Report on directors' remuneration
Committee chair's letter

Sir Ian Cheshire
Chair of the Remuneration Committee
11 May 2022

Contents

Committee membership and attendance

The committee members are all independent non-executive directors only. The deputy company secretary or her appointed delegate acts as secretary to the committee, and they attend all meetings and provide advice, guidance and support as required.

The chairman, chief executive, group HR director and director of reward are typically invited to attend meetings. They do not attend meetings where their own remuneration is discussed or in other circumstances where their attendance would not be appropriate.

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

The committee held five scheduled meetings during the year and three ad hoc meetings. The ad hoc meetings have predominantly been focused on remuneration arrangements for the *Executive Committee*.

Meetings attended

Ian Cheshire (chair)	**5/5**	Matthew Key	**5/5**
Iain Conn	**5/5**	Leena Nair[b]	**4/5**
Isabel Hudson[a]	**4/5**		

a Isabel gave apologies for one meeting during the year due to other business commitments.
b Leena gave apologies for one meeting during the year due to other business commitments.

"The Committee has recognised the hard work and dedication of our workforce and how that has enabled us to continue to deliver for the country. We've have continued to ensure that any remuneration decisions taken during the year were in line with our Directors' Remuneration Policy."

Committee role

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

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

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

I am immensely proud of our colleagues who have continued to improve customer service and deliver vital connectivity, as we extended and strengthened our networks to support the country's recovery despite continued disruption to our business and the wider economy.

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

Wider workforce context

Supporting our workforce throughout the pandemic has been a key priority. No colleagues lost their jobs as a result of the pandemic, and we did not make use of the Government's furlough scheme; instead we created new jobs in Openreach and expanded our investment in UK fibre infrastructure at a time in which other companies cut pay, reduced hours and made redundancies.

However, we were not immune to the financial impact of the pandemic: although we have continued to support our UK frontline colleagues each year (through a 1.5% increase in 2020 and a £1,000 one-off bonus in 2021), our UK management colleagues have not received an annual salary increase since June 2019.

This year we committed that all eligible colleagues would receive an annual salary increase. Given the rising cost-of-living pressure faced by many of our colleagues, we have worked hard to maximise the impact of this year's pay increase budget, focused our efforts on our lowest-paid colleagues, and sought to deliver the increase as soon as possible.

Although we regretfully were not able to reach agreement with the CWU, this year's pay rise of £1,500 for our UK frontline colleagues and key workers is the biggest investment we've made in more than two decades. We have also voluntarily committed to paying UK colleagues at least the Real Living Wage and recently increased our minimum salary across the board to reflect that.

For our UK management population a total salary increase budget of 3% was confirmed, but again we targeted this toward our lower-paid managers. A lower budget of 2% was available for the UK senior management team.

However, we acknowledge that this remains a sensitive and challenging time, and the committee has borne that in mind throughout the year when considering remuneration matters within its remit.

Performance and executive remuneration outcomes for FY22

FY22 annual bonus plan

Annual bonus performance was based on a scorecard of seven key financial and non-financial measures that align to our strategic priorities.

Financial performance accounts for 70% of the bonus scorecard and comprises the following measures:

- **Adjusted EBITDA (35%)** – the outcome was in line with our expectations at £7,577m, just below target. Despite pressures on our revenue, we continued to see benefits from our modernisation programme.
- **Normalised free cash flow (35%)** – cash flow performance was strong through the second half of the year, and the final outcome of £1,392m was between target and stretch.

Our non-financial measures account for 30% of the bonus scorecard and comprise the following:

- **Customer (10%)** – although there was some volatility during the year as the impact of the pandemic dropped off, we saw strong group NPS performance and finished the year just above target. This reflected record NPS results in Consumer, BT SME and Global.
- **Converged networks (10%)** – we have continued to drive sales and delivery of the latest network technologies throughout the year. The number of FTTP connections was just above target, while performance against our 5G customers measure was close to stretch.
- **Digital impact & sustainability (10%)**
  - **Skills for tomorrow (5%)** – during the year we launched multiple wide-reaching campaigns with targeted support for jobseekers, SMEs and families, reaching 893,000 people across the country. Performance was between target and stretch.
  - **Carbon emissions (5%)** – performance against the carbon emissions intensity metric was close to stretch.

When determining overall performance and bonus pay-outs, the committee also considers a number of other factors including share price performance, the external environment and overall affordability. Despite the formulaic outcome of the final bonus scorecard being 123%, the committee exercised its discretion to cap the bonuses of our executive directors at 100% of target, in line with the chief executive's recommendation. Although we have met our financial goals, held to our commitment to reinstate the dividend in FY22, and delivered a competitive salary review for our colleagues, the committee believes that this is a better reflection of the overall performance of the business and the wider stakeholder experience.

Accordingly, Philip and Simon will be awarded bonuses of £1,320,000 and £882,526 respectively. In line with the Policy, 50% of the bonus will be deferred into shares for three years.

2019 Incentive Share Plan (ISP) award

The final award under our legacy ISP was granted in 2019, with performance measured over the three years to 31 March 2022. Vesting is based on three performance measures: relative total shareholder return (40%) (TSR), normalised free cash flow (40%) and growth in underlying revenue (including transit) (20%).

Since the performance targets were set, we have made a number of critical strategic decisions which were not foreseen in our original business plan. Most notably, this includes our commitment to expand the rollout of our full-fibre capability, and the implications for capital expenditure and cash flow. These decisions were being made against an uncertain backdrop given the pandemic, and the level of our commitment and its impact on normalised free cash flow evolved materially. We committed in 2020 to increase our FTTP build to 20m premises by the mid-to-late 2020s and began mobilising to do so. Then in 2021 we increased and accelerated this to 25m premises by December 2026, and made the decision to fully fund the rollout at this level in November 2021. Our increased investment supports the Government's full-fibre ambitions and will be instrumental in delivering further value to our shareholders, but has meant an additional £1.3bn of capital expenditure during the 2019 ISP performance period; something which was not envisaged at the time the targets were set. While this investment will create significant value for the business and our shareholders, the return on investment will not be seen until after the 2019 ISP performance period has ended.

