

Corporate governance report

We are committed to delivering our strategy and creating long-term value for our stakeholders and the communities we operate in through effective Board leadership and strong corporate governance.

Compliance with the 2018 UK Corporate Governance Code (the Code)

In respect of the year ended 31 March 2021, BT Group plc was subject to the Code, which was published by the Financial Reporting Council in July 2018 (available at frc.org.uk). BT complied with the provisions of the Code throughout the year. Details explaining how we have applied principles A-R of the Code can be found in the table opposite.

US Securities and Exchange Commission (US SEC) deregistration

On 24 September 2020, BT Group plc deregistered from the US SEC. We are therefore no longer required to produce a Form 20-F (or make the associated filings) alongside this report.

* Further details on the key roles within BT can be found on our website bt.com/governance

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Chairman's governance letter



This year, in response to the continuing challenges caused by Covid-19, the Board discussed with our executives how we would mitigate the impact of the pandemic on the group, our stakeholders and on our current and long-term operations. Central to this is ensuring that the various services BT provides continue to keep everyone connected. We also considered the macroeconomic environment and related uncertainties.

After much deliberation, I took the decision to retire as chairman from the BT Board in March. After 17 years of demanding roles as chairman of significant FTSE companies, I know the time is now right for me to step down and focus on other interests. Until I hand over to my successor, I remain fully committed to BT and helping Philip continue to deliver for all our stakeholders.

It has been a pleasure to lead a Board that believes that strong corporate governance is critical to how we make decisions and providing oversight in order to generate long-term sustainable value for all our stakeholders, including investors, colleagues, customers, the regulators, the Government and the communities in which we operate. Central to the delivery of our strategy is the group's culture, underpinned by the values and behaviours expected of our colleagues. This corporate governance report for the year ended 31 March 2021 sets out our approach to governance and how it supports our strategy, the Board and its committees' key focus areas during the year and the decisions we have made in line with the group's new purpose, we connect for good, whilst considering the interests of our stakeholders as well as our contribution to society as a national champion.

Changes to the leadership

The Board welcomed two new non-executive directors during the year, Adel Al-Saleh and Sara Weller, with Sir Ian Cheshire joining the Board in March 2020. All three directors have added

to the breadth of experience, skills and diversity of the Board. Together, they bring knowledge and experience in retail, fast moving consumer goods, financial services and eCommerce both in the UK and internationally, as well as within the telecommunications sector.

As recently announced, Mike Inglis will cease being a non-executive director at the conclusion of the 2021 AGM. I'd like to thank Mike for his contribution to BT and the Board. As stated in last year's Annual Report, Tim Hötting stepped down from the Board on 15 May 2020 and Nick Rose stepped down at the conclusion of the 2020 AGM. There were also a number of changes to the membership and chairmanships of each of the committees and to the role of senior independent director. Through the *Nominations Committee*, we have continued to review the composition of the Board to ensure we have the right balance of skills, independence, experience and diversity in line with the current and future needs of the group.

The search for my successor, led by Iain Conn as the senior independent director, is underway. Further to the announcement that Mike Inglis will step down and the external Board evaluation, we believe the Board requires more technology expertise. We have decided to wait until a successor is identified before making any future non-executive director appointments to ensure the Board's skills as a whole are reviewed with the new chairman in role. As part of reviewing the leadership of the business, the *Nominations Committee* considered a number of changes to the *Executive Committee* (see page 80). These changes have sought to further strengthen our senior leadership, bringing the fresh perspective required for the future long-term growth of our business.

Diversity and inclusion

The Board continues to recognise the importance of diversity within our organisation. I am pleased to report that female directors continue to make up 33% of our Board with Isabel Hudson and Leena Nair chairing two of our committees, and Isabel acting as our designated non-executive director for workforce engagement. We have two directors from an ethnic minority background on our Board exceeding the Parker Review recommendation. I am pleased that our *Executive Committee* also currently comprises 33% female

members and one member from an ethnic minority background.

Stakeholders

Engagement with our key stakeholders was vital this year given the pandemic. The existing mechanisms for feedback to the Board concerning engagement both within the group and between the group and its stakeholders have proved effective, ensuring the continuous flow of information between the Board, senior management and the wider workforce throughout the pandemic, despite much of this taking place virtually. Details of the engagement undertaken during the year and its impact on the Board's decision-making can be found on pages 34 and 76 and in our **Section 172 statement** on pages 42 to 43.

The *Colleague Board*, established at the start of 2020, has strengthened the voice of our colleagues at board-level and given the Board valuable insights into colleague sentiment, with Isabel Hudson reporting back to the Board on key discussions and feedback from the members (see pages 35 to 36). Reflecting on its first year, we continue to believe that this is the right mechanism for BT.

During the year, in order to enhance BT's commitment to protecting the interests of consumers and promoting a culture of consumer fairness, the Board decided to delegate board-level oversight of consumer fairness to the *BT Compliance Committee* from 1 April 2021 (see page 86).

Evaluation

Clare Chalmers Limited undertook our externally facilitated Board and committee evaluation this year. Overall, the evaluation acknowledged the benefit of the Board comprising a highly experienced group of non-executive directors with a strong skillset, a diverse range of viewpoints, an environment of healthy challenge and an appreciation of the stakeholder context in which BT sits. Further details about the process and the proposed focus areas for 2021/22 can be found on page 79.

I would like to thank my fellow Board members and the executive team for their ongoing support and the commitment of our entire workforce during this exceptional year.

Jan du Plessis

Chairman
12 May 2021

Our governance framework

The Board

Responsible for the stewardship of the group, overseeing its conduct and affairs to deliver on our strategic objectives and creating long-term success in order to generate sustainable value for our shareholders and the interests of other stakeholders. The Board has established certain committees to assist it in discharging its responsibilities and delegates day-to-day responsibilities to the chief executive.

📄 Board leadership on [page 74](#)

Audit & Risk Committee

Oversees, assesses and reviews our financial and narrative reporting, internal controls and risk management, including internal and external audit and pan-BT finance, control and compliance-related transformation programmes.

📄 *Audit & Risk Committee* chair's report on [pages 82 to 85](#)

Nominations Committee

Considers the structure, size and composition of the Board and its committees and advises on succession planning for the Board and the *Executive Committee*. It ensures the Board is diverse, with the appropriate balance of skills, experience, independence and knowledge.

📄 *Nominations Committee* chair's report on [pages 80 to 81](#)

Remuneration Committee

Agrees the remuneration framework for the chairman, executive directors and certain senior executives and monitors remuneration practices and policies for the wider workforce.

📄 *Remuneration Committee* chair's letter and Report on directors' remuneration on [pages 88 to 104](#)

BT Compliance Committee

Oversees our adherence to the Commitments we made as part of the 2017 Digital Communications Review with Ofcom and consumer fairness matters.

📄 *BT Compliance Committee* chair's report on [page 86](#)

Digital Impact & Sustainability Committee

Provides oversight and direction to bring our purpose to life through our digital impact and sustainability strategy.

📄 *Digital Impact & Sustainability Committee* chair's report on [page 87](#)

Colleague Board

Discusses and inputs into significant proposals and initiatives impacting our colleagues. Our designated non-executive director for workforce engagement reports back to the Board on its activities.

📄 *Colleague Board* on [pages 35 to 36](#)

Investigatory Powers Governance Committee

Oversees our role in the use of official investigatory powers.

Chief executive

Responsible for running the business and setting and executing the group strategy.

Executive Committee

Assists the chief executive to develop and execute the group strategy and budget, and monitors overall performance and how we're managing risks.

BT Investment Board

Provides input and recommendations that support the chief executive's decision-making on investment budgets and cases.

Disclosure Committee

Ensures BT meets its disclosure obligations and reviews and approves regulatory and other announcements before publication.

📄 Matters reserved to the Board and its committees' terms of reference can be found on our website at bt.com/governance

Each committee chair formally reports to the Board following their meetings and makes any recommendation to the Board in line with that committee's terms of reference.

Papers and minutes are circulated to all Board and committee members as appropriate, other than to those with a potential conflict of interest. Deutsche Telekom's nominated representative owes a fiduciary duty to both BT and Deutsche Telekom. The *Conflicted Matters Committee* reviews all papers ahead of sharing these with him to identify potential or actual conflicts of interest.

Board of directors



IP N D

Jan du Plessis
Chairman

Appointed chairman in November 2017 and to the Board in June 2017. Age 67.

Experience

Jan was chairman of Rio Tinto from 2009 to 2018 and chairman of SABMiller from 2015 until 2016. He was also a director and later senior independent director of Marks & Spencer from 2008 until 2015. Before that he served as chairman or non-executive director of a number of public companies. Prior to that, until 2004, Jan was group finance director of Richemont.

Relevant skills and contribution to the Board

Significant experience serving as chairman and as a non-executive director on the boards of FTSE 100 international companies across varying sectors. Jan has the knowledge and insight to lead an effective board and an in-depth understanding of UK corporate governance requirements.

External appointments

None.



C E IP

Philip Jansen
Chief executive

Appointed chief executive in February 2019 and to the Board in January 2019. Age 54.

Experience

From April 2013 until joining BT, Philip was CEO of Worldpay. Before that he was CEO and then chairman at Brakes Group between 2010 and 2015. Philip spent the previous six years at Sodexo where he was group chief executive, Europe, South Africa and India. Prior to that he was chief operating officer at MyTravel Group from 2002 to 2004 and managing director of Telewest Communications (now Virgin Media) from 2000 to 2002 after initially starting his career at Procter & Gamble.

Relevant skills and contribution to the Board

Extensive experience of leading and growing large private and publicly listed UK and international businesses, delivering transformational change and large technology programmes.

External appointments

Senior adviser at Bain Capital and trustee of Wellbeing of Women.



E

Simon Lowth
Chief financial officer

Appointed chief financial officer and to the Board in July 2016. Age 59.

Experience

Simon was CFO of BG Group before the takeover by Royal Dutch Shell in February 2016. Prior to that, he was CFO of AstraZeneca from 2007 to 2013. He was an executive director of ScottishPower from 2003 to 2007 having been appointed as the finance director in 2005. Before 2003, Simon was a director of McKinsey & Company.

Relevant skills and contribution to the Board

A strong background in finance, accounting, risk, corporate strategy and mergers and acquisitions. Experience and implementation of cost transformation and performance improvement programmes provide valuable expertise.

External appointments

None.



A C D N

Mike Inglis

Independent non-executive director
Appointed to the Board in September 2015. Age 61.

Experience

Mike served as non-executive chairman of Ilika until January 2019 and was on the board of ARM Holdings from 2002 to 2013. His roles at ARM included chief commercial officer, executive vice president and general manager of the processor division and executive vice president of sales and marketing. Prior to joining ARM, Mike worked in management consultancy with AT Kearney and held a number of senior operational and marketing positions at Motorola. Mike was previously a director of Pace and an independent director of Advanced Micro Devices.

Relevant skills and contribution to the Board

Significant experience in the technology industry and expertise in marketing, management and operations.

External appointments

None.



A N R

Matthew Key

Independent non-executive director
Appointed to the Board in October 2018. Age 58.

Experience

Matthew held various positions at Telefónica from 2007 to 2014 including as chairman and CEO of Telefónica Europe and chairman and CEO of Telefónica Digital. From 2002 to 2004 he was the CFO, strategy and regulation director of O2 UK before becoming CEO in 2004. Matthew has also served as finance director at Vodafone UK and chairman of Tesco Mobile. He has previously held positions at companies including Kingfisher, Coca-Cola and Schweppes Beverages and Grand Metropolitan.

Relevant skills and contribution to the Board

Strong strategic skills and a wealth of experience in finance and the telecoms sector.

External appointments

Non-executive director and audit committee chair of Burberry and chairman of Dallaglio Rugbyworks.



A C N

Allison Kirkby

Independent non-executive director
Appointed to the Board in March 2019. Age 53.

Experience

Allison was appointed President & CEO of Telia Company in May 2020. Allison was previously President & Group CEO of TDC Group until October 2019, and President & Group CEO of Tele2 AB from 2015 to 2018, having been Tele2 AB's Group CFO from 2014. She was chair of the audit committee and a non-executive director of Greggs until May 2019. She has also held financial and operational roles within 21st Century Fox, Virgin Media, Procter & Gamble and Guinness.

Relevant skills and contribution to the Board

Valuable and recent experience in finance and the international telecoms and media sector, combined with strong experience in driving performance, improving customer service and delivering shareholder value.

External appointments

President & CEO of Telia Company.

Membership key

- Committee chair
- (A) Audit & Risk Committee
- (C) BT Compliance Committee
- (C) Colleague Board
- (D) Digital Impact & Sustainability Committee
- (E) Executive Committee
- (IP) Investigatory Powers Governance Committee
- (N) Nominations Committee
- (R) Remuneration Committee

Our directors share collective responsibility for the activities of the Board. There is a clear division of responsibilities between the chairman and the chief executive as required by the Code. The responsibilities of the chairman, chief executive, chief financial officer and senior independent director and other key roles within BT, along with the matters reserved to the Board, are set out on our website at bt.com/governance



N

Adel Al-Saleh

Non-independent, non-executive director

Appointed to the Board in May 2020. Age 57.

Experience

Adel has been chief executive officer of T-Systems International GmbH (a subsidiary of Deutsche Telekom AG) since 2017 and is a member of the Management Board of Deutsche Telekom AG. Adel was chief executive officer of Northgate Information Solutions from 2011 to 2017, and before that held a variety of senior posts at both IMS Health (IQVIA today) and IBM.

Relevant skills and contribution to the Board

Significant experience in managing global technology companies, enterprise transformation and digitalisation.

External appointments

Member of the Boston University, College of Engineering Advisory Board.



D N R

Leena Nair

Independent non-executive director
Appointed to the Board in July 2019. Age 51.

Experience

Since 2016, Leena has been the chief human resources officer at Unilever. She is responsible for Unilever's global people agenda, working across 160 markets to help deliver Unilever's business financial performance as well as its environmental and social impact objectives. Leena joined Unilever in 1992 and has held a wide variety of HR roles throughout her career, including senior vice president for leadership and organisational development and global head of diversity, executive director of Hindustan Unilever and vice president HR South Asia.

Leena was previously a non-executive director at the Department for Business, Energy and Industrial Strategy until December 2020.

Relevant skills and contribution to the Board

A deep understanding of the strategic and practical challenges of driving large-scale cultural transformation.

External appointments

Chief human resources officer at Unilever.



C N R

Sir Ian Cheshire

Independent non-executive director
Appointed to the Board in March 2020. Age 61.

Experience

Ian was chairman of Barclays Bank UK until December 2020 and a non-executive director of Barclays until May 2021. Ian was also previously group chief executive of Kingfisher and senior independent director and remuneration committee chair of Whitbread. Ian held a variety of posts whilst at Kingfisher from 1998 to 2014, including chief executive of B&Q from 2005 to 2008 and group chief executive from 2008 to 2014. He was also previously the chairman of Debenhams and the lead non-executive director for HM Government and former chairman of the Corporate Leaders Group on Climate Change.

Relevant skills and contribution to the Board

A wealth of listed company experience, with a notable background in strategy, international retail and eCommerce.

External appointments

Ian is chairman designate of Spire Healthcare Group and will accede to the role of chairman following its annual general meeting in May 2021. Ian is also chairman of Menhaden, a UK investment trust.



A I P N R

Iain Conn

Senior independent non-executive director

Appointed to the Board in June 2014. Age 58.

Experience

Iain was group chief executive of Centrica for over five years from 2015 to 2020. Prior to that, Iain spent 29 years at BP and was a board director for ten years from 2004 to 2014 including as chief executive Downstream from 2007 to 2014, and a member of the executive committee from 2002 to 2014. Until May 2014, Iain was a non-executive director of Rolls-Royce for nine years and senior independent director. Iain also served as a member of Council of the Imperial College from 2010 to 2019 and was chairman of the advisory board of the Imperial College Business School from 2004 to 2020.

Relevant skills and contribution to the Board

Deep experience in the global energy markets, industrial operations, regulated consumer markets, and in finance, technology and engineering. Broad international experience.

External appointments

Senior adviser to Blackstone on energy, infrastructure and sustainability and to the Boston Consulting Group. Adviser to Oxford Sciences Innovation. Advisory Board member of Columbia University Center on Global Energy Policy.



C C D N R

Isabel Hudson

Independent non-executive director
Appointed to the Board in November 2014. Age 61.

Experience

Isabel was previously non-executive chair of National House Building Council until May 2020. Isabel was also previously senior independent director of RSA Insurance, non-executive director of The Pensions Regulator, MGM Advantage, QBE Insurance, Standard Life and an executive director of Prudential Assurance Company in the UK.

Relevant skills and contribution to the Board

A wealth of experience in financial services, in the life, non-life and pensions industries as well as risk, control, governance and international business. Insight and expertise in regulatory, pensions and financial matters.

External appointments

Non-executive director and chair of the audit committee of Axa S.A. She is also chair of the remuneration committee and an advisory council member of University College Lady Margaret Hall, Oxford and an ambassador for the disability charity, SCOPE.



A C N D

Sara Weller CBE

Independent non-executive director
Appointed to the Board in July 2020. Age 59.

Experience

Sara's previous roles include managing director of Argos and various senior positions at J Sainsbury, including deputy managing director and serving on its board between 2002 and 2004. Sara was also a non-executive director of United Utilities Group until July 2020 and the lead non-executive director at the Department for Work and Pensions until April 2020. She has also previously been a non-executive director of Mitchells & Butlers and held senior management roles at Abbey National and Mars Confectionery.

Relevant skills and contribution to the Board

A broad perspective coming from a background in retail, fast moving consumer goods and financial services, as well as strong board experience at both executive and non-executive level.

External appointments

Non-executive director and chair of the responsible business committee of Lloyds Banking Group and a trustee of Lloyds Bank Foundation for England & Wales until May 2021.

Board changes

In line with our recent announcement, Mike Inglis has decided not to put himself forward for re-election as a non-executive director at the 2021 AGM. Accordingly, Mike will cease being a non-executive director on the Board at the conclusion of the 2021 AGM.

Rachel Canham
Company secretary & general counsel, governance

Rachel joined BT in 2011 and was appointed company secretary & general counsel, governance in November 2018.

Board leadership

Membership and attendance

We held nine scheduled Board meetings, two strategy meetings and two ad hoc Board meetings in 2020/21. The company secretary or her nominated delegate is secretary to the Board, and they attend all meetings. The chairman held private sessions with our non-executive directors before all Board meetings in 2020/21. As a result of the Covid-19 pandemic all Board and committee meetings this year were held remotely by video conference. We thought carefully about how meetings were organised to allow us to continue to maintain constructive levels of engagement and discussions, to challenge management, have robust debates as part of decision-making and in order to operate effectively. Unfortunately, given the restrictions, the Board was unable to have the usual informal interactions as part of pre-Board dinners and was also unable to meet colleagues across all levels of the organisation during visits to other operations and offices.

Board and committee members are provided with papers in advance of each meeting on a secure electronic portal. Directors are expected to attend Board and relevant committee meetings, of which they are a member, unless prevented from doing so by prior commitments, illness or a conflict of interest. All directors attended scheduled Board meetings during the year, as set out below, and the attendance for committee meetings is set out in each of the respective committee reports. If a director is unable to attend a meeting, they give their comments to the chairman or the committee chair in advance of the meeting so that these can be duly considered as part of the discussion at the meeting.

