

Section 172 statement

In their discussions and decisions during FY22, the directors of BT Group plc have acted in the way that they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole (having regard to stakeholders and the matters set out in sub-sections 172(1) (a)–(f) of the 2006 Act).

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

The likely consequence of any decision in the long term:

The directors recognise that the decisions they make today will affect the group's long-term success. During the year, the Board had particular regard to the long-term success of the group in its discussions on group strategy (see [page 77](#)). Our purpose and strategy demonstrate how we will realise our ambition and grow value for all our stakeholders. This in turn guides the Board's decisions, specifically the balance between short and long-term investments. The third pillar of our strategy (lead the way to a bright, sustainable future) incorporates our aim to identify and develop new business opportunities that will help us grow sustainably in the future. More information on our strategy can be found from [pages 18 and 19](#).

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

The *Digital Impact & Sustainability Committee* reviewed and endorsed the Manifesto for a bright, sustainable future, which aims to accelerate growth through technology that's responsible, inclusive and sustainable, ensuring the group can continue to build trust and create value for its stakeholders. The committee also monitors progress on the digital impact and sustainability strategy and oversees the progress of our related goals, including those in respect of climate and the environment. In line with the ambitions we have in this area, the committee approved the acceleration of BT Group's net zero target for its own operations from 2045 to the end of March 2031 and a new net zero target for supply chain and customer emissions to be achieved by the end of March 2041.

For more information on this see [page 45](#). Information as to how we have addressed the recommendations of the TCFD framework can be found on [pages 66 to 69](#).

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

The Board acknowledges its responsibility for setting and monitoring the culture, values and reputation of the group. Our colleagues are central to us achieving our ambition and we are building a culture where our colleagues can be their best. During the year, the Board considered the group's culture in its decision-making and discussions; further details on this can be found on [pages 76 and 78](#).

During the year, we launched 'Being trusted: our code' which sets out the principles of how we expect our colleagues, and anyone who represents or works with the group, to behave, do business and connect for good. It demonstrates our commitment to high standards of business conduct, directly links with BT Group's purpose: we connect for good, and aims to support our ambition to be the world's most trusted connector of people, devices and machines. It provides a guide to ensure colleagues live up to our values, set highest standards, meet legal and regulatory obligations, create the fairest environment, and welcome, respect and hear diverse opinions. The new code was discussed with the *Audit & Risk Committee* ahead of launch.

  Information on 'Being trusted: our code' can be found on [page 18](#) and at bt.com/ethics

The *Audit & Risk Committee* also considered regular reports from the ethics and compliance director on our ethics and compliance policies and programmes and reports on issues raised through Speak Up, BT Group's confidential, whistleblowing hotline (see [page 93](#)).

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

The Board and its committees understand the strategic importance of stakeholders to our business. When making decisions, the directors have regard to the interests of colleagues, and the need to foster business relationships with other key stakeholders. We acknowledge that not every decision we make will necessarily result in a positive outcome for all our stakeholders, so the Board must balance competing interests in reaching its decisions.

While the Board engages directly with stakeholders on some issues, the size and distribution of the BT Group and our stakeholder groups means that stakeholder engagement often happens below Board-level. However, the Board considers information from across the organisation to help it understand how our operations affect our stakeholders' interests and views.

 More details on how we engage with key stakeholders (including customers and suppliers) on [pages 36 to 41](#).

Our colleagues are key to our success, and they are always considered as part of the Board's discussions and decision-making. The Board and its committees have considered colleague wellbeing, our diversity and inclusion ambitions, organisational culture and the impact of our transformation programme on them, as well as on employee relations (see [page 78](#) for more details). The Board engages with colleagues primarily through the *Colleague Board* and through our designated non-executive director for workforce engagement (see [pages 80 and 81](#)). In this role, Isabel provides feedback after each formal *Colleague Board* meeting and also discusses any topics raised by members at relevant Board and committee meetings.

 Other colleague engagement channels are set out on [page 36](#).

The need to act fairly as between BT Group's shareholders:

During FY22, the chairman, chief executive, chief financial officer, other executives and the investor relations team held various meetings with investors (see [page 38](#) for more detail on our engagement with shareholders). These meetings gave

investors the opportunity to discuss views on financial and operational performance, capital investment, pensions, capital allocation policy and environmental, social and governance matters. The Board is mindful of having two significant shareholders but considers any decisions it makes in the interests of all shareholders.