It is not the committee's intention to penalise management for making strategic decisions that are in the best interests of the business, our shareholders, our customers, and the country as a whole. Following a consultation with our largest shareholders, the committee approved an adjustment to the cash flow measure to reflect the increased investment. In addition, in line with our usual practice, we have made appropriate adjustments to both the cash flow and revenue measures to reflect acquisitions and divestments during the period, to ensure performance is being measured on a like-for-like basis. No adjustments were made to the TSR measure.

In aggregate, these adjustments ensure that the targets are no more or less stretching than originally intended. These adjustments reflect major Board decisions with significant impact on our targets, but no adjustments have been made for other adverse external impacts including the Government's decision on the use of Huawei equipment.

Report on directors' remuneration continued
Committee chair's letter continued

Performance against the adjusted cash flow measure was mid-way between target and stretch, while performance against both TSR and adjusted revenue measures was below threshold. Accordingly, 19.1% of the total 2019 ISP award will vest in August 2022.

Further detail is set out on **pages 105 to 106**.

Policy implementation in FY23

a) Salary

Philip's salary was fixed for five years on appointment and therefore no increase will be made in FY23. Simon's salary will be increased by 2% on 1 June 2022, in line with the increase offered to our UK senior management team.

b) Pension

In line with that previously agreed when the Policy was approved at the 2020 AGM, Simon's pension allowance was reduced to 10% of salary from 1 April 2022 which now fully aligns him with the rate offered to the majority of our UK workforce. Philip's pension allowance remains at 10% of salary.

c) Annual bonus

We have reviewed the bonus scorecard measures and weightings and determined that they remain well-aligned with our strategic priorities for the coming year. The committee is satisfied that they represent a meaningful balance of financial performance measures and our broader strategic priorities, including the impact we make for our customers and society. The same group bonus scorecard applies to all eligible managers, used in tandem with divisional scorecards for colleagues in each CFU. Group and divisional measures are aligned to ensure a consistent focus across the business. Openreach managers have a similar bonus scorecard but it is based on Openreach performance only, to maintain independence and to reflect the Commitments.

For FY23, we have also introduced two underpins, based on health and safety and EBITDA performance. If either of the underpins are triggered, the committee retains the discretion to reduce the pay-out as it considers appropriate.

No changes are proposed to the structure of the annual bonus plan for FY23: the on-target and maximum opportunity will remain at 120% and 200% of salary for both Philip and Simon, with 50% deferred into shares for a period of three years.

d) Long-term incentives

In line with the Policy, awards will be made to both Philip and Simon in June 2022 under our Restricted Share Plan (RSP) to the value of 200% of salary. These will vest in three equal tranches after three, four and five years, and no tranche may be sold until year five. As per last year, awards are subject to both return on capital employed (ROCE) and environmental, social and governance (ESG) underpins (see **page 109**), and the committee retains ultimate discretion to adjust the vesting outcome as it considers appropriate, including to nil.

e) Chairman and non-executive director fees

As part of the annual compensation cycle the Board has reviewed the fees payable to our non-executive directors. Given these fees have also remained unchanged since 1 June 2019, on the recommendation of the chairman and the executive directors, the Board has agreed that the base fee will be increased by 2%, effective 1 June 2022, in line with the increase offered to the UK senior management team.

In FY22, the committee agreed a fee of £700,000 per annum for Adam Crozier who joined as a non-executive director and chairman designate on 1 November 2021, and became chairman on 1 December 2021. No review of the chairman's fee took place as he voluntarily waived any increase this year.

Other matters

The committee receives regular updates on HR policies and reward practices for the wider workforce as well as updates on employee relations. The committee takes account of these factors when making decisions relating to executive remuneration.

During the year, Isabel Hudson, as the designated non-executive director for workforce engagement, also fed back any comments to the committee on sentiments being raised by our colleagues in relation to the remuneration of our workforce and related decisions, as raised by the *Colleague Board* through their 'hot topics' discussions at their meetings.

We published this year's gender pay gap statistics at the end of March in our gender pay gap statement. For the second year running, we have also elected to voluntarily publish similar analysis of our ethnicity pay gap. Both analyses, alongside more detail on how we are addressing inequality and championing diversity across our business, can be found in our Diversity and Inclusion Report. The recently launched BT Group Manifesto, also reaffirms our bold targets for gender, ethnicity and disability across the organisation.

See **pages 32 to 33**.

As always, the committee and I wish to maintain an open dialogue on remuneration matters with our investors and I would welcome their comments or feedback and support at the forthcoming AGM.

Sir Ian Cheshire
Chair of the Remuneration Committee
11 May 2022

Focus on remuneration

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

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

Clarity

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

Predictability

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

Simplicity

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

Risk

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

Proportionality

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

Alignment to culture

- When considering performance, the *Remuneration Committee* takes account of BT Group's values
- The *Remuneration Committee* receives regular updates on remuneration practices and policies for the wider workforce, and colleagues may provide feedback to the Board via the *Colleague Board* and the designated non-executive director for workforce engagement
- All-employee share plans encourage our colleagues to become shareholders in the business.

Directors' Remuneration Policy (Policy)

The Policy as approved by shareholders at the AGM on 16 July 2020 in accordance with section 439A of the Companies Act 2006 can be found online at bt.com/annualreport

Legacy matters

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

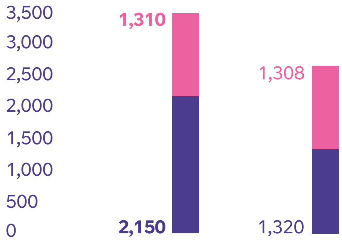
Minor amendments

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

Focus on remuneration continued

Remuneration earned in FY22

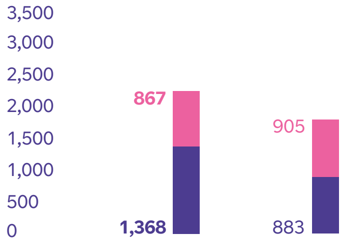
Philip Jansen
Chief executive
£000



		FY22 £000	FY21 £000
F	Base salary	**1,100**	1,100
	Pension allowance	**110**	110
	Benefits	**100**	98
	Total fixed pay	**1,310**	1,308