Member	Attended	Eligible to attend
Jan du Plessis (chairman)	9	9
Philip Jansen	9	9
Simon Lowth	9	9
Adel Al-Saleh ^a	7	7
Ian Cheshire	9	9
Iain Conn	9	9
Tim Höttges ^b	2	2
Isabel Hudson	9	9
Mike Inglis	9	9
Matthew Key	9	9
Allison Kirkby	9	9
Leena Nair	9	9
Nick Rose ^c	3	3
Sara Weller ^d	6	6

a Adel was appointed to the Board on 15 May 2020.

b Tim stepped down from the Board on 15 May 2020.

c Nick stepped down from the Board on 16 July 2020.

d Sara was appointed to the Board on 16 July 2020.

Section 172 statement and stakeholders

- ⊗ Our **Section 172 statement on pages 42 to 43** sets out how our directors have had regards to the matters in section 172 of the Companies Act 2006 in performing their duties. See the **Strategic report on pages 34 to 41** for details of how we engage with our key stakeholders.
- ⊗ For details of how the directors have engaged with our colleagues during the year, how they have had regard to their interests and the need to foster business relationships with suppliers, customers and others, together with a summary of the effect of that regard including on the Board's principal decisions, see **pages 34 to 43**.

Key responsibilities

The Board is responsible for establishing the group's purpose, values and strategy and satisfying itself that these align to our culture, long-term objectives and development, promoting the long-term sustainable success of the group, generating value for shareholders and contributing to wider society.

The Board also maintains oversight of the group's operations, performance and governance and ensures compliance with statutory and regulatory obligations. It determines the group's risk appetite and ensures that we have in place robust systems of risk management and internal control, and is responsible for ensuring that the group has an effective leadership team in place to efficiently execute BT's strategy.

A number of key decisions and matters are reserved for the Board and are not delegated to the chief executive or management. These are set out in the matters reserved to the Board and available on our website [bt.com/governance](https://www.bt.com/governance)

Board activities in 2020/21

Below are some of the matters that the Board focused on during the year, which should be read in conjunction with our **Section 172 statement on pages 42 to 43**

Strategy and operations

Purpose and strategy

The Board and management discussed the new corporate narrative, which comprises our new purpose (we connect for good), our new ambition (to be the world's most trusted connector of people, devices and machines), our reaffirmed values (personal, simple, brilliant) and the refreshed three strategic pillars of our strategy, and related KPIs. These were also discussed with senior colleagues and the *Colleague Board* for their feedback. The Board also considered how to embed the new corporate narrative into the organisation's culture and into our decision-making. Our new corporate narrative and strategy is used by the Board and management to align our actions and priorities and consider the interests of all our stakeholders. This year, in particular, we brought our purpose to life for the benefit of our stakeholders with the support we offered during the pandemic (see pages 28 to 29). BT continued to invest in our networks, our modernisation programme and our portfolio of solutions to deliver for our customers, in recognition of the ever increasing need for improved connectivity.

The Board discussed the group's strategy in detail with the customer-facing unit CEOs and chief technology officer at two full-day strategy meetings. These sessions considered long-term growth opportunities, strategic priorities and how these are built into the group's medium term plan, progress on key initiatives, the key challenges to achieving our priorities and the material risks to delivering them and plans to address or mitigate these. The Board also spent time considering Covid-19 as part of updates at Board meetings including the group's operational resilience given the impact of the pandemic on the different parts of the group, as well as discussing the strategic implications and potential value creation opportunities.

Transformation and modernisation

The Board received regular updates on the progress of BT's transformation and simplification programme particularly in the context of Covid-19 to drive pan-BT efficiencies, opportunities, continued cost reduction and consideration of reskilling our colleagues and new skills needed in line with the future needs of the business. There was a specific focus on BT's IT strategy and the need to drive digital transformation through the creation of the new Digital unit.

WFTMR and FTTP

The Board considered and approved the intention to invest in our full fibre build to reach 20m premises by the mid-to-late 2020s, subject to the required critical enablers, as discussed in our **Section 172 statement** on page 43. In May 2021, we agreed to increase our FTTP build target by an additional 5m from 20m to 25m premises by December 2026 (see page 20).

As part of the WFTMR consultation, the Board was kept updated on our continued engagement with Ofcom and on developments in relation to each of the required enablers, which it discussed and provided feedback on. The Board also considered the proposed response dependent on the outcomes. More details on the outcomes of the WFTMR publication in March 2021 can be found on page 16.

Chief executive's report

At each scheduled meeting, the chief executive discussed with the Board the group's overall performance and operations (including the impact of Covid-19), progress against our strategic pillars and priorities, progress on our transformation and simplification programme, the competitive and regulatory environment that BT is operating in, as well as engagement with, and the views of, our stakeholders including our investors, our colleagues, Ofcom and Government. Updates from the chief executive on key business operations through the year have focused on a range of stakeholder interests, including matters which are key to the group's reputation and being a national champion, as well as colleague considerations and support for our customers, suppliers and communities.

Stakeholders

The Board and each of its committees always have regard to wider stakeholder interests beyond those of our shareholders as part of discussions and decision-making. Details of our engagement with our key stakeholders is set out from page 34.

On behalf of the Board, the *Audit & Risk Committee* discussed our key stakeholder groups including their expectations, our engagement and the risks associated with managing these relationships as part of reviewing the group risk category report for this area. The committee considered engagement with our key stakeholder groups, in light of broader developments including in relation to Brexit, FTTP, rural connectivity and the growing consumer fairness agenda.

5G spectrum auction

The Board was kept updated on the timing of Ofcom's recent spectrum auction. Further to the approval of the maximum spend, the Board discussed balancing the capex investment with the long-term benefits of securing additional spectrum. These benefits include boosting BT's 5G network leadership position and enabling BT to deliver improved customer experience, particularly indoor coverage in buildings and venues, and increasing our coverage overall. More details on the outcome of the spectrum auction can be found on page 17.

Customer experience

The Board received updates on customer experience throughout the year focusing on the improvements in Net Promoter Score (NPS), a KPI, against our overall ambition for customer experience. There were detailed discussions on the NPS of each customer-facing unit, customer segment and brand, as well as on the initiatives and customer insights which are being used to drive improvement for our customers. Further details on customer experience can be found on pages 26 to 29 and on how BT is living up to Ofcom's Fairness for Customers commitments on page 17.

Suppliers

The Board received updates regarding key suppliers from the chief executive. During the year, the Board discussed the Government's evolving advice on high-risk vendors (including

Huawei) and the development of both the Telecommunications (Security) Bill in the UK and US government restrictions, and the potential procurement and commercial implications for BT. The Board reviewed and approved the entering into of contracts with Nokia and Ericsson and the split of the services provided by these two vendors across our UK sites.

Responsible procurement and technology were also examined by the *Digital Impact & Sustainability Committee* with specific discussions with the procurement team on how we embed this into our processes and procedures as part of helping us to meet our ambition in this area.

Investigations and potential claims

The Board discussed any regulatory/competition investigations and litigation claims, including BT's response and the stakeholder and reputational impact of these. This included the challenges with the delivery of the broadband Universal Service Obligation and the class action in relation to standalone fixed voice services. More details on the broadband Universal Service Obligation can be found on page 16.

Finance and risk

Dividend policy

As set out in last year's report, in May 2020, having considered the various stakeholder interests, in particular the long-term interests of our shareholders and their likely reaction, the Board took the difficult but prudent decision to suspend the final dividend for 2019/20 and all dividends for 2020/21, and to re-base future dividends to a more sustainable level in 2021/22. This decision was made to create capacity for BT to invest in long-term, value-enhancing opportunities (see both our **Section 172 statement** on page 43 and Dividend (including our dividend policy) on page 49 for more details).

Financial performance

The chief financial officer discussed with the Board at each scheduled meeting BT's financial and trading performance for the period against budget and consensus, and the full year outlook for the group as a whole and for each business unit, in particular focusing on the impact of Covid-19 and the actions being taken to mitigate its impact. The Board reviewed and approved the financial statements and trading updates at year-end, half year and at each quarter. It also discussed the feedback from investors further to the publication of each set of results.

The Board considered and approved the going concern and viability statements and reviewed and approved the group's tax strategy.

Pensions

The Board was updated throughout the year on ongoing discussions with the BT Pension Scheme Trustee on the triennial valuation as at 30 June 2020. The Board considered the possible range of valuation outcomes and different approaches to future contribution and investment strategy. The Board reviewed these outcomes in the context of our overall business objectives and both the current and expected future regulatory and legislative environment.

In May 2021, the Board provided its agreement to an overall valuation package including an asset backed funding arrangement based on EE Limited shares, arrangements giving potential for some return of any future surplus to BT with downside protection for the BT Pension Scheme and the extension of existing legal protections.

Risk management

The Board discussed the new group risk management framework, which had been implemented during the year and comprises 15 group risk categories, and includes the point and emerging risks and uncertainties facing the group (including in

Board activities in 2020/21 continued

relation to Covid-19) and our risk appetite for each (set out from page 57). The Board and the *Audit & Risk Committee* continued to deepen its understanding of the group's business and the risks and opportunities it faces with detailed reviews into the different group risk categories with the Board focusing on cyber, financing and people and also biannual reviews of the entire risk landscape. On behalf of the Board, the *Audit & Risk Committee* also undertook detailed reviews of BT's risk management and internal control systems and provided regular updates to the Board on these discussions (see page 82 onwards).

Medium term plan

In May 2021, the Board approved the medium term plan 2021. It discussed the current market position of BT and the main opportunities and challenges, as well as considering how the medium term plan aligns to our strategy and group KPIs. The Board also reviewed progress against our EBITDA guidance for 2023.

Investor perceptions, shareholder relations and consideration of analysts' reports

The Board received regular reports outlining share register movement, our share price performance relative to the market, investor relations activities and engagement with shareholders. The Board also discussed investor feedback from the meetings following our full and half year financial results and quarterly trading updates.

Brexit

The Board received updates on BT's readiness and the actions being taken to mitigate the impact of Brexit on our operations.

Colleagues

Culture

The Board discussed the progress made against our people and cultural strategy in the context of a challenging year and any resulting changes to our ways of working in the short, medium and long term given the pandemic. We continue to believe that our offices will be critical to the way we work, and therefore have continued with progressing with our Better Workplace Programme but will maximise the lessons learned from remote working.

As discussed in the Purpose and strategy section above, the Board was updated on the launch of our new purpose and the reaffirmation of our values. The Board also looked at the communication of these and how these are being embedded in our culture through workforce policies and practices, for instance in relation to recruitment, reward and incentives and the performance of our colleagues. Our ambition remains to build a progressive and engaging culture, with the wellbeing of our colleagues at its centre. The Board monitored progress against this ambition throughout the year with detailed discussions on our people strategy with the HR director and her team. Further details on our culture, purpose and values can be found in the **Strategic report** on pages 10 and 18 to 33. The Board and its committees (as relevant) also continued to monitor key areas that we consider important indicators of BT's culture, such as health, safety and wellbeing, diversity and inclusion, customer experience, employee relations and whistleblowing.

Health, safety and wellbeing

The Board was regularly updated on, and discussed, the health, safety and wellbeing of our colleagues across the business, including those in Openreach. Given the Covid-19 pandemic, the Board has been focused on the measures taken to support our colleagues and customers, including ensuring our workplaces and BT/EE retail shops are Covid-19 secure, that we have the necessary protection measures and PPE for our frontline colleagues and key workers, that wellbeing support is provided for all colleagues throughout these challenging times, with a particular focus on mental wellbeing, as well as the return to the workplace plans for those who have been able to work from home.

Tragically we suffered one fatality in 2020 involving one of our Openreach field engineers (see page 25). The Board continues to focus all its efforts on reducing the risks to our workforce and others affected by our activities.

Diversity and inclusion

Our goal is to have a diverse workforce where inclusivity is valued and prioritised. The Board discussed with management the launch and progress of our Ethnicity Rapid Action Plan and the related commitments and the progress being made in this area as a whole. As described in our **Section 172 statement** on page 43, the Board discussed and was supportive of the proposed publication of diversity and inclusion targets and commitments, and the voluntary publication of our ethnicity pay gap, in our inaugural Diversity and Inclusion Report (which we expect to publish in early summer 2021). For more detail on our culture and our diversity and inclusion approach, see page 24.

Workforce engagement

As discussed on pages 35 to 36, the *Colleague Board* is the chosen method of engagement with the workforce under the Code and the Board is updated on the discussions from the formal *Colleague Board* meetings and any informal check-ins, by Isabel Hudson as the designated non-executive director for workforce engagement and a *Colleague Board* member. The Board continues to feel that this is the right method for BT to obtain invaluable direct insight into the views of colleagues across the business.

Directors liaise with colleagues outside of Board and committee meetings to provide their own insights and perspectives on matters or to learn more about our colleagues' sentiments. The Board also discussed with HR and the chief executive other mechanisms and initiatives used to engage with our colleagues and feedback on these, including our Your Say colleague engagement survey and regular Covid-19 pulse surveys. See page 34 for more details on our colleague engagement mechanisms.

Employee relations

The Board and the *Remuneration Committee* discussed the updates on employee relations matters including aligning and simplifying BT's paid leaver and redundancy arrangements across the UK workforce and the impact of our transformation programmes on colleagues. The Board discussed the rationale for the changes, alongside the associated risks, and management's engagement with colleagues and the unions in relation to the proposals, including possible strike action.

Governance

AGM

Given the UK Government's restrictions on public gatherings due to Covid-19 and to protect the health and wellbeing of our shareholders, colleagues and the wider communities in which we operate, the Board decided to hold a closed meeting for the 2020 AGM. Shareholders were able to pre-register their questions ahead of the meeting, which were then answered by the chairman and chief executive. An audio recording of the questions and answers, together with that of the AGM itself and video messages from our chairman and chief executive, were all made available on our website.

The Board continues to monitor developments in UK Government guidance relating to the Covid-19 situation in planning the approach for the 2021 AGM, ensuring we balance the need to engage with our shareholders, investor expectations and guidance, with their health and safety and that of our colleagues, the Board and the communities in which we operate. Information on the arrangements for the 2021 AGM will be published in our Notice of meeting 2021.

Annual Report

In May 2021, the Board reviewed and approved the Annual Report on the recommendation of the *Audit & Risk Committee* (see page 84), having considered that taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Board, committee and directors' evaluations

During the year, we carried out an externally facilitated evaluation of the Board and its committees. The details of this external evaluation can be found on page 79. The chairman also held individual discussions with each director to make sure they continue to contribute effectively and are committed to their roles. The senior independent director led the evaluation of the chairman's performance through individual discussions with each of the directors and sharing feedback at a meeting without the chairman. The non-executive directors reviewed the performance of the chief executive during the year. The Board also reviewed progress against the actions agreed as part of last year's internal Board and committee evaluation.

Committee terms of reference

The Board and each of its committees carried out an annual review of the terms of reference of each committee to ensure they continue to be fit for purpose and reflect best practice. Changes were made as appropriate and these can be found on our website [bt.com/governance](https://www.bt.com/governance)

Board composition, succession and evaluation

Board induction

On appointment, directors take part in a comprehensive, induction programme designed to give them a thorough overview and understanding of the business. This is tailored to take into account the director's previous experience, their responsibilities and, for each non-executive director, specific responsibilities relevant to their committee memberships. The programme includes meetings with the chairman, the chief executive, the senior independent director and the company secretary (or her delegate), as well as other members of the Board, *Executive Committee* and senior management. Directors also receive key information on our governance framework,

recent financial data and the policies supporting our business practices, including our Ethics Code. Directors are encouraged to visit our offices, contact centres and BT/EE retail shops, as well as spending a day with an Openreach engineer. As a result of the Covid-19 pandemic, we modified our induction meetings to be by video conference and non-executive directors appointed during 2020 were unable to visit any sites or offices. Once the restrictions ease in line with the Government roadmap, we will look to recommence these.

Ian Cheshire, Adel Al-Saleh and Sara Weller joined the Board as non-executive directors on 16 March 2020, 15 May 2020 and 16 July 2020 respectively. The details of Sara Weller's Board induction programme are set out on page 78.

Training and development

The chairman and the company secretary keep under review the training and development needs of directors. Non-executive directors meet with management, enhancing their understanding of the business through briefing sessions. We encourage all directors to keep their skills and knowledge up-to-date and to ask for any support they need. As part of ongoing development, the company secretary (or her delegate) briefs the Board at each meeting, and its committees as relevant, on any key legal, regulatory and corporate governance developments. During the year, these briefings included updates on the institutional investor guidelines, corporate reporting in relation to Covid-19 and environmental, social and governance considerations, the FRC's Company Reporting Expectations for 2020/21, the Hampton-Alexander Review 2021 and the guidance in relation to AGMs. Directors are updated as required on developments in the environment in which the business operates and internal and external advisers are invited to meetings to provide updates and discuss these as necessary. Each director may obtain independent professional advice at the company's expense as required. The Board and each committee are supported by the company secretary and her team and they are available to all directors to provide advice and support.

We encourage all directors to visit our sites and offices to meet our colleagues and broaden their understanding of the business and we usually also aim to have one Board offsite visit annually. As a result of the Covid-19 pandemic, this has not been possible in the last year.

Time commitment

On accepting their appointment, directors must confirm they are able to allocate sufficient time to discharge their responsibilities effectively.

Directors are expected to attend meetings of the Board and any committees of which they are members, as well as the AGM, and any Board offsites or away days. Directors are also expected to devote sufficient time to prepare for each meeting and to take part in at least one visit to one of our offices or other sites annually. Before accepting new external appointments, directors are required to obtain the prior approval of the Board.

Ian Cheshire's proposed appointment as chair of Spire Healthcare was considered by the Board in April 2021 in light of his other appointments and his role on the BT Board. Given that Ian would be stepping down as a non-executive director of Barclays in May 2021, it was concluded that becoming chair of Spire Healthcare would not be detrimental to his ability to perform his duties as a non-executive director of BT, and accordingly the Board gave its prior approval of Ian's appointment in line with the Code.

Board composition, succession and evaluation continued

Re-election of directors

The *Nominations Committee* considers, in respect of each director, their skills and experience, time commitment and tenure as part of the Board's recommendation to shareholders for the re-election of directors. The Board believes that each director who is being put forward for re-election at the 2021 AGM brings considerable knowledge, wide-ranging skills and experience to the Board, makes an effective and valuable contribution and continues to demonstrate commitment

to their role. The Board also considered the continued independence of non-executive directors and the chairman as part of its consideration of the re-election of directors. The Board continues to consider all non-executive directors as being independent in line with the Code, with the exception of Deutsche Telekom's nominated representative. The chairman was judged to be independent at the time of his appointment.

Details of all directors' contracts or letters of appointment are in the **Report on directors' remuneration** on page 102.

Sara Weller's Board induction programme



Although it has been very strange to join the Board of BT during this year of remote working, my induction programme was able to cover a great deal of ground in a condensed time. Colleagues throughout BT have been both welcoming and generous in sharing their time and expertise with me so I can contribute to the Board across the full range of a very diverse agenda. I am, though, looking forward very much to the day when I can meet people face-to-face, and visit some of the locations where BT colleagues are based, to see first-hand their work to build out our network and to support our customers.

Sara joined the Board immediately before the AGM on 16 July 2020. Ahead of her appointment, Sara received an induction pack with key reference materials that provided a thorough understanding of BT, including our most recent financial results, and information on our business units, governance framework, director responsibilities, the Code, our ethical policies including our Ethics Code, and our Commitments. Sara met with the chairman, senior independent director and the chief executive in person in early 2020, before joining the Board. All other meetings to date have been held by video conference due to the Covid-19 restrictions.

