

# Report on directors' remuneration

Committee Chair's letter



**Sir Ian Cheshire**

Chair of the Remuneration Committee  
17 May 2023

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### Committee membership and attendance

The Committee members are all Independent Non-Executive Directors. The Deputy Company Secretary or his appointed delegate acts as secretary to the Committee, and attends all meetings and provides advice, guidance and support as required.

The Chairman, Chief Executive, Chief Human Resources Officer and Director of Group Reward are typically invited to attend meetings. They do not attend 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 meetings.

The Committee held six scheduled meetings during the year and one ad hoc meeting.

#### Meetings attended

Ian Cheshire (chair)	6/6	Matthew Key	6/6
Iain Conn	6/6	Leena Nair <sup>a</sup>	0/2
Isabel Hudson	6/6		

<sup>a</sup> Leena gave apologies for two meetings during the year due to other business commitments. Leena stepped down from the Board and the Committee at the conclusion of the AGM on 14 July 2022.

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The Committee understands the current cost pressures our colleagues face and is fully supportive of the actions taken during the year to help as best we could. Once again we have ensured that any remuneration decisions taken during the year were in line with our Directors' Remuneration Policy.

## Committee role

The Committee is responsible on behalf of the Board for:

- Determining the salary and benefits for the Chairman, Executive Directors, members of the *Executive Committee* and the Company Secretary, and monitoring remuneration practices and policies for the wider workforce
- Setting the performance targets for the annual bonus scheme for senior executives for the year ahead
- Determining awards under the annual bonus scheme and the group's long-term incentive plans for senior executives
- Reviewing and approving the Report on directors' remuneration
- Reviewing and approving the Policy including seeking shareholder approval, on a binding basis, at least every three years
- Ensuring 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 report sets out information on the Committee's activities during the year, our remuneration framework and its implementation. I have also provided further context on the performance of the business throughout the year and the environment in which the Committee made decisions on executive pay.

## Stakeholder context

### Wider workforce pay and conditions

In April 2022 we provided a salary increase of £1,500 to all UK frontline colleagues. Despite facing growing cost pressures, we really wanted to support our colleagues and we believe we delivered the best pay review we could afford at the time. Regrettably, we were not able to reach agreement on this with the CWU and FY23 saw eight days of industrial action. I am immensely grateful for the hard work of all colleagues who stepped up to ensure we kept our customers and the country connected during this challenging time.

Since April, colleagues across the globe have continued to be impacted by rising inflation and the cost of living squeeze. We again sought to support our colleagues as best we could, and we took the following actions:

- We delivered a £1,500 consolidated salary increase from 1 January 2023 to all UK colleagues earning a £50,000 full-time equivalent salary or below – more than 85% of our UK workforce, including all of our team member and frontline colleagues, and half of our UK manager population. Combined with the increase offered in April 2022, our lowest-paid colleagues received a total increase of 15% year on year. This one-off award was

recommended by both the CWU and Prospect, and supported by their memberships in consultative ballots, bringing an end to the CWU's industrial action

- Outside of the UK we assessed the need to deliver similar interventions, taking account of salary increases delivered in 2022, inflation levels and other local factors. As a result, a similar increase was provided in the Republic of Ireland and we paid a one-off allowance to colleagues in Hungary
- In terms of enhanced benefit provision, we rolled out additional support for business-needs drivers and colleagues travelling overnight; and launched our Benefitfitness campaign to help colleagues understand how our range of flexible benefits could best support them through these difficult economic times.

The Committee understands that our colleagues continue to face cost pressures and it receives regular updates on pay and conditions across the business throughout the year.

Isabel Hudson, as the Designated Non-Executive Director for workforce engagement, also feeds back to the Committee on a regular basis the comments and sentiments on remuneration matters which are raised by the *Colleague Board*. These issues are front-of-mind for the Committee as it makes decisions on executive pay throughout the year.

### Customer context

The whole country has been impacted by the cost of living crisis and we have provided support for our customers as well as our colleagues. In June 2021 we were the first to launch a social tariff, Home Essentials, which provides discounted broadband to support customers claiming certain benefits. Although some of our competitors have now followed suit, BT Group still has more social tariff customers than the rest of the market combined. We made the decision to freeze our pricing in 2023 for one million social tariff and landline-only customers, as well as for two million Pay As You Go mobile customers.

We continue to build our fibre network at pace, delivering next-generation connectivity to the country: more than 10m premises are now covered by our network, with more than 3m connections.

As noted below, our NPS scores have fallen this year. Delivering strong customer experience is a core pillar of our strategy and in order to bring extra focus on this in FY24, we will be doubling the weighting on NPS in our bonus scorecard from 10% to 20%.

### Shareholder context

Our share price performance during the year has again been volatile, but an upward trend in 2023 reflects improving market confidence in our strategy, as we start to see the benefits of our huge investment projects materialise. We're confident that we will deliver for our shareholders over the longer term. As planned, we reinstated our dividend for FY22 and have continued to pay dividends in FY23.

## Performance and executive remuneration outcomes for FY23

### Annual bonus

For FY23, annual bonus performance was based on a scorecard of seven key financial and non-financial measures that align to our strategic priorities. Financial performance accounted for 70% of the bonus scorecard and comprised the following measures:

- **Adjusted EBITDA (35%)** – despite the challenging economic backdrop and inflationary headwinds, we have delivered on our promise of £7.9bn in EBITDA for the year
- **Normalised free cash flow (35%)** – free cash flow was depressed during the year as we continued to build at pace, but by the end of Q4 we delivered normalised free cash flow of £1.3bn, in line with our guidance.

Our non-financial measures accounted for 30% of the bonus scorecard and comprised the following:

- **Customer (10%)** – customer sentiment in the year was impacted by the cost of living crisis, and our ability to support customers was affected by the industrial action. Although NPS scores were strong in Enterprise, at Group level we failed to meet our NPS threshold target
- **Converged networks (10%)** – we have continued to drive sales and delivery of the latest network technologies throughout the year, with both FTTP and 5G metrics landing between target and stretch
- **Digital impact & sustainability (10%)**
  - **Skills for tomorrow (5%)** – we continue to deliver support for our customers, families and small businesses, reaching more than 920,000 people across the country during the year. Performance was between target and stretch
  - **Carbon emissions intensity (5%)** – strong progress was made in the year on energy efficiency and reduction in energy consumption across our estate, meaning performance was above our stretch goal for the year. However, it also benefited from unforeseen events outside of management's control, or strategic decisions such as a reduction to our recruitment plans agreed part-way through the year. For scorecard purposes, we removed the impact of these unforeseen events, with the underlying result in line with threshold.

Further detail on the FY23 annual bonus scorecard can be found on page 122.

The overall formulaic outcome of the bonus scorecard was 72.9% of target. Taking account of the broader context described above, the Committee agreed that this result was a fair and reasonable reflection of the wider performance of the business and that therefore no discretion needed to be exercised. Philip and Simon will therefore be awarded bonuses of £962,590 and £656,440 respectively, half of which will be deferred into shares for three years.

### 2020 Restricted Share Plan awards

The Committee carried out an assessment of the two underpins applying to the 2020 Restricted Share Plan (RSP) awards (relating to ROCE performance and ESG/reputational damage) and determined that both had been satisfied.

The Committee is also cognisant of the need to avoid unreasonable windfall gains: however, the 2020 RSP awards were reduced in value by 20% at the point of grant to account for a fall in share price prior to award, and accordingly the Committee agreed that the potential vesting value of these awards remains appropriate and that no further adjustment was required.

All three tranches of the 2020 RSP awards will therefore vest in full in August 2023, 2024 and 2025 respectively. Tranches one and two remain subject to a holding requirement until August 2025.

### Policy review

Our Directors' Remuneration Policy was last approved by shareholders at the 2020 AGM and is therefore due to be put to a binding vote again at the 2023 AGM in July.

A number of significant changes were made to the Policy in 2020, including the introduction of the RSP, which were supported by 95% of shareholders. Following a thorough review, the Committee has determined that the Policy remains fit for purpose, is well aligned with our strategy and appropriately incentivises and motivates senior executives to deliver shareholder value. We see no reason to move away from the RSP model at this time and we're also comfortable that the Policy maxima remain appropriately market-aligned.

## Report on directors' remuneration continued

### Committee chair's letter continued

Whilst no changes to the Policy itself are proposed, we're proposing some changes to how the Policy will be implemented in FY24, in particular increasing our focus on customer and diversity and inclusion metrics within the annual bonus scorecard.

As part of the Policy review, we took the opportunity to engage with some of our largest shareholders and proxy voting agencies, and held a number of meetings with our shareholder community. As always, the Committee and I are grateful for the valuable feedback.

### Policy implementation in FY24

#### Base salary

Philip's salary was fixed for five years on appointment and therefore no increase will be made in FY24. Philip has also volunteered to waive any salary increases beyond FY24.

As part of the delivery of the cost of living pay rise, it was agreed that our regular annual salary review for UK managers will take place in September rather than June. The Committee will therefore consider any salary increase for Simon nearer this time when rates for the wider workforce are known and this will be confirmed in the 2024 Report on directors' remuneration.

#### Annual bonus

The annual bonus scorecard has been simplified for FY24, with an increased focus on customer and diversity and inclusion:

- Unchanged on the prior year, **financial measures will account for 70% of the annual bonus scorecard, split equally between Adjusted EBITDA and normalised free cash flow**
- **The remaining 30% of the annual bonus scorecard will be designated as a transformation scorecard**, emphasising key in-year priorities. For FY24 the following ESG metrics are proposed:
  - **Group Net Promoter Score**, with an increased weighting of 20%, reflecting the critical importance of providing strong customer experience, and
  - **Diversity and inclusion**, weighted 10%. D&I is fundamental to our purpose as a business, and ensuring our colleagues reflect the diversity of our customer base is critical to delivering our growth plans. We firmly believe that diversity and inclusion are intrinsically linked: an inclusive culture, driven by a diverse and inclusive management team, will attract diverse candidates into the business, and vice versa, so we will be introducing both a diversity and an inclusion metric (each equally weighted at 5% each)

Our diversity metric will measure representation of female, ethnic minority and disabled colleagues within our senior management population, alongside an inclusion index, which will use a set of four questions from our employee engagement survey to measure improvement in inclusion sentiment over time.