		FY22 £000	FY21 £000
V	Annual bonus (shares)[a]	**660**	1,320
	Annual bonus (cash)	**660**	0
	ISP (shares)[b,c]	**830**	0
	Total variable pay	**2,150**	1,320
	Total	**3,460**	2,628

Simon Lowth
Chief financial officer
£000



		FY22 £000	FY21 £000
F	Base salary	**735**	735
	Pension allowance	**110**	147
	Benefits	**22**	23
	Total fixed pay	**867**	905

		FY22 £000	FY21 £000
V	Annual bonus (shares)[a]	**441**	883
	Annual bonus (cash)	**442**	0
	ISP (shares)[b,c]	**485**	0
	Total variable pay	**1,368**	883
	Total	**2,235**	1,788

a In line with the Policy, 50% of the FY22 bonus will be deferred into shares for three years. Both executive directors voluntarily agreed to defer all their FY21 bonus into shares for three years.

b The group returned below threshold performance against all the performance measures for the 2018 ISP. The awards lapsed in full in May 2021.

c Performance against the adjusted cash flow measure was mid-way between target and stretch, whilst performance against both the TSR and adjusted revenue measures was below threshold. Accordingly, 19.1% of the total award will vest in August 2022. Further detail is set out on **pages 105 to 106**.

Performance outcomes in FY22

Annual bonus FY22

- Bonus was subject to seven measures of financial and non-financial performance
- Adjusted EBITDA performance was in line with our expectations and cash flow performance was strong through the second half of the year
- Performance under each of our non-financial targets was either in line with or above target, with our 5G customers measure and carbon emissions performance close to stretch
- This resulted in a formulaic outcome of 123% of target. However, the committee exercised its discretion to cap executive bonuses at 100% of target in line with the chief executive's recommendation
- In line with the Policy, 50% of the bonus will be deferred into shares for three years.

Measure	Payout (% of max)
Adjusted EBITDA	59%
Normalised free cash flow	87%
Group Net Promoter Score (NPS)	69%
5G customers	93%
FTTP connections	65%
Carbon emissions	94%
Skills for Tomorrow	69%

2019 ISP

- Awards are subject to three performance measures
- Performance against the adjusted cash flow targets was mid-way between target and stretch, whilst performance against both the TSR and adjusted revenue measures was below threshold. Accordingly, 19.1% of the total award will vest in August 2022. For more details see **pages 105 to 106**.

Measure	Payout (% of max)
Relative total shareholder return (TSR)	0%
Normalised free cash flow	47.7%
Underlying revenue growth (including transit)	0%

Look out for these icons in the Report on directors' remuneration to distinguish the different types of pay.

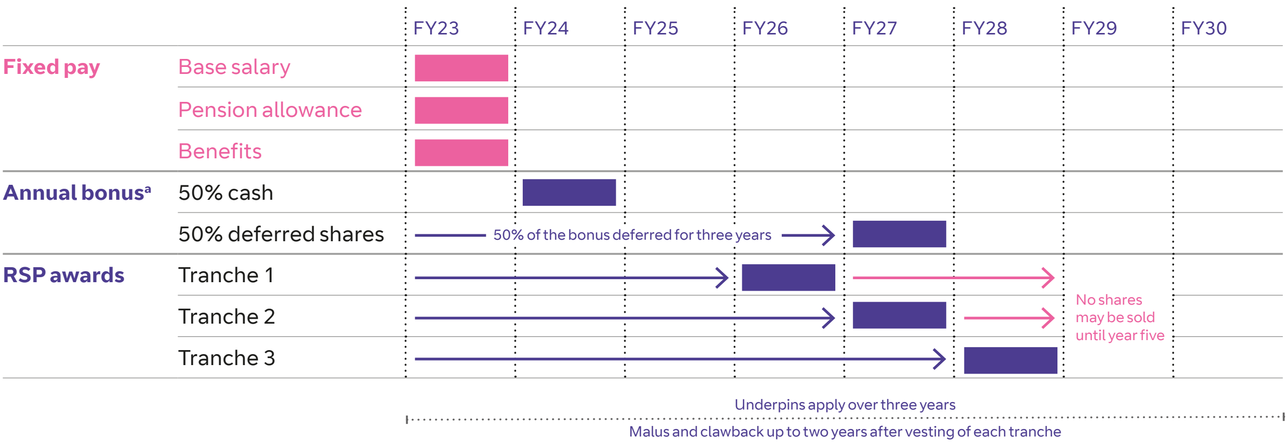
F **Fixed pay**
Base salary
Pension allowance
Benefits

V **Variable pay**
Annual bonus
RSP awards
ISP awards

Implementation of the Policy in FY23

	F **Fixed pay**	V **Annual bonus**	V **RSP**
Philip Jansen Chief executive	Salary – £1,100,000 Benefits Pension allowance – 10% of salary	Max. opportunity – 200% of salary Target opportunity – 120% of salary	2022 award – 200% of salary
Simon Lowth Chief financial officer	Salary – £750,147 Benefits Pension allowance – 10% of salary	Max. opportunity – 200% of salary Target opportunity – 120% of salary	2022 award – 200% of salary
Performance measures	n/a	Adjusted EBITDA (35%) Normalised free cash flow (35%) Customer (10%) Converged networks (10%) Digital impact & sustainability (10%) Two underpins apply which allow the committee to exercise its discretion to reduce the scorecard result if: • there is a significant breach in health and safety • our group adjusted EBITDA target is not met.	Awards subject to two underpins over the initial three-year vesting period: • ROCE is equal to or exceeds WACC • No ESG issues resulting in material reputational damage.
Framework	n/a	• 50% of any bonus payment for FY23 will be deferred into shares for three years • Malus and clawback provisions apply • Full committee discretion available.	• Awards vest in three equal tranches after three, four and five years; no shares can be sold until year five • Malus and clawback provisions apply • Full committee discretion available.

Illustration of Policy



a All seven of the annual bonus measures are linked to our key performance indicators (KPIs) as set out on **pages 44 to 45**.

Annual remuneration report

This section summarises all elements of the directors' remuneration in FY22.