Sara also had a number of induction meetings before joining the Board, and received briefings from each *Executive Committee* member and had introductory meetings with each of the other non-executive directors.

Given Sara's membership on the *Digital Impact & Sustainability* and *Audit & Risk Committees* on her appointment to the Board, she attended other briefings with the key attendees including the director of digital impact & sustainability; KPMG, our external auditor; the director, group finance; and the director of risk, compliance & assurance.

Sara also identified key members of senior management to meet with, including the managing director BT security; our chief medical officer; managing director applied research and Adastral Park; and the director of quality & customer resolutions, Consumer.

In addition, during Sara's first year on the Board, she has:

- joined a *Colleague Board* meeting to help understand the culture of the group and our colleagues' views. She will attend all *Colleague Board* meetings throughout the coming year (see pages 35 to 36 for information on the *Colleague Board*)
- attended a *BT Compliance Committee* meeting (ahead of becoming a member) for a better understanding of the Commitments and our relationship with Ofcom and other communications providers
- taken part in two BT customer inclusion panel sessions, where groups representing vulnerable customers and people with disabilities provide feedback to help us improve our products and services
- observed a number of customer research panels with Enterprise's SME customers and Consumer's customers, to hear their perspectives on service and future priorities
- attended a virtual tour of Adastral Park to gain an insight into BT's research and development focus.

Sara will continue to join future customer inclusion panels where possible and, as the Covid-19 restrictions ease, she plans to visit Adastral Park, a BT/EE retail shop and a customer contact centre, and to shadow an Openreach field visit to gain a broader insight into the work of our frontline colleagues.

2020/21: Externally facilitated Board and committee evaluation

In line with the Code, we annually undertake a formal and rigorous evaluation of the performance of the Board and all its committees (internally or externally facilitated), and the chairman and individual directors, which takes into account the Board's composition, diversity and effectiveness. In 2020/21 we undertook an external evaluation (given the last external evaluation was completed in 2017/18).

Appointment of the external evaluator: The chairman, supported by the company secretarial team, led a tender process, which resulted in Clare Chalmers Limited being appointed to undertake the evaluation, based on style and the best fit for the Board. Clare Chalmers Limited is considered to be independent, having no other connection (including any past business relationship) to BT or any of the individual directors. A brief and the key areas of focus were discussed and agreed by Clare, the chairman and the company secretarial team.

Process: Clare observed a meeting of the Board and each of the committees, and received the papers in advance. She also reviewed a selection of Board and committee papers from meetings during the year. Confidential one-to-one meetings were conducted with each director, certain senior management attendees and external advisers. The evaluation focused on composition, succession and chairmanship and how well placed the Board is to add value to the business, in terms of how it oversees strategy, risk management, people, culture and performance. Focus was also given to the Board's decision-making processes, as well as how it considers stakeholders as part of its decisions and discussions.

Agreed areas of focus and actions: There were certain areas of focus which the Board felt would continue to improve its performance and effectiveness. Accordingly, the directors agreed the areas of focus and suggested actions for 2021/22, as set out below. Progress against these will be reviewed by the Board and/or its committees as appropriate during the year, with any ongoing areas feeding into next year's internal evaluation process.

Final Report: Clare discussed the draft report, which included proposed recommendations and actions, with the chairman, and then with the whole Board at its March 2021 meeting. Clare felt that the Board comprises a highly experienced group of non-executive directors with a strong skillset and a diverse range of viewpoints and perspectives. There is healthy challenge and a good appreciation of the stakeholder context in which BT sits.

Areas of focus

In reviewing Board composition, size and succession planning in light of potential Board changes and the future of the business, the *Nominations Committee* should consider the need for a new non-executive director with an understanding of technology trends and cyber.

Management should increase their interaction with non-executive directors outside of Board meetings to get their perspectives dependent on their area of experience and expertise.

Non-executive directors should be included earlier in the decision-making process for large strategic projects being considered.

Executive succession plans should include more depth and detail beyond the top tier, with an increased focus on talent, development and diversity.

When possible, non-executive directors should be encouraged to visit different parts of the business individually to get a feel for the culture.

Whilst it is acknowledged that Board papers have improved in quality, there should be continued refinement of Board and committee papers, ensuring that the ask is clearer upfront, there is a more concise narrative and a focus on the key facts, figures, issues and risks.

Given the inability to hold pre-Board dinners during the year due to the pandemic, the Board has felt the absence of not being able to have informal discussions ahead of Board meetings. It is suggested that until the Covid-19 restrictions allow for face-to-face meetings, virtual informal Board sessions are utilised.

Suggested actions

The current focus of the *Nominations Committee* is on the search for a new chairman. Once a successor has been appointed, a review of the Board as a whole will be undertaken by the new chairman and the *Nominations Committee*, having regard to skills, experience and knowledge in line with the future needs of the business. This will allow a more focused brief for a future non-executive director appointment.

The chief executive will discuss this further with members of the *Executive Committee* to see how this is best achieved outside of formal Board meetings. Non-executive directors are also encouraged to liaise with relevant senior executives to share views and provide perspectives.

The chairman, chief executive and company secretary will consider how we use Board meetings and informal Board discussions to more effectively highlight potential material projects to gauge initial views from the Board.

This will be reviewed as part of the *Executive Committee* succession planning discussions undertaken by the *Nominations Committee*, with consideration given as to how non-executive directors can meet other talent in the organisation more often.

All non-executive directors are encouraged to visit different offices and sites. There is usually an annual offsite visit for the Board but this was not possible this year due to the pandemic. Once it is possible to recommence site visits, we will look to return to holding at least one offsite visit for the Board each year.

The Board and committee paper templates have been updated and there will continue to be a focus with paper submitters on improving the clarity of the recommendation and information contained in papers.

Informal Board sessions will be scheduled around Board meetings going forward until we are able to recommence face-to-face Board meetings and pre-Board dinners.

Nominations Committee

Chair's report

Jan du Plessis
Chair of the Nominations
Committee
12 May 2021



This year, the committee has spent its time focusing on changes to the *Executive Committee* and continued to review the Board's composition and succession planning to ensure our leadership comprises the right diversity of skills, knowledge and experience in line with the future needs of the business. The committee's current priority is the search for a new chairman.

Membership and attendance

All non-executive directors are members of the committee. The chief executive attends meetings where appropriate. The company secretary or her appointed delegate acts as secretary to the committee, and they attend all meetings and provide advice and support as required. Committee members and attendees do not attend committee discussions where a conflict exists. For discussions in relation to the search for my successor, Iain Conn, our senior independent director, chairs the meeting.

Attendance

Member	Attended	Eligible to attend
Jan du Plessis (chair)	5	5
Adel Al-Saleh ^a	4	5
Ian Cheshire	5	5
Iain Conn	5	5
Isabel Hudson	5	5
Mike Inglis	5	5
Matthew Key	5	5
Allison Kirkby	5	5
Leena Nair	5	5
Sara Weller ^b	4	5

^a Adel joined the committee on 15 May 2020. Adel was unable to attend one committee meeting due to a prior business commitment.

^b Sara joined the committee on 16 July 2020. Sara was unable to attend one committee meeting due to a prior business commitment notified in advance of her appointment.

Tim Höttges and Nick Rose stepped down from the committee on 15 May 2020 and 16 July 2020 respectively and no scheduled committee meetings were held in this financial year for which they were eligible to attend.

Key responsibilities

On behalf of the Board, the committee is responsible for keeping under review the succession planning and appointments of executive and non-executive directors, the chairman, the composition of the Board and its committees, succession planning and changes to the *Executive Committee*. After each meeting, I report back to the Board on the committee's activities.

The committee's key responsibilities are set out in its terms of reference available at [bt.com/governance](https://www.bt.com/governance)

Committee activities in 2020/21

The committee held five scheduled meetings during the year and six ad hoc meetings. The ad hoc meetings have predominantly been focused on *Executive Committee* changes and the search for my successor.

During the year, the committee considered and, as appropriate, made recommendations to the Board regarding:

Board composition and succession planning

- Board composition and succession planning for directors with a focus on the skills, experience, independence, knowledge and diversity requirements in line with the current and future needs of the business. The committee continually keeps succession planning under review, particularly for our longer serving directors. Given the Board appointments during 2020, it is felt that there is a good balance of newer and longer serving directors who provide consistency of BT knowledge and experience. Given the focus of the committee is currently on the search for a new chairman, the committee has decided to undertake a comprehensive review of the skills, experience and diversity on the Board as a whole once a successor is in role. We recognise that both the Board evaluation and the recent announcement that Mike Inglis will cease being a non-executive director at the 2021 AGM, reiterate the need for us to appoint a director with technology experience.
- changes to the membership of the committees, the committee chairs and the senior independent director as a result of changes to the Board which took effect from the conclusion of the 2020 AGM.

Executive Committee

- a number of changes to the *Executive Committee* structure and roles and responsibilities of members, as recommended by the chief executive, in light of the continuing transformation of BT. These included the appointment of Rob Shuter, CEO, Enterprise, and Harmeen Mehta, chief digital and innovation officer (see page 8), the restructuring of the Technology unit into a Networks unit and a newly created Digital unit in line with our digital transformation and growth programme, the removal of a standalone Strategy & Transformation unit and the amalgamation of the regulatory affairs and legal and company secretarial functions under a combined role of general counsel and director of regulatory affairs. Recent appointments have sought to further strengthen the senior management of the group bringing fresh perspectives, experiences and skills required for the future long-term growth of our business.
- the performance and succession planning of *Executive Committee* members (including executive directors). The committee undertook a detailed review of succession planning, reviewing key talent at senior leadership level with the chief executive and the HR director. The committee reflected on the importance of identifying critical roles and building stronger diversity of experience, gender and ethnicity, as well as commercial, technology and transformation capabilities, both through potential external candidates and our internal talent pipeline.

- external appointments of *Executive Committee* members, in line with our policy on external interests for *Executive Committee* members (including executive directors) and the CEO, Openreach.

Search for new chairman

Further to our announcement in March 2021 of my intention to retire from the Board once a successor has been appointed, Iain Conn, our senior independent director, has been chairing the committee and leading the search process for my successor. I am not present for these discussions. As Iain Cheshire has expressed an interest in being considered as a potential candidate for the role of chairman, he is also not present for these discussions. After a formal tender process, MWM Consulting, an independent external search agency, who has no other connection to BT, or any of the directors, was appointed to facilitate the process. MWM Consulting is a signatory of the Voluntary Code of Conduct for Executive Search Firms (in line with our Board Diversity and Inclusion Policy).

Further to a committee discussion on the capabilities, skills and experience required, and having considered the future needs of the business, a search brief was agreed. In line with that brief, MWM Consulting prepared a longlist of candidates and was specifically requested by the committee to ensure that it comprised a diverse range of candidates including female candidates and those from ethnic minority backgrounds. The committee has agreed a shortlist of candidates to be formally approached by MWM Consulting for the purpose of further interviews and assessment. Feedback will be discussed by the committee to consider the relative merits of the candidates based on the criteria and brief for this appointment. Once the committee has identified a preferred candidate, the committee shall recommend that candidate to the Board for approval.

Diversity and inclusion

The Board Diversity and Inclusion Policy sets out our approach to Board diversity and our aim to have a well-balanced Board with the appropriate skills, knowledge, experience and diversity to meet our business needs and in support of our strategic aim of building the strongest foundations (see bt.com/governance). It reflects the recommendations of the Code, the Hampton-Alexander Review on gender diversity and the Parker Review of ethnicity for FTSE 100 companies. Diversity is considered in the broadest sense and all forms of difference are considered, including age, gender, nationality, independence, professional background, social and ethnic backgrounds, business and geographic experience, as well as cognitive and personal strengths. These are considered in reviewing the composition of the Board, and where possible, these should be appropriately balanced. Under the Board Diversity and Inclusion Policy, the *Nominations Committee* reviews progress against the policy's targets and objectives. As at 31 March 2021, four of our 12 Board directors were female (33%), in line with our target, and two directors were from an ethnic minority background (17%), exceeding the Parker Review recommendation. We continue to challenge our external search consultants to ensure that all forms of diversity, in particular ethnicity and gender, are considered when drawing up candidate shortlists.

This year, the Board prioritised diversity matters, discussing with management BT's proposed publication of diversity and inclusion targets and commitments, our Ethnicity Rapid Action Plan and the related commitments and the progress being made in this area as a whole (see page 24). The *Remuneration Committee* discussed our planned communications in relation to the ethnicity and gender pay gap reporting.

Details of our group-wide Diversity and Inclusion Strategy, including its objectives, link to strategy, implementation and progress can be found on pages 24, 25 and 44.

Chairman and non-executive directors' tenure

As at 31 March 2021



Post 2021 AGM

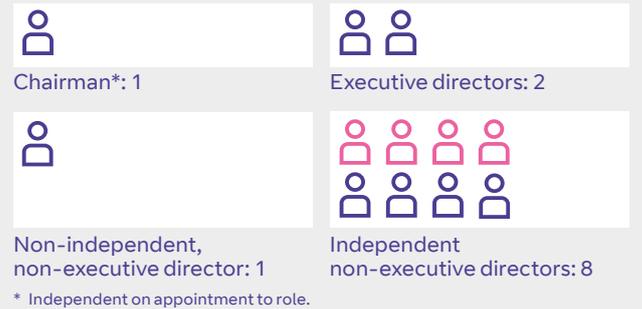


Diversity and independence

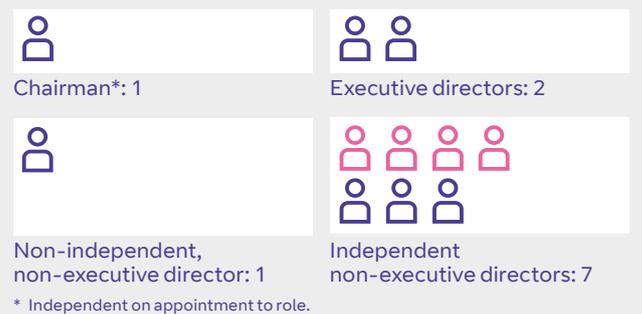
Male
Female

Board

As at 31 March 2021

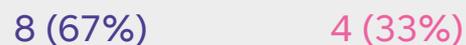


Post 2021 AGM



Executive Committee (including CEO, Openreach)

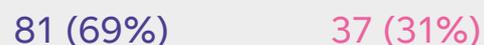
As at 31 March 2021



Executive Committee, company secretary and direct reports

(including CEO, Openreach and excluding executive directors on the Board)

As at 31 March 2021



Audit & Risk Committee

Chair's report

Matthew Key
Chair of the Audit & Risk Committee
12 May 2021



Given the Covid-19 pandemic and the level of business-wide transformation, the committee has focused on detailed reviews of the group's risk categories and risk management framework and how these are being managed, with an emphasis on the foundations. The committee held a number of discussions on the progress of the finance transformation programme, which will enhance, automate and rationalise our financial controls landscape, key reporting and transactional processes and systems.

Membership and attendance

Our members are all independent non-executive directors with a range of skills, and the committee as a whole has experience relevant to the sector and acts independently of the executive. Allison and I have recent and relevant financial experience (as set out in our biographies on page 72) in line with the Code.

The committee met six times during the year in line with the financial reporting timetable. The company secretary or her appointed delegate acts as secretary to the committee, and they attend all meetings and provide advice and support as required. The chairman and chief executive attended all committee meetings during the year. Private committee sessions with the internal and external auditors were held at each meeting without management being present. The external auditor was not present at meetings where their performance and/or their remuneration was discussed.

Attendance

Member	Attended	Eligible to attend
Matthew Key (chair) ^a	6	6
Nick Rose ^b	1	1
Iain Conn	6	6
Mike Inglis	6	6
Allison Kirkby	6	6
Sara Weller ^c	4	5

a Matthew became chair on 16 July 2020.

b Nick stepped down from the committee and as chair on 16 July 2020.

c Sara joined the committee on 16 July 2020. Sara was unable to attend one committee meeting during the year due to a prior business commitment which she had notified us of prior to her appointment.

Other attendees

	Regular attendee	Attends as required
Chief financial officer	•	
Director, group finance	•	
Director of risk, compliance & assurance	•	
Group general counsel	•	
External reporting & financial controls director		•
Group risk director		•
Group internal audit director		•
Group ethics and compliance director		•

This is my first report as chair of the *Audit & Risk Committee* having taken over from Nick Rose at the conclusion of the 2020 AGM. I would like to thank Nick for his strong chairmanship of the committee.

Key responsibilities

The committee is responsible, on behalf of the Board, for monitoring the integrity of the financial statements and the group's risk management and internal control systems, including with regard to principal and emerging risks.

The committee's key responsibilities are set out in its terms of reference available at [bt.com/governance](https://www.bt.com/governance)

As committee chair, I meet with the KPMG lead audit partner and the regular attendees ahead of meetings to discuss the key areas of focus. After each meeting, I report back to the Board on the committee's activities, the main issues discussed and matters of particular relevance, with the Board receiving copies of the committee's minutes.

Committee activities in 2020/21

Internal controls and finance transformation

As a result of BT's deregistration from the US SEC, BT is no longer required to provide formal certification regarding the effectiveness of its controls over financial reporting, or make any corresponding public disclosures, to comply with Sarbanes-Oxley regulations. Notwithstanding this, management's financial controls objective continues to be to ensure that our overall controls framework is effective, and therefore management has followed a financial controls assurance approach this year similar to that adopted in previous years under Sarbanes-Oxley regulations. On behalf of the Board, and in line with the Code, the committee monitored and reviewed the effectiveness of our systems of risk management and internal control during the year.

Management has undertaken testing of the design and implementation of all key financial controls. Effective reliance on the systems tested was confirmed. A limited number of these controls are also within the scope of KPMG's audit work to support the current year audit. At the request of the committee, and in addition to external audit activities, KPMG also tested the design and operation of all IT general controls relevant to IT applications in-scope for management's internal controls over financial reporting.

The committee continued to monitor the implementation of the end-to-end finance transformation programme, which will enhance, automate and rationalise our financial controls landscape, key reporting and transactional processes and systems. The finance transformation programme supports the ongoing improvement of controls identified through

management's testing and compliance monitoring programme, especially in relation to front end revenue processes and key data sources. When complete, the transformation programme will reduce the need for the existing mitigating manual controls including management review controls and data analytics. The committee received updates on the progress of the programme throughout the year, including the benefits, who is accountable, and the potential risks and mitigations, and continued to provide feedback in order to support the success and timeliness of the programme's conclusion. Progress during the year included go-lives of our management reporting and planning and forecasting tools for most of the business, including the deployment of our new information model and additional reporting capabilities. This has resulted in significant progress in terms of enhancing both our controls and quality of data.

Using the capabilities delivered through the finance transformation programme, management continues to build a more robust controls landscape. As reported last year, management implemented the SAP Governance, Risk and Compliance module to support the end-to-end monitoring of our financial controls. This reinforces access controls within SAP and the controls framework, and allows for the timely detection of access violations together with greater assurance over appropriate access in line with user roles and responsibilities.

BT Integrity and Compliance (BTIC) programme

As mentioned in last year's report, BTIC is a multi-year programme which aims to ensure that we have in place an enhanced framework of risk management, controls and assurance for dealing with our landscape of risks, and the right mindset to support it, in order to deliver our strategic outcomes. The programme is delivering the tools to enable BT to be smart with risk and improve operational and ethical discipline.

