

A message from our Chairman

Building trust and value across our business.

The strategic and operational progress BT Group has made in FY22 would be more than satisfactory in any year but in the context of the current extraordinary economic backdrop, it is particularly impressive. When I joined BT Group at the end of 2021, I was often asked why I'd chosen to lead a company that, for all its impressive strengths, can feel like a procession of challenges.

My answer was that getting it right here matters. BT Group is central to the UK's economy, public services and security. And it's at the heart of family and professional life for millions of people.



That role is not a given right. As Philip describes in this report, we are now sharply focused on network investment and ever-better customer service. We're modernising both what we do and how we do it, aligned to the UK Government and Ofcom agenda of transforming the UK's digital infrastructure.

This is a uniquely complex task – which is my other reason for joining the group. It will take a number of years and resolute focus.

Building for the long term

Much of business, politics and media tend to run on shorter loops than jobs like this. But the truth is we are in the early stages of a mammoth and long-term transformation programme. Our task is not only to make sure BT Group evolves as a truly world class telecoms leader, but that it develops its role within the ever-shifting technology landscape.

We are up to speed – rolling out fibre faster and cheaper than ever and already reaching more than half the population with 5G. My focus is making sure we keep this momentum and stay the course. Better to do the job properly than pretend it's a quick win.

The past couple of years have seen the group prove its mettle, rising to the role of critical national telecommunications provider, keeping people working and families connected, and underpinning vital public services.

£229bn

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As we build back from the economic damage of the pandemic and cope with inflation, supply chain constraints and shifting geopolitics, our role is vital for the country's future. BT Group is already responsible for generating £1 in every £75 produced in the UK economy^a. The new networks we and others are building will yield a national productivity gain of around £229bn^b.

It is those fibre and 5G networks that, rightly, take the headlines. But the challenges we face are much wider. Connecting places is a yardstick but it is connecting people that will yield a return on our once-in-a-generation investment. And while doing that we must strive for ever-better customer service, building trust and confidence in everything we do.

Building a modern BT Group

Our digitisation agenda runs through the group. New platforms and services – for businesses as well as individuals – must be matched by a concerted drive for backroom efficiency. I have been highly impressed by our colleagues' expertise and dedication to this transition. It is of course a human as well as technical process. We will continue to develop our skills base, recruiting and training the brightest, whilst reskilling our colleagues to stay competitive.

We are digitising both BT Group and the services we offer, but we must leave no one behind. It's why our full fibre build of 25m homes will include access for

a guaranteed 6.2m rural homes. It's why we make sure connectivity is financially accessible to all through our social tariffs, and why we're supporting vulnerable customers by freezing those tariff prices in 2022.

For all our best efforts and intentions, we won't always get it right. We saw that this year with the move to digital voice services – where not enough caution on our part caused real anxiety to some of our most vulnerable customers.

Pausing that programme was the right thing to do to learn lessons and improve the experience for customers. But at the same time, we must keep leading the UK's digital transition, explaining both practical necessities and advantages to customers – like the value of digital telephony in tackling scam calls.

This year we published BT Group's Manifesto to capture how we'll grow our business in a responsible, inclusive and sustainable way, meeting our purpose to connect for good.

It sets bold goals for the social and environmental impact of our work (see [page 32](#)). As chairman, I am determined to make sure we use it not as an exercise in saying the right things but as a basis for action.

Governance

The first job for any incoming chairman is to judge whether the right strategy and management are in place. I am certain that Philip and his executive team have the vision and experience for the task.

As we look ahead to FY23 and beyond, my priority for the Board will be to bolster its skills, diversity and experience – taking into account group strategy, the

opportunities and challenges facing us and succession (given the tenure of longer serving directors). The Nominations Committee is focused on finding non-executive directors with skills to boost the Board's technology and digital capabilities and transformation expertise.

At this year's AGM, we'll bid a fond and grateful farewell to Leena Nair. Leena has chaired our *Digital Impact & Sustainability Committee* with great impact and we will miss her. But we recognise that her new role as Global CEO of Chanel is highly demanding. Sara Weller will succeed her as chair of the *Digital Impact & Sustainability Committee*.

In November Sir Jan du Plessis stepped down as chairman. I want to say a big personal thank you to Jan for his dedication to BT Group and for the support he gave me when handing over the role. It is thanks in no small part to his stewardship that I inherited the job of chairman of a business with such clear strategic direction.

In recent years BT Group's share price performance has demanded considerable patience from our investors. In the last 12 months it has performed much better. I'm confident that our *Executive Committee* now has the investment and transformation plans in place to deliver for shareholders, customers and other stakeholders.

We are well on our way but this is no quick task. It needs our investors' faith. We will repay that literally through reinstating the full year dividend at 7.7 pence per share, but also through open and consistent dialogue about our progress.

I want to close by thanking the many colleagues who have given me such a warm welcome. This company has an immense task ahead of it. But it is built on a brilliant team – one I'm really pleased to be part of.

Adam Crozier

Chairman

11 May 2022

^a Regeneris for BT, 2021.