Network (FTTP and 5G) and Skills for Tomorrow metrics will no longer form part of the bonus: we have made significant progress in these areas and they are now well-embedded in the business. We believe it is the right time to prioritise new measures.

The Committee also believes that climate-related metrics are better suited to longer-term measurement and so while carbon emissions intensity no longer features in the annual bonus scorecard, we're introducing a new sustainability underpin for future RSP awards.

The annual bonus remains subject to a health and safety underpin and, if triggered, the Committee retains the discretion to reduce the pay-out as it considers appropriate. The EBITDA underpin which applied in FY23 was intended to apply for a single year only and will be removed for FY24.

No changes are proposed to the structure of the bonus plan itself: the on-target and maximum opportunity will remain at 120% and 200% of salary for both Philip and Simon, with 50% deferred into shares for a period of three years.

#### RSP

Due to the deferral of our annual salary review described above, the annual grant of RSP awards will also be delayed until September. Our normal Policy grant level for Executive Directors is 200% of salary. The Committee will consider the actual grant value for the 2023 awards nearer the time of grant, taking into account the share price at the time. If the share price is materially lower than the share price used to determine the 2022 awards, the Committee will consider whether it is appropriate to reduce awards to mitigate the risk of windfall gains.

As in prior years, these awards will vest in three equal tranches in June 2026, 2027 and 2028, with all tranches subject to a holding requirement until June 2028.

RSP awards are subject to two underpins, which have been revised for 2023, measured over the initial three-year vesting period:

1. **ROCE** – average return on capital employed must be at least 7%
2. **Sustainability** – the business must have made sufficient progress over the vesting period towards meeting our sustainability commitments (this could include carbon emissions, carbon abatement and circularity).

In relation to the ROCE underpin, the Committee concluded that in light of the impact of market volatility on our WACC methodology, it was appropriate to set the underpin as a fixed ROCE figure rather than relative to WACC as in prior years.

In setting the level of ROCE at 7%, the Committee took into account (1) the purpose of the underpin, being to avoid payment for failure rather than representing a 'target' for success; and (2) our expected ROCE performance over the next three years. The latter factors in our decision to expand and accelerate connections alongside our ambition to reach 25m premises with full fibre by the end of 2026, a once-in-a-generation capital investment of approximately £15bn that will both support the upgrade of the UK's digital economy into the future, and position BT Group to deliver long-term returns to our shareholders.

Responsibility for assessing the sustainability underpin sits with the *Digital Impact & Sustainability Committee*, which will provide a recommendation to the Committee at the end of the underpin period for their consideration. The *Digital Impact & Sustainability Committee* has agreed a framework which will enable a robust assessment of performance versus our specific sustainability commitments.

#### Chairman and Non-Executive Director fees

No changes will be made to the fees payable to the Chairman and Non-Executive Directors for FY24.

Finally, I will be stepping down from the BT Group Board at the conclusion of the AGM in July, and will be succeeded in my role as Chair of this Committee by Ruth Cairnie. I would like to thank you for your support over the last three years. 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  
17 May 2023

## 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 group, aligning the interests of our Executive Directors with those of our shareholders
- We're committed to transparent communication with all stakeholders, including our shareholders
- The same annual performance framework applies to all our management colleagues, including Executive Directors, with aligned group and divisional metrics to ensure a consistent focus.

### 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 group's risk management framework
- Three-year deferral under the annual bonus and a five-year release period on RSP awards 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 *Remuneration Committee* discretion to adjust formulaic outcomes.

### Proportionality

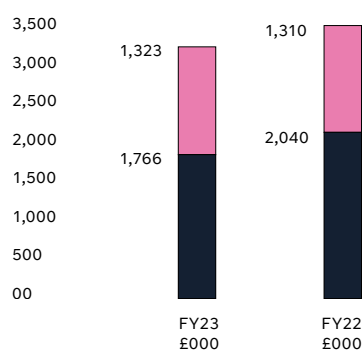
- There is clear alignment between group performance, strategic progress, and remuneration outcomes for our Executive Directors
- Target total compensation levels are set competitively compared to other companies of similar size and complexity to ensure we can attract and retain the executives needed to deliver the business strategy. Maximum total compensation levels are typically set lower than typical market practice to reflect the narrower and more predictable range of performance outcomes for BT Group
- Formulaic incentive outcomes are reviewed by the *Remuneration Committee* and may be adjusted after considering overall group performance and wider workforce remuneration policies and practices.

### Alignment to culture

- When considering performance, the *Remuneration Committee* takes account of BT Group's values
- The *Remuneration Committee* receives regular updates on remuneration practices and policies for the wider workforce, and colleagues may provide feedback to the Board via the *Colleague Board* and the Designated Non-Executive Director for workforce engagement
- We encourage all of our colleagues to become shareholders in the business through the operation of all-employee share plans.

## Focus on remuneration continued

## Remuneration earned in FY23

Philip Jansen  
Chief Executive  
£000

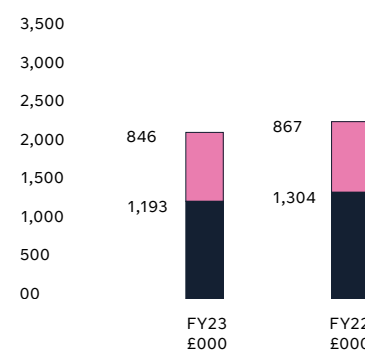
F

	FY23 £000	FY22 £000
Base salary	1,100	1,100
Pension allowance	110	110
Benefits	113	100
<b>Total fixed pay</b>	<b>1,323</b>	<b>1,310</b>

V

	FY23 £000	FY22 £000
Annual bonus (shares) <sup>a</sup>	481	660
Annual bonus (cash)	481	660
ISP (shares) <sup>b</sup>	n/a	720
RSP (shares) <sup>c</sup>	803	n/a
<b>Total variable pay<sup>d</sup></b>	<b>1,766</b>	<b>2,040</b>
<b>Total</b>	<b>3,089</b>	<b>3,350</b>

- a In line with the Policy, 50% of the annual bonus is deferred into shares for three years.
- b Performance against the adjusted cash flow measure was mid-way between target and stretch, whilst performance against both the TSR and adjusted revenue measures was below threshold. Accordingly, 19.1% of the total award vested in August 2022. Further detail is set out on [page 125](#).

Simon Lowth  
Chief Financial Officer  
£000

F

	FY23 £000	FY22 £000
Base salary	748	735
Pension allowance	75	110
Benefits	23	22
<b>Total fixed pay</b>	<b>846</b>	<b>867</b>

V

	FY23 £000	FY22 £000
Annual bonus (shares) <sup>a</sup>	328	441
Annual bonus (cash)	328	442
ISP (shares) <sup>b</sup>	n/a	421
RSP (shares) <sup>c</sup>	537	n/a
<b>Total variable pay</b>	<b>1,193</b>	<b>1,304</b>
<b>Total</b>	<b>2,039</b>	<b>2,171</b>

- c Both underpins have been satisfied for the 2020 RSP award and therefore all three tranches of the 2020 RSP award will vest in full in August 2023, 2024 and 2025 respectively. Further detail is set out on [page 122](#).
- d The total variable pay for Philip does not cast due to roundings.

## Performance outcomes in FY23

## Annual bonus FY23

- Bonus was subject to seven measures of financial and non-financial performance
- In line with the Policy, 50% of the annual bonus will be deferred into shares for three years
- Both EBITDA and normalised free cash flow were between threshold and target, and in line with our guidance for the year
- NPS was below our Group threshold target
- Performance against our network and digital impact metrics was stronger, ending the year above target
- Finally, our underlying carbon emissions performance was in line with threshold.

## Measure

## Payout (% of max)

Adjusted EBITDA		45%
Normalised free cash flow		41%
Group Net Promoter Score (NPS)		0%
5G customers		77%
FOTP connections		90%
Carbon emissions		30%
Skills for tomorrow		72%

## 2020 RSP

- A conditional share award subject to two underpins over the initial three-year vesting period
- The Committee assessed the two underpins at the end of the restricted period and confirmed that both had been satisfied
- Accordingly, all three tranches of the 2020 RSP award will vest in full in August 2023, 2024 and 2025 respectively. Tranches two and three are subject to a holding period until August 2025. Further detail is set out on [page 122](#).