The two key areas of the BTIC programme are "Wiring" and "Mindset". Wiring relates to the governance, risk, compliance and assurance frameworks and processes that help ensure

we know what our key risks are, who's accountable for their management, what we're doing about them, and how effective our efforts have been. Mindset refers to the capabilities and culture required to achieve our risk management goals, including how we measure and achieve them and how we can intervene throughout colleague lifecycle, from recruitment to development to reward, to deliver the improvements we need to take on risk with confidence.

The committee reviewed how the programme has improved risk management and assurance activities and reporting, specifically in relation to:

- a new risk management framework (see more details in the Risk management section below)
- a simplified policy, standards and key controls structure
- a common enhanced three lines of defence model clarifying accountabilities
- an improved governance framework including business unit audit and risk committees that bring the right discussions and decisions to the appropriate audiences
- the wider promotion of risk awareness, operational discipline and improved decision-making.

Risk management

A key focus this year has been to implement and enhance our new risk management framework and embed the output from this work into the day-to-day management, operations and culture of BT. Our risk management processes identify and monitor the risks facing the group. The *Executive Committee*, the Board and this committee regularly review the risks BT considers to be material.

We define our risk landscape in areas of enduring risk called group risk categories, covering strategic, financial, operational and compliance risks. In line with the Code, the Board monitored and reviewed the effectiveness of the group's systems of risk

Key matters considered in 2020/21 by the Audit & Risk Committee



2019/20 Full year results and Annual Report and Form 20-F
2020, including goodwill, viability statement and going concern statement

2020/21 quarterly trading updates

2019/20 regulatory financial statements

Accounting judgements, IAS 19 pensions and corporate income tax accounting, internal controls over financial reporting assurance

2020/21 audit and assurance approach

External audit and non-audit fees

External auditor effectiveness

External auditor engagement letter

Internal and external auditors' quarterly reports

Internal control requirements under the Code

Group internal audit plan and internal audit charter

Ethics, compliance and Speak Up reports

BTIC programme, including progress on the implementation of a new risk management framework

Major contentious matters reports

Group risk report containing the status of the point and emerging risks, how we are trending against our desired risk appetite, and conformance with our control expectations

Group risk category report deep dives including on major contracts, legal compliance, third party management, stakeholder

management, financial control and data regulation

Supplier risks and assurance

Other risks including Covid-19, finance transformation, Brexit and data protection

Finance transformation programme
BT Compliance Committee chair's annual review and terms of reference

Openreach Limited board audit, risk and compliance committee chair's annual update

Duty to Report – payment practices

Financial services compliance

2019/20 committee evaluation actions review

Committee terms of reference

Audit & Risk Committee continued

management and internal control through detailed reviews of our group risk categories and consideration of reports from group internal audit and other assurance functions. Much of this work was undertaken by this committee on the Board's behalf and the committee considers progress made and where we need to develop. In these sessions, the committee held open and honest discussions with the *Executive Committee* risk owners to understand current and anticipated risk developments, including any impacts of Covid-19, and reviewed how effectively the risks are being managed. The committee used these discussions to assess both current specific concerns (point risks) and uncertainties that might become significant (emerging risks) and agree on actions required to manage the risks effectively. The committee also reviewed the definition of risk appetite and supporting metrics within each of the categories, the effectiveness of our controls, mitigation activities and any areas for improvement.

As chair, I subsequently reported the key points from each of these risk sessions to the Board, given that the Board is ultimately responsible for the group's systems of risk management and internal control. The above activities, including those described in the Internal controls and finance transformation section above, and consideration of the key matters reviewed by the committee, collectively enable the committee to confirm that the systems of risk management and internal control have been appropriately reviewed. Where required, improvements have been agreed and put into action.

Further information on risk management and our principal risks can be found in the **How we manage risk** section from page 57 and the **Our principal risks and uncertainties** section from page 59.

Financial reporting

The committee monitors the financial reporting process and oversees its integrity. During the year, the committee considered:

- the full year and half year results, and quarterly trading updates, and subsequently recommended these to the Board for approval
- the quality of accounting policies and practices, as well as critical accounting estimates and key judgements for results and considered these to be appropriate.

In May 2021, the committee carried out a detailed assessment of the Annual Report, having previously provided comments and feedback throughout the drafting process. As part of this assessment, the committee reviewed the material matters reported, ensured that the report accurately reflected the company's performance and that it was consistent in its messaging throughout. The committee also considered whether the information was presented in a clear and concise manner.

The committee considered that, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position, performance, business model and strategy. This assessment formed the basis of the committee's recommendation on its advice to the Board in respect of this.

BT's significant accounting policies are set out on pages 124 and 125. The consistent application of these policies is subject to ongoing verification through management review and independent review by the internal and external auditors.

The processes supporting the preparation and consolidation of the financial statements have been documented and are subject to annual verification through the programme of testing completed by our internal auditor. This serves to confirm the operation of internal controls over financial reporting.

Significant issues considered relating to the financial statements

Group accounting policies, critical estimates and judgements

The committee considered the accounting policies and disclosures in the consolidated financial statements that relate to critical and key accounting estimates and significant judgements, including the critical estimates and judgements relating to the valuation of our pensions assets and obligations, those relating to taxation, and contingent liabilities associated with litigation; along with other key estimates and judgements relating to provisions and our goodwill impairment model; and significant judgements around lease term.

Going concern

The committee considered management's forecasts of group cash flows and net debt, as well as our liquidity requirements and borrowing facilities, including downside scenarios from our viability model as discussed below. Following this review and a discussion of the sensitivities, we confirmed that the going concern basis of accounting continues to be an appropriate basis of preparation for the financial statements. Further detail on the basis of our going concern assessment is set out on page 106.

Viability statement

The committee assessed the process and assessment of the group's prospects, the time horizon and how this aligned with the group's long-term forecasts, taking into account the company's current position and principal risks. The committee also considered the group risks in management's stress testing model, including the review of combined downside scenarios. We have combined a number of risks including another lockdown due to Covid-19, a revaluation of the BT Pension Scheme and enforcement action from Ofcom. We have also assumed that industrial action takes place and a scenario where we are unable to prevent a cyber attack which leads to a class action due to loss of customer data. The committee was satisfied that the viability statement could be provided and endorsed the continued selection of a three-year time horizon as a basis for the statement and the approach to its development. Further detail on the assessment of viability and the viability statement are set out on page 68.

Covid-19

The committee considered the impact of Covid-19 on the financial statements, including the adequacy of the provisions booked as a specific item in 2019/20 and their subsequent utilisation and release in 2020/21.

Regulatory reporting

The committee supported the continued changes across our colleagues, processes and systems that were put in place to ensure that we met our 2020/21 regulatory financial reporting obligations.

Pensions

The committee considered the assumptions underlying the valuation of the pension assets and liabilities in the financial statements, as summarised in note 20 to the financial statements, the sensitivities around the assumptions and the impact of the assumptions on the balance sheet, income statement and related disclosures. The committee was updated on the triennial funding valuation for the BT Pension Scheme, the possible range of valuation outcomes and our funding position.

Goodwill impairment

The committee considered and was satisfied with the key assumptions, including operating cash flow forecasts, resulting headroom and the sensitivity analysis performed by management and agreed that no goodwill impairment charges were required this year.

Major contracts

The performance of major contracts in Enterprise and Global were considered, including accounting judgements, assessments of the recoverability of dedicated contract assets, and any requirement for loss provisions.

Asset verification and asset lives

The committee assessed the results of management's annual asset life review, asset verification exercise and review of fully depreciated assets and the committee was satisfied that the judgements made, and the methodology applied, were appropriate.

Divestments

The committee reviewed the judgements made in relation to the group's divestments, including on whether the held for sale criteria had been satisfied and how goodwill should be allocated to divested or held for sale entities.

Other matters

The committee reviewed specific items quarterly, and considered and agreed that they were appropriately categorised. We also considered management's view of the quality of earnings and of the effective tax rate. At the half year and the full year, we considered a detailed assessment of provisions and the committee was satisfied with the analysis provided in relation to the results.

External audit

KPMG has been our external auditor since the conclusion of the 2018 AGM, following an audit tender process that took place in 2016 and 2017. John Luke was appointed as the lead audit partner for KPMG during the year, having been the audit partner for Openreach since 2018/19 (the date of his appointment as Openreach audit partner being the effective date for the purpose of determining his length of tenure to date). The company confirms that it complied with the provisions of the Competition and Markets Authority's Statutory Audit Services Order for the financial year under review. During the year, the committee reviewed, with the external auditor, the scope of work and the risk informing this, external audit findings and their letter of engagement. The committee approved KPMG's audit plan and management's letter of representation. The committee also considered and subsequently approved the proposed external audit fees for the year ended 31 March 2021, as well as the recurring audit fee for the regulatory financial statements and the interim review fee (see the **Independent auditor's report** on pages 112 to 117 for more details).

External auditor independence, objectivity and effectiveness

The committee discussed the external auditor's independence and potential areas that could give rise to a conflict of interest, and considered the safeguards in place to prevent compromising their independence and objectivity. Our non-audit services policy sets out the non-audit services that can be provided by the external auditor, in line with the latest ethical standards. The external auditor is not permitted to perform any work which they may later be required to audit, or which might affect their objectivity and independence, or create a conflict of interest. Internal procedures describe the approval process for work performed by the external auditor. This applied to KPMG throughout the year. The committee monitored compliance with the policies and procedures and considered business

relationships with the external auditor, and the level and appropriateness of non-audit services and fees. Our non-audit services policy can be found at bt.com/governance

The nature of the non-audit services carried out by the external auditor during the year, including to review our in-scope IT general controls, are described in note 8 to the **consolidated financial statements** on page 134. These were carried out due to legal or regulatory obligations, contractual requirements, or represented areas of assurance work where it was materially more efficient for the external auditor to be engaged, as opposed to another third party, due to the work completed in relation to the audit, and which were permitted to be performed by an auditor under the Revised Ethical Standard 2019.

Audit-related assurance services, including the audit of the regulatory financial statements, as well as non-audit services performed by KPMG, are considered a low threat to auditor independence. The proportion of other non-audit services to total services carried out by the external auditor is therefore considered the most suitable measure of the non-audit services provided. These represented 0.8% of the total fees (2019/20: 2%).

The committee assessed the quality of the audit and the performance of the external auditor throughout the year and concluded that the audit contributed to the integrity of the group's financial reporting. The committee agreed that the external auditor continues to be independent and recommended to the Board (which was subsequently approved) that the reappointment of KPMG be put to our shareholders for approval at the 2021 AGM.

Internal audit

During the year, the committee:

- reviewed and approved the internal audit charter, establishing group internal audit's independence, authority, remit and reporting lines to conduct its work
- reviewed and approved the annual group internal audit plan (at the start of the year) and received regular updates on internal audit activities, progress against the plan, details of unsatisfactory audit findings and action plans to address these and progress
- discussed with executive management all internal audit reports where controls were assessed as "inadequate"
- reviewed the performance and effectiveness of the internal audit function, including consideration of whether the quality, experience and expertise of the function were appropriate for the business. An external effectiveness review of internal audit was previously conducted in 2018/19 by the Chartered Institute of Internal Auditors in accordance with our five-year cycle of such reviews
- reviewed the status of management actions arising from internal audits, including those that became overdue and ensured that these were tracked through to completion and subject to close monitoring by management.

Ethics and compliance

The committee considered reports from the group ethics and compliance director on BT's ethics and compliance priorities, including Speak Up, our confidential, whistleblowing hotline. As part of this, there was a focus on communications regulation in line with our group risk category, anti-bribery and corruption, international trade, compliance learning programmes and how these are embedded in our culture and financial services compliance. The committee ensures that arrangements are in place for the proportionate and independent investigation of these and other matters, including data privacy and governance.

BT Compliance Committee

Chair's report

Isabel Hudson
Chair of the BT
Compliance Committee
12 May 2021



In responding to the unprecedented challenges of the Covid-19 pandemic, BT and Openreach have adhered well to the spirit and letter of the Commitments, evidencing the resilience of the governance arrangements and ways of working between them. Good progress continues to be made in delivering on the Commitments' objectives and as BT progresses with its transformation agenda, we will continue to monitor the arrangements with vigilance to ensure they continue to operate as intended.

Membership and attendance

The committee comprises independent non-executive directors only. The company secretary or her appointed delegate acts as secretary to the committee, and they attend all meetings and provide advice and support as required. The chairman, regulatory affairs director, general counsel, commitments assurance office (CAO) director and Openreach's commitments monitoring office director also attend all meetings as invitees.

Member	Attended	Eligible to attend
Isabel Hudson (chair)	4	4
Ian Cheshire ^a	3	3
Mike Inglis	4	4
Allison Kirkby ^b	3	4

^a Ian joined the committee on 16 July 2020.

^b Allison was unable to join one committee meeting during the year due to other business commitments and provided her comments to the chair ahead of the meeting.

Key responsibilities

This committee is responsible for monitoring whether Openreach's governance model is working as expected and achieving appropriate outcomes for consumers and industry. It ensures that Openreach is able to act with appropriate independence while BT is properly able to fulfil its parent company duties.

The committee reviews BT's compliance with the letter and spirit of the Commitments made as part of Ofcom's 2017 Digital Communications Review and reviews the culture and behaviours of colleagues. The committee continues to be supported by the CAO.

Having regard to the importance BT places on consumer fairness for our customers, the Board approved proposals to enhance BT's consumer fairness governance framework,

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widening the committee's remit to include oversight of consumer fairness matters on behalf of the Board. From 1 April 2021, the committee monitors whether BT is living up to Ofcom's Fairness for Customers commitments (see page 17 for more detail on consumer fairness).

The Board receives copies of the committee's minutes and I report to the Board after each committee meeting. Ofcom receives copies of minutes and each year we publish an annual review (available at [bt.com/btcc](https://www.bt.com/btcc)). Further details on how we engage with Ofcom can be found on page 41.

 The committee's key responsibilities are set out in its terms of reference available at [bt.com/governance](https://www.bt.com/governance)

Committee activities in 2020/21

The committee met four times during the year and has continued to focus on the letter and the spirit of the Commitments and how they are working in practice. The committee has focused on processes that may affect the balance of Openreach's independence and BT's oversight. I am pleased to note that the Commitments proved resilient in the face of the Covid-19 pandemic.

The committee reviewed and discussed:

- BT's second independent cultural maturity survey which reported significant improvements and that Openreach has become culturally more independent since 2018. While the Openreach/BT parent company relationship has improved, there needs to be continued focus on the Openreach/customer-facing units' dynamic. The committee has sought updates on the actions and has engaged with industry stakeholders on their perspectives on the Commitments.
- the outputs of an independent assessment on the effectiveness of BT's monitoring framework, tools and capabilities, which were generally found to be robust. The committee discussed recommendations to enhance these, including the effectiveness and proportionality of information sharing controls.
- how intended outcomes are being delivered including on BT's investment in fibre and the delivery of the broadband Universal Service Obligation. The regulatory affairs and CAO directors reported on key activities and priorities at each meeting. The CAO reviewed whether BT's responses to Covid-19 aligned with expectations. The committee was pleased to note that as BT adapted ways of working to safeguard colleagues and customers, and respond to operational and financial challenges, colleagues continued to adhere to the letter and spirit of the Commitments. As BT progresses its strategic initiatives and makes new senior appointments, the committee will continue to monitor the alignment of BT's leadership with the Commitments. The committee also considered the CAO's reviews of financial planning, strategy development and commercial processes, and the outcomes of its compliance "quick checks". The committee decided on all the potential Commitments breaches reported to the CAO by BT and where appropriate discussed remedial actions. Breaches and process non-conformances remain at a low level in nature and number.
- how Openreach and BT share commercial information and support management in improving the quality of the reporting on this. The committee invited BT and Openreach to brief it on the lessons learned and remedial actions in train following Ofcom's finding that Openreach had not given a competing company the same information as BT's own bid team during the tender for a public sector telecoms contract in Northern Ireland in 2017/18 (see page 17). The committee also considered reports from group internal audit focusing on Commitments focused audits.

Digital Impact & Sustainability Committee

Chair's report

Leena Nair
Chair of the Digital
Impact & Sustainability
Committee
12 May 2021



This year, it has been great to see the launch of the group's new purpose and strategy, which places digital impact and sustainability at the heart of everything the business does.

Membership and attendance

The committee comprises independent non-executive directors and the chairman. The company secretary or her appointed delegate acts as secretary to the committee, and they attend all meetings and provide advice and support as required. The HR director, corporate affairs director and director of digital impact & sustainability also attend all meetings as invitees.

Member	Attended	Eligible to attend
Leena Nair (chair)	4	4
Jan du Plessis	4	4
Isabel Hudson	4	4
Mike Inglis	4	4
Sara Weller ^a	2	3

^a Sara joined the committee on 16 July 2020. Sara was unable to attend one committee meeting during the year, due to a prior business commitment which she had notified us of prior to her appointment.

Key responsibilities

This is my first full year as committee chair. During what has been a difficult year for so many, it's been encouraging to see BT step up to the challenge to help our colleagues, our communities and the country. This includes its support for critical health services, key workers and building digital skills for school children, small businesses and jobseekers. BT has continued to focus on tackling climate change, championing human rights and keeping people safe online through its responsible tech approach. As a core part of the strategy, with the outcome of related KPIs being annual bonus measures, progress in this area helps to build trust and create value for all stakeholders.

The committee is responsible for agreeing the digital impact and sustainability strategy for the group. It monitors progress on the strategy and supporting goals covering digital skills, human and digital rights, climate change and the environment, fundraising and volunteering.

After each meeting, I report back to the Board on the committee's activities and the main issues discussed, with the Board receiving copies of the committee's minutes.

The committee's key responsibilities are set out in its terms of reference available at [bt.com/governance](https://www.bt.com/governance)

Committee activities in 2020/21

The committee met four times during the year and, focused on our digital impact and sustainability strategy, considering and discussing:

Digital impact

The reach and impact of the Skills for Tomorrow programme and its pivot to become 'digital-first' during the Covid-19 pandemic, as well as the related KPI (see pages 31 and 47). The committee considered BT's role as a national enabler in helping people improve their digital skills, including our targeted programmes for school children, families, jobseekers, SMEs and vulnerable customers, and how the programme is helping to drive positive societal outcomes, as well as strengthening relationships with our customers and supporting their priorities.

Responsible tech and human rights

The progress on BT's human rights programme, how human rights are respected across the group's operations and supply chain, as well as efforts to tackle modern slavery, and the introduction of a forward-looking and principles-based approach to responsible tech. The committee endorsed BT's commitment to consistently develop, use, buy and sell technology in a way that benefits people and minimises harm.

Climate and the environment

The progress on BT's climate strategy and efforts to meet our decarbonisation target of an 87% reduction in carbon emissions intensity by the end of March 2031, Openreach's decarbonisation targets and the progress made in transitioning its commercial vehicle fleet to run on electric or alternative fuels (see pages 32, 33 and 47). The committee was also updated on the launch of the UK Electric Fleets Coalition, which has been co-founded by BT (including Openreach) and The Climate Group with the aim of influencing policy and to accelerate the transition to electric vehicles.

The committee also discussed the approach to the 2021 COP26 climate summit and BT's plans, including a presentation and discussion with an external expert. During the year, the committee also monitored BT's efforts to address the recommendations of the Task Force on Climate-related Financial Disclosures. Further details on how BT is implementing this can be found on page 67.

Vulnerable customers

The accessibility, inclusion and vulnerability programme within Consumer and the ongoing focus in this area. Further details on how BT supports our customers can be found on pages 26 to 29.

Stakeholder engagement

BT's approach to understanding the interests of our key stakeholders and how this is reflected in the digital impact and sustainability strategy, our external reporting, and our engagement with stakeholders going forward in a landscape of increasing focus on environmental, social and governance factors.

