

Section 172 statement

In accordance with section 172 of the Companies Act 2006 each of our directors acts in the way that he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

Our directors have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term
- interests of our colleagues
- need to foster the company's business relationships with suppliers, customers and other key stakeholders
- impact of the company's operations on communities and the environment
- desirability of the company maintaining a reputation for high standards of business conduct
- need to act fairly as between members of the company.

The directors take into account the views and interests of a wider set of stakeholders and you can find out more about how BT engages with its stakeholders on pages 24 to 29. During the year the Board and its committees received papers, presentations and reports, participated in discussions and considered the impact of the company's activities on its key stakeholders (wherever relevant). We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the Board frequently has to make difficult decisions based on competing priorities. By considering the company's purpose and values together with its strategic priorities and having a process in place for decision making, we do, however, aim to balance those different perspectives.

How does the Board engage with stakeholders?

The Board will sometimes engage directly with stakeholders on certain issues, but the size and distribution of our stakeholders, and of BT, means

that stakeholder engagement often takes place at an operational level. The Board considers information from across the organisation to help it understand the impact of BT's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enable the directors to comply with their legal duty under section 172 of the Companies Act 2006. For details on how the Board operates and the way in which the Board and its committees reach decisions, including the matters we discussed during the year, see pages 70 to 83.

Key strategic decisions

Decisions taken by the Board and its committees consider the interests of our key stakeholders, the impacts of these decisions and the need to foster the company's business relationship with customers, suppliers and other stakeholders. Papers submitted to the Board consider the impact on key stakeholders.

Directors have had regard to the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when discharging their section 172 duties. The following are some of the decisions taken by either the Board or its committees during the year and the considerations given to stakeholder interests and impacts:

Delisting from the New York Stock Exchange (NYSE) and termination of BT's American depository receipts (ADR) programme and deregistration from the US Securities and Exchange Commission (SEC)

As part of the Board's decision to delist from the NYSE, terminate our ADR programme and subsequently deregister from the SEC, as announced on 14 August 2019, it took into consideration a number of stakeholders, including: our investors based in North America and the type of shares (ordinary shares or American depository shares) they predominantly held; our colleagues who were participants in our US all-employee share schemes and therefore holders of ADRs; and the holders of US bonds given these were registered with the SEC. The Board also took into consideration the current reporting costs and complexities of a listing on the NYSE and registration with the SEC.

Sale of BT's domestic operations in Spain

During the year, the Board considered and approved the proposal to sell BT España, which was announced on 16 December 2019. Consideration was given to the different stakeholders including the impact on our colleagues and customers (both multi-nationals and local) and how divestment would enable us to continue to deliver on our ongoing transformation strategy of Global and our future business operations in Spain.

Directors' Remuneration Policy

As part of developing the new Directors' Remuneration Policy (the Policy), the group HR director and reward team liaised with various stakeholders including the *Executive Committee* and all non-executive directors to understand their views of the current remuneration arrangements at BT and the alignment of remuneration to our strategy and priorities over the medium term. These views were shared with the *Remuneration Committee* alongside information on the wider workforce remuneration structure, external market practice, corporate governance regulations and institutional guidelines. Consideration was given to ensuring we continue to have in place a remuneration structure that benefits all of the company's stakeholders, whilst ensuring executive reward aligns with shareholders' long-term interests. During the year, the *Remuneration Committee* conducted a comprehensive review of the current Policy following which the *Remuneration Committee* chair consulted extensively with our largest shareholders and their representative bodies on the proposed changes to the Policy. This helped shape the committee's thinking and the development of the new Policy. The committee recommended the Policy to the Board for approval, which will be subject to a binding shareholder vote at the 2020 AGM.