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

Single total figure of remuneration (audited)

The following table sets out all emoluments received by directors for FY22 and FY21, including bonus and deferred bonus, long-term incentive plans and pension arrangements.

	Fixed pay								Variable pay							
	Basic salary and fees £000		Benefits[a] £000		Pension[b] £000		Total fixed pay £000		Annual bonus[c] £000		Long-term incentives £000		Total variable pay £000		Total £000	
	FY22	FY21	**FY22**	FY21	**FY22**	FY21	**FY22**	FY21	**FY22**	FY21	**FY22**[d,e]	FY21	**FY22**	FY21	**FY22**	FY21
Chairman																
Adam Crozier[f]	292	0	1				293								293	0
Executive directors																
Philip Jansen	1,100	1,100	100	98	110	110	1,310	1,308	1,320	1,320	830	–	2,150	1,320	3,460	2,628
Simon Lowth	735	735	22	23	110	147	867	905	883	883	485	–	1,368	883	2,235	1,788
Non-executive directors																
Adel Al-Saleh[g]	0	–														
Ian Cheshire	144	121					144	121					–	–	144	121
Iain Conn	162	150					162	150					–	–	162	150
Isabel Hudson[h]	145	145	1	1			146	146					–	–	146	146
Matthew Key	137	134					137	134					–	–	137	134
Allison Kirkby	124	124					124	124					–	–	124	124
Leena Nair	116	116					116	116					–	–	116	116
Sara Weller	131	85					131	85					–	–	131	85
Sub-total	**3,086**	**2,710**	**124**	**122**	**220**	**257**	**3,430**	**3,089**	**2,203**	**2,203**	**1,315**	**0**	**3,518**	**2,203**	**6,948**	**5,292**
Former directors																
Jan du Plessis[j]	467	700	3	8			470	718							470	718
Mike Inglis[k]	38	136					38	136				–			38	136
Total	**3,591**	**3,546**	**127**	**130**	**220**	**257**	**3,938**	**3,933**	**2,203**	**2,203**	**1,315**	**0**	**3,518**	**2,203**	**6,986**	**5,428**

a Benefits provided to the executive directors and the chairman typically include (but are not limited to) car benefits (which may include any of a company car, cash allowance in lieu, fuel allowance and driver), personal telecommunication facilities and home security, medical and dental cover for the directors and their immediate family, life cover, professional subscriptions, personal tax advice and financial counselling up to a maximum of £5,000 (excluding VAT) a year. For Philip, the value includes a company provided car and personal driver to the value of c. £70,000 (FY21 £63,000).

b Pension allowance paid in cash for the financial year – see 'Total pension allowance' on **page 105**.

c Annual bonus shown includes both the cash and deferred share element. The deferred element of the FY22 bonus includes the value of deferred shares to be granted in June 2022. The FY21 bonus was deferred in full into shares for three years. Further details of the deferred element are set out on **page 105**.

d Value shown represents the estimated value of ISP awards granted in 2019 that will vest in August 2022. The estimate is based on a three-month average share price from 1 January 2022 to 31 March 2022 of 185.03p. Further details are provided on **pages 105 to 106**.

e The ISP 2018 granted in June 2018 to Simon, and February 2019 to Philip lapsed in full in May 2021.

f Adam was appointed as a director and chairman designate on 1 November 2021 and became chairman on 1 December 2021. The figure represents his pro-rated remuneration during the year.

g Adel was appointed as a director on 15 May 2020. Under the terms of the Relationship Agreement between BT Group plc and Deutsche Telekom and Adel's letter of appointment, no remuneration is payable for this position.

h Value shown relates to reimbursement of reasonable travelling and other expenses (including any relevant tax) incurred in carrying out their duties.

j Jan stepped down as a director and chairman on 30 November 2021 and the figure represents his pro-rated remuneration during the year.

k Mike stepped down as a director on 15 July 2021 and the figure represents his pro-rated remuneration during the year.

Additional disclosures relating to the single figure table (audited)

Salaries and fees

Executive directors' salaries are reviewed annually, with any increases typically effective from 1 June. No salary increases were made for our UK management population in June 2021 and accordingly Simon's base salary remained at £735,438. Philip's salary of £1,100,000 was fixed for five years at the time of his appointment in January 2019.

Adam joined on 1 November 2021 as a non-executive director and chairman designate and became chairman on 1 December 2021. The committee agreed a fee of £700,000 per year on appointment.

The fees for non-executive directors reflect committee-related or other additional responsibilities, including on a pro-rated basis for any appointments during the year. A full breakdown of non-executive director fees is set out on **page 109**.

Pension allowance

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

Philip received an annual allowance of 10% of salary. This is aligned with the contribution rate available to the majority of our UK employees. We also provide death in service cover consisting of a lump sum equal to four times his salary.

In line with that previously agreed when the Policy was approved at the 2020 AGM, in FY22, Simon received an annual allowance of 15% of salary, which was reduced to 10% of salary effective 1 April 2022 to align with the rate for majority of UK employees. We also provide death in service cover consisting of a lump sum equal to four times his salary plus a dependants' pension equal to 30% of his capped salary.

Annual bonus

Both executive directors were eligible for an on-target bonus in respect of FY22 of 120% of salary with a maximum opportunity of 200% of salary. The annual bonus is based on performance against a scorecard of seven key financial and non-financial measures linked to our KPIs as set out on **pages 44 to 45**.

Category	Measure	Weighting	Threshold	Target	Stretch	Actual	Payout (% of max)
Financial	**Adjusted EBITDA (£m)**	35%	7,385	7,585	7,785	**7,577**	59%
	Normalised free cash flow (£m)	35%	1,142	1,292	1,442	**1,392**	87%
Customer	**NPS**	10%	0	100	200	**122**	69%
Converged networks	**5G customers (000s)**	5%	4,418	4,909	5,384	**5,299**	93%
	FTTP connections (000s)	5%	1,574	1,749	1,924	**1,772**	65%
Digital impact & sustainability	**Carbon emissions (%)**	5%	(51)	(53)	(55)	**(54.7)**	94%
	Skills for Tomorrow (000s)	5%	600	800	1,200	**893**	69%
Formulaic outcome							**74% of max (123% of target)**

When determining the overall performance and bonus pay-outs, the committee also considers a number of other factors including share price performance, the external environment and overall affordability. Despite the formulaic outcome of the final bonus scorecard being 123%, the committee exercised its discretion to cap the bonuses of our executive directors at 100%, in line with the chief executive's recommendation. Although we have delivered against our financial goals, held to our commitment to reinstate the dividend in FY22, and delivered a competitive salary review for our colleagues, the committee believes that this is a better reflection of the overall performance of the business and the wider stakeholder experience.

