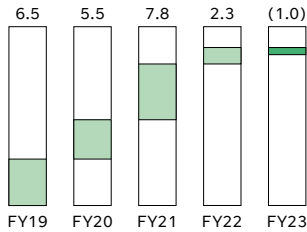
Definition
This tracks changes in our customers' perceptions of BT Group since we launched the measure in April 2016. It's a combined measure of 'promoters' minus 'detractors' across our business units. BT Group NPS measures the net promoter score in our retail business[a] and net satisfaction in our wholesale business.

Link to strategy   2

Performance
BT Group NPS decreased by 1.0 point, (FY22: up 2.3 points) due to cost of living challenges and industrial action affecting our consumer brands and the wider telecoms market, although this was offset partially by positive perceptions from corporate customers. You can read more about these and our approach to customer experience on pages 24 to 25.

Total Openreach FTTP connections [R]
m

| 0.3 | 0.5 | 0.9 | 1.8 | 3.1 |
| FY19 | FY20 | FY21 | FY22 | FY23 |
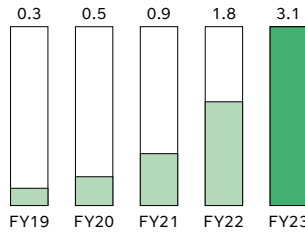
Definition
This tracks how many premises are connected to Openreach's full fibre (FTTP) network.

Link to strategy   1

Performance
3.1m customers were connected to Openreach's FTTP network at 31 March 2023 (FY22: 1.8m). Openreach's full fibre footprint reaches more than 10.3m homes and businesses including 3.1m rural premises, and we're on track to get to 25m premises by the end of 2026. You can read more about the full fibre rollout on page 18.

Total 5G connections [R]
m

| 0.1 | 1.6 | 5.3 | 8.6 |
| FY20 | FY21 | FY22 | FY23 |
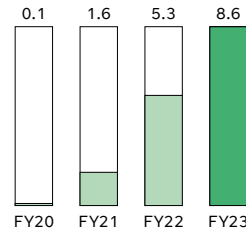
Definition
This measures the number of BT retail connections to the 5G network.

Link to strategy   1

Performance
8.6m BT retail customers are able to connect to our 5G network at 31 March 2023 (FY22: 5.3m). We continue to expand our 5G network which now covers 68% of the UK population. You can read more on our 5G coverage and rollout on page 19.

Link to strategy

Each KPI measures how we're doing against at least one of our strategic pillars. You can read more about these, and our progress against them, from page 17.

1___ Build the strongest foundations

2___ Create standout customer experiences

3___ Lead the way to a bright, sustainable future

[R] Link to directors' remuneration

The annual bonus and long-term incentive plans that comprise our directors' remuneration are each linked to certain KPIs. See the **Report on directors' remuneration** on pages 112 to 113.

Percentage reduction in carbon emissions intensity [R] % reduction

| 26% | 43% | 57% | 55% | 56% | 87% |
| FY19 | FY20 | FY21 | FY22 | FY23 | FY31 (target) |
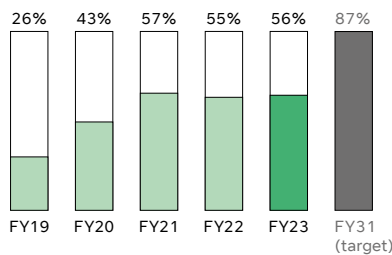
Definition
This measures performance against our target to cut carbon emissions intensity by 87% by the end of March 2031 compared to FY17 levels. It's measured by reference to tonnes of CO_2e (carbon dioxide equivalent) per £m value added (adjusted[b] EBITDA plus employee costs).

Link to strategy   3

Performance
Against our carbon emission intensity reduction target this year we achieved a 56% reduction from our baseline year (FY17) (FY22: 55%). You can find more information on what we're doing to tackle environmental challenges and our journey to net zero emissions on pages 38 to 39.

Cumulative number of people reached [R] to help improve their digital skills m

| 2.8 | 10.1 | 14.7 | 19.3 | 25.0 |
| FY20 | FY21 | FY22 | FY23 | FY26 (target) |
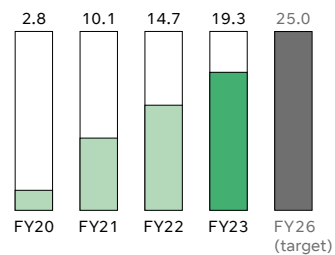
Definition
This measures the number of people we've reached with help to improve their digital skills.

Link to strategy   3

Performance
At 31 March 2023 we had helped 19.3m people improve their digital skills (FY22: 14.7m) and we remain on track to reach our target of 25m by the end of March 2026. You can read more about what we're doing to achieve this on pages 37 to 38.

a   Includes our Consumer brands as well as Enterprise and Global segments, excluding Wholesale.
b   Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures, as explained on page 234.
c   Normalised free cash flow as defined on page 234.

Financial Year ended 31 March

Reported revenue
£m

FY19	FY20	FY21	FY22	FY23
23,428	22,905	21,331	20,850	20,681
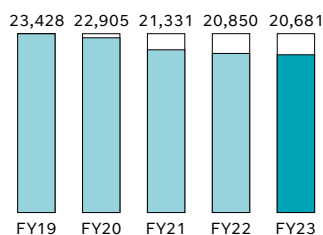
Definition
This is our revenue as reported in our income statement.

Link to strategy   1, 2, 3

Performance
Reported revenue was £20,681m (FY22: £20,850m). The decrease was driven by the removal of BT Sport revenue, legacy product declines, lower equipment sales in Global and the loss of an MVNO customer, partially offset by indexation and improvement in product mix.

You can read details more about CFU performance on pages 56 to 57.

Adjusted[b] EBITDA [R]
£m

FY19	FY20	FY21	FY22	FY23
7,392	7,907	7,415	7,577	7,928

Definition
This measures our earnings before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures.

Link to strategy   1, 2, 3

Performance
Adjusted[b] EBITDA was £7,928m (FY22: £7,577m). The increase was primarily due to our cost transformation programme and the removal of BT Sport costs, partially offset by cost inflation and reported revenue decline. You can read more on page 52. Lease payments are not included in adjusted[b] EBITDA following adoption of IFRS 16 Leases in FY20.

Adjusted[b] EBITDA margin
%

FY19	FY20	FY21	FY22	FY23
32	35	35	36	38

Definition
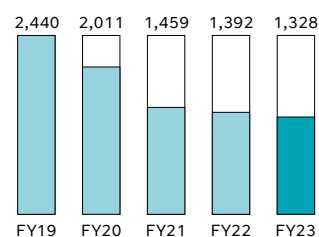This measures our margin, calculated using our adjusted[b] EBITDA as a percentage of adjusted revenue.

Link to strategy   1, 2, 3

Performance
Adjusted[b] EBITDA margin improved 2pp to 38% (FY22: 36%). The increase is mainly driven by our cost transformation programme and margin improvements following the removal of BT Sport, offset by cost inflation. You can read more on page 52. Adjusted[b] EBITDA margin from FY20 is benefited by the adoption of IFRS 16.

Normalised free cash flow[c] [R]
£m

FY19	FY20	FY21	FY22	FY23
2,440	2,011	1,459	1,392	1,328

Definition
This measures free cash flow (net cash inflow from operating activities after capital expenditure) after net interest paid and payment of lease liabilities, before pension deficit payments (including the cash tax benefit), payments relating to spectrum, and specific items. It excludes certain cash flows determined at a corporate level, see page 234.

Link to strategy   1, 2, 3

Performance
We generated £1,328m of normalised free cash flow[c]. This was down 5% from last year and mainly reflects higher cash capital expenditure and adverse working capital movements, partially offset by higher adjusted[c] EBITDA and a tax refund.

Reported capital expenditure
£m

FY19	FY20	FY21	FY22	FY23
3,963	3,960	4,216	5,286	5,056

Definition
This measures additions to property, plant and equipment and intangible assets during the year.

Link to strategy   1, 2, 3

Performance
Reported capital expenditure was £5,056m (FY22: £5,286m). The decrease was driven by the impact of the investment in spectrum in FY22, offsetting increased fixed network investment primarily in Openreach for building, and connecting more customers to, FTTP.

Return On Capital Employed (ROCE) [R]
%

FY20	FY21	FY22	FY23
10.2	8.6	8.7	8.3
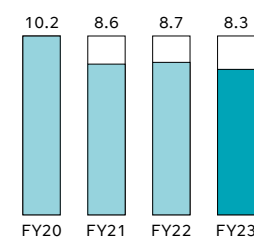
Definition
ROCE is adjusted earnings before interest and tax as a percentage of equity, debt and debt-like liabilities excluding balances associated with tax and management of financial risk. For a full definition and a reconciliation to the nearest IFRS measure see page 233.

Link to strategy   1, 2, 3

Performance
ROCE for the year was 8.3% (FY22: 8.7%). This is primarily attributable to increased capital employed to fund our fibre build programme; with adjusted earnings for the period being broadly in line with the prior year.

Group performance
Introduction from our Chief Financial Officer

Alternative performance measures

We assess the performance of the group using various alternative performance measures. As these are not defined under IFRS they are termed 'non-GAAP' or 'alternative performance' measures. We reconcile these to the nearest prepared measure in line with IFRS on pages 233 to 235. The alternative performance measures we use may not be directly comparable with similarly-titled measures used by other companies.

Revenue £m

£20,681m (1)%

20,850 20,681
FY22   FY23
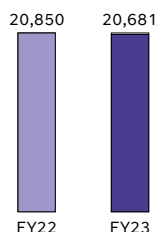
Adjusted[b] **EBITDA** £m

£7,928m 5%

7,577   7,928
FY22   FY23
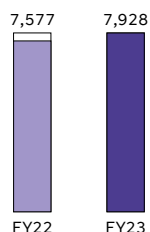
Profit before tax £m

£1,729m (12)%

1,963   1,729
FY22   FY23
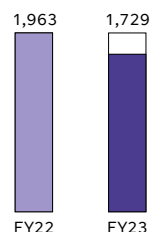
Normalised free cash flow[d] £m

£1,328m (5)%

1,392   1,328
FY22   FY23
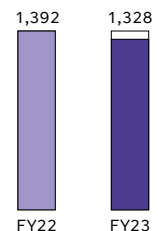
Operating cash flow £m

£6,724m 14%
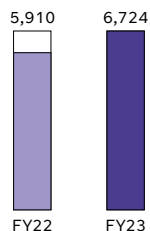
5,910   6,724
FY22   FY23

Earnings per share pence

20.3   22.0   12.9   19.4
FY22   FY23   FY22   FY23

Adjusted EPS   Reported EPS

FY23 Capital expenditure[c] %

£5,056m (4)%

- Network investment 51%
- Customer driven investment 26%
- Systems and IT 18%
- Non-network investment 5%

Net debt[g] £m

£18,859m £850m

18,009   18,859
FY22   FY23
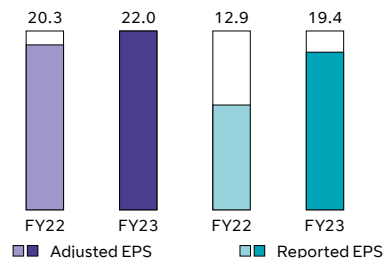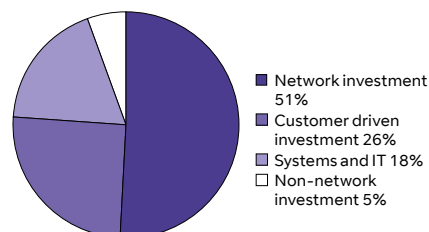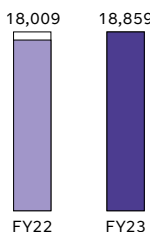
Performance

	Financial outlook[e]	Result	Performance in line with or better than financial outlook
Adjusted[a] revenue	Growth on a Sports JV pro forma[f] basis	Up 1%	In line
Adjusted[b] EBITDA	At least £7.9bn	£7.9bn	In line
Capital expenditure[c]	c. £5.0bn	£5.1bn	In line
Normalised free cash flow[d]	Lower end of the £1.3bn-£1.5bn range	£1.3bn	In line

We delivered revenue and adjusted[b] EBITDA in line with our outlook[e] for FY23, despite significant headwinds; normalised free cash flow was delivered at the lower end of our guidance range due to increased cash capital expenditure, primarily in Openreach.

The heightened economic and geopolitical uncertainty experienced over the past year have led to increased energy costs, supply chain disruption and a cost of living crisis that has impacted FY23 performance for the group and our competitors, customers and suppliers. The impact of the resulting uncertainty has been a key focus during the year, in particular inflationary pressures.

We are able to mitigate the impact through cost management, our risk management framework and the proportion of inflation linkage within our key revenue streams which helps offset the impact of inflation and energy price rises. We are further protected against energy price volatility with 91% of our costs hedged for the next 12 months. Accordingly, we are comfortable that the group will be able to navigate these challenges in the short, mid and long term as reflected in our viability statement (pages 81 to 82).

Reported revenue was £20,681m, down 1%. Revenue growth in Openreach has been more than offset by declines in other units. Revenue decline reflects the removal of BT Sport revenue. Revenue was up 1% on a Sports JV pro forma[f] basis.

Adjusted[b] EBITDA of £7,928m was up 5% due to our cost transformation programme and the removal of BT Sport costs, partially offset by cost inflation and reported revenue decline. Adjusted[b] EBITDA was up 3% on a Sports JV pro forma[f] basis.

Reported profit before tax of £1,729m was down 12%, primarily due to increased depreciation from network build and specific items, partially offset by adjusted[b] EBITDA growth.

Capital expenditure of £5,056m was down 4%, mainly driven by the impact of our prior-year investment in spectrum offsetting increased fixed network investment.

Normalised free cash flow[d] was £1,328m, down 5% due to increased cash capital expenditure and adverse working capital movements offset by adjusted[b] EBITDA growth and a tax refund.

Financial outlook

	FY24 outlook	Beyond FY24
Change in adjusted[a] revenue	Growth on a Sports JV pro forma[f] basis	Consistent growth
Adjusted[b] EBITDA	Growth on a Sports JV pro forma[f] basis	Consistent growth
Capital expenditure[c]	£5.0bn-£5.1bn	£5.0bn-5.1bn from FY24-FY26 >£1bn reduction post peak fibre build in FY28
Normalised free cash flow[d]	£1.0bn-£1.2bn	At least £1.5bn incremental normalised free cash flow by end of the decade

We expect to be a significant beneficiary of the UK Government's full expensing scheme from FY24-FY26 and expect to pay no UK cash tax for the next three years. With demand for FTTP well ahead of our expectations, we will reinvest this benefit into further accelerating our FTTP connections and absorbing inflation whilst remaining committed to our target of building to 25m premises by the end of 2026, bringing our annual capital expenditure outlook to £5.0bn – 5.1bn for FY24-FY26 inclusive. We expect take-up to accelerate beyond 30% whilst maintaining our build cost envelope of £250-£350 per premises.

FY24 Outlook: adjusted[a] revenue and adjusted[b] EBITDA growth on a pro forma basis driven by CPI-linked pricing and the impact of cost transformation; despite expected headwinds from cost of living pressure, and cost inflation, including higher energy costs. Normalised free cash flow[d] for FY24 is expected to be between £1.0bn and £1.2bn as the tax benefit from full expensing will be offset by higher capital expenditure. Cash capital expenditure in FY24 may be up to £200m higher than reported capital expenditure of £5.0bn to £5.1bn due to the repayment of government grants resulting from higher than expected fibre take-up on the BDUK programmes.