### Implementation of the Policy in FY24

	<b>F</b> Fixed pay	<b>V</b> Annual bonus	<b>V</b> RSP
<b>Philip Jansen</b> Chief Executive	Salary – £1,100,000 Benefits Pension allowance – 10% of salary	Max. opportunity – 200% of salary Target opportunity – 120% of salary	2023 award – 200% of salary
<b>Simon Lowth</b> Chief Financial Officer	Salary – £750,147 Benefits Pension allowance – 10% of salary	Max. opportunity – 200% of salary Target opportunity – 120% of salary	2023 award – 200% of salary
<b>Performance measures</b>	n/a	<ul style="list-style-type: none"> <li>Adjusted EBITDA (35%)</li> <li>Normalised free cash flow (35%)</li> <li>Customer experience (20%)</li> <li>Diversity and inclusion (10%)</li> </ul> <p>An underpin applies which allow the Committee to exercise its discretion to reduce the scorecard result if there is a significant breach in health and safety.</p>	<p>Awards subject to two underpins over the initial three-year vesting period:</p> <ul style="list-style-type: none"> <li>Average ROCE must be at least 7%</li> <li>Sufficient progress is made towards meeting our sustainability commitments.</li> </ul>
<b>Framework</b>	n/a	<ul style="list-style-type: none"> <li>50% of any bonus payment for FY24 will be deferred into shares for three years</li> <li>Malus and clawback provisions apply</li> <li>Full Committee discretion available.</li> </ul>	<ul style="list-style-type: none"> <li>Awards vest in three equal tranches after three, four and five years; no shares can be sold until year five</li> <li>Malus and clawback provisions apply</li> <li>Full Committee discretion available.</li> </ul>

### Illustration of Policy

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
<b>F</b> Fixed pay	Base salary	█						
	Pension allowance	█						
	Benefits	█						
<b>V</b> Annual bonus <sup>a</sup>	50% cash		█					
	50% deferred shares				█			
<b>V</b> RSP awards	Tranche 1	50% of the bonus deferred for three years →			█	→		
	Tranche 3				█	→		
	Tranche 3						█	

Underpins apply over three years

Malus and clawback up to two years after vesting of each tranche

a All of the annual bonus measures are linked to our key performance indicators (KPIs) as set out on [pages 48 to 49](#).

# Directors' Remuneration Policy

## Directors' Remuneration Policy (Policy)

This section of the report sets out our Policy which will be put forward for shareholder approval at the AGM on 13 July 2023. Subject to approval, this Policy will become effective on that date.

The Committee has carried out a full review of all elements of the Policy and has determined that it remains fit for purpose, aligned with our strategy, and appropriately incentivises and motivates

senior executives to deliver shareholder value. As such, no material changes to the Policy are being proposed at this time.

- Further details on the review and implementation are included in the Committee Chair's letter on [pages 109 to 110](#).
- Details on how the Policy will be implemented in FY24 are provided on [page 113](#).

## Executive Directors

### F Base salary

Purpose – a core element of remuneration, used to attract and retain Executive Directors of the calibre required to develop and deliver our long-term business strategy.

### Operation

Salaries are reviewed annually, although an out-of-cycle review may be conducted if the *Remuneration Committee* determines it appropriate.

A review may not necessarily lead to an increase in salary.

Salaries are normally paid monthly in cash.

The *Remuneration Committee* takes into account a number of factors when setting salaries, including (but not limited to):

- the size and scope of the individual's responsibilities
- the individual's skills, experience and performance
- typical salary levels for comparable roles within appropriate pay comparators; and
- pay and conditions for our wider employee population.

### Maximum opportunity

Whilst there is no maximum salary level, any increase will typically not exceed the range of increases awarded to our wider employee population.

Higher increases may be made under certain circumstances, such as:

- increase in the scope and/or responsibility of the individual's role on either a permanent or temporary basis
- development of the individual within their role
- where an Executive Director has been appointed to the Board at a lower than typical level of salary, for example to reflect a lower level of experience, larger increases may be awarded to move them closer to the market rate as their experience develops
- where there has been a significant change in market practice, or the size and scope of BT Group plc, and
- other exceptional circumstances.

### Performance measures

None

### F Benefits

Purpose – to support health and wellbeing and provide employees with a market-competitive level of benefits, ensuring the attraction and retention of key talent to deliver our strategy.

### Operation

Executive Directors receive benefits which typically include (but are not limited to) car benefits (which may include any of a company 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 a financial counselling allowance of up to £5,000 (excluding VAT) a year.

Where Executive Directors are required to relocate, the *Remuneration Committee* may offer one-off or ongoing relocation benefits, and additional expatriate benefits, if considered appropriate.

Expenses incurred in the performance of an Executive Director's duties for BT Group may be reimbursed (including any relevant taxes due thereon) or paid directly by BT Group, as appropriate.

BT Group plc purchases directors' and officers' liability insurance to cover the directors, and has in place a directors' and officers' indemnity. The insurance operates to protect the directors in circumstances where, by law, BT Group cannot provide the indemnity.

Further details of the directors' and officers' liability insurance and indemnity are set out on [page 132](#).

### Maximum opportunity

While no maximum level of benefits is prescribed, they are generally set at an appropriate market-competitive level determined by the *Remuneration Committee*, taking into account a number of factors including:

- the jurisdiction in which the employee is based
- the level of benefits provided for other employees within the group; and
- market practice for comparable roles within appropriate pay comparators in that jurisdiction.

The *Remuneration Committee* keeps the benefit policy and benefit levels under regular review.

### Performance measures

None

**F Pension**

Purpose – to attract and retain Executive Directors of the right calibre by providing market competitive post-retirement income, ensuring the attraction and retention of key talent to deliver our strategy.

**Operation**

Executive Directors currently receive a cash allowance in lieu of pension. The *Remuneration Committee* may determine that alternative pension provisions will operate. When determining pension arrangements for new appointments, the *Remuneration Committee* will give regard to:

- pension arrangements received elsewhere in the group; and
- relevant market practice including in the jurisdiction in which the Executive Director is based.

**Maximum opportunity**

The maximum cash allowance (or equivalent contribution to an Executive Director's pension, or combination of the two) may not exceed the equivalent level of pension contribution offered to the majority of the workforce in their local jurisdiction (currently 10% of salary in the UK).

**Performance measures**

None

**Annual bonus**

Purpose – to incentivise and reward delivery of our business plan on an annual basis.

**Operation**

Executive Directors are eligible for an annual bonus.

Awards are based on performance in the relevant financial year, and are not pensionable.

Up to half of any bonus earned will normally be paid in cash, with the remainder granted in the form of deferred share awards to further strengthen the alignment of management's interests with the long-term interests of shareholders. Deferred share awards will normally vest, subject to continued employment, after three years.

Both cash and deferred elements are subject to BT Group's malus and clawback provisions, which are described in more detail on [page 120](#).

**Maximum opportunity**

The maximum annual bonus opportunity for the Executive Directors is 200% of base salary.

Up to 25% of the maximum under each element is payable for threshold performance and 60% of the maximum is normally payable for target performance.

**Performance measures**

The *Remuneration Committee* sets annual bonus performance measures and targets each year, taking into account key strategic priorities and the approved budget for the year.

Measures used typically include, but are not limited to:

- financial performance measures – these are chosen carefully to ensure alignment between reward and underlying financial performance. As an example, such measures may include normalised free cash flow and EBITDA, and
- non-financial performance measures – these reflect key BT Group strategic goals. For example, such measures may include network, transformation, customer experience and other ESG goals.

Financial measures will typically account for at least 50% of the total annual bonus.

The *Remuneration Committee* ensures that targets set are appropriately stretching in the context of the corporate plan, as well as other internal and external factors, and that there is an appropriate balance between incentivising Executive Directors to meet targets, while ensuring that they do not drive unacceptable levels of risk or inappropriate behaviours.

The *Remuneration Committee* has full discretion to adjust outcomes under the annual bonus plan up or down where:

- the formulaic outcome does not reflect the underlying financial or non-financial performance of BT Group plc
- the payout level is not appropriate in the context of circumstances that were unexpected or unforeseen at the start of the year; and/or
- there exists any other reason why an adjustment to the level of bonus payout is appropriate.



## Directors' Remuneration Policy continued

### Executive Directors continued

#### ■ Restricted

##### Share Plan (RSP)

Purpose – to provide a simple, long-term element of reward which creates alignment with our shareholders.

#### Operation

Executive Directors are eligible to participate in the RSP, which forms the long-term variable element of executive remuneration.

Awards are discretionary and normally vest, subject to continued employment, in three equal tranches after three, four and five years. The net number of shares vesting (i.e. after tax and other statutory deductions) under the first two tranches are subject to a further holding period until year five.

#### Maximum opportunity

Under normal circumstances, awards granted to Executive Directors in respect of any financial year may be no higher than 200% of salary.

Under exceptional circumstances, for example on recruitment, a higher limit of 250% of salary applies.

#### Performance measures

RSP awards are subject to one or more underpins over a period which is normally three financial years commencing with the year in which the awards were granted.

These underpins are designed with the protection of BT Group in mind, to ensure an acceptable threshold level of performance is achieved and that vesting is warranted. The underpins applying to each award will be determined by the *Remuneration Committee* each year, and may be a combination of financial and non-financial assessments.

If the underpins are not met, the *Remuneration Committee* may consider a reduction to the final vesting level of the RSP awards (including to nil).

Even where the underpins are met, the *Remuneration Committee* has discretion to adjust the number of shares vesting up or down where:

- the vesting outcome does not reflect the underlying financial or non-financial performance of BT Group plc
- the vesting level is not appropriate in the context of circumstances that were unexpected or unforeseen at the point the awards were granted; and/or
- there exists any other reason why an adjustment to the level of vesting of the award is appropriate.

Vested and unvested RSP awards are subject to BT Group's malus and clawback provisions, which are described in more detail on [page 120](#).

#### ■ All-employee share plans

Purpose – to encourage wider employee share ownership.

#### Operation

Executive Directors may participate in any all-employee share plans operated by BT Group plc on the same basis as other eligible employees.

#### Maximum opportunity

All participants may participate up to the limits operated by BT Group plc at the time, which are set in line within any relevant statutory limits.

#### Performance measures

None

#### Shareholding requirement

Purpose – to ensure that Executive Directors build and hold a stake in BT Group plc, providing alignment with shareholders' interests.

#### Operation

Executive Directors are required to build up and maintain a shareholding equivalent to 500% of their annual salary. It is expected that this requirement is met within five years of an executive's appointment to the Board.

Shares counted towards satisfaction of the requirement include:

- beneficially-owned shares
- vested share awards subject to a holding period
- unvested Deferred Bonus Plan (DBP) awards, counted on a net-of-tax basis; and
- unvested RSP awards subject to underpins, also counted on a net-of-tax basis.