Supply chain

Programmes and initiatives that are in place across the group to manage risks within our supply chain. The committee was kept updated on how we mitigate risks within our supply chain and in ensuring BT remains a responsible and sustainable business. Further details on our engagement with suppliers can be found on pages 39 to 40 and more details on our digital impact and sustainability strategy and targets can be found on pages 30 to 33, and 47.

Report on directors' remuneration

Committee chair's letter

Sir Ian Cheshire
Chair of the Remuneration
Committee
12 May 2021



During what has been an extraordinary year for everyone, not just for BT, the committee has recognised the commitment and contribution of our entire workforce. We've also ensured that any remuneration decisions taken during the year are in line with the new Directors' Remuneration Policy.

Contents

Committee chair's letter

Review of the year; committee decisions; key outturns and plans for the year ahead – pages 88 to 90.

Focus on remuneration

The key aspects of our remuneration structure, outcomes for 2020/21 and implementation of the Directors' Remuneration Policy (Policy) in 2021/22 – pages 91 to 93.

Annual remuneration report

More detail on how we have implemented our Policy during 2020/21 including the single figure of remuneration for each director – pages 94 to 102.

Remuneration in context

How we take account of remuneration conditions across the group – pages 103 to 104.

Membership and attendance

The committee comprises five independent non-executive directors only. The company secretary or her appointed delegate acts as secretary to the committee, and they attend all meetings and provide advice and support as required. The chairman, chief executive, group HR director and director of reward are typically invited to attend meetings. None of the above attends meetings where their own remuneration is discussed or in other circumstances where their attendance would not be appropriate.

Deloitte LLP, as the independent remuneration adviser to the committee, also attends all meetings.

The committee held four scheduled meetings during the year and four ad hoc meetings. The ad hoc meetings have predominantly been focused on remuneration arrangements as a result of changes to the *Executive Committee*.

Member	Attended	Eligible to attend
Ian Cheshire (chair) ^a	4	4
Iain Conn ^b	3	3
Isabel Hudson	4	4
Mike Inglis ^c	2	2
Matthew Key	4	4
Leena Nair	4	4
Nick Rose ^d	2	2

a Ian became committee chair on 16 July 2020.

b Iain joined the committee on 16 July 2020.

c Mike stepped down from the committee on 16 July 2020.

d Nick stepped down from the committee and as committee chair on 16 July 2020.

Key responsibilities

- Determines the salary and benefits for the executive directors, members of the *Executive Committee* and the company secretary, and monitors remuneration practices and policies for the wider workforce
- Operation of the annual bonus scheme for senior executives, including setting performance targets for the year ahead
- Determines awards under the annual bonus scheme for senior executives
- Governance of the company's long-term incentive plans
- Reviews and approves the Report on directors' remuneration for inclusion in the Annual Report
- Reviews and approves the Policy including seeking shareholder approval, on a binding basis, at least every three years
- Ensures that all remuneration decisions are made within the parameters of the approved Policy and align with our reward philosophy and our values. No senior executive is involved in any decision about their own remuneration.

After each meeting, I report back to the Board on the committee's activities and the main issues discussed.

The committee's key responsibilities are set out in its terms of reference available at [bt.com/governance](https://www.bt.com/governance)

This is my first letter since becoming the remuneration committee chair and I would like to start by thanking Nick Rose, the former committee chair, for his seamless handover and for securing strong shareholder support for BT's new Directors' Remuneration Policy (Policy) at the 2020 Annual General Meeting (AGM). I must admit that I had envisaged a relatively quiet year implementing the new Policy across the business. However, it has been an extraordinary year, and the committee has spent much of its time focused on five key areas: purpose, people, the pandemic, performance and Policy.

Purpose, people, and the pandemic

"We connect for good", BT's purpose, has really been brought to life during the pandemic. Despite the surge in demand on our fixed-line, broadband, and mobile networks, BT kept our customers and the country connected. BT also played a vital role in supporting the NHS by connecting the Nightingale hospitals and testing centres, rolling out our high-speed network to vaccination centres, keeping the Emergency Services Network working 24/7, and gifting unlimited data to NHS workers to show our appreciation of their valiant work.

Achieving this required an enormous amount of effort and commitment from our entire workforce. A special mention must be made of our frontline colleagues and key workers such as the Openreach engineers, who have worked around the clock to install services and repair technical faults, our call centre colleagues who assisted our customers, and the retail teams that kept our EE/BT retail shops running where possible.

At the start of the pandemic, the chief executive made a commitment that BT would support the wellbeing of our colleagues as best it could, and that no colleague would lose their job as a direct result of changing trading conditions brought about by Covid-19. I am pleased to say that we delivered on this promise. Despite the challenges we have faced, we have continued to invest in our network, we have not needed to make use of the Government's furlough scheme, and we have created new jobs in Openreach at a time when many companies have cut employees' pay, cut working hours and made redundancies. Like many other companies, we did expect our profits to be lower than last year given the impact of Covid-19 on the global economy, however the committee and the *Executive Committee* felt it was important to reward our colleagues and to recognise their commitment and contribution during an extraordinarily challenging year. All frontline colleagues and key workers will receive a special one-off cash bonus of £1,000, and all eligible colleagues will receive £500 worth of shares that vest after three years.

We took the difficult decision to freeze executive salaries for a second consecutive year and, despite the higher formulaic outturn of 129% of target, the committee exercised its discretion to cap executive bonuses at 100% of target in line with the chief executive's recommendation. In addition, all members of the *Executive Committee* have for a second year voluntarily agreed to defer all of their annual bonus into shares for three years. This means that executives have not received cash bonuses for the last two years. As announced in April 2020, the chief executive also donated six months of his salary to health charities and small businesses in his local community.

During the year, there were a few changes to the *Executive Committee* as mentioned by Philip Jansen in his introduction on page 7. The committee considered and approved competitive remuneration packages for the new joiners and the treatment to be applied for leavers.

Performance and executive remuneration outcomes for 2020/21

Annual bonus performance was based on a scorecard of seven key financial and non-financial measures that align to our strategic priorities. All targets were set at the start of the financial year based on a forecast impact of the Covid-19 pandemic. Acknowledging the significant uncertainty caused by the pandemic at the time the targets were set, the committee reviewed the measures and targets in the middle of the year. No adjustments to the targets were made as a result of the Covid-19 pandemic.

Financial performance accounts for 70% of the bonus scorecard:

- **EBITDA (35%)** – the outcome was in line with our expectations at £7,415m and came in between target and stretch. Despite pressures on our revenue, we continued to see benefits from our simplification and transformation programme.
- **Normalised free cash flow (35%)** – the outcome was £1,459m which was also between target and stretch.

Our non-financial measures account for 30% of the bonus scorecard and comprise the following:

- **Customer (10%)** – our colleagues have worked hard to deliver standout customer experience during the year, and the overall group Net Promoter Score (NPS) saw its 19th consecutive quarterly improvement, with Consumer and Global results at an all-time high.
- **Converged networks (10%)** – Openreach worked hard to maintain FTTP connection rates despite multiple lockdowns and delivered performance between target and stretch. We took advantage of new product launches to drive sales of our 5G tariffs and handsets and significantly exceeded our 5G customers stretch target.
- **Digital impact (5%)** – as Covid-19 hit, we successfully pivoted to a digital-first model for Skills for Tomorrow, delivering campaigns designed to help small businesses and families, as well as Stand Out Skills, focusing on providing support to jobseekers. We also launched our Top Tips on Tech TV campaign, which reached an incredible 5.7m people. As this campaign was not foreseen at the time the target was set, we removed it from our scorecard results – however the number of people reached through our other delivery channels still exceeded our stretch goal for the year.
- **Sustainability (5%)** – significant progress has been made towards reducing our carbon emissions intensity; putting in the foundations for accelerated fleet electrification and switching to purchasing 100% renewable electricity globally. While Covid-19 has had a positive impact on our emissions during the year due to factors such as increased homeworking and reduced vehicle usage, our underlying performance for the year excluding the impact of Covid-19 was still between target and stretch. We are on-track to meet our KPI of an 87% reduction in carbon emissions intensity by the end of March 2031.

When determining overall performance and bonus pay-outs, the committee also considers a number of other factors including share price performance, the external environment and overall affordability. Given ongoing cost constraints, pay freezes across the organisation and continued economic uncertainty, despite the formulaic outturn of the final bonus scorecard being 129% of target, the committee exercised its discretion to cap executive bonuses at 100% of target in line with the chief executive's recommendation. The committee also believes this is a fair outturn given the overall performance of the business under challenging conditions.

Report on directors' remuneration Committee chair's letter continued

Accordingly, the chief executive and chief financial officer will be awarded bonuses of £1,320,000 and £882,526 respectively. As was the case last year, both executive directors have volunteered to defer their annual bonuses in full into shares for three years.

The 2018 Incentive Share Plan (ISP) award will lapse in full in May 2021 as we did not meet the threshold performance target in respect of each measure over the last three years.

Policy implementation in 2021/22

a) Salary

As outlined above, we have made the decision this year to not increase base salaries for the management population. Accordingly, the chief executive and the chief financial officer will not receive a salary increase in June 2021.

b) Pension

As set out in our Policy last year, Simon Lowth's pension allowance was reduced to 15% of salary from 1 April 2021 and will further reduce to 10% of salary from 1 April 2022, which will fully align him with the rate offered to the majority of our UK workforce. Philip Jansen's pension allowance remains at 10% of salary.

c) Annual bonus

We have reviewed the bonus scorecard measures and weightings and determined that they remain well-aligned to our strategic priorities for the coming year. The committee is satisfied that they represent a meaningful balance of financial performance measures and our broader strategic priorities, including the impact we make for our customers and society. The same group bonus scorecard applies to all eligible managers, so everyone is focused on and aligned to the same goals. Openreach managers have a similar bonus scorecard but it is based on Openreach performance to maintain independence and to reflect our Commitments.

No changes are proposed to the structure of the annual bonus plan: the on-target and maximum opportunity will remain at 120% and 200% of salary for both executive directors, with half deferred for a period of three years.

d) Long-term incentives

Awards will be made to both the chief executive and chief financial officer in June 2021 under our Restricted Share Plan (RSP). The committee considers the level of such awards each year, taking into consideration several factors, including the share price performance over the preceding year. In 2020, the level of awards granted was reduced from the normal Policy level of 200% of salary to 160% of salary due to share price performance and the decision to suspend the dividend until 2021/22. Since then, our share price has recovered, with performance above that of the FTSE 100 index, and the committee has therefore agreed that awards would be granted to both executive directors this year at the normal Policy level of 200% of salary.

Awards will vest in three equal tranches after three, four and five years, and no tranche may be sold until year five. As per last year, awards are subject to both return on capital employed (ROCE) and environmental, social and governance (ESG) underpins (see page 96), and the committee retains ultimate discretion to adjust the vesting outcome if considered appropriate.

Other matters

The committee receives regular updates on HR policies and reward practices for the wider workforce as well as updates on employee relations. The committee takes account of these factors when making decisions relating to executive remuneration.

During the year, Isabel Hudson, as the designated non-executive director for workforce engagement, also fed back any comments to the committee on sentiments being raised by our colleagues in relation to the remuneration of our workforce and related decisions, as raised by the *Colleague Board* through their 'hot topics' discussions at their meetings.

We increased our focus on race equality and launched our Ethnicity Rapid Action Plan, which was set up to help improve diversity and inclusion across BT. As part of this plan we have elected to voluntarily undertake our first ethnicity pay gap, in addition to the mandatory gender pay gap. The result of the ethnicity pay gap will be included in our inaugural Diversity and Inclusion Report, which is to be published in early summer 2021.

Following the Policy review, the change in the committee chair during the year and as agreed by the committee as part of last year's internal committee evaluation, we decided that it was timely and in good order to run a competitive tender for the appointment of advisers to the committee. Further to this, Deloitte were successful in retaining their appointment and the committee is satisfied that Deloitte continues to provide independent and objective advice.

As always, the committee and I wish to maintain an open dialogue on remuneration matters with our investors and I would welcome their comments or feedback and support at the forthcoming AGM.

Sir Ian Cheshire

Chair of the Remuneration Committee
12 May 2021

Focus on remuneration

Our remuneration principles are to maintain a competitive remuneration package that promotes the long-term success of the business, avoids excessive or inappropriate risk taking and aligns management's interests with those of shareholders.

Below is how remuneration is aligned with the principles of the Code.

Clarity

- Our remuneration framework is structured to support the financial and strategic objectives of the company, aligning the interests of our executive directors with those of our shareholders
- We are committed to transparent communication with all our stakeholders, including our shareholders
- Performance for senior management and all other managers is measured against a single consistent scorecard.

Predictability

- The long-term RSP reflects that we operate in a tightly regulated environment, ensuring a narrower but more predictable range of reward and performance outcomes to align with our business model.

Simplicity

- We operate a simple but effective remuneration framework which is applied on a consistent basis for all employees
- The annual bonus rewards performance against key performance indicators, while the RSP provides long-term sustainable alignment with our shareholders
- There is clear line of sight for management and shareholders.

Risk

- Our incentives are structured to align with the company's risk management framework
- The three-year deferral under the annual bonus and having no release of RSP awards until five years from the date of award create long-term alignment, as do our in- and post-employment shareholding requirements
- The annual bonus, deferred bonus and RSP also incorporate malus and clawback provisions, and there is overarching committee discretion to adjust formulaic outcomes.

Proportionality

- There is clear alignment between the performance of the company, the business strategy, and the reward paid to executive directors
- Target total compensation levels are set competitively compared to other companies of similar size and complexity to ensure we can attract and retain the executives needed to deliver the business strategy. However, the maximum total compensation levels are set lower than typical market practice to reflect the narrower and more predictable range of performance outcomes for BT
- Formulaic incentive outcomes are reviewed by the committee and may be adjusted having consideration to overall group performance and wider workforce remuneration policies and practices.

Alignment to culture

- When considering performance, the committee takes account of BT's values
- The committee receives regular updates on pay conditions across the company, and colleagues may provide feedback to the Board via the *Colleague Board* and the designated non-executive director for workforce engagement
- All-employee share plans help encourage our colleagues to become shareholders in the business.

Directors' Remuneration Policy (Policy)

The Policy as approved by shareholders at the AGM on 16 July 2020 in accordance with section 439A of the Companies Act 2006 can be found online at [bt.com/annualreport](https://www.bt.com/annualreport)

Legacy matters

The committee can make remuneration payments and payments for loss of office outside of the Policy where the terms of the payment were agreed (i) before the Policy came into effect, provided that the terms of the payment were consistent with any applicable policy in force at the time they were agreed, or (ii) at a time when the relevant individual was not a director of the company (or another person to whom the Policy applied) and that, in the opinion of the committee,

the payment was not in consideration for the individual becoming a director of the company (or taking on such other applicable position). This includes the exercise of any discretion available to the committee in connection with such payments. For these purposes, payments include the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Minor amendments

The committee may make minor amendments to the arrangements for the directors as described in the Policy, for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation.

Focus on remuneration continued

Look out for these icons in the Report on directors' remuneration to distinguish the different types of pay.

F

Fixed pay
Base salary
Pension allowance
Benefits

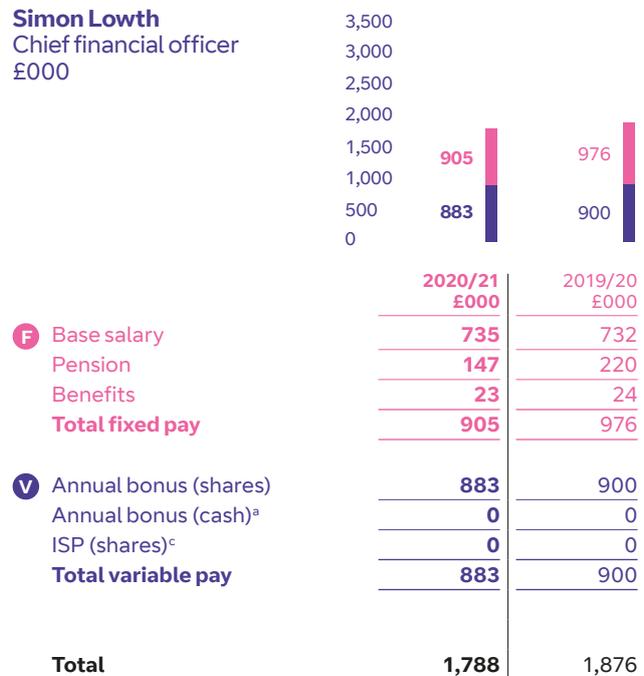
V

Variable pay
Annual bonus
RSP awards

Remuneration earned in 2020/21



a The executive directors have again voluntarily agreed to defer all their bonus for 2020/21 into shares for three years.
b Philip's first ISP award was made in February 2019.



c The group returned below threshold performance against all the performance measures for the 2018 ISP. The awards will lapse in full.
d The buyout award granted to Philip on appointment to compensate him for his loss in shares forfeited from Worldpay.

Performance outcomes in 2020/21

Annual bonus 2020/21

- Bonus was subject to seven measures of financial and non-financial performance
- EBITDA and cashflow performance was between target and stretch despite challenging circumstances
- Performance under each of the non-financial measures was either close to or above our stretch targets
- This resulted in a formulaic outcome of 129% of target. However, the committee exercised its discretion to cap executive bonuses at 100% of target in line with the chief executive's recommendation
- In line with the commitment made last year, the executive directors have again voluntarily agreed to defer all their bonus for 2020/21 into shares for three years.

Measure	Payout (% of max)
Adjusted EBITDA	70%
Normalised free cash flow	70%
Group Net Promoter Score (NPS)	99%
5G customers	100%
FTTP connections	87%
Carbon emissions	80%
Skills for Tomorrow	100%

2018 ISP

- Awards are subject to three performance measures
- Performance was below threshold, so the awards will lapse in full.

Measure	Payout (% of max)
Total shareholder return (TSR)	0%
Normalised free cash flow	0%
Underlying revenue growth (excluding transit)	0%

Implementation of the Policy in 2021/22

	F Fixed pay	V Annual bonus	V RSP
Philip Jansen (Chief executive)	Salary – £1,100,000 Benefits Pension – 10% of salary	Max. opportunity – 200% of salary Target opportunity – 120% of salary	2021 award – 200% of salary
Simon Lowth (Chief financial officer)	Salary – £735,438 Benefits Pension – 15% of salary ^a	Max. opportunity – 200% of salary Target opportunity – 120% of salary	2021 award – 200% of salary
Performance measures	n/a	Adjusted EBITDA (35%) Normalised free cash flow (35%) Customer experience (10%) Converged networks (10%) Digital impact & sustainability (10%)	Awards subject to two underpins over the initial three-year vesting period: – ROCE is equal to or exceeds WACC – No ESG issues resulting in material reputational damage
Framework	n/a	– 50% of any bonus payment for 2021/22 will be deferred into shares for three years – Malus and clawback provisions apply – Full committee discretion available	– Awards vest in three equal tranches after three, four and five years; no shares can be sold until year five – Malus and clawback provisions apply – Full committee discretion available

a This will reduce to 10% of salary in 2022/23.

Illustration of Policy

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Fixed pay	Base salary	█						
	Pension allowance	█						
	Benefits	█						
Annual bonus^a	50% cash		█					
	50% deferred shares	—	50% of the bonus deferred for three years →		█			
RSP awards	Tranche 1	—	→	█	→			
	Tranche 2	—	→		█	→		
	Tranche 3	—	→			█		

Underpins apply over three years
 Malus and clawback up to two years after vesting of each tranche

a All seven of the annual bonus measures are linked to our key performance indicators (KPIs) as set out on pages 46 to 47.