The final bonus outturns for the executive directors are set out in the table below:

	Formulaic outcome	Following discretion	% of max	Value
Philip Jansen	123% of target	100% of target	60%	£1,320,000
Simon Lowth	123% of target	100% of target	60%	£882,526

As per the Policy, 50% of the FY22 annual bonus will be deferred into shares for three years.

2019 ISP

The ISP is a conditional share award. The committee assesses the performance conditions to 31 March 2022 and the awards would ordinarily vest in June 2022. The performance conditions are based 40% on relative TSR, 40% on normalised free cash flow, and 20% on growth in underlying revenue (including transit) over a three-year performance period from 1 April 2019 to 31 March 2022.

Since the performance targets were set, we have made a number of critical strategic decisions which were not foreseen in our original business plan. Most notably, this includes our commitment to expand the rollout of our full-fibre capability to 20m premises (in 2020) and then further to 25m premises by December 2026 (in 2021) with the decision to fully fund this being made in November 2021. Our increased investment supports the Government's full fibre ambitions and will be instrumental in delivering further value to our shareholders, but has meant an additional £1.3bn of capital expenditure during the 2019 ISP performance period; something which was not envisaged at the time the targets were set. While this investment will create significant value for the business and our shareholders, the return on investment will not be seen until after the 2019 ISP performance period has ended.

Following a consultation with our largest shareholders, the committee approved an adjustment to the cash flow measure to reflect the increased investment. In addition, in line with our usual practice, we have made appropriate adjustments to both the cash flow and revenue measures to reflect acquisitions and divestments during the period to ensure performance is being measured on a like-for-like basis. No adjustments were made to the TSR measure. In aggregate, this ensures that the targets are no more or less stretching than originally intended.

As set out in the table overleaf, performance against the adjusted cash flow targets was mid-way between target and stretch, while performance against both the TSR and adjusted revenue measures was below threshold. Accordingly, 19.1% of the total award will vest in August 2022.

Annual remuneration report continued

Measure	Weighting	Threshold	Maximum	Actual	Payout (% of max)
Relative TSR (rank)	40%	8th	4th	12th	0%
Adjusted normalised free cash flow (£bn)	40%	£4.47	£5.78	£4.86	47.7%
Adjusted underlying revenue growth (including transit) (%)	20	(3.5)	(0.5)	(11)	0%
Vesting outcome					**19.1%**

Awards granted during the year (audited)

2021 RSP

The 2021 RSP awards were made in June 2021 as set out below and on **page 108**. An award of 200% of salary was made to both executive directors in line with the normal Policy level. The face value was based on the BT Group plc share price at the date of grant of 203.16p. The grant price is calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant.

Director	Date of award	RSP award (shares)	Face value of award
Philip Jansen	24 June 2021	1,082,854	£2,200,000
Simon Lowth	24 June 2021	723,974	£1,470,825

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

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

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

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

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

Details of all interests under the RSP are set out on **page 108**.

2021 deferred shares

The full bonus awarded for FY21 was deferred into shares as voluntarily agreed by the executive directors. The awards were made under the deferred bonus plan (DBP) in June 2021 as set out below and on **page 108**. The face value was based on the BT Group plc share price at the date of grant of 203.16p. The grant price is calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant.

Director	Date of award	Number of deferred shares	Face value of award
Philip Jansen	24 June 2021	649,712	£1,320,000
Simon Lowth	24 June 2021	434,384	£882,526

Deferred shares are not subject to performance conditions and have a three-year vesting period. Details of all interests in deferred shares are set out on **page 108**.

At vesting, additional shares representing the value of reinvested dividends on the underlying shares are added.

Payments for loss of office (audited)

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

Former directors (audited)

No payments were made to former directors during the year.

Directors' share ownership (audited)

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

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

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

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

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

Directors' interests at 31 March 2022 or on cessation (audited)

The following tables show the beneficial interests in BT Group plc shares of directors and persons closely associated as at 31 March 2022 (or at the point of leaving for directors who left during the year).

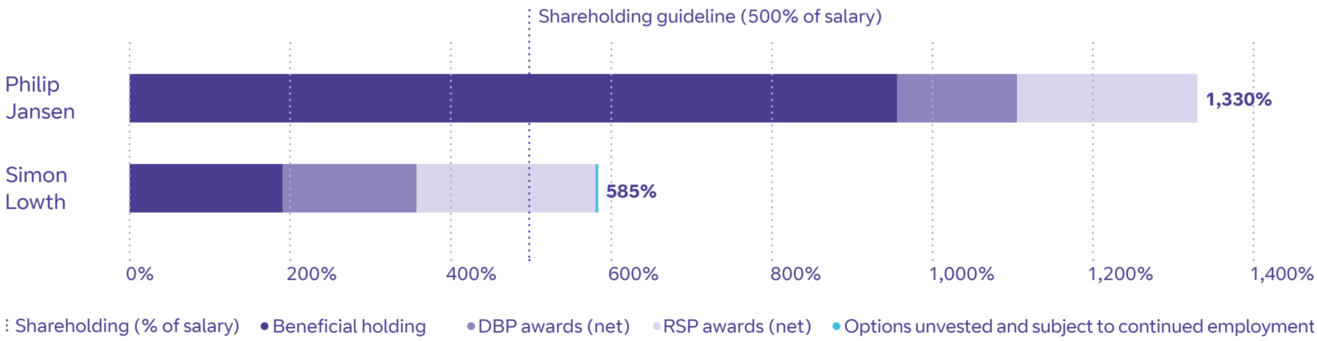
The first table includes interests held by the executive directors under the BT Group plc's share plans. The numbers represent the maximum possible vesting levels. As set out on **pages 105 to 106**, 19.1% of the 2019 ISP awards will vest in August 2022. Full details of all DBP, RSP and ISP awards, including performance periods and vesting conditions, are set out on **page 108**.