Until such time that the requirement has been satisfied, Executive Directors will not be permitted to sell any vesting incentive awards (other than to satisfy tax or other statutory liabilities on vesting, or at the discretion of the *Remuneration Committee* in exceptional circumstances).

The shareholding requirement will continue to apply for a period of two years post-cessation of employment, to the same value as the in-employment requirement (or the total number of shares held immediately prior to cessation of employment, if lower).

#### Maximum opportunity

N/A

#### Performance measures

None

## Chairman and Independent Non-Executive Directors

### Chair of the Board

Chair fee is a core element of remuneration, paid for fulfilling the relevant role. Set at a level to ensure that we're able to attract and retain a high-calibre individual appropriate for the role.

### Operation

The Chair of the Board receives a single all-encompassing fee for their role, which is normally inclusive of any additional responsibility fees, paid monthly in cash. In exceptional circumstances additional fees may be introduced to reflect additional time commitments.

The Chair may also be eligible for certain benefits in line with those which may be offered to Executive Directors, other than any pension benefits, annual bonus or share incentives.

Expenses incurred in the performance of non-executive duties for BT Group may be reimbursed (including any relevant taxes due thereon) or paid directly by BT Group, as appropriate.

### Opportunity

The fee is set at a level which is considered appropriate to attract and retain an individual of the necessary calibre.

The fee level is normally set by reference to the level of fees paid to board chairs of similarly-sized, UK-listed companies, taking into account the size, responsibility and time commitment required of the role.

The fee may be reviewed (but not necessarily increased) on an annual basis.

The current fee level can be found in the **Annual Report on Remuneration** on [page 126](#).

BT Group plc's Articles of Association limit the maximum aggregate fees payable to all independent Non-Executive Directors.

### Other Independent Non-Executive Directors

Fees paid to Independent Non-Executive Directors are a core element of remuneration, paid for fulfilling the relevant role. Set at a level to ensure that we're able to attract and retain high-calibre individuals appropriate for the role.

### Operation

Independent Non-Executive Directors receive a basic fee, paid monthly in cash, in respect of their Board duties.

Further fees may be paid for additional responsibilities, or additional time commitments, including but not limited to: chairing or membership of Board committees, for the role of Senior Independent Director, or for holding the role of Designated Non-Executive Director for workforce engagement.

Additional fees of up to £6,000 may also be payable to Independent Non-Executive Directors undertaking regular intercontinental travel to attend Board and committee meetings.

Independent Non-Executive Directors are not eligible for annual bonus, share incentives, pensions or other benefits.

Reasonable expenses incurred in the performance of non-executive duties for BT Group may be reimbursed (including any relevant taxes due thereon) or paid directly by BT Group, as appropriate.

### Opportunity

Fees are set at a level which is considered appropriate to attract and retain Independent Non-Executive Directors of the necessary calibre.

Fee levels are normally set by reference to the level of fees paid to Independent Non-Executive Directors serving on boards of similarly-sized, UK-listed companies, taking into account the size, responsibility and time commitment required of the role.

Fees may be reviewed (but not necessarily increased) on an annual basis.

Current fee levels can be found in the **Annual Report on Remuneration** on [page 126](#).

BT Group plc's Articles of Association limit the maximum aggregate fee payable to all Independent Non-Executive Directors. The maximum is based on non-executive director fees benchmarked as at 1 April 1999 with increases linked to the Retail Price Index.

#### Notes to the Policy table

1 For further information on the performance measures and underpins applicable to the annual bonus and RSP see [page 126](#).

2 In the event of death, the Chief Financial Officer receives a dependent pension provision of 30% of salary (capped), as a legacy provision payable under a previous Policy.

3 Common award terms

Awards under any of BT Group plc's share plans referred to in this report may:

- incorporate the right to receive the value of dividends that would have been paid on the shares subject to an award that vests, which may be calculated assuming the shares were reinvested in shares on a cumulative basis. This value will normally be delivered in the form of additional shares, but may be paid in cash in exceptional circumstances
- be granted as conditional share awards, nil-cost options or in such other form that the *Remuneration Committee* determines has the same economic effect
- have any performance conditions applicable to them varied or substituted by the *Remuneration Committee* if an event occurs which causes the *Remuneration Committee* to determine that the performance conditions no longer achieve their original purpose, provided that the varied or substituted performance condition would not be materially less difficult to satisfy; and
- be adjusted in the event of any variation of BT Group plc's share capital or any demerger, special dividend or other event that may affect the current or future value of awards.

## Directors' Remuneration Policy continued

### Recruitment

Our recruitment policy is based on a number of key principles:

- we aim to provide a remuneration package which is sufficient to attract, retain and motivate key talent, while at all times ensuring that we pay no more than is necessary, with due regard to the best interests of BT Group plc and our shareholders
- the *Remuneration Committee* will take a number of factors into account in determining an appropriate remuneration package. For example, these may typically include the candidate's experience and calibre, their circumstances, external market influences and arrangements for existing Executive Directors
- the ongoing remuneration package offered to new Executive Directors will only include those elements listed within the Policy table
- the *Remuneration Committee* may also consider providing one-off or ongoing relocation benefits, as well as additional benefits to expatriate appointments, where appropriate; and
- the *Remuneration Committee* will provide full details of the recruitment package for new Executive Directors in the **Annual Report on Remuneration** and will provide shareholders with the rationale for the decisions that were taken.

The maximum level of variable pay (excluding buyouts, for which see below) which may be awarded in respect of a recruitment event (internal or external), will not exceed 450% of base salary, representing the aggregated maximum award under the annual bonus and RSP.

In addition, to facilitate recruitment, the *Remuneration Committee* may make awards to buy out remuneration or contractual entitlements which the individual would forfeit at their current employer. The *Remuneration Committee* will give consideration to any relevant factors, typically including the form of the award (e.g. cash or shares), the proportion of the performance/vesting period outstanding and the potential value of the forfeited remuneration, including performance conditions attached to the awards, the likelihood of those conditions being met, and the timing of any potential payments.

In making buyout awards, the *Remuneration Committee* may grant awards under our existing incentive arrangements or use the relevant provision in the Listing Rules. This allows for the granting of awards specifically to facilitate the recruitment of an Executive Director, without seeking prior shareholder approval. In doing so, the *Remuneration Committee* will comply with the relevant provisions in force at the time.

Where an Executive Director is appointed from within the organisation, BT Group will honour any legacy arrangements in line with their original terms and conditions.

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will be in line with those detailed on [page 126](#).

### Payment for loss of office

In a departure event, the *Remuneration Committee* will typically consider:

- whether any element of annual bonus should be paid for the financial year. Any bonus which is paid will normally be limited to the period served during the financial year in which the departure occurs
- whether any outstanding deferred bonus awards should be preserved either in full or in part; and
- whether any awards under the RSP or LTI scheme should be preserved either in full or in part and, if relevant, whether the post-vesting holding period should apply.

The *Remuneration Committee* has historically maintained a discretionary approach to the treatment of leavers, on the basis that the facts and circumstances of each case are unique. This provides the *Remuneration Committee* with the maximum flexibility to review the facts and circumstances of each case, allowing differentiation between good and bad leavers and avoiding payment for failure.

When considering a departure event, there are a number of factors which the *Remuneration Committee* takes into account in determining appropriate treatment for outstanding incentive awards.

These include:

- the position under the relevant plan documentation or any contractual entitlements
- the individual circumstances of the departure
- the performance of BT Group plc/the individual during the year to date; and
- the nature of the handover process.

### DBP

<b>Good leaver</b>	Retained in full, normally vesting on their usual timeframe. In the case of death, awards are accelerated such that they vest on the date of death.
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<b>Bad leaver</b>	Forfeit on cessation, subject to discretion.
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### RSP

<b>Good leaver</b>	Retained, subject to pro-ratio for portion of the three-year initial vesting period served, vesting on the normal timeframe, subject to the satisfaction of any performance conditions or underpins. The post-vesting holding period usually continues to apply as normal. On death, awards are accelerated such that they vest on the date of death. All retained awards are subject to pro-ratio for the portion of the initial three-year vesting period served, and subject to the <i>Remuneration Committee</i> 's assessment of satisfaction of any performance conditions or underpins applying, measured at or close to the date of death.
--------------------	--

<b>Bad leaver</b>	Forfeit on cessation, subject to discretion. In some cases, the treatment is formally prescribed under the rules of the relevant plan so that where there are 'good leaver' circumstances, including death, injury, ill-health, disability, redundancy or sale of BT Group plc or business.
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The *Remuneration Committee* considers the leaver circumstances along a continuum, ranging from 'bad leaver' scenarios such as termination of employment for gross misconduct or resignation, through to the 'good leaver' scenarios outlined above.

Accordingly, subject to the relevant plan rules, the *Remuneration Committee* may apply (or disapply) such performance conditions or underpins or time pro-rating to awards vesting in these circumstances as it considers appropriate.

### All-employee plans

The treatment of awards under BT Group plc's all-employee plans on leaving is as determined under the respective HMRC-approved rules. For saveshare, someone who ceases to be an employee in special circumstances (for example injury, disability, death, or following sale of BT Group plc or business where they work) may exercise the option within six months after leaving (or 12 months in the case of death) or the relevant corporate event. If someone leaves for a reason not falling within special circumstances, the option lapses on the date the individual leaves.

### Change of control

In the event of a takeover or scheme of arrangement involving BT Group plc, DBP and RSP awards will vest, at a minimum, to the extent that any applicable performance measures have been satisfied at the time (subject to the *Remuneration Committee's* discretion to determine the appropriate level of vesting, having regard to such relevant factors as it decides to take into account). If the acquiring company offers to exchange awards over BT Group plc shares for awards over its shares (or shares in another company), awards may, if the *Remuneration Committee* determines, be exchanged and continue under the rules of the relevant plan.

