

BT Group plc

Section 172 statement

In their discussions and decisions during the year ending 31 March 2021, the directors of BT Group plc have acted in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to stakeholders and the matters set out in sub-sections 172(1)(a)-(f) of the Companies Act 2006 (the 2006 Act)).

The Board considers the matters set out in section 172 of the 2006 Act in all its discussions and decision-making. That includes:

The likely consequence of any decision in the long term:

The directors recognise that the decisions they make today will affect BT's long-term success. During the year, the Board had particular regard to the long-term success of the company in its discussions on the evolution of the company's purpose and strategic framework, as set out in the Board activities section on pages 74 to 77. Our purpose and strategy demonstrate how we will realise our ambition and grow value for all our stakeholders. This in turn guides the Board's decisions, specifically the balance between short- and long-term investments (more details on page 43). The third pillar of our strategy (lead the way to a bright, sustainable future) incorporates our aim to identify and develop new business opportunities that will help us grow sustainably in the future. More information on our strategy can be found from page 19.

The impact of BT's operations on the community and environment:


The *Digital Impact & Sustainability Committee* monitors progress on the digital impact and sustainability strategy and supporting goals for digital skills, responsible tech and human rights, and climate change and the environment. During the year, the committee reviewed and endorsed the Skills for Tomorrow programme and its pivot to become 'digital-first' during the Covid-19 pandemic. Our digital impact and sustainability strategy incorporates responsible tech and human rights, and our sector-leading approach to climate action, with a target to become a net zero carbon emissions business by 2045, as well as our two related group KPIs (see pages 30 to 33).

We are also committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). See page 67 for our response to TCFD.

The desirability to maintain a reputation for high standards of business conduct:

The Board acknowledges its responsibility for setting and monitoring the culture, values and reputation of the company. Our colleagues are central to us achieving our ambition and we are building a culture where our colleagues can be their best. During the year, the Board considered BT's culture in its decision-making and discussions; further details on this can be found on page 76. The *Digital Impact & Sustainability Committee* reviewed and endorsed BT's new responsible tech and human rights approach which aims to develop, use, buy and sell technology in a way that benefits people and minimises harms (see page 87 for more details on the activities of the *Digital Impact & Sustainability Committee* and page 30 for our digital impact and sustainability strategy).

The *Audit & Risk Committee* also received and considered regular reports from the group ethics and compliance director on BT's ethics and compliance priorities, including Speak Up, our confidential, whistleblowing hotline (see page 85).

 We set out our commitment to high standards of business conduct in The BT Way (our Ethics Code), see [bt.com/ethics](https://www.bt.com/ethics)

The interests of our colleagues, and the need to foster business relationships with our key stakeholders:

The Board and its committees understand the strategic importance of stakeholders to BT's business. When making decisions, the directors have regard to the interests of colleagues, and the need to foster business relationships with other key stakeholders. We acknowledge that not every decision we make will

necessarily result in a positive outcome for all our stakeholders; the Board therefore has to balance competing interests in reaching its decisions.

While the Board engages directly with stakeholders on some issues, the size and distribution of BT and our stakeholder groups means that stakeholder engagement often happens below Board level. However, the Board considers information from across the organisation to help it understand how our operations affect our stakeholders' interests and views. There are more details on how we engage with key stakeholders (including customers and suppliers) on pages 34 to 41 and on the chief executive's role in reporting engagement feedback to the Board through his chief executive's report on page 75. For further details on how the Board operates and makes decisions, and its activities this year, see pages 71 to 77.

Our colleagues are key to our success and they are always considered as part of the Board's discussions and decision-making. Their wellbeing, especially during the Covid-19 pandemic, as well as diversity and inclusion, our culture, transformation programme and employee relations, have been a prominent focus of Board discussions this year (see page 76 for more details). The Board engages with colleagues primarily through the *Colleague Board* and via Isabel Hudson, our designated non-executive director for workforce engagement (see pages 35 to 36 for more details on the *Colleague Board*). Isabel provides feedback after each formal *Colleague Board* meeting and also discusses any topics raised by members at relevant Board and committee meetings.

Our other employee communication channels are set out on page 34. As explained on page 76, the Board also discussed with HR and the chief executive the findings from other colleague engagement mechanisms during the year.

The need to act fairly as between BT's shareholders

During 2020/21, the Board, the chief executive and chief financial officer, other executives and the investor relations team held various meetings with investors (see page 38 for more detail on our engagement with shareholders). These meetings gave investors the opportunity to discuss views on financial and operational performance, capital investment, pensions, capital allocation policy, as well as prospective governmental and regulatory policy decisions.