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

During the period 1 April 2022 to 11 May 2022, there were no movements in directors' beneficial holdings or other interests in shares. The directors, as a group, beneficially own less than 1% of BT Group plc's shares.

Executive directors	Number of shares owned outright at 31 March 2022	RSP and DBP[a]	ISP[b]	Options[c]	Shareholding requirement (% of salary)	Current shareholding (% of salary)
Philip Jansen	6,146,227	2,389,562	2,347,782	247	500%	1,330%
Simon Lowth	698,492	1,672,964	1,373,469	11,222	500%	585%

a Subject to continued employment and, for the RSP, two underpins over the initial three year period.
b Subject to performance.
c Includes interests in saveshare, a HMRC-approved all-employee plan and yourshare, a HMRC-approved share incentive plan.



	Beneficial holding owned outright at 1 April 2021	Beneficial holding owned outright at 31 March 2022
Chairman		
Adam Crozier[a]	–	62,500
Non-executive directors		
Adel Al-Saleh	0	0
Ian Cheshire	19,646	19,646
Iain Conn	69,442	69,442
Isabel Hudson	24,090	24,090
Matthew Key	161,686	161,686
Allison Kirkby	75,000	75,000
Leena Nair	50,000	50,000
Sara Weller	7,000	37,000
Former directors		
Jan du Plessis[b]	1,004,138	1,005,222
Mike Inglis[c]	29,091	29,091
Total	**1,440,093**	**1,533,677**

a Adam was appointed as a director on 1 November 2021.
b Jan stepped down as a director on 30 November 2021 and the number reflects his holding at that date.
c Mike stepped down as a director on 15 July 2021 and the number reflects his holding at that date.

Annual remuneration report continued

Outstanding share awards at 31 March 2022 (audited)

	1 April 2021	Awarded/ granted	Dividends re-invested	Vested	Lapsed	Total number of award shares @ 31 March 2022	Vesting date	Price at grant	Market price at date of vesting	Market price at date of exercise	Monetary value of vested award £000
Philip Jansen											
DBP 2019	64,959	–	776	–	–	65,735	01/08/2022	207.45p	–	–	–
DBP 2020	1,106,763	–	13,236	–	–	1,119,999	01/08/2023	119.27p	–	–	–
DBP 2021[a]	–	649,712	7,770	–	–	657,482	24/06/2024	203.16p	–	–	–
ISP 2018[b]	1,576,404	–	–	–	1,576,404	–	31/03/2021	233.56p	–	–	–
ISP 2019[c]	2,320,036	–	27,746	–	–	2,347,782	31/03/2022	207.45p	–	–	–
RSP 2020[d]	1,658,656	–	19,836	–	–	1,678,492	03/08/2023	106.11p	–	–	–
RSP 2021[e]	–	1,082,854	12,950	–	–	1,095,804	24/06/2024	203.16p	–	–	–
yourshare 2021[f]	–	247	–	–	–	247	24/06/2024	202.70p	–	–	–
Simon Lowth											
DBP 2018	167,480	–	–	167,480	–	–	01/08/2021	211.01p	172.54p	–	289
DBP 2019	172,515	–	2,063	–	–	174,578	01/08/2022	207.45p	–	–	–
DBP 2020	754,759	–	9,026	–	–	763,785	01/08/2023	119.27p	–	–	–
DBP 2021[a]	–	434,384	5,195	–	–	439,579	24/06/2024	203.16p	–	–	–
ISP 2018[g]	1,390,845	–	–	–	1,390,845	–	31/03/2021	211.01p	–	–	–
ISP 2019[c]	1,357,237	–	16,232	–	–	1,373,469	31/03/2022	207.45p	–	–	–
RSP 2020[d]	1,108,944	–	13,262	–	–	1,122,206	03/08/2023	106.11p	–	–	–
RSP 2021[e]	–	723,974	8,658	–	–	732,632	24/06/2024	203.16p	–	–	–
saveshare (2019)[h]	10,975	–	–	–	–	10,975	01/08/2024	163.92p	–	–	–
yourshare 2021[f]	–	247	–	–	–	247	24/06/2024	202.70p	–	–	–

a Awards granted on 24 June 2021. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three days prior to grant. Awards of deferred shares in respect of 2022 will be calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant.

b Award granted on 1 February 2019. The number of shares subject to award was calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant of 233.56p. 40% of each award is linked to TSR compared with a group of 17 companies, 40% is linked to a three-year normalised free cash flow measure and 20% to a measure of underlying revenue growth (excluding transit) over three years. Performance against the TSR, normalised free cash flow and revenue targets resulted in the threshold targets not being and met and none of the shares vesting under the 2018 ISP. The award lapsed in full in May 2021.

c Awards granted on 19 June 2019. The number of shares subject to award was calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant of 207.45p. 40% of each award is linked to TSR compared with a group of 16 companies, 40% is linked to a three-year normalised free cash flow measures and 20% to a measure of underlying revenue growth (including transit) over three years. The award will vest at 19.1% in August 2022 as set out on **pages 105 to 106**.

d Awards granted on 3 August 2020. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant. Awards will vest in three equal tranches after three, four and five years. A holding period will apply such that no shares may be sold until year five. Two underpins will apply over the initial three-year vesting period as set out on **page 109**.

e Awards granted on 24 June 2021. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant. Awards will vest in three equal tranches after three, four and five years. A holding period will apply such that no shares may be sold until year five. Two underpins will apply over the initial three-year vesting period as set out on **page 109**.

f Awards granted on 24 June 2021 under the free share element of the BT Group plc Employee Share Investment Plan in which all eligible employees of the group were granted £500 worth of shares.

g Award granted on 19 June 2018. The number of shares subject to award was calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant of 211.01p. 40% of each award is linked to TSR compared with a group of 17 companies, 40% is linked to a three-year normalised free cash flow measures and 20% to a measure of underlying revenue growth (excluding transit) over three years. Performance against the TSR, normalised free cash flow and revenue targets resulted in the threshold targets not being and met and none of the shares vesting under the 2018 ISP. The award lapsed in full in May 2021.

h Option granted on 14 June 2019 under the employee saveshare scheme, in which all eligible employees of the group are entitled to participate.