In the event of a voluntary winding up of BT Group plc, awards may vest on the members' resolution to voluntarily wind-up BT Group plc being passed.

### Executive Director service contracts

The other key terms of the service contracts for the current Executive Directors are set out below. The termination provisions described above are without prejudice to BT Group's ability in appropriate circumstances to terminate in breach of the notice period referred to above, and thereby be liable for damages to the Executive Director. In the event of termination by BT Group plc, each Executive Director may have entitlement to compensation in respect of his or her statutory rights under employment protection legislation in the UK.

Where appropriate, BT Group may also meet a director's reasonable legal expenses in connection with either his or her appointment or termination. BT Group plc may, where appropriate and reasonable, cover the cost of outplacement services.

There are no other service agreements, letters of appointment or material contracts, existing or proposed, between BT Group plc and the Executive Directors.

### Notice period

12 months' notice by BT Group plc, six months' notice by the Executive Director (there is no fixed expiry date).

### Termination payment

- In lieu of giving an Executive Director 12 months' notice, BT Group plc may terminate the director's contract and make a payment in lieu of notice to which the director was entitled if he or she had received salary and to the extent no longer payable the value of contractual benefits for the period; and
- the payments in lieu will be payable in equal monthly instalments until the date on which the notice period would have expired or (if earlier) the date on which the director secures alternative employment with the same or higher basic salary or fee. In the event that the director secures alternative employment at a basic salary of £30,000 or higher, but lower than their salary, payment in lieu will be reduced by the amount of the new lower salary received. The Board retains the right to lower the payment in lieu of the director's new employment if it considers the new employment terms of the director are not appropriately balanced between basic salary and other elements, and may cease making payments entirely where the Board is not satisfied the director is making reasonable efforts to secure alternative employment.

### Remuneration and benefits

- Participation in the annual bonus, long-term incentive and other share plans, is non-contractual.
- Other benefits which typically include (but are not limited to) car benefits (which may include any of a company 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) a year.

### Illustration of Executive Director pay scenarios

Our Policy aims to ensure that a significant proportion of pay is dependent on the achievement of stretching performance targets. The *Remuneration Committee* has considered the level of total remuneration that would be payable under different performance scenarios and is satisfied that, as the graphs illustrate, executive pay is appropriate in the context of the performance required and is aligned with shareholders' interests.

The illustrative scenarios below set out the total remuneration that might be achieved by each Executive Director for different levels of performance, based on our Policy.

The minimum reflects base salary, benefits and pension only which are not performance-related.

	Fixed pay	All scenarios	Consists of total fixed pay – base salary, benefits and pension
			– Base salary – salary effective as at 1 June 2023
			– Benefits – value of benefits provided to each director in FY23
			– Pension – cash allowance effective 1 April 2023, being 10% of salary for both Executive Directors.
Variable pay	Minimum		– No payout under the annual bonus
			– No vesting under the RSP
	On target		– On-target payout under the annual bonus of 120% of salary
			– Full vesting of the RSP at 200% of salary
	Maximum		– Maximum payout under the annual bonus of 200% of salary
			– Full vesting of the RSP at 200% of salary.
	Maximum +50% share price increase		– Maximum payout under the annual bonus of 200% of salary
			– Full vesting of the RSP at 200% of salary, with a 50% share price increase applied.

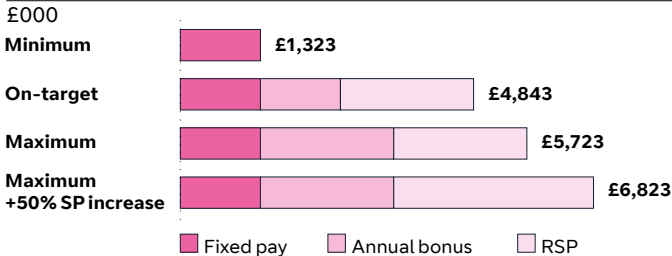
Fixed pay is calculated as follows:

£000	Salary	Benefits	Pension	Total fixed pay
Chief Executive	1,100	113	110	1,323
Chief Financial Officer	750	23	75	848

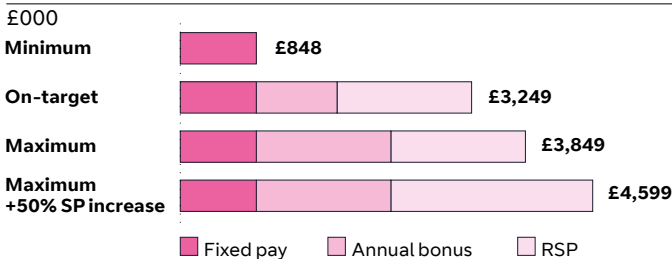
## Directors' Remuneration Policy continued

RSP awards have been shown at face value, with no share price growth or discount rate assumptions, other than the fourth scenario which includes an uplift of 50% on the restricted share awards. All-employee plans have been excluded, as have any legacy awards held by Executive Directors.

### Philip Jansen



### Simon Lowth



### Malus and clawback

Both annual bonus and long-term incentive arrangements are subject to malus and clawback. Under the malus provision, the *Remuneration Committee* may apply its discretion to reduce (including to nil) any DBP or RSP award prior to the award vesting, if circumstances arise which justify a reduction.

Under the clawback provision, the *Remuneration Committee* has discretion to require an employee to pay back to BT Group plc part or all of the cash part of the annual bonus within one year of payment. The *Remuneration Committee* also has discretion to require an employee to pay back part or all of a vested long-term incentive plan award within two years of the award or respective tranche vesting.

The circumstances in which the *Remuneration Committee* may consider it appropriate to apply clawback and/or malus include, but are not limited to those summarised below:

- behaviour by a participant which fails to reflect BT Group's governance and business values
- the extent to which any condition was satisfied was based on an error, or on inaccurate or misleading information or assumptions which resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that error not been made
- material adverse change in the financial performance of BT Group plc or any division in which the participant works and/or worked
- a material financial misstatement of BT Group plc's audited financial accounts (other than as a result of a change in accounting practice)
- any action which results in or is reasonably likely to result in reputational damage to BT Group plc
- a material failure in risk management
- corporate failure
- negligence or gross misconduct of a participant; and/or
- fraud effected by or with the knowledge of a participant.

Other elements of remuneration are not subject to malus and clawback provisions.

### Consideration of remuneration arrangements throughout the group

The *Remuneration Committee* considers the pay and conditions of employees throughout BT Group when determining the remuneration arrangements for Executive Directors, and is provided with relevant information and updates by the Chief Human Resources Officer. Whilst we do not consult directly with colleagues on executive remuneration arrangements, the Committee receives regular updates from the *Colleague Board* via the Designated Non-Executive Director for workforce engagement.

Further detail on pay conditions within BT Group are provided in [Remuneration in context](#) on page 129.

### Consideration of shareholder views

The *Remuneration Committee* is strongly committed to an open and transparent dialogue with shareholders on remuneration matters. We believe that it is important to meet regularly with our key shareholders to understand their views on our remuneration arrangements and discuss our approach going forward.

The *Remuneration Committee* will continue to engage with shareholders and will aim to consult on any material changes to the Policy or other relevant matters.

### Summary of decision-making process and changes to the Policy

During the year, the *Remuneration Committee* undertook a review of the Policy and its implementation to ensure that the Policy supports the execution of strategy and the delivery of sustainable long-term shareholder value. Throughout the review process, the *Remuneration Committee* took into account the 2018 UK Corporate Governance Code, wider workforce remuneration and emerging best practice in relation to Executive Director remuneration, as well as input from management and its independent advisors. The *Remuneration Committee* considers that the overall remuneration framework remains appropriate to continue to incentivise management to drive long-term sustainable performance for shareholders and as such, no significant changes are proposed to the Policy.

Minor changes have been made to the wording of the Policy to aid operation and to increase clarity. The *Remuneration Committee* believes that the proposed Policy is clear and transparent and aligned with our culture and considers that it complies with Provision 40 of the 2018 UK Corporate Governance Code.

### Legacy matters

The *Remuneration Committee* can make remuneration payments and payments for loss of office outside of the Policy set out above where the terms of the payment were agreed (i) before the Policy set out in this report 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 BT Group plc (or another person to whom the Policy set out above applies) and that, in the opinion of the *Remuneration Committee*, the payment was not in consideration for the individual becoming a director of BT Group plc (or taking on such other applicable position). This includes the exercise of any discretion available to the *Remuneration Committee* in connection with such payments. For these purposes, payments include the *Remuneration 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 *Remuneration 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.

# Annual remuneration report

This section summarises all elements of the directors' remuneration in FY23.

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 FY23 and FY22, including bonus and deferred bonus, long-term incentive plans and pension arrangements.