Annual remuneration report

This section summarises all elements of the directors' remuneration in 2020/21.

References to 'audited' refer to an audit performed in accordance with UK statutory reporting requirements.

Single total figure of remuneration (audited)

The following table sets out all emoluments received by directors for the financial years 2020/21 and 2019/20, including bonus and deferred bonus, long-term incentive plans and pension arrangements.

	Fixed pay								Variable pay							
	Basic salary and fees £000		Benefits ^a £000		Pension ^b £000		Total fixed pay £000		Annual bonus ^c £000		Long-term incentives £000		Total variable pay £000		Total £000	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21 ^{d,e}	2019/20 ^f	2020/21	2019/20	2020/21	2019/20
Chairman																
Jan du Plessis	700	700	8	18			708	718							708	718
Executive directors																
Philip Jansen	1,100	1,100	98	114	110	165	1,308	1,379	1,320	1,320	–	549	1,320	1,869	2,628	3,248
Simon Lowth	735	732	23	24	147	220	905	976	883	900	–	–	883	900	1,788	1,876
Non-executive directors																
Adel Al-Saleh ^g	–	–					–	–							–	–
Ian Cheshire	121	4					121	4							121	4
Iain Conn	150	112					150	112							150	112
Isabel Hudson ^h	145	139	1	3			146	142							146	142
Mike Inglis ^h	136	132		3			136	135							136	135
Matthew Key ^h	134	119		1			134	120							134	120
Allison Kirkby	124	117					124	117							124	117
Leena Nair	116	82					116	82							116	82
Sara Weller ⁱ	85	0					85	0							85	0
Sub-total	3,546	3,237	130	163	257	385	3,933	3,785	2,203	2,220	0	549	2,203	2,769	6,136	6,554
Former directors																
Tim Höttges ^j	–	–					–	–							–	–
Nick Rose ^k	52	178		2			52	180							52	180
Total	3,598	3,415	130	165	257	385	3,985	3,965	2,203	2,220	0	549	2,203	2,769	6,188	6,734

a Benefits provided to the executive directors and the chairman typically include (but are not limited to) car benefits (which may include any of a company provided car, cash allowance in lieu, fuel allowance, and driver), personal telecommunication facilities and home security, medical and dental cover for the directors and their immediate family, life cover, professional subscriptions, personal tax advice and financial counselling up to a maximum of £5,000 (excluding VAT) per year. For the chief executive, the value for 2020/21 includes a company provided car and personal driver to the value of c. £63,000.

b Pension allowance paid in cash for the financial year – see 'Total pension entitlements' on page 95.

c Annual bonus shown includes both the cash and deferred share element. The deferred element of the 2020/21 bonus includes the value of deferred shares to be granted in June 2021. Further details of the deferred element are set out below.

d The ISP 2018 granted in June 2018 to Simon and in February 2019 to Philip will lapse in full. Further details are provided on page 98.

e The ISP 2017 granted in June 2017 lapsed in full in May 2020.

f The RSP 2019 granted on Philip's appointment vested on 20 March 2020.

g Adel was appointed as a director on 15 May 2020. Under the terms of the Relationship Agreement between BT and Deutsche Telekom and Adel's letter of appointment, no remuneration is payable for this position.

h Value shown relates to reimbursement of reasonable travelling and other expenses (including any relevant tax) incurred in carrying out their duties.

i Sara was appointed as a director on 16 July 2020 and the figure represents her pro-rated remuneration during the year.

j Tim stepped down as a director on 15 May 2020.

k Nick stepped down as a director on 16 July 2020 and the figure represents his pro-rated remuneration during the year.

Additional disclosures relating to the single figure table (audited)

Salaries and fees

Executive directors' salaries are reviewed annually, with any increases typically effective from 1 June. No salary increases were made for our UK management population in June 2020 and accordingly Simon's base salary remained at £735,438. Philip Jansen's salary of £1,100,000 was fixed for five years at the time of his appointment in January 2019.

The fees for non-executive directors reflect committee-related or other additional responsibilities, including on a pro-rated basis for any appointments during the year. The chairman and executive directors reviewed the fees for non-executive directors during the year and agreed that there would be no fee increases for the non-executive directors. The chairman's fees were agreed to be fixed for five years on appointment as chairman in November 2017. A full breakdown of non-executive director fees is set out on page 100.

Total pension entitlements

We closed the BT Pension Scheme (BTPS) for most members on 30 June 2018. None of the executive directors participate in future service accrual in the BTPS.

New UK employees are eligible to join a defined contribution scheme, typically a personal pension plan. For executive directors, the company agrees to pay a fixed percentage of their salary each year which can be put towards the provision of retirement benefits.

During the year, Philip Jansen received an annual allowance equal to 10% of salary in lieu of pension provision as set out in the table on page 94. BT also provides death in service cover consisting of a lump sum equal to four times his salary.

During the year, Simon Lowth received an annual allowance equal to 20% of salary in lieu of pension provision as set out in the table on page 94. This will further reduce to 15% of salary in 2021/22 and 10% of salary in 2022/23. BT also provides death in service cover consisting of a lump sum equal to four times his salary plus a dependants pension equal to 30% of his capped salary.

Annual bonus

Both executive directors were eligible for an on-target bonus in respect of 2020/21 of 120% of salary with a maximum opportunity of 200% of salary. The annual bonus is based on performance against a scorecard of seven key financial and non-financial measures.

Category	Measure	Weighting	Threshold	Target	Stretch	Actual	Payout (% of max)
Financial	Adjusted EBITDA (£m)	35%	6,936	7,301	7,849	7,415	 70%
	Normalised free cash flow (£m)	35%	1,352	1,423	1,566	1,459	 70%
Customer	NPS	10%	50	100	200	199	 99%
Converged networks	5G customers (000s)	5%	587	664	730	1,403	 100%
	FTTP connections (000s)	5%	720	861	927	905	 87%
Digital impact & sustainability	Carbon emissions	5%	(50)%	(52)%	(54)%	(53)%	 80%
	Skills for Tomorrow (people)	5%	2.9m	3.0m	3.1m	4.3m	 100%

All targets were set at the start of the financial year based on a forecast impact of the Covid-19 pandemic. The committee reviewed the measures and targets in the middle of the year to ensure they remained appropriate. No adjustments to the targets were made as a result of the Covid-19 pandemic.

Performance under both financial measures was between target and stretch despite challenging circumstances. Likewise, performance against the non-financial measures was strong, with all measures coming either close to or above our stretch targets.

Significant progress was made towards reducing our carbon emissions intensity; putting in the foundations for accelerated fleet electrification and switching to purchasing 100% renewable electricity globally. The final outcome on our carbon emissions measure was a 57% reduction on our baseline. However, this included the positive impact of Covid-19 as a result of increased homeworking and reduced vehicle usage. For scorecard purposes we used the underlying figure of 53%, which was between target and stretch.

In addition to the 4.3m people reached through our Skills for Tomorrow programme, our successful Top Tips on Tech TV campaign also reached 5.7m people. This was not included in the scorecard results as it was not envisaged at the time the targets were set.

This resulted in a formulaic outcome of 129% of target. When considering bonus outcomes each year, the committee takes account of a number of factors including share price performance, the external environment and overall affordability. Given ongoing cost constraints, pay freezes across the organisation and continued economic uncertainty, the committee exercised its discretion to cap executive bonuses at 100% of target in line with the chief executive's

recommendation. The committee also believes this is a fair outturn given the overall performance of the business under challenging conditions.

The final bonus outturns for the executive directors are set out in the table below:

	Formulaic outcome	Following discretion	% of max	Value
Philip Jansen	129% of target	100% of target	60%	£1,320,000
Simon Lowth	129% of target	100% of target	60%	£882,526

As previously agreed, the chief executive's and chief financial officer's bonus for 2020/21 will be deferred in full into shares for three years. This means that the executive directors have not taken any cash bonuses for two consecutive years. Other members of the *Executive Committee* have also voluntarily agreed to defer all of their annual bonus into shares for a second consecutive year.

Annual remuneration report continued

2018 ISP

The ISP is a conditional share award. The committee assesses the performance conditions to 31 March 2021 and the awards would ordinarily vest in May 2021. The performance conditions are based 40% on relative TSR, 40% on normalised free cash flow, and 20% on growth in underlying revenue (excluding transit) over a three-year performance period from 1 April 2018 to 31 March 2021. As set out in the table below, the threshold performance target in respect of each measure was not met and therefore the awards lapsed in full and no payment was made.

Measure	Weighting	Threshold	Maximum	Actual	Payout (% of max)
TSR (rank)	40%	9th	5th	14th	0%
Normalised free cash flow (£bn)	40%	£6.4	£7.4	£5.9	0%
Underlying revenue growth (excluding transit) (%)	20%	0.2	1.9	(7.1)	0%

Awards granted during the year (audited)

2020 RSP

The 2020 RSP awards were made in August 2020 as set out below and on page 98. An award of 160% of salary was made to both executive directors, which represented a 20% discount to the normal level permitted under the Policy. The face value is based on the BT share price at the date of grant of 106.11p. The grant price is calculated using the average middle-market price of a BT share for the three dealing days prior to grant.

Director	Date of award	RSP award (shares)	Face value of award
Philip Jansen	3 August 2020	1,658,656	£1,760,000
Simon Lowth	3 August 2020	1,108,944	£1,176,700

These awards are conditional share awards without any performance targets. Two underpins will apply over the initial three-year vesting period, as follows:

- ROCE is equal to or exceeds WACC over the same period
- there must have been no ESG issues which have resulted in material reputational damage for the company.

Should one or both underpins not be met, the committee may at its discretion reduce the number of shares vesting, including to nil.

The RSP awards will vest in three equal tranches after three, four and five years. A holding period will apply such that no shares may be sold until year five. When RSP awards vest, additional shares representing the value of reinvested dividends on the underlying shares are added.

RSP awards are subject to malus and clawback provisions as set out in the Policy, and the committee retains the ultimate discretion to adjust vesting levels in exceptional circumstances, should they not reflect the overall performance.

Details of all interests under the RSP are set out on page 98.

2020 deferred shares

The full bonus awarded for 2019/20 was deferred into shares. The awards were made in June 2020 as set out below and on page 98. The face value is based on the BT share price at the date of grant of 119.27p. The grant price is calculated using the average middle-market price of a BT share for the three dealing days prior to grant.

Director	Date of award	Number of deferred shares	Face value of award
Philip Jansen	25 June 2020	1,106,763	£1,320,000
Simon Lowth	25 June 2020	754,759	£900,176

Deferred shares are not subject to performance conditions and have a three-year vesting period. Details of all interests in deferred shares are set out on page 98.

When deferred share awards vest, additional shares representing the value of reinvested dividends on the underlying shares are added.

Payments for loss of office (audited)

No payments were made to directors during the year for loss of office.

Former directors (audited)

No payments were made to former directors during the year.

Directors' share ownership (audited)

The committee believes that the interests of the executive directors should be closely aligned with those of shareholders. The aim is to encourage the build-up of a meaningful shareholding in the company over time by retaining shares received through the executive share plans (other than shares sold to meet tax and other statutory deductions) or from purchases in the market.

The shareholding requirement for both executive directors increased to 500% of salary under the new Policy.

Executive directors must achieve the increased shareholding guideline within five years of the approval of the Policy or, in the case of any new executive directors appointed, within five years of their date of appointment.

The shareholding requirement will continue to apply for a period of two years post-cessation of employment, to the same value as in employment (or the total number of shares held immediately prior to cessation of employment, if lower). The post-cessation shareholding requirement will be calculated and expressed as a fixed number of shares by reference to the closing BT share price on the day immediately prior to the cessation date. The requirement is fixed as this number of shares for a period of two years and compliance will be measured at cessation and annually thereafter. In enforcing continued compliance post-cessation, the committee may request that the executive director transfers any shares subject to the shareholding requirement to be held in trust by the company until such time that they no longer need to be retained.

The company encourages the chairman and independent non-executive directors to purchase, on a voluntary basis, BT shares with an aggregate value of £5,000 on average each year (based on acquisition price) to further align the interests of non-executive directors with those of our shareholders. The directors

are asked to hold these shares until they cease being a member of the Board. This policy is not mandatory.

This policy does not apply to the Deutsche Telekom nominated representative director appointed to the Board as a non-independent, non-executive director under the terms of the EE acquisition in January 2016. This helps avoid any conflict of interest.

Directors' interests at 31 March 2021 or on cessation (audited)

The following table shows the beneficial interests in the company's shares of directors and persons closely associated as at 31 March 2021 (or at the point of leaving for directors who left during the year).

The table includes interests held by the executive directors under the company's share plans. The numbers represent the maximum possible vesting levels. The ISP awards will only vest to the extent the performance conditions are met over the three-year period. Full details of all DBP, RSP and ISP awards, including performance periods and vesting conditions, are set out on page 98.

For executive directors we use the average BT share price over the preceding 12 months (or the share price at acquisition/ vesting date if higher) to determine whether the minimum shareholding requirement has been reached.

During the period 1 April 2021 to 12 May 2021, there were no movements in directors' beneficial holdings or other interests in shares. The directors, as a group, beneficially own less than 1% of the company's shares.

	Beneficial holding owned outright at 1 April 2020	Beneficial holding owned outright at 31 March 2021	Unvested interests in share plans				Total shareholding at 31 March 2021 ^d	Percentage of salary held ^e
			DBP ^a	RSP ^a	ISP ^b	Other ^c		
Chairman								
Jan du Plessis	502,475	1,004,138	–	–	–	–	1,004,138	n/a
Executive directors								
Philip Jansen	3,059,481	4,895,142	1,171,722	1,658,656	3,896,440	–	6,395,242	933%
Simon Lowth	582,436	609,886	1,094,754	1,108,944	2,748,082	10,975	1,788,821	361%
Non-executive directors								
Adel Al-Saleh ^f	n/a	0	–	–	–	–	0	n/a
Ian Cheshire	0	19,646	–	–	–	–	19,464	n/a
Iain Conn	19,442	69,442	–	–	–	–	69,442	n/a
Isabel Hudson	24,090	24,090	–	–	–	–	24,090	n/a
Allison Kirkby	25,000	75,000	–	–	–	–	75,000	n/a
Mike Inglis	29,091	29,091	–	–	–	–	29,091	n/a
Matthew Key	115,933	161,686	–	–	–	–	161,686	n/a
Leena Nair	0	50,000	–	–	–	–	50,000	n/a
Sara Weller ^g	n/a	7,000	–	–	–	–	7,000	n/a
Former directors								
Tim Höttges ^h	0	0	–	–	–	–	0	n/a
Nick Rose ⁱ	400,000	400,000	–	–	–	–	400,000	n/a
Total	4,757,948	7,345,121	2,266,476	2,767,600	6,644,522	10,975	10,023,974	n/a

a Subject to continued employment and, for the RSP, two underpins over the initial three-year vesting period.

b Subject to performance.

c Interests in saveshare, a HMRC-approved all-employee plan.

d The number of shares held for the purpose of satisfaction of the shareholding guideline. This includes all beneficial holdings, plus outstanding share awards that are subject to continued employment only included on a net-of-tax basis.

e For the purpose of determining the minimum shareholding guideline, the average BT share price over the preceding 12 months of £1.1937 has been used (or for shares owned outright, the share price at acquisition/ vesting date if higher).

f Adel was appointed as a director on 15 May 2020.

g Sara was appointed as a director on 16 July 2020.

h Tim stepped down as a director on 15 May 2020 and the number reflects his holding at that date.

i Nick stepped down as a director on 16 July 2020 and the number reflects his holding at that date.

Annual remuneration report continued

Outstanding share awards at 31 March 2021 (audited)

The table below sets out share awards granted to the executive directors.

	1 April 2020	Awarded/ granted	Dividends re-invested	Vested	Lapsed	Total number of award shares at 31 March 2021	Vesting date	Price at grant	Market price at date of vesting	Market price at date of exercise	Monetary value of vested award £000
Philip Jansen											
DBP 2019	64,959	–	–	–	–	64,959	01/08/2022	207.45p	–	–	–
DBP 2020 ^a	–	1,106,763	–	–	–	1,106,763	01/08/2023	119.27p	–	–	–
ISP 2018 ^b	1,576,404	–	–	–	–	1,576,404	31/03/2021	233.56p	–	–	–
ISP 2019 ^c	2,320,036	–	–	–	–	2,320,036	31/03/2022	207.45p	–	–	–
RSP 2020 ^d	–	1,658,656	–	–	–	1,658,656	03/08/2023	106.11p	–	–	–
Simon Lowth											
DBP 2017	51,886	–	–	51,886	–	–	01/08/2020	286.40p	103.07p	–	53
DBP 2018	167,480	–	–	–	–	167,480	01/08/2021	211.01p	–	–	–
DBP 2019	172,515	–	–	–	–	172,515	01/08/2022	207.45p	–	–	–
DBP 2020 ^a	–	754,759	–	–	–	754,759	01/08/2023	119.27p	–	–	–
ISP 2017 ^e	1,056,494	–	–	–	1,056,494	–	31/03/2020	286.40p	–	–	–
ISP 2018 ^f	1,390,845	–	–	–	–	1,390,845	31/03/2021	211.01p	–	–	–
ISP 2019 ^c	1,357,237	–	–	–	–	1,357,237	31/03/2022	207.45p	–	–	–
RSP 2020 ^d	–	1,108,944	–	–	–	1,108,944	03/08/2023	106.11p	–	–	–
saveshare (2019) ^g	10,975	–	–	–	–	10,975	01/08/2024	163.92p	–	–	–

a Awards granted on 25 June 2020. The number of shares subject to award was calculated using the average middle market price of a BT share for the three days prior to grant of 119.27p. Awards of deferred shares in respect of 2021 will be calculated using the average middle market price of a BT share for the three dealing days prior to grant.

b Award granted on 1 February 2019. The number of shares subject to award was calculated using the average middle-market price of a BT share for the three dealing days prior to grant of 233.56p. 40% of each award is linked to TSR compared with a group of 17 companies, 40% is linked to a three-year normalised free cash flow measure and 20% to a measure of underlying revenue growth (excluding transit) over three years. Performance against the TSR, normalised free cash flow and revenue targets was below threshold so the award will lapse in full in May 2021.

c Awards granted on 19 June 2019. The number of shares subject to award was calculated using the average middle-market price of a BT share for the three dealing days prior to grant of 207.45p. 40% of each award is linked to TSR compared with a group of 16 companies, 40% is linked to a three-year normalised free cash flow measure and 20% to a measure of underlying revenue growth (including transit) over three years.

d Awards granted on 3 August 2020. The number of shares subject to award was calculated using the average middle market price of a BT share for the three dealing days prior to grant of 106.11p. Awards will vest in three equal tranches after three, four and five years. A holding period will apply such that no shares may be sold until year five. Two underpins will apply over the initial three-year vesting period as set out on page 96.

e Award granted on 22 June 2017. The number of shares subject to award was calculated using the average middle-market price of a BT share for the three dealing days prior to grant of 286.40p. 40% of each award is linked to TSR compared with a group of 21 companies, 40% is linked to a three-year normalised free cash flow measure and 20% to a measure of underlying revenue growth (excluding transit) over three years. Performance against the TSR, normalised free cash flow and revenue targets resulted in the threshold targets not being met and none of the shares vesting under the 2017 ISP. The award lapsed in full in May 2020.

f Award granted on 19 June 2018. The number of shares subject to award was calculated using the average middle-market price of a BT share for the three dealing days prior to grant of 211.01p. 40% of each award is linked to TSR compared with a group of 17 companies, 40% is linked to a three-year normalised free cash flow measure and 20% to a measure of underlying revenue growth (excluding transit) over three years. Performance against the TSR, normalised free cash flow and revenue targets was below threshold so the award will lapse in full in May 2021.

g Option granted on 14 June 2019 under the employee saveshare scheme, in which all employees of the company are entitled to participate.