Beyond FY24, we continue to expect consistent and predictable adjusted[a] revenue and adjusted[b] EBITDA growth driven by CPI-linked pricing and by cost transformation. We remain confident in expanding normalised free cash flow by at least £1.5bn, when compared with FY22, by the end of the decade. This comes from lower capital and operating expenditure as we move past peak capex and towards an all-fibre, all-IP network.

Dividend

We have declared a final dividend for FY23 of 5.39 pence per share (FY22: 5.39 pence per share), bringing the full-year total to 7.70 pence per share (FY22: 7.70 pence per share).

We reconfirm our progressive dividend policy which is to maintain or grow the dividend each year whilst taking into consideration a number of factors including underlying medium-term earnings expectations and levels of business reinvestment.

The Board expects to continue with this policy for future years, and to declare two dividends per year, with the interim dividend being fixed at 30% of the prior year's full year dividend.

Simon Lowth
Chief Financial Officer
17 May 2023

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a Adjusted measures exclude specific items, as explained on page 233.
b Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures, as explained on page 234.
c Additions to property, plant and equipment and intangible assets in the period.
d Normalised free cash flow as defined on page 234.
e Financial outlook originally provided in May 2022 was updated in November 2022 to clarify revenue growth on a Sports JV pro forma basis and normalised free cash flow at the lower end of the stated range, and increase capital expenditure guidance from around £4.8bn to c. £5.0bn.
f On 1 September 2022 BT Group and Warner Bros. Discovery announced completion of their transaction to form a 50:50 joint venture (JV) combining the assets of BT Sport and Eurosport UK. Financial information stated as pro forma is unaudited and is presented to estimate the impact on the group as if trading in relation to BT Sport had been equity accounted for in previous periods, akin to the JV being in place historically. Please refer to Additional Information on page 235 for a bridge between financial information on a reported basis and a Sports JV pro forma basis.
g Loans and other borrowings and lease liabilities (both current and non-current), less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet. Currency denominated balances within net debt are translated into sterling at swapped rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed. Amounts due to joint ventures held within loans and borrowings are also excluded.

Group performance continued

Summarised income statement

Year ended 31 March	**2023 £m**	2022 £m
Revenue	**20,681**	20,850
Operating costs[a]	(13,244)	(13,560)
Depreciation and amortisation	(4,818)	(4,405)
Operating profit	**2,619**	2,885
Net finance expense	(831)	(922)
Share of post tax profit/(loss) of associates and joint ventures	(59)	–
Profit before tax	**1,729**	1,963
Tax	176	(689)
Profit for the period	**1,905**	1,274

Revenue

Reported revenue was £20,681m, down 1%, driven by the removal of BT Sport revenue, legacy product declines (including copper products in Openreach and CPS products in Enterprise), lower equipment sales in Global and the loss of an MVNO customer, partially offset by indexation and improvement in product mix. Revenue was up 1% on a Sports JV pro forma[e] basis.

You can find details of revenue by CFU on . Note 5 to the consolidated financial statements shows a full breakdown of revenue by all our major product and service categories.

Operating costs

Reported operating costs were £18,062m, up 1%, primarily due to increased depreciation and cost inflation partially offset by tight cost control and the removal of BT Sport rights and production costs.

Our cost transformation programme, first announced in May 2020, remains on track to complete by the end of FY25. In response to cost inflation, during the year we revised the gross annualised savings target to £3.0bn (previously £2.5bn), with a cost to achieve of £1.6bn (previously £1.3bn). Since embarking on the programme we have achieved gross annualised savings of £2.1bn and incurred costs of £1.1bn.

Note 6 to the consolidated financial statements shows a detailed breakdown of our operating costs.

Adjusted[c] EBITDA

Adjusted[c] EBITDA of £7,928m increased by 5% primarily due to our cost transformation programme and the removal of BT Sport costs, partially offset by cost inflation and decline in reported revenue. Adjusted[c] EBITDA was up 3% on a Sports JV pro forma[e] basis.

Profit before tax

Reported profit before tax of £1,729m was down 12% due to increased depreciation from our network build and specific items, partially offset by adjusted[c] EBITDA growth.

Specific items

As we explain on , we separately identify and disclose those items that in management's judgement need to be disclosed by virtue of their size, nature or incidence. We call these specific items. Specific items are used to derive the adjusted results as presented in the consolidated income statement. Adjusted results are consistent with the way that financial performance is measured by management and assists in providing an additional analysis of the reported trading results of the group.

Specific items resulted in a net charge after tax of £253m (FY22: £728m). The main components were restructuring charges of £300m (FY22: £347m), net charges associated with the disposal of BT Sport of £155m and subsequent charge of £34m (FY22: £nil) and property impairment charges of £65m (FY22: £nil), offset by tax credit on specific items of £308m (FY22: net tax charge of £340m). The net profit on disposal of BT Sport recognised in specific items was £28m, representing the £155m charges and £183m of the tax credit.

Note 9 to the consolidated financial statements shows the full details of all revenues and costs that we have treated as specific items.

Adjusted[b] operating costs before depreciation, amortisation and specific items
Year ended 31 March
£m

	FY22	TV programme rights charges	Labour costs	Provision and installation	Property and energy costs	Product costs and sales commissions	Other	FY23
	13,268	(525)	(241)	(87)	214	163	(51)	12,741
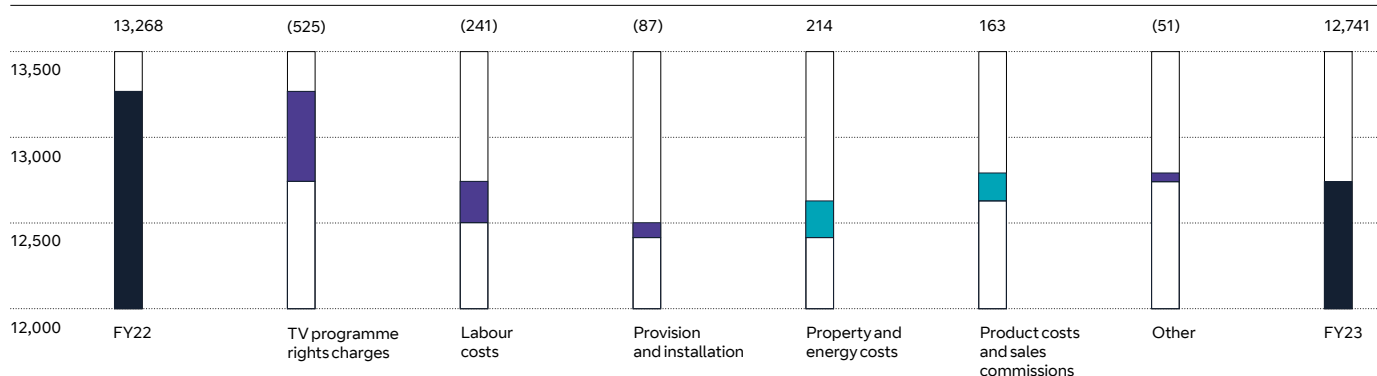
Taxation

The effective tax rate on reported profit was -10.2% (FY22: 35.1%) primarily driven by the impact of the super-deduction and the gain on the disposal of BT Sport being exempt from UK tax. The FY22 rate was higher due to a tax charge on the revaluation of deferred tax liabilities from 19% to the new 25% UK corporation tax rate.

The effective tax rate on adjusted profit was 5.8% (FY22: 14.8%) as we expect a large proportion of our capital spend on fibre rollout to qualify for the Government's super-deduction scheme.

At the end of FY23, we had c. £8bn of carried forward UK tax losses.

We received a net income tax refund globally of £136m (FY22: £52m paid) following the agreement of an outstanding issue with HMRC during the prior period.

Our tax expense recognised in the income statement before specific items was £132m (FY22: £349m). We also recognised a £642m tax credit (FY22: £430m tax charge) in the statement of comprehensive income, mainly relating to our pension scheme.

We expect our sustainable income statement effective tax rate before specific items to be around the UK rate of corporation tax, as we do most of our business in the UK.

Earnings per share

Reported earnings per share was 19.4p, up 6.5p, while adjusted[b] earnings per share was 22.0p, up 1.7p.

Capital expenditure

Capital expenditure was £5,056m (FY22: £5,286m). The decrease was driven by the impact of our prior year investment in spectrum which offset Openreach's increased investment in fixed network infrastructure.

Capital expenditure contracted but not yet spent was £1,480m at 31 March 2023 (FY22: £1,596m).

Cash flow

Net cash inflow from operating activities was £6,724m, up 14%.

Normalised free cash flow[d] was £1,328m, down 5% due to increased cash capital expenditure and adverse working capital movements, offset by EBITDA growth and a tax refund.

You can see a reconciliation to normalised free cash flow[d] from net cash inflow from operating activities (the most directly comparable IFRS measure) on page 234.

The net cash cost of specific items adjusted from normalised free cash flow[d] was £404m (FY22: £606m), primarily relating to restructuring payments.

Sports JV performance

In August 2022, we formed a sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), combining BT Sport and WBD's Eurosport UK business. Both joint venturers contributed, sub-licensed or delivered the benefit of their respective sports rights and distribution businesses for the UK & Ireland to the Sports JV. Both parties each hold a 50% ordinary equity interest and equal voting rights in the Sports JV.

On completion of the transaction, the group recorded an investment in Sports JV for our ordinary shareholding at a fair value of £414m and investments in two classes of preference shares in the Sports JV, with a combined fair value of £589m. Subsequently in FY23, we have recorded a £62m share of accounting loss of the Sports JV, reducing the carrying value of our equity investment to £352m at 31 March 2023, and a net decrease of £34m in the fair value of the investment in preference shares – refer to note 25 of the consolidated financial statements for more details.

As part of the transaction, we entered into a distribution agreement with the Sports JV, which includes a minimum revenue guarantee of £2bn for the first four years. This represents an off-market arrangement on which we recorded a liability of £712m – refer to note 23 of the consolidated financial statements for more details.

a Excluding depreciation and amortisation.
b Adjusted measures exclude specific items, as explained on page 233.
c Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures, as explained on page 234.
d Normalised free cash flow as defined on page 234.
e On 1 September 2022 BT Group and Warner Bros. Discovery announced completion of their transaction to form a 50:50 joint venture combining the assets of BT Sport and Eurosport UK. Financial information stated as pro forma is unaudited and is presented to estimate the impact on the group as if trading in relation to BT Sport had been equity accounted for in previous periods, akin to the JV being in place historically. Please refer to Additional Information on page 235 for a bridge between financial information on a reported basis and a Sports JV pro forma basis.

Group performance continued

Summarised balance sheet

At 31 March	2023 £m	2022 £m
Intangible assets	13,687	13,809
Property, plant and equipment	21,667	20,599
Right-of-use assets	3,981	4,429
Derivative financial instruments	1,479	1,091
Joint ventures and associates	359	5
Preference shares in joint ventures	555	–
Cash and cash equivalents	392	777
Investments	3,577	2,713
Trade and other receivables	3,563	2,961
Contract assets	1,934	1,915
Deferred tax assets	709	289
Other current and non-current assets	849	1,186
Total assets	**52,752**	**49,774**
Loans and other borrowings	18,521	16,185
Derivative financial instruments	383	870
Trade and other payables	7,484	6,766
Contract liabilities	1,052	1,003
Lease liabilities	5,359	5,760
Provisions	598	661
Retirement benefit obligations	3,139	1,143
Deferred tax liabilities	1,620	1,960
Other current and non-current liabilities	82	130
Total liabilities	**38,238**	**34,478**
Total equity	**14,514**	**15,296**

Pensions

The IAS 19 gross deficit has increased from £1.1bn at 31 March 2022 to £3.1bn at 31 March 2023. The £2.0bn increase reflects negative asset returns mainly due to higher real gilt yields, partly offset by an increase in the real discount rate reducing liabilities and £1.0bn of deficit contributions paid over the period.

The movements in the deficit for the group's defined benefit plans are shown below:

£bn

| 1.0 | 0.1 | 0.1 | (1.0) | 15.0 | (13.2) | 1.1 | 2.5 | 0.6 |

Deficit at 31 March 2022 | Costs recognised in income statement | Contributions from BT | Return on plan assets below the amount included in the income statement | Decrease in liabilities due to changes in assumptions | Increase in liabilities due to experience adjustments[a] | Deficit at 31 March 2023

■ Net of deferred tax asset
■ Deferred tax asset

Note 20 to the consolidated financial statements gives more information on our pension arrangements.

Net debt[b] and net financial debt

Net financial debt (which excludes lease liabilities) was £13.5bn at 31 March 2023, compared to £12.2bn at 31 March 2022. The increase was mainly due to pension scheme contributions; normalised free cash flow was mostly offset by dividend payments and cash specifics.

Net debt[b] (which includes lease liabilities) was £18.9bn at 31 March 2023, compared to £18.0bn at 31 March 2022. The difference to the movement in net financial debt reflects lease movements.

At 31 March 2023 the group held cash and current investment balances of £3.9bn. The current portion of loans and other borrowings is £1.8bn.

Our £2.1bn revolving credit facility, which matures in March 2027, remains undrawn at 31 March 2023.

We remain committed to our credit rating target of BBB+ and minimum rating of BBB. During FY23, all of the major agencies confirmed their ratings at BBB or equivalent.

a   Primarily reflects the impact on the liabilities of actual inflation being higher than assumed at the prior reporting date. There has been a broadly equivalent benefit to inflation-linked assets from higher inflation.
b   Loans and other borrowings and lease liabilities (both current and non-current), less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet. Currency denominated balances within net debt are translated to sterling at swapped rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed. Amounts due to joint ventures held within loans and borrowings are also excluded. Please refer to note 27 for reconciliation from nearest IFRS measure.

