

A message from our Chairman

£24bn

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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 UK¹ (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 fibre² 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

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