Decisions made during the year:

The following are some of the decisions made by the Board this year which demonstrate how colleague interests, the need to foster business relationships with other key stakeholders, and other section 172 matters have been taken into account in discussions and decision-making:

| Decision | What happened | |
|---|--|---|
| Suspending our final dividend for 2019/20 and all dividends for 2020/21 | <p>As set out in last year's report, the Board made the exceptionally difficult decision to suspend the final dividend for 2019/20 and the dividends for 2020/21 and rebase future dividends at a more sustainable level.</p> <p>The Board considered the advantages and disadvantages of the decision and the change to the distribution policy, including whether suspending our dividend was the right action to ensure our long-term success. The views of our stakeholders, particularly the expected reactions of our equity investors, which includes our colleagues, and the nominated representative for Deutsche</p> | <p>Telekom (BT's largest shareholder), as well as our brokers' opinions on the expected reactions from the market, were taken into account.</p> <p>The Board carefully considered the short term negative effect on our shareholders, but determined that taking the decisive action to suspend our dividends now would position BT positively for the future and help us create capacity for value-enhancing investment opportunities, including full fibre and 5G, our major modernisation and simplification programme, and to navigate the shorter term impact and unprecedented consequences of the Covid-19 pandemic.</p> |
| Strategic intent to accelerate full fibre build to 20m premises by mid-to-late 2020s, subject to the critical enablers being resolved | <p>The Board had a number of discussions on its commitment to the level and pace of the full fibre build, capital expenditure required, the risks involved, how it would flow through into our medium term plan and the regulatory enablers required from Ofcom as part of the WFTMR.</p> <p>The Board carefully considered how a commitment to accelerate our full fibre build to 20m premises by the mid-to-late 2020s would affect our ability to pay a dividend to our shareholders in the short term, balanced against benefits to other stakeholders in the long term, including customers, colleagues, shareholders and the country as a whole. This</p> | <p>included the importance of the full fibre rollout to our purpose, we connect for good, and our reputation as a national champion.</p> <p>Despite us not obtaining regulatory clarity until the publication of the WFTMR in March 2021, the Board recognised the importance of providing clarity to shareholders, the market, our regulator, Ofcom and the UK Government on our proposed intention to invest, ahead of the final publication of the WFTMR. For more details on the WFTMR and our target to increase and accelerate our FFTP build plan by an additional 5m from 20m to 25m premises by December 2026, please see pages 16 and 20.</p> |
| Endorsement of proposed diversity and inclusion targets | <p>The Board received and considered management's proposal in relation to the planned publication of our diversity and inclusion targets and commitments in relation to gender, ethnicity and disability. The Board was supportive of this and the voluntary publication of our ethnicity pay gap, through our inaugural Diversity and Inclusion Report (which we expect to publish in early summer 2021), having reflected on how targets and commitments would support the progress of our strategy and our approach to valuing diversity, embedding inclusion and progressing equality. The Board discussed that having clear targets will also help support cultural shifts and drive a more inclusive workforce, and accordingly recommended that BT should be bold in its ambitions in this area, which management also agreed with.</p> | <p>The Board advised that as part of meeting our targets, it was important to consider all aspects of our colleague journey, talent pipeline, recruitment and the ongoing support provided to under-represented groups as they progress through the organisation. The <i>Colleague Board's</i> feedback on how we improve diversity was also shared with the Board by Isabel Hudson, our designated non-executive director for workforce engagement, including the importance of diversity on assessor panels for graduate and apprenticeship assessment centres to ensure we recruit in line with the diverse skills we need for the future. The Board considered the interests and expectations of our stakeholders as part of this decision, including those of our colleagues and investors, and the UK Government given their recent reviews in this area.</p> |
| Enhancing our consumer fairness governance framework | <p>The Board approved proposals to enhance our consumer fairness governance framework during the year.</p> <p>In considering these proposals, the Board had regard to both the importance that BT places on consumer fairness for our customers, as well as Ofcom's and the UK Government's expectation to see greater commitment to a culture of consumer fairness at all levels by communications providers. This enhanced governance in relation to consumer fairness is aligned with BT's purpose and ambition and the Board's broader recognition of the importance of proactively protecting our customers' interests as set out on page 86.</p> | <p>Having considered a number of options in relation to enhanced governance, the Board decided that the remit of the <i>BT Compliance Committee</i> should be widened to include the oversight of consumer fairness matters on its behalf.</p> <p>Therefore, from 1 April 2021, the <i>BT Compliance Committee</i> shall monitor whether BT is living up to Ofcom's Fairness for Customers commitments, whether the culture and behaviours of colleagues are conducive to BT being trusted in relation to consumer fairness, and the extent to which BT is meeting the desired outcome of being trusted in relation to consumer fairness. More details on consumer fairness can be found on page 17.</p> |