Debt maturity

The graph below shows the maturity profile of our term debt. Currency denominated balances are translated to sterling at swapped rates where hedged:

Debt maturity profile
£m

FY24	528 276	2.8%
FY25	1,152	1.6%
FY26ᵃ	516 2,012	5.0%
FY27ᵃ	372	4.2%
FY28	1,523	3.2%
FY29	599 548 446	3.8%
FY30	777 673	2.7%
FY31	1,604	9.5%
FY32ᵃ	498 372 715	4.3%
FY33	424	4.5%
FY34	706	4.4%
FY35		
FY36		
FY37		
FY38	498	6.4%
FY39		
FY40	706	4.5%
FY41	345	5.9%
FY42		
FY43	727 64	4.6%
FY44		
FY45		
FY46		
FY47		
FY48	247	3.7%
FY49		
FY50	389	3.2%

■ £ debt   ■ $ debt swapped to £
■ € swapped to £   ■ JPY swapped to £
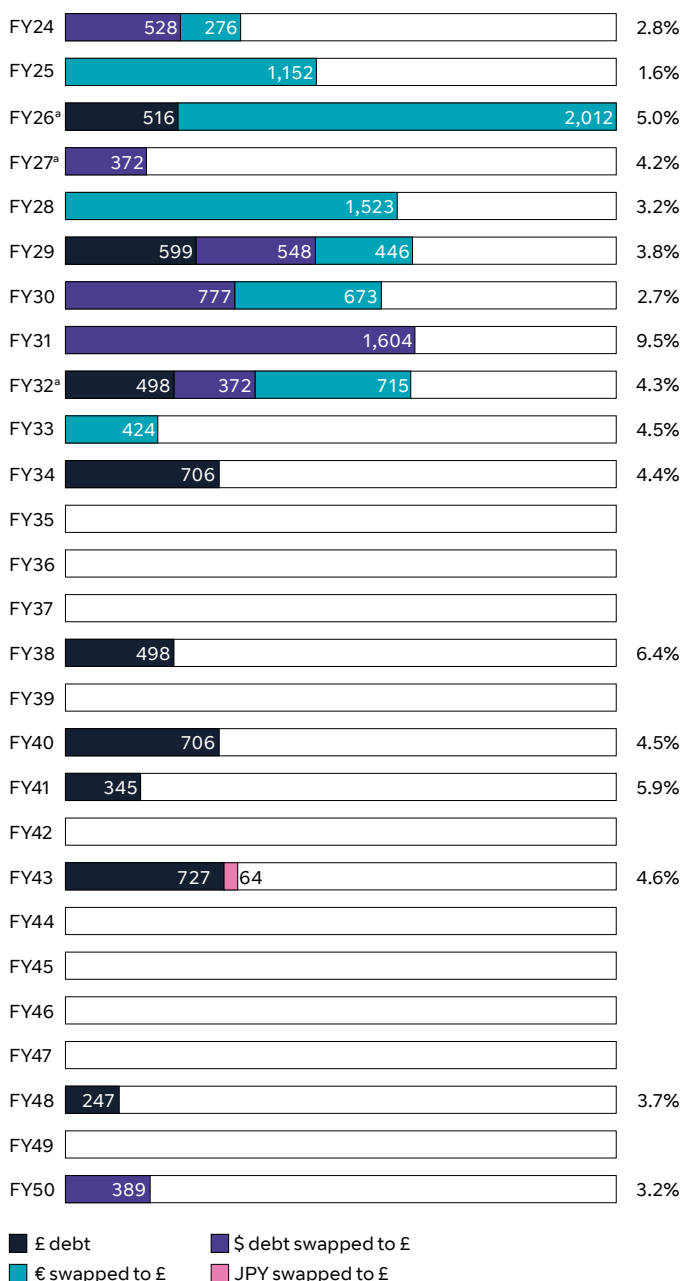
a   Reflects exercise of call options attached to bonds maturing between 2080 and 2081. See note 27 to the consolidated financial statements for more details.

Note 27 to the consolidated financial statements gives more information on our debt arrangements.

Contractual obligations and commitments

The table below shows our principal undiscounted contractual financial obligations and commitments at 31 March 2023.

As at 31 March 2023	Total £m	Less than 1 year £m	Between 1 and 3 years £m	Between 3 and 5 years £m	More than 5 years £m
Loans and other borrowingsᵃ	17,442	1,501	3,708	1,896	10,337
Pension deficit obligations	6,755	823	1,591	1,561	2,780
Lease liabilities	6,031	800	1,450	1,252	2,529
Capital commitments	1,480	1,331	146	3	–
Other commitments	150	150	–	–	–
Total	**31,858**	**4,605**	**6,895**	**4,712**	**15,646**

We have unused committed borrowing facilities totalling £2.1bn. We expect that these resources, combined with the future cash we generate, will allow us to settle our obligations as they fall due.

Notes 15, 20, 27 and 32 to the consolidated financial statements give further information on these items.

a   Principal repayments at hedged rates.

Share buyback

We spent £138m (FY22: £184m) on our share buyback programme. We received proceeds of £5m (FY22: £13m) from colleagues exercising their share options.

Group performance continued

Our customer-facing units

▬ (yellow)

Consumer

Adjusteda revenue
£9,737m (1)%

Adjusteda operating profit
£1,226m 46%

Year ended 31 March	**2023 £m**	2022 £m	Change £m	%
Adjusteda revenue	9,737	9,858	(121)	(1)
Adjusteda operating costs	7,114	7,596	(482)	(6)
Adjustedb EBITDA	**2,623**	**2,262**	**361**	**16**
Depreciation & amortisation	1,397	1,421	(24)	(2)
Adjusteda operating profit	**1,226**	**841**	**385**	**46**
Capital expenditure	1,193	1,198	(5)	–
Normalised free cash flowc	1,147	917	230	25
Pro formad adjusted revenue	9,499	9,319	180	2
Pro formad adjusted EBITDA	2,694	2,467	227	9

Adjusted revenue was up 2% on a pro formad basis, with a 3% growth in service revenue driven by the 2022 annual contractual price rise which was aided by a higher FTTP base and higher roaming. Adjusted revenue was down 1% due to the BT Sport disposal offsetting service revenue growth.

Adjusted EBITDA was up 9% on pro formad basis, due to increased postpaid mobile and broadband service revenue along with tight cost management, including lower indirect mobile commissions. Adjustedb EBITDA was up 16% due to rights and production cost savings from the BT Sport disposal along with adjusted revenue growth and tight cost management, including lower indirect mobile commissions.

Normalised free cash flow was up due to adjusted EBITDA growth and favourable device working capital movements, offset by sports rights timing.

Capital expenditure was flat with continued mobile network, equipment and digital investment.

Churn continues to remain stable in a competitive market with Ofcom complaints in EE lower than or in line with industry average for mobile, broadband and landline and in BT Ofcom complaints were lower than or in line with industry average for broadband and landline.

▬ (pink)

Enterprise

Adjusteda revenue
£4,962m (4)%

Adjusteda operating profit
£552m (39)%

Year ended 31 March	**2023 £m**	2022 £m	Change £m	%
Adjusteda revenue	4,962	5,157	(195)	(4)
Adjusteda operating costs	3,568	3,521	47	1
Adjustedb EBITDA	**1,394**	**1,636**	**(242)**	**(15)**
Depreciation & amortisation	842	724	118	16
Adjusteda operating profit	**552**	**912**	**(360)**	**(39)**
Capital expenditure	608	569	39	7
Normalised free cash flowc	522	791	(269)	(34)

Adjusted revenue was down, driven by the migration of an MVNO customer, legacy contract exits and declines in legacy products. This was partially offset by continued growth in SME and SoHo.

Adjusted EBITDA was down due to the flow through of lower revenue and margin pressure from lower legacy product mix, partly offset by the impact of ongoing cost transformation.

Depreciation and amortisation was up, driven by timing relating to the registration of assets in the course of construction.

Capital expenditure was up, driven by digital investment in support of our modernisation agenda.

Normalised free cash flow was down, reflecting adjusted EBITDA decline partly offset by improved working capital management.

We have seen growth in both mobile and VoIP in the year, adding 61k connections to our mobile base and 110k connections to our VoIP base. For the year, retail order intake increased 14% to £3.0bn despite challenging market conditions.

Global

Adjusted[a] revenue
£3,328m (1)%

Adjusted[a] operating profit
£141m 40%

Year ended 31 March	2023 £m	2022 £m	Change £m	%
Adjusted[a] revenue	3,328	3,362	(34)	(1)
Adjusted[a] operating costs	2,870	2,906	(36)	(1)
Adjusted[b] EBITDA	**458**	**456**	**2**	**–**
Depreciation & amortisation	317	355	(38)	(11)
Adjusted[a] operating profit	**141**	**101**	**40**	**40**
Capital expenditure	252	201	51	25
Normalised free cash flow[c]	63	131	(68)	(52)

Adjusted revenue was down mainly due to lower equipment sales and the impact of prior year divestments, partly offset by a £131m positive foreign exchange movement. Adjusted revenue excluding divestments, one-offs and foreign exchange was down 4%.

Adjusted EBITDA was flat with lower operating costs from ongoing cost transformation and cost control offset by lower revenue and inflationary pressures. Adjusted EBITDA excluding divestments, one-offs and foreign exchange was flat.

Depreciation and amortisation was down mainly due to actions taken to reduce capital intensity over the last few years, resulting in strong growth in adjusted operating profit which was up 40%.

Capital expenditure was up £51m, mainly due to customer project spend and investment in digital platforms.

Normalised free cash flow declined mainly due to higher capital expenditure and adverse working capital, partially offset by higher adjusted EBITDA.

On a rolling 12-month basis order intake was £3.1bn, down 15%. Our growth product portfolio represents 53% of total orders won in the year.

Openreach

Adjusted[a] revenue
£5,675m 4%

Adjusted[a] operating profit
£1,390m 7%

Year ended 31 March	2023 £m	2022 £m	Change £m	%
Adjusted[a] revenue	5,675	5,441	234	4
Adjusted[a] operating costs	2,226	2,262	(36)	(2)
Adjusted[b] EBITDA	**3,449**	**3,179**	**270**	**8**
Depreciation & amortisation	2,059	1,876	183	10
Adjusted[a] operating profit	**1,390**	**1,303**	**87**	**7**
Capital expenditure	2,796	2,548	248	10
Normalised free cash flow[c]	211	448	(237)	(53)

Adjusted revenue was up due to price increases and increased sales of fibre-enabled products and Ethernet, partly offset by legacy copper product declines and an expected decrease in chargeable repairs due to lower repair volumes.

Adjusted EBITDA was up due to higher revenue and lower operating costs driven by lower repair volumes and efficiencies, partially offset by inflation.

Depreciation and amortisation was up, driven by increased network build.

Capital expenditure was up due to higher FTTP build (including WIP), higher FTTP connections and inflation; partly offset by lower non-FTTP capital expenditure. Copper-based capital expenditure was down 53% in the second half of the year.

Normalised free cash flow was down due to higher capital expenditure and working capital timing, partly offset by higher adjusted EBITDA.

Average monthly rental broadband ARPU grew by c. £1 year on year (7.5%) due to increased volumes of FTTP.

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a   Adjusted measures exclude specific items, as explained on page 233.
b   Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post tax profits or losses of associates and joint ventures, as explained on page 234.
c   Normalised free cash flow as defined on page 234.
d   On 1 September 2022 BT Group and Warner Bros. Discovery announced completion of their transaction to form a 50:50 joint venture (JV) combining the assets of BT Sport and Eurosport UK. Financial information stated as pro forma is unaudited and is presented to estimate the impact on the group as if trading in relation to BT Sport had been equity accounted for in previous periods, akin to the JV being in place historically. Please refer to Additional Information on page 235 for a bridge between financial information on a reported basis and a Sports JV pro forma basis.

Regulatory update

Fibre build, the cost of living crisis, migrating off legacy networks and net neutrality led our regulatory agenda this year. In broadband, fixed and mobile retail markets, inflation and investment commitments made consumer and business price rises unavoidable. We're transparent about pricing, while proactively supporting those in financial difficulty. We're looking to restart our digital voice migration this summer after listening to feedback and ensuring we protect the most vulnerable. In mobile, Ofcom's strategy review recognised the link between financial return and market competitiveness. We're also switching off our 3G network next year, repurposing our spectrum on to the more efficient 4G/5G technologies.
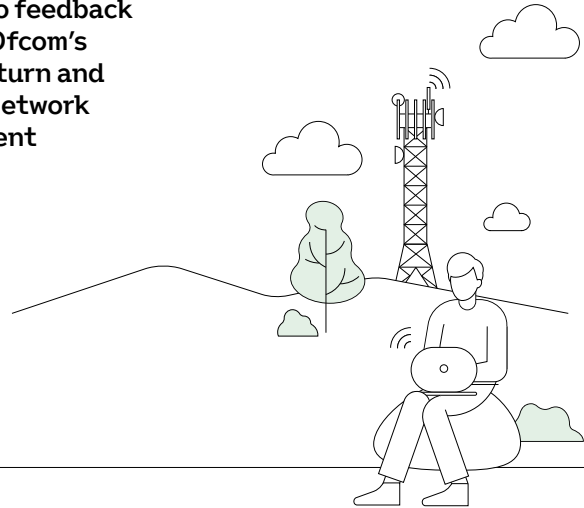
Fibre builds and pricing: competing fairly in a thriving market

In 2021, Ofcom set out the regulatory regime for full fibre investment in its 2021-26 Wholesale Fixed Telecoms Market Review. Ofcom keeps monitoring Openreach activities and the overall market to make sure it is competitive and delivers good customer outcomes.

Openreach continues to build full fibre and connect customers at pace, while pricing transparently. It also continues to deliver on its commitment, under the regulatory regime, delivering over 3 million rural connections as part of its overall build. In December 2022, it told Ofcom about Equinox 2, a new wholesale fibre offer introducing price discounts designed to promote copper to fibre migration. Ofcom is still reviewing whether Equinox 2 is consistent with its goal of promoting fibre market competition and is expected to make a decision by end of May 2023.

In December 2022, Cityfibre raised a Competition Act complaint about Openreach to the Competition and Markets Authority and Ofcom. Ofcom is still considering whether to launch an investigation on the back of this.

Openreach's regulated quality of service targets

Openreach attaches the highest priority to delivering the best level of service for its customers. In FY23, Openreach had very strong service performance in Q1 and Q4 and continues to achieve high customer satisfaction scores. Its performance against Ofcom's targets across the year was impacted by industrial action in Q2 and Q3 such that we have reported a narrow miss against 3 of the total of 35 targets.

Living costs and pricing: being transparent and protecting the vulnerable

In December, Ofcom opened a cross-industry enforcement programme on 'in-contract price variation terms'. Its aim is to check whether individual providers' past pricing policies were prominent and transparent enough to consumers who signed contracts between March 2021 and June 2022.

In February, Ofcom launched a separate policy review to check whether inflation linked mid-contract price rises give customers enough clarity on future pricing, especially given the current inflationary environment.

We continue to be upfront and transparent with all our customers on pricing, making sure annual in-contract price rises are clear and predictable when they buy a service from us. We also contact customers by email, post or text message well ahead of a price change, explaining if and how it will affect them.

During the year we boosted help for those needing it most in paying for services:
– We have more customers on subsidised or social tariffs than the rest of the industry combined (c. 1m). Of those customers on a social tariff, 85% are with BT.
– We continued providing affordable broadband at £15 a month for eligible customers.
– In November we launched EE Mobile Basics – giving customers 5GB of data for £12 a month.
– Through 2023, we're freezing prices for more than 3m social tariff, landline-only and pay-as-you-go customers.
– We led the industry to develop the first eligibility checker using Department for Work and Pensions data – making signing up to social tariffs easier for those eligible.
– We have debt and disconnection policies in place to support vulnerable consumers.

Retiring legacy networks: keeping customer experience at the heart of migration

UK landlines will move from the legacy Public Switched Telephone Network (PSTN) to digital by the end of 2025. This switch is vital to support future-proofed networks, but is sensitive for customers. It will affect many across society, including vulnerable customers, as well as the UK's critical national infrastructure.

Following customer feedback, last year we paused migrating consumer customers to put in place extra measures to protect vulnerable people. While voluntary digital switches continued, during the pause we worked to give better back-up options to those that needed them, and we listened extensively to our vulnerable customers' needs.

In April 2023 we expanded our updated digital voice migration trials beyond Salisbury and Mildenhall (Openreach's PSTN switch-off trial locations) – aiming to restart the migration in summer 2023. We'll continue to work closely with Government, Ofcom, the industry and user groups to minimise any disruption for all.

In the mobile market, 3G is quickly becoming obsolete. It consumes 35% of EE's mobile network power but carries less than 1% of total data. When we switch off our 3G network in January 2024, it will reduce our power consumption and carbon footprint by 48,650 metric tonnes of CO_2.

In February, Ofcom published what it expects from mobile providers in managing this switch. We'll give customers lots of notice about when they might need to upgrade their mobiles to keep using data services.

Policymakers: mobile investment, competition and coverage

Our 5G mobile network now covers 68% of the UK population; over 500 small towns and villages now have EE 5G signal for the first time. Our 4G network ambition is to pass 90% of UK landmass by mid-2020s in part as a result of our contribution to the Shared Rural Network.