Implementation of Policy in FY23

Base salary

Philips base salary of £1,100,000 was agreed on appointment in January 2019 and is fixed for five years. Therefore, there is no increase for FY23.

In line with our UK senior management population, Simon will receive a 2% salary increase effective 1 June 2022.

	FY23	
Director	Base salary	% change
Philip Jansen	£1,100,000	0%
Simon Lowth	£750,147	2%

Benefits

For executive directors, the committee has set benefits in line with the Policy. No changes are proposed to the benefit framework for FY23.

Pension allowance

In line with the rate offered to the majority of our UK workforce, both executive directors will receive an annual allowance equal to 10% of salary in lieu of pension provision for FY23.

Annual bonus

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

The committee has reviewed in full the measures, weightings and targets used in the annual bonus scorecard and agreed that the measures and weightings remain appropriate and aligned to our strategy for FY23.

The FY23 annual bonus structure measures and weightings are set out below.

Category	Measure	Weighting
Financial	Adjusted EBITDA	35%
	Normalised free cash flow	35%
Customer	NPS	10%
Converged networks	5G customers – the number of customers on our 5G network	5%
	FTTP connections – the number of connections in the Openreach FTTP network	5%
Digital impact & sustainability	Carbon emissions – progress towards an 87% reduction in carbon emissions intensity by the end of March 2031	5%
	Skills for Tomorrow – progress towards our ambition to reach 25m people in the UK with help to improve their digital skills by end of March 2026	5%

All seven of the annual bonus measures are linked to our KPIs as set out on **pages 44 to 45**.

In addition to the annual bonus scorecard, two underpins apply, which allow the committee to exercise its discretion to reduce the pay-out result if:

- there is a significant breach in health and safety
- our group Adjusted EBITDA target is not met.

We do not publish details of the targets in advance as these are commercially confidential. We will publish achievement against the targets at the same time as we disclose bonus payments in the 2023 Report on directors' remuneration so shareholders can evaluate performance against the targets.

RSP

Both executive directors will be granted an award under the RSP in June 2022 to the value of 200% of salary.

When considering grant levels each year, the committee takes account of share price performance over the preceding year. In 2021, the level of awards granted was in line with the normal Policy level of 200% of salary. Following review, the committee has agreed that awards will be granted to both executive directors this year at the normal Policy level of 200% of salary.

Two underpins will apply over the initial three-year vesting period, as follows:

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

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

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

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

Chairman and non-executive director remuneration

The fees for non-executive directors have been reviewed by the Board, taking into consideration the role and requirements of the group, together with the fees paid to non-executive directors at companies of a similar size and complexity and any salary increases for the UK management population. In line with the increase for the UK senior management population, on the recommendation of the chairman and the executive directors, the Board agreed to increase the base fee for non-executive directors by 2% to £78,540 per year (from £77,000) effective as of 1 June 2022. No other fee changes were agreed as part of the review.

There are additional fees for membership and chairing a board committee, details of which are set out in the table below:

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

a Where the chairman or chief executive acts as chair of a board committee, no additional committee chair fee is payable.

The senior independent director receives an additional fee of £27,000 per annum.

The designated non-executive director for workforce engagement receives an additional fee of £10,000 per annum.

The committee agreed a fee of £700,000 per year, on the chairman's appointment as chairman designate on 1 November 2021. The chairman has voluntarily decided to waive any fee increase for FY23.

No element of non-executive director remuneration is performance related. Neither the chairman nor the non-executive directors participate in our bonus or employee share plans and nor are they members of any of the group pension schemes.

Annual remuneration report continued

Other remuneration matters

Advisers

During the year, the committee received independent advice on executive remuneration matters from Deloitte LLP. Deloitte received £98,155 (excluding VAT) in fees for these services.

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

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

In addition, during FY22, Deloitte provided the group with advice on corporate and indirect taxes, assistance with regulatory, risk and compliance issues and additional consultancy services.

Dilution

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

As at 31 March 2022, shares equivalent to 4.16% (FY21: 5.12%) of the issued share capital (excluding treasury shares) would be required to satisfy all outstanding share options and awards. Of these, we estimate that for FY23, shares equivalent to approximately 0.53% (FY22: 0.26%) of the issued share capital (excluding treasury shares) will be required to satisfy the all-employee share plans.

Previous AGM voting outcomes

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

	For % of votes cast/ Number	Against % of votes cast/ Number	Withheld votes/ Number
Report on directors' remuneration at the 15 July 2021 AGM	95.92 6,634,876,487	4.08 282,321,890	1,975,431
Policy at the 16 July 2020 AGM	95.04 6,036,920,089	4.96 315,057,559	4,101,574

Withheld votes are not counted when calculating voting outcomes.

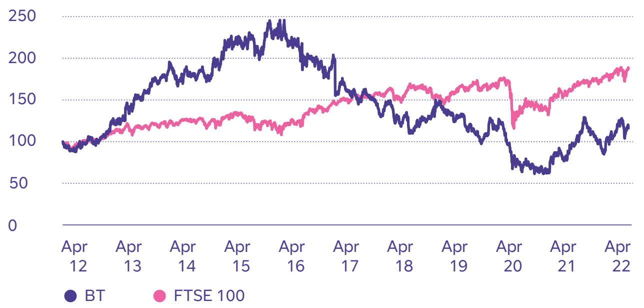
Committee evaluation FY22

This year we undertook an internal Board and committee evaluation, details of which can be found on **page 84**.

Comparison of chief executive remuneration to TSR (unaudited)

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

BT Group plc's TSR performance vs the FTSE 100



Source: Datastream.