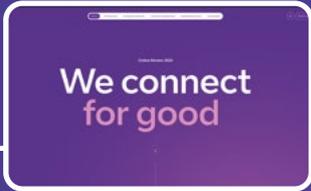
^b FTTP £59bn productivity gains to the UK if delivered by 2025 (Source: Centre for Economics and Business Research) – 5G a further £170bn benefit. (Source: FCCG report for DCMS).

A message from our Chief Executive

A clear strategy accelerating delivery.

We're on a purposeful, fast-paced journey. Bringing our unique assets together and delivering significant and sustainable long-term growth.

 To read more about our strategic progress go to **page 20**



 bt.com/annualreview



£15bn

investment in our full fibre network



£604m

R&D expenditure in FY22

This year BT Group again proved its resilience and ability to get on and deliver. Our operational performance was strong – and doubly impressive in the context of global economic challenges. Two factors underpin this.

First, and above all: the continued dedication and hard work of around 100,000 colleagues across the company and around the world. On behalf of the Board and my executive team, I want to thank each and every one of them for their efforts during the year and unwavering support for our customers. Recognising that our people face an extraordinary inflationary environment, we have been determined to offer the best pay rises we can afford, awarding colleagues increases ranging from 2% to 8%, and with a particular focus on those on lower salaries.

Second, clarity and alignment across the entire organisation on our purpose – we connect for good – and delivery on our strategic framework: building the strongest foundations, creating standout customer experiences and leading the way to a bright, sustainable future. (See [page 18](#)) These are now evident in all activity across the business and we see this in our ever-improving customer satisfaction results.

Despite the economic uncertainty, BT Group shares performed well; over the 12 months to 31 March 2022, and including the reinstated full year dividend of 7.7 pence per share, we will have achieved a total shareholder return of 22.7% compared to 16.1% for the FTSE 100.

Of course, the turbulent global economy has made its presence felt in all walks of life. BT Group was not immune – as seen in our FY22 financial performance – but despite an overall decline in revenue, savings from our transformation programmes and tight cost management delivered EBITDA growth of 2%.

c. 1.8m

customers already connected to full fibre

BT Group is delivering

We're sticking to our plan: we have stepped up our modernisation agenda as we strengthen, simplify and sharpen the group's focus; we are achieving record customer satisfaction scores across all our brands; and we continue to accelerate our next generation network build programmes.

Openreach is now almost 30% of the way through our full fibre broadband build, having passed 7.2m premises and building faster and cheaper than any other operator. On 31 March, we had almost 1.8m FTTP^a end user connections from 42 different communications providers.

From a standing start three years ago, EE's 5G network now covers more than 50% of the UK population, 12 months ahead of target. Building next generation networks is one thing but connecting customers to them is what counts. On that measure we are also performing really well: our 5G-ready^b customer base now stands at 7.2m.

Our next generation networks will underpin all future BT Group products and propositions. Our FTTP customer base in Consumer has grown to its largest ever level at 1.1m; Enterprise signed a deal with BAI Communications to deliver connectivity solutions for the London Underground; and in Global we are continuing to grow next generation services, including Eagle-i which predicts and prevents cyber attacks for corporate and public sector customers.

Building a bright sustainable future for BT Group revolves around enabling our long-term growth and prosperity. Our Digital unit will be at the centre of this, with a dual-track role to cut back our reliance on complex, costly legacy systems and create new growth opportunities. Little over a year since its creation, the Digital team is radically simplifying our internal systems and processes, supported in part by AWS, and working with Google Cloud to accelerate our progress to becoming AI-led. A significant new agreement with Microsoft is helping us move in the direction of a platform business, and we have signed another deal with Distributed to enhance our access to the talent we need to deliver on our ambition.

The highly regulated nature of our business and the importance of connectivity and the other services we provide means we'll always be front of mind for a broad range of stakeholders. Delivering our plan is helping us continue to strengthen our relationships with key groups, including the UK Government and our regulator, Ofcom.

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^a Fibre-to-the-premises (also known as full fibre).

^b EE consumer customers receiving or capable of receiving 5G network connection using one or both of a 5G-enabled handset and a 5G-enabled SIM.

A message from our Chief Executive continued

Five clear priorities to drive sustainable growth.

- 1** Drive Consumer growth through converged solutions

Consumer will lead in full fibre, 5G and convergence to win in households across the UK and build deeper customer relationships by giving them exceptional customer experiences.
- 2** Capitalise on Enterprise and Global's unrivalled assets to restore growth

Enterprise and Global will help business customers to grow through next generation connectivity solutions. Alongside leading capability and expertise in managed services and security, and superior customer experiences, these solutions will support our business customers on their digital journeys.
- 3** Deliver Openreach growth and strong returns on FTTP

Openreach will build the UK's largest full fibre network, get cost advantages from this scale and switch customers to the new platform as fast as possible. Openreach will also keep providing industry leading service and strengthen its relationship with all communications providers (CPs).
- 4** Digitise, automate and reskill to transform our cost base and improve productivity

Across BT Group we'll fundamentally change what we do and how we work. We'll simplify our product portfolio, automate and digitise our operations and shut down legacy systems, processes and networks. This will cut costs, boost execution speed and ensure we can deliver better experiences for customers and colleagues.
- 5** Optimise our business portfolio and capital allocation

We'll keep reviewing how we can strengthen our business portfolio through opportunities to own, sell or partner. We'll continue to optimise the way we allocate the cash flow generated from our operations, balancing the need to reinvest capital in the business, especially in next generation networks and solutions, with meeting our obligations to service our debt and pension fund while allowing us to pay a progressive dividend.