In December Ofcom's 'Future approach to mobile markets and spectrum' set out a vision for the industry. It found that mobile investment and customer outcomes were still good, with no need for extra consumer protection regulation.

It also acknowledged that if mobile network providers' financial returns were lower than capital costs for a long time this would disincentivise investment and could lead to "weaker competition and poorer outcomes for customers".

In April 2023 Government's newly created Department for Science, Innovation and Technology also published its Wireless Infrastructure Review which focuses on improving the investment environment and sets out a new ambition to deliver nationwide coverage of standalone 5G to all populated areas by 2030. Government asked Ofcom to also review how well spectrum pricing works.

Net neutrality and digital markets: growing policy debate

The modern internet needs modern rules. There is a growing global debate on how to balance customers' rights to internet access with greater flexibility supporting network efficiency and investment.

In October, Ofcom's net neutrality consultation proposed that internet service providers should be able to differentiate offerings – including premium internet for gaming or specialised services – and use traffic management to tackle network congestion.

We welcome this proposal. We believe there needs to be more commercial flexibility to negotiate better efficiency, improve content coordination and make sure the heaviest traffic loaders don't affect everyone else's online experience.

On digital markets, we continue to contribute to Ofcom's Digital Strategy work programme. That includes its Cloud Services Market Study and emerging work on over-the-top communications services (NIICs).

A letter from the Chair of Openreach

Without question, the last 12 months have been tough for everyone.

Like other businesses, we've been hit by rising inflation and supply chain challenges. And we can see the pressures facing our people, our communications provider (CP) customers and households up and down the country.

In that context, I'm proud that we've achieved a solid year of progress at Openreach. One of the main reasons for that progress is that our purpose and strategy remain crystal clear.

As the nation's largest wholesale broadband network, we keep the country connected and we're building the next generation of digital infrastructure – ultrafast, ultra-reliable full fibre to 25m homes and businesses.

We're laser focused on that goal. We know it will deliver the best possible outcome for our customers and help power the UK's growth and ambition for decades ahead.

Delivering on our ambition

This year we've continued to build our new network at record pace.

Full fibre is now available to 10.3m homes and businesses – including 3.1m in mainly rural locations. We've kept a balanced approach to build in rural and urban areas, reaching more than 59k premises every single week.

We remain focused on efficiency. We've maintained a low cost of £250-£350 to reach each premises despite inflationary pressures, and without compromising on quality or safety standards. And, most importantly for our future, we're winning the real race – to upgrade customers and all of our CPs on to that new network.

There's a growing appetite for full fibre. This year we've seen record order and provision volumes and more than 3.1m homes and businesses already reaping the benefits of our fastest, most reliable broadband connection.

And we're not stopping there. We expect substantial growth in customer numbers next year – driven by sharper pricing offers and the long-term certainty we're giving CPs.

Investing in people, diversity and inclusion

As always, our near 37,000 people are at the heart of our business and purpose.

This year, we hired over 3,000 people and we continue to invest heavily in training and developing our existing workforce. We've already retrained thousands of copper-skilled engineers to work on our new fibre network.

We also made good progress on becoming more inclusive and diverse. This is a long journey for a business and industry like ours, but we're committed to building a workplace that fully represents the communities we serve all over the UK. More of our trainee engineer recruits were women last year and our People Networks – which champion diversity and inclusion – grew to 7,500 members.

Given the financial challenges everyone's facing, it was also important that BT Group was able to help as many of our colleagues as possible through bringing forward the 2023 pay award to January.

Being safe and responsible

Openreach has a responsibility to both its people and the planet.

The work we do comes with inherent risk, so our safety practices are paramount. I'm encouraged by the progress made in further strengthening our safety culture. But one injury is one too many. So we'll continue to invest in training and innovations that encourage a stronger safety culture for our people and the public.

We also understand we're in a unique position to deliver positive environmental change. Our 29,000-strong van fleet represents a big opportunity to cut our atmospheric impact – and we've pledged to switch most of it to electric or zero emissions by 2030.

We've already invested in over 2,000 electric vans. But there are considerable challenges to this programme, including the lack of charging infrastructure and supply chain. Next year we'll continue to work hard with stakeholders to overcome these barriers.

Competing fairly

With the massive investment and transformation happening across the country, it's no surprise to see increasing scrutiny on the telecoms market and the intense competition that's playing out.

With that in mind, we understand our legal and regulatory obligations inside out and we're committed to both competing intensely and fairly and supporting our industry. We're clear. Our job at Openreach is to maintain a strong and sustainable business for colleagues, shareholders and the nation.

Upgrading the UK to digital phone lines

Responding to BT's plan to retire the analogue PSTN system is a critical programme for Openreach. We've continued our work this year to support CPs and the industry to withdraw analogue services.

Our trials in Salisbury and Mildenhall helped us test, understand and improve the readiness of all kinds of customers for this change. We've honed our ability to migrate them smoothly and safely to futureproof digital products.

We'll continue to speed up this work next year – when we also hope to see a step change in awareness as CP migrations ramp up.

Looking forward

Broadband usage hit record-breaking levels in 2022, and we know that faster, more reliable connectivity has become a necessity for almost everyone.

With this in mind, next year's focus will be to keep building, delivering and upgrading. The more customers we upgrade to our full fibre network, the more everyone will reap the benefits of an ultrafast, digitally connected economy.

As ever, I thank all our people for their dedication, resilience and the good progress we've made towards fulfilling our goals this year.

Mike McTighe
Chair, Openreach
17 May 2023

Risk management

Risk management taken seriously and done simply and consistently helps us make the best decisions for our colleagues, customers, shareholders and wider stakeholders in the face of uncertainty. This helps protect BT Group and drive growth.

Strong foundations built on our risk mindset aligned with strategy

Our business thrives on stakeholder trust. That means we must manage risks smartly to achieve our ambition, deliver our strategy, support our business model and protect our assets while leading the way to a bright, sustainable future.

Our leaders promote a mindset of being smart with risk when making bold choices. Our code sets expected behaviours for all our colleagues. We have ongoing training and formally defined risk management roles that help weave risk awareness into our culture.

Risk management aligns with our internal strategic framework, business planning and performance management. This helps integrate risk thinking into key decision-making areas and makes sure we share information in a joined-up way for the biggest impact.

The ongoing risks we face

We divide our risk landscape into 16 Group Risk Categories (GRCs) of enduring risks – like supply management and legal compliance. These will always be important, needing consistent, enduring structures to manage them across the group.

Each GRC has an *Executive Committee* sponsor. This provides accountability, tone from the top and joined-up risk thinking. GRCs set how we measure and manage our risk exposure. They ensure we do what's needed to achieve and maintain our target risk appetite and level of control.

This is facilitated through our risk management framework. For each GRC, we set our risk appetite – how much risk we're willing to take underpinned by metrics with upper and lower boundaries setting our tolerance. We manage these risks through simple and clear policies, underpinned by standards and controls. We use a 'three lines of defence' model to clarify and coordinate assurance activities and to give confidence to stakeholders.

This year we focused on enhancing our internal control arrangements. We simplified all our corporate policies, replacing them with new, much shorter policies aligned to each of the 16 GRCs. Each policy is supported by standards clearly setting out who needs to do what to comply with the policy.

Underpinning this, we also designed a group-wide Key Control Framework. This will help us manage all our enduring risks consistently and efficiently across the business – driving accountability and letting us target assurance activities. Next year, we'll focus on further embedding this Key Control Framework. We'll replace legacy activities and processes and make it the bedrock of assessing and assuring how effectively we're managing enduring risks.

Dynamic risks we face

We're also aware of and act on significant, dynamic risks and uncertainties. There are two types:
1. **Point risks** (risks which can't be managed properly through the Key Control Framework, or that are materially significant to us and need to be separately managed)
2. **Emerging risks** (long-term uncertainties which might be materially significant but which we can't currently fully define as a point risk).

For these dynamic risks we assign management ownership and identify and execute appropriate actions.

We categorise dynamic risks by GRC based on their causes and consequences. There are examples in the following pages.

Connecting it all up

Each unit leadership team regularly reviews its exposure across the GRCs and brings together any point and emerging risks to prioritise and act on. Categorising risks by GRC helps us spot broad trends, so we can understand potential impacts and respond in a consistent and coordinated way.

Our risk management tool, ARTEMIS, supports this with real-time access to risk and assurance information. This helps us link risk and control data and simplify reporting – so we can spend more time on the right behaviours, conversations and actions.

Our Emerging Risk Hubs consider the more ambiguous and cross-group uncertainties we face. They bring together cross-functional representatives to share intelligence, identify potential trade-offs and agree actions.

Risk management continued

The context we operate in

This year a combination of economic pressures, increased competitive intensity, industrial action and supply chain disruption have created a challenging environment.

Inside the group, our business model, technology shifts and transformation initiatives are changing the quantity, type and location of skills and talent we need.

Outside the group, today's inflationary environment affects us across a number of our GRCs. We've included some examples of point risks in the following pages. As part of our long-term viability analysis, we've also considered the effects of sustained inflation on our business (see).

In the past 12 months, two GRCs which have had a lot of focus are supply management and cyber security.

We continue to develop our risk management structures. This lets us respond well to this volatile and complex operating environment. Whether reviewing and adjusting risk appetite, managing new or emerging risks, strengthening our controls or managing risks in programmes and change initiatives, we're always learning to help us make smarter decisions to protect ourselves and drive growth.

Supply management

The level of risk in our supply chains is high. We have to manage a combination of energy volatility, inflation and supply shortages (like semiconductors and fibre optic cables).

These issues are happening against a backdrop of increasing geopolitical instability that will likely cause continued disruption. During the year we reviewed our risk appetite and supporting metrics for this category, embedding them into key decisions to get the right balance between supply chain resilience and efficiency.

Geopolitical tensions in the South China Sea increased during the year and China continues to dominate our supply chain emerging risks. We recently ran a crisis simulation based on further escalation in the region, to understand better our exposure and critical supply options and to test our preparedness for a major supply chain event. From that, we created a playbook defining our approach, process and roles and responsibilities for managing such a disruption – and integrated it into our group-wide crisis management process and governance structures. We're also monitoring progress and further developments through our cross-functional Geopolitical Risk Hub.
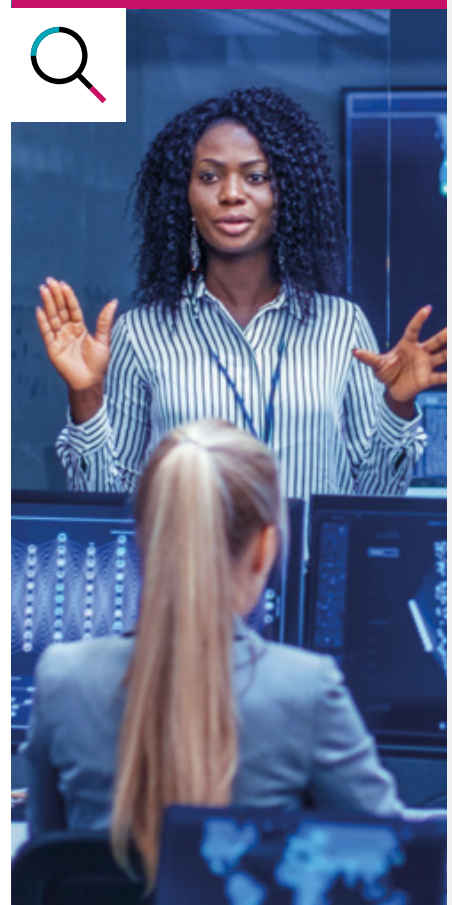
Cyber security

We're a high-profile provider of critical national infrastructure. That makes us a prominent target for hostile cyber actors and we remain vigilant to this threat. This year the Russia-Ukraine conflict was a significant part of the cyber security backdrop. We'll keep monitoring short- and medium-term implications.

Security is at the centre of our business. We've brought together cyber, physical and personnel security teams into one function under a new expanded *Executive Committee* role of Chief Security and Networks Officer.

Our security stance continues to evolve. This year we commissioned an external review to assess and benchmark our security maturity, and we used the results to define and mobilise a new security strategy. We've also made delivering the requirements of the Telecommunications (Security) Act 2021 a key multi-year cyber security priority.

We'll never stop working to protect customers from cyber security-related harms. A recent example is our initiative to block international scam calls on landlines – which blocked 10 million calls in the first month.

Our principal risks and uncertainties

The risks set out in the following pages align with our Group Risk Categories (GRCs). The categories are enduring. But each also contains examples of point and emerging risks. Scenarios used for our viability analysis, put forward for each GRC, are also noted here.

Strategic

Strategy, technology and competition

Sponsor: Chief Financial Officer

What this category covers

While developing and executing a strategy to grow value for stakeholders, we must manage risks from an uncertain economic context, intensifying competition and rapid changes in customer and technology trends.

Changes could affect our profit, shareholder value and reputation. Similarly, pursuing the wrong strategy, not reflecting strategy in business plans, or not executing against it could make us less competitive and create less long-term sustainable value.

Our appetite for risk in this category

Our risk appetite sets our tolerance for managing 'internal' risks associated with this category which include developing the right strategy, ensuring it is reflected in the business plan and executing against it.

We measure and track this through the performance of specific metrics. We also qualitatively assess how clearly our strategy is defined, the robustness of our strategic analysis and how closely our business and financial plans reflect our strategy.

Doing this means we will make robust strategic choices and execute them to stay competitive and grow value for all our stakeholders.

Examples of what we do to manage this category

– we extensively monitor, research and analyse economic, customer, market, competitor and technology trends
– the *Executive Committee* and Board discusses key strategic topics throughout the year
– the *Executive Committee* and Board frequently review performance against our strategic priorities/targets.

Dynamic risk examples in this category

Point risks:

– uncertain economic outlook which may suppress demand, increase customers' price sensitivity and drive up costs
– intensifying competition in the retail broadband and fixed wholesale access markets could increase churn and impact our market share
– slower than expected progress on key programmes could limit our ability to deliver our strategy and growth ambitions.

Emerging risk:

– ecosystem changes in the industry (like private 5G networks) could reduce our revenue and increase customer churn.

Scenario considered in viability analysis/planning

Hyperscalers making direct moves into our markets.

Stakeholder management

Sponsor: Corporate Affairs Director

What this category covers

Trusted stakeholder management is essential to us achieving our ambitions. We listen to and communicate with stakeholders fairly and transparently to build strong, sustainable relationships.

Some sensitive topics need extra focus. These include network plans, customer fairness, net neutrality, using technology responsibly, ESG and industrial relations.

Our appetite for risk in this category

We recognise the importance of strong stakeholder relationships and consider them when setting strategy and making decisions.

At times this creates tensions when weighing up choices: price rises to sustain investment, markets we operate in, who we buy from and sell to, the way we use and develop technology and how we use data.

We want to sustain our sector leadership on reputation and trust among professional opinion formers, and our top quartile position on ESG.

Examples of what we do to manage this category

– we monitor the media, and track our reputation across our main stakeholder groups
– we engage with stakeholders to build stronger relationships. See our stakeholder section on for details
– our Manifesto () sets out our commitment to growth through responsible, inclusive and sustainable technology. The *Digital Impact & Sustainability Committee* provides Board-level governance
– our cross-organisational Responsible Technology Steering Group and the Geopolitical Risk Hub bring together representatives from across the group to share intelligence and agree actions.