	Fixed pay								Variable pay							
	Basic salary and fees £000		Benefits <sup>a</sup> £000		Pension <sup>b</sup> £000		Total fixed pay £000		Annual bonus <sup>c</sup> £000		Long-term incentives £000		Total variable pay £000		Total £000	
	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23 <sup>d</sup>	FY22 <sup>e</sup>	FY23	FY22	FY23	FY22
<b>Chairman</b>																
Adam Crozier	700	292	12	1			712	293							712	293
<b>Executive Directors</b>																
Philip Jansen	1,100	1,100	113	100	110	110	1,323	1,310	963	1,320	803	720	1,766	2,040	3,089	3,350
Simon Lowth	748	735	23	22	75	110	846	867	656	883	537	421	1,193	1,304	2,039	2,171
<b>Non-Executive Directors</b>																
Adel Al-Saleh <sup>f</sup>	0	0													0	0
Maggie Chan Jones <sup>g</sup>	8						8						–	–	8	0
Ian Cheshire	155	144					155	144					–	–	155	144
Iain Conn	163	162					163	162					–	–	163	162
Steven Guggenheimer <sup>h,i,j</sup>	48		15				63						–	–	63	0
Isabel Hudson <sup>i</sup>	146	145	1	1			147	146					–	–	147	146
Matthew Key <sup>j</sup>	150	137	1				151	137					–	–	151	137
Allison Kirkby <sup>j</sup>	125	124	8				133	124					–	–	133	124
Sara Weller	138	131					138	131					–	–	138	131
<b>Sub-total</b>	<b>3,481</b>	<b>2,970</b>	<b>173</b>	<b>124</b>	<b>185</b>	<b>220</b>	<b>3,839</b>	<b>3,314</b>	<b>1,619</b>	<b>2,203</b>	<b>1,340</b>	<b>1,141</b>	<b>2,959</b>	<b>3,344</b>	<b>6,798</b>	<b>6,658</b>
<b>Former directors</b>																
Leena Nair <sup>k</sup>	39	116					39	116							39	116
<b>Total</b>	<b>3,520</b>	<b>3,086</b>	<b>173</b>	<b>124</b>	<b>185</b>	<b>220</b>	<b>3,878</b>	<b>3,430</b>	<b>1,619</b>	<b>2,203</b>	<b>1,340</b>	<b>1,141</b>	<b>2,959</b>	<b>3,344</b>	<b>6,837</b>	<b>6,774</b>

- 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 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) a year. For Philip, the value includes a company provided car and personal driver to the value of c. £86,000 (FY22: £70,000).
- b Pension allowance paid in cash for the financial year – see 'Pension allowance' on [page 122](#).
- c Annual bonus shown includes both the cash and deferred share element. The deferred element of the FY23 bonus includes the value of deferred shares to be granted in June 2023. Further details of the deferred element are set out on [page 122](#).
- d Value shown represents the estimated value of the first tranche of the RSP awards granted in 2020 that will vest in full in August 2023. The estimate is based on a three-month average share price from 1 January 2023 to 31 March 2023 of 135.88p. Further details are provided on [page 122](#).
- e 19.1% of the total ISP 2019 granted in June 2019 vested in August 2022. Further details are provided on [page 125](#).
- f Adel was appointed as a director on 15 May 2020. Under the terms of the Relationship Agreement between BT Group and Deutsche Telekom and Adel's letter of appointment, no remuneration is payable for this position.
- g Maggie was appointed as a director on 1 March 2023 and the figure represents her pro-rated remuneration during the year.
- h Steven was appointed as a director on 1 October 2022 and the figure represents his pro-rated remuneration during the year.
- i Includes an additional fee for regular intercontinental travel to attend Board and Board Committee meetings in line with the Policy.
- j Value shown relates to reimbursement of reasonable travelling and other expenses (including any relevant tax) incurred in carrying out their duties.
- k Leena stepped down as a Director at the conclusion of the AGM on 14 July 2022 and the figure represents her 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. A 2% increase to Simon Lowth's salary was agreed from 1 June 2022 in line with increases for our UK senior management team, bringing Simon's salary to £750,147. Philip's salary of £1,100,000 was fixed for five years at the time of his appointment in January 2019.

Adam joined on 1 November 2021 as a Non-Executive Director and Chairman designate and became Chairman on 1 December 2021. The Committee agreed a fee of £700,000 per year on appointment. The Chairman volunteered to waive any fee increase during FY23.

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. A full breakdown of Non-Executive Director fees is set out on [page 126](#).

## Annual remuneration report continued

### Pension allowance

Executive Directors receive an annual cash allowance, which can be put towards the provision of retirement benefits.

Both Executive Directors received an annual allowance of 10% of salary. This is aligned with the contribution rate available to the majority of our UK employees. We also provide death in service cover consisting of a lump sum equal to four times salary, and for Simon Lowth only, 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 FY23 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 linked to our KPIs as set out on [pages 48 to 49](#).

Category	Measure	Weighting	Threshold	Target	Stretch	Actual	Payout (% of max)
<b>Financial</b>	Adjusted EBITDA (£m)	35%	7,747	7,947	8,247	7,848	45%
	Normalised free cash flow (£m)	35%	1,252	1,452	1,752	1,328	41%
<b>Customer</b>	Group NPS	10%	0	100	200	0	0%
<b>Converged networks</b>	5G customers (000s)	5%	7,436	8,262	9,088	8,606	77%
	FTTP connections (000s)	5%	2,617	2,908	3,199	3,124	90%
<b>Digital impact &amp; sustainability</b>	Reduction in carbon emissions (%)	5%	(50)	(52)	(54)	(50)	30%
	Skills for Tomorrow (000s)	5%	600	800	1,200	920	72%
<b>Formulaic outcome</b>						43.7% of max (72.9% of target)	

For scorecard purposes, the EBITDA result assumes an on-target bonus payout for all colleagues. Actual post-bonus EBITDA for FY23 is £7,928m.

As part of its normal process, the Committee agreed appropriate adjustments to the EBITDA and normalised free cash flow target ranges to account for items not included in the targets at the start of the year, including the tax super-deduction and sale of BT Sport (including changes to accounting treatment). These amendments had the impact of reducing the formulaic outcome of the bonus scorecard.

The formulaic outcome under the carbon emissions metric was a 56% reduction. Strong progress was made in the year on energy efficiency and reduction in energy consumption across our estate. However, we also benefited from unforeseen events outside of management's control, or strategic decisions such as a reduction to our recruitment plans agreed part-way through the year. For scorecard purposes, the Committee removed the impact of these unforeseen events, with the underlying result in line with threshold at a 50% reduction.

When determining the 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. The Committee agreed that the formulaic outcome of 72.9% of target was a fair reflection of performance in the year and that no further adjustments were warranted.

The final bonus outturns for the Executive Directors are set out in the table below:

	Formulaic outcome	% of max	Value
Philip Jansen	72.9% of target	43.7%	£962,590
Simon Lowth	72.9% of target	43.7%	£656,440

As per the Policy, 50% of the FY23 annual bonus will be deferred into shares for three years.

### 2020 RSP

The RSP is a conditional share award. Two underpins applied over the initial three-year vesting period:

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

The Committee assessed performance against the two underpins at the end of the financial year and agreed that both had been satisfied.

The Committee also considered share price performance over the vesting period and the absolute value of vesting awards. Noting that a 20% reduction to the award values was made at the point of grant, the Committee agreed that the value of the 2020 RSP awards was appropriate and that no further adjustment was required.

As a result, all three tranches of the 2020 RSP award will vest in full in August 2023, 2024 and 2025 respectively. Tranches one and two remain subject to a holding requirement until August 2025.

## Awards granted during the year (audited)

### 2022 RSP

The 2022 RSP awards were made in June 2022 as set out below and on [page 125](#). An award of 200% of salary was made to both Executive Directors in line with the normal Policy level. The face value was based on the BT Group plc share price at the date of grant of 184.35p. The grant price is calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant.

Director	Date of award	RSP award (shares)	Face value of award
Philip Jansen	24 June 2022	1,195,652	£2,200,000
Simon Lowth	24 June 2022	815,376	£1,500,294

These awards are conditional share awards. Two underpins apply over the initial three-year vesting period:

- 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 group.

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

Awards will vest in three equal tranches after three, four and five years, with an additional holding period such that no shares may be sold until year five. At vesting, additional shares representing the value of reinvested dividends on the underlying shares are added.

Malus and clawback provisions apply as set out in the Policy, and the Committee retains the ultimate discretion to adjust vesting levels to ensure alignment with our overall performance.

[Details of all interests under the RSP are set out on page 125.](#)

### 2022 deferred shares

In line with the Policy, 50% of the bonus awarded for FY22 was deferred into shares. The awards were made under the deferred bonus plan (DBP) in June 2022 as set out below and on [page 125](#). The face value was based on the BT Group plc share price at the date of grant of 184.35p. The grant price is calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant.

Director	Date of award	DBP award (shares)	Face value of award
Philip Jansen	24 June 2022	358,695	£660,000
Simon Lowth	24 June 2022	239,816	£441,263

Deferred shares are not subject to performance conditions and have a three-year vesting period. At vesting, additional shares representing the value of reinvested dividends on the underlying shares are added.

Malus and clawback provisions apply as set out in the Policy, and the Committee retains the ultimate discretion to adjust vesting levels to ensure alignment with our overall performance.

[Details of all interests under the DBP are set out on page 125.](#)

## 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 BT Group plc over time by retaining net shares received through the executive share plans or from market purchases.

The shareholding requirement for both Executive Directors under the Policy is 500% of salary. Executive Directors are expected to meet this requirement 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 continues to apply in full for two years post-cessation of employment (or the total number of shares held at cessation, if lower). The post-cessation shareholding requirement will be calculated and expressed as a fixed number of shares by reference to the closing BT Group plc 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 which we will hold in trust until such time that they no longer need to be retained.

We encourage the Chairman and Independent Non-Executive Directors to purchase, on a voluntary basis, BT Group plc 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. They are asked to hold these shares until they cease being a member of the Board.

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.



## Annual remuneration report continued

**Directors' interests at 31 March 2023 or on cessation (audited)**

The following tables show the beneficial interests in BT Group plc shares of directors and persons closely associated as at 31 March 2023 (or at the point of leaving for directors who left during the year).

The first table includes interests held by the Executive Directors under BT Group plc's share plans. The numbers represent the maximum possible vesting levels. Full details of all DBP and RSP awards, including restricted periods and vesting conditions, are set out on [page 125](#).