Strategic priorities

Outstanding connectivity remains our beating heart. Building next generation networks will not just lay the foundations for the future economic prosperity of our customers and the whole of the UK. It will also be the bedrock for BT Group's future success, but this is only the start. As we grow the group into a digital platform-led business to ensure our lasting competitiveness, we'll deliver on five key priorities.

1. EE will become our flagship brand for consumers, leading our approach to future innovation, convergence and services beyond connectivity. Eventually, this will help us win in households across the UK and build deeper customer relationships by giving them exceptional experiences.
2. BT will be our flagship brand for Enterprise and Global under the new heading, BT Means Business. Enterprise and Global have a strong portfolio of next generation services and we will capitalise on these to drive market share in fast-growing areas where we're under-indexed.
3. Openreach has a strong and growing early customer connection rate of 25% to the new FTTP network. At such an early stage in this asset's life, it's an encouraging indicator of the long-term economic return we'll generate on this once-in-a-generation investment.
4. Half-way through FY22 we achieved our £1bn gross annualised cost savings target – 18 months ahead of schedule. This let us bring forward our £2bn savings target by a year to FY24 and target further savings totalling £2.5bn by end FY25.
5. We're sharpening our focus to make sure we are adapting to the changing markets we operate in and funding the right assets and initiatives for growth. To that end, we have finalised the sports joint venture with Warner Bros. Discovery to improve our content offering to customers, aligning our business with a new global content powerhouse. Separately, we have now extended our reciprocal channel supply deal with Sky into the next decade and, following successful trials, Openreach and Sky have signed an MOU allowing Sky engineers to complete home installations of full-fibre for their customers. These deals strengthen our strategic relationship with a key partner, mutually benefiting all of our customers.



We launched the BT Group Manifesto in December, setting out how we'll accelerate responsible, inclusive and sustainable growth over the next decade."

25m

our target is to help 25m people improve their digital skills by the end of March 2026, and we're already half-way to achieving that goal

60m

we will help customers avoid 60m tonnes of carbon emissions by 2030

£7.9bn

in FY23 we expect to deliver EBITDA of at least £7.9bn

BT Group Manifesto

As the world of technology evolves, the weight of societal responsibility on companies like ours becomes ever greater and more complex. We will only succeed if we help solve some of the problems faced by the customers and societies we serve. To that end, we launched the BT Group Manifesto in December, setting out how we'll accelerate responsible, inclusive and sustainable growth over the next decade.

Central to this is making sure customers have the necessary skills for their own digital futures – whether that's helping parents help their children get online or ready themselves for a career in coding after school or university. Our target is to help 25m people improve their digital skills by the end of March 2026. We're already over half-way to achieving that goal.

We have also set out clear workforce diversity and inclusion targets which are stretching but we're determined to pursue them and champion an inclusive culture that celebrates our differences. In addition, we have brought forward our net zero target by 15 years – to 31 March 2031 for our own emissions and 31 March 2041 for supply chain and customer emissions. By embracing new technologies such as full fibre, 5G, cloud computing and IoT, we will help customers avoid 60m tonnes of carbon emissions by 2030.

Looking ahead

BT Group has emerged from the global pandemic a stronger organisation with a clear path to future success. Despite lower revenue in FY22, we've grown EBITDA, we are well on track to modernise and improve every aspect of our operations and our mid- to longer-term financial outlook is improving.

The majority of our revenue base is now inflation-linked and customers are on clear, predictable and transparent pricing plans. Annual data consumption has more than doubled in the last five years and with the once-in-a-generation network upgrades needed to support this, it's critical that our pricing structures are fit for purpose and can fund these investments. That said, in the current inflationary environment we know every penny counts for our customers – which is why we won't increase social tariff prices in 2022.

In FY23 we expect to deliver revenue growth and EBITDA of at least £7.9bn. Looking further out, we have expanded our gross annualised cost savings target to £2.5bn by FY25.

As we pass the peak of our fibre build and move towards an all-fibre, all-IP network, we expect an annual capex reduction of at least £1bn and lower operating costs of £500m. From these two things alone, by the end of the decade we expect at least £1.5bn higher normalised free cash flow compared to FY22. Our progressive dividend policy will be underpinned by these increased cash flows as we move to sustainable growth going forward.

It is thanks to shareholders' support that we are making big investments in the long-term future and prosperity of BT Group – on their behalf, and on behalf of customers and the whole of the UK.

The true strength of our business lies in our unwavering commitment to putting customers first. Building and maintaining their trust in us is the single most important thing we do; we will never take it for granted and we will always strive for better.

Philip Jansen
Chief Executive
11 May 2022



To see Philip in conversation, visit our online annual review bt.com/annualreview