Dynamic risk examples in this category

Point risks:

– the impact of inflation and cost of living on customers which may reduce demand or increase churn
– protecting our customers' interests while migrating to digital products and closing legacy networks.

Emerging risks:

– escalating geopolitical tensions
– climate change and perceptions of our sector's role in carbon emissions. See our Task Force on Climate-related Financial Disclosures ().

Scenario considered in viability analysis/planning

Impact of potential changes in Government policy on investment and commercial ambitions.

Our principal risks and uncertainties continued

Financial

Financing
Sponsor: Chief Financial Officer

What this category covers
We rely on cash generated by business performance supplemented by capital markets, credit facilities and cash balances to finance operations, pension scheme, dividends and debt repayments.

We might not be able to fund our business cash flows or meet payment commitments to shareholders, lenders or our pension schemes.

Our appetite for risk in this category
We fund based on business performance forecasts in our medium term plans.

We rely on debt capital markets being open to investment grade borrowers. We set our minimum credit rating at BBB. We invest cash resources to preserve capital, not to generate returns.

We have an agreed plan to reduce investment risk in the BT Pension Scheme by 2034, and plan to reduce real interest rate and longevity risk further.

Examples of what we do to manage this category
– we review actual and forecast business performance
– we have formal treasury risk management processes, Board oversight, delegated approvals and lender relationship management
– we review our pension schemes' funding positions and investment performances and agree funding valuations.

Dynamic risk examples in this category
Point risks:
– increasingly volatile nominal interest rate and inflation forecasts might affect the cost of new debt and pension funding deficits
– macroeconomic and geopolitical events could lower actual and forecast business performance.

Emerging risk:
– changes to pension funding regulations could risk higher pension deficits or shorter recovery periods.

Scenarios considered in viability analysis/planning
An increase to BT's funding obligations to the BT Pension Scheme.

Winter power shortages and unhedged energy costs.

UK and global markets experience a significant recession with negative GDP growth.

Financial control
Sponsor: Chief Financial Officer

What this category covers
We have financial controls in place to prevent fraud (including misappropriation of assets) and to report accurately. If these failed it could result in material financial losses or cause us to misrepresent our financial position.

We might fail to apply the correct accounting principles and treatment. This could result in financial misstatement, fines, legal disputes and reputational damage.

Our appetite for risk in this category
We want our overall financial control framework to be effective so that there is a less than remote likelihood of a material financial misstatement in our reported numbers.

We have defined the proportion of our financial controls that we aim to be preventative rather than detective, and automated rather than manual.

We take a risk-based approach to compliance monitoring through a combination of sample testing and financial data analytics.

Examples of what we do to manage this category
– we maintain financial controls that provide planning and budgetary discipline, efficiency and accuracy while reducing the risk of fraud, leakage or errors
– we continually enhance processes, systems and our operating model to improve and automate accounting, financial reporting and controls
– we've improved tax risk management processes and training.

Dynamic risk examples in this category
Point risks:
– not simplifying and modernising our finance processes and operating model could reduce speed and quality of decision making and reporting
– impact of complex legacy systems on our internal controls.

Emerging risk:
– higher chance of fraudulent behaviour from increasing cost of living.

Scenario considered in viability analysis/planning
A material financial misstatement which could lead to regulatory fines, lawsuits and reputational damage.

Compliance

Communications regulation

Sponsor: General Counsel, Company Secretary
& Director Regulatory Affairs

What this category covers

We work with key regulators as they define clear, predictable and proportionate regulations which protect customers and society while ensuring service providers can compete fairly. We must work in compliance with those regulations, maintain trust and strong relationships while delivering on our vision and sustainable value growth.

Areas of ongoing, industry-wide regulatory scrutiny include billing accuracy, customer complaints, support for vulnerable customers, migration away from legacy services and management of major incidents.

Our appetite for risk in this category

Regulatory compliance is a fundamental part of our goals to be trusted and deliver excellent customer experiences. Specific actions to deliver our regulatory obligations will marry this with our business imperatives and strategy.

Across the board we focus on 'doing the basics' well and maintaining long-term predictability and stability in regulation.

Examples of what we do to manage this category

- we proactively engage with regulators and supply timely and accurate information when required
- we focus on understanding our customers' experiences, like moving them on to new networks or managing vulnerable customers
- we have processes to help us follow regulations, build trust and enable future dialogue with policymakers
- we run a programme of compliance assurance activities.

Dynamic risk examples in this category

Point risks:

- there could be challenges shutting down our legacy networks which might adversely impact service delivery, lead to regulatory intervention and reputational damage
- we could fail to meet our roadmap for Telecommunications (Security) Act 2021 compliance
- there could be negative regulatory sentiment around pricing.

Emerging risk:

- regulation might not keep pace with the changing value chain economics, which could make us less competitive.

Scenario considered in viability analysis/planning

The impact that a more interventionist regulatory approach could have on our commercial strategy.

Data

Sponsor: Chief Digital and Innovation Officer

What this category covers

Our data strategy seeks to create value and enable efficiency while providing a robust framework for data governance and regulatory compliance.

We must follow today's global data regulations while anticipating and preparing for tomorrow's.

Not following data protection laws or regulations could damage our reputation and stakeholder trust, harm colleagues, customers or suppliers and/or lead to litigation, fines and penalties.

Our appetite for risk in this category

We want to ethically protect the group, colleagues, customers, partners and suppliers from breaches of data protection laws and regulations. We also want to harness our data to support and drive our objectives and realise opportunities.

We'll only be able to achieve these aims with the right data ethics, governance, security, protection and compliance systems, processes and practices. Fulfilling our data objectives may require appropriate interpretation of the varied global data protection laws, regulations and standards.

Examples of what we do to manage this category

- we continuously run and improve our data governance programme to tackle existing and future data regulatory risks
- to make sure we follow our own data protection standards we review how we use personal data across the business
- horizon-scanning for evolving regulations, industry sector developments and new technologies impacting our data risks, controls and processes
- we provide data protection and handling training and tools to help colleagues make more risk-aware day-to-day decisions.

Dynamic risk examples in this category

Point risk:

- international data transfers could be restricted or deemed unlawful, which might affect business operations or lead to fines, claims and/or reputational damage.

Emerging risks:

- there could be changes to data protection laws and regulations where we do business
- there could be increased regulatory focus on governance and ethics around data propositions and processes especially with respect to generative AI.

Scenario considered in viability analysis/planning

A data breach leading to regulatory investigation, enforcement action and reputational damage.

Our principal risks and uncertainties continued
Compliance continued

Legal compliance

Sponsor: General Counsel, Company Secretary
& Director Regulatory Affairs

What this category covers

We focus on remaining in compliance with all substantive laws. Key areas of focus for this category are anti-bribery and corruption, competition, trade sanctions, export controls and corporate governance obligations.

Our appetite for risk in this category

We want to take advantage of commercial opportunities. So we take considered, evidenced and defensible decisions around how we comply with applicable laws.

We assess risk to support decisions about proposed actions. This means looking at the nature of the risk, the costs of compliance, the value of the proposed actions and the steps we could take to bring them within our risk appetite.

In corporate governance, we determine the risks for a position we take by considering things like our rules and policies, market practice, investor expectations and our stakeholders' views.

Examples of what we do to manage this category

– through our code we foster a culture where colleagues know expected standards and speak up if something's not right
– we regularly assess risks when giving legal or compliance advice on strategic projects, signing new business and on our commercial operations
– we train colleagues to know where legal and compliance risks come from, how to handle them and when to get expert help
– we do assurance on day-to-day operations, regions, partners, projects and suppliers. We investigate and fix anomalies and share what we learn, where appropriate
– we scan the horizon to prepare and respond to legislative changes.

Dynamic risk examples in this category

Point risks:

– new technologies being exploited in multiple countries
– working with third parties in multiple jurisdictions.

Emerging risk:

– there could be changes to existing or potential new laws, or trade sanctions, put in place in response to geopolitical dynamics or to address concerns in a particular area of law.

Scenario considered in viability analysis/planning

Breaches of sanctions or export controls imposed by UK, US or EU nations potentially leading to regulatory investigation, fines, debarring from public contracts and reputational damage.

Financial services

Sponsor: CEO, Consumer

What this category covers

Our exposure to financial services regulation increased in 2022 when EE launched a Financial Conduct Authority (FCA) regulated mass-market proposition. We expect to continue scaling-up and broadening such products and services over the coming years, which means we must meet all applicable FCA principles, rules and requirements.

Operating outside FCA rules, requirements or permissions could harm customers and lead to fines, loss of FCA permissions, slow service take-up and broader reputational damage.

Our appetite for risk in this category

We aim to minimise regulatory risk in two ways. First, by building operational and organisational capabilities that help us develop financial services activities compliantly. Second, by building and maintaining a trusted relationship with the FCA.

We monitor a range of conduct risk metrics, complaints data and customers in collections. These are early warning indicators of customer harm which we can act on.

Examples of what we do to manage this category

– we review and update relevant standards every year, and implement controls into operational procedures
– we run mandatory training on FCA regulations, aligned to job roles
– we review financial services products and promotions when we develop them and each year afterwards
– our 'second line' compliance team provides support and oversight
– we scan the horizon, interpret new regulatory requirements and regularly communicate with the regulator
– our proportionate governance framework provides clear responsibility, accountability and reporting.

Dynamic risk examples in this category

Point risks:

– we might not have enough operational capability and resources to support our financial services strategy
– we could fail to comply with new Consumer Duty regulation, leading to regulatory scrutiny/challenge and brand damage.

Emerging risk:

– the extra FCA permissions needed to undertake new activities will need us to comply with new regulatory framework areas. We could fail to do that.

Scenario considered in viability analysis/planning

Failing to get full FCA permissions and the impact on product rollout and projected revenue.

Operational

Operational resilience
Sponsor: Chief Security and Networks Officer

What this category covers

We want to deliver best-in-class performance across our fixed and mobile networks and IT by managing all the risks that could disrupt our services.

Service interruptions could be caused by things like bad weather or accidental or deliberate damage to our assets.

Some service interruptions might depend on suppliers' and partners' reliability – making picking the right ones important.

Our appetite for risk in this category

We want customers to get market-leading services, underpinned by best-in-class network performance. To achieve that we must prioritise our resources to maximise overall service and customer experience, whilst aligning with our strategy.

We aim to deliver exceptional performance for high volume (FTTC/4G) and strategic (FTTP/5G) products and maintain reasonable performance for legacy services.

Examples of what we do to manage this category

– we continuously capacity plan, manage asset lifecycles and monitor our network, assets and services

– we respond quickly and professionally to incidents, reducing their impact through geographically dispersed emergency response teams – while communicating with customers

– we have comprehensive testing and change management processes

– we do regular business impact assessments that feed into tested, up-to-date continuity and disaster recovery plans

– we ensure our operational estate has requisite levels of physical security controls in place to assure service

– our operational planning improves network and IT resilience, including handling more frequent and severe bad weather.

Dynamic risk examples in this category

Point risks:

– increasing flood risk at non-protected sites could lead to flooding, interrupting services

– not creating robust contracts and/or managing relationships with third parties might lead to gaps in support arrangements and extended fix times, creating poor customer experience and churn.

Emerging risk:

– failing to properly manage significant changes to our digital estate could interrupt services and delay fix times.

Scenario considered in viability analysis/planning

Ongoing crisis in the energy sector leads to insufficient gas supply and energy volatility.

Cyber security
Sponsor: Chief Security and Networks Officer

What this category covers

Our aim is to protect the group, colleagues and customers from harm and financial loss from cyber security events.

Because we run critical national infrastructure, a cyber attack could disrupt both customers and the country and compromise data.

A poorly managed cyber security event might cost us money, damage our reputation and impact our market share. The regulator might also impose fines or penalties.

Our appetite for risk in this category

Cyber risk is inherent to our business, and significant reputational damage could be incurred by a major cyber event, but we acknowledge that not all cyber risks can be eradicated.

Cyber events could be deliberate or unintentional, originate from inside or outside the group, and we adapt our security posture and controls accordingly to detect and respond robustly to the evolving threat.

We prioritise the protection of our critical systems and networks, and the data and information they contain.

Examples of what we do to manage this category

– we have leading best practice security standards, tools and processes to protect our applications, systems and networks

– we monitor external threats and gather intelligence on evolving cyber techniques, tactics and capabilities

– to quickly detect, assess and respond to cyber risks we maintain a vigilant security stance

– we run communications, engagement and training

– we continue to invest in cyber defences and security tooling, shifting to automation where appropriate

– we nurture partnerships with industry, government and customers.

Dynamic risk examples in this category

Point risks:

– cyber attacks from nation states could target critical national infrastructure which could lead to service disruption, data loss, regulatory action and damage to our reputation

– exposure to suppliers with security vulnerabilities which might result in compromised supply chains, increased costs, loss of data or interrupted services

– relying on externally hosted cloud services potentially impacting service delivery and customer experience.

Emerging risks:

– AI and machine learning could be weaponised as security threats

– more connected home devices means more focus on protecting customers.

Scenario considered in viability analysis/planning

We fall victim to cyber attacks and experience a major loss of customer data which leads to a successful class action against us.

Our principal risks and uncertainties continued
Operational continued

People
Sponsor: Chief Human Resources Officer

What this category covers
Our people strategy is to enable a culture where all our colleagues can be their best, and help deliver our ambition.

This means we must manage risk around our organisational structure, skills and capabilities, engagement and culture, wellbeing and diversity.

Our appetite for risk in this category
Our priority is making sure colleagues can work and perform at their best. We avoid risks that could compromise critical business priorities and minimise those which cannot be avoided to as low as reasonably practicable. We avoid risks that could result in us not complying with applicable employment legislation.

A relatively small number of roles have a disproportionate effect on our success. For those roles we have a much lower tolerance for the risk of not having the right capabilities, compared to other roles in the organisation.

To deliver our transformation, we're prepared to take carefully managed short-term employee relations risks to achieve our ambitions.

Examples of what we do to manage this category
– our group people strategy is supported by a workforce plan
– we share consistent performance goals and performance management review processes – through clear organisation structures, roles and job descriptions
– we assess skills and capabilities, invest in group-wide workforce and talent planning and provide training, development and wellbeing support – for specific roles, future skills and succession planning
– our D&I strategy raises awareness, addresses bias and promotes our People Networks and support (read more about D&I and our people on pages 32 to 35)
– we engage with employees and maintain close relationships with formal representative groups and unions
– we offer fair, competitive and sustainable remuneration to promote smart risk taking, support engagement and retention and help align colleagues' and shareholders' interests.

Dynamic risk examples in this category
Point risks:
– large-scale, escalated industrial action could increase disruption, affect colleague engagement and damage our reputation
– changes to our strategy, technology or business model could affect what skills we need. Coupled with tightened talent markets, higher pay and increased attrition, this could create skills gaps.

Emerging risks:
– long-term social and workplace changes
– growing colleague activism on social or environmental topics.

Scenario considered in viability analysis/planning
Widespread lack of availability of frontline colleagues impacting service delivery and leading to poor customer experience and reputational harm.

Health, safety and environment
Sponsor: Chief Security and Networks Officer

What this category covers
We have diverse working environments in various locations, some of which could pose a health or safety risk to colleagues, partners or the public. We must make sure our colleagues and partners are safe and healthy and can perform at their best while managing hazards that could harm them.

Not maintaining or continually improving the right health, safety and environmental management systems could impact our provision of a safe and compliant business which protects colleagues.

Ineffective health, safety and environmental standards could lead to legal or financial penalties, and reputational and commercial damage.