Implementation of Policy in 2021/22

Base salary

Philip Jansen's base salary of £1,100,000 was agreed on appointment in January 2019 and is fixed for five years. Therefore, there is no increase for 2021/22.

In line with the agreed approach for our UK management population, Simon Lowth will not receive a salary increase effective 1 June 2021.

Director	2021/22	
	Base salary	% change
Philip Jansen	£1,100,000	0%
Simon Lowth	£735,438	0%

Benefits

For executive directors, the committee has set benefits in line with the Policy. No changes are proposed to the benefit framework for 2021/22.

Pension

In line with the Policy, both executive directors will receive an annual allowance in lieu of pension provision for 2021/22 as set out in the table below:

Director	% of salary
Philip Jansen	10% in lieu of pension provision
Simon Lowth ^a	15% in lieu of pension provision

^a This will reduce to 10% of salary in 2022/23 (effective from 1 April).

Annual bonus

Both executive directors are eligible for an on-target and maximum bonus payment of 120% and 200% of salary. As per the Policy, 50% of any bonus payable will be deferred into shares for three years.

The committee has reviewed in full the measures, weightings and targets used in the annual bonus scorecard and agreed that the measures and weightings remain appropriate and aligned to our strategy for 2021/22.

The 2021/22 annual bonus structure measures and weightings are set out below.

Category	Measure	Weighting
Financial	Adjusted EBITDA	35%
	Normalised free cash flow	35%
Customer	NPS	10%
Converged networks	5G customers – the number of customers on our 5G network	5%
	FTTP connections – the number of connections in the Openreach FTTP network	5%
Digital impact & sustainability	Carbon emissions – progress towards an 87% reduction in carbon emissions intensity by the end of March 2031	5%
	Skills for Tomorrow – progress towards our ambition to reach 25m people in the UK with help to improve their digital skills by end of March 2026	5%

All seven of the annual bonus measures are linked to our key performance indicators as set out on pages 46 to 47.

We do not publish details of the targets in advance as these are commercially confidential. We will publish achievement against the targets at the same time as we disclose bonus payments in the 2022 Report on directors' remuneration so shareholders can evaluate performance against the targets.

RSP

Awards will be granted to both executive directors under the RSP in June 2021.

When considering grant levels each year, the committee takes account of share price performance over the preceding year. In 2020, the level of awards granted was reduced from the normal Policy level of 200% of salary to 160% of salary due to share price performance and the decision to suspend the dividend until 2021/22. Since then, our share price has recovered, with performance above that of the FTSE 100 index and the committee has therefore agreed that awards will be granted to both executive directors this year at the normal Policy level of 200% of salary.

Two underpins will apply over the initial three-year vesting period, as follows:

- ROCE is equal to or exceeds WACC over the same period
- there must have been no ESG issues which have resulted in material reputational damage for the company.

Should one or both underpins not be met, the committee may at its discretion reduce the number of shares vesting, including to nil.

The RSP awards will vest in three equal tranches after three, four and five years. A holding period will apply such that no shares may be sold until year five. When RSP awards vest, additional shares representing the value of reinvested dividends on the underlying shares are added.

RSP awards are subject to malus and clawback provisions as set out in the Policy, and the committee retains the ultimate discretion to adjust vesting levels in exceptional circumstances, should they not reflect the overall performance of the business over the vesting period, or for any other reason.

Annual remuneration report continued

Chairman and non-executive director remuneration

The fees for non-executive directors were reviewed during the year by the chairman and executive directors, taking into consideration the role and requirements of BT, together with the fees paid to non-executive directors at companies of a similar size and complexity, previous years' increases and in light of there being no salary increases for the UK management population. It was once again agreed that there would be no increase in fees.

The basic fee for non-executive directors is £77,000 per annum. There are additional fees for membership and chairing a Board committee, details of which are set out in the table below:

Committee	Chair's fee	Member's fee
Audit & Risk	£35,000	£25,000
BT Compliance	£ 25,000	£12,000
Digital Impact & Sustainability	£14,000	£8,000
Investigatory Powers Governance	n/a ^a	£8,000
Nominations	n/a ^a	£10,000
Remuneration	£30,000	£15,000

^a Where the chairman or chief executive acts as chair of a board committee, no additional committee chair fee is payable.

The senior independent director receives an additional fee of £27,000 per annum.

The designated non-executive director for workforce engagement receives an additional fee of £10,000 per annum.

No element of non-executive director remuneration is performance related. Non-executive directors do not participate in BT's bonus or employee share plans and are not members of any of the company pension schemes.

The committee agreed a fee of £700,000 per year, fixed for five years, on the current chairman's appointment in November 2017 and therefore no review of his fee was undertaken.

Other remuneration matters

Advisers tender

Deloitte LLP have been advisers to the committee since 2012. As agreed as part of the 2019/20 internal committee evaluation, during the year the committee undertook a competitive tender exercise to review its advisers. This was led by the committee chair supported by members of the committee and representatives of the reward, HR and company secretarial teams.

A number of leading advisers were invited to submit a proposal, and a shortlist of candidates presented to a panel of committee and management representatives, focusing on the capability of the proposed team as well as the insight provided on the key issues faced by the committee.

Following a detailed evaluation of the proposals and discussion, Deloitte were reappointed as advisers to the committee in January 2021. The committee is comfortable that the Deloitte team have no connections with BT that may impair their independence or objectivity.

Advisers

During the year, the committee received independent advice on executive remuneration matters from Deloitte LLP. Deloitte received £202,375 (excluding VAT) in fees for these services.

The fees are charged on a time-spent basis in delivering advice. That advice materially assisted the committee in their consideration of matters relating to executive remuneration and the new Policy.

Deloitte is a founder member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

In addition, during 2020/21, Deloitte provided the company with advice on corporate and indirect taxes, assistance with regulatory, risk and compliance issues and additional consultancy services.

Dilution

We use both treasury shares and shares purchased by the BT Group Employee Share Ownership Trust (the Trust) to satisfy our all-employee share plans and executive share plans. Shares held in the Trust do not have any voting rights.

As at 31 March 2021, shares equivalent to 5.12% (2019/20: 2.34%) of the issued share capital (excluding treasury shares) would be required to satisfy all outstanding share options and awards. Of these, we estimate that for 2021/22, shares equivalent to approximately 0.26% (2020/21: 0.26%) of the issued share capital (excluding treasury shares) will be required to satisfy the all-employee share plans.

External appointments held by Executive Committee members

The *Nominations Committee* determines the policy for, and if thought fit, agrees the taking up of external directorships and other significant external interests by members of the *Executive Committee*, including the executive directors, the CEO, Openreach and other senior direct reports to the chief executive.

Proposed external directorships and other significant external interests must not: be to an organisation that is a BT competitor/ major supplier to BT; create a conflict of interest for the individual with his/her BT role; involve significant amounts of BT working hours nor impede the ability of the individual to perform their BT role; or involve disproportionate incentives or remuneration, with reference to the time commitment of the role.

Any fees or other incentives arising from such appointments may be retained by the individual, subject to the amount being proportionate.

Previous AGM voting outcomes

The table below sets out the previous votes cast at the AGM in respect of the Annual remuneration report and the Policy.

	For % of votes cast Number	Against % of votes cast Number	Withheld votes Number
Annual remuneration report at the 2020 AGM	93.32	6.68	
Policy at the 2020 AGM	95.04	4.96	
	5,920,755,265	423,941,635	11,335,964
	6,036,920,089	315,057,559	4,101,574

Withheld votes are not counted when calculating voting outcomes.

Committee evaluation 2020/21

Details of our 2020/21 Board and committee evaluation which was externally facilitated by Clare Chalmers Limited can be found on page 79.

Comparison of chief executive remuneration to TSR (unaudited)

TSR is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends. The graph below illustrates the performance of BT Group plc measured by TSR relative to a broad equity market index over the past ten years. We consider the FTSE 100 to be the most appropriate index against which to measure performance, as BT has been a member of the FTSE 100 throughout the ten-year period.

BT's TSR performance vs the FTSE 100



Source: Datastream.

The graph shows the relative TSR performance of BT and the FTSE 100 over the past ten years.

History of chief executive remuneration

Year end	Chief executive	Total remuneration £000	Annual bonus (% of max)	ISP vesting (% of max)
2021	Philip Jansen	2,628	60%	0%
2020	Philip Jansen	3,248	50%	n/a
2019	Philip Jansen ^a	725	56%	n/a
	Gavin Patterson ^b	1,719	28%	0%
2018	Gavin Patterson	2,307	54%	0%
2017	Gavin Patterson	1,345	0%	0%
2016	Gavin Patterson	5,396	45%	82.0%
2015	Gavin Patterson ^b	4,562	58%	67.4%
2014	Gavin Patterson ^c	2,901	62%	78.7%
	Ian Livingston ^d	4,236	35%	63.4%
2013	Ian Livingston	9,402	65%	100%
2012	Ian Livingston	8,520	73%	100%

a Philip was appointed as a director on 1 January 2019 and became chief executive from 1 February 2019. His first ISP award was made in February 2019.

b Gavin stood down as chief executive at midnight on 31 January 2019 and Philip took over from 1 February 2019.

c The total remuneration figure includes the ISP award as CEO BT Retail and the first award as chief executive, granted in 2013.

d Ian stepped down on 10 September 2013 and Gavin took over from that date.

Annual remuneration report continued

Directors' service agreements and letters of appointment

The following table sets out the dates on which directors' service agreements/initial letters of appointment commenced and termination provisions:

Chairman and executive directors

	Commencement date	Termination provisions
Jan du Plessis	1 June 2017	Directors' service agreements do not contain fixed term periods and are terminable by the company on 12 months' notice and by the director on six months' notice.
Philip Jansen	1 January 2019	
Simon Lowth	6 July 2016	

Independent non-executive directors

	Commencement date	Termination provisions
Ian Cheshire	16 March 2020	Letters of appointment do not contain fixed term periods and are terminable by either party by three months' written notice.
Iain Conn	1 June 2014	
Isabel Hudson	1 November 2014	
Mike Inglis	1 September 2015	
Matthew Key	25 October 2018	
Allison Kirkby	15 March 2019	
Leena Nair	10 July 2019	
Sara Weller	16 July 2020	

Non-independent, non-executive director

	Commencement date	Termination provisions
Adel Al-Saleh	15 May 2020	Appointed as a non-independent, non-executive director under the terms of the Relationship Agreement between BT and Deutsche Telekom. The appointment is terminable immediately by either party.

There are no other service agreements, letters of appointment or material contracts, existing or proposed, between the company and any of the directors. There are no arrangements or understandings between any director or executive officer and any other person pursuant to which any director or executive officer was selected to serve. There are no family relationships between the directors.

Non-executive directors' letters of appointment

Each independent non-executive director has an appointment letter setting out the terms of his or her appointment. We ask each non-executive director to allow a minimum commitment of 22 days each year, subject to committee responsibilities, and to allow slightly more in the first year in order to take part in the induction programme. The actual time commitment required in any year may vary depending on business and additional time may be required during periods of increased activity.

Inspection by the public

The service agreements and letters of appointment are available for inspection by the public at the company's registered office.

Remuneration in context

Consideration of colleague and stakeholder views

Our colleagues are vital to our business. At BT, we believe in fairness throughout the group. There are several general reward principles which we apply at all levels:

- We will provide a competitive package with reference to the relevant market for each colleague
- We will ensure colleagues can share in the success of the business, and through the operation of all-employee share plans, encourage colleagues to become shareholders
- Where appropriate, variable remuneration is provided to incentivise employees towards driving the strategic aims of the business. Performance is based on both individual performance and the performance of the group, measured on a consistent basis for senior executives and the majority of other colleagues
- We offer a range of employee benefits, many of which are available to all colleagues
- We aim for transparency and a fair cascade of remuneration throughout the group
- Employment conditions for all colleagues reflect our values and are commensurate with those of a large publicly listed company, including high standards of health and safety and equal opportunities.

The committee supports fairness and transparency of remuneration arrangements and the Policy has been designed to align with the remuneration philosophy and principles that underpin remuneration across the wider group. To support this, the committee receives regular updates on HR policies and reward practices for the wider workforce as well as updates on employee relations.

Whilst the committee does not directly consult with our employees as part of the process of determining executive pay, the Board does receive feedback from employee surveys that take into account remuneration throughout the organisation.

Total remuneration

	Chief executive	Employee remuneration			Pay ratio		
		P25	P50	P75	P25	P50	P75
2019	£2,444,000	£34,281	£41,477	£51,594	71:1	59:1	47:1
2020	£3,248,012	£34,881	£42,173	£51,351	93:1	77:1	63:1
2021	£2,628,107	£35,569	£41,600	£50,391	74:1	63:1	52:1

Base salary

	Chief executive	Employee remuneration			Pay ratio		
		P25	P50	P75	P25	P50	P75
2019	£1,222,000	£30,090	£35,918	£41,740	37:1	31:1	27:1
2020	£1,100,000	£31,144	£37,321	£42,800	35:1	29:1	26:1
2021	£1,100,000	£31,842	£35,606	£42,836	35:1	31:1	26:1

The P25, P50 and P75 employees were identified from the company's gender pay reporting data, based on the April snapshot period at the start of each respective year. We then identified the 80 employees above and below each of the 'P' points to form enlarged groups. This approach is thought to be an appropriate representation – while there is a reasonable level of consistency given the size of the UK population, this methodology reduces volatility in the underlying data, and helps account for differences in the gender pay and pay ratio calculation methodologies. Other than the exclusion of a small

The designated non-executive director for workforce engagement also updates the committee on sentiments being raised by our colleagues in relation to the remuneration of our workforce and related decisions, as raised by the *Colleague Board* through their 'hot topics' discussions.

When setting executive directors' remuneration, the committee considers the remuneration of other senior managers and colleagues in the group more generally to ensure that arrangements for executive directors are appropriate in this context. When determining salary increases for executive directors, the committee considers the outcome of the wider pay review for the group.

Chief executive pay ratio

The table below sets out the chief executive pay ratios as at 31 March 2021, as well as those reported in respect of the prior two years. This report will build up over time to show a rolling ten-year period.

The ratios compare the single total figure of remuneration of the chief executive with the equivalent figures for the lower quartile (P25), median (P50) and upper quartile (P75) employees.

A significant proportion of the chief executive's remuneration is delivered through long-term incentives, where awards are linked to share price movements over the longer term. This means that the ratios will depend significantly on long-term incentive outcomes and may fluctuate from year to year – for example, a higher total remuneration ratio was exhibited in 2020 due to the vesting of the chief executive's Worldpay buyout award. We believe that these ratios are appropriate given the size and complexity of the business, and are a fair reflection of our remuneration principles and practices.

We have used the 'Option B' methodology (based on gender pay reporting), as the most robust way to identify the individual reference points within an organisation with multiple operating segments.

number of data points for leavers and divestments, no other adjustments were made to the underlying data.

The total FTE remuneration paid during the year in question for each employee in each of the groups was then calculated, on the same basis as the information set out in the 'single figure' table for the chief executive. Bonus payments in respect of each year have been determined based on the latest available information at the time of analysis. The median total remuneration figure for each group was then used to determine the three ratios.

Remuneration in context continued

Percentage change in remuneration of the executive and non-executive directors and all employees

BT Group plc, our parent company, employs our executive and non-executive directors and company secretary only, and as such no meaningful comparison can be drawn based on the parent company alone, as is required by the reporting regulations.

Instead, we have chosen to present a comparison with our UK management and technical employee population, comprising around 25,000 colleagues.

We believe this is the most meaningful comparison given the nature of our workforce, as this group has similar performance-related pay arrangements as our executive directors. This is also consistent with prior year disclosures.

The salary/fee levels set out in the table below are in accordance with the Policy. Any increase in fees paid to the non-executive directors represents a change in role (and accordingly fees payable) over the relevant period. The decrease in benefits is as a result of the Board and committee meetings being held remotely by video conference due to the Covid-19 pandemic, and therefore a reduction in travel and other expenses.

	Salary/fees	Benefits	Annual bonus
Chairman			
Jan du Plessis	0%	(55)%	–
Executive directors			
Philip Jansen	0%	(14)%	0%
Simon Lowth	0%	(5)%	(2)%
Non-executive directors			
Adel Al-Saleh ^a	–	–	–
Ian Cheshire ^b	19%	–	–
Iain Conn	33%	–	–
Isabel Hudson	4%	(66)%	–
Mike Inglis	4%	(90)%	–
Matthew Key	13%	(83)%	–
Allison Kirkby	6%	–	–
Leena Nair	3%	–	–
Sara Weller ^c	–	–	–
UK management colleagues	0%	0%	18%

^a Under the terms of the Relationship Agreement between BT and Deutsche Telekom and Adel's letter of appointment, no remuneration is payable for this position.

^b Ian joined during the prior financial year and so any increase has been determined on a full-year equivalent basis.

^c Sara joined during the year and so no relevant comparison can be presented.

Relative importance of the spend on pay

The table below shows the percentage change in total remuneration paid to all employees compared to expenditure on dividends and share buybacks.

Area	2020/21 (£m)	2019/20 (£m)	% change
Remuneration paid to all employees	5,162	5,327	(3)%
Dividends/share buybacks	14	1,607	(99)%



Gender pay gap reporting

At a group level, our median hourly pay gap between male and female colleagues has remained stable at 5% (4.8% in 2019). This compares favourably with the telecommunications industry median of 11.6% (ONS provisional), and the UK national median of 15.5%. In an organisation of our size, any change in workforce demographics might not be reflected in the pay gap figures in the short term, but over the course of several years.

Our Gender Pay Gap report is available on our website bt.com/genderpaygap

Diversity and inclusion

This year for the first time we will also be disclosing our ethnicity pay gap analysis, which has been completed in line with the gender pay gap methodology. The result of the ethnicity pay gap will be included in our Diversity and Inclusion Report which we expect to publish in early summer 2021.

It's important that our colleagues reflect the diversity of our customers, and that all our colleagues are given the opportunities to succeed. Across our business, our Diversity and Inclusion Centre of Excellence, comprising of subject matter experts and support colleagues, are partnering with workstream leads to ensure that we address this issue in an evidenced-based manner, with the broadest reach and widest impact. More information about our approach to diversity and inclusion, the progress we're making and our pay gaps, can be found in our Diversity and Inclusion Report, which we expect to publish in early summer 2021.

Sir Ian Cheshire

Chair of the Remuneration Committee
12 May 2021

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (the 2006 Act) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*. In addition the group financial statements are required under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs) to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRSs as adopted by the EU).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and prudent
- for the group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the 2006 Act and IFRSs as adopted by the EU
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the 2006 Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with such law and regulation.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Board in respect of the annual financial report

We confirm that to the best of our knowledge:

- the **financial statements**, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
- the **Strategic report** and the **Report of the Directors** include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position, performance, business model and strategy.