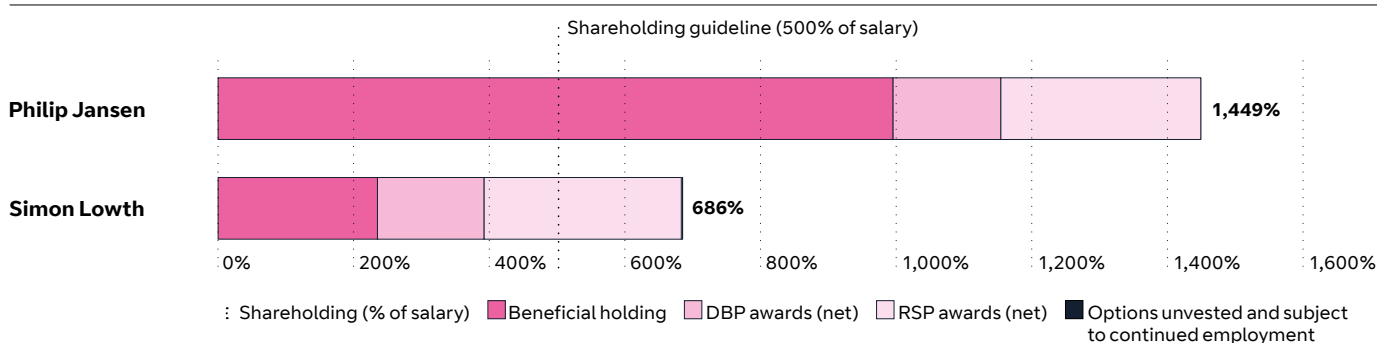
For Executive Directors we use the average BT Group plc share price over the preceding 12 months (or the share price at acquisition/vesting date if higher) to determine whether the minimum shareholding requirement has been reached.

During the period 1 April 2023 to 17 May 2023, there were no movements in directors' beneficial holdings or other interests in shares. The directors, as a group, beneficially own less than 1% of BT Group plc's shares.

Executive Directors	Number of shares owned outright at 31 March 2023	RSP and DBP <sup>a</sup>	Options <sup>b</sup>	Shareholding requirement (% of salary)	Current shareholding (% of salary)
Philip Jansen	6,412,792	3,335,872	247	500%	1,449%
Simon Lowth	924,170	2,247,211	11,222	500%	686%

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

b Includes interests in saveshare, a HMRC-approved all-employee plan and yourshare, a HMRC-approved share incentive plan.



	Beneficial holding owned outright at 1 April 2022	Beneficial holding owned outright at 31 March 2023
<b>Chairman</b>		
Adam Crozier	62,500	62,500
<b>Non-Executive Directors</b>		
Adel Al-Saleh	0	0
Maggie Chan Jones <sup>a</sup>	–	0
Ian Cheshire	19,646	19,646
Iain Conn	69,442	69,442
Steven Guggenheimer <sup>b</sup>	–	0
Isabel Hudson	24,090	24,090
Matthew Key	161,686	161,686
Allison Kirkby	75,000	75,000
Sara Weller	37,000	37,000
<b>Former directors</b>		
Leena Nair <sup>c</sup>	50,000	50,000
<b>Total</b>	<b>499,364</b>	<b>499,364</b>

a Maggie was appointed as a director on 1 March 2023.

b Steven was appointed as a director on 1 October 2022.

c Leena stepped down as a Director at the conclusion of the AGM on 14 July 2022 and the number reflects her holding at that date.

## Outstanding share awards at 31 March 2023 (audited)

	1 April 2022	Awarded/ granted	Dividends re-invested	Vested	Lapsed	Total number of award shares at 31 March 2023	Vesting date	Price at grant	Market price at date of vesting	Market price at date of exercise	Monetary value of vested award £000
<b>Philip Jansen</b>											
DBP 2019	65,735	–	–	65,735	–	–	01/08/2022	207.45p	160.46p	–	105
DBP 2020	1,119,999	–	62,365	–	–	1,182,364	01/08/2023	119.27p	–	–	–
DBP 2021	657,482	–	36,610	–	–	694,092	24/06/2024	203.16p	–	–	–
DBP 2022 <sup>a</sup>	–	358,695	19,972	–	–	378,667	24/06/2025	184.35p	–	–	–
ISP 2019 <sup>b</sup>	2,347,782	–	–	448,426	1,899,356	–	31/03/2022	207.45p	160.46p	–	720
RSP 2020 <sup>c</sup>	1,678,492	–	93,463	–	–	1,771,955	03/08/2023	106.11p	–	–	–
RSP 2021 <sup>d</sup>	1,095,804	–	61,017	–	–	1,156,821	24/06/2024	203.16p	–	–	–
RSP 2022 <sup>e</sup>	–	1,195,652	66,578	–	–	1,262,230	24/06/2025	184.35p	–	–	–
yourshare 2021 <sup>f</sup>	247	–	–	–	–	247	24/06/2024	202.70p	–	–	–
<b>Simon Lowth</b>											
DBP 2019	174,578	–	–	174,578	–	–	01/08/2022	207.45p	160.46p	–	280
DBP 2020	763,785	–	42,529	–	–	806,314	01/08/2023	119.27p	–	–	–
DBP 2021	439,579	–	24,476	–	–	464,055	24/06/2024	203.16p	–	–	–
DBP 2022 <sup>a</sup>	–	239,816	13,353	–	–	253,169	24/06/2025	184.35p	–	–	–
ISP 2019 <sup>b</sup>	1,373,469	–	–	262,333	1,111,136	–	31/03/2022	207.45p	160.46p	–	421
RSP 2020 <sup>c</sup>	1,122,206	–	62,488	–	–	1,184,694	03/08/2023	106.11p	–	–	–
RSP 2021 <sup>d</sup>	732,632	–	40,794	–	–	773,426	24/06/2024	203.16p	–	–	–
RSP 2022 <sup>e</sup>	–	815,376	45,402	–	–	860,778	24/06/2025	184.35p	–	–	–
saveshare (2019) <sup>g</sup>	10,975	–	–	–	–	10,975	01/08/2024	163.92p	–	–	–
yourshare 2021 <sup>f</sup>	247	–	–	–	–	247	24/06/2024	202.70p	–	–	–

- a Awards granted on 24 June 2022. The number of shares subject to awards was calculated using the average middle-market price of a BT Group plc share for the three days prior to grant.
- b Awards granted on 19 June 2019. The number of shares subject to award was calculated using the average middle-market price of a BT Group plc share for the three dealing days prior to grant. 40% of each award was linked to TSR compared with a group of 16 companies, 40% was linked to a three-year normalised free cash flow measures and 20% to a measure of underlying revenue growth (including transit) over three years. The award vested at 19.1% in August 2022 as disclosed in last year's remuneration report.
- c Awards granted on 3 August 2020. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant. 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 122](#). The Committee assessed performance against the two underpins at the end of the financial year and agreed that both had been satisfied. As a result, all three tranches of the 2020 RSP award will vest in full in August 2023, 2024 and 2025 respectively. Tranches one and two remain subject to a holding requirement until August 2025.
- d Awards granted on 24 June 2021. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant. 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 122](#).
- e Awards granted on 24 June 2022. The number of shares subject to awards was calculated using the average middle market price of a BT Group plc share for the three dealing days prior to grant. 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 122](#).
- f Awards granted on 24 June 2021 under the free share element of the BT Group plc Employee Share Investment Plan in which all eligible employees of the group were granted £500 worth of shares.
- g Option granted on 14 June 2019 under the employee saveshare scheme, in which all eligible employees of the group are entitled to participate.

## Annual remuneration report continued

### Implementation of Policy in FY24

#### Base salary

Philip's base salary of £1,100,000 was agreed on appointment in January 2019 and is fixed for five years. Philip has also volunteered to waive any salary increases beyond FY24.

Our annual salary review for the UK management population will take place in September rather than June. As such, any change in base salary for Simon will be considered at that time and reported in the 2024 Report on directors' remuneration.

#### Benefits

For Executive Directors, the Committee has set benefits in line with the Policy. No changes are proposed to the benefit framework for FY24.

#### Pension allowance

In line with the rate offered to the majority of our UK workforce, both Executive Directors receive an annual allowance equal to 10% of salary in lieu of pension provision.

#### Annual bonus

Both Executive Directors are eligible for an on-target and maximum bonus payment of 120% and 200% of salary. In line with 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. As set out on [page 110](#) we're proposing a simplified annual bonus scorecard for FY24 with an improved focus customer and diversity and inclusion metrics.

The FY24 annual bonus structure measures and weightings are set out below.

Category	Measure	Weighting
<b>Financial</b>	Adjusted EBITDA	35%
	Normalised free cash flow	35%
<b>Transformation scorecard</b>	NPS	20%
	Diversity & inclusion	10%

All of the annual bonus measures are linked to our KPIs as set out on [pages 48 to 49](#).

In addition to the annual bonus scorecard, a health and safety underpin applies which allows the Committee to exercise its discretion to reduce the annual bonus pay-out result if there is a significant breach in health and safety.

We do not publish details of the targets in advance as these are commercially confidential. Targets will be disclosed in full in the 2024 Report on directors' remuneration.

### RSP

Given the annual salary review will take place in September rather than June, the annual grant of RSP awards will also be deferred to that time. Our normal Policy grant level for Executive Directors is 200% of salary. The Committee will consider the actual grant value for the 2023 awards nearer the time of grant, taking into account the share price at the time. If the share price is materially lower than the share price used to determine the 2022 awards, the Committee will consider whether it is appropriate to reduce awards to mitigate the risk of windfall gains.

The Committee has agreed the following two underpins for the 2023 RSP awards which will be measured over the initial three-year vesting period:

- Average ROCE must be at least 7%
- The business must have made sufficient progress over the vesting period towards meeting our sustainability commitments (which could include carbon emissions, carbon abatement and circularity).