Our appetite for risk in this category
It's important that employees and partners follow appropriate standards which support our business priorities. We aim to eliminate all unacceptable risks. We apply proactive risk management to identify, control and mitigate significant risks across the business to a level deemed as low as reasonably practicable.

We consider our legal, regulatory and other requirements the minimum obligation. We want to go beyond that – aiming for zero avoidable harm, optimum physical and mental health and minimal pollution.

Examples of what we do to manage this category
– our group policy is underpinned by standards and a safety framework reflected in our code
– we train colleagues and make sure they're clear on their roles and responsibilities around health, safety and environment
– we monitor health and safety through colleague surveys, focus groups and a dedicated portal
– our incident reporting system monitors and evaluates our health, safety and environmental performance.

Dynamic risk examples in this category
Point risks:
– heightened risks from the extra civil and construction work supporting the full fibre rollout including harm to colleagues, increased regulatory scrutiny, legal claims and reputational damage
– failure to manage contractors properly when they start and during their contracts, potentially leading to harm to colleagues, partners or the public, regulatory intervention and legal claims
– failure to keep our sites clean, tidy and environmentally safe could lead to increased fire risks or compliance breaches.

Emerging risk:
– complying with future health, safety and environment regulation.

Scenario considered in viability analysis/planning
A new pandemic as severe as Covid-19 causes harm to colleagues, disrupted service delivery and business operations.

Major customer contracts

Sponsor: CEO, Business (excluding Openreach, which has separate GRC sponsorship and management)

What this category covers

We offer and deliver a diverse mix of major contracts which contribute to our business performance and growth.

We seek to win and retain major private and public sector contracts in a highly competitive and dynamic environment. We do that, while navigating customer relationships and risk in complex agreements – delivering highly sensitive, critical or essential services globally.

Customer contractual terms can be onerous and challenging to meet which might lead to delays, penalties and disputes. Delivery or service failures against obligations and commitments could damage our brand and reputation, particularly for critical infrastructure contracts or security and data protection services. Not managing contract exits, migrations, renewals and disputes could erode profit margins and affect future customer relationships.

Our appetite for risk in this category

We want a diverse mix of major contracts that will help our business grow. To do that, we must build on our market share, target the right customers, make beneficial commercial and legal agreements and deliver services successfully.

As markets change, we need to proactively adjust our portfolio of services, countries and customers to avoid concentration risk, stagnation and legacy dependency.

We know this involves taking on some higher risk, complex customer agreements with obligations we can't fully meet through standard portfolio, terms and conditions and/or delivery process. We must manage this risk during the bid process and contract lifecycle to minimise the overall impact.

Examples of what we do to manage this category

- we have a clear governance framework to assess new business opportunities, manage bids and monitor in-life contract risks
- as part of bids, we check non-standard unfavourable terms and conditions, mitigating them where we can
- our senior management, and a dedicated team, regularly review our contracts
- we support frontline contract managers with contract and obligation management tools.

Dynamic risk examples in this category

Point risks:

- inflationary pressures affecting our supply chain might not be fully offset by adjusted prices given market challenges or us not having leverage to negotiate
- new IT infrastructure challenges, skills shortages, scale or complexity could stop us delivering our digital portfolio transformation.

Emerging risks:

- increasing geopolitical tensions and East/West divide could affect our multinational customers and our ability to provide global connectivity
- it could be difficult to manage EU contracts if the UK and EU don't renew their data adequacy agreement.

Scenario considered in viability analysis/planning

Losing major public services contracts.

Customers, brand and product

Sponsor: CEO, Consumer (excluding Openreach, which has separate GRC sponsorship and management)

What this category covers

We want to give customers standout service, building personal and enduring relationships and taking extra care of vulnerable customers. We aim to keep customer satisfaction high as we continue to migrate customers from legacy products and services to newer ones – while billing them accurately.

Not digitising or continually improving our customer experience could affect customer satisfaction and retention, colleague pride and advocacy, revenues and brand value.

Central to this is being accurate and competitive with our pricing, billing and collection. We must also manage our product and service lifecycles, inventory and supply chain, and comply with our customer obligations and product and service standards.

Our appetite for risk in this category

We want to be below the industry average for Ofcom complaints and continue to grow our NPS. We aim to maintain customer satisfaction, launch new products and services that benefit them and keep billing issues to a minimum.

We must serve customers through modern and cost-effective platforms – with as few as possible on expensive and labour intensive legacy and aging products and services. We also want customers to feel they get personalised service through friction-free channels.

Examples of what we do to manage this category

- we stick to our promises on the service levels customers should expect and we track a range of customer experience performance metrics
- we have clear and comprehensive brand usage guidelines
- we work with suppliers to manage ongoing relationships and risks
- we pilot products and services to make sure they benefit customers
- we have a colleague retention and skills development plan to make sure we're not short on key skills.

Dynamic risk examples in this category

Point risks:

- switching customers from old to new service platforms could interrupt the service and cause customer churn and/or regulator intervention
- failing to make sure we have the right current and future skill sets to serve our customers could lead to not meeting customer expectations, reputational damage and loss of customers and market share.

Emerging risk:

- long-term changes in customer needs and expectations.

Scenario considered in viability analysis/planning

Wrongly billing customers leading to dissatisfaction, unforeseen churn and possible regulatory investigation.

Our principal risks and uncertainties continued
Operational continued

Supply management
Sponsor: Chief Financial Officer

What this category covers
Successfully selecting, bringing on board and managing suppliers is essential for us to deliver quality products and services.

We have a lot of suppliers. We must make supplier decisions on concentration, capability, resilience, security, costs and broader issues that could impact our business and reputation.

Our appetite for risk in this category
Our appetite guides us when we make purchasing decisions. That includes when we sole or dual source for products or services that support key business aims or activities and where alternative sources are not economically viable. To get the best commercial rates and operational resilience we continuously engage with and challenge key suppliers on pricing and supply chain diversity.

Working with so many third parties needs effective governance to manage them properly. So, we have a low appetite for dealing with suppliers outside our defined policies or processes.

We have to make sure third parties don't expose our brands to damage. That means avoiding – or stopping working with – any that don't meet our standards on things like human rights.

Examples of what we do to manage this category
– our sourcing strategy uses different approaches by category, standard terms and conditions and controls so we can make purchasing decisions efficiently and effectively

– we have comprehensive supplier due diligence, contract management, on-boarding and in-life assessment processes

– we have robust supplier risk management, performance, renewal and termination processes

– we do demand planning and forecasting, stock counts and inventory management so we have supplies available

– we get assurance that the goods and services we buy are made, delivered and disposed of responsibly. That includes monitoring energy use, labour standards and environmental, social and governance impacts.

Dynamic risk examples in this category
Point risks:
– rising energy prices, supply shortages, and inflationary pressures could affect cost reduction targets and future investments

– an escalating Russia-Ukraine war and/or China-Taiwan tensions could compound current supply chain challenges.

Emerging risk:
– long-term metal shortages could lead to much higher prices

– extreme climate conditions might disrupt supply chains.

Scenario considered in viability analysis/planning
Geopolitical uncertainty widens, with wholesale impact on the China supply chain.

Transformation delivery
Sponsor: Chief Financial Officer

What this category covers
We're accelerating transformation delivery to build a simpler, more efficient and dynamic BT Group.

We're modernising and streamlining our IT, simplifying and refining our product portfolio, switching to next-generation strategic networks, unlocking cost efficiencies through better and more agile ways of working, improving our customers' digital journeys, automating our processes and using AI.

Failing to transform could make us less efficient and damage our financial performance and customer experience.

Our appetite for risk in this category
We've defined the level of risk we're willing to tolerate for simplifying and modernising our products, customer journeys and technology. We track specific metrics to check we're achieving genuine, sustainable transformation outcomes and not just cutting costs.

Delivering within our risk appetite will give us competitive advantage, enable faster delivery, improve customer experience and ensure our costs benchmark favourably with peers.

Examples of what we do to manage this category
– we invest in digital and data capabilities to cut costs and grow revenue – prioritising it around making sure we have the right resources to deliver sustainable change effectively

– we have strong governance, with senior leaders clearly owning operational and financial outcomes to be delivered. Each quarter we assess performance to allocate funding – prioritising programmes delivering the most strategic value

– we share robust tracking and reporting (using financial and non-financial measures) with the *Executive Committee* and Board monthly

– we hold monthly *Executive Committee* transformation sessions to accelerate delivery by managing dependencies, making informed decisions and removing blocks.

Dynamic risk examples in this category
Point risks:
– managing complex interdependencies to complete migrating customers and close legacy IT and networks

– delivering the volume of change at pace while still focusing on cutting costs.

Emerging risk:
– the changing external environment could affect the size, scale and speed of transformation needed to deliver our strategy.

Scenario considered in viability analysis/planning
The group is unable to execute transformation plans required to deliver savings initiatives.

Task Force on Climate-related Financial Disclosures

We analyse and report on what we're doing to understand and manage the impact of climate-related risks and opportunities on the group.

This section details how we're complying with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in this area – our 'TCFD statement'.

– Under FCA Listing Rule 9.8.6(8) as a premium listed company we have to explain how we're complying (or not) with the TCFD framework. This is our second year of mandatory disclosure – but we've been doing it voluntarily since FY20.

– We consider the climate-related financial disclosures that follow to be consistent with the TCFD framework and therefore compliant with Listing Rule 9.8.6(8), save for certain items which we summarise below in Table 1: TCFD Compliance Summary.

– Where relevant, we've accounted for TCFD guidance and the recent Financial Reporting Council (FRC) recommendations on materiality around governance, strategy, risk management, and metrics and targets.

– We've integrated climate-related disclosures throughout the Annual Report, so in some areas we've cross-referenced to another section containing the relevant information.

– The information presented within this TCFD section has been reviewed to a high level of assurance by LRQA Limited against Accountability's AA1000AS v3 assurance standard.

Table 1: TCFD Compliance Summary

	TCFD recommendation	Compliance status	Alignment	Section reference
Governance				
1	**Board's oversight of climate-related risks and opportunities**	Full	We discuss Board-level delegation of climate-related responsibilities to the *Digital Impact & Sustainability Committee*. The *Audit & Risk Committee* oversees climate risk management.	**TCFD section:** Our climate change governance – Board oversight on climate change (page 73) **Corporate governance report:** Our governance framework (page 85), and *Digital Impact & Sustainability Committee* Chair's report (page 107)
2	**Management's role in assessing and managing climate-related risks and opportunities**	Full	We discuss that the Chief Executive is ultimately responsible for climate-related issues and that the *Executive Committee* sets operational strategy on climate change and sustainability, and monitors associated progress, performance and risks. Health, safety and environment issues are managed by a subcommittee that reports to the *Executive Committee*.	**TCFD section:** Our climate change governance – Management's roles and responsibilities (page 73) **Corporate governance report:** Our governance framework (page 85)
Strategy				
3	**Climate-related risks and opportunities (short, medium, long-term)**	Full	We describe each short, medium and long-term timeframe including for decarbonisation as well as investments built into our financial medium term plan (MTP).	**TCFD section:** Risk management and climate scenario analysis – Planning climate risks and opportunities across different time horizons (page 74)
4	**Impact of climate-related risks and opportunities on the business, strategy and financial planning**	Full	We describe the impact of physical and transition risks by climate scenario and time horizon.	**TCFD section:** Risk management and climate scenario analysis – The results of our analysis (page 75) **Strategic report:** Our Manifesto – Sustainable (pages 38 to 39)
5	**Resilience of the organisation's strategy, considering different climate-related scenarios, including a 2°C or lower scenario**	Full	Climate adaptation and mitigation activity is discussed further in sections 'Responding to our main physical risks' and 'managing transition risks and pursuing low carbon opportunities'.	**TCFD section:** Being resilient to climate risks (page 78)

Task Force on Climate-related Financial Disclosures continued

Table 1: TCFD Compliance Summary

	TCFD recommendation	Compliance status	Alignment	Section reference
Risk management				
6	**Processes for identifying and assessing climate-related risks**	Full	We outline the process and framework for identifying and assessing climate-related risks, also linking out to our wider risk management framework.	**TCFD section**: Risk management and climate scenario analysis – A structured and consistent approach to risk management (page 74) **Strategic report**: Risk management (pages 61 to 62)
7	**Processes for managing climate-related risks**	Full	We manage climate risks through Group Risk Categories (GRCs) – including stakeholder management (reputation), operational resilience (physical assets) and supply management (supply chain).	**TCFD section**: Risk management and climate scenario analysis – A structured and consistent approach to risk management (page 74) **Strategic report**: Risk management (pages 61 to 62) and climate-related GRCs (pages 63, 67, 70)
8	**Identifying, assessing and managing climate-related risks, and integration into overall risk management**	Full	Climate risks are managed through BT Group's risk management framework and processes. Risks are monitored and reported to the *Audit & Risk Committee*.	**TCFD section**: Risk management and climate scenario analysis – A structured and consistent approach to risk management (page 74) **Strategic report**: Risk management (pages 61 to 62)
Metrics and targets				
9	**Metrics to assess climate-related risks and opportunities in line with strategy and risk management processes**	Partial	Our disclosure covers our climate targets, ESG-related metrics and GHG emissions. Over time as our modelling and data capabilities mature, our metrics and disclosures in this area will evolve to introduce metrics related to physical risks and products and services.	**TCFD section**: Our targets, metrics and measurement (page 79), Our worldwide energy use and greenhouse gas emissions (page 80) **ESG Addendum**: **bt.com/esgaddendum**
10	**Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks**	Full	We disclose Scope 1, 2 and 3 GHG emissions and related risks and share a summary table of figures at the end of this section (page 80).	**TCFD section**: Our targets, metrics and measurement (page 79), Our worldwide energy use and greenhouse gas emissions (page 80) **ESG Addendum**: **bt.com/esgaddendum**
11	**Targets used to manage climate-related risks and opportunities, and performance against targets**	Full	We describe our operational and value chain net zero targets and some of the investments we're making in order to achieve them. We also link out to our Carbon Reduction Plan which provides further details of the targets and actions we're taking.	**TCFD section**: Climate change strategy and planning – Embedding climate change into our strategy (page 73) **Strategic report**: Our Manifesto – Sustainable (pages 38 to 39)

Our climate change governance

We set out the internal governance bodies, processes and ways in which we identify and manage climate-related risks and opportunities within BT Group.

Board oversight on climate change

The Board

The Board has overall responsibility for how we identify and manage climate-related risks. Matters reserved to the Board include items of significant strategic importance, such as those which have a direct impact on the group's funding position, reputation or integrity; and/or ethical standards.

Digital Impact & Sustainability Committee

Oversees our climate change strategy, programme and goals. It's chaired by Non-Executive Director Sara Weller and made up of four Independent Non-Executive Directors. It's attended by our Chief Human Resources Officer, Corporate Affairs Director, Director of Digital Impact and External Communications and the Sustainability and Corporate Affairs Strategy Director.

The Deputy Company Secretary is secretary to the Committee and attends all meetings. The Committee meets at least three times a year and monitors progress on our long-term digital impact and sustainability goals, including those on climate change. The Chair reports to the Board on our climate-related activities, including net zero. To support the induction of Sara Weller, as the new Chair of the *Digital Impact & Sustainability Committee*, and other senior leaders, a training session was held on sustainability and climate change.

Audit & Risk Committee

Monitors and assesses our risk management and internal control system effectiveness on the Board's behalf. That includes climate change risks which sit under a number of different GRCs, see pages 63, 67 and 70.