Decisions made during the year

The following are some of the decisions made by the Board this year which demonstrate how section 172 matters have been taken into account as part of Board discussions and decision-making:

| Decision | What happened |
|---|---|
| 50:50 joint venture company with Warner Bros. Discovery, Inc. bringing together the sports content offering of both BT Sport and Eurosport UK | <p>In line with our announcement in April 2021 and in light of our broader strategy, the Board with management considered a number of different options for the future of BT Sport, and the key opportunities and risks of each of these, as well as the financial implications and the impact on key stakeholders, including our customers, investors and colleagues. As part of this, it also explored a number of strategic partners during the year, to consider ways to generate investment and strengthen our sports business, to help take it to the next stage in its growth. Accordingly, the Board recognised the benefits that a 50:50 joint venture company with Warner Bros. Discovery, Inc., bringing together the sports content offering of both BT Sport and Eurosport UK, would bring for our BT Sport customers who would get access to Discovery's sport and entertainment content, including the discovery+ app.</p> <p>In May 2022, the Board approved the 50:50 joint venture with Warner Bros. Discovery, Inc., bringing together the sports content offering of both BT Sport and Eurosport UK.</p> |
| BT Pension Scheme (BTPS) triennial valuation | <p>The Board was kept updated on discussions with the BTPS Trustee on the triennial valuation as at 30 June 2020 and considered the possible range of valuation outcomes and different approaches to future contribution and investment strategy.</p> <p>The Board reviewed potential outcomes in the context of our overall business objectives and both the current and expected future regulatory and legislative environment. The Board considered the expected deficit, associated deficit recovery payments and details of how the previously endorsed asset-backed finance structure and co-investment vehicle arrangements are expected to be used, and the impact of this on our stakeholders. The Board considered the upside benefits of the valuation package for our shareholders, the BTPS Trustee and its members (current and previous colleagues), as well as guidance from the Pensions Regulator.</p> <p>In May 2021, the Board approved the overall valuation agreement, after considering the impact on its key stakeholders including colleagues that are members of the BTPS. The agreement included a deficit repair plan, asset-backed funding and a new "stabiliser" mechanism. The stabiliser mechanism reduces the risk of future trapped surplus and provides more certainty that the BTPS will achieve its path to full funding by clarifying how future increased deficits would be funded. This provides an enduring solution for the group and the BTPS, enabling the group's transformation and investment programmes and helping to protect the BTPS as it progresses towards a low risk, long-term investment strategy.</p> |
| Outsourcing and partnering arrangement with Rackspace Technology, Inc. | <p>The Board considered the proposal to enter into an outsourcing and partnering arrangement with Rackspace Technology, Inc. The benefits and the risks of the arrangement within the context of the hybrid cloud market and alignment with our broader strategy and transformation plans were discussed. In approving the decision, the Board also reviewed the impact of the proposed arrangement on colleagues, customers, communities and shareholders, as well as on our key financial metrics. It recognised that this would offer enhanced capabilities, products and expertise to meet our customers' business needs, as well as providing an improved digital experience for them. It was also noted that it would deliver substantial cost benefits, digital growth and an enhanced digitally managed services portfolio.</p> |
| Funding of our increased and accelerated FTTP build plan from 20m to 25m premises by December 2026 | <p>Over the last few years, the Board has held a number of in-depth discussions with management on the level and pace of our full fibre build and the advantages and disadvantages of accelerating this with a particular focus on our ability to fund the related large capital expenditure investment, the regulatory framework and the impact of this on our stakeholders.</p> <p>In 2020, the Board approved the increase of our FTTP build to 20m premises, subject to the required critical enablers. The regulatory clarity provided by Ofcom's Wholesale Fixed Telecoms Market Review (WFTMR) published in March 2021, coupled with the Government's announced cash tax super-deduction in the same month and the positive outcome from the 5G spectrum auction, meant that having considered the capital expenditure required, the risks involved and impact to our medium term plan, in May 2021, the Board further approved an increased and accelerated FTTP build to 25m premises by the end of December 2026. In making this decision, the Board considered the impact on our stakeholders, which included the benefits to our customers, colleagues and shareholders, as well as the impact on the BTPS, our credit rating and subsequent impact on our bond holders, and the desire to support the UK Government's fibre ambitions and our own purpose, we connect for good.</p> <p>For the additional 5m build, the Board agreed to consider whether this should be built entirely from internal resources or funded through a joint venture with a third party. In November 2021, having considered a number of factors including the further reduction in the FTTP build costs by Openreach, take-up being ahead of expectations, and the impact on our stakeholders, in particular our shareholders who would retain 100% of the ownership and accordingly the returns, the Board decided that the BT Group should fund the full 25m FTTP build itself.</p> |