Awards will vest in three equal tranches after three, four and five years, with an additional holding period such that no shares may be sold until year five. At vesting, additional shares representing the value of reinvested dividends on the underlying shares are added.

Malus and clawback provisions and overarching Committee discretion applies, as set out in the Policy.

### Chairman and Non-Executive Director remuneration

The base fee for Non-Executive Directors is unchanged for FY24 at £78,540 per year. The Chairman receives a single all-inclusive fee for his role. No increase has been awarded for FY24 and this will remain at £700,000.

There are additional fees for membership and chairing a Board committee, details of which are set out in the table below. The fees are unchanged versus the prior year:

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
National Security and Investigatory Powers	n/a <sup>a</sup>	£8,000
Nominations	n/a <sup>a</sup>	£10,000
Remuneration	£30,000	£15,000

<sup>a</sup> Where the Chairman or Chief Executive acts as Chair of a Board committee, no additional Committee Chair fee is payable.

Other fees payable include:

- an additional fee of £27,000 per annum to the Senior Independent Non-Executive Director
- an additional fee of £10,000 per annum to the Designated Non-Executive Director for workforce engagement
- an additional fee of £20,000 per annum to the Director appointed to the joint venture between BT Group and Warner Bros. Discovery.

No element of Non-Executive Director remuneration is performance-related. Neither the Chairman nor the Non-Executive Directors participate in our bonus or employee share plans and nor are they members of any of the group pension schemes.

## Other remuneration matters

### Advisers

During the year, the Committee received independent advice on executive remuneration matters from Deloitte LLP. The Committee is satisfied that the advice provided by Deloitte has been objective and independent. The Deloitte partner who provides remuneration advice to the Committee does not have any connections with BT Group plc that may impact their independence. Deloitte received £147,415 (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 its consideration of matters relating to executive remuneration and the 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 FY23, Deloitte provided the group with advice on corporate and indirect taxes, assistance with regulatory, risk and compliance issues, accounting advice, help with delivering on the making finance better transformation 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 2023, shares equivalent to 3.03% (FY22: 4.16%) 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 FY24, shares equivalent to approximately 0.87% (FY23: 0.53%) of the issued share capital (excluding treasury shares) will be required to satisfy the all-employee share plans.

### 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
Report on directors' remuneration at the 14 July 2022 AGM	93.58	6.42	
Policy at the 16 July 2020 AGM	6,408,190,533	439,625,354	58,845,040
	95.04	4.96	
	6,036,920,089	315,057,559	4,101,574

Withheld votes are not counted when calculating voting outcomes.

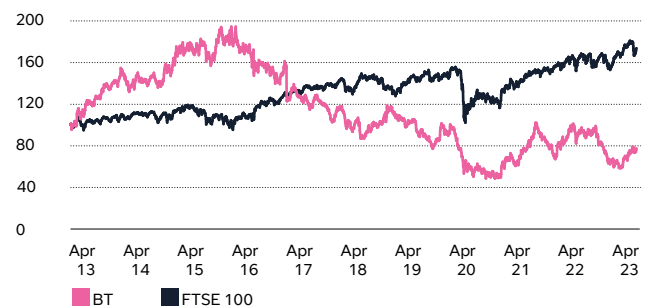
### Committee evaluation FY23

This year we undertook an internal Board and committee evaluation, details of which can be found on page 96.

## 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 Group plc has been a member of the FTSE 100 throughout the ten-year period.

### BT Group plc's TSR performance vs the FTSE 100



Source: Datastream.

## History of Chief Executive remuneration

Year end	Chief Executive	Total remuneration £000	Annual bonus (% of max)	ISP/ RSP vesting (% of max)
2023	Philip Jansen	3,089	43.7%	100%
2022	Philip Jansen	3,460	60%	19.1%
2021	Philip Jansen	2,628	60%	0%
2020	Philip Jansen	3,248	50%	n/a
2019	Philip Jansen <sup>a</sup>	725	56%	n/a
	Gavin Patterson <sup>b</sup>	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 <sup>b</sup>	4,562	58%	67.4%
2014	Gavin Patterson <sup>c</sup>	2,901	62%	78.7%
	Ian Livingston <sup>d</sup>	4,236	35%	63.4%

- a Philip was appointed as a director on 1 January 2019 and became Chief Executive from 1 February 2019. His first ISP award was granted 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:

Executive Directors		
	Commencement date	Termination provisions
Philip Jansen	1 January 2019	Directors' service agreements do not contain fixed term periods and are terminable by BT Group plc on 12 months' notice and by the director on six months' notice.
Simon Lowth	6 July 2016	
Chairman and Independent Non-Executive Directors		
	Commencement date	Termination provisions
Adam Crozier	1 November 2021	The letter of appointment does not contain a fixed term period and is terminable by BT Group plc on 12 months' notice and by the director on six months' notice.
Maggie Chan Jones	1 March 2023	Letters of appointment do not contain fixed term periods and are terminable by either party by three months' written notice.
Ian Cheshire	16 March 2020	
Iain Conn	1 June 2014	
Steven Guggenheimer	1 October 2022	
Isabel Hudson	1 November 2014	
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 Group plc and Deutsche Telekom. The appointment is terminable immediately by either party.

As announced on 2 February 2023, Ruth Cairnie joined the Board as an Independent Non-Executive Director on 6 April 2023. In addition, Ian Cheshire and Iain Conn will step down from the Board at the conclusion of the AGM on 13 July 2023.

There are no other service agreements, letters of appointment or material contracts, existing or proposed, between BT Group plc 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.

### Independent 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 BT Group plc's registered office.

# Remuneration in context

## Consideration of colleague and stakeholder views

**Our colleagues are vital to our business and 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, using a consistent framework for our senior management team 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, a strong commitment to diversity and inclusion and wellbeing.

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.

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 2023, as well as those reported in respect of the prior four 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 UK 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 and in 2022 due to the partial vesting of the 2019 ISP award, while a lower ratio was exhibited in FY23 due to a reduced bonus pay-out. 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.

## 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	£3,248,000	£34,881	£42,173	£51,351	93:1	77:1	63:1
2021	£2,628,000	£35,569	£41,600	£50,391	74:1	63:1	52:1
2022	£3,350,000	£35,722	£40,059	£49,488	94:1	84:1	68:1
<b>2023</b>	<b>£3,089,000</b>	<b>£36,960</b>	<b>£40,095</b>	<b>£50,999</b>	<b>84:1</b>	<b>77:1</b>	<b>61:1</b>

## 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
2022	£1,100,000	£31,637	£35,017	£43,908	35:1	31:1	25:1
<b>2023</b>	<b>£1,100,000</b>	<b>£33,144</b>	<b>£35,948</b>	<b>£44,986</b>	<b>33:1</b>	<b>31:1</b>	<b>24:1</b>

The P25, P50 and P75 employees were identified from our 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 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.

### Percentage change in remuneration of the Executive and Non-Executive Directors and all employees

BT Group plc, our parent company, employs our Chairman, Executive and Non-Executive Directors 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 22,000 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.

	FY23 (% change)			FY22 (% change)			FY21 (% change)		
	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual bonus
<b>Chairman</b>									
Adam Crozier	0%	1,100%	–	–	–	–	–	–	–
<b>Executive Directors</b>									
Philip Jansen	0%	13%	(27)%	0%	2%	0%	0%	(14)%	0%
Simon Lowth	2%	5%	(26)%	0%	(4)%	0%	0%	(5)%	(2)%
<b>Non-Executive Directors</b>									
Adel Al-Saleh <sup>a</sup>	–	–	–	–	–	–	–	–	–
Maggie Chan Jones <sup>b</sup>	–	–	–	–	–	–	–	–	–
Ian Cheshire	8%	–	–	8%	0%	–	19%	–	–
Iain Conn	1%	–	–	0%	0%	–	33%	–	–
Steve Guggenheimer <sup>b</sup>	–	–	–	–	–	–	–	–	–
Isabel Hudson	1%	0%	–	0%	0%	–	4%	(66)%	–
Matthew Key	9%	100%	–	2%	0%	–	13%	–	–
Allison Kirkby	1%	100%	–	0%	0%	–	6%	–	–
Leena Nair <sup>c</sup>	0%	–	–	0%	0%	–	3%	–	–
Sara Weller	5%	–	–	0%	0%	–	–	–	–
<b>UK management colleagues</b>									
	3%	0%	(25)%	0%	0%	0%	0%	0%	18%

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

b The director joined during FY23 and so no relevant comparison can be presented.

c Leena left during the year and the reduction reflects the pro-rated remuneration.

### 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	FY23 (£m)	FY22 (£m)	% change
Remuneration paid to all employees	4,952	4,845	2%
Dividends/share buybacks <sup>a</sup>	940	437	115%

a Includes share purchases by the Trust as set out in note 21 to the consolidated financial statements.

### Diversity and inclusion

Embracing diversity, inclusion, accessibility and equality is core to our people strategy and critical to our growth. Our Diversity and Inclusion Strategy is a programmatic, evidence-based approach to help us understand and remove bias and other cognitive barriers from policies, processes, systems and decision-making.

It supports our aim to build the strongest foundations by making sure we apply an inclusion lens to everything we do and by promoting a culture where colleagues can thrive.

📖 [More details on our Diversity and Inclusion Strategy can be found on page 33.](#)

### Gender pay gap reporting

At a group-level, our median hourly pay gap between male and female colleagues has decreased to 6.1% (6.7% in 2021). This remains favourably below the high-tech industry median of 11.9%, and the UK national median of 14.9% (ONS provisional).

📄 [Our Gender Pay Gap statement sets out the key information required under legislation and is available on our website \[bt.com/genderpaygap\]\(https://bt.com/genderpaygap\)](#)

**Sir Ian Cheshire**  
Chair of the Remuneration Committee  
17 May 2023