This responsibility statement was approved by the Board on 12 May 2021 and signed on its behalf by:

Philip Jansen
Chief Executive

Simon Lowth
Chief Financial Officer

Report of the Directors

The directors present the **Report of the Directors**, together with audited financial information for the year ended 31 March 2021. The **Report of the Directors** also encompasses the entirety of our **Corporate governance report** on pages 69 to 110 for the purpose of section 463 of the Companies Act 2006 (the 2006 Act). The **Report of the Directors** together with the **Strategic report** on pages 1 to 68 form the Management Report for the basis of DTR 4.1.5R.

Critical accounting estimates, key judgements and significant accounting policies

Our critical accounting estimates, key judgements and significant accounting policies conform with IFRSs as adopted by the EU and IFRSs issued by the International Accounting Standards Board (IASB), and are set out on pages 124 and 125 of the consolidated **financial statements**. The directors have reviewed these policies and applicable estimation techniques, and have confirmed they are appropriate for the preparation of the 2020/21 consolidated financial statements.

Disclosure of information to the auditor

As far as each of the directors is aware, there is no relevant audit information (as defined by section 418(3) of the 2006 Act) that hasn't been disclosed to the auditor. Each of the directors confirms that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the auditor has been made aware of that information.

Going concern

In line with IAS 1 'Presentation of financial statements', and revised FRC guidance on 'risk management, internal control and related financial and business reporting', management has taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the financial statements when assessing the group's ability to continue as a going concern.

The **Strategic report** on pages 1 to 68 includes information on the group structure, strategy and business model, the performance of each customer-facing unit and the impact of regulation and competition. The **Group performance** section on pages 48 to 55 includes information on our group financial results, financial outlook, cash flow and net debt, and balance sheet position. Notes 25, 26 and 28 of the consolidated **financial statements** include information on the group's investments, cash and cash equivalents, borrowings, derivatives, financial risk management objectives, hedging policies and exposure to interest, foreign exchange, credit, liquidity and market risks.

Our principal risks and uncertainties are set out on pages 59 to 66 including details of each risk and how we manage and mitigate them. The directors carried out a robust assessment of the emerging and principal risks affecting the group, including any that could threaten our business model, future performance, insolvency or liquidity.

This assessment is consistent with the assessment of our viability, as set out on page 68, in estimating the financial impact for a severe but plausible outcome for each risk, both individually, in combination and through probabilistic risk modelling. This stress testing confirmed that existing projected cash flows and cash management activities provide us with adequate headroom over the going concern assessment period.

Having assessed the principal and emerging risks, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the financial statements. This assessment covers the period to May 2022, which is consistent with the FRC guidance. When reaching this conclusion, the directors took into account the group's overall financial position

(including trading results and ability to repay term debt as it matures without recourse to refinancing) and the exposure to emerging and principal risks.

At 31 March 2021, the group had cash and cash equivalents of £1.0bn and current asset investments of £3.7bn. The group also had access to committed borrowing facilities of £2.1bn. These facilities were undrawn at the period-end and are not subject to renewal until March 2026.

Independent advice

The Board has a procedure that allows directors to seek independent professional advice at BT's expense. All directors also have access to the advice and services of the company secretary and her nominated delegate.

Directors' and officers' liability insurance and indemnity

For some years, BT has bought insurance cover for directors, officers and employees in positions of managerial supervision of BT Group plc and its subsidiaries. This is intended to protect against defence costs, civil damages and, in some circumstances, civil fines and penalties following an action brought against them in their personal capacity. The policy also covers individuals serving as directors of other companies or of joint ventures, or on boards of trade associations or charitable organisations at BT's request. The insurance protects the directors and officers directly in circumstances where, by law, BT cannot provide an indemnity. It also provides BT, subject to a retention, with cover against the cost of indemnifying a director or officer. One layer of insurance is ringfenced for the main directors of the company.

As at 12 May 2021, and throughout 2020/21, the company's wholly-owned subsidiary, British Telecommunications plc, has provided an indemnity for a group of people similar to the group covered by the above insurance. Neither the insurance nor the indemnity provides cover where the individual is proven to have acted fraudulently or dishonestly.

As permitted by the company's Articles of Association, and to the extent permitted by law, the company indemnifies each of its directors and other officers of the group against certain liabilities that may be incurred as a result of their positions with the group. The indemnity was in force throughout the tenure of each director during the last financial year, and is currently in force.

Interest of management in certain transactions

During and at the end of 2020/21, none of BT's directors were materially interested in any material transaction in relation to the group's business. None are materially interested in any currently proposed material transactions.

Power to authorise conflicts

All directors have a duty under the 2006 Act to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. The company's Articles of Association include provisions for dealing with directors' conflicts of interest in accordance with the 2006 Act. The company has procedures in place, which it follows, to deal with such situations. These require the Board to:

- consider each conflict situation separately on its particular facts
- consider the conflict situation in conjunction with its other duties under the 2006 Act
- keep records and Board minutes on any authorisations granted by directors and the scope of any approvals given
- regularly review conflict authorisation.

The company secretary maintains a conflicts of interest register.

The *Conflicted Matters Committee* identifies to what extent Board and committee materials are likely to refer to a potential or actual conflict of interest between BT and Deutsche Telekom and, as a result, what materials should be shared with our non-independent, non-executive director and Deutsche Telekom nominated representative. He owes duties to both BT and Deutsche Telekom, and the *Conflicted Matters Committee* helps him comply with his fiduciary duties, although ultimate responsibility rests with him.

Systems of risk management and internal control

The Board is responsible for reviewing the group's systems of risk management and internal control each year, and ensuring their effectiveness including in respect of relevant assurance activities. These systems are designed to manage, rather than eliminate, risks we face that may prevent us achieving our business objectives and delivering our strategy. Any system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Our group risk management framework assists the Board in carrying out its duties as set above. The framework has been in operation throughout the year and up to the date on which this document was approved.

The framework provides the business with the tools to take on the right risks and make smart risk decisions, supports the identification, assessment and management of the principal risks and uncertainties faced by the group and is an integral part of the company's annual strategic review cycle. The framework was also designed in accordance with the FRC guidance on risk management, internal control and related financial and business reporting.

Further information on our group risk management framework can be found under the section **How we manage risk** on pages 57 to 58.

Internal audit carry out periodic assessments of the quality of risk management and control, promote effective risk management across all our units and report to management and the *Audit & Risk Committee* on the status of specific areas identified for improvement. We do not cover joint ventures and associates not controlled by the company in the scope of our group risk management framework. Such third parties are responsible for their own internal control assessment.

Furthermore, the *Audit & Risk Committee*, on behalf of the Board, reviews the effectiveness of the systems of risk management and internal control across the group. Further details on how the *Audit & Risk Committee* fulfils these duties can be found on pages 82 to 84.

Capital management and funding policy

The objective of our capital management policy is to target an overall level of debt consistent with our credit rating objectives, while investing in the business, supporting the pension fund and meeting our distribution policy.

The Board reviews the group's capital structure regularly. Management proposes actions which reflect the group's investment plans and risk characteristics, as well as the macroeconomic conditions in which we operate.

Our funding policy is to raise and invest funds centrally to meet the group's anticipated requirements. We use a combination of capital market bond issuance, commercial paper borrowing and committed borrowing facilities to fund the group. When issuing debt, in order to avoid refinancing risk, group treasury will take into consideration the maturity profile of the group's debt portfolio as well as forecast cash flows.

See note 28 to the consolidated **financial statements** for details of our treasury policy.

Financial instruments

Details of the group's financial risk management objectives, policies of the group and exposure to interest risk, credit risk, liquidity risk and foreign exchange are given in note 28 to the consolidated **financial statements**.

Credit risk management policy

We take proactive steps to minimise the impact of adverse market conditions on our financial instruments. In managing investments and derivative financial instruments, the group's central treasury function monitors the credit quality across treasury counterparties and actively manages any exposures that arise. Management within the business units also actively monitors any exposures arising from trading balances.

Off-balance sheet arrangements

Other than the financial commitments and contingent liabilities disclosed in note 31 to the consolidated **financial statements**, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on:

- our financial condition
- changes in financial condition
- revenues or expenses
- results of operations
- liquidity
- capital expenditure
- capital resources.

Report of the Directors continued

Legal proceedings

The group is involved in various legal proceedings, including actual or threatened litigation and government or regulatory investigations. For further details of legal and regulatory proceedings to which the group is party please see note 31 to the consolidated **financial statements**.

Apart from the information disclosed in note 31 to the consolidated **financial statements**, the group does not currently believe that there are any legal proceedings, government or regulatory investigations that may have a material adverse impact on the operations or financial condition of the group. In respect of each of the claims described in note 31, the nature and progression of such proceedings and investigations can make it difficult to predict the impact they will have on the group. Many factors prevent us from making these assessments with certainty, including that the proceedings or investigations are in early stages, no damages or remedies have been specified, and/or the frequently slow pace of litigation.

Other information – Listing Rules

For the purposes of the Listing Rule (LR) 9.8.4R, the information below is disclosed as follows:

Section information	Page
LR 9.8.4R(4)	49
LR 9.8.4R(12)	See below
LR 9.8.4R(13)	See below

In respect of LR 9.8.4R(12) and (13), the trustee of the BT Group Employee Share Ownership Trust (the Trust) agrees to waive dividends payable on the BT shares it holds for satisfying awards under the company's executive share plans. Under the rules of these share plans, the dividends are reinvested in BT shares that are added to the relevant share awards.

No other information is required to be disclosed pursuant to LR 9.8.4R.

Other statutory information – the 2006 Act

Certain provisions of the 2006 Act (or regulations made pursuant thereto) require us to make additional disclosures within the **Report of the Directors**. The disclosures referred to below are included elsewhere in this Annual Report and incorporated by reference into the **Report of the Directors**:

Section information	Page
Future developments	1 to 68
Particulars of any important events affecting the company or any of its subsidiary undertakings which have occurred since the end of the financial year	186
Research and development activities	13 and 20 to 21
How the directors have engaged with UK employees, had regard to UK employee interests, and the effect of that regard, including on principal decisions during the year	34 to 36 and 42 to 43
How the directors have had regard to the need to foster business relationships with suppliers, customers and others, and the effect of that regard, including on principal decisions during the year	37 to 43
Greenhouse gas emissions, energy consumption and energy efficiency action	32 to 33
Structure of BT's share capital (including the rights and obligations attaching to the shares)	121

Section information

Page

Significant agreements to which BT Group plc is a party that take effect, alter or terminate upon a change of control following a takeover	n/a
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Branches	191 to 196
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The following disclosures are not covered elsewhere in this Annual Report:

- the company has two employee share ownership trusts that hold BT shares for satisfying awards under our various employee share plans
- the trustee of the BT Group Employee Share Investment Plan may invite participants, on whose behalf it holds shares, to direct it how to vote in respect of those shares. If there is an offer for the shares or another transaction that would lead to a change of control of the company, such participants may direct the trustee to accept the offer or agree to the transaction
- in respect of shares held in the Trust, the trustee abstains from voting those shares if there is an offer for the shares, does not have to accept or reject the offer but will have regard to the interests of the participants, may consult the participants to obtain their views on the offer, and may otherwise take any action with respect to the offer it thinks fair
- EasyShare is the company's corporate sponsored nominee service, which allows UK and European Economic Area resident shareholders to hold BT shares electronically. EasyShare is administered by Equiniti Financial Services Limited. As at 10 May 2021 384m shares were held in EasyShare (3.85% of issued share capital (3.87% excluding treasury shares)) on behalf of BT shareholders
- no person holds securities carrying special rights with regard to control of the company
- our share registrar, Equiniti must receive proxy appointment and voting instructions not less than 48 hours before any general meeting (see also page 110)
- the business of the company is managed by the Board. The powers of the company's directors are subject to UK legislation and the company's Articles of Association, and any requirement (consistent with UK legislation and the company's Articles of Association) approved by shareholders passing an ordinary resolution. The directors are authorised to issue and allot shares, and to undertake purchases of BT shares, subject to shareholder approval
- we have no agreements with directors providing for compensation for loss of office or employment as a result of a takeover. Similarly, there is no provision for this in our standard employee contracts
- we are not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

Articles of Association

The company's current Articles of Association were adopted pursuant to a resolution passed at the AGM of the company held on 16 July 2020 and contain, amongst others, provisions on the rights and obligations attaching to the company's shares. The Articles of Association may only be amended by special resolution at a general meeting of the shareholders in accordance with applicable legislation.

Directors' appointment, retirement and removal

The company's Articles of Association regulate the appointment and removal of directors, as does the 2006 Act and related legislation. The Board, and shareholders (by ordinary resolution), may appoint a person who is willing to be elected as a director, either to fill a vacancy or as an additional director. At every AGM, all directors must automatically retire. A retiring director is eligible for election or re-election (as applicable). In addition to any power of removal under the 2006 Act, the shareholders can pass an ordinary resolution to remove a director.

Adel Al-Saleh is appointed as a non-independent, non-executive director under the terms of the Relationship Agreement between BT and Deutsche Telekom. The appointment is terminable immediately by either party.

Share rights

(a) Voting rights

On a show of hands, every shareholder present in person or by proxy at any general meeting has one vote and, on a poll, every shareholder present in person or by proxy has one vote for each share which they hold.

There are no restrictions on exercising voting rights except in situations where the company is legally entitled to impose such a restriction (for example where a notice under section 793 of the 2006 Act has been served).

(b) Variation of rights

Whenever the share capital of the company is split into different classes of shares, the special rights attached to any of those classes can be varied or withdrawn either: (i) with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class; or (ii) with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class. The company can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally.

Transfer of shares

There are no specific restrictions on the transfer of shares in the company, which is governed by the Articles of Association and prevailing legislation.

Employee engagement

Engaging with our colleagues takes many forms including through our annual Your Say survey, union/employee representative engagement, pulse surveys, the *Colleague Board* and regular colleague communications. Colleagues are kept well informed on matters such as the strategy and performance of the group, including after certain key events such as quarterly trading updates. Please see further details of the *Colleague Board's* activities on page 36 and the other means by which we engage with our colleagues on page 34.

Share plans are used to encourage colleagues to have a stake in the future of the company. We annually consider which all-employee plans to offer both within the UK and globally. In 2020/21, we offered all colleagues based in the UK the opportunity to participate in a HMRC-approved save as you earn plan (saveshare) and a similar scheme for our colleagues based outside the UK (dependent on local laws). We also offered UK colleagues the opportunity to participate in a HMRC-approved share incentive plan (directshare). In June 2020 we launched the yourshare plan which utilised the free share element of the share incentive plan in the UK and conditional share awards

internationally. In June 2020, we granted all eligible colleagues £500 worth of BT shares (or a cash equivalent where there were geographical restrictions).

Employees with disabilities

We are an inclusive employer and actively encourage the recruitment, development, promotion and retention of people with a disability. We are a member of the Business Disability Forum and have well established global practices to support colleagues who have or acquire disabilities or health conditions during their employment. Our disability practices also include those colleagues who are employed by the company who have caring responsibilities.

We have established a Disability Rapid Action Plan across our business to help us make faster progress as part of our Valuable 500 commitments on disability inclusion. The plan is amplifying colleagues' voices through our Able2 People Network and helping us embed disability inclusion right across our business.

Political donations

Our policy is that no company in the group will make contributions in cash or in kind to any political party, whether by gift or loan. However, the definition of political donations used in the 2006 Act is very much broader than the sense in which these words are ordinarily used. For example, it could cover making members of Parliament and others in the political world aware of key industry issues and matters affecting the company, enhancing their understanding of the company.

The authority for political donations requested at the AGM is not intended to change this policy. It will, however, ensure that the group continues to act within the provisions of the 2006 Act requiring companies to obtain shareholder authority before they make donations to political parties and/or political organisations as defined in the 2006 Act. During 2020/21, the company's wholly owned subsidiary, British Telecommunications plc, paid the costs of BT colleagues joining corporate days at (i) the Liberal Democrats party conference; and (ii) the Labour party conference. This year these costs totalled £922 (2019/20: £9,967) which were significantly lower than last year as events were attended virtually. No company in the BT group made any loans to any political party.

Substantial shareholdings

At 31 March 2021, the company had received notice, under the DTRs, in respect of the following holdings of 3% or more of the voting rights in the issued ordinary share capital of the company:

	Date of notification	Shares	% of total voting rights
T-Mobile Holdings	23 March 2018	1,196,175,322	12.06%
BlackRock, Inc.	27 January 2020	512,002,221	5.18%
Norges Bank	6 January 2021	297,729,786	3.002%

At 12 May 2021, the company had not received any further such notices under the DTRs.

Report of the Directors continued

AGM

Resolutions

At our AGM, we give our shareholders the opportunity to vote on every important issue by proposing a separate resolution for each.

Before the AGM, we count the proxy votes for and against each resolution, as well as votes withheld, and make the results available at the meeting. As at previous AGMs, we will take votes on all matters at the 2021 AGM on a poll.

The separate Notice of meeting 2021, which we send to all shareholders who have requested shareholder documents by post, contains the resolutions (with explanatory notes) which we will propose at the 2021 AGM on 15 July 2021. We notify all shareholders of the publication of these documents which are available on our website at bt.com/annualreport

At the 2021 AGM we will propose resolutions to re-appoint KPMG LLP as the company's auditor and to authorise the *Audit & Risk Committee* to agree their remuneration. We will also ask shareholders to vote on the Annual Report, the **Report on directors' remuneration**, allotment of shares in the company, the disapplication of pre-emption rights and new Articles of Association.

Authority to purchase shares

The authority given at last year's AGM for the company to purchase in the market 988m of its shares, representing 10% of the company's issued share capital (excluding treasury shares), expires at the conclusion of the 2021 AGM. We will ask shareholders to give a similar authority at the 2021 AGM.

During 2020/21 and up to 10 May 2021, no shares were purchased under this authority.

At the start of the year, 85.9m shares (having a nominal value of £4.3m, and constituting 0.86% of the company's issued share capital (0.87% excluding treasury shares)) were held by the company as treasury shares. During 2020/21, 35.2m treasury shares (having a nominal value of £1.8m, and constituting 0.35% of the company's issued share capital (0.35% excluding treasury shares)) were transferred to meet the company's obligations under its employee share plans. At 31 March 2021, a total of 50.7m shares (having a nominal value of £2.5m, and constituting 0.50% of the company's issued share capital (0.51% excluding treasury shares)) were held by the company as treasury shares.

Since 31 March 2021 (up to and including 10 May 2021), 245,047 treasury shares (having a nominal value of £12,252, and constituting 0.002% of the company's issued share capital (0.002% excluding treasury shares)) have been transferred to meet the company's obligations under its employee share plans.

At 10 May 2021, a total of 50.4m shares (having a nominal value of £2.5m, and constituting 0.50% of the company's issued share capital (0.50% excluding treasury shares)) were held by the company as treasury shares.

In addition, the Trust purchased 11.3m BT shares for a total consideration of £14m. The Trust held 9.1m shares both at 31 March 2021 and 10 May 2021.

Cross-reference to the Strategic report

We have chosen to include the following information in the **Strategic report** in line with the 2006 Act (otherwise required by law to be included in the **Report of the Directors**):

- an indication of likely future developments in the business of the company and its group (pages 1 to 68)
- an indication of our research and development activities (pages 13 and 20 to 21)
- information about how the directors have engaged with UK employees, had regard to UK employee interests, and the effect of that regard, including on principal decisions during the year (pages 34 to 36 and 42 to 43)
- information about how the directors have had regard to the need to foster business relationships with suppliers, customers and others, and the effect of that regard, including on principal decisions during the year (pages 37 to 43)
- information about greenhouse gas emissions, energy consumption and energy efficiency action (pages 32 to 33).

By order of the Board

Jan du Plessis

Chairman
12 May 2021