Management's roles and responsibilities

Chief Executive

Our Chief Executive is ultimately responsible for our environmental policy and performance. That includes climate-related issues. After consulting with the *Executive Committee* the Chief Executive recommended our target to become a net zero carbon emissions business by the end of FY31 for our operations (Scopes 1 and 2) and by the end of FY41 for value chain (Scope 3) to the *Digital Impact & Sustainability Committee* – who then approved it in 2021.

Executive Committee

Sets operational strategy on climate change and sustainability. It also monitors associated progress, performance and risks – supported by our digital impact and sustainability team.

Our Group Health, Safety & Environment Sub-Committee manages day-to-day climate-related compliance and risk issues on behalf of the *Executive Committee*, reporting back regularly.

Climate change strategy and planning

Embedding climate change into our strategy

Climate is a core part of our strategic objective to lead the way to a bright, sustainable future.

We have ambitious strategic and financial targets which aim to ultimately reach net zero and decarbonise our operations by FY31 and value chain by FY41.

Our Carbon Reduction Plan (**bt.com/carbonreductionplan**) explains what we're doing to reduce operational and value chain emissions. We include our investments on renewable electricity, transforming our buildings estate, energy efficiency and transitioning to a low carbon fleet in our medium term plan. Our medium term plan considers both capital and operating expenditure over a rolling five-year timeframe.

To reduce customer emissions, in 2021 we set a target to help our customers avoid 60m tonnes of CO_2e by FY30. This is based on shifting them to technologies like FTTP, 4G/5G, cloud computing and IoT-based products.

Task Force on Climate-related Financial Disclosures continued

Risk management and climate scenario analysis

A structured and consistent approach to risk management

Our risk management framework helps us assess, manage, monitor and act on risks – including climate change – to deliver on our strategic objectives. We track and report risks to the *Audit & Risk Committee* and *Executive Committee*.

Identifying risks

We identify climate change risks as part of our risk management framework. We manage them through GRCs – including operational resilience (physical assets), stakeholder management (reputation), and supply management (supply chain).

Assessing risks

We evaluate climate risks against time horizon, preparedness and likely degree of impact. We calculate the impact using quantitative and qualitative measures on revenue and market capitalisation, customer experience, and stakeholder perception. This lets us determine relative risk priority.

Managing and reporting on risks

Our Group Health, Safety & Environment (GHSE) Sub-Committee manages a range of risk and compliance issues (including climate change) on behalf of the *Executive Committee*. It's chaired by the Chief Security and Networks Officer – an *Executive Committee* member – and made up of senior leaders from across the business.

In the UK, our most significant environmental risks are managed by the Environmental Management Compliance working group. It meets each month and reports to the GHSE every quarter. Its members are senior managers responsible for addressing environmental risks and improving performance under our ISO 14001-certificated environmental management system.

Day to day, we manage climate risks in the parts of our business they might affect. For example, our procurement team measures suppliers' energy use and environmental impact. We decide how to mitigate or control a risk based on its likelihood and impact, leading to investments in areas such as flood defences because more floods could have a big effect on us.

Planning climate risks and opportunities across different time horizons

We think about climate risks and opportunities over short-, medium- and long-term timeframes. We do that in line with our risk management framework and financial planning processes – and considering external legal and regulatory changes.

Short-term horizon

Our short-term horizon considers the chance of events creating risk exposure over the next three years. We factor acute physical risks like flooding and higher temperatures into our annual plans. This helps us to adapt and reduce the impact on our business and value chain.

Medium-term horizon

Our medium-term horizon is aligned to our financial planning process which uses a five-year horizon and capital expenditure is assessed over the life of the asset.

Long-term horizon

Our long-term horizon matches our investment timeframes for strategic assets like networks that are planned over longer periods – sometimes up to 20 years. It also influences our strategy, targets and plans for responding to the bigger risks and transitional implications of climate change. We also think about climate risks beyond these timeframes. For example, our long-term climate targets extend to FY41, and TCFD scenario analysis set out in the following pages considers risks in 2050.

Analysing climate scenarios

This year we focused on advancing our climate scenario analysis and financial impact modelling, in line with FRC expectations.

We updated our set of prioritised climate risks and opportunities to focus on three physical risks, three transition risks and three opportunities.

The physical risks relevant to our sector include more frequent and severe weather events affecting infrastructure and service provision. For example floods, heatwaves or storms can result in service interruptions and downtime.

The transition risks that could affect us include changes to policy and regulations in areas like carbon pricing. These could have direct financial implications based on our residual emissions, and changes in customers' behaviour and preferences around purchasing and choice of service provider.

We considered potential climate-related opportunities for our sector, such as improved energy efficiency and winning new business by positioning ourselves as a leader in our response to climate change.

We aimed to identify the risks and opportunities that could have the most material financial impact on our business – for example on revenue and current and future costs, including cost of capital.

We use different scenarios to assess our climate risks and opportunities from physical impacts and the move to a low-carbon economy. We've based our scenarios on the Intergovernmental Panel on Climate Change (IPCC), Network for Greening the Financial System and International Energy Agency, among other sources.

Our analysis is based on a 'middle-of-the-road' scenario of 2°C to 3°C warming. We also reviewed 'optimistic' and 'very warm' transition and physical scenarios (1.5°C and 4°C warming) to assess climate change's potential financial impact on BT Group in 2030, 2040 and 2050.

BT Group's TCFD Climate Scenarios in Table 2 below shows the different climate-related scenarios[1] we've considered to help us to test our organisational strategy's resilience. RCPs (Representative Concentration Pathways) are IPCC greenhouse gas trajectories representing different climate scenarios.

The results of our analysis

We consider our strategy to be resilient to climate risks in all modelled scenarios.

The Current Policies scenario assumes that some climate policies are implemented, but global efforts are not enough to stop significant global warming.

The Delayed Transition scenario assumes that annual emissions don't fall until 2030, and climate policies are delayed or different across countries and sectors.

The Net Zero scenario limits global warming to 1.5°C and assumes that the necessary policy changes are introduced early and become more stringent over time, achieving global net zero CO_2e around 2050.[2]

Under a Current Policies scenario, we expect physical risks to have a greater impact than transition risks, as these are driven by more frequent and severe weather, particularly in the longer term.

We expect transition risks to have a greater impact under the Delayed Transition and Net Zero scenarios – because they're driven by changes in policy and regulation as well as stakeholders' behaviour (including customers).

Delayed Transition scenario trends are similar to Net Zero – but with the impact on the business realised sooner under Net Zero.

The summary of climate scenario analysis results on the next two pages captures our prioritised climate risks and opportunities under a range of outcomes (fifth to 95th percentile) for the different scenarios we considered.

In line with TCFD guidance and requirements[3], we modelled the impact on our current strategy and business plan – using current decarbonisation plans and the commitments in our latest medium term plan.

Our results are global in scope. For most risks and opportunities, the contribution from non-UK geographies is relatively limited, as most of our networks and estates are based in the UK. We also operate primarily in the ICT sector. Therefore, we present global figures that are not disaggregated by geography or sector.

We've treated each risk and opportunity as a mutually exclusive event. We've presented the final outputs in annualised nominal terms, without applying social discount factors to avoid double counting with our financial models. We determined relative financial effects using our risk management framework.

1   We mapped our physical risks to the IPCC's Fifth Assessment Report's climate scenarios – known as Representative Concentration Pathways. We modelled transition risks using the Network for Greening the Financial System version 3 and International Energy Agency for the scenarios in scope. We derived projections from the World Climate Research Programme's Coupled Model Intercomparison Project (versions 5 and 6/ CMIP5 and CMIP6) and the Coordinated Regional Climate Downscaling Experiment. Other climate-conditioned data sets include high precision flood data. Where we didn't have scenario data, we used secondary literature proxies and assumptions.
2   NGFS Scenarios Portal.
3   TCFD: Implementing the Recommendations on the Task Force on Climate-related Financial Disclosures.

Table 2: BT Group's TCFD Climate Scenarios

Model scenarios (transition risk)	Model scenarios (physical risk)	BT Group temperature equivalent scenarios (degree of warming by 2100 above pre-industrial levels)	Scenario descriptions
Current Policies	RCP 8.5	3.5 – 4.5°C	**High emissions** Emissions continue to rise at current rates with no policy changes
Delayed Transitions	RCP 6.0	2.5 – 3°C	**Intermediate emissions** Emissions peak around 2060 and then decline
	RCP 4.5	2 – 2.5°C	**Intermediate emissions** Emissions stabilise at half of today's emissions by 2080
Net Zero	RCP 1.9 / RCP 2.6	1.5 – 2°C	**Low emissions** Emissions halved by 2050, achieving net zero around 2075

Task Force on Climate-related Financial Disclosures continued
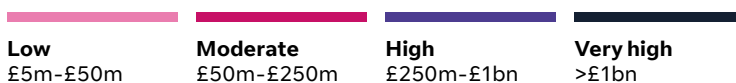Risk management and climate scenario analysis continued

Summary of climate scenario analysis results

Prioritised risk or opportunity	Time horizon[1]			Description	Potential financial impact	
	S	M	L			
Increase in flooding[2]			■	Increase in frequency and severity of flooding, resulting in increased damage to group infrastructure.	– Increased costs to repair asset damage. – Reduced revenue due to network disruption.	
Increase in intensity, duration and frequency of heatwaves			■	Increase in temperature and frequency of heatwaves impacting the group's operations and requiring increased energy consumption for cooling.	– Increased energy costs from cooling demands for equipment and operations during periods of high temperatures. – Reduced productivity due to labour hours lost on account of heat stress.	
Increase in intensity, duration and frequency of extreme weather events			■	Storms and extreme wind causing repair to damaged assets affecting our service, resulting in increased maintenance costs and revenue loss.	– Increased costs to repair asset damage as a result of extreme weather events. – Reduced revenue due to network disruption.	
Changing consumer preferences and perceived reputation			■	Loss of customers as a result of changing customer preferences and expectations on climate action.	– Reduced revenue due to customer churn as we fail to align with rising customer expectations on climate targets.	B2C B2B
Increased costs associated with carbon pricing, offsets and taxation		■		Regulatory and governmental policy changes may introduce additional operational costs in the form of carbon pricing and taxation. Carbon pricing might also affect some supply chain players more strongly, and at an earlier stage, and these costs might be passed on to BT Group by suppliers.	– Increased direct compliance costs and indirect increases of production costs passed on by suppliers.	
Increased cost of capital due to insufficient climate action by BT Group		■		Risk of reduced access to capital and increased interest expense due to a failure to make sufficient progress in reducing carbon emissions and a decline in our sustainability credentials and reputation. This could lead to an increase in the cost of capital.	– Increased cost of capital due to drop in sustainability credentials and reputation.	
Improvement in energy efficiency		■		Transitioning to energy efficient technologies and focusing on maintaining renewable electricity consumption in our operations could lead to lower operating costs as a result of less reliance on expensive fossil fuels.	– Reduced costs associated with moving away from more expensive and carbon-intensive sources of energy.	
Strengthening BT Group's reputation as a climate change leader			■	Enhanced revenue prospects for the group by further differentiating itself as a climate change leader.	– Increased revenue due to improved reputation around climate change.	B2C B2B
Expanded service offerings/ leveraging technology for climate action		■		Accelerate climate action for customers by leveraging our products, services and partnerships.	– Increased revenue from green products as well as improved brand reputation.	

1   Lines denote the time horizon under which individual climate risks or opportunities have been modelled. The squares denote the timeframe where impact is potentially the greatest.
2   We produced high precision flood data for two epochs: 2030s (2021 to 2040) and 2050s (2041 to 2070) to capture the potential range of flood effects in the future. The results presented show the effects of flooding for an average year in each of these epochs, to aid comparison with the other risks and opportunities that we've explored.

Relative risk impact

Low	Moderate	High	Very high
£5m–£50m	£50m–£250m	£250m–£1bn	>£1bn

Relative impact[3]									How we're responding:
at 2030			at 2040			at 2050			
CP	DT	NZ	CP	DT	NZ	CP	DT	NZ	

We've invested in flood defences. We continue to target mitigation and maintenance activities, and plan future defence investments.

We'll continue to upgrade to equipment which has higher temperature thresholds, and use fresh air and adiabatic cooling to reduce our energy consumption.

We regularly monitor the increasing frequency and severity of extreme weather events, which is tracked through our operational resilience GRC, and reported to the *Audit & Risk Committee* and *Executive Committee*. Our climate adaptation measures focus on key assets like investing in flood protection and upgrading cooling systems at critical sites, as part of our weather resilience strategy.

We track customer sentiment and the influence of climate reputation on their buying decisions. We consider these insights as part of our climate plans and approach to engaging with customers and other stakeholders.

Our net zero target and plan covers our own operations and value chain. Our climate change procurement standard is mandatory in all our supplier contracts. We apply a 15% weighting to all buying decisions based on sustainability and related criteria. For all new contracts over £25m, suppliers must have a net zero science-based target in place, or agree to set one within six months.

📄 More detail on our net zero target can be found on pages 38 to 39.

We've implemented our net zero strategy and interim emissions reduction targets to demonstrate our strong commitment to acting on climate. We closely track our progress.

We've made progress improving the energy efficiency of our buildings and operations. We're also focused on empowering our colleagues to cut their energy use.

We track changing customer preferences and reflect this in how we engage with them, positioning our climate progress in customer communications and bids.

We've set a goal to help customers avoid 60m tonnes of carbon by FY30 by using our products and services.

📄 See page 39 for further details of the carbon avoided under the goal.

3   Climate scenario abbreviations CP= Current Policies, DT = Delayed Transition, NZ = Net Zero.
4   We'll assess the opportunity value as we develop the roadmap for our carbon avoidance goal.

Task Force on Climate-related Financial Disclosures continued
Risk management and climate scenario analysis continued

Physical and transition risks impact by climate scenario and time horizon

Physical risks
The biggest physical risk is flooding, with the largest effects coming from indirect losses from business disruption. Across all three physical risks, the worst effects happen under the Current Policies scenario in 2050. More frequent and severe heatwaves and extreme weather would likely mean a need for extra cooling and more business disruption.

Consumer preferences risk
There are financial risks from damage to our reputation. These are based on the level of our emissions and speed of decarbonisation compared to the rest of our industry. If we were a lot slower, customers might go elsewhere.

Short-term, this isn't a big risk as any gap is likely to be limited in effect as customer attitudes aren't yet thought to drive material changes. But that could change in the medium to long term, particularly under Net Zero and Delayed Transition scenarios.

Carbon pricing risk
Carbon pricing poses a more material risk under Delayed Transition and Net Zero scenarios – especially in the medium to long-term as we'd expect carbon prices to rise over time under these scenarios. We'd expect prices to be a lot lower under a Current Policies scenario, minimising any financial impact. Any risk under other scenarios should also be relatively limited, given our plans to reduce emissions under our net zero targets.

Cost of capital risk
We could find ourselves paying more interest under a Net Zero scenario from investors demanding a higher risk premium because of slow progress on climate targets. Investments in renewable technologies and other policy mechanisms to drive decarbonisation can impact economic conditions in different climate scenarios, thereby affecting our cost of capital. This potential impact starts to lessen under a Delayed Transition scenario, reducing significantly from 2030-2040.

Energy efficiency opportunity
The chance to save money from energy efficiency comes from cutting consumption – by making our building estate and networks more energy efficient. In all scenarios and timeframes, the opportunity for cost savings is minimal compared to other opportunities. This is because we don't rely much on expensive and carbon-intensive fossil fuels, because almost all of our energy already comes from renewable electricity.

