Governance

Our governance structures help us build our business on strong foundations and drive progress towards our ambitions.

Leadership

Our Board-level *Digital Impact & Sustainability Committee* (DISC) oversees our digital impact and sustainability strategy and tracks progress towards our ambitions. It was previously called the Committee for Sustainable and Responsible Business (CSRB), and was renamed in April 2019.

Previous members included BT executive management, non-executive directors and external independent members (see table). Moving forward, the DISC will consist of non-executive directors only, in line with other Board committees. Ed Petter (Corporate affairs director) and Andy Wales (Digital impact & sustainability director) joined the committee during 2018/19 and Gunhild Stordalen and Phil Hodkinson stepped down.

The CSRB met a minimum of three times a year, whereas the DISC will meet four times per year. Jasmine Whitbread, as chair, will regularly report to the Board on the committees activities. This year, the committee reviewed and endorsed our digital impact and sustainability strategy, including the proposed timeline for implementation across the business. It also reviewed updates and progress in our human and digital rights work, as well our climate change strategy and carbon reduction targets.

Digital Impact & Sustainability Committee (DISC)
2018/19 attendance

Member	Eligible to attend	Attended
Jasmine Whitbread (chair)[a]	4	4
Jan du Plessis	4	4
Phil Hodkinson[b,d]	3	3
Lisa MacCallum[b]	4	4
Gavin Patterson[c,d]	3	2
Ed Petter[c,e]	4	2
Gunhild Stordalen[b,f]	3	0
Andy Wales[c,g]	4	4
Alison Wilcox[c]	4	4

a Non-executive director
b External member
c BT employee
d Phil and Gavin stepped down from the committee on 31 January 2019
e Ed joined the committee on 6 June 2018
f Gunhild stepped down from the committee on 31 December 2018
g Andy joined the committee on 24 July 2018

Accountability

In keeping with the principle of single-point accountability, decisions are taken by our Chief Executive, Philip Jansen, who exercises delegated authority from the Board. He's advised by our *Executive Committee* (ExCo), which provides input, offers recommendations and acts as a forum for robust debate.

The ExCo is the executive management team for BT. It focuses on creating and communicating a compelling vision, overseeing performance and risk mitigation, setting the tone for our organisation, culture and people, and establishing a governance framework. Our digital impact and sustainability director met with the ExCo during the year to set out and agree the new digital impact and sustainability strategy.

Our governance structure is designed to enable timely and appropriate decisions at the right level of the organisation. The Board gives certain responsibilities and authorities to a number of Board committees.

Our *Audit & Risk Committee* reviews our management of financial and non-financial risks and internal controls, including those related to the economic, social, regulatory, political or technology environment. All significant announcements are reviewed by our *Disclosure Committee* for accuracy and compliance requirements. The *BT Investment Board* provides recommendations and input to support the BT Chief Executive with his decision-making on investment (capex and opex) budgets and cases.

You can find out more about our Board committees <u>here</u>.

Managing risk

Like any business, we face a number of risks and uncertainties. Our Enterprise Risk Management framework gives reasonable (but cannot give absolute) assurance that we've identified and are addressing our biggest risks. We work to predict and manage risks, while aiming to take advantage of any opportunities.

Risks, including sustainability-related risks, are overseen by the ExCo. Overall responsibility for making sure risks are managed appropriately rests with the *BT Group plc Board*, supported by the *Audit & Risk Committee*.

More information on our risk management approach and principal risks can be found in the <u>Annual Report</u>.

Governance continued

Listening to stakeholders

We listen to our stakeholders to understand what they think. Stakeholder feedback helps us identify areas where we can improve and it helps us stay on top of people's evolving concerns.

We're in daily contact with stakeholders like our customers, our people and suppliers. We interact regularly with investors and with governmental and non-governmental organisations. The partnerships and groups we're part of, such as the World Economic Forum and the World Business Council for Sustainable Development, also give us a broader view, help us challenge our thinking and partner with others on projects to create a more sustainable world.

The grid (right) shows the issues that came up among each stakeholder group this year and which they care about most.

This year, besides network investment and customer experience, stakeholders were most concerned about digital lives (including the digital skills gap and online safety), as well as ethics, equality/diversity, and economic impacts (Brexit featured heavily). Many also identified climate change and human/digital rights as significant concerns.

2018 stakeholder analysis

	Communities						Environment					Strong foundations			
	Network investment & innovation	Customer experience	Digital lives	Human & digital rights	Emergent tech (IoT/AI)	Communities & charities	Climate change	Renewable energy	Air pollution & transport	EMF/RF[1]	Sustainable consumption & waste	Ethics	Equality (inc. fair pay)	Health, safety & wellbeing	Economic impacts
Consumers	●	●	●	●		○	●	○	○		●	○	○		○
Employees	○	●	○	○	○	●	○	○	○	○	○	○	●	●	○
Suppliers	○		●	○			●	●	○		●	○	○	○	
Socially responsible investors	○	○	●	○	○	○	○	○		○	○	●	○	○	●
Mainstream investors	○	○										●	○		●
Governments & regulators	●	●	○	●	○		○					○	○		●

● Most significant topics for each group of stakeholders
○ Other significant topics

Economic impacts

Within the broad topic of economic impacts, stakeholders were most concerned about pensions and geopolitical factors including the UK's exit from the EU. These topics are covered in more detail in our Annual Report.

Governance
continued

Identifying material issues

At the end of every calendar year, we conduct
a materiality process to analyse how important
different topics are to our stakeholders using the
process described under 'Materiality Methodology'
in the Our Reporting Methodology section within
the online appendixes and map them against their
potential impact on our business. Our approach
is assured against the AA1000 Assurance
Standard 2008.

We use the results to make decisions about
strategy and we focus our reporting on
our most material issues.

Overall, our most material issues remain broadly
consistent with those reported last year, with cyber/
data security continuing to top the list (see chart on
page 04 of the Digital impact and sustainability report).

In line with our new strategy, we've brought
together the issues of digital skills, accessibility and
online safety under the topic of digital lives. We
also brought together topics such as privacy and
data security relating to human and digital rights
into one category. Combining these areas, along
with increasing stakeholder focus, has led to both
topics joining the list of our most material issues
this year. Climate change also continues to be one
of our most material issues.

We report on our most material issues on page 04
in our Digital impact and sustainability report, with
the exception of customer experience, network
investment and economic impacts, which are
covered in more detail in BT's Annual Report.

Beyond our most material issues, we've also seen
growing interest in equality and diversity, energy
use, and sustainable consumption and waste,
including recycling and single-use plastics.
Emergent technologies including artificial
intelligence, the Internet of Things and big data
slightly increased in stakeholder interest this year.
We report on how we're managing the human and
digital rights risks of emergent technology in our
Digital impact and sustainability report.

Stakeholders no longer see health concerns about
electromagnetic fields (EMF) and radio frequency
emissions as a significant issue but we continue
to monitor ongoing research and emerging risk
through our EMF working group. (Refer to the most
recent fact-sheet from the World Health Organization).