History of chief executive remuneration

Year end	Chief executive	Total remuneration £000	Annual bonus (% of max)	ISP vesting (% of max)
2022	Philip Jansen	3,460	60%	19.1%
2021	Philip Jansen	2,628	60%	0%
2020	Philip Jansen	3,248	50%	n/a
2019	Philip Jansen[a]	725	56%	n/a
	Gavin Patterson[b]	1,719	28%	0%
2018	Gavin Patterson	2,307	54%	0%
2017	Gavin Patterson	1,345	0%	0%
2016	Gavin Patterson	5,396	45%	82.0%
2015	Gavin Patterson[b]	4,562	58%	67.4%
2014	Gavin Patterson[c]	2,901	62%	78.7%
	Ian Livingston[d]	4,236	35%	63.4%
2013	Ian Livingston	9,402	65%	100%

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

Directors' service agreements and letters of appointment

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

Executive directors

	Commencement date	Termination provisions
Philip Jansen	1 January 2019	Directors' service agreements do not contain fixed term periods and are terminable by BT Group plc on 12 months' notice and by the director on six months' notice.
Simon Lowth	6 July 2016	

Chairman and independent non-executive directors

	Commencement date	Termination provisions
Adam Crozier	1 November 2021	The letter of appointment does not contain a fixed term period and is terminable by BT Group plc on 12 months' notice and by the director on six months' notice.
Ian Cheshire	16 March 2020	Letters of appointment do not contain fixed term periods and are terminable by either party by three months' written notice.
Iain Conn	1 June 2014	
Isabel Hudson	1 November 2014	
Matthew Key	25 October 2018	
Allison Kirkby	15 March 2019	
Leena Nair	10 July 2019	
Sara Weller	16 July 2020	

Non-independent, non-executive director

	Commencement date	Termination provisions
Adel Al-Saleh	15 May 2020	Appointed as a non-independent, non-executive director under the terms of the Relationship Agreement between BT Group plc and Deutsche Telekom. The appointment is terminable immediately by either party.

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

Independent non-executive directors' letters of appointment

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

Inspection by the public

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

Remuneration in context

Consideration of colleague and stakeholder views

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

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

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

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

The designated non-executive director for workforce engagement also updates the committee on sentiments being raised by our colleagues in relation to the remuneration of our workforce and related decisions, as raised by the *Colleague Board* through their 'hot topics' discussions.

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

Chief executive pay ratio

The table below sets out the chief executive pay ratios as at 31 March 2022, as well as those reported in respect of the prior three years. This report will build up over time to show a rolling ten-year period.

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

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

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

Total remuneration

		Employee remuneration			Pay ratio		
	Chief executive	P25	P50	P75	P25	P50	P75
2019	£2,444,000	£34,281	£41,477	£51,594	71:1	59:1	47:1
2020	£3,248,012	£34,881	£42,173	£51,351	93:1	77:1	63:1
2021	£2,628,107	£35,569	£41,600	£50,391	74:1	63:1	52:1
2022	**£3,459,514**	**£35,722**	**£40,059**	**£49,488**	**97:1**	**86:1**	**70:1**

Base salary

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

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

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

Percentage change in remuneration of the executive and non-executive directors and all employees

BT Group plc, our parent company, employs our chairman, executive and non-executive directors only, and as such no meaningful comparison can be drawn based on the parent company alone, as is required by the reporting regulations.

Instead, we have chosen to present a comparison with our UK management and technical employee population, comprising around 25,000 colleagues.

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

The salary/fee levels set out in the table below are in accordance with the Policy. Any increase in fees paid to the non-executive directors represents a change in role (and accordingly fees payable) over the relevant period. Any increase in benefits is as a result of travel and other expenses further to returning to face-to-face Board and committee meetings for the majority of FY22 whereas in FY21 these were all held remotely by video conference due to the pandemic.

	FY22 (% change)			FY21 (% change)		
	Salary/ fees	Benefits	Annual bonus	Salary/ fees	Benefits	Annual bonus
Chairman						
Adam Crozier[a]	–	–	–			
Executive directors						
Philip Jansen	0%	2%	0%	0%	(14)%	0%
Simon Lowth[b]	0%	(4)%	0%	0%	(5)%	(2)%
Non-executive directors						
Adel Al-Saleh[c]	–	–	–	–	–	–
Ian Cheshire	8%	0%	–	19%	–	–
Iain Conn	0%	0%	–	33%	–	–
Isabel Hudson	0%	0%	–	4%	(66)%	–
Matthew Key	2%	0%	–	13%	–	–
Allison Kirkby	0%	0%	–	6%	–	–
Leena Nair	0%	0%	–	3%	–	–
Sara Weller[d]	0%	0%	–	–	–	–
UK management colleagues	0%	0%	0%	0%	0%	18%

a Adam joined during FY22 and so no relevant comparison can be presented.
b Simon's reduction in benefits reflects the year on year reduction in pension allowance.
c Under the terms of the Relationship Agreement between BT Group plc and Deutsche Telekom and Adel's letter of appointment, no remuneration is payable for this position.
d Sara joined during the prior financial year and so any increase has been determined on a full-year equivalent basis.

Relative importance of the spend on pay

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

Area	FY22 (£m)	FY21 (£m)	% change
Remuneration paid to all employees	**4,845**	5,162	(6)%
Dividends/share buybacks[a]	**184**	14	1,214%

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

Diversity and inclusion

It's important that our colleagues reflect the diversity of our customers, and that all our colleagues are given the opportunities to succeed. Across our business, our Diversity and Inclusion Centre of Expertise, comprising of subject matter experts and support colleagues, are partnering with workstream leads to ensure that we address this issue in an evidenced-based manner, with the broadest reach and widest impact.

Our 2022 Diversity and Inclusion Report includes details of our UK gender and ethnicity pay gaps, as well as the demographics of our workforce and progress towards our diversity and inclusion targets and ambitions including detailed information on our initiatives and activities to reduce any gap. It also details the breadth of work taking place across the group to increase all forms of diversity within our workforce and to ensure we have an inclusive culture.

Our Diversity and Inclusion Report is available on our website **bt.com/diversity-and-inclusion**

Gender pay gap reporting

At a group-level, our median hourly pay gap between male and female colleagues has increased to 6.7% (5% in 2020). This remains below the telecommunications industry median of 19.6% (ONS provisional), and the UK national median of 15.4%.

Our Gender Pay Gap statement sets out the key information required under legislation and is available on our website **bt.com/genderpaygap**

Sir Ian Cheshire
Chair of the Remuneration Committee
11 May 2022