Reputation opportunity
This financial opportunity comes from us winning market share by lowering our emissions and decarbonising quicker than our competitors – resulting in customers switching to us. Short-term, this isn't a big opportunity as any gap would have limited effect as customer attitudes aren't yet thought to drive material changes. But this could grow in the medium to long term – particularly under a Current Policies scenario where we'd expect the rest of the industry to decarbonise slower.

Being resilient to climate risks

Based on our analysis, we don't think climate risks have a material impact on our financial statements. But we'll closely monitor our prioritised risks and opportunities as part of continually assessing climate risks.

We're acting to reduce risk across the various climate-related scenarios, with an emphasis on long-term resilience.

Responding to our main physical risks

Flooding
Last year we continued to analyse the potential effects of flooding in our UK estate. We ran a pilot covering 27 operational sites, using extra flood risk data and a number of warming scenarios to provide a more extreme view of potential flood impacts from 2030-2050.

This year we widened our analysis, in line with our future location strategy, to understand possible flood risks from climate change across different RCP scenarios (2.6, 4.5, 6.0, 8.5). We're doing a gap analysis to review the level of protection we already have. This will help us target mitigation and maintenance and plan future defence investments.

Heat
In most scenarios from 2030-2050 the UK will see more extreme heat days. But the risk of them damaging our core network sites is low. Cooling system upgrades in our large metronode sites allow them to operate effectively in up to 45°C external temperatures. We've invested £60m in these upgrades so far. We expect to complete them in FY24 – at a total cost of around £65m.

We've also finished upgrades in our strategic data centres and invested over £4m last year to upgrade cooling plants at core mobile sites.

To minimise the effects of global warming, all the cooling plants we install in our exchanges are manufactured and tested to confirm they work properly in extreme ambient temperatures. Since 2015 we've invested more than £104m on cooling system upgrades for local exchanges, covering the remainder of the estate.

The new adiabatic units installed in our exchanges cool with fresh air and water evaporation, making us less reliant on refrigerant gases. They work best on the hottest days – well suited to the rising ambient temperatures of different warming scenarios from 2030-2050.

Extreme weather
Our exposure to this risk will change over time, as rolling out FTTP and closing the PSTN network will mean fewer physical network sites. This will cut our exposure to physical climate change risks but does mean more services going through fewer operational locations.

Our flood and temperature mitigations help cut risks around this smaller operational footprint. On top of that, FTTP services are more 'passive' (with no electronics between exchanges and connected properties), which further cuts the risk of extreme weather damaging our equipment.

Managing transition risks and pursuing low carbon opportunities

We face risks from market, policy, regulatory and technological changes that will support the transition to a low carbon economy. Our sustainability targets and supporting plans aim to reduce the potential impact of transition risks and support the UK's commitment to becoming a net zero economy by 2050.

Consumer preferences risk
There are lots of opportunities for customers to reduce their carbon emissions and associated climate change risks by using our products and services. We offer solutions that, for example, reduce the need to travel, cut energy use and reduce material and manufacturing needs.

Carbon pricing risk
We track carbon pricing developments and prices in the UK and international voluntary carbon offsets markets to assess our climate risks. The carbon prices we use in our TCFD climate scenario analysis shape our understanding of costs under different transition scenarios and in certain jurisdictions.

Cost of capital risk
We've implemented our net zero strategy and carbon emission reduction targets, showing our commitment to reducing our climate change risk exposure. We're making investments to meet our targets by continuing to purchase renewables, converting the majority of our vehicle fleet to ultra-low emissions vehicles and decarbonising our buildings.

Energy efficiency opportunity
Energy savings are part of our strategy to transform our operating model. For example, we've focused on reducing energy consumption, while improving the performance of the cooling systems that protect our network equipment from overheating. We're also moving to fewer, more efficient buildings. And longer term, FTTP migration will reduce the number of exchanges and other network sites we need and cut our network's overall energy consumption.

Reputation opportunity
As well as opportunities from our strategy and targets, action on climate change is an increasing focus for the group to help differentiate us from our competitors. We were one of the first companies to participate in initiatives like RE100, the CDP supply chain programme, 1.5°C Supply Chain Leaders and the We Mean Business Coalition.

Recognising that supportive policy environments are critical to both our company and wider society to keep within the 1.5°C warming limit, we work with regulators and policymakers to advocate for policies and regulation to create these enabling conditions. We work with peers through associations like GSMA, techUK, Joint Audit Cooperation and the European Green Digital Coalition to build knowledge and expertise on the potential of our sector to help decarbonise other sectors. We work closely with policymakers to inspire others (like small and medium-sized enterprises) to take climate action.

Our targets, metrics and measurement

Climate and net zero are core elements of the BT Group Manifesto. You can find full details on our targets, programmes and performance on .

We publish a Carbon Reduction Plan (**bt.com/carbonreductionplan**) showing how we're reducing our carbon emissions footprint across all scopes. We're also part of the UK Government's Transition Plan Taskforce Sandbox Initiative to help develop a new climate transition reporting framework.

In November, our Chief Executive led an ESG business briefing with investors and financial analysts. He gave an update on our Manifesto – covering climate and environmental targets, performance and plans.

Our sustainability and corporate affairs strategy director meets regularly with stakeholders to discuss our carbon targets. This allows shareholders, customers and colleagues to review our approach and progress.

In FY23, 5% of the annual bonus available to eligible managers was based on our science-based target to cut the carbon emissions intensity of our operations by 87% by FY31.

We'll keep working on defining metrics around our physical risks and products and services as our modelling and data capabilities evolve and become more mature.

Task Force on Climate-related Financial Disclosures continued
Our targets, metrics and measurements continued

Our worldwide energy use and greenhouse gas emissions[a]

In the table below, we provide an overview of Scope 1, 2 and 3 greenhouse gas emissions. We report in line with the Greenhouse Gas Protocol (ghgprotocol.org).

We will continue to develop our metrics and measurement approach to help us track climate-related risks and opportunities.

Year ended 31 March	FY21 UK Energy GWh	FY21 UK CO2e[f] Tonnes	FY21 Non-UK Energy GWh	FY21 Non-UK CO2e Tonnes	FY22 UK Energy GWh	FY22 UK CO2e Tonnes	FY22 Non-UK Energy GWh	FY22 Non-UK CO2e Tonnes	FY23 UK Energy GWh	FY23 UK CO2e Tonnes	FY23 Non-UK Energy GWh	FY23 Non-UK CO2e Tonnes
Scope 1[b] (direct emissions)												
Gas and Oil – heating	174	32,625	2	326	169	31,595	2	301	139	25,870	2	292
Gas and Oil – generators[e]	36	8,318	0.3	80	30	6,842	0.1	30	15	3,463	0.1	31
Fugitive emissions – refrigerants		1,151		2,433		3,087		1,501		522		281
Commercial fleet (converted from litres fuel)	506	121,732	3	723	553	130,971	3	575	591	142,357	3	673
Commercial travel (converted from mileage/ cost/litres fuel)	9	2,229	8	1,805	13	3,151	5	1,300	15	4,018	11	2,720
Total Scope 1	**725**	**166,055**	**13**	**5,367**	**765**	**175,646**	**10**	**3,707**	**760**	**176,230**	**16**	**3,997**
Scope 2[c] (electricity including nuclear & CHP[g])												
Total consumption (LBM[h])	**2,335**	**544,280**	**233**	**77,165**	**2,311**	**490,704**	**210**	**63,599**	**2,287**	**442,261**	**201**	**56,041**
MBM[i] renewable consumption CO2e adjustments												
General consumption	2,335	(544,279)	233	(76,963)	2,309	(490,363)	210	(63,398)	2,283	(441,524)	201	(55,963)
Commercial fleet EV[j] consumption	N/A	N/A	–	–	1.5	(298)	–	–	3.3	(633)	–	–
Company car EV consumption	0.005	(1)	–	–	0.2	(43)	–	–	0.4	(104)	0.1	(20)
Total Scope 2 CO2e MBM adjusted		**–**		**202**		**–**		**201**		**–**		**58**
Total Scopes 1 & 2 (MBM)	**3,060**	**166,055**	**246**	**5,569**	**3,076**	**175,646**	**220**	**3,908**	**3,047**	**176,230**	**217**	**4,055**

	FY21	FY22	FY23	
Worldwide Scopes 1 & 2 CO2e (MBM)	171,624	179,554	180,285	
% Change from baseline year FY17 (baseline 404,780)	(58)%	(56)%	(55)%	
Scope 3[d]: Worldwide emissions CO2e tonnes	3,071,241	3,135,368	3,289,171	
Key climate targets:				
Intensity metric Scope 1 & 2 worldwide emissions tonnes CO2e per £m value added (baseline 31.50)	13.47	14.19	13.74	Target 31 March 2031
% Change from baseline year FY17	(57)%	(55)%	(56)%	(87)%
SBTI supply chain emissions GHG Scope 3 Upstream + Operational (GHG Catg 1-8) kt (baseline 3,217 kt)	2,321	2,423	2,588	Target 31 March 2031
% Change from baseline year FY17	(28)%	(25)%	(20)%	(42)%

N/A: Not available or not applicable
a   Data presented has been reviewed to a high level of assurance by Lloyd's Register Quality Assurance Limited against Accountability's AA1000AS v3 assurance standard. We restate historical years' data when we think subsequent information is materially significant (e.g. replacing estimates with measured figures).
b   Scope 1: direct emissions from our own operations (e.g. fleet/heating fuel combustion).
c   Scope 2: indirect emissions from the generation of our consumed energy (mainly electricity) (excludes third-party consumption).
d   Scope 3: including supply chain, customer use of our products, and other indirect emissions (such as employee commuting).
e   For gas & oil based on GWh equivalent input value before combustion and gross calorific value.
f   CO2e: carbon dioxide equivalent emissions.
g   CHP: combined heat and power.
h   LBM: location-based method for scope 2 emissions accounting – as defined in the Scope 2 Guidance amendment to the Corporate Standard (ghgprotocol.org).
i   MBM: market-based method for Scope 2 emissions accounting – as defined in the Scope 2 Guidance amendment to the Corporate Standard (ghgprotocol.org).
j   EV: electric vehicle.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the prospects and viability of the group.

The assessment has been based on the Company's strategy, balance sheet and financing position, including our £2.1bn undrawn committed borrowing facility which matures in March 2027, and the potential impact of 'Our principal risks and uncertainties' (pages 63 to 70).

The Board has chosen to conduct its review for a period of five years to 31 March 2028. The Board believe that this is an appropriate timeframe as it aligns with the primary focus of our business and financial planning.

The assessment of viability is based on our medium term plan which forecasts the group's profitability, cash flows and funding requirements, and is approved by the Board at the end of each year. The medium term plan is built from bottom-up forecasts of each of our CFUs based on some central macroeconomic assumptions such as inflation and exchange rates. This is then supplemented by items managed at a group level. The macroeconomic assumptions are informed by independent third party forecasts. The performance of the group and our CFUs against these forecasts is monitored monthly and this is supplemented each quarter through a series of quarterly business reviews of each unit conducted by the Chief Executive and Chief Financial Officer.

Beyond our medium term plan horizon, the group also makes investments that have business cases covering a longer time period, such as our network investments. Significant capital expenditure investment cases are approved by the Chief Executive and, where appropriate, the Board, after taking into account longer-term risks and opportunities such as the economy, technology and regulation.

Approach

Our medium term plan has been stress tested in a series of individual severe but plausible downside scenarios, each aligned to our group risk categories as set out on pages 63 to 70. This was followed by stress testing our forecasts against a combined scenario of correlated risks using a stochastic model. Finally, we then identified several mitigations that could realistically be taken by the business to avoid or reduce the impact of the underlying risk.

Scenarios included in our combined severe but plausible stress test

Our hypothetical combined downside scenario is based on the geopolitical tensions between the West and Russia and China intensifying. The combined effect on energy security for Europe and supply chain disruption drives up inflation, creating a prolonged recession and intensifying the cost of living crisis and increased cyber risk.

The individual scenarios selected for inclusion in the combined scenario were chosen based on their correlation and the current headwinds BT Group and the industry is facing.

Scenario	Risk category	Scenario modelled
China supply chain disruption	Supplier management	**Geopolitical uncertainty widens, with wholesale impact on the China supply chain.** Assumptions: – Immediate closure of trade routes to Chinese market with no notice – Key product and engineering materials suppliers experience disruption, in part mitigated by diversification, impacting all industry participants – FTTP build delayed due to shortages
Cyber attack followed by a class action	Cyber security	**BT falls victim to cyber attacks and experiences major loss of customer data which leads to a successful class action against BT Group.** Assumptions: – GDPR breach detected and announced followed by increased customer churn and EBITDA decline – Fine from the Information Commissioner's Office – Class action claim from customers against the group
Winter power shortages & unhedged energy costs	Operational resilience and Financing	**Ongoing crisis in the energy sector leads to insufficient gas supply and energy volatility.** Assumptions: – 35% of Britain to experience daily outages for up to 60 days – Telecommunications companies not prioritised for service – Energy prices increase beyond the group's assumptions toward the upper end of projections of power market price curves by independent third-party forecasters
Recession	Financing and Communications regulation	**The UK and global markets experience a significant recession with negative GDP growth. This increases unemployment rates and reduces household spend with increased regulation.** Assumptions: – Severe curtailment of discretionary project spend by enterprise customers – Decline in consumer product ARPU due to pressures on disposable income and customer retention initiatives – Regulatory impact on pricing
Missed cost savings	Transformation delivery	**The group is unable to execute transformation plans required to deliver savings initiatives.** Assumptions: – Adverse overall performance across our transformation programmes – Inability to implement additional savings initiatives
Pension deficit	Financing	**An increase to BT's funding obligations to the BT Pension Scheme (BTPS).** Assumptions: – A decline in macroeconomic outlook and financial markets increases the BTPS deficit in advance of the 30 June 2023 triennial funding valuation – The deficit is met through higher deficit payments over the term of the existing recovery plan

Viability statement continued

We have considered directly relevant mitigations that we would employ if these events occurred and included those impacts in our calculations.

A summation of the full impact of each of the individual scenarios in this stress test would be an extremely unlikely outcome, therefore we use a stochastic model to develop a more realistic combined scenario. We applied an 80th percentile confidence interval which allows for a stress test of the medium term plan with a plausible but still severe combination of events, without assuming the worst impact happens across all scenarios at the same time.

We have reduced the confidence interval from the 95th percentile applied last year, which was considered to exaggerate the severity of the combined exposure to an implausible degree, largely driven by the increase in the scenarios included within the combined scenarios compared to last year. However, had we used the more severe 95th percentile the group would still be viable.

Result

Applying our severe but plausible combined scenario, and assuming repayment of debt as it falls due, indicates that if BT Group took no mitigating actions, including debt refinancing, it would experience a liquidity shortage commencing in the third year. Our mitigations, including cutting expenditures, reducing dividends and refinancing debt, could be applied to eliminate this liquidity shortage. We would only need to adopt around half of the available mitigations to maintain positive cash flow over the full five year period of the assessment.

The mitigations directly in our control primarily revolve around reducing cash outflow from the group. In addition, there are also several mitigations which are outside of our control like raising debt. The Board believe that it is reasonable to expect that it could continue to access debt capital markets to refinance a portion of our outstanding debt as it falls due, or to renew our undrawn committed facility (which expires in March 2027, before the end of the viability period). If access to debt markets wasn't available, then equity capital markets would be considered as an alternative to raise funds.

Based on the results of this